

What Employers Need to Know About California's New Social Compliance Audit Law

Labor & Employment Law Update

By Ngosong Fonkem and Kevin Kleine on October 31, 2024

On September 22, 2024, Governor Newsom signed Assembly Bill 3234 (A.B. 3234) into law, which requires employers who voluntarily conduct a “social compliance audit” of their business operations and practices to post a clear and conspicuous link on their website to a report detailing the findings of the employer’s compliance with child labor laws. This law goes into effect on **January 1, 2025**.

The posting requirement applies to any voluntary nongovernmental inspection or assessment of an employer’s operations or practices to evaluate whether the employer’s operations or practices are in compliance with state and federal labor laws, including, but not limited to, wage and hour and health and safety regulations and laws, including those regarding child labor.

The audit report must detail and include, *at a minimum*, all of the following information:

1. The year, month, day, and time the audit was conducted, and whether the audit was conducted during a day shift or night shift;
2. Whether the employer did or did not engage in, or support the use of, child labor;
3. A copy of the employer’s written policies and procedures regarding child employees and child labor;
4. Whether the employer exposed children to any workplace situations that were hazardous or unsafe to their physical and mental health and development;
5. Whether children worked within or outside regular school hours, or during night hours, for the employer; and
6. A statement that the auditing company is not a government agency and is not authorized to verify compliance with state and federal labor laws or other health and safety regulations.

The link to the audit report on the employer’s website must be “clear and conspicuous,” meaning it must be in larger type than the surrounding text, or in contrasting type, font, or color than the surrounding text, which calls attention to the link and audit report.

This requirement to disclose audit findings to the public may concern companies if child labor is discovered in their supply chain. However, many fail to realize that this process, while challenging, is a powerful tool to ensure compliance with not only Assembly Bill 3234, but also other increasing array of human rights-related laws and standards tailored to remediate harms through formal legal requirements.

Perhaps the most well-known of these laws so far is the Uyghur Forced Labor Prevention Act (UFLPA), a U.S. import ban against products with forced labor in their supply chains. The law currently has a heavy focus on sourcing tied to China, but it has also been applied to disrupt sourcing of diverse commodities produced elsewhere, including Malaysia, Vietnam, India, Thailand, etc. In fact, since its implementation in June 2022, US. Custom and Border Protection (CBP) has reviewed more than 9,000 shipments valued at over \$3.4 billion, covering a broad range of products from apparel, automotive parts, chemicals, electronics, flooring, and solar panels. The CPB website provides UFLPA statistics.

U.S. regulation in this area is not alone. Canada and Germany have implemented similar legislation, while the European Union, Japan, and others are considering import bans on goods made with forced labor. Thus, Assembly Bill 3234, like UFLPA, reflect a growing global movement toward combating human rights abuses in supply chains. In this evolving legal landscape, compliance is not just a legal requirement but a strategic business imperative.

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