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California Legislature

Select Committee on Economic Development and Technological Innovation

October 23rd, 2025 11:00AM - 1021 O St. Room 1200

Examining The Impacts of Artificial Intelligence on California's Workforce - Potential Benefits and Risks

This Senate Select Committee on Economic Development and Technological Innovation informational hearing will discuss the impacts of artificial intelligence on the California workforce, and explore the policies that can be implemented to achieve positive labor policy outcomes. The committee will hear from subject matter experts, labor advocates, and industry about how AI is being utilized in the labor market, which sectors will be most affected by its adoption, and how the state can capitalize on opportunities to leverage AI in ways that empower California workers while avoiding adverse outcomes such as de-skilling, worker exploitation, and unemployment.

California legislators are uniquely positioned to enact policies that engender trust at a time when the majority of Californian voters express little faith in tech executives and their leaders to protect their interests in regards to AI adoption.[1] Additionally, this hearing comes at a time when the overall national unemployment rate is at about 4%, but for new college graduates, it sits at approximately 6.6% over the past 12 months ending in May.[2] Meanwhile, approximately 92% of companies plan to increase AI investments in the next 3 years.[3] The committee will hear testimony from representatives of labor and employers to understand how the state can capitalize

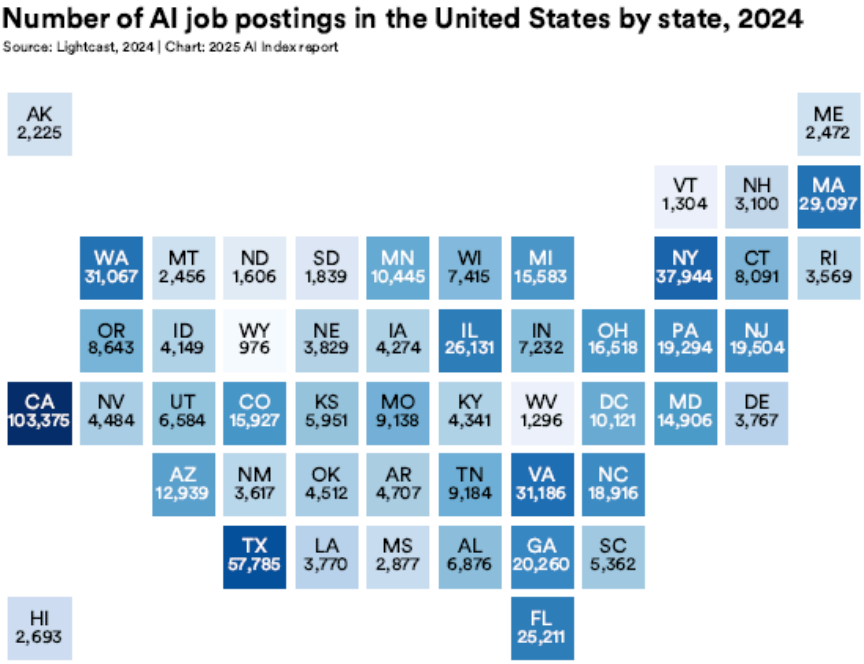
[1] UC Berkeley Institute for Governmental Studies
[2] WSJ: Young Graduates Are Facing an Unemployment Crisis
[3] AI in the workplace: A report for 2025 | McKinsey

on this unprecedented technology to achieve positive outcomes for Californians while mitigating risks of creating greater inequality.

Potential Benefits

AI as an Industry

AI adoption is accelerating across firms and occupations, with California at the center of U.S. AI hiring demand and company activity. AI postings grew across most sectors from 2023 to 2024, led by information, professional services, finance, and manufacturing. Generative-AI skills (e.g., LLM development, techniques to reduce errors and hallucinations, prompt engineering) saw triple-digit growth in U.S. job ads year over year.[4] California added over 100,000 AI job postings in 2024, more than any other state.



Potential to Streamline Hiring

AI is also being used in the hiring process across industries, and in every part of the hiring pipeline. Firms currently leverage AI search/matching capabilities that turn role descriptions into

[4] Stanford HAI Index Report 2025

candidate lists, and recruiters are then using AI to draft personalized outreach messages. Additionally, companies are investing in AI systems that parse resumes and craft questions to triage large applicant pools. Other uses include generating interview guides and question banks, taking notes and summarizing interviews for recruiter debriefs, and optimizing calendars for panels.

