ETHICAL IMPLICATIONS OF ARTIFICIAL INTELLIGENCE IN HUMAN RESOURCE MANAGEMENT: BALANCING EFFICIENCY WITH FAIRNESS

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Master of Arts in Human Resource Management

National Collage of Ireland

Submitted to National Collage of Ireland

August 15, 2025

National College of Ireland

Project Submission Sheet

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Programme:	MA IN HUMAN RESOURCE MANAGEMENT **Year:2025**
Module:	DISSERTATION
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Submission Due Date:	15TH August 2025
Project Title:	ETHICAL IMPLICATIONS OF ARTIFICIAL INTELLIGENCE IN HUMAN RESOURCE MANAGEMENT: BALANCING EFFICIENCY WITH FAIRNESS
Word Count:	16113

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ABSTRACT

This study examines the ethical considerations of implementing AI in Human Resource Management (HRM), especially when it appears as a fundamental area of talent acquisition, evaluative work, and employee engagement. Amid the rising popularity of using AI as a method of improving operational efficiency, minimizing bias, and simplifying HR procedures, this study brings up the emerging issues of fairness, transparency, accountability, and employee trust. Based on the socio-technical and the stakeholder theories, the paper has outlined the importance of developing ethical models of AI to make sure that it enhances but not replaces human judgment. It used a quantitative approach with pre-structured questionnaires addressed to 250 HR professionals and employees in different industries in the UK. Correlation and regression analyses demonstrated that although AI improves the functional values of operation, its success and adoptability depends considerably on the transparency of algorithms, ethical considerations, and the sense of taking care of employees as being reasonably fair with them. Critical findings show that AI in recruiting, performance management, and employee retention has a constructive impact on trust when combined with clear ethical principles. The findings support the opinion that organizations should adopt explainable AI and ensure that they have human guiding in decision-making. Besides, the research defines the lacks of available literature, mainly in terms of the global and practice-related use of ethical AI in HRM. The study will eventually offer practical guidelines that organizations can adapt to apply AI ethically in their HR practices and engage employees towards ethical, inclusive, and responsible innovation to protect their rights. The insights help in creating the dynamic debate of balancing an advancement in technology with ethical HR governance in digital era.

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ACKNOWLEDGEMENTS

I thank God for seeing me throughout writing my dissertation. My sincere appreciation to Dr Muslim Jameel Syed for guiding me through the completion of this work. My gratitude to my family for their support. Shout out to all my friends.

TABLE OF CONTENT

ABSTRACT 4
THESIS DECLARATION PAGE 5
THESIS SUBMISSION FORM 6
ACKNOWLEDGEMENTS 7
CHAPTER # 01 – INTRODUCTION 10
1.1 Background of the study 10
1.2 Statement of problem 13
1.3 Research Aim 13
1.4 Research Objectives 14
1.5 Research Questions 14
1.6 Rationale of study 14
CHAPTER # 02 – REVIEW OF LITERATURE 15
2.1 Background of Literature 15
2.2 Main Body 15
2.2.1 AI in Recruitment and Selection 15
2.2.2 Performance Management and Predictive Analytics 16
2.2.3 Employee Engagement and Retention 18
2.2.4 Transparency, Explain ability, and Accountability 19
2.2.5 The Role of Human Oversight and Ethical Frameworks 20
2.3 Theoretical Framework 21
2.4 Literature Gap 22
CHAPTER # 03 – METHODOLOGY 23
3.1 Research Philosophy 23
3.2 Research Design 23
3.3 Target Population 24
3.4 Data collection technique 24
3.5 Data collection tool 24
3.6 Definition / key terms / discussion of concepts or variables 25
3.6.1 Employee Trust in AI-Driven HR Systems 25
3.6.2 Ethical Guidelines and Oversight in AI Implementation 25
3.6.3 AI Use in Recruitment 25
3.6.4 AI in Employee Engagement and Retention 26
3.6.5 Algorithmic Transparency and Fairness 26

3.7 Data analysis tools and technique 26
3.8 Ethical Consideration 27
CHAPTER # 04 – RESULTS AND DISCUSSIONS 28
4.1 Descriptive Statistic 28
4.2 Frequencies Distribution 29
4.3 Correlation 33
4.4 Regression Analysis 34
4.4.1 Impact of AI Use in Recruitment on Employee Trust in AI-Driven HR Systems 34
4.4.2 Impact of AI-Driven Performance Management on Employee Trust in AI-Driven HR Systems 35
4.4.3 Impact of AI in Employee Engagement and Retention on Employee Trust in AI-Driven HR Systems 37
4.4.4 Impact of Algorithm Transparency on Employee Trust in AI-Driven HR Systems 38
4.4.5 Impact of Ethical Guidelines on Employee Trust in AI-Driven HR Systems 40
4.5 Reliability Analysis 41
4.6 Moderation Analysis 42
CHAPTER # 05 - CONCLUSION 45
REFERENCE 50
APPENDIX – A (QUESTIONNAIRE) 54

CHAPTER # 01 – INTRODUCTION

1.1 Background of the study

Artificial Intelligence (AI) has played a major role in transforming the way organizations manage their employees and human resources. Before, HRM only depended on people's experience, emotional judgment and manual tasks, but now technology and data are key factors. Using AI technologies, companies are changing the way they handle human capital. Thanks to AI, HR staff can delegate everyday tasks to AI, leading them to do more important work and assist their organization. As more of HR's work shifts to AI, the usual HR existing role is changing to bring in both human and technology-driven insights. At present, companies are counting on AI to both cut down on operational expenses and to use data to grab long-term advantages in the market (Madancian and Taherdoost, 2023).

At the same time, introducing AI into HRM systems leads to many ethical, legal and philosophical issues that should not go unnoticed. The main focus of these issues is algorithmic bias which allows AI to repeat or increase the discrimination present in its data. So, if the AI has been trained on past hires that mostly selected men as leaders, the algorithm may still select men when there are quite qualified women available (Mohammed, 2020). This practice leads to minorities being marginalized, as using algorithms seems to properly filter data. Sometimes, the bias ends up in the model due to the data that was used to train it. Even so, the results are still very serious. Moreover, the way these systems decide things is generally not clear to users. People working in HR can face problems because there is no transparency. Being involved in these closed-door processes may leave both workers and potential candidates dissatisfied and uncertain about things that influence their lives at work. Consequently, people may have less faith in HR and in the organization as a whole.

Moreover, how AI is being used in HRM increases concerns about the ethical and human factors in employment (Tambe et al., 2019). Decisions made in HR generally depend on different contexts, understanding and empathy which current AI has not been able to learn well. Handling aspects related to performance, discipline or promotions with the help of algorithms could result in treating such concepts as simple bits of data. Such automation of how we connect with others can cause problems in businesses that operate in many countries, because

people from different cultures require a personable, accommodating management. Because of its Western programming, the AI might not understand the communication or feelings shown by employees from other places. As a result, people see that using AI in various cases requires both cultural and ethical awareness. Moreover, because there are no clear laws in many places regarding using AI for HR, both employees and companies do not have sufficient protection against ethical issues and possible grievances.

Since these issues are so varied, experts in the field are encouraging the establishment of solid ethical rules for guiding AI in human resource management. These frameworks should rely on transparency, accountability, equity and inclusivity. Regular audits, processes to explain AI decisions and the involvement of various stakeholders during AI development and deployment should be part of their plans (Emma, 2024). In addition, ethics should ensure that AI tools support human emotions and judgment, instead of acting as their replacements. While an algorithm could point out unusual numbers in performance data, the final evaluation ought to be enhanced by human judgment taking all sorts of personal and work-related details into account. For AI to be ethically used in HRM, HR staff must be knowledgeable about technology, as well as have strong ethical values and always act fairly. Having ethics in AI is necessary for a company's success, as it changes the culture, spirit of workers and perception among the public.

Still, the purpose of this study is to look at how organizations use Artificial Intelligence (AI) in Human Resource Management (HRM) to do both well and fairly. AI tools used in the business core may greatly enhance the HRM processes of recruiting, examining performance, fostering active employees and managing talent. On the other hand, moving toward AI in HR leads to some serious ethical issues, mainly about bias, how transparent results are, accountability and the way artificial intelligence replaces human decisions in these domains. Consequently, the purpose of the study is to find out how organizations can introduce AI into their HRM systems, ensuring the balance between working efficiently and acting ethically. Alternatively, this research works to guarantee that AI is smoothly and fairly implemented in HR practices (Gupta, 2024).

