SHRM BETTER WORKPLACES BETTER WORLD™

THE HUMAN + AI ADVANTAGE

Maximizing Organizational Value Through AI and Human Intelligence

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INTRODUCTION

The world of work is undergoing rapid transformation, driven in large part by emerging technologies such as artificial intelligence, automated decision systems (ADSs), automated decision technology (ADT), and a wide array of other innovations that are reshaping workplaces in real time. These technologies are changing how organizations recruit, hire, manage, and retain talent while also influencing the broader employee experience and the structure of work itself.

As companies adapt to this evolving landscape, the impacts of these technologies on both current and future workforces remain uncertain, generating significant concern and debate. Responsible AI adoption has the potential to improve job quality, expand opportunities, and increase productivity when governed appropriately and deployed in alignment with workforce realities. At the same time, questions around job displacement, fairness in decision-making, data privacy, and ethical use of AI are top of mind for employers, employees, and policymakers alike. This uncertainty has created a pressing need for organizations to understand not only the operational benefits of AI and ADT, but also the legal, ethical, and human considerations that accompany their deployment.

As policymakers consider how to govern AI in the workplace, the central challenge is not whether to regulate, but how to do so in a manner that is practical, nationally consistent, and aligned with workplace realities. Effective AI governance must be grounded in real workplace practices, reflecting how employers, HR professionals, and workers are currently using AI throughout the talent life cycle.

AI governance must also strike a balance between protecting workers and enabling innovation. It is essential that frameworks safeguard workers, promote trust, and ensure fairness while also preserving the flexibility needed for employers to adopt new technologies. This ensures that any regulatory requirements are practical, operationally feasible, and closely aligned with effective workforce management.

> *"As HR professionals, we have a huge opportunity — and also the responsibility — to help our employees stay competitive in this ever-evolving world of work. … AI [artificial intelligence] plus HI [human intelligence] equals ROI [return on investment]. This has never been about eliminating humans — it is and should always be about making human beings more efficient and more effective as we continuously strive to make better workplaces for a better world."*
>
> **— Johnny C. Taylor, Jr.**, SHRM-SCP,
> President and CEO,
> SHRM

A unified federal framework is crucial to avoid regulatory fragmentation, providing employers and workers with predictable, nationwide guidelines. This framework should coordinate existing agency authorities, limit conflicting state and local AI-specific regulations, and create a stable environment for AI development and

deployment. AI governance must be developed with meaningful workforce and stakeholder engagement. Public-private partnerships and voluntary employer-worker engagement mechanisms are essential to ensure that employers, workforce institutions, and labor stakeholders can contribute to shaping standards, guidance, and workforce strategies.

This white paper examines the intersection of AI, automation, and human intelligence in the workplace, highlighting how organizations can leverage these technologies responsibly to enhance decision-making and drive growth.

It also explores current applications of AI in human resources and operations, outlines the potential risks and liabilities associated with automated decision-making, and reviews evolving federal and state regulatory frameworks shaping workplace AI governance.

UNDERSTANDING AI IN THE WORKPLACE

AI Understood and Defined

AI is dominating headlines, boardrooms, state legislatures, Capitol Hill, and nearly every workplace conversation. But what does it all actually mean? Do we even have a shared definition for a technology we are still trying to fully understand and responsibly harness?

For the purposes of this white paper, SHRM uses a set of core definitions to ground the discussion and ensure clarity throughout. Establishing a shared vocabulary is essential not only for effective workplace implementation, but also for the development of clear, national governance frameworks that reflect how AI is used in employment contexts. These definitions provide a common language around AI, automated decision-making, human intelligence, and related concepts.

- **AI**: Technology that allows computers to do tasks that usually require human intelligence — such as solve problems, understand language, or recognize patterns.
- **Generative AI (GenAI)**: AI that can create new content, such as write job descriptions, draft emails, or summarize candidate feedback.
- **Algorithm**: A set of rules the AI follows to make decisions — kind of like a recipe, but for processing data.

As organizations incorporate these technologies into their workplaces, HR departments — which play a central and strategic role in this integration — are increasingly encountering specialized language and rapidly evolving AI terminology specific to the HR ecosystem.

- **Talent intelligence and talent analytics**: Using AI tools to gather and analyze workforce data to help make smarter hiring, promotion, or retention decisions.
- **Predictive hiring**: Identifying candidates likely to succeed in specific roles.
- **Candidate matching**: AI that compares job requirements to a candidate's background and recommends the best fits.
- **Skills-based matching**: Finding candidates with transferable skills for open roles.

- **Bias mitigation**: Steps taken to make sure AI hiring tools don't unfairly favor or discriminate against certain groups.
- **Recruitment bias**: Ensuring job descriptions and hiring algorithms are inclusive.
- **Performance reviews**: Flagging potential biases in manager evaluations.
- **Promotion processes**: Ensuring equitable advancement opportunities.

SHRM offers a full list of terms in AI in HR: Plain-Language Glossary for People Teams — as well as resources in The AI Prompts Guide for HR (with Templates!) and How to Effectively Leverage AI in Interviewing. If you're ready to take your knowledge to the next level, check out the SHRM AI+HI Specialty Credential. It's designed specifically for HR pros who want to lead confidently in the age of AI — whether you're selecting tools, navigating risks, or shaping strategy.

Together, these definitions show that AI is already embedded across the talent life cycle, not as a standalone technology, but as part of everyday workforce management. This reality reinforces the need for governance frameworks that are grounded in real workplace practices, designed with a risk-based approach, and focused on procedural compliance. Such frameworks should prioritize flexibility and adaptability, avoiding rigid mandates or retrospective, outcome-based enforcement.

It is imperative that stakeholders speak a shared language on AI because we cannot govern or understand what we cannot define. Establishing clear, core definitions grounds the discussion and ensures HR professionals, organizational leaders, and policymakers are aligned as they navigate AI's role in workplace decision-making. Shared definitions provide a unified foundation for AI governance, making it more practical, scalable, and actionable across the ecosystem.

To be effective, these definitions and governance frameworks must be operationalized through structured public-private partnerships. Employers, labor organizations, workforce institutions, and policymakers should collaborate to develop guidance, standards, and oversight mechanisms. This ecosystem-based approach supports responsible and transparent AI adoption that reflects workforce realities and positions organizations for long-term success in an AI-driven future.

The Rise of AI-Powered HR

Every day, SHRM Members, who are HR professionals and business leaders, make countless decisions vital to organizational success. These range from high-stakes choices about hiring, compensation, and performance to routine personnel matters that collectively shape workplace culture. To support efficient, data-driven decision-making, HR departments have increasingly embraced AI and automation as tools that augment, not replace, human judgment.

SHRM research shows that this shift is transformative. What once existed as small analytics teams has evolved into a core HR capability. Adoption of AI technologies is accelerating at a 209% annual

rate, and related skills areas — such as predictive analytics (e.g., data science, 96%; machine learning, 67%), interactive visualization (64%), and technical competencies (e.g., project work, 31%; programming, 28%) — are expanding rapidly.[1] Together, these tools and skill sets enable HR teams to make more objective, timely, and consistent workforce decisions.

Across HR functions, AI adoption is most pronounced in recruiting and talent acquisition. Just over one quarter of organizations (27%) now use AI to support recruitment efforts; the most common applications include:[2]

- Job description drafting and refinement (20%).
- Automated resume parsing and screening (16%).
- Programmatic optimization of job ads (12%).
- AI-assisted sourcing of passive candidates (12%).
- Candidate-job matching and recommendation engines (11%).

