



March 31, 2025

The Honorable Rebecca Bauer-Kahan  
California State Assembly  
1021 O Street, Suite 5210  
Sacramento, CA 95814

Dear Assemblymember Bauer-Kahan:

On behalf of SHRM and the California State Council of SHRM (SHRM California), we write to express our opposition to AB 1018 which we believe in its current form, would chill the ongoing use and adoption of AI in California and will make it more difficult for California businesses to remain competitive in the global marketplace. While SHRM and SHRM California oppose AB 1018, we share your commitment to promoting thoughtful regulation of artificial intelligence (AI) and automated decision systems (ADS).

As the voice of all things work, workers, and the workplace, SHRM is the foremost expert, convener, and thought leader on issues impacting today's evolving workplaces. With nearly 340,000 members in 180 countries, SHRM impacts the lives of more than 362 million workers and families globally. SHRM California links all 16 of California's local SHRM chapters with SHRM's regional and national organizations and unites California's nearly 30,000 SHRM members.

SHRM and SHRM California believe the key to policies that support workplace and workforce innovation is to implement a balanced approach that safeguards job candidates and employees' rights while enabling businesses to use tools that will lead to better workforce decisions. We do not believe that AB 1018 accomplishes this goal.

### **1. AI Has the Potential to Provide Significant Benefits to California Employers and Workers**

SHRM's research<sup>1</sup> shows that **1 in 4 organizations (26%) currently use AI to support HR-related activities**, with nearly two-thirds of these adopters only implementing AI in HR within the past year. HR professionals, as the architects of talent and performance management, have been embracing AI to enhance their organizations' capabilities because it offers a promising array of solutions to address the complex demands of the modern workplace. For example, a SHRM survey from January and February 2024 finds that among HR leaders whose organizations currently are using generative AI (GenAI), 75% report enhanced organizational efficiency, 69% say GenAI has increased creativity, and 65% say it has improved work quality.

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<sup>1</sup>SHRM's 2024 Talent Trends Survey was conducted in January 2024 and collected responses from over 2,300 HR professionals representing organizations of all sizes and across a variety of industries in the United States. A summary excerpt of these research findings is available at [https://shrm-res.cloudinary.com/image/upload/AI/2024-Talent-Trends-Survey\\_Artificial-Intelligence-Findings.pdf](https://shrm-res.cloudinary.com/image/upload/AI/2024-Talent-Trends-Survey_Artificial-Intelligence-Findings.pdf).

Increasing adoption of AI—in both HR and other sectors—is also intensifying pressure for innovation and highlighting the need for workforce skill building. As AI becomes increasingly integral to business operations across industries, California workers will need the opportunity to learn, adapt, and utilize AI tools to remain competitive in the global job market. SHRM’s research<sup>2</sup> shows that because of how AI is redefining the business landscape, 30% of HR leaders feel there is now greater pressure to innovate, and 28% of HR leaders feel there is now an increased need for upskilling or reskilling of workers.

#### a. AI Is Helping Employers Recruit and Retain Talent

SHRM’s research<sup>3</sup> shows that 64% of employers currently using AI in HR-related activities are doing so to support their recruiting, interviewing, and hiring processes. Of HR professionals whose companies are using AI for recruiting, interviewing, and hiring, SHRM’s research shows:

- 88% say it *saves them time* and/or increases their efficiency.
- 35% say it reduces their recruitment, interviewing, and/or hiring *costs*.
- 23% say it improves their ability to *identify top candidates*.
- 20% say it improves their ability to *reduce potential bias* in hiring decisions.
- 15% say it improves their ability to *identify more diverse candidates*.
- 10% say it allows them to *access underrepresented pools of talent* they weren’t previously reaching.

These benefits translate into improvements in hiring processes. SHRM’s research<sup>4</sup> shows that of these HR professionals using AI:

- 49% report that AI significantly reduces the *quantity* of applications requiring manual review, with 35% noting it as “somewhat better” and 14% as “much better.”
- 52% observe improved *time-to-fill* for open positions, with 45% reporting it as “somewhat better” and 7% as “much better.”
- 31% note *enhanced candidate experience*, as reflected in applicant feedback, with 26% describing it as “somewhat better” and 5% as “much better.”

