# AB 3234 and Child Labor Compliance: What California Employers Need to Know

California's child labor laws have long been among the most stringent in the country, but recent legislative changes add new compliance wrinkles for employers conducting voluntary social compliance audits. As of Jan. 1, Assembly Bill 3234 (AB 3234) introduced additional child labor requirements for some businesses, which are particularly relevant for clients in the agriculture, retail and other industries where young workers are commonly employed.

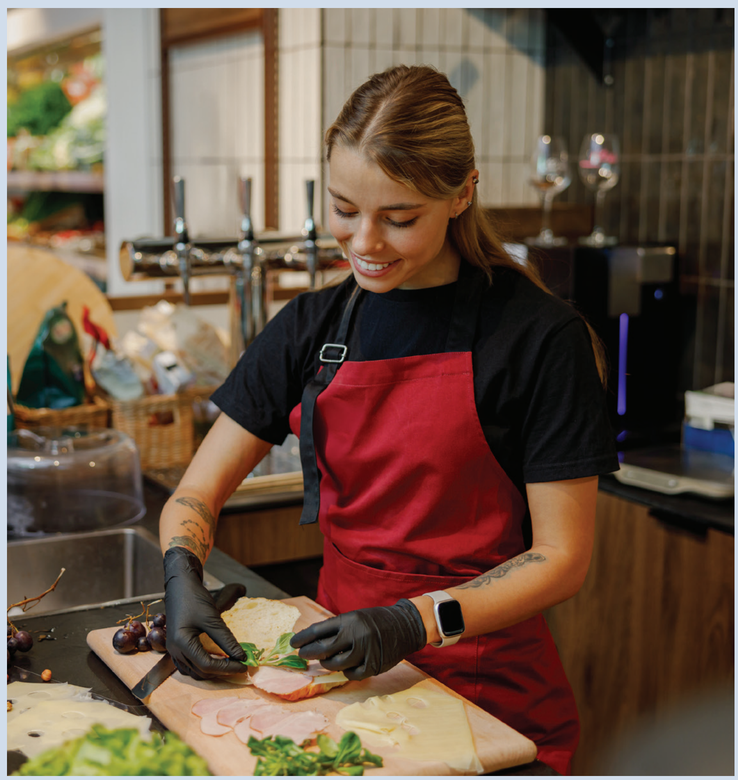
These new requirements not only call into question the value of such audits moving forward but also leave uncertainty about how the law will be enforced. Here's what California attorneys need to know.

## 1 Who is required to disclose?

This new California law doesn't apply to all businesses — only those that have already agreed to subject themselves to a social compliance audit regarding child labor. This law stems from broader environmental, social and governance (ESG) initiatives, which aim to increase corporate accountability on human rights and labor practices.

The goal of the disclosure is to determine whether child labor is involved in the employer's operations or practices via a nongovernmental inspection. The resulting assessment evaluates adherence to child labor laws and broader compliance with state and federal labor regulations, including wage-and-hour and health and safety standards.

The law defines "child" as a natural person under 18 years old, while "child labor" refers to any work a child performs in violation of state or federal law.



## 2 What must be disclosed?

As an additional, optional layer of transparency for businesses operating in California, the child labor disclosure must be public and easily accessible. Employers should post a clear and conspicuous link on their website to a report detailing the findings of their child labor audit. That report has to include:

1. The date, time and shift (day or night) of the audit
2. Whether the business did or didn’t engage in or support child labor
3. A copy of the employer's written policies regarding child employees
4. Information on any workplace hazards that may affect children
5. Details on whether children worked during school hours or at night
6. A statement clarifying that the auditing company is not a government agency and is not authorized to verify compliance with state and federal labor laws or health and safety regulations

## 3 The pros and cons of disclosure

While transparency is often seen as a hallmark of responsible corporate practice, some businesses may now wonder: Why subject ourselves to a voluntary audit if it could expose potential risks or vulnerabilities?

Aside from the most significant social and moral benefit of helping to eradicate child labor and ensure ethical practices, there are multiple pros and cons to disclosing audit findings. Here are the key considerations for employers deciding whether the benefits of disclosure under AB 3234 outweigh the potential downsides.

