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California Deepens Its AI Employment Oversight: New Workforce Tracking Tool Signals the Next Phase of Regulation

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by Nisha Verma and Melonie S. Jordan

California continues to solidify its role as a national leader in regulating "AI" in the employment context. On June 25, 2026, Governor Gavin Newsom announced the launch of the "California AI-Unemployment Tracker," a first-of-its-kind tool designed to monitor, track, and anticipate AI-related job loss trends in California. A publicly available dashboard developed in partnership between the California Policy Lab and the California Employment Development Department (EDD), the AI Unemployment Tracker seeks to gather evidence to determine how the adoption of generative AI affected workers and the labor market statewide since late 2022.

The announcement of the AI-Unemployment Tracker follows two recent actions taken in California to address AI in the employment context. First, Governor Newsom issued a May 2026 executive order directing state agencies, labor experts, economists, universities, and industry leaders to assess AI's labor market impacts and develop policy responses for affected workers. Second, as we previously discussed, California's Civil Rights Council finalized regulations in June 2025, effective October 1, 2025, that clarified that employers may be liable under the existing Fair Employment and Housing Act (FEHA) framework.

Employers using AI-driven hiring, promotion, productivity, or discipline tools are now expected to evaluate those systems for disparate impact, maintain relevant records, and make sure algorithmic outputs do not unlawfully influence employment decisions.

The AI-Unemployment Tracker is a further signal that California continues to lead the way in exploring AI in the employment context. Rather than focusing only on discrimination risks, the state seems increasingly concerned with broader labor market disruption, including displacement, retraining needs, and workforce transition planning.

Employers should expect continued scrutiny over how AI affects employment decisions and the workforce structure itself. However, scrutiny does not automatically translate to liability under FEHA's anti-discrimination framework. It is too early to predict if data from

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the AI-Unemployment Tracker will support a claim under FEHA or similar statutes. Data-wise, the California Policy Lab and EDD's initial data shows no evidence of rising statewide unemployment claims in AI-exposed occupations, and the data did not show large disproportionate increases by race, ethnicity, gender, or age in the number of high AI-exposure unemployment insurance claimants. Procedurally, California's Unemployment Insurance Code bars litigants from using unemployment insurance hearing findings as evidence in separate or later actions.

For now, these developments reflect California's evolving regulatory strategy: not only addressing how AI impacts workers when used to make employment decisions, but now also tracking how AI impacts workers' employment status when used to replace workers' job functions.

As California continues building this regulatory infrastructure, employers should continue building processes and designating personnel to perform impact assessments, perform bias audits, and report any adverse findings from the assessments and audits to relevant internal stakeholders.

Dorsey continues to monitor new developments in the AI employment and workplace privacy space. Contact Melonie Jordan or your preferred Dorsey attorney for guidance in this fast-evolving area.