CRA Insights
Labor & Employment

CRA Charles River Associates

August 2026

What state reporting really means for employers: managing compliance, risk, and data strategy

The expansion of pay transparency initiatives across the United States is reshaping how employers manage compensation practices and compliance strategy.

While these legal provisions are intended to strengthen workforce and pay equity, state agencies may use the reported data to support enforcement of equal employment laws, audit employers with potential disparities, or deny or suspend certifications.

Meanwhile, collecting, validating, and reporting the required data can place a significant administrative burden on employers, particularly those operating across multiple jurisdictions.

Staying ahead of regulatory change

Employers must navigate an evolving regulatory landscape as states adopt new reporting requirements and modify existing obligations. For example, beginning July 1, 2027, employers in Colorado will be required to submit their EEO-1 reports to the secretary of state.[1]

Meanwhile, employers in California will be required to report employee-level W-2 wages and work hours by major Standard Occupational Classification (SOC) codes beginning in May 2027 – a notable shift from the EEO-1 categories previously required.[2, 3] As reporting requirements continue to evolve, employers must ensure that the data and processes underlying these submissions are equipped to meet new compliance obligations and withstand potential audits.

---

1 Colorado General Assembly, H.B. 26-1207 (2026), https://leg.colorado.gov/bill_files/117148/download.

2 California Civil Rights Department, 2025 California Pay Data Reporting Handbook (Sacramento: California Civil Rights Department, 2025), 11-14, https://calcivilrights.ca.gov/wp-content/uploads/sites/32/2026/01/2025_California_Pay_Data_Reporting_Handbook.pdf.

3 California Senate Bill 464, 2025–2026 Reg. Sess. (Cal. 2025), California Legislative Information, https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB464.

Complexity lies in the details

Preparing these state reports can be challenging for those responsible for compiling and validating the requisite data, and ensuring the reports comply with state-specific requirements. For example, both California and Illinois require employers to submit data on employee demographics, W-2 Box 5 wages, and work hours, following exact content parameters using prescriptive data templates. [4, 5, 6] Although the templates differ, both states mandate that employers report all hours for which employees are compensated or covered by employment agreements. While hours worked for non-exempt employees may be readily available through timekeeping systems, compiling actual hours for exempt employees is often more challenging.

While some reporting elements overlap across states, each jurisdiction imposes unique requirements that can create additional challenges for employers operating across multiple jurisdictions.

California spotlight

California, for example, requires employers to select a snapshot period (single pay period), during which the covered population and corresponding data should be identified. However, employers must group employees by job category, exemption status, and full- or part-time status,[7] a process that becomes more complex when employees change positions during the snapshot period. In such cases, the reporting handbook instructs employers to assign the attributes corresponding to the largest portion of work performed during the pay period.[8]

Illinois spotlight

Meanwhile, Illinois presents its own unique challenges, including the requirement that employers provide hire and termination dates for each employee.[9] The state's FAQs clarify that these fields

---

4 California Civil Rights Department, 2025 California Pay Data Reporting Handbook (Sacramento: California Civil Rights Department, 2025), 4-5, 10-14, https://calcivilrights.ca.gov/wp-content/uploads/sites/32/2026/01/2025_California_Pay_Data_Reporting_Handbook.pdf.

5 Illinois Department of Labor, "Equal Pay Registration Certificate (EPRC) – FAQs," https://labor.illinois.gov/laws-rules/conmed/eprc-faqs.html.

6 Illinois Department of Labor, "Equal Pay Registration Certificate (EPRC)," https://labor.illinois.gov/laws-rules/conmed/eprc.html; Illinois Department of Labor, *Equal Pay Registration Certificate (EPRC) Template*.

7 California Civil Rights Department, 2025 California Pay Data Reporting Handbook (Sacramento: California Civil Rights Department, 2025), 4-5, 10-14, https://calcivilrights.ca.gov/wp-content/uploads/sites/32/2026/01/2025_California_Pay_Data_Reporting_Handbook.pdf.

8 California Civil Rights Department, 2025 California Pay Data Reporting Handbook (Sacramento: California Civil Rights Department, 2025), 4-5, 10-14, https://calcivilrights.ca.gov/wp-content/uploads/sites/32/2026/01/2025_California_Pay_Data_Reporting_Handbook.pdf.

9 Illinois Department of Labor, "Equal Pay Registration Certificate (EPRC)," https://labor.illinois.gov/laws-rules/conmed/eprc.html; Illinois Department of Labor, *Equal Pay Registration Certificate (EPRC) Template*.

function as transactional entries, capturing recent hire, rehire, and termination dates, as well as any position changes that occurred during the reporting year.[10] As a result, employers must rely on historical data that are not always straightforward to compile, particularly when information spans multiple data systems, has been inconsistently tracked over time, or relies on internal knowledge that may not be well documented.