Boosting Productivity

In a randomized study conducted by Harvard, MIT, and University of Pennsylvania, researchers found that consultants using generative AI delivered higher-quality work and faster outputs on suitable tasks, while misuse on tasks outside model strengths degraded quality - underscoring the need for training and oversight.[5] Given that current capabilities of models are still concentrated in certain areas, as new use-cases emerge, some firms expect that new types of roles may come about in the realm of human oversight or AI-related roles such as prompt engineering. The World Economic Forum predicted AI to contribute 69 million new jobs worldwide by 2028 in its 2023 Future of Jobs Report.[6] AI has also been a growing sector of employment in and of itself. According to Stanford's 2025 AI Index report, AI-related jobs accounted for 1.4% of all American job postings in 2023. In 2024, that number increased to 1.8%. That same report found that over 15% of AI-related job postings in the U.S. in 2024 were for jobs based in California.

Potential Risks

Bias and Proxy Discrimination

While AI can streamline time-consuming processes like hiring, administrative tasks, and other bureaucratic processes, it also has the potential to reinforce existing inequality if not trained properly on representative samples, or fine-tuned to mitigate bias. Particularly in the context of hiring, the risk of bias in AI systems may determine whether it increases opportunity, or if it stratifies existing lines of implicit bias. Even within algorithms and systems which aren't

[5] Harvard Business School: Navigating the Jagged Technological Frontier
[6] WEF Future of Jobs Report 2023

considered to be generative AI, there is a substantial body of case law demonstrating the harms that can result from such risks.[7] These harms can be difficult to address in AI systems which are exceedingly difficult to interpret due to their computational complexity. This opaqueness creates an asymmetry of information in situations where a subject of an AI-driven process or decision seeks an explanation for an outcome.

Algorithmic Management

According to a 2024 survey by the Organisation for Economic Co-operation and Development (OECD), about 90% of U.S. firms have adopted at least one algorithmic management tool, and more than three-quarters of those surveyed deploy ten or more distinct algorithmic management tools. Over half of U.S. firms (55%) report they monitor the content and tone of employees' communications (emails, calls, chats) using AI-driven tools.[8] These trends have raised concerns about privacy, bias, and stress from constant monitoring. A December 2024 PPIC survey found 52% of Californians hold an unfavorable view of AI, and about one-third of employed Californians are concerned AI could reduce their hours or employer headcounts, with higher concern among lower-income workers.[9] These attitudes heighten the importance of trustworthy deployment, and worker-facing safeguards.

Less Opportunity for Entry Level Work, Smaller Talent Pools for Senior Positions

In its 2025 report, the World Economic Forum estimates that workers can expect that two-fifths of their existing skill sets will be transformed or become outdated over the 2025-2030 period.[10] Recent evidence suggests that this shift for existing workers may be coming at the expense of entry-level roles for new graduates and younger professionals. While data is sparse, a new study of national employment data from Stanford's Human Centered Artificial Intelligence found that workers aged 22 to 25 have experienced a 6% decline in employment from late 2022 to July

[7] AI Now Institute: Litigating Algorithms 2019 US Report
[8] OECD: Algorithmic Management in the Workplace
[9] PPIC Statewide Survey: Californians and Their Economic Well-Being
[10] WEF 2025 Future of Jobs Report

2025 in AI-exposed occupations, compared to a 6-9% increase for older workers.[11] The authors disclaim that drawing a causal link between their findings and the adoption of AI would require firm-level analyses, but nonetheless their results raise questions for policymakers as to how the state can anticipate such shifts across a broader range of occupations. These findings are also in light of reporting that there were 15% fewer job postings to the entry-level job-search platform Handshake this school year than last, while the number of applications per job rose 30%.[12] The risk that AI will drive a wedge between senior-level roles and entry-level positions could mean that in the future there aren't enough people with the necessary experience to replace senior positions when those workers retire.

This hearing underscores both the urgency and the opportunity before California. AI is already transforming the state's labor market, and while it offers real potential to increase productivity, streamline hiring, and create new categories of work, it also presents risks of bias, surveillance, and displacement. The state is uniquely positioned as the epicenter of AI innovation, with a responsibility to ensure that the benefits are broadly shared and that workers are not left behind.

[11] Stanford Digital Economy
[12] The Wall Street Journal