Organizations reported that the primary benefits of AI in HR include greater efficiency (89%), lower hiring costs (36%), and improved identification of top candidates (24%).[3]

There are noted differences in rates of adoption. Publicly traded for-profit organizations are the leading adopters of AI in HR (58%), followed by private for-profit companies (45%), nonprofits (38%), state and local governments (35%), and the federal government (19%).[4] This mirrors broader market trends in digital transformation and resource allocation.

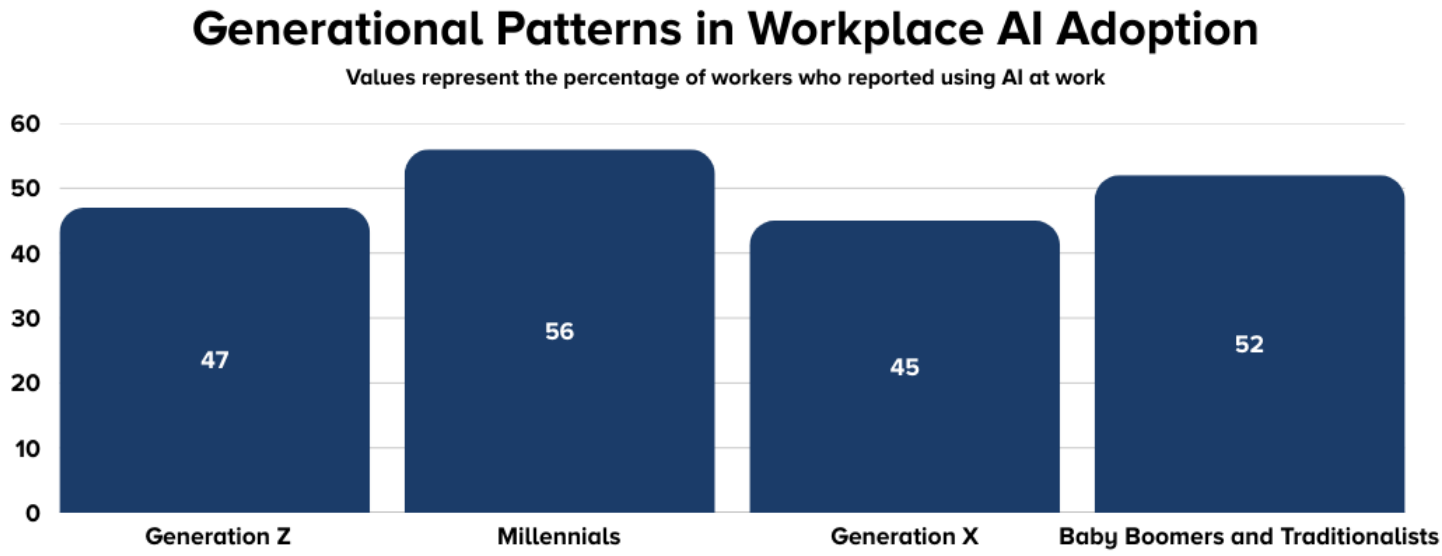
By size, large organizations — especially those within the S&P 1500 — began incorporating AI expertise into HR functions nearly a decade ago. Smaller organizations, however, did not prioritize hiring AI specialists during the early wave of robotic process automation, often relying instead on external consultants or IT teams. By 2024, this dynamic shifted: Smaller organizations reached parity with larger firms in AI-related HR hiring, reflecting widespread market adoption, availability of user-friendly tools, and growing expectations for data-driven workforce decisions.[5] Today, there is still a wide gap with 60% of organizations with over 5,000 employees using AI in HR, compared to just 33% at organizations with fewer than 100 employees.[6]

As HR leaders determine how AI will shape their workplaces, workers are simultaneously making decisions about how to use AI in their own professional lives — including during the hiring process. SHRM research found that this uptake is also uneven; nearly 3 in 5 U.S. workers (58%) said they have not used AI tools to support their job searches, while 29% have used them occasionally and

[1] Source: Emerging Technology Skills in HR, SHRM, 2025.
[2] Source: The State of AI in HR in 2026, SHRM, 2026.
[3] Source: 2025 Talent Trends, SHRM, 2025.
[4] Source: 2025 Talent Trends, SHRM, 2025.
[5] Source: Emerging Technology Skills in HR, SHRM, 2025.
[6] Source: The State of AI in HR in 2026, SHRM, 2026.

13% have used them frequently.[7] Among those who did use AI during the hiring process, a strong majority (80%) found it at least somewhat helpful.[8]

As AI and other emerging technologies change the landscape for employers, workers are also deciding in what ways AI can be leveraged to augment their own work. To what extent workers are using AI depends on a variety of factors. As displayed in Figure 1, AI adoption varies across worker groups according to age.



Source: From Adoption to Empowerment: Shaping the Ai-Driven Workforce of Tomorrow, SHRM, 2025.

Figure 1

Gender differences are also notable: 52% of men said they use AI at work compared to just 39% of women.[9] These gaps suggest that some organizations may not be effectively equipping all segments of their workforces with the tools, confidence, or support needed to adopt AI — or may be hesitant to invest broadly in AI-driven solutions.

SHRM data suggests that differences in age and gender are not the only factors that impact AI adoption. Usage is significantly higher in organizations that invest in upskilling and reskilling: 55% of workers in proactive organizations reported daily AI use, compared with just 27% in organizations that do not prioritize AI-related skills development.[10] This underscores the pivotal role that employers play in supporting meaningful adoption.

For those who do use AI, the impact is largely positive. More than 7 in 10 U.S. workers (77%) agreed that AI helps them accomplish more in less time and produce higher-quality work with less effort (73%).[11] However, access to tools alone is not enough. Workers who reported the greatest productivity gains also expressed satisfaction with their employer's training and support —

[7] Source: September 2025 Current Events Pulse, SHRM, 2025.
[8] Source: September 2025 Current Events Pulse, SHRM, 2025.
[9] Source: From Adoption to Empowerment: Shaping the AI-Driven Workforce of Tomorrow, SHRM, 2025.
[10] Source: From Adoption to Empowerment: Shaping the AI-Driven Workforce of Tomorrow, SHRM, 2025.
[11] Source: From Adoption to Empowerment: Shaping the AI-Driven Workforce of Tomorrow, SHRM, 2025.

reinforcing the importance of employer-led initiatives that build skills, confidence, and responsible use.

As organizations increasingly integrate AI into operations, HR remains at the intersection of technology, human judgment, and organizational impact. Workers' experiences reflect this shift: Employees were twice as likely to use AI daily or several times a day when their organization took a proactive approach to upskilling and reskilling.[12] This connection underscores an essential point — AI adoption is not simply about deploying tools, but about equipping people to use them confidently and responsibly.

This is especially true in HR, where AI-driven decisions can directly affect people's lives and livelihoods. As AI use expands across HR functions, the need for clear governance, strong human oversight, and responsible-use policies grows. This places a premium on upskilling HR teams in data literacy, change management, and ethical AI governance to ensure readiness for an AI-enabled future. As AI increasingly shapes HR processes, governance frameworks must ensure fairness, transparency, and accountability. These frameworks should be grounded in real workplace practices, take a risk-based approach that prioritizes higher-risk uses, allow for voluntary standards, and emphasize procedural compliance and ongoing oversight rather than rigid mandates or outcome-based liability.

When implemented thoughtfully, AI-powered analytics can allow HR teams to synthesize data from performance reviews, learning systems, and career-pathing platforms to identify high-potential talent earlier, personalize learning and development programs, and better align workforce investments with business strategy. By incorporating AI as part of a broader, responsible HR strategy, organizations can unlock transformative benefits, both for employees and for overall organizational success.