Pay transparency compliance is broader than compensation reporting

Not all states approach transparency and equity enforcement through wage-level data submissions. For example:

- Colorado's recent amendment to its periodic reporting statute requires private employers with 100 or more employees to periodically submit their most recent EEO-1 reports (as the form existed on March 1, 2026) to the secretary of state.[11]
- Similarly, the Minnesota Human Rights Act requires the submission of workforce and demographic composition reports for employers holding Workforce Certificates, as well as covered employers signing Equal Pay Certificates.[12, 13, 14] Employers granted these certificates are required to submit Annual Compliance Reports (ACRs),[15] which include the number of employees and applicants by gender, race/ethnicity, and disability status for each EEO-1 category covered by the Workforce Certification.[16] In addition, employers must complete an underutilization analysis, comparing the representation of women and racial/ethnic minority populations in their workforce relative to the external and internal availability for each EEO-1 category.

Understanding the risks

Employers must also evaluate how state enforcement agencies rely on the submitted reports and the resulting impact on compliance and litigation risk. For example, California relies predominantly on the regulatory use of the reported data, which the Civil Rights Department (CRD) leverages to identify wage patterns and support the state's enforcement of anti-discrimination laws.[17] Alternatively, Illinois' Equal Pay Registration Certificate (EPRC) Compliance Statement and Minnesota's Equal Pay Certificate require covered employers to attest that the average compensation for women and

---

10 Illinois Department of Labor, "Equal Pay Registration Certificate (EPRC) – FAQs," https://labor.illinois.gov/laws-rules/conmed/eprc-faqs.html.

11 Colorado General Assembly, H.B. 26-1207 (2026), https://leg.colorado.gov/bill_files/117148/download.

12 Employers holding contracts with state departments or the University of Minnesota must obtain Workforce Certificates if they have 40 or more full-time employees in Minnesota and meet certain contract-value thresholds.

13 Minnesota Department of Human Rights, "Workforce and Equal Pay Certificates," https://mn.gov/mdhr/.

14 Minnesota Department of Human Rights, "Annual Compliance Report," https://mn.gov/mdhr/certificates/workforce-certificate/annual.jsp.

15 Minnesota Department of Human Rights, "Annual Compliance Report, "https://mn.gov/mdhr/certificates/workforce -certificate/annual.jsp.

16 Minnesota Department of Human Rights, Workforce Certificate Annual Compliance Report: Data Analysis and Availability and Underutilization Analysis, https://mn.gov/mdhr/certificates/workforce -certificate/annual.jsp.

17 California Civil Rights Department, 2025 California Pay Data Reporting Handbook (Sacramento: California Civil Rights Department, 2025), 4, https://calcivilrights.ca.gov/wp-content/uploads/sites/32/2026/01/2025_California_Pay_Data_Reporting_Handbook.pdf.

minority employees (only applicable under Illinois law) is not consistently below the average compensation for men and non-minority employees.[18, 19]

> *These certifications raise two critical questions: What does "consistently below" actually mean in practice, and how can employers ensure that their submitted pay data will substantiate this assertion?*

Under guidance from legal counsel, employers may consider engaging experts to perform statistical analyses to understand what patterns exist in the data used to generate the required reports. Such analyses may be constructed in two different ways:

1. One approach is to focus solely on the submitted data, analyzing only the components included in the report submissions. However, finding differences in the reported data alone does not constitute a comprehensive pay equity study because legitimate factors that explain differences in pay are omitted from the analysis.

2. A more comprehensive approach includes additional individual-level and business factors in the analysis. Consistent with observations by the National Academy of Sciences, Engineering, and Medicine regarding the former EEO-1 Component 2 reports, meaningful pay equity analyses should also account for additional factors not necessarily included as part of the submissions, such as prior experience, tenure, and education.[20]

Conclusion

As states continue to advance transparency, workforce, and pay equity initiatives, employers face an increasingly complex patchwork of state-level demographic and wage reporting obligations.

Although proactive pay and workforce analyses are not required by statute, they can serve as valuable risk-management tools, helping employers understand the narrative and patterns that reporting agencies may derive from their submissions, such as issues with data quality and consistency, or unexplained disparities. As a result, employers that establish strong data quality practices and incorporate proactive analyses into their review processes will be better positioned to navigate evolving compliance expectations and respond to potential audits.

---

[18] Illinois Equal Pay Act of 2003, 820 ILCS 112/11(c)(1)(B)(ii).

[19] Minnesota Statutes, § 363A.44, subd. 2(2), https://www.revisor.mn.gov/statutes/cite/363A.44.

[20] National Academies of Sciences, Engineering, and Medicine, Evaluation of Compensation Data Collected Through the EEO-1 Form (Washington, DC: The National Academies Press, 2023), 262, https://doi.org/10.17226/26581.

Contacts

Taylor Leverette
Associate Principal
+1-850-402-4218
tleverette@crai.com

Zack Smith
Associate Principal
+1-850-402-4209
zsmith@crai.com

About CRA's Labor and Employment Practice

CRA provides in-depth analysis, expert reports, testimony, and advisory services to law firms, companies—both large and small—and government agencies involved in complex labor and employment matters. We also assist employers by conducting proactive studies of employment and contracting practices, monitoring consent decrees and settlement agreements, and designing systems to track employment practices.