#### b. AI Is Enhancing Diversity

SHRM continues to educate its members regarding the risks of algorithmic discrimination, along with ways that HR professionals can use AI tools in a way that is consistent with their ethical and legal responsibilities. Importantly, SHRM’s research also shows that nearly 1 in 3 HR professionals say the diversity of their organization’s hires is somewhat (29%) or much better (3%) due to their use of AI.<sup>5</sup>

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<sup>2</sup> <https://www.shrm.org/executive-network/insights/new-shrm-research-shows-how-hr-leaders-really-feel-about-ai>

<sup>3</sup> See 2024 SHRM Talent Trends Survey, *supra* note 1

<sup>4</sup> See 2024 SHRM Talent Trends Survey, *supra* note 1

<sup>5</sup> See 2024 SHRM Talent Trends Survey, *supra* note 1

Among organizations using AI to improve their ability to identify more diverse candidates or to access underrepresented pools of talent they were not previously reaching, SHRM's survey data shows:

- 69% say AI helps them reach more racially or ethnically diverse candidates.
- 56% say AI helps them reach more gender-diverse candidates.
- 55% say AI helps them reach more educationally diverse candidates.
- 52% say AI helps them reach more age-diverse candidates.
- 36% say AI helps them reach more income-diverse candidates.
- 18% say AI helps them reach more candidates with disabilities.

The following examples from SHRM members illustrate the practical applications and positive outcomes of AI in HR across various industries and organization sizes:

“We use an AI software that writes job descriptions to be more inclusive based on research. It allows us to write [job descriptions] that make minorities feel more welcome to apply.”

—Small employer in the software development industry

“In areas where we are looking to increase diversity, AI has been able to target quality candidates through analytics that meet the pool of candidates we are seeking...”

—Medium employer in the software development industry

“AI reaches out to passive candidates for us. These passive candidates have diverse backgrounds, and if not for AI, we would have missed them.”

—Large employer in the retail industry

“AI via [our customer relationship management software] presents/suggests jobs to candidates proactively, rather than the candidate having to find jobs they may not realize they qualify for/are interested in, to which they can apply.”

—Small employer in the professional, technical, and scientific services industry

“The AI [we use] scans applications for those with not only the educational requirements we list, such as a college degree, but it also scans for experience in the position posted as well so that those who do not have a college degree are brought forward and interviewed too, leading to a bigger applicant pool and better fill rate.”

—Large employer in the health care industry

### **c. AI + HI [Human Ingenuity] Equals ROI [Return on Investment]**

As SHRM President and Chief Executive Officer Johnny C. Taylor, Jr., has said, “The opportunities AI presents are limitless. When combined with human ingenuity (HI), this synergy has the capacity to transform your organization while maximizing human potential. AI + HI = ROI.” SHRM believes that while AI can help augment and automate routine tasks, we will reach

our fullest potential by combining AI with human intelligence and oversight. Through this combination of technology with human intelligence, HR professionals are achieving positive outcomes. Below are examples from SHRM's members about how they are combining AI with HI across a wide range of HR applications and industries:

“We were having a hard time filling lower-skill-level positions [...] due to the requirement that these workers needed a high school diploma. By having AI scan for experience instead of just a high school diploma, we were able to increase our applicant pool and fill positions we were having a hard time retaining. Our retention level in these jobs has risen, and we have eliminated the requirement of a high school diploma for these positions.”

—Large employer in the health care industry

“Recruiting is one instance. AI may identify a passive candidate that we were unaware of. We have chosen to interview and hire someone that has come to our notice this way.”

—Large employer in the retail industry

“Chatbots are creating 24/7 access to answers, which improves the candidate experience and frees up the recruiter to actually recruit.”

—Large employer in the child care, community, or social services industry

“AI has provided us with ways to deepen our outreach when recruiting, which, combined with the expertise of our recruiters, has allowed us to find candidates we might have never reached previously.”

—Small employer in the professional and civic associations industry

“We use AI to recommend learning pathways for our staff based upon the types of trainings that they are watching/learning from. We use human intelligence to conduct a gap analysis of what might be crucial learning that is overlooked because of how the AI provides pathways for people and then find ways to push those overlooked training topics to relevant people.”

