

SENATE THIRD READING
SB 7 (McNerney)
As Amended August 29, 2025
Majority vote

SUMMARY

Imposes specified notice and use requirements on employers that use automated decision systems (ADS) affecting workers.

Major Provisions

- 1) Requires an employer to provide a written notice that an ADS, for the purpose of making employment-related decisions not including hiring, is in use at the workplace to a worker who will foreseeably be directly affected by the ADS, or their authorized representative, according to specified time frames.
- 2) Requires an employer to maintain an updated list of all ADS currently in use.
- 3) Requires a written notice described above to be written in plain language as a separate, stand-alone communication, in the language in which routine communications and other information are provided to workers, and provided via a simple and easy-to-use method.
- 4) Requires that the notice contain certain information, including the type of employment-related decisions potentially affected by the ADS; a general description of the categories of worker input data the ADS will use, the sources of worker input data and how they will be collected; any key parameters known to disproportionately affect the output of the ADS; the individuals, vendors, or entities that created the ADS; a description of each quota that the ADS is used to set or measure, if applicable; a description of the worker's right to access and correct the worker's data used by the ADS; and a statement that the employer is prohibited from retaliating against workers for exercising their right to access and correct the worker's data used by the ADS.
- 5) Requires an employer to notify a job applicant upon receiving the application that the employer utilizes an ADS when making hiring decisions, if the employer will use the ADS in making decisions for that position.
- 6) Prohibits an employer from using an ADS to do any of the following: prevent compliance with or violate any federal, state, or local labor, occupational health and safety, employment, or civil rights laws or regulations; infer a worker's protected status under existing law; identify, profile, predict, or take adverse action against a worker for exercising their legal rights, including rights guaranteed by state and federal employment and labor law; collect worker data for a purpose that is not disclosed pursuant to the notice requirements above.
- 7) Prohibits an employer from relying solely on an ADS when making a discipline, termination, or deactivation decision.
- 8) Requires an employer, when it relies primarily on ADS output to make a discipline, termination or deactivation decision, to use a human reviewer to review the ADS output and compile and review other information not used by the ADS that is relevant to the decision, if any.

- a) Provides that other information may include, but is not limited to, supervisory or managerial evaluations, personnel files, work product of workers, peer reviews, and witness interviews that may include relevant online customer reviews.
- 9) Prohibits an employer from using customer ratings as the only or primary input data for an ADS to make employment-related decisions.
- 10) Requires an employer to allow a worker to access their own worker data collected or used by an ADS and correct errors in the worker's data used by the ADS.
- 11) Requires an employer that has primarily relied on an ADS to make a discipline, termination, or deactivation decision to provide the affected worker with a written notice when the employer informs the worker of the decision; requires the notice to be written in plain language as a separate, stand-alone communication, in the language in which routine communications and other information are provided to workers, and provided via a simple and easy-to-use method.
- 12) Requires a notice issued pursuant to (11) above to contain all of the following information:
 - a) The human to contact for more information, including for access to the worker's input data used by the ADS that contributed to the decision.
 - b) That the employer used an ADS to assist the employer in one or more discipline, termination, or deactivation decisions with respect to the worker.
 - c) That the worker has the right to correct errors in the worker's input data used by the ADS.
 - d) That the employer is prohibited from retaliating against the worker for exercising these rights.
- 13) Prohibits employer retaliation, as specified.
- 14) Provides for enforcement by the Labor Commissioner (LC), as specified.
- 15) Authorizes, alternatively to LC enforcement, any worker, or their exclusive representative, who has suffered a violation of this bill to bring a civil action for damages, as specified.
- 16) Authorizes the bill to alternatively be enforced by a public prosecutor.
- 17) Authorizes, in any civil action brought pursuant to (14), (15) or (16) above in superior court, as specified, the petitioner to seek appropriate temporary or preliminary injunctive relief, including punitive damages, and reasonable attorney's fees and costs.
- 18) Subjects an employer who violates this bill to a civil penalty of \$500.
- 19) Provides that this bill does not preempt any city, county, or city and county ordinance that provides equal or greater protection to workers who are covered by this bill.
- 20) Provides, except as set forth in (21) below, that an employer who complies with the notice requirements under this bill is not required to comply with any substantially similar notice

provisions related to ADS used for employment-related decisions required under other state laws.

- 21) Provides that, notwithstanding (20) above, an employer that is a business subject to the California Consumer Privacy Act of 2018 is subject to any privacy-related automated decision-making technology regulation duly adopted by the California Privacy Protection Agency pursuant to existing law.
- 22) Prohibits the provisions of this bill from being applied to parties covered by a collective bargaining agreement if the agreement explicitly waives this part in clear and unambiguous terms, expressly provides for the wages or earning, working conditions, and other terms and conditions of work, and provides protection from algorithmic management.
- 23) Defines certain terms.

COMMENTS

Employers are increasingly using workplace surveillance such as electronic monitoring, as well as ADS, to not only surveil and collect data on workers, but to manage, and even terminate, workers. According to the UC Berkeley Labor Center, "Employers use electronic monitoring and automated decision systems to make a wide range of decisions about workers (including employees, independent contractors, and job applicants):

- 1) Wages and benefits
- 2) Hours and work schedules
- 3) Performance evaluations
- 4) Hiring, firing, discipline, and promotion
- 5) Job content, tasks, and responsibilities
- 6) Productivity requirements
- 7) Access to training opportunities
- 8) Workplace health and safety

Concrete examples of these decisions include terminating gig workers based on customer ratings, using wearable devices on construction sites to detect worker fatigue, setting daily productivity quotas in warehouses, and filtering out job candidates with flagged social media content.