The aim of the inquiry is to show how AI can be built and applied to reduce biases, secure equal rights in decisions and result in equal treatment of all workers. Furthermore, the system explores how AI technology can promote transparency and ensure that outcomes can be examined and challenged by all interested parties. Besides, the study points out that

encouraging ethics among staff, getting stakeholders involved and continuing to learn while using advanced technology matter for organizations (Muralidharan et al., 2024). The study relies on facts, studies from various fields and industry experiences to identify the most effective methods for using responsible AI in HR. Another objective is to suggest ways of regulating and governing AI that can help companies meet the rules and values expected by all stakeholders. The goal is to give useful advice to those stakeholders working where human resources, AI technology and ethics converge. The insights will improve the ongoing discussion on designing AI in HR that is productive, fair, focused on people and future-proofed.

I expect this research to benefit theory and practice alike. The objective is to broaden the study on AI, ethics and HRM by blending ideas from computer science, organizational behavior and applied ethics. We will analyze how HR departments can use well-known ethical theories in AI-related issues within the workplace. Primarily, the research will present steps and useful tools that companies can use to review and make improvements to the ethical use of HR technologies. For example, you might use various guidelines, control systems and ways to collect employee feedback to make sure that AI tools remain aligned with humanity. The purpose of the study is to use knowledge of risks and opportunities to design HR systems that are both effective and trusted by their employees (Sachan et al., 2024).

Since AI keeps transforming the world of Human Resource Management (HRM), companies now stand at a key moment and are called upon to consider their actions from an ethical point of view. With AI being used in HR functions, there will be major gains in efficiency, analysis and accuracy when making decisions (Rodgers et al., 2023). AI can address routine administration by using algorithms and data to organize recruitment and evaluate work performance. At the same time, these advances in technology cause many important ethical and social problems that people must be aware of. Since AI now informs major decisions at work, employing biased systems could depend on: algorithms with errors, data sets that are not representative or ways of deciding that aren’t open. If HR teams give less attention to this matter, there could be less equality, inclusion and mental support for staff, leading to lower general confidence in technology. The researcher believes that AI becoming part of HRM requires both sound strategy and consideration of ethics, not only installing new technology. It admits that AI technology will be implemented for many reasons, as long as it follows guidelines, respects all stakeholders and observes regulations.

This research suggests that when AI is incorporated into HRM, it should be done carefully, inclusively and ethically by considering various opinions from all areas of HRM. Creating a dialogue among key groups helps organizations discover and avoid risks brought by AI before such issues can cause harm (Bankins, 2021). For this reason, the study explores how organizations can make full use of AI in HR to move past basic efficiency factors. Moreover, it recognizes the need for AI to help with socially responsible, employee-oriented and sustainable outcomes. To do this, people need to stop only considering AI for making work easier and instead realize it contributes to the well-being, experiences and values held by employees. AI in HRM will truly matter if it improves the way people experience work. Among the actions are aiding employees in their careers, making sure everyone gets equal opportunities, fostering diversity and inclusion and ensuring decisions are made in a fair and clear way. Additionally, it requires giving attention to the culture at work, putting empathy, comfort and respect before innovations and technical progress. Researchers argue that morality has to be part and parcel of AI in HRM. When organizations automate aspects of managing their workers with AI such technologies should be guided by accountability, transparency, fairness and respect for people's rights. For organizations to be truly sustainable, they should adopt AI and also fully commit to following ethical standards, so their staff can thrive (Khair et al., 2020).

1.2 Statement of problem

While AI is widely used in HRM to increase efficiency, accuracy and better inform decisions, there is no way of guaranteeing that these AI tools always act ethically. Enrolling in the use of AI automated recruitment tools and systems for employee evaluation does not always address the possible risks of algorithmic bias, data leaks and lessening decisions influenced by people. Since there are few ethical rules and regulations around AI, there have been more cases in which AI supports past unfairness, marginalizes different employee groups and reduces trust in HR management. As a result, organizations must find a way to introduce AI in HRM that does not interfere with ethical values, employee rights or openness to all individuals. As a result, this study tries to understand how companies can use AI to support HR while ensuring operations and ethics are harmonized (Gorda et al., 2024).

1.3 Research Aim

To analyze the ways organizations can use Artificial Intelligence in Human Resource Management to ensure they are effective and also fair to everyone. The approach concentrates

on developing plans that help avoid AI bias, make HR transparent and accessible to all and protect employees.

1.4 Research Objectives

1. To evaluate the ethical challenges associated with the use of Artificial Intelligence in core Human Resource Management (HRM) functions such as recruitment, performance appraisal, and employee engagement.
2. To examine how AI implementation can influence fairness, transparency, and accountability in HR decision-making processes.
3. To propose strategic guidelines and best practices for integrating AI into HRM systems in a way that balances efficiency with ethical standards.

1.5 Research Questions

1. What are the key ethical concerns arising from the use of AI in Human Resource Management practices?
2. How does AI impact fairness and transparency in HR decision-making processes such as hiring and performance evaluations?
3. What strategies can organizations adopt to ensure that AI-based HRM systems align with both efficiency goals and ethical responsibilities?

1.6 Rationale of study

What matters most about this study is its approach to considering how rapid advances in technology are affecting the need for ethical behavior in Human Resource Management (HRM). The use of AI by organizations in HR activities, including employing new people and reviewing their performance, leads to better efficiency and allows for better decision-making. On the other hand, these changes in the digital world cause many ethical issues, mostly involving algorithm prejudice, not being clear about their decisions, less human involvement and creating chances for previously existing inequality to continue. Here, the research investigates how it is possible to add AI to HRM and how it may benefit work-related outcomes as well as ensure fairness, responsibility and inclusion (Tongkachok et al., 2022). The study adds value to research by examining the ethical factors involved in AI-driven HR practices. It offers helpful advice and reliable principles to guide HR professionals, AI developers, organizational leaders and policymakers on how AI should be introduced and overseen to support employees, maintain their interests and preserve the company's integrity. The outcome

of this research leads to creating AI frameworks focused on humans that help promote social and ethical HR practices in the changing workplace environment.

CHAPTER # 02 – REVIEW OF LITERATURE

2.1 Background of Literature

AI is bringing significant changes to many domains and HR is among them. There is an ongoing trend to apply AI in human resource processes to improve efficiency, reduce errors and enable forecasting to support better management of employees. It has been widely acknowledged that AI has the potential for major change in HR but may also introduce or increase ethical problems. Initially, the literature mainly discussed how AI supports recruitment, reviews work performance and boosts employee morale (Lengnick-Hall et al., 2018). However, studies from the past several years now focus on algorithm bias, the lack of clear reasoning in decisions and what these factors mean for both employees and the overall sense of fairness in the organization. As part of this literature review, the primary aspect being examined is the ethical impact of AI when applying it to HRM tasks. Using research and studies that are both academic and practical, the review aims to define what the discussion on AI and HR system fairness involves.

2.2 Main Body

2.2.1 AI in Recruitment and Selection

One area where AI is making fast progress in HRM is in recruiting and choosing the best people. For many years, the process of recruitment depended on people deciding which resumes to examine, how to interview and who to choose for positions. Today, AI-based tools are crucial for businesses since the competition for talent keeps increasing and they need to hire quickly. Nowadays, many companies use resume-screening robots, natural language processing bots for initial interviews and predictive tools to assess how suitable candidates are based on several points of information (Abdeldayem and Aldulaimi, 2020). With these technologies, processing thousands of applications only takes minutes and makes it simple to determine top candidates. Using AI in parts of the recruitment process allows for faster hiring, reduces possible mistakes resulting from individual views and prevents worker exhaustion.