—Extra-large employer in the professional, technical, and scientific services industry

“We’ve utilized AI for comprehensive job descriptions and to create a defined role that provides clarity and structure within the organization. This has helped new hires understand the position and expectations and has also allowed us to promote individuals with clear intent on their expanding function.”

—Large employer in the real estate industry

“We integrated our [human capital management] software with an AI-based engagement tool. It uses AI to recommend ways to improve our engagement score in areas that are low. This is being used by managers once they get their results to implement change, based off of AI recommendations, to improve our scores.”

—Extra-large employer in the manufacturing industry

## 2. AB 1018 Would Chill the Deployment and Development of AI Tools

We are concerned that AB 1018 would prevent California businesses from deploying AI solutions to address these critical problems and may prevent California businesses from selling AI tools as developers.

### a. AB 1018's Overly Broad Definition of ADS Creates Uncertainty and Risks Hindering Beneficial AI Adoption

SHRM believes that artificial intelligence combined with human intelligence has the capacity to transform organizations while maximizing human potential. AB 1018 defines ADS as including *any* "computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues simplified output that is used to assist or replace human discretionary decision-making and materially impacts natural persons." This broad definition potentially reaches all HR technology tools and the ways that HR professionals are combining artificial intelligence with human intelligence.

This broad definition in AB 1018 is problematic because modern HR practices rely extensively on various technologies that use data analytics and statistical modeling to support decision-making processes. Standard applicant tracking systems that filter resumes based on keywords, performance management platforms that compile employee metrics, scheduling software that optimizes shift coverage, and even basic employee information systems could all be captured under this expansive definition, despite these tools merely informing rather than replacing human judgment in most HR applications.

While certain compliance obligations contemplated by the bill only are triggered if the decision is a "consequential" decision, under Section 22756(c), "consequential decisions" include all "employment-related decisions," which Section 22756(j) further defines to encompass virtually every aspect of the employment relationship from "hiring" to "productivity requirements" and "other terms or conditions of employment."

These expansive definitions create both uncertainty regarding which common HR technologies or applications might be subject to the bill's extensive requirements and potentially represents a significant regulatory burden on California businesses that disproportionately impacts HR operations.

The definitions in AB 1018 fail to clearly distinguish between AI systems and traditional HR technologies that have long used data analytics and statistical modeling to support human decision-makers. For example, would a basic applicant tracking system that organizes resumes based on keywords be considered an ADS making consequential decisions? Would a standard performance management platform that aggregates employee metrics be subject to the bill's compliance obligations? Would AI-assisted tools that draft job descriptions to be more inclusive fall within the scope? Without clear guidance, employers are left to navigate a maze of compliance uncertainty.

The bill's lack of clarity would potentially subject these commonplace HR technologies to burdensome compliance requirements, creating a chilling effect on AI adoption across California workplaces and preventing employers from realizing the significant benefits these tools provide to both businesses and workers alike.

**b. AB 1018 Creates Unworkable Standards and Compliance Burdens That Far Exceed Existing Legal Frameworks**

AB 1018's requirement that developers conduct "performance evaluations" and third-party audits imposes significant compliance costs without clear standards for implementation. Section 22756.1 requires developers to assess "whether any disparate impacts are reasonably likely to occur" and document conditions under which disparate impact might happen. While perhaps well-intentioned, this requirement imposes burdens that go far beyond existing anti-discrimination frameworks, which typically recognize that some level of statistical disparity is inherent in any selection system and focus instead on business necessity and job-relatedness.

Read in conjunction with the bill's broad definitions of "automated decision system" and "consequential decision," these provisions could be read to purport to require performance evaluations and third-party audits for almost every HR tool and application that uses data analytics or machine learning—from basic applicant tracking systems to performance management platforms that millions of California employers rely on daily.

SHRM supports efforts to identify and mitigate unlawful bias in employment decisions, whether those decisions are made by humans alone or with technological assistance. However, AB 1018 imposes extensive compliance requirements that go far beyond what is necessary to accomplish this important goal. SHRM believes that employers and developers are best positioned to determine whether and how third-party evaluation is necessary based on the specific context, risk, and complexity of the system being used. A blanket requirement for third-party auditing on such a frequent basis imposes a substantial compliance burden that will discourage California businesses from deploying innovative technologies that could benefit both employers and employees.

