

# Who Says There's No Free Training? California Tells Employers They Cannot Collect Training Fees From Employees Who Quit Early

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California has taken a key retention tool away from employers: starting in January 2026, employers will no longer be able to contractually require an employee to repay any debt to the employer, training provider, or debt collector upon termination of employment, except under certain specified circumstances. The law targets provisions that employers commonly include in employment agreements intended both to encourage employees to stay and to protect employer investment in workers' training and professional development. These clauses typically require an employee to

remain with the company for a minimum period of time or be forced to pay the cost of the training provided. Because these training programs can be expensive, if not cost-prohibitive, for individual employees, such clauses can be a powerful retention incentive for employers. California may again be the bellwether for a national movement on this issue, with similar legislation already under consideration in New York, Minnesota, Ohio, and Vermont.

The new law, signed by California Gov. Gavin Newsom on Oct. 13, makes it illegal for an employment contract to require an employee to assume a debt when leaving a job before the end of the contract term. Effective Jan. 1, it bans penalties such as exit fees, bogus “liquidated damages,” or repayment of specialized job training when an employee leaves a job.

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