While AI has made recruiting more efficient, it also raises numerous ethical and practical issues that should be given attention. Chief among the issues with AI hiring process is the problem of

algorithmic bias which happens when AI is trained using data that reflects old patterns of unfairness between people. When the AI is trained using data with prejudice, it may end up treating certain people unfairly. Should the hiring process in the past advantage men over women for leadership, the algorithm could lead to the same inequality without anyone guiding it to do so. The real issue lies in the fact that most AI systems are murky and it's tough to spot and resolve their biases. Since organizations and people do not have access to the details, they often accept the decisions of AI without identifying possible problems. Also, since AI is perceived to be impartial, it is often difficult to decide who should take responsibility when biased results come from its use. Thus, using these tools too much and not checking their ethical use can cause companies to discriminate, have less diverse staff and are likely to harm the organization's reputation. Companies should conduct fairness audits, frequently review the decisions made by AI in recruitment and have a range of stakeholders assess and adjust the current recruitment technologies (Vishwanath and Vaddepalli, 2023).

There is also concern that candidates do not receive enough transparency and details during the AI-powered recruitment process. In many cases, rejected applicants do not understand why they were removed from the list by AI. Because there is not enough transparency, job seekers lose trust in organizations. Lacking any understanding of the process, candidates may start to distrust the hiring process. These situations can make people concerned about applying to the organization in the future (Nechytailo, 2023). In addition, when there are no easy explanations and people are not involved in selection, candidates might feel more isolated since they consider machines, not humans, to be reviewing their materials. However, relying on AI in recruitment could result in various problems that organizations have to handle so that their process is both ethical, transparent and open to all.

2.2.2 Performance Management and Predictive Analytics

AI-driven performance management systems have become increasingly prevalent in organizations seeking to leverage data analytics to optimize workforce productivity and strategic HR decisions. These sophisticated tools gather and analyze vast amounts of information about employee behavior and outputs, drawing from diverse sources such as communication records, project completion statistics, attendance logs, and even biometric data like heart rate or facial expressions (Schweyer, 2018). By quantifying performance-related indicators, organizations can generate predictive insights, such as identifying employees who may be at risk of burnout or turnover, and proactively implement retention strategies. The

promise of these systems lies in their ability to offer a seemingly objective and data-driven evaluation of employee contributions, reducing the subjectivity and potential biases that sometimes accompany traditional appraisal methods. Additionally, they enable HR teams and management to make more informed decisions around promotions, training needs, and resource allocation, potentially improving overall organizational effectiveness.

However, this data-centric approach is not without significant ethical and practical challenges. One of the foremost concerns is the issue of privacy. The continuous surveillance embedded within many AI performance management systems often occurs without explicit and informed consent from employees. Such pervasive monitoring can extend beyond work-related activities to personal communications or behaviors, blurring the boundaries between professional oversight and invasive scrutiny (Raffoni et al., 2018). This level of monitoring risks violating privacy norms and legal protections, creating an environment where employees feel constantly watched and potentially judged on factors unrelated to their core job performance. The resulting culture of surveillance can foster mistrust and anxiety among staff, ultimately harming morale and organizational loyalty. In extreme cases, employees might alter their behavior not to perform optimally but to avoid triggering negative surveillance outcomes, leading to disengagement rather than genuine productivity gains.

Another critical ethical issue lies in the reductionist nature of AI-generated performance metrics. Complex human behaviors, motivations, and contributions are often distilled into simplified numerical scores or ratings, which fail to capture the full context or qualitative aspects of employee performance. Many factors influencing success such as creativity, teamwork, resilience, or emotional intelligence are challenging to quantify accurately. Over-reliance on algorithmic assessments risks sidelining these nuanced dimensions, leading to unfair or incomplete evaluations. Employees who feel unfairly judged by impersonal metrics may become demotivated or disengaged, reducing their commitment to the organization. Moreover, when the algorithms and data collection methods remain opaque, workers often do not understand how their performance scores are derived or how their data is being used, further exacerbating feelings of alienation and mistrust. Therefore, while AI-powered performance management tools offer powerful advantages in monitoring and predicting employee outcomes, organizations must carefully balance these benefits with respect for employee privacy, transparency, and recognition of human complexity (Madhumita et al., 2024).

2.2.3 Employee Engagement and Retention

A lot of companies are using recent advances in AI to assist their employees, uncover their goals, identify any problems they face and ensure good support. AI-based tools make it possible for HR professionals to monitor employees' emotions by reading their emails, chats and forum messages. By using these tools, a company can identify if any employee is becoming unhappy, not taking part or prepares to end their time at the company. Additionally, AI can sift through various comments made by employees to supply each one with recommendations on their career and the optimal training options and ways to remain positive. Because things are so fast, organizations can make their HR regulations more suited to employees and lift their spirits, so staff retention improves (Rao et al., 2020).

Yet, there are some issues and ethical problems companies should keep in mind when using AI for their employees. Ensuring users' privacy and gaining their consent is very significant in this industry. Some workers may experience a loss of privacy since they are often unaware of the extent AI technology monitors them. If employees cannot trust the data, it may lead to trust issues in the workplace (Ngozi and Edwinah, 2022). Moreover, this kind of data can impact both people's privacy and the reputation of a company, so it must be guarded properly. Privacy matters, yet having errors or unfairness in AI analyses is very dangerous. Occasionally, when studying tone in writing, sentiment analysis cannot always identify what sarcasm or specific aspects of another culture mean. Therefore, inaccurate results may cause HR to skip actions that support their team.

Including AI into Human Resource Management might easily lead to bias, as well as incorrect or unfair decisions that break privacy. It is mainly the data's accuracy and how the system is designed that decides how effective AI feedback is. Using colors and styles from a narrow variety of people and relying on other narrowly based training information may lead to the AI being biased (Pareek et al., 2019). Therefore, their points may be ignored, despite their differences. Because of this, information used by the organization might be inaccurate and the work environment becomes less comfortable and open-minded. If employees are closely watched by AI at work, the practice could become questionable despite good intentions. After employees learn that their behavior is always checked, the company may transform from providing support to closely observing its employees. As a result of this change, many may experience anxiety, hide their true thoughts and distrust one another, missing the point of

encouraging students to interact with teachers. It is important and necessary to ensure that personal feedback comes with respect for each employee's privacy and freedom.

While working with AI in this field, they should emphasize honesty, integrity and responsibility. If provided the option, employees should be able to understand the AI and collaborate with others to manage and create it. If the use and analysis of data are constantly monitored, the design is open to all and everyone is updated such technologies do not leave anyone behind. A major objective of ethical AI in employee feedback technology is to support people's dignity and make sure the new technology helps, not hurts, each employee (Moore and Hanson, 2022).

2.2.4 Transparency, Explain ability, and Accountability

A crucial and increasingly discussed issue within the application of AI in human resource management means that these systems are easy to understand and explain. It is common for AI programs to work in secret, with the steps their systems take when solving problems being invisible to the companies that use them. Because everything is not made clear, there are real issues, especially in HR, as these decisions play a big role in shaping employees' futures. If workers use opaque systems, they often end up not knowing why some decisions were taken. Because so much remains unclear regarding decisions affecting their careers, individuals may end up feeling frustrated, unsure of what's happening and losing trust in others. Consequently, it may lead to official complaints, affect the mood at work and also cause expensive lawsuits in places where workers are well protected (Hussain and Hussain, 2025).

Since AI decisions can be hidden, creating explainable AI is crucial so that anyone using an AI system can better understand its reasoning (Williams et al., 2022). Having AI systems that are easy to explain matters for ethics, fairness, accountability and trust at a company. Knowing exactly how decisions are made helps employees and HR professionals consider the process to be just. By doing this, employees grow more comfortable with AI in HR, helping to maintain a better work environment. When explain ability is absent, powerful and accurate AI may appear biased which can lessen its worth and threaten an organization's standing.

As a result, HR organizations should carefully plan the ethical use of AI from the very beginning. It includes programming algorithms for review, as well as planning to inform employees about decisions made by AI in a direct and valuable way. If AI decisions are

explainable, it supports fairness in methods and encourages employees to remain engaged and develop trust in the company. To ensure AI benefits HRM, it should be transparent, easily understandable and used to protect the values and rights of workers and prevent any risks of unfairness at work (Diakopoulos, 2020).

