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ADVANCED TOPICS IN

HEDGE FUND PRACTICES

CONFERENCE

MANAGER AND INVESTOR PERSPECTIVES

NEW YORK

June 10, 2025

Current Employment Considerations

Speakers



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AI in Employment

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How AI Is Helping with Recruiting and Hiring

- Preparing job postings
- Programmatic job advertising
- Candidate sourcing and matching
- Due diligence – automatically sourcing and summarizing a candidate's public online presence
- Automated resume screening and evaluations
- Video interviewing and testing software
 - Personality tests, playing games to make predictive assessments about an applicant's characteristics
 - Use of facial and voice recognition (diction, tone, word choice, facial movements, gestures)
- Chatbots for application processing, interview scheduling, and candidate Q&As
- Chatbots to interact with other chatbots
- Selection of candidates and predictors of success
 - AI predictions can compare data related to a job applicant to a model of a successful employee

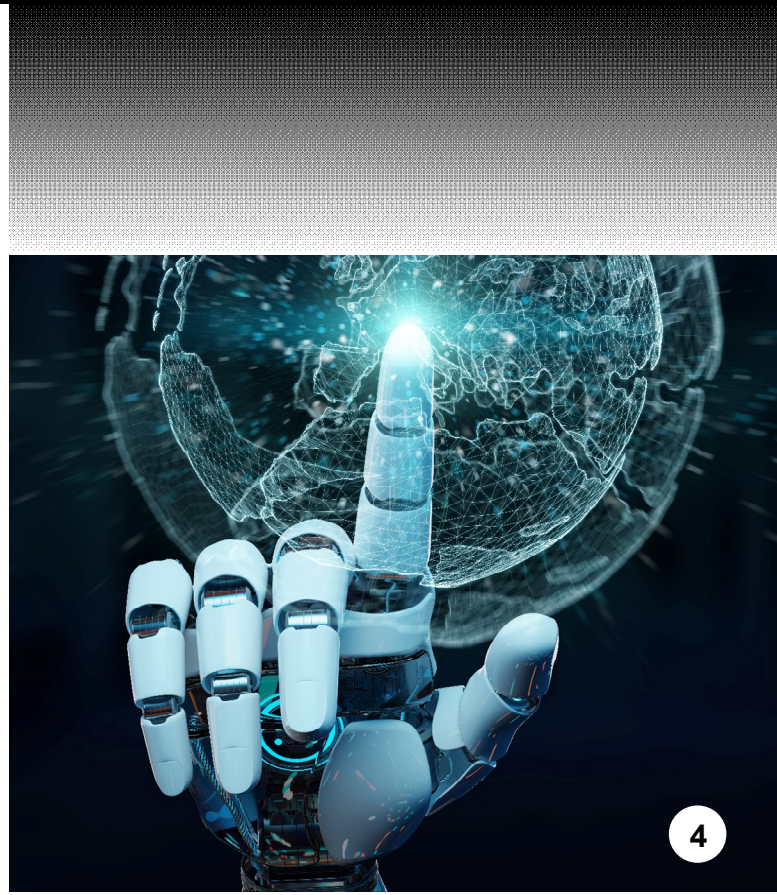
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How AI Is Helping Other Employment Tasks

- “Co-pilots” or Generative AI:
 - Handle mundane or repetitive tasks
 - Rapid data analytics and summaries
 - Efficient research
 - Increase productivity
- Performance evaluations
- Compensation setting
- Employee coaching

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Considerations for Employee Use of AI



Is it confidential?

- Is the employer's information secure? Is a client's information secure? Will it be used to "train" a generative AI model?

Is it accurate?

- Generative AI and LLMs can provide answers and other work product quickly, but are the outputs accurate? Beware of "hallucinations"

Does it hinder employee development?