Displacement Risks Exist, but Change Is Uneven

Are workers' fears of displacement warranted? Short answer: Yes. Slightly longer answer: The impact of AI and automation on the workforce is significant but nuanced. In organizations where AI was adopted by the end of last year, only 7% of HR professionals reported their organization conducted layoffs due to AI. Meanwhile, 24% reported creation of new roles, 39% reported shifts in worker responsibilities, and 57% reported new upskilling or reskilling because of AI.[13] SHRM estimated that 15.1% of U.S. employment (23.2 million jobs) is at least half automated, with the share varying substantially across industries.[14] Of these, 7.8% of U.S. employment (12 million jobs) is at least half done using GenAI.[15] AI and automation are transforming work, but many jobs face nontechnical barriers that limit displacement, with client preferences being the most common reason. Overall, about 63.3% of U.S. employment has at least one nontechnical barrier to

[12] Source: From Adoption to Empowerment: Shaping the AI-Driven Workforce of Tomorrow, SHRM, 2025.
[13] Source: The State of AI in HR in 2026, SHRM, 2026.
[14] Source: Automation, Generative AI, and Job Displacement Risk in U.S. Employment, SHRM, 2025.
[15] Source: Automation, Generative AI, and Job Displacement Risk in U.S. Employment, SHRM, 2025.

automation, and this prevalence spans nearly all occupations, ranging from 57.4% to 70.6% across major occupational groups.[16]

This uneven and occupation-specific nature of AI-driven change reinforces that the impact of AI is not uniform across the workforce. Given this variability, a technology-neutral, risk-based approach to AI governance is critical. Policy should focus federal attention on higher-risk applications while allowing lower-risk, productivity-enhancing uses to continue under voluntary, consensus-based standards. Moreover, examining occupational patterns reveals that roles with higher shares of automation tend to rely on advanced software or hardware tools that are becoming increasingly autonomous. For example, computer and mathematical occupations have been particularly transformed by GenAI, while production roles have experienced greater automation through advanced robotics.

The transformative potential of AI highlights the need for responsible adoption. Beyond the risk of displacing existing jobs, AI has the power to create entirely new roles, industries, and skill sets, reshaping the workforce landscape and the competencies needed to remain competitive in a rapidly evolving economy. That is why, as workplaces increasingly leverage AI to meet modern demands, SHRM emphasizes pairing AI with human judgment and creativity to enhance workforce outcomes, ensuring AI augments rather than replaces human decision-making. SHRM research reinforces this reality: 83% of HR leaders identified upskilling as critical in an AI-driven economy, and 76% of U.S. workers recognized the need to acquire new skills.[17] By integrating AI with human capabilities, organizations can unlock new opportunities, create roles that emphasize uniquely human skills, and achieve meaningful returns on investment.

POLICY LANDSCAPE

Key Federal Actions on AI

As AI continues to transform the U.S. workplace, policymakers must work to ensure that emerging policies align with existing laws, regulatory goals, workforce priorities, and organizational realities. The current administration has made AI adoption, responsible use, and AI literacy a priority in its workforce development strategy.

On July 21, 2025, the U.S. Department of Education (DOE) published a proposed rule concerning priority and related definitions for use in currently authorized discretionary grant programs, as well as future programs. The proposed rule acknowledges that AI is reshaping education, work, learning, and daily life, and it focuses on expanding both the understanding and appropriate use of AI in education. Projects are encouraged to integrate AI literacy, concepts, and responsible use into K-12 and higher education curricula while expanding AI and computer science courses and professional development for educators. At the same time, programs should support the use of AI technology to enhance instruction, supplemental learning, and interventions for students at all

[16] Source: Automation, Generative AI, and Job Displacement Risk in U.S. Employment, SHRM, 2025.
[17] Source: AI in the Workplace, SHRM, 2024.

levels, including gifted, struggling, and disabled learners. AI-driven tools can help personalize learning, improve student outcomes, and support differentiated instruction through adaptive technologies, tutoring, and data analytics.

The transformative impact of AI reaches far beyond the workplace, shaping how we organize our lives, consume information, make purchases, and interact with the world. As AI becomes increasingly embedded in educational tools and systems across K-12 and higher education, it is essential to cultivate strong AI literacy from an early age. Early exposure to foundational skills — including computer science concepts such as algorithms, data analysis, and computational thinking, as well as problem-solving, creativity, and critical thinking — lays the groundwork that students need to thrive. By embedding these skills throughout K-12 education, students can graduate from high school with a strong foundation — equipping them to participate effectively in the workforce, pursue specialized training, or explore a wide range of future opportunities.

SHRM's Response to the DOE

SHRM supported the DOE's focus on career readiness in an AI-driven workforce and emphasized the importance of public-private partnerships.

SHRM stressed that AI literacy and foundational computer science are essential for preparing students and workers to navigate a technology-driven economy and also recommended establishing a refined definition of AI literacy that focuses on broadly needed skills rather than AI design.

Additionally, SHRM highlighted the need for workforce development programs aligned with employer needs and pointed to SHRM's Education-to-Employment (E^2) Initiative as a model for connecting education, employers, and career pathways. Finally, SHRM offered to serve as a strategic partner, leveraging its national network, research, and resources to support scalable, measurable outcomes in AI education and workforce readiness.

Read SHRM's full response.

As outlined in the July 23, 2025, *Winning the Race: America's AI Action Plan*, the Trump administration "will usher in a new golden age of human flourishing, economic competitiveness, and national security for the American people."[18] The AI Action Plan rests on three pillars — innovation, infrastructure, and international diplomacy and security — and provides near-term policy guidance for federal agencies to advance President Donald Trump's vision of AI leadership.

Led by the U.S. Department of Labor (DOL) and U.S. Department of Commerce (DOC), the AI Action Plan seeks to create a national initiative to identify high-priority occupations essential to the build-out of AI-related infrastructure. This effort would convene employers, industry groups, and other workforce stakeholders to develop or identify national skills frameworks and competency models for these roles.

[18] Source: Winning the Race: America's AI Action Plan, White House, 2025. https://www.whitehouse.gov/wp-content/uploads/2025/07/Americas-AI-Action-Plan.pdf.

The worker-led, employer-supported approach to investing in these programs is encouraging because it acknowledges a key principle: For a workforce development program to succeed, employers must have a seat at the table in both design and implementation. SHRM stands ready to serve as a resource to help ensure programs are co-developed by employers and training partners so that participants graduate job-ready and directly connected to hiring opportunities. The AI Action Plan also highlights the importance of exploring models that incentivize employers to upskill incumbent workers into priority occupations. This is an imperative step to ensure that organizations, which are best positioned to assess the skills their teams need, are connected to the resources necessary to upskill employees and meet modern workforce demands.

> *"The president's plan is not just about technology, but about people. The emphasis is on a worker-first approach that addresses American competitiveness in an AI-driven workforce. The plan reflects a fundamental truth that SHRM has long championed: Technology alone does not move the workplace forward — people do."*
>
> **— Emily M. Dickens**, J.D.
> Chief Administrative Officer, SHRM

The AI Action Plan puts workers at the forefront. By accelerating productivity and creating entirely new industries, AI can help the U.S. build an economy that delivers more pathways to economic opportunity for U.S. workers. In addition to emphasizing the importance of public-private partnerships, the AI Action Plan calls for stronger alignment between education and employment systems. Led by various agencies, the initiative will direct federal agencies to collaborate with education and workforce stakeholders to expand early career-exposure programs and pre-apprenticeships that engage middle school and high school students in priority AI infrastructure occupations.