2.2.5 The Role of Human Oversight and Ethical Frameworks

Human oversight plays a vital role in addressing and mitigating the numerous risks posed by the integration of AI within human resource management. While AI technologies offer immense potential to streamline and enhance HR processes, the literature strongly emphasizes that these tools should serve as supportive instruments rather than replacements for human judgment. This is especially critical when HR decisions carry significant moral, ethical, or legal weight—such as hiring, promotions, disciplinary actions, and terminations—where empathy, contextual understanding, and nuanced judgment are essential. Human involvement ensures that AI-driven recommendations are not blindly accepted but are critically evaluated within the broader organizational and ethical context. Without such oversight, there is a substantial risk that decisions made solely by AI could perpetuate systemic biases, overlook individual circumstances, or violate ethical norms, leading to adverse outcomes for employees and organizations alike (Holzinger et al., 2024).

Being cared for by humans is crucial and irreplaceable when considering the important complications involved in using AI in HRM. AI increases the accuracy, speed and scale of work, except when it comes to things like hiring, reviews, promotions or terminations, where it should assist human judgment (Kyriakou and Otterbacher, 2023). These calls need understanding, an awareness of the situation and using morals which AI is not capable of. Without adequate monitoring, AI systems can keep biases present, ignore situations that matter to individuals and make choices workers do not understand. By involving people, the AI's recommendations are checked within the contexts of laws and ethics, keeping the organization reliable and less likely to discriminate. Thus, companies ought to have strong rules in place requiring people to check AI, ensuring those systems are open and monitoring them regularly. When organizations work together with AI, they manage to look after the workforce's rights and well-being.

A number of important regulations and guidelines point out that active human input should be present in using AI within HRM. Both the European Commission and the Institute of Electrical

and Electronics Engineers (IEEE) recommend that employees and stakeholders participate in making decisions about AI technologies. They suggest that AI-based tools should not operate by themselves but should be reviewed and monitored by people even after being implemented. Ensuring fairness, openness, accountability and equal treatment for everyone is main in these policy recommendations (Tariq, 2025). These values should be established from the very beginning of AI system design, instead of being added only after problems are found. When organizations include ethics early on in their development process, algorithmic bias, having unclear processes and discrimination or mistreatment toward employees can all be stopped. It secures workers, gives more legitimacy to the organization, increases trust and helps technology encourage inclusiveness and social responsibility in workplaces.

According to modern scholars and leading experts, formal ethical governance in the HR area should now be adopted to control the rising use of AI. Forming committees for ethics or reviews that involve HR, ethics, technology, law and employee members may prevent misbehavior. They would need to evaluate every element of AI at all times, making certain it follows industry standards, company values and any necessary laws. Such committees are expected to bring up any concerns and then suggest changes to make sure these are addressed. In addition, such institutions support safety and form a base for trust, fairness and inclusion. If workers feel assured that their rights and dignity are secure thanks to oversight, they are likely to engage well with programs related to AI in HR. Overall, formal ethics help build a connection between new technology and ethical HR, ensuring both the integrity of the organization and its ability to last over time (Fard et al., 2023).

2.3 Theoretical Framework

Thanks to socio-technical systems theory and stakeholder theory, I can better explore the topic of HRM and AI ethics. According to the theory, a well-functioning organization depends on matching social and technical systems. Respect for ethics, culture and human values must be maintained as technology is integrated into the company. When AI is applied in HRM, people's jobs and work experiences may change, so extra attention to this aspect is necessary. The principle is that resources developed through AI should benefit society, stay socially responsible and be guided by ethics. It also suggests that organizations must include how they affect employees, job seekers, HR experts, individuals involved in technology and society in their understanding of right and wrong, as well as being efficient. For sustainable development to take place, all essential decisions should be made in an open manner, guaranteeing that the

rights of concerned groups are protected. All these theories also help ensure that AI systems used in HR support dignity, provide a reliable setting and contribute to making progress sustainable.

2.4 Literature Gap

While AI and ethics in HRM have been covered by many studies, several key issues are yet to be tackled adequately. Rather than providing an all-encompassing guide to HR and ethics, the available research focuses on distinct problems such as bias in employee recruitment and privacy during staff monitoring. Overall, this way of thinking usually misses how HR tasks are linked and how all the ethics of AI applications come together in hiring, performance management, promotions, employee engagement and termination. What's more, the majority of academic literature deals with examples from North America and some European regions, over looking the situations faced by developing countries and environments filled with many cultures. Because this happens, the usefulness of these guidelines may vary depending on the business culture. In addition, little attention is given to what HR professionals think about AI, how they deal with ethical issues and how their role as mediators is shifting. Furthermore, the majority of studies fail to provide detailed strategies that help organizations apply AI in a responsible way under constraints of time, culture and unclear rules. Our main purpose is to round out and support ethical AI use in HRM with a practical analysis based on information from our studies, for ethical AI innovation everywhere.

CHAPTER # 03 – METHODOLOGY

The study explores the ethical concerns of adopting Artificial intelligence (AI) in Human Resource Management (HRM), looking particularly at the element required to achieve operational efficiency and the need to be fair in decision-making. The use of AI-driven systems in HR functions, namely recruitment, performance evaluation, and employee monitoring, will also measure perceptions, experiences, and concerns in one of the key fields of quantitative research-based methodologies. The information will be gathered based on the results of the structured questionnaires that will be used among 250 Human Resource professionals and employees of different industries in the UK. This study serves to measure the moral issues associated with AI adoption, the perceived fairness and transparency thereof, and the way the perceptions determine the level of acceptability and trust of AI in HR practices. The descriptive and inferential statistical methods will be employed in the analysis to spot trends and connections between the prominent variables and provide evidence-based information on the ethical issues and functional outcomes of the AI implementation in HRM.

3.1 Research Philosophy

The philosophy of the research that will be used in this study is called positivism that focuses on objective, observable, and measurable data to come to understanding of social phenomena. Positioned at the very idea of reality being external and accessible to the researcher, independent of him/her, positivism adheres to gathering empirical data with the help of carefully-designed tools, e.g. surveys, to test a hypothesis and discover measured trends. Positivism, in the framework of the present research, is compact with the main quantitative method as the study will be able to study the ethical implications of AI in the Human Resource Management (HRM) context through analyzing the data of 250 respondents. Such a philosophical position guarantees that results will be based on factual evidence that will allow making general conclusions regarding the effects of AI on fairness and efficiency of HR practices.

3.2 Research Design

This study employs a primary quantitative research design, a structured questionnaire to collect empirical data responding to research designed questionnaire. The design is appropriate to investigate the ethical concern of Artificial Intelligence in Human Resource Management systematically because it takes into consideration the perception, attitude, and experience of the participants regarding fairness and efficiency of Artificial Intelligence in HR procedures. The questionnaire will take the form of closed ended questions gauged in Likert scales, making

it easier to analyses and compare the data statistically. The research can be done in such a manner that it can allow the researcher to collect the data objectively and with large numbers of respondents is needed to formulate trends, correlations, and various potential ethical issues that may arise due to the use of AI in HRM in various organizations.

3.3 Target Population

The target population of this study will include the Human Resource professionals and the employees of the different industries across the United Kingdom with experience or being exposed to the Artificial Intelligence applications in HRM practices. It involves persons who are involved or affected by AI processes that entail recruitment, management of performance, monitoring employees, and decisions. After emphasizing both HR practitioners and everyday employees, the study gives a balanced picture of the impact of AI on operational efficiency and ethical-related issues of fairness, bias, and transparency. The chosen group of people is in a good position that can offer pertinent information concerning the pragmatic and ethical aspects of the integration of AI in HR activities.

3.4 Data collection technique

The research method that will be used in collecting data is structured questionnaire that will be applied in a census of 250 respondents. The questionnaire will be distributed on electronic form using emails and professional networks as a means of reaching many people with convenience in various sectors within the UK. It will include closed-ends questions with a Likert scale design as the most suitable to measure perceptions and experiences of the respondents regarding ethical use of Artificial Intelligence in Human Resource Management. This method will allow gathering systematic data in a standardized form and make a confident statistical analysis and comparison of attributes including fairness, transparency, and effectiveness in AI-based HR procedures.