**c. AB 1018's Disclosure and Opt-Out Requirements Would Disrupt Essential HR Functions**

AB 1018 requires extensive disclosures to subjects of consequential decisions and gives individuals the right to opt out of ADS use altogether. While SHRM supports transparency efforts, the bill's requirements impose an unworkable standard on HR professionals attempting to use AI.

For example, Section 22756.2 requires deployers to provide subjects with detailed information about "key parameters known to disproportionately affect the outcome" before finalizing a decision. In the HR context, this could mean revealing confidential scoring methodologies, comparative performance metrics, or proprietary assessment frameworks that give employers competitive advantages in talent acquisition and development. Disclosure in this context could



undermine the employer's ability to make nuanced, holistic assessments while creating unrealistic expectations among job-seekers and employees who may not fully understand the complexity of these decisions.

The bill's opt-out provisions similarly threaten to create unmanageable parallel processes for opted-out and non-opted-out employees, creating significant operational challenges and potential fairness issues in the workplace. Managing these divergent processes would introduce complexity and risk into core HR functions.

We are particularly concerned that these provisions will disproportionately burden small and medium-sized employers who lack the resources to create and maintain parallel decision-making processes. These employers may simply choose to forgo beneficial AI tools altogether rather than navigate the complexity of these requirements, putting them at a competitive disadvantage in attracting and developing talent.

#### **d. The Small Business Exemption Is Insufficient and Ineffective**

While AB 1018 purports to exempt smaller businesses from compliance, the exemption is ineffective in practice because the bill's provisions only exempt employers with fewer than 55 employees who impact fewer than 6,000 people over a three-year period. But because in today's challenging economy, a single job posting can attract thousands of applications, California small businesses using AI will find it nearly impossible to qualify.

This arbitrary threshold fails to recognize the realities of modern hiring practices, particularly in industries with high application volumes. Small businesses often turn to AI tools specifically to help them efficiently manage larger applicant pools without the resources of dedicated HR departments that larger companies possess. By setting such a low threshold, AB 1018 would effectively force these smaller employers to choose between abandoning efficient AI-assisted recruitment tools or taking on disproportionate compliance burdens.

We believe that regulations affecting small businesses should reflect the operational realities they face. The current threshold in AB 1018 fails to provide meaningful relief to small employers and instead imposes enterprise-level compliance burdens on businesses that lack the resources to implement them effectively.

#### **e. AB 1018 Fails to Balance Innovation with Responsible AI Deployment**

While SHRM and SHRM California strongly support efforts to prevent algorithmic discrimination, AB 1018 takes an unbalanced approach that would hinder California businesses from leveraging AI's significant benefits. These benefits include increased productivity, improved decision-making, the creation of high-skill job opportunities, and, ironically, tools that can help reduce unintended bias when properly deployed.



SHRM believes in combining AI with human intelligence and oversight ("AI + HI = ROI"). The bill's approach does not reflect the realities of how HR professionals thoughtfully integrate technology into their decision-making processes while maintaining meaningful human judgment.

### 3. Conclusion

As SHRM President and Chief Executive Officer Johnny C. Taylor, Jr., has said, "The opportunities AI presents are limitless. When combined with human ingenuity (HI), this synergy has the capacity to transform your organization while maximizing human potential. AI + HI = ROI." SHRM believes that while AI can help augment and automate routine tasks, we will reach our fullest potential by combining AI with human intelligence and oversight.

SHRM and SHRM California are committed to being a valuable resource and trusted partner for policymakers, working together to achieve the responsible deployment of AI in the workplace. We welcome the opportunity to work with you to achieve this vision.

If you have questions regarding SHRM and SHRM California's position on AB 1018 or other policies impacting the workplace, please contact Mike Rose ([mike.rose@shrm.org](mailto:mike.rose@shrm.org)) or Eric De Wames, ([edewames@sullivanattorneys.com](mailto:edewames@sullivanattorneys.com)).

Sincerely,

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Chief of Staff, Head of Government Affairs,  
and Corporate Secretary, SHRM

Eric De Wames  
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