### Pros

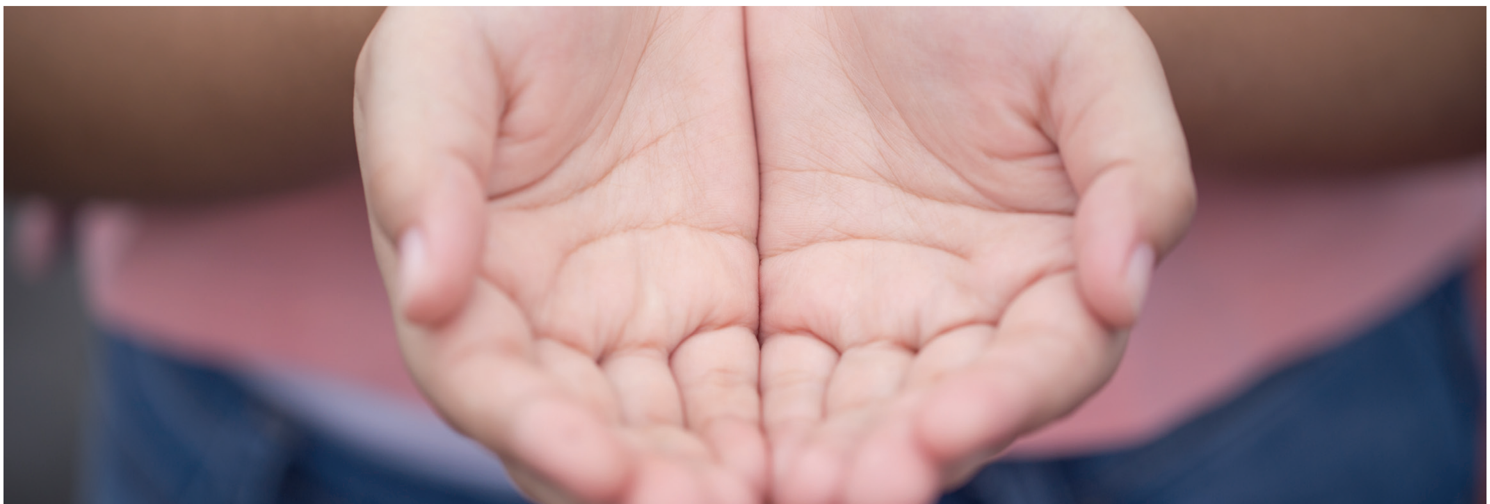
- **Enhanced transparency and trust**: Posting the audit findings publicly boosts credibility, demonstrating a commitment to ethical practices and transparency in child labor compliance. This can foster trust with consumers, clients and investors who prioritize corporate social responsibility.
- **Improved compliance with state and federal laws**: Conducting these audits can help employers establish a solid process for aligning with mandatory state and federal labor laws.
- **Mitigation of risk**: Disclosing audit findings reduces the risk of legal action or regulatory scrutiny. Doing so allows businesses to address potential issues proactively rather than reactively, minimizing reputational damage or legal consequences.
- **Better ESG alignment**: Disclosure supports ESG objectives by promoting transparency in human rights and labor practices, which is increasingly important to investors, stakeholders and regulatory bodies globally.

### Cons

- **Potential reputational and litigation risk**: If audit findings reveal areas of noncompliance or questionable labor practices, businesses risk damaging their reputation or exposing themselves to litigation.
- **Additional costs and resources**: Conducting social compliance audits and preparing the required disclosures can incur significant costs, particularly for smaller businesses, which will need to invest time and resources to ensure the audits are thorough and accurate.
- **Uncertainty in enforcement**: As often happens with new legislation, there is a lack of clarity around how AB 3234 will be enforced. This could lead to confusion among businesses about compliance expectations, making it challenging for employers to navigate their obligations.
- **Limited applicability**: Since the law applies only to businesses that have voluntarily agreed to undergo audits, it limits its reach. Companies that have not opted for such audits are not required to comply, creating inconsistencies across industries.

## 4 Action items for attorneys

- Conduct a compliance audit: Ensure all hiring and employment practices align with AB 3234's new provisions and existing California labor laws.
- Train HR and management teams: Educate personnel on permissible job duties, work-hour restrictions, and recordkeeping requirements for minor employees.
- Monitor federal changes: Stay updated on federal labor law developments and be prepared to advise clients on navigating discrepancies between state and federal requirements.
- Prepare for enforcement: Advise clients on potential audits or enforcement actions by California regulators and ensure they have documentation to demonstrate compliance.



## A new dimension to ESG compliance

More than just another regulatory requirement, AB 3234 signals a shift in how businesses approach ESG compliance. It goes beyond traditional mechanisms to compel organizations to proactively investigate and report child labor violations. By transforming social compliance audits from confidential internal assessments to public accountability documents, this new law demonstrates how corporate transparency could evolve from a secondary consideration to a central strategic priority.

**For more insights into corporate transparency and other ESG initiatives, get in touch to schedule a free demo.**

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