This alignment is imperative to address the persistent gap in the education-to-employment pipeline, which leaves students without the foundational skills needed to succeed in today's and tomorrow's workforce. This disconnect not only undermines U.S. competitiveness in theory but also has tangible consequences as students struggle to transfer skills to a rapidly changing world of work and as organizations struggle for talent.

Realignment can be achieved in multiple ways, with governments, organizations, and workers sharing responsibility to ensure workers are prepared for workplace demands. Led by the DOL, the AI Action Plan calls for expanding Registered Apprenticeships in occupations critical to AI infrastructure, streamlining new program launches, removing barriers to employer adoption, and aligning program design with employer needs. This is a welcome change because SHRM research found that, while apprenticeships are a high-impact approach, most employers have yet to invest directly in them. Over time, these programs often yield a strong return on investment and help mitigate labor market unpredictability.

In response to the AI Action Plan, on Sept. 26, 2025, the U.S. Office of Science and Technology Policy (OSTP) issued a request for information (RFI) seeking public input on federal regulations that may hinder AI innovation or adoption. The OSTP noted that the benefits of AI will not be realized if there is complete deregulation. Instead, suitable policy frameworks — both regulatory and nonregulatory — are necessary to enable innovation while safeguarding the public interest.

SHRM's Response to the OSTP

SHRM highlighted how AI is transforming workplaces, emphasized the need to modernize federal laws to reduce inconsistent state regulations, and stressed HR's central role in leading AI adoption. Rapid AI use in recruiting, hiring, and performance management improves efficiency but also raises compliance challenges, particularly for smaller organizations.

SHRM noted that outdated federal laws and fragmented guidance create uncertainty, and uniform policies could promote responsible, scalable AI deployment. As a thought leader and operational partner, SHRM is positioned to connect policymakers, employers, and workers, leveraging its research and national infrastructure to ensure practical, measurable, and widely adopted AI initiatives.

Read SHRM's full response.

The RFI continued a critical discussion on AI governance and the role of regulation. Appropriate guidelines are necessary to protect workers and the public, but it is equally important to consider AI's transformative potential and how legacy frameworks and regulations may inadvertently slow adoption and innovation. Many existing laws could not have anticipated the pace or nature of technological advancement, and as a result, the nuances of emerging AI technologies are often unaddressed. Currently, we are trying to fit AI into outdated laws, when what is needed are new laws and policies designed for the realities of the modern world.

These frameworks — which may include statutory requirements, regulations, technical standards, guidance documents, and voluntary programs — are essential for fostering public trust, encouraging broader deployment, and accelerating adoption of AI technologies.

On Mar. 24, 2026, the DOL launched *Make America AI-Ready*, a free, text-based AI literacy course designed to equip American workers with foundational AI skills in response to the White House's AI Action Plan and America's Talent Strategy. The course delivers bite-sized lessons and daily challenges over seven days, requiring just 10 minutes a day, making it accessible even to those with limited internet access.[19]

On Dec. 11, 2025, President Trump issued an executive order (EO) titled "Ensure a National Policy Framework for Artificial Intelligence," which focused on eliminating state-level regulation of AI,

[19] For SHRM-certified professionals who complete the course, they will earn 1 PDC, and the program will be incorporated into SHRM's AI + HI offerings.

something that the administration believes interferes with existing federal policy. The order signaled a decisive federal posture toward pre-emption, challenges to state laws, and the establishment of a national approach to AI governance.

At a high level, the AI EO directed the U.S. Department of Justice (DOJ), the DOC, the Federal Communications Commission (FCC), and the Federal Trade Commission (FTC) to identify state AI laws that the administration views as burdensome or in conflict with federal policy, challenge those laws in court, and lay the groundwork for national standards. The administration framed the issue as a national and economic security priority and stated that fragmented state laws threaten innovation, interstate commerce, and U.S. competitiveness. The AI EO stated,

> To win, United States AI companies must be free to innovate without cumbersome regulation. But excessive State regulation thwarts this imperative. First, State-by-State regulation by definition creates a patchwork of 50 different regulatory regimes that makes compliance more challenging, particularly for start-ups. Second, State laws are increasingly responsible for requiring entities to embed ideological bias within models. … Third, State laws sometimes impermissibly regulate beyond State borders, impinging on interstate commerce.

The major theme of the AI EO is that the U.S. should pursue AI leadership primarily through innovation rather than precautionary regulation. Additionally, the AI EO asserted that federal leadership should set baseline rules for AI rather than have differing rules from 50 different state regimes ("My Administration must act with the Congress to ensure that there is a minimally burdensome national standard — not 50 discordant State ones").

The AI EO relied on national and economic security, interstate commerce, and constitutional arguments to justify a strong federal role, and it signaled willingness to use litigation and federal funding levers to achieve national uniformity. This uniformity, as highlighted in the AI EO, ultimately requires action by Congress.

On Mar. 20, 2026, the president released a national legislative framework outlining six recommendations to guide congressional consideration of federal AI policy. While not legally binding, the framework built on prior executive actions and reflected a continued push to centralize AI governance under a unified federal approach, with an emphasis on deregulation, adoption, and innovation.

The framework identified key priorities, including protecting children, strengthening communities, upholding creative rights and free speech, promoting innovation, and advancing workforce development. It emphasized reducing barriers to AI advancement, expanding deployment, and increasing access to resources, alongside preparing an AI-ready workforce through expanded skills development and training. Overall, it reinforced a national priority to accelerate innovation, broaden AI adoption, and equip the workforce for a rapidly evolving economy.

Congress is also working to centralize AI governance at the federal level and address the challenges of a patchwork of state laws. Within the 119th Congress' fiscal year financing, members attempted to include a 10-year moratorium on state AI laws in a tax-and-spending bill, but the Senate voted 99-1 to remove it after criticism from both Republican and Democratic state officials. Supporters argued the moratorium would promote regulatory uniformity and foster innovation, while critics warned it could limit oversight on issues such as bias, consumer protection, and the ethical use of AI.

Separate from AI governance, Congress is advancing efforts to integrate AI into workforce development. The Workforce of the Future Act of 2025, introduced by Senators Lisa Blunt Rochester, D-Delaware.; Mazie K. Hirono, D-Hawaii; and Adam B. Schiff, D-California, would establish a comprehensive federal strategy to prepare the U.S. workforce for the rapid expansion of AI and emerging technologies. The legislation focuses on assessing AI's impact on jobs, expanding K-12 and postsecondary technology education, and funding training for the workers who are most likely to be affected.

SHRM's Response to the White House's AI Legislative Framework

SHRM supports the White House's AI priorities that seek to accelerate innovation, expand access, and prepare the workforce. Employers are already integrating AI into hiring, training, workforce planning, and operations — showing where national strategy meets workplace reality and where clear standards are essential.

Leveraging its expertise, SHRM is positioned to guide policymakers in translating AI policy into practical, responsible workplace practices that benefit both employers and workers

Read SHRM's full response.

The act underscores the critical role of upskilling and reskilling in maintaining a competitive and adaptable workforce as AI and emerging technologies continue to transform industries and job roles. Federal investments in scalable, high-quality workforce programs highlight the importance of employer engagement, collaboration with educational institutions, and aligning training with evolving, technology-driven industry needs.

Practical, risk-based, and nationally consistent AI policies require meaningful engagement with employers, workers, and stakeholders. Achieving this goal depends on co-developing scalable, adaptable programs tied to labor market outcomes. Through this approach, policymakers can build public trust, accelerate AI adoption, and support a workforce prepared to thrive in a rapidly evolving economy. Workforce readiness for an AI-driven future presents a strong bipartisan opportunity, and employers must play a central role.