3.5 Data collection tool

The present study will rely mostly on a self-administered structured questionnaire as the key data collection instrument since it will be used to collect quantitative data (distribution of opinions) among HR professionals and employees regarding the ethical consequences of Artificial Intelligence on Human Resource Management. The questionnaire will consist of a set of closed-ended questions where, primarily, the use of the Likert scale items will be employed to measure the attitudes, perceptions and experiences regarding the perception of fairness, bias, transparency as well as efficiency in AI-based HR practices. The validity of the content of the tool will be based on the existing literature and ethical codes, theories of AI and

HRM. It will be shared online via sites like Google Forms or Microsoft Forms to make it convenient, time-saving, and to easily allow respondents to answer given that the participants to be questionnaire served are 250.

3.6 Definition / key terms / discussion of concepts or variables

3.6.1 Employee Trust in AI-Driven HR Systems

Employee trust in HR systems that are AI driven is the level of confidence employees have in the idea that the AI tools employed in HR Management are honest and act with integrity, in a fair manner and is reliable. Trust plays a critical role in successful implementation of AI in the workplace because it determines the rate of adoption and ways in which employees respond to automated decision-making systems. In conditions where trust is absent, employees can be opposed to AI systems, they can doubt their legitimacy, and they can experience alienation due to impersonal and transparent procedures. This variable is essential to determine the human implication of AI in HR and how to measure the sustainability of AI practices around ethical issues like misuse of data or discriminatory result.

3.6.2 Ethical Guidelines and Oversight in AI Implementation

Ethical guidelines and regulation involve such mechanisms, rules, and structures, which guide the responsible use of AI in HRM. The stated guidelines are meant to guarantee the application of AI technologies in respectful, fair, and accountable manners. The oversight can cover internal audits, third-party appraisals or can comply to national and world-wide laws like GDPR or the EU AI Act. This principle plays a key role in the prevention of unethical use of AI, like discriminative hiring algorithms or the aggressive monitoring of its workers, as well as makes sure that organizations remain transparent and compliant in monitoring the use of AI systems.

3.6.3 AI Use in Recruitment

Artificial intelligence in hiring implies introducing smart systems to automatize several steps of hiring people, such as resume screening, candidate ranking and background checks. Although such tools provide high-efficiency levels and cost-effectiveness, they also pose a few risks, including algorithmic bias, loss of contextual decision-making, and the overdependence on historic data that can relate to structural patterns of inequality. The appreciation of this variable will assist in the assessment of to what extent the use of AI in the recruitment process may be found to be ethical or unfair, and whether this AI-based recruitment results in the support or inhibition of diversity and equality opportunity in the recruitment process.

3.6.4 AI in Employee Engagement and Retention

Technologies that use AI in employee engagement and retention share two core features: process information about employee sentiment, the likelihood of turnover, and provide personalized guidance on career development as well as real-time feedback to support satisfaction and engagement. These tools have the intent of producing a more sensitive work environment, that would become more varied and individualized and would eventually enhance employee loyalty. But there are some ethical issues, which appear in the process of gathering the personal information, deciphering, and taking of action. The improper use of AI ideas or their manipulation may be harmful to the image of the corporate enterprise or the privacy of employees, so this variable is essential to investigate the level of personalization and images of personal limits.

3.6.5 Algorithmic Transparency and Fairness

Algorithmic transparency and fairness are the capacity of an AI system to work in a manner that is explainable, responsible and non-discriminatory. Transparency is the ability of employees and HR professionals to understand the decision making on AI, and fairness is the remoteness of such decisions, i.e. motivated by any personal interest. Transparency can be absent and distrust may occur, and discriminatory algorithms may continue to exist. It is key to ethical assessment of using AI in HRM to consider this concept because this effectiveness leads to the conclusion that AI is either promoting or degrading organizational justice or inclusivity.

3.7 Data analysis tools and technique

This study will analyze data using the SPSS (Statistical Package of the Social Sciences) which is a popular software in carrying out quantitative studies within the field of social sciences. Structured questionnaires will be utilized to capture the data of the 250 respondents, which will be effectively structured and analyzed by SPSS. A descriptive statistics (frequency, mean, standard deviation) analysis will be conducted in the description of demographic data and general responses by variables gauging trust to employees, ethics monitoring, AI fairness, and AI used organizationally as part of HR activities. Correlation analysis shall then help in determining the strength of relationships and direction of relationship among these variables, i.e., whether higher algorithmic transparency relates to higher employee trust. To further discuss the predictive association, the multiple regression analysis shall be applied to investigate the effect of independent variables such as ethical guidelines and AI applications in employee performance management and recruitment on employee trust and acceptance. In

SPSS also diagnostic tests will be done such as a check of multicollinearity and of the normality of the models. It is an analytical method that will provide statistically valid information on the ethical implication of AI in Human Resource Management.

3.8 Ethical Consideration

The consideration of ethics is at the heart of the integrity and credibility of this study especially since this study is about the ethical implications of Artificial intelligence on Human resource management. It will be made clear that (a) the purpose of the study (b) their voluntary participation and (c) they can at any point withdraw without being affected in any way. Just before individuals participate, they will be requested to fill in informed consent, and full understanding will be given regarding the use of the data. No identifying data will be collected and the questionnaire will be anonymous; all the responses will be preserved in a safe manner and no information that could be used to single out a participant shall be obtained or given out at all. The work will be ethical in terms of compliance with the ethical requirements of the institution and other data protection policies, which include the General Data Protection Regulation (GDPR). Moreover, such care will be taken to make sure that the questions will be respectful, non-invasive and will not lead to discomfort or bias as a part of giving credence to the dignity and rights of any participants concerned with the research.

CHAPTER # 04 – RESULTS AND DISCUSSIONS

This chapter provides a critical reflection on the ethical aspects of introducing the usage of Artificial Intelligence (AI) into Human Resource Management (HRM) where the focus is on identifications of the effects of AI implementation on fairness and transparency, accountability, and staff trust in relation to key HR actions including staff recruitment, performance measurement, and employee strategy. Using a sample of experts and representatives discovered through research in the fields of HR practices and personnel of diverse industries, the study explores the associations between the various security measures of ethics, transparency of algorithms, and the perceived fairness of artificial intelligence and practices within the HR industry. It is true that AI technologies are useful especially in the aspects of efficiency, speed, and data-driven decision making, but the results indicate that this benefit can be at the expense of algorithmic bias, a low level of human engagement, and loss of business employee privacy and trustfulness unless not ethically handled. Providing the correlation analysis and using the analysis of regression, the research allows concluding that transparency of ethical fundamentals, interpretable AI procedures, and continuing human control are all important in responsible uses of these technologies. The chapter comes to an end with a set of strategic steps about how organizations can address the issue of ethical obligations to balance among technological innovation and make sure that AI tools do not have any negative impact on operational performance, fairness and inclusion, and employee well-being.

4.1 Descriptive Statistic

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Gender	250	1.00	2.00	1.4320	.49635	.246
Age	250	1.00	5.00	1.6840	.85971	.739
Designation	250	1.00	4.00	2.4960	1.10220	1.215
Valid N (listwise)	250					

The descriptive statistics show that among the 250 respondents, the average gender score of 1.4320 (on a scale where 1 = Male, 2 = Female) indicates a higher proportion of male participants. The average age is 1.6840, suggesting most respondents are between 18–25 years old. The mean designation score of 2.4960 (on a scale where 1 = HR Professional to 4 = Executive) reflects that the majority of participants are mid-level professionals, likely between HR staff and managerial roles. Overall, the sample reflects a younger, male-leaning workforce with varied positions in HR-related functions.

4.2 Frequencies Distribution

AI Use in Recruitment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.4	.4	.4
	2.33	1	.4	.4	.8
	2.67	7	2.8	2.8	3.6
	Neutral	8	3.2	3.2	6.8
	3.33	19	7.6	7.6	14.4
	3.67	46	18.4	18.4	32.8
	Agree	100	40.0	40.0	72.8
	4.33	34	13.6	13.6	86.4
	4.67	16	6.4	6.4	92.8
	Strongly Agree	18	7.2	7.2	100.0
	Total	250	100.0	100.0	

The results for "AI Use in Recruitment" indicate that a significant majority of respondents view AI positively in this context. Specifically, 40% agreed with statements supporting AI's role in recruitment, while an additional 27.2% expressed even stronger agreement (with 13.6% selecting 4.33, 6.4% selecting 4.67, and 7.2% selecting "Strongly Agree"), bringing total agreement levels to 67.2%. Only a small portion of respondents disagreed (0.4%) or leaned slightly negative (cumulatively 3.6% below neutral), while 3.2% remained neutral. These results suggest that most participants perceive AI as a beneficial tool in enhancing recruitment efficiency and decision-making fairness within HR practices.

