

Governor Newsom's AI Executive Order: What Employers Need to Know

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Key Takeaways

- On May 21, 2026, California Governor Gavin Newsom signed Executive Order N-6-26 to study and mitigate future workplace disruptions caused by AI.
- Employers should prepare for the order to have quick impact. Reports and a public data dashboard on AI's impact are due to be published by August 19, 2026.
- Additional directives are due by October 15, 2026, including review of California's Worker Adjustment and Retraining Notification (WARN) Act, collective bargaining review, and workforce training program review.
- The California legislative session is also still ongoing until the end of August 2026, meaning new laws resulting from this order could take effect as early as 2027.
- This is more than a labor issue. AI workforce changes heavily intersect with California's active civil rights regulations and upcoming California Privacy Protection Agency (CPPA) rules governing automated employment decisions.

Governor Newsom's Response to AI

California has been on a deliberate and accelerating trajectory on AI governance since September 2023, when Gov. Newsom issued Executive Order N-12-23 directing the State to safely innovate with AI while identifying potential risks to individuals, communities and state workers. In 2025, a group of world-leading AI researchers convened at Gov. Newsom's request released a first-in-the-nation report on sensible frontier AI guardrails, grounded in empirical, science-based analysis of frontier model capabilities and risks. On March 30, 2026, Gov. Newsom issued Executive Order N-5-26, directing his Administration to ensure AI procurement and adoption protect civil rights, civil liberties and privacy.

Now, effective May 21, 2026, **Executive Order N-6-26** directs California agencies to analyze AI's workforce impact and prepare for economic disruption. The order is both a research mandate and a policy directive - and its downstream effects on California employers will be substantial.

What the Order Does

The order directs:

- The Labor and Workforce Development Agency (LWDA), the Governor's Office for Business and Economic Development (GO-Biz), and the Department of Finance to report on AI's effects on

employees, potential workforce disruptions, and disproportionate impact on certain demographic groups.

- The LWDA to recommend revisions to California's WARN Act to strengthen the employee safety net, including severance, equity compensation and job training, drawing explicitly on practices in employee-friendly countries that mandate severance upon termination without cause.
- The LWDA to review existing workforce training programs in collaboration with the Jobs First Council, businesses, community colleges and labor unions, and to align those programs with growing industries.
- GO-Biz and the Office of the Small Business Advocate to evaluate and support expansion of worker ownership models to distribute AI-driven productivity gains among workers.
- Institutions of higher education to incorporate on-the-job training into their curricula.
- The Employment Development Department (EDD) to publish a public data dashboard showing AI's sectoral impact on employment, incorporate business feedback on technology's influence on hiring and workforce decisions, and develop a workplan to expand enrollment in employment insurance programs.

What Employers Need to Know

A WARN Act Overhaul Is on the Horizon

The order directs the LWDA to recommend WARN Act revisions responsive to AI-driven workforce disruption, including new severance, equity and job training requirements, and directs California to look to international models that go materially further than current state law. While no new legislation has been enacted, employers considering reductions in force in the coming months should factor these anticipated developments into their planning.

Incoming Government Data Will Heighten Legal Risk Across Multiple Fronts

The order calls for two significant state-curated data resources that together will sharpen legal exposure for employers. First, the order mandates a dedicated analysis of AI's disproportionate impact on certain employee demographics. When that report is published, it will provide a ready-made evidentiary foundation for discrimination claims against employers who have not assessed bias in their AI tools. Second, the EDD must launch a public dashboard tracking AI's sectoral impact on employment using unemployment insurance data, a resource that will be readily accessible to plaintiffs' counsel and regulators in employment litigation and administrative proceedings.

Employers in high AI-adoption industries such as technology, financial services, healthcare, manufacturing and retail, should understand how their sector is likely to appear in that data. Taken together, these resources will make it significantly easier to build and sustain workforce-related claims against employers. One proactive step employers can take now is commission validation testing of any AI system used in hiring, performance management, promotion or workforce reductions. Validation testing, which assesses whether an AI tool produces adverse impact against protected groups and whether its outputs are job-related and consistent with business necessity, is a recognized tool for demonstrating lawful AI deployment.

Worker Ownership Directives Will Shape Employee Expectations and Organizing Activity

The order's directive to expand worker ownership models will generate significant public conversation about what workers are owed in an AI economy. Employers should anticipate this emboldening employees to advocate for profit-sharing or equity-related terms. More broadly, with heightened public concern about AI-driven job loss, employers should expect unionizing efforts to intensify in workforce segments not traditionally associated with organized labor, including white-collar professionals. Proactive, transparent employee communications about how AI is being deployed and what safeguards exist will be an increasingly critical component of workforce strategy.

The Collective Bargaining Review Reaches Beyond Unionized Employers

The order directs the LWDA to review how collective bargaining is addressing AI adoption and how worker voice is incorporated into technology decisions - with the stated purpose of identifying practices from union settings that can inform broader policy. Non-union employers should anticipate that findings from this review will shape legislation or regulation extending consultation or consent requirements across the workforce.

AI Governance Intersects Privacy and Civil Rights

The order explicitly connects workforce disruption to California's broader AI, privacy and civil rights frameworks. Consequently, automated tools used across the employment lifecycle will draw joint scrutiny from labor, privacy and civil rights enforcers. Siloed oversight is no longer viable; employers must establish unified governance with clear ownership, a centralized tool inventory, and a defensible compliance record.

Existing AI Employment Regulations Are Already in Effect

Employers need not wait for new legislation to face exposure. The California Civil Rights Department has issued regulations prohibiting employment discrimination through Automated Decision Systems, and the California Privacy Protection Agency has issued regulations governing automated decision-making technology. Employers using AI in employment decisions should consult counsel now on their current compliance posture.

What Employers Should Do Now

- Audit your AI tools for current compliance. Enforceable AI employment regulations are already in effect in California. Employers using AI in hiring, performance management, compensation or workforce reductions should consult counsel immediately.
- Commission validation testing for AI tools used in employment decisions. With the State set to publish findings on AI's demographic disparities, employers without documented bias assessments will be poorly positioned to defend against discrimination claims.

- Factor anticipated WARN Act and severance developments into RIF planning. The direction of travel is clear even before new laws are enacted. Build flexibility into workforce reduction strategies now.
- Treat the EDD dashboard as an emerging litigation data source. Understand how your industry will appear in the data before plaintiffs and regulators do.
- Invest in proactive employee communications around AI. How your organization talks about AI adoption - internally and externally - will matter to your workforce, to organizing activity, and potentially to regulators and courts.
- Build a defensible AI governance record by implementing an AI compliance program that demonstrates thoughtful consideration, analysis and mitigation of AI-driven workforce impacts. Map vendors and data inputs, maintain human-in-the-loop reviews, update applicant and employee notices, and document bias, privacy and cybersecurity assessments before regulators or plaintiffs ask for them.

For more information, please contact your Dechert attorney.

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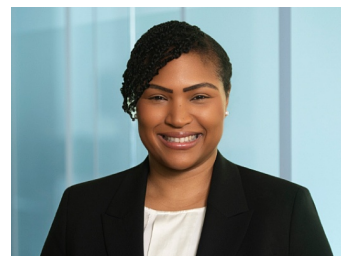


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