Regulatory and Legislative Actions on AI at the State Level

In the absence of a unified federal framework for AI, state legislatures are increasingly advancing policy proposals to govern AI development and deployment. These efforts are particularly significant in the workplace, where HR professionals are responsible for ensuring that AI-enabled tools are implemented in a manner that supports fairness, transparency, and compliance with employment and civil rights laws.

SHRM's position is that policymaking must be balanced, practical, and risk-informed. Employers need clarity and consistent expectations so they can responsibly integrate AI tools into workplace processes. At the same time, workers should be protected from bias, unfair treatment, and unintended harm.[20] The following sections highlight state activity in California, New York, Colorado, and Texas.

California

California continues to play a leading role in shaping how policymakers address AI in the workplace. During the 2025 legislative session, one of the most closely watched proposals was the "No Robo Bosses Act" (Senate Bill 7). The bill would have required employers to notify workers and job applicants when ADSs are used in employment decisions, maintain an inventory of those systems, and provide workers access to the data informing discipline, termination, or deactivation decisions. It also would have restricted the permissible functions of such systems and expanded coverage by defining "worker" to include independent contractors.

SHRM Supports Thoughtful Regulation

SHRM supports thoughtful AI regulation and, as a result, urged the governor to veto SB 7, arguing it would impose impractical mandates — particularly on small and midsize businesses — that could hinder innovation, create compliance burdens, and increase litigation risk without clear worker benefits. SHRM's advocacy highlighted three main concerns: overly broad definitions and pre-use notice requirements for ADSs, the inclusion of independent contractors under the same obligations as employees, and an unclear scope of "discipline" that could trigger excessive reporting and data disclosures. SHRM recommended — if California continues to regulate AI in employment decisions — that the California Legislature refine its definition of ADSs to focus on systems that meaningfully influence employment outcomes, reconsider contractor coverage, and clarify data-access requirements to balance worker protections with practical compliance and operational feasibility.

Read SHRM's full response.

California Gov. Gavin Newsom vetoed SB 7 on Oct. 13, 2025, citing concerns about regulatory overreach, unclear definitions, and limited evidence of widespread misuse to justify so broad a

[20] The states chosen do not represent all of the state-level legislative efforts to regulate AI. However, they reflect broader national momentum as legislatures across the country evaluate comprehensive approaches to regulating AI and ADSs in employment contexts.

mandate. These concerns aligned with key points raised by SHRM throughout the legislative process. AI regulation must be grounded in evidence and risk-based analysis — not assumptions about technology — and that policy should protect workers while enabling innovation that strengthens productivity, employee engagement, and economic opportunity.

California also advanced Assembly Bill 1018, the Automated Decisions Safety Act, aimed at establishing broader governance for ADSs. As of Sept. 12, 2025, the bill was ordered to the state Senate's inactive file and is proceeding as a two-year bill, meaning it may be taken up again in the 2026 legislative session. Under its current form, AB 1018 would require developers and deployers of ADSs to conduct impact assessments, engage independent auditors, and disclose key system information that could affect consequential decisions about people.

The intended outcome is greater transparency and accountability for how these systems influence employment and other major life decisions. SHRM supports the goal of improving visibility into automated systems but urges policymakers to ensure these requirements are aligned with existing employment and civil rights frameworks to avoid duplicative or conflicting compliance burdens that could deter responsible innovation or limit access to tools that support workforce development.

Complementing this work, SB 420 would establish a risk-based governance framework for high-risk ADSs, requiring impact assessments and internal governance programs informed by leading standards such as the NIST AI Risk Management Framework. As of the close of the 2025 session, SB 420 failed to advance out of committee and did not move forward before the legislative deadline, but it remains a point of discussion for future consideration. This effort reflects policymakers' interest in structured oversight of high-risk systems even as the details of implementation are debated. SHRM strongly supports risk-informed approaches that emphasize transparency and mitigation tailored to real-world use cases. Structured, standards-based frameworks are more likely to produce positive outcomes for both workers and employers than prescriptive, one-size-fits-all mandates.

Taken together, California's AI policy efforts reflect an ongoing commitment to safeguard workers in the age of intelligent systems. SHRM shares that commitment and stands ready to be part of the solution. We believe effective AI policy should protect workers, support employer compliance, and enable innovation that strengthens the U.S. workforce. As these discussions continue, SHRM will remain an active partner, ensuring that the voice of HR — the profession closest to people and to workplace implementation — is reflected in policymaking outcomes.

Colorado

Colorado has also been at the forefront of state-level AI policy, enacting one of the first comprehensive frameworks aimed at governing high-risk AI systems that affect people's daily lives, including in employment contexts. In May 2024, the Colorado General Assembly passed SB24-205, commonly referred to as the Colorado Artificial Intelligence Act (CAIA), and Colorado Gov. Jared Polis signed it into law on May 17, 2024. The law was designed to require developers and deployers of high-risk AI systems to use risk management practices, conduct impact assessments,

and take “reasonable care” to prevent algorithmic discrimination when AI systems make or meaningfully influence “consequential decisions” about Colorado residents. This includes decisions related to hiring, promotion, discipline, or termination.

Recognizing the law’s significant scope and potential compliance challenges, the Colorado General Assembly subsequently passed SB25B-004, which Polis signed on Aug. 28, 2025. This measure delayed the CAIA’s implementation date from Feb. 1, 2026, to June 30, 2026, giving employers, developers, and other stakeholders additional time to build governance structures and prepare for compliance.

The intended outcome of the CAIA is to strengthen transparency and accountability in the use of AI systems that pose an elevated risk of bias or discriminatory outcomes, with enforcement authority vested in the Colorado attorney general. The law’s requirements include risk-management programs, annual impact assessments, consumer notice and appeal rights, and public transparency statements about high-risk AI use.

The legislative history of SB24-205 underscores the complexity of crafting AI policy at the state level. After the law’s initial passage, stakeholders — including technology firms, consumer advocates, and business groups — debated potential revisions and exemptions, highlighting divergent perspectives on the appropriate balance between guardrails and innovation. Attempts to amend or refine the statute during the 2025 session did not result in substantive changes beyond the implementation delay, but the dialogue continues as policymakers, employers, and civil rights advocates prepare for the law’s effective date.

AI Policy Must Meet Workplace Reality

SHRM supports Colorado’s emphasis on risk-based governance and its aim to prevent unlawful discrimination. HR professionals value accountability and fairness in AI deployments that affect career and workplace opportunities. Stakeholders were concerned about the implementation timeline and compliance burden, especially for employers that may not clearly distinguish between “developers” and “deployers” of AI tools in practice.

SHRM believes that high-risk AI policies should be clear, consistent with existing civil rights and employment laws, and calibrated to real organizational capacities. Practical guidance and phased compliance are essential to help employers integrate these new requirements into HR and risk-management systems without disrupting productive workforce practices.

Colorado’s experience illustrates both the promise and the challenges of state-level AI regulation. The state has set an ambitious precedent for the governance of high-risk AI systems, but policies must be evidence-based, transparent, and workable — supporting the responsible adoption of technology that enhances fairness and opportunity rather than creating unnecessary complexity or uncertainty for employers and workers alike.

New York

New York continues to serve as a focal point in the national conversation about AI governance, particularly in the employment context. During the 2025 legislative session, state lawmakers advanced several proposals seeking to strengthen oversight of AI systems, including the New York AI Act (S1169A), the AI Consumer Protection Act (A768), the AI Bill of Rights (A3265), and the Advanced AI Licensing Act (A3356). Collectively, these proposals aimed to increase transparency, require bias safeguards, expand consumer protections, and establish licensing or registration regimes for advanced AI developers and deployers.