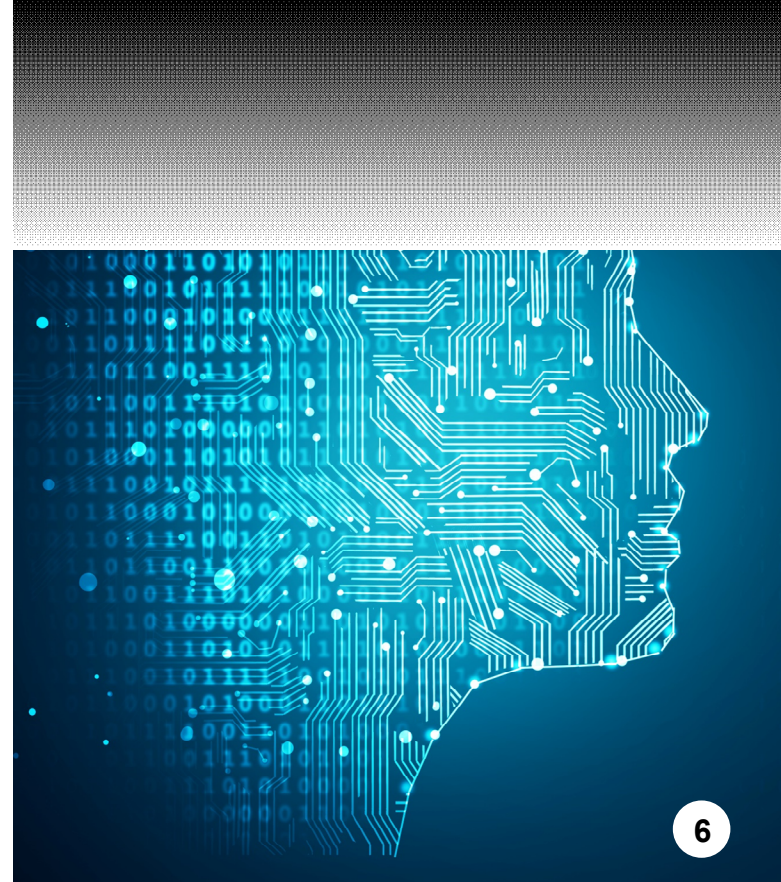
- A significant amount of literature argues that the use of AI hinders students' education and may result in lower standardized test scores—same for employees?

Is it fair?

- AI tools used for employment decisions have the potential to replace human bias with machine bias

What Is Bias in AI?

- **Bias in AI** is a situation where an algorithm produces results that are biased/prejudiced due to assumptions in the machine learning process.
- Examples include:
 - Gender
 - Age
 - Sexual orientation
 - Race
 - Disability
 - Any other factor protected by applicable federal, state, or local laws and ordinances



New York City AI Law



- Enforcement of the New York City AI Law began July 5, 2023.
- Makes it unlawful for an employer to use an automated employment decision tool (AEDT) to screen candidates for employment or promotion in New York City unless:
 - The tool has undergone an independent bias audit no more than one year prior to its use;
 - A summary of the most recent bias audit is made publicly available on the employer's or employment agency's website; and
 - For NYC residents: The employer notifies the candidate at least 10 business days in advance of the interview that AI will be used, the job qualifications and characteristics that the tool will assess, and instructions for how to request an alternative selection process.

New York City AI Law



- An AEDT is any process “derived from machine learning, statistical modeling, data analytics, or artificial intelligence, that issues simplified output, including a score, classification, or recommendation, that is used to substantially assist or replace discretionary decision making.”
- “Substantially assist” means the AEDT’s output is weighted more than any other criteria in the evaluation set or overrules conclusions derived from other factors, such as human decision-making.
- “Employment decision” means “to screen candidates for employment or employees for promotion within the city.”
- Employees or candidates who reside in the city must be notified. Notice is not based on where the job is, so companies need to check where candidates reside.
- Fines can be issued for each day an employer uses an AEDT in violation of the law or fails to provide notice to candidates as required by the law.

Colorado AI Law



- On May 17, 2024, Colorado became the first US state to enact comprehensive AI legislation with “Concerning Consumer Protections in Interactions With Artificial Intelligence Systems.”
 - Similar in structure to the EU AI Act
 - Applies to both “developers” and “deployers” (i.e., employers)
 - Targets “high-risk artificial intelligence systems” (which includes those used in “employment or employment opportunity”)
 - Requires the use of reasonable care to avoid algorithmic discrimination
 - Satisfying specified provisions establishes a rebuttable presumption that reasonable care was used
 - Effective February 1, 2026

Illinois AI Law



- On August 9, 2024, Illinois enacted a new law that amends the Illinois Human Rights Act, making it a civil rights violation to:
 - (1) use AI that has the effect of subjecting employees to discrimination or to use zip codes as a proxy for protected classes, and/or
 - (2) fail to notify employees of the employer's use of AI.
- Effective January 1, 2026

Executive Orders (EOs) Addressing Gender Ideology and DEI

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EEOC and DOJ Guidance on Discrimination Related to DEI Under Title VII

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