Many workplace ADS tools make predictions about workers' future behavior or characteristics. These computer programs identify patterns or correlations in large datasets about workers, and based on those patterns make predictions about an individual worker in a given workplace. Examples of these predictions include the probability that a worker will quit a job, struggle with

performance, succeed in a promotion or work team, experience stress, join a union, pose a safety risk, or become pregnant.”¹

The author provides examples of ADS use in the employment setting:

- 1) Nurses who work through gig-nursing apps, such as ShiftKey, have had their wages and hours set by an algorithm, which has led to disparate pay between equally qualified nurses without any justification or reasoning.
- 2) A database developed by Coworker.org identified over 550 products currently available to employers for workforce management, including products that allow them to outsource decisions about workers’ working conditions, wages, and livelihoods to machines.²
- 3) The ADS used by the employer of a California-based software developer terminated him due to an error in the system’s data. The system removed the worker’s access to enter the office space and his workstation, all without human intervention. The termination was ultimately resolved but not until after the worker missed three weeks of work without pay.³

According to the Author

“Businesses are increasingly using AI to boost efficiency and productivity in the workplace. But there are currently no safeguards to prevent machines from unjustly or illegally impacting workers’ livelihoods and working conditions. SB 7 does not prohibit ADS in the workplace, rather it will establish guardrails to ensure that California businesses are not operated by robo bosses, because there will be a human in the loop. AI must remain a tool controlled by humans, not the other way around.”

Arguments in Support

A coalition of labor unions and workers’ rights organizations, including the California Federation of Labor Unions, state in support that “one report from a national survey in 2024 found that 40 percent of workers experience some form of automated task management. However, Black and Latino workers report higher rates of automated management technologies in their workplace, with 63 percent of Black and 52 percent of Latino workers versus only 35 percent of White workers subject to automated management. The pursuit of efficiency by a machine can do serious harm to workers. Eliminating routine tasks and increasing work speeds can lead to fatigue, burn-out, excessive injuries, and other harm, as seen in Amazon warehouses.”

Arguments in Opposition

A coalition of business organizations, including the California Chamber of Commerce, are in opposition and state that “while we appreciate concerns over employees being disciplined or terminated solely based on automated tools, SB 7 is not tailored to those scenarios and does not consider the benefits of ADS technology. Unfortunately, even with recent amendments, we

¹ Bernhardt, Annette and Lisa Kresge. (2025). UC Berkeley Labor Center. “Electronic Monitoring and Automated Data Systems FAQs.” <https://laborcenter.berkeley.edu/wp-content/uploads/2025/05/Electronic-Monitoring-and-Automated-Decision-Systems-FAQ.pdf>

² Coworker.org. (2021). “Bossware and Employment Tech Database” <https://home.coworker.org/worktech>

³ Wakefield, Jane. (2018). “The man who was fired by a machine.” BBC. <https://www.bbc.com/news/technology-44561838>

believe SB 7 will have an undesired chilling effect on the technology and make it that much harder to develop the very tools that can help combat bias in decision making.”

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Costs (General Fund, special funds) of an unknown but likely significant amount to each state entity that uses ADS for employment decisions and must comply with the bill's requirements as an employer. Each affected agency will face significant workload costs to provide the required notices, provide access to worker data, and ensure its use of ADS complies with the bill's use requirements. Incidence of these systems in state agencies is unknown; actual costs will depend on the number of affected agencies, the number of workers in each affected agency, and the number of appeals. By way of illustration, if 10 state entities must each hire an additional employee to fulfill these requirements, at a cost of approximately \$150,000 per employee for salary and benefits, the resulting cost would be \$1.5 million annually ongoing.
- 2) Likely significant, non-reimbursable costs to local entities that use ADS for employment decisions and must comply with the bill's requirements as employers.
- 3) Costs (Labor and Enforcement Compliance Fund) of an unknown but likely significant amount to the Labor Commissioner's Office (LCO) to enforce the bill's requirements, possibly in the hundreds of thousands to low millions of dollars annually.
- 4) Possible costs (General Fund, special funds) to the Department of Justice (DOJ) of an unknown amount. Actual costs will depend on whether the Attorney General pursues enforcement actions, and, if so, the level of additional staffing DOJ needs to handle the related workload. If DOJ hires staff to handle enforcement actions authorized by this bill, the department would incur significant costs, likely in the low hundreds of thousands of dollars annually at a minimum. If DOJ does not pursue enforcement as authorized by this bill, the department would likely not incur any costs.
- 5) Cost pressures (Trial Court Trust Fund, General Fund) of an unknown but potentially significant amount to the courts to adjudicate enforcement actions. Actual costs will depend on the number of cases filed and the amount of court time needed to resolve each case. It generally costs approximately \$1,000 to operate a courtroom for one hour. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund may create a demand for increased funding for courts from the General Fund. The fiscal year 2025-26 state budget provides \$82 million ongoing General Fund to the Trial Court Trust Fund for court operations.

VOTES

SENATE FLOOR: 27-10-3

YES: Allen, Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Becker, Hurtado, Reyes

ASM LABOR AND EMPLOYMENT: 5-0-2

YES: Ortega, Elhawary, Kalra, Lee, Ward

ABS, ABST OR NV: Flora, Chen

ASM PRIVACY AND CONSUMER PROTECTION: 9-4-2

YES: Bauer-Kahan, Bryan, Irwin, Lowenthal, McKinnor, Ortega, Pellerin, Ward, Wicks

NO: Dixon, DeMaio, Macedo, Patterson

ABS, ABST OR NV: Petrie-Norris, Wilson

ASM APPROPRIATIONS: 10-4-1

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pellerin, Solache

NO: Sanchez, Dixon, Ta, Tangipa

ABS, ABST OR NV: Pacheco

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