SHRM supported New York's interest in building a thoughtful policy framework that balances innovation with fairness and accountability. At the same time, the evolution of AI policy in New York must be understood in the context of New York City's Local Law 144 of 2021 (LL 144) — one of the first laws in the nation requiring independent bias audits and candidate notice when automated employment decision tools (AEDTs) are used in hiring and promotion.

Under LL 144, employers and employment agencies must conduct an independent annual bias audit of covered tools, publicly post summaries of those audits, and notify candidates of AEDT use and the data being processed. When LL 144 was first proposed, SHRM engaged constructively with city regulators, submitting detailed comments in 2022 and 2023 highlighting the importance of clarity and practicality in implementation. We cautioned that the definitions in LL 144 were overly broad, technically unclear, and risked sweeping in tools never intended for regulation — including scheduling systems and human-directed assessments. SHRM also urged the adoption of workable audit standards, reasonable notice requirements, and compliance safe harbors, noting that employers cannot comply with rules that are not operationally feasible.

These concerns were reinforced by the Dec. 2, 2025, audit conducted by the New York State Office of the Comptroller, which assessed the city's enforcement of LL 144. The audit concluded that the law has not been implemented effectively, in part because its structure makes enforcement difficult for both employers and regulators. The comptroller found that the New York City Department of Consumer and Worker Protection (DCWP) relies heavily on a complaint-driven enforcement system — yet 75% of test complaints placed through the 311-phone line were misrouted, online portals did not include AEDT-specific complaint options, and there was no unified intake or tracking system. As a result, the city received only two AEDT-related complaints over nearly two years, almost certainly reflecting intake breakdowns rather than the absence of issues.

Clarity Is the Compliance Gap

The comptroller's audit confirmed what SHRM and HR professionals have long experienced: Clarity and practicality matter. Employers want to comply — but they need clear definitions, validated audit standards, reasonable implementation timelines, and enforcement systems that reflect how tools are actually used in the workplace. LL 144's current structure has produced uncertainty, uneven compliance, and significant administrative burden without fully advancing transparency or fairness goals.

The audit also found significant weaknesses in the DCWP's audit review process. When state auditors revisited 22 employers previously reviewed by the DCWP, they identified at least 17 instances of potential noncompliance that had gone undetected — including bias audits conducted by nonindependent parties, incomplete selection-rate and impact-ratio calculations, and insufficient documentation to evaluate methodology. In addition, the DCWP had not fully utilized the technical expertise of the city's Office of Technology and Innovation, despite an agreement authorizing that support. These findings underscore a regulatory system that is difficult to operationalize and that lacks the clarity, tools, and infrastructure needed to meaningfully carry out the law's mandates.

Texas

Texas has taken a distinct path in responding to the opportunities and challenges posed by AI. On June 22, 2025, Texas Gov. Greg Abbott signed the Texas Responsible Artificial Intelligence Governance Act (TRAIGA) into law, and its provisions went into effect Jan. 1, 2026. Rather than adopting a comprehensive high-risk regulatory scheme similar to the CAIA, Texas elected to focus its policy on preventing clearly harmful uses of AI and placing liability on actors whose systems are used with wrongful intent. Key prohibitions include the intentional use of AI to promote self-harm or harm to others, facilitate criminal activity, unlawfully discriminate against protected classes, impair constitutional rights, or create and disseminate child exploitation content or harmful deepfakes.

TRAIGA also signaled a policy shift from its original legislative form. Early iterations of the law, introduced in late 2024 as House Bill 1709, were broader in scope and mirrored elements of other high-risk AI proposals by including more extensive compliance obligations for private-sector developers and deployers of AI. In the final enacted version — HB 149 — many of those broader private-sector obligations were pared back, with a sharpened focus on regulating government use and clearly harmful conduct rather than imposing detailed governance requirements on all AI systems across industries. This evolution reflects robust debate among legislators, industry groups, and stakeholder communities about the appropriate role of state AI policy and the balance between accountability and innovation.

Advancing Responsible AI Through Clarity and Safeguards

Texas' approach represents an important contribution to the state-level AI policy landscape. We strongly support efforts to prevent the intentional misuse of AI, which could harm people or undermine civil rights, and we appreciate the inclusion of safe-harbor and sandbox provisions that encourage documentation, testing, and iterative learning. At the same time, SHRM continues to emphasize that AI policy should provide clarity, predictability, and alignment with existing civil rights and employment laws so that employers can operationalize compliance in real workplaces. Policies that evolve through stakeholder engagement and clear definitions are more likely to protect workers while enabling responsible innovation rather than creating uncertainty for employers who are integrating AI tools responsibly.

In addition to prohibitions on harmful conduct, TRAIGA encouraged responsible innovation through safe-harbor provisions. Entities that document compliance efforts, conduct adversarial testing, and maintain audit trails may be eligible for reduced enforcement exposure. The law also established a regulatory "sandbox" that allows approved participants to test AI systems for up to three years under a controlled, reduced-regulation environment. To advise policymakers on evolving ethical, privacy, and public safety issues tied to AI, TRAIGA created the Texas Artificial Intelligence Council, which will review emerging risks and recommend future legislative updates.

Fifty States — and Fifty Emerging AI Frameworks

Across the U.S., employers are rapidly integrating AI and other emerging technologies into workplace operations while state lawmakers are independently developing regulatory approaches in the absence of a unified federal framework. As a result, a clear trend has emerged: States are not only producing their own laws governing AI in employment and other contexts, but policymakers are beginning to collaborate across jurisdictions to share insights and build shared understanding.

One prominent example is the Multistate AI Policymaker Working Group, a bipartisan coalition of more than 200 state legislators from over 45 states that convened to foster dialogue about AI policy issues. Originally facilitated by the Future of Privacy Forum, the initiative brought lawmakers together to learn from experts, compare legislative approaches, and consider emerging policy questions — even as each state pursues its own legislative path.

For employers, HR professionals, and workers, AI presents real opportunities. When responsibly deployed, AI can help organizations expand talent pipelines, improve skills-based hiring, reduce administrative burdens, support inclusion, and strengthen decision-making. Like any powerful tool, AI also carries risks that must be managed thoughtfully.

However, as states adopt divergent AI-related requirements, a new challenge is emerging: regulatory fragmentation. Employers increasingly face differing definitions, inconsistent risk-assessment frameworks, overlapping audit obligations, and varied enforcement expectations. The resulting patchwork of state-specific laws and regulations creates substantial uncertainty for employers, workers, and the broader labor market, particularly for organizations that operate in multiple jurisdictions. Divergent definitions, inconsistent risk-assessment frameworks, overlapping audit obligations, and varied enforcement expectations not only increase compliance burdens and legal ambiguity but also threaten to undermine responsible innovation. Organizations may be forced to show adoption of AI technologies or implement overly cautious approaches to avoid regulatory conflicts, reducing the potential benefits that AI can deliver to both workers and employers.

Fragmented regulations can also pose direct risks to workers. Inconsistent requirements can make it difficult to ensure that AI technologies are deployed fairly and safely across organizations. Workers may experience uneven protections depending on the state in which they work, creating disparities in employment practices, access to training, and workplace outcomes. These

inconsistencies can erode trust in AI systems, reduce employee engagement, and create legal exposure for organizations attempting to comply with multiple, conflicting frameworks.

From a governance perspective, these challenges underscore the need for a unified federal AI framework that is practical, consistent, and workforce-centered. Such a framework should be risk-based, focus regulatory attention on high-impact uses rather than impose unnecessary burdens, and establish clear national standards that reduce legal uncertainty and enable responsible AI deployment across jurisdictions. It must protect workers from harm and discrimination and support access to upskilling aligned with AI-enabled jobs while remaining technology-neutral and flexible enough to accommodate innovation. Finally, effective governance requires meaningful engagement with employers, employees, educators, and other stakeholders.