AI Driver Performance Management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	1.2	1.2	1.2
	2.33	1	.4	.4	1.6
	2.67	7	2.8	2.8	4.4
	Neutral	14	5.6	5.6	10.0
	3.33	36	14.4	14.4	24.4
	3.67	44	17.6	17.6	42.0
	Agree	90	36.0	36.0	78.0
	4.33	21	8.4	8.4	86.4
	4.67	14	5.6	5.6	92.0
	Strongly Agree	20	8.0	8.0	100.0

	Total	250	100.0	100.0	

The descriptive data on "AI-Driven Performance Management" reveals that a majority of respondents hold a favorable view of AI's role in evaluating employee performance. Specifically, 36% agreed with its effectiveness, and an additional 22% strongly agreed (8.4% at 4.33, 5.6% at 4.67, and 8% "Strongly Agree"), totaling 58% expressing positive sentiment. Only a small percentage (4.4%) showed disagreement, and 5.6% remained neutral. This indicates that most participants believe AI contributes positively to performance evaluation, offering efficiency and potentially reducing bias, though a minority still expresses reservations.

AI in Employee Engagement and Retention

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	1.2	1.2	1.2
	2.33	2	.8	.8	2.0
	2.67	3	1.2	1.2	3.2
	Neutral	12	4.8	4.8	8.0
	3.33	23	9.2	9.2	17.2
	3.67	33	13.2	13.2	30.4
	Agree	114	45.6	45.6	76.0
	4.33	18	7.2	7.2	83.2
	4.67	17	6.8	6.8	90.0
	Strongly Agree	25	10.0	10.0	100.0
	Total	250	100.0	100.0	

The results for "AI in Employee Engagement and Retention" show a strong positive perception among respondents. A total of 69.6% expressed agreement or stronger (with 45.6% agreeing, 7.2% selecting 4.33, 6.8% selecting 4.67, and 10% strongly agreeing), indicating that most participants believe AI positively influences engagement and retention efforts. Only 3.2% disagreed, while 4.8% remained neutral. These findings suggest that AI tools are largely seen as effective in supporting personalized employee experiences, identifying retention risks, and enhancing workplace satisfaction.

Algorithm Transparency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	.8	.8	.8

	2.33	6	2.4	2.4	3.2
	2.67	8	3.2	3.2	6.4
	Neutral	16	6.4	6.4	12.8
	3.33	33	13.2	13.2	26.0
	3.67	41	16.4	16.4	42.4
	Agree	95	38.0	38.0	80.4
	4.33	17	6.8	6.8	87.2
	4.67	10	4.0	4.0	91.2
	Strongly Agree	22	8.8	8.8	100.0
	Total	250	100.0	100.0	

The results on "Algorithm Transparency" indicate that the majority of respondents view AI decision-making in HR as relatively clear and understandable. A combined 57.6% of participants agreed or expressed stronger agreement (38% agreed, 6.8% selected 4.33, 4% selected 4.67, and 8.8% strongly agreed), suggesting confidence in the transparency of AI systems. However, 12.8% were neutral, and a smaller portion (6.4%) expressed disagreement to varying degrees. These findings imply that while most participants trust the clarity and fairness of AI algorithms in HR practices, there remains a need for improved explainability to address the concerns of a notable minority.

Employee Trust in AI-Driven HR Systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.67	2	.8	.8	.8
	Disagree	1	.4	.4	1.2
	2.33	2	.8	.8	2.0
	2.67	1	.4	.4	2.4
	Neutral	16	6.4	6.4	8.8
	3.33	22	8.8	8.8	17.6
	3.67	37	14.8	14.8	32.4
	Agree	100	40.0	40.0	72.4
	4.33	26	10.4	10.4	82.8
	4.67	16	6.4	6.4	89.2
	Strongly Agree	27	10.8	10.8	100.0
	Total	250	100.0	100.0	

The findings on "Employee Trust in AI-Driven HR Systems" indicate that a strong majority of respondents hold a positive level of trust in AI applications within HR. Specifically, 67.6% expressed agreement or higher (40% agreed, 10.4% selected 4.33, 6.4% selected 4.67, and 10.8% strongly agreed), showing substantial confidence in the fairness and reliability of AI-driven decisions. Only a small portion (2.4%) showed disagreement, and 6.4% were neutral. These results suggest that most employees and HR professionals are comfortable with and trusting of AI systems in HR, though some still call for improvements in clarity and fairness to strengthen trust further.

4.3 Correlation

Correlations

		AI Use in Recruitment	AI Driver Performance Management	AI in Employee Engagement and Retention	Algorithm Transparency	Ethical Guidelines and Oversight in AI Implementation	Employee Trust in AI-Driven HR Systems
AI Use in Recruitment	Pearson Correlation	1	.529**	.428**	.454**	.373**	.455**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	250	250	250	250	250	250
AI Driver Performance Management	Pearson Correlation	.529**	1	.544**	.545**	.408**	.505**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	250	250	250	250	250	250
AI in Employee Engagement and Retention	Pearson Correlation	.428**	.544**	1	.494**	.328**	.447**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	250	250	250	250	250	250
Algorithm Transparency	Pearson Correlation	.454**	.545**	.494**	1	.415**	.478**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	250	250	250	250	250	250
Ethical Guidelines and Oversight in AI Implementation	Pearson Correlation	.373**	.408**	.328**	.415**	1	.408**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	250	250	250	250	250	250
Employee Trust in AI-Driven HR Systems	Pearson Correlation	.455**	.505**	.447**	.478**	.408**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	250	250	250	250	250	250

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis reveals statistically significant and positive relationships between all key variables at the 0.01 level, indicating strong interdependence among them. Notably, employee trust in AI-driven HR systems shows the highest correlation with AI-driven performance management (r = .505**) and algorithm transparency (r = .478**), suggesting that transparent and well-managed AI performance systems strongly influence trust. AI use in recruitment (r = .455**) and employee engagement (r = .447**) also positively relate to trust, highlighting their importance in ethical AI adoption. Additionally, ethical guidelines and oversight demonstrate moderate but significant correlations with all other variables, especially trust (r = .408**), underscoring the role of governance in fostering fairness and confidence. Overall, the findings suggest that enhancing AI transparency, ethical oversight, and effective application across HR functions collectively strengthens employee trust in AI systems.

4.4 Regression Analysis

4.4.1 Impact of AI Use in Recruitment on Employee Trust in AI-Driven HR Systems

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.455[a]	.207	.204	.53314

a. Predictors: (Constant), AI Use in Recruitment

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.378	1	18.378	64.658	.000[b]
	Residual	70.491	248	.284		
	Total	88.869	249			

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

b. Predictors: (Constant), AI Use in Recruitment

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound

1	(Constant)	1.926	0.256		7.520	0.000	1.422	2.431
	AI Use in Recruitment	0.515	0.064	0.455	8.041	0.000	0.389	0.641
a. Dependent Variable: Employee Trust in AI-Driven HR Systems								

The regression analysis evaluates how the use of AI in recruitment influences employee trust in AI-driven HR systems. The model summary shows an R value of 0.455, indicating a moderate positive correlation between the predictor (AI use in recruitment) and the dependent variable (employee trust). The R Square value of 0.207 means that 20.7% of the variance in employee trust can be explained by the use of AI in recruitment alone, highlighting that while AI in recruitment is a meaningful predictor, other factors also play significant roles. The ANOVA table confirms the overall significance of the model, with an F-value of 64.658 and a p-value of 0.000, indicating that the regression model is statistically significant and the predictor contributes meaningfully to explaining variations in trust levels. The coefficients table reveals more specific insights. The unstandardized coefficient (B) for AI use in recruitment is 0.515, suggesting that for every one-unit increase in perceived effective AI use in recruitment, employee trust increases by approximately 0.515 units. This relationship is highly significant with a t-value of 8.041 and a p-value of 0.000, which further supports the strength and reliability of the predictor. The 95% confidence interval for the coefficient (0.389 to 0.641) does not cross zero, confirming the robustness of the effect. The analysis demonstrates that the effective use of AI in recruitment significantly and positively influences employee trust in AI-driven HR systems. However, as the R^2 value shows, other variables beyond recruitment practices—such as algorithm transparency, ethical oversight, and AI in performance or engagement functions—should also be considered to fully understand and enhance trust in AI-integrated HR environments.