In addition to protecting workers and reducing organizational burden, a unified framework would accelerate the adoption of AI technologies, foster public trust, and maintain U.S. competitiveness. It would provide clarity and predictability to employers, allowing them to innovate responsibly while ensuring that AI technologies are implemented ethically and effectively. Furthermore, such a framework would serve as a foundation for coordinated collaboration among federal agencies, enabling consistent enforcement, reducing any duplications, and creating a coherent policy environment that aligns with long-term national priorities.

Ultimately, the risks of regulatory fragmentation are not merely administrative in nature, they are strategic and operational. Without consistent, forward-looking federal guidance, the U.S. risks creating a landscape in which innovation is slowed, workers are inadequately protected, and organizations face legal uncertainty that undermines their ability to leverage AI responsibly. By establishing a nationally consistent, practical, risk-based framework, federal leadership can ensure that AI adoption is safe and effective. This approach empowers organizations to innovate responsibly while safeguarding the rights, opportunities, and well-being of the workforce.

LEGAL LIABILITY IN AI-DRIVEN WORKPLACES

Old Laws, New Fact Patterns

Employers already face significant legal and operational risks when deploying AI and ADSs, even in the absence of new state or federal regulations. These risks arise under existing federal, state, and local laws and can expose organizations to liability when AI tools are improperly designed, implemented, or relied upon or when they generate biased or discriminatory outcomes.

As regulatory frameworks continue to evolve across multiple states, employers must navigate a complex and often fragmented patchwork of requirements. This landscape reflects a combination of newly enacted policies with broad scope and underdefined parameters, alongside legacy legal frameworks that were not designed to fully account for the unique characteristics and risks presented by AI and other emerging technologies.

Employers must, therefore, balance the operational efficiencies and strategic advantages of AI with ongoing compliance obligations. This includes maintaining meaningful human oversight; regularly updating internal policies and governance structures; and training HR, legal, and business leaders on emerging legal and regulatory expectations.[21] Even where certain litigation theories or enforcement strategies are not yet widely tested or actively pursued, they remain legally viable and present real exposure risks for employers in the future. Maintaining records, conducting audits, and performing impact assessments requires significant time, expertise, and resources, particularly for small and midsize businesses.

Traditional Legal Frameworks

A central question in the use of AI in employment decision-making is what happens when there is little to no human intelligence (HI) or direct human input involved. Does the absence of human intervention absolve the user or employer of legal responsibility — particularly when the technology is deployed broadly and uniformly across all employees or applicants? AI itself is not human, but the law still asks whether human bias can be attributed to the employer through the design, training, or deployment of automated systems or reliance on them.

Under the doctrine of Cat's Paw liability, discriminatory animus from one actor — even if that person does not make the ultimate employment decision — may be imputed to the employer if it influenced the decision-maker. In the AI context, liability may arise if a tool embeds bias or reflects biased training data or if human decision-makers rely on biased or unexamined outputs. Examples include systems that prioritize or deprioritize candidates based on proxies such as ZIP codes, educational institutions, extracurricular activities, employment gaps, or other attributes that may correlate with protected characteristics and produce adverse effects on protected groups.

The U.S. Supreme Court's decision in *Staub v. Proctor Hospital* made clear that insulating the ultimate decision-maker from discriminatory intent does not shield the employer from liability when biased input materially influences the outcome.[22] Similarly, AI systems — despite being marketed or perceived as neutral or objective — can replicate, mask, or amplify existing biases. When employers rely on such systems without adequate oversight, this dynamic can create a modern "cat's paw" effect, exposing the organization to legal risk. Accordingly, employers must ensure that both human and AI-driven inputs are actively monitored, validated, audited, and corrected to prevent discriminatory outcomes and demonstrate good-faith compliance efforts.

Importantly, the absence of intent or the uniform application of a policy does not eliminate potential liability. Disparate impact liability arises when a facially neutral policy or practice disproportionately

[21] SHRM research found that only 49% of organizations have internal policies in place to regulate AI use among employees. Source: The State of AI in HR in 2026, SHRM, 2026.
[22] 562 U.S. 411 (2011).

affects individuals based on a protected characteristic. To establish disparate impact, an affected person must identify a specific employment practice that caused the disproportionate effect, present statistical evidence demonstrating an adverse outcome, and show that the practice was not job-related or consistent with business necessity. If an employer meets its burden by demonstrating that the challenged practice is job-related and tied to business necessity, the plaintiff may still prevail by showing that alternative practices with less discriminatory impact were available and not adopted.

Even as federal enforcement priorities evolve, Title VII remains in full force, and state and local laws continue to aggressively address disparate impact concerns.[23] As a result, employers cannot rely on shifting enforcement signals as a defense. Regular, documented review for bias, fairness, accuracy, and job relevance is essential for AI-driven HR processes, including recruiting, screening, performance evaluation, compensation analysis, and promotion decisions. Employers that fail to proactively assess and govern these systems face significant legal risk under long-standing frameworks that continue to apply in the AI era. Procedural compliance is, therefore, critical: Employers must be able to demonstrate that AI-enabled tools are regularly reviewed. Regulatory frameworks that recognize and reward good-faith efforts through safe harbors and compliance assistance are more likely to promote fairness and transparency than regimes that rely primarily on litigation-driven enforcement, creating space to encourage ongoing scrutiny and data-informed improvements.

Supreme Court Decision Impacting EEO Laws

The 2024 U.S. Supreme Court decision in *Muldrow v. St. Louis* further broadened the landscape.[24] The court held that an employment action can trigger disparate treatment liability if it causes "some harm respecting an identifiable term or condition of employment," emphasizing that liability is not limited to hiring, firing, or promotions.[25] Disparate treatment is a form of intentional workplace discrimination in which an employer treats an employee or applicant less favorably than others because of a protected characteristic. The holding in the *Muldrow* decision has been applied to a wide range of employment actions, including pay adjustments, performance improvement plans, disciplinary measures, suspensions, and schedule changes. Courts have also extended the

[23] On April 23, 2025, President Trump issued an EO titled "Restoring Equality of Opportunity and Meritocracy," directing federal enforcement agencies under his control to deprioritize enforcement actions based solely on disparate impact. The disparate impact EO signaled a shift toward evaluating employment decisions primarily through the lens of intentional discrimination, rather than focusing on facially neutral practices that may result in unintentional disparities. Consistent with this approach, the U.S. Equal Employment Opportunity Commission (EEOC) has begun closing disparate impact investigations and issuing right-to-sue notices, allowing claims to proceed, if at all, through private rights of action under Title VII. It is also unlikely that the EEOC will initiate disparate-impact-based litigation going forward. Notwithstanding these enforcement changes, Title VII remains in full force, and disparate impact claims may continue to be pursued through private litigation.

[24] 601 U.S. 346 (2024).

[25] 144 S.Ct. 967, 218 L.Ed.2d 322 (2024).

reasoning in *Muldrow* to other federal equal employment opportunity (EEO) laws, including the Americans with Disabilities Act and the Age Discrimination Employment Act as well as, in some cases, to state anti-discrimination statutes.