4.4.2 Impact of AI-Driven Performance Management on Employee Trust in AI-Driven HR Systems

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505[a]	.255	.252	.51681

a. Predictors: (Constant), AI Driver Performance Management

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.630	1	22.630	84.727	.000[b]
	Residual	66.239	248	.267		
	Total	88.869	249			

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

b. Predictors: (Constant), AI Driver Performance Management

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.987	0.218		9.132	0.000	1.559	2.416
	AI Driver Performance Management	0.512	0.056	0.505	9.205	0.000	0.403	0.622

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

This chapter provides an in-depth analysis of the multifaceted ethical considerations surrounding the integration of artificial intelligence (AI) in human resource management (HRM), with particular focus on fairness, transparency, privacy, accountability, and workforce trust. The analysis explores how these elements interact to shape organizational practices and influence perceptions of AI-driven HR processes. In a structured manner, the chapter evaluates the implementation of AI across different HR functions—such as recruitment, performance evaluation, and employee monitoring—while documenting key variations across industries and organizations. Special attention is given to examining whether AI applications in HRM enhance or undermine fairness in decision-making, particularly in hiring and promotions. The chapter also considers issues of data privacy and algorithmic transparency to assess whether current practices protect employees' rights or pose risks of misuse. Furthermore, it investigates the balance between efficiency gains from AI automation and the ethical responsibility to uphold human dignity and equity in workplace policies. The reliability and credibility of the information analyzed are verified to ensure that the findings form a strong basis for meaningful ethical discussions and actionable recommendations. Correlational analysis is applied to examine the relationships between AI

adoption levels and perceived fairness, employee trust, and organizational accountability. Regression models further assess the direct and indirect impacts of AI-driven processes on ethical outcomes, offering nuanced insights into where benefits and risks intersect. The chapter interprets statistical findings sequentially to craft coherent narratives that highlight how AI shapes HRM practices and ethical landscapes. Ultimately, these evaluations provide a comprehensive understanding of how organizations can integrate AI responsibly, optimizing efficiency while safeguarding fairness and trust. These findings are vital for guiding business leaders, policymakers, and HR practitioners in creating frameworks that ensure the ethical use of AI in HRM and support sustainable, equitable workforce strategies.

4.4.3 Impact of AI in Employee Engagement and Retention on Employee Trust in AI-Driven HR Systems

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.447[a]	.200	.196	.53556

a. Predictors: (Constant), AI in Employee Engagement and Retention

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.737	1	17.737	61.839	.000[b]
	Residual	71.132	248	.287		
	Total	88.869	249			

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

b. Predictors: (Constant), AI in Employee Engagement and Retention

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.137	0.235		9.079	0.000	1.673	2.600

	AI in Employee Engagement and Retention	0.462	0.059	0.447	7.864	0.000	0.346	0.578

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

The regression analysis was conducted to examine the influence of AI in employee engagement and retention on employee trust in AI-driven HR systems. The model summary indicates that the R value is .447, demonstrating a moderate positive relationship between the two variables. The R Square value is .200, meaning that approximately 20% of the variance in employee trust can be explained by AI usage in engagement and retention practices. The adjusted R Square (.196) confirms that the model remains consistent even when adjusted for the number of predictors. The ANOVA table shows the regression model is statistically significant, with $F(1, 248) = 61.839$ and a p-value of .000, indicating that the predictor variable significantly contributes to explaining variations in the dependent variable. In the coefficients table, the unstandardized coefficient (B) for AI in employee engagement and retention is 0.462, which means that for every one-unit increase in the perceived effectiveness of AI in engagement and retention, employee trust in AI-driven HR systems increases by 0.462 units, holding all else constant. This relationship is statistically significant ($p < .001$), with a 95% confidence interval ranging from 0.346 to 0.578. The standardized coefficient (Beta = 0.447) further emphasizes the strong predictive power of this variable. Overall, the analysis confirms that AI's role in enhancing employee engagement and retention significantly and positively influences employee trust in AI-based HR systems. This suggests that when AI tools are used ethically and effectively to improve employee experiences, they help build trust among employees toward automated HR technologies.

4.4.4 Impact of Algorithm Transparency on Employee Trust in AI-Driven HR Systems

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.478[a]	.228	.225	.52595

a. Predictors: (Constant), Algorithm Transparency

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.267	1	20.267	73.267	.000[b]

	Residual	68.602	248	.277		
	Total	88.869	249			

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

b. Predictors: (Constant), Algorithm Transparency

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.202	0.209		10.540	0.000	1.791	2.614
	Algorithm Transparency	0.461	0.054	0.478	8.560	0.000	0.355	0.567

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

The regression analysis investigates how algorithm transparency influences employee trust in AI-driven HR systems. The model summary shows a correlation coefficient (R) of 0.478, indicating a moderate positive relationship between the predictor (algorithm transparency) and the outcome variable (employee trust). The R Square value of 0.228 means that approximately 22.8% of the variance in employee trust can be explained by algorithm transparency alone, which is a meaningful contribution considering the complexity of trust dynamics in organizational settings. The ANOVA table confirms that the regression model is statistically significant, with an F-value of 73.267 and a p-value of 0.000, indicating that algorithm transparency has a significant effect on employee trust. This suggests the model is a good fit and that transparency in AI decision-making processes is a valid predictor of trust levels among employees. The coefficients table provides further detail. The unstandardized coefficient (B = 0.461) implies that for every one-unit increase in perceived algorithm transparency, employee trust increases by 0.461 units, assuming all other factors remain constant. The standardized beta coefficient (Beta = 0.478) reinforces the moderate strength of this relationship. The effect is highly statistically significant ($p < 0.001$), and the 95% confidence interval (0.355 to 0.567) does not cross zero, affirming the reliability of this finding. In summary, the results highlight that algorithm transparency is a key driver of trust in AI systems

within HRM. When employees understand how AI makes decisions—such as hiring, evaluating, or monitoring—they are more likely to perceive these systems as fair, reliable, and legitimate. This finding underscores the importance of designing explainable and accountable AI tools to foster ethical and human-centered HR practices.

4.4.5 Impact of Ethical Guidelines on Employee Trust in AI-Driven HR Systems

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.408[a]	.166	.163	.54666

a. Predictors: (Constant), Ethical Guidelines and Oversight in AI Implementation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.758	1	14.758	49.385	.000[b]
	Residual	74.111	248	.299		
	Total	88.869	249			

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

b. Predictors: (Constant), Ethical Guidelines and Oversight in AI Implementation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.301	0.240		9.602	0.000	1.829	2.773
	Ethical Guidelines and Oversight in AI Implementation	0.428	0.061	0.408	7.027	0.000	0.308	0.548

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

The regression analysis explores how ethical guidelines and oversight in AI implementation predict employee trust in AI-driven HR systems. The model summary reveals a moderate positive correlation (R = 0.408) between the predictor and the dependent variable, with an R Square value

of 0.166. This means that approximately 16.6% of the variance in employee trust can be explained by the presence and strength of ethical guidelines and oversight in the organization. Although this percentage is modest, it is statistically meaningful and indicates that ethical practices have a notable impact on trust. The ANOVA results confirm the model's statistical significance with an F-value of 49.385 and a p-value of .000, which is below the 0.01 threshold. This clearly suggests that the regression model is effective in explaining the relationship between ethical oversight and employee trust in AI systems. Looking at the coefficients, the unstandardized coefficient (B) for ethical guidelines is 0.428, with a standard error of 0.061. This indicates that for every one-unit increase in the perceived quality or presence of ethical oversight, employee trust in AI systems increases by 0.428 units. The standardized coefficient (Beta = 0.408) reinforces the strength of this relationship. The t-value of 7.027 and the corresponding p-value (.000) further affirm that this predictor is statistically significant. The 95% confidence interval (0.308 to 0.548) does not include zero, supporting the reliability of the result. In conclusion, the analysis demonstrates that ethical guidelines and oversight significantly and positively influence employee trust in AI-driven HR systems. While not the sole factor, ethical practices form a foundational component in fostering employee confidence in automated decision-making processes. Organizations aiming to increase acceptance of AI technologies in HR must therefore ensure robust ethical frameworks and transparent oversight mechanisms are in place.

4.5 Reliability Analysis

Reliability Statistics

Cronbach's Alpha	N of Items
.833	6

The reliability analysis shows a Cronbach's Alpha value of 0.833 for the six items used in the study, indicating a high level of internal consistency among the items. In social science research, a Cronbach's Alpha above 0.7 is generally considered acceptable, and values above 0.8 are viewed as good. Therefore, the result suggests that the scale used to measure the construct (such as employee trust in AI-driven HR systems) is reliable, and the items consistently measure the same underlying concept.

4.6 Moderation Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.597[a]	.356	.346	.48322
2	.612[b]	.375	.362	.47730

a. Predictors: (Constant), Algorithm Transparency, AI Use in Recruitment, AI in Employee Engagement and Retention, AI Driver Performance Management

b. Predictors: (Constant), Algorithm Transparency, AI Use in Recruitment, AI in Employee Engagement and Retention, AI Driver Performance Management, Ethical Guidelines and Oversight in AI Implementation

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.662	4	7.915	33.899	.000[b]
	Residual	57.207	245	.233		
	Total	88.869	249			
2	Regression	33.282	5	6.656	29.218	.000[c]
	Residual	55.587	244	.228		
	Total	88.869	249			

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

b. Predictors: (Constant), Algorithm Transparency, AI Use in Recruitment, AI in Employee Engagement and Retention, AI Driver Performance Management

c. Predictors: (Constant), Algorithm Transparency, AI Use in Recruitment, AI in Employee Engagement and Retention, AI Driver Performance Management, Ethical Guidelines and Oversight in AI Implementation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	0.930	0.270		3.440	0.001	0.397	1.462
	AI Use in Recruitment	0.210	0.071	0.185	2.950	0.003	0.070	0.350

	AI Driver Performance Management	0.218	0.070	0.215	3.089	0.002	0.079	0.357
	AI in Employee Engagement and Retention	0.156	0.067	0.151	2.349	0.020	0.025	0.287
	Algorithm Transparency	0.195	0.063	0.202	3.111	0.002	0.071	0.318
2	(Constant)	0.673	0.284		2.373	0.018	0.114	1.232
	AI Use in Recruitment	0.182	0.071	0.161	2.569	0.011	0.043	0.322
	AI Driver Performance Management	0.190	0.070	0.187	2.704	0.007	0.052	0.329
	AI in Employee Engagement and Retention	0.147	0.066	0.142	2.236	0.026	0.018	0.277
	Algorithm Transparency	0.162	0.063	0.168	2.566	0.011	0.038	0.286
	Ethical Guidelines and Oversight in AI Implementation	0.163	0.061	0.155	2.667	0.008	0.042	0.283

a. Dependent Variable: Employee Trust in AI-Driven HR Systems

This multiple regression analysis examines how several independent variables including AI use in recruitment, AI-driven performance management, AI in employee engagement and retention, algorithm transparency, and ethical guidelines influence employee trust in AI-driven HR systems. In Model 1, four predictors (AI use in recruitment, AI-driven performance management, AI in engagement and retention, and algorithm transparency) were entered into the regression model. The model yielded an R of 0.597 and an R^2 of 0.356, indicating that about 35.6% of the variance in employee trust can be explained by these four variables. In Model 2, ethical guidelines and oversight were added, increasing R to 0.612 and R^2 to 0.375, which shows a modest improvement.

This suggests that the addition of ethical guidelines explains an additional 1.9% of the variance in trust, indicating its independent contribution to the overall model. The ANOVA results for both models show statistically significant regression models with p-values of .000. Model 1 has an F-value of 33.899, while Model 2 has an F-value of 29.218, confirming that the predictors collectively have a meaningful impact on the dependent variable employee trust in AI systems. In Model 2 (the more comprehensive model), all five predictors are statistically significant: AI Use in Recruitment (B = 0.182, p = .011): Positively influences trust, meaning improved recruitment practices via AI enhance employee confidence. AI-Driven Performance Management (B = 0.190, p = .007): Has a strong influence, indicating that reliable AI in performance evaluations significantly boosts trust. AI in Employee Engagement and Retention (B = 0.147, p = .026): Also significantly contributes, showing that personalized AI systems that support well-being foster trust. Algorithm Transparency (B = 0.162, p = .011): Plays a key role, suggesting that when AI decisions are understandable and explainable, employee trust increases. Ethical Guidelines and Oversight (B = 0.163, p = .008): Adds a meaningful layer to the model, indicating that ethical governance enhances trust independently of technical factors. All predictors have positive standardized beta coefficients, reinforcing that improvements across these dimensions collectively enhance employee trust in AI systems.

CHAPTER # 05 - CONCLUSION

The aim of this study was to investigate what ethical considerations require when integrating Artificial Intelligence (AI) in Human Resource Management (HRM), and how perceptions of fairness, transparency, and trust are affected by using AI. A thorough empirical investigation of the survey data and reinforced by the use of correlation and regression has produced several valuable insights on the role of AI in building HR practices and the ethical environment of its implementation.

The key finding of this study is that AI tools are associated with many benefits to HRM, such as efficiency, accuracy, and speed, but the benefits should be weighed appropriately with the ethical issues. The evidence indicated that the use of AI in the setting of HR practices, including recruitment, performance management, and engagement, has found a positive response due to the general support of its use by most of the respondents. This acceptance is, nevertheless, only conditional and is strictly related to the level of algorithm transparency, compliance with ethical direction, and the attempts by an organization to inspire confidence and protection in the minds of its employees.

The research established the fact that trust, when applied to employees, is a key mediating aspect of ethical integration of AI in HR. Trust in this perspective is not an abstract and passive condition but an outcome of how the employees judge fairness, reliability, and accountability of AI-driven decisions. It agrees with the earlier research of scholars like Binns (2018) and Lepri et al. (2018) who believe that the identification of algorithmic systems as trusted happens mostly by transparency and feelings of procedure justice. Employees find it more trustworthy when they know how decisions are reached, when the decisions made seem untainted and when they have a certain feeling that decisions are not done in complete autonomy.

The study found out that algorithm transparency plays a major role in trusting AI systems. It can aid theoretical constructs such as the Floridi et al. (2018) of the concept of an AI Ethics Framework that suggests explain ability and accountability as key ethical design requirements in artificial intelligence. The results of this research support the claim that hidden or black box algorithms have the potential to ruin trust, regardless of whether or not the results are technically correct or advantageous. One of the most significant factors indicating trust was transparency, in my definition the simplicity of the algorithm AI uses to make decisions, which means that companies

interested in implementing AI innovations ethically should focus on making their models intelligible and explainable.

The way AI is used in recruitment appeared to have a beneficial impact on trust as well, implying that automation in hiring could lead to increased fairness and objectivity although it would be important to implement it wisely. It is consistent with the previous literature that identifies such effects of AI as the validity of diminishing human biases in hiring (Dastin, 2022; Raghavan et al., 2020). Nevertheless, the study also warns against mindless adoption of AI, since even computer models learning off of biased past information may recreate or deepen the current inequalities. Therefore, although AI has the potential to enhance the results of the recruitment process, it poses several ethical questions, data sourcing transparency, and regular evaluation to make it fair.

The AI application to performance management was another topic that was mentioned. The majority of respondents perceived AI as a useful tool in applying objective measures of the performance of employees. This corresponds to the results of previous research which indicated that objective performance measurements using data might be used to limit subjective bias (Tambe et al., 2019). Nevertheless, this paper