Lower courts will continue to use the *Muldrow* decision to make rulings, but it substantially increases employer exposure by inviting scrutiny of a broader spectrum of employment actions — from significant changes in duties or opportunities to more routine or seemingly minor decisions. As employers consider how to integrate AI into their HR functions, these risks take on new urgency. The use of AI and ADSs in hiring, promotions, assignments, and performance management can introduce comparable EEO liabilities if those tools contribute, even indirectly, to outcomes that impose "some harm" on employees or applicants based on protected classes. Employers must, therefore, evaluate not only human decision-making processes but also the design, deployment, and oversight of any AI-enabled tools to ensure compliance across the evolving legal landscape.

Wage, Hour, and Job Classification Challenges

Beyond EEO laws, the rapid adoption of AI and other emerging technologies is challenging foundational concepts embedded in U.S. labor and employment law, including the definitions of "work" and "employee," as well as the application of overtime exemption rules under the Fair Labor Standards Act (FLSA). AI-driven tools and systems operate in complex, dynamic, and often opaque ways that existing statutory and regulatory frameworks were not designed to address. When those frameworks remain rigid or outdated, they can both stifle innovation and create significant compliance uncertainty for employers.

The proliferation of remote work, the expansion of the gig economy, and the increasing diversity of roles, industries, and work arrangements enabled by AI and related technologies have fundamentally altered how, when, and where work is performed. These shifts directly affect core wage and hour concepts, including worker classification (employee versus independent contractor), overtime exempt versus nonexempt status, and what constitutes compensable time. AI can influence how work is assigned, monitored, scheduled, and evaluated, blurring traditional boundaries around supervision, control, and hours worked — factors that are central to FLSA compliance and misclassification risk.

SHRM research underscores this growing disconnect. A significant majority of HR professionals reported that technology and flexible work arrangements have meaningfully changed the concept of a traditional workday (83%), while nearly three-quarters indicated that the law has not kept pace in providing a clear or workable framework for compliance (74%).[26] This gap is particularly acute in wage and hour enforcement, where even well-intentioned employers may struggle to determine whether AI-enabled work activities trigger overtime obligations, alter overtime exemption analyses,

[26]Source: The Case for FLSA Modernization, SHRM, 2026.

or create previously unrecognized compensable time, such as algorithm-driven on-call work, monitoring requirements, or continuous digital engagement.

As a result, enforcement agencies, employers, and workers are increasingly navigating novel scenarios created by AI and other emerging technologies within statutory schemes that were never designed to account for them, often relying on interpretation, experimentation, and trial and error. AI now intersects directly with wage and hour regulations, job classification standards, and related employment statutes that have not yet been meaningfully updated to reflect technology-driven roles and work structures.[27] This misalignment introduces additional operational complexities and legal risks, particularly as agencies and courts begin applying long-standing legal tests to entirely new forms of work enabled and shaped by AI.

BEST PRACTICES

For Legislators

SHRM supports the development of appropriate guardrails that protect workers while promoting innovation. The emerging patchwork of state, local, and other regulations has created inconsistencies that make it difficult for organizations to implement AI effectively. SHRM advocates for a uniform federal standard that provides a clear, nationally consistent framework to prevent unlawful bias, ensure the responsible use of AI in the workplace, and foster public trust. This standard should be complemented by federal initiatives to educate stakeholders on the benefits and risks of AI, encouraging informed adoption across industries. Policymakers should support initiatives that enable AI to enhance recruitment, learning and development, and performance management, enabling organizations to meet the complex demands of the modern workplace while fostering ethical and responsible practices.

A unified federal framework should coordinate existing agency authority and provide clear national expectations for responsible AI use. Federal policy should emphasize risk-based oversight, rely on voluntary consensus standards, provide procedural guidance and compliance assistance, and foster public-private collaboration. It should avoid technology-specific mandates, outcome-only liability regimes, or the creation of new private rights of action that could discourage responsible adoption or stifle innovation.

At the same time, policymakers — complementary with employers — share a responsibility to invest in workforce development, ensuring that workers have the skills, training, and support necessary

[27] For example, under current regulation (29 C.F.R. §541.400, Subpart E — Computer Employees), "computer systems analysts, computer programmers, software engineers, or other similarly skilled workers in the computer field" may be exempt from overtime if they meet the salary basis, salary threshold, and duties test. However, this computer employee exemption is 30 years old and outdated. Traditional roles like programmers and software engineers have evolved into specialized fields such as data science, cybersecurity, cloud architecture, and AI-related positions, which were not contemplated in the original statute — leaving potential gaps in coverage.

to thrive in an AI-enabled environment. By pairing regulatory guidance with targeted investments in human capital, legislators can help create a workforce that is prepared to leverage AI responsibly while organizations can implement these tools effectively, ethically, and consistently across jurisdictions.

For Employers

Consistent with SHRM's AI + HI framework, employers bear primary responsibility for ensuring that AI adoption strengthens workforce trust, supports business objectives, and preserves human accountability and judgment in workplace decisions. Workers' concerns about AI and automation are real and widespread, and they should be addressed proactively and transparently. This requires intentional investment not only in AI technologies, but also in the people who design, deploy, manage, and work alongside these systems.

Organizations can reduce risk and increase value by investing in comprehensive upskilling and reskilling initiatives that prepare workers for AI-enabled roles, evolving job requirements, and new ways of working. Training should extend beyond technical skills to include AI literacy, decision-making accountability, and effective people management in technology-supported environments. A combined AI + HI approach enables employers to drive innovation, productivity, and return on investment while mitigating the operational, reputational, and legal risks associated with over-reliance on automated systems. Additionally, employers should seek to avail themselves of safe harbors when applicable, proving good-faith efforts to comply.

Employers must also ensure that their investments in AI align with long-term workforce strategy and competitiveness. This includes redesigning roles, redefining performance expectations, and equipping managers to oversee AI-supported decisions responsibly. Organizations that actively invest in both technology and talent development are better positioned to adapt to rapid change, retain skilled workers, and remain competitive in an increasingly AI-driven workplace. Conversely, employers that fail to integrate AI and ADSs thoughtfully — and without adequate workforce preparation — risk falling behind as work continues to evolve.

CONCLUSION

Across states, emerging trends highlight greater transparency, increased accountability, and obligations that extend to both employers and the developers of these technologies. As states continue to regulate AI and ADSs, employers face a rapidly shifting landscape that demands adaptability, foresight, and informed decision-making.

Meeting the demands of the future of work will require robust public-private collaboration, with federal policymakers producing clear, consistent, and practical guidance. SHRM is committed to advancing policies that help organizations build and access various talent pipelines while equipping both private and public entities with the tools to assess and overcome arbitrary barriers to entry. SHRM is prepared to engage with policymakers to support lasting and actionable improvements that

strengthen work, protect workers, and enhance organizational effectiveness.

Looking ahead, SHRM will help shape public policies on AI in ways that are practical, fair, and workable for employers. Effective public policy should protect against bias and discrimination while enabling organizations to use AI to enhance efficiency and decision-making. By emphasizing the AI + HI approach, SHRM can ensure that HI remains central to decision-making, internal policies and training evolve with changing requirements, and compliance expectations are clear and achievable.

A durable workplace AI policy must be grounded in real-world practice, balance worker protections with innovation, follow a risk-based and standards-driven approach, and provide national consistency and legal clarity. By prioritizing public-private collaboration, voluntary employer-worker engagement, and clear enforcement guardrails, SHRM's approach builds trust, supports compliance, and enables responsible innovation.

The U.S. can lead in AI by advancing a cohesive, practical framework that protects workers, empowers organizations, and strengthens the workforce. SHRM will continue advocating for policies that ensure AI serves people, work, and workplaces alike.

Learn more through SHRM's trusted resources on AI and emerging technologies shaping the future of work:

- Artificial Intelligence in the Workplace
- HR Has a Crucial Role in Shaping the AI Revolution at Work
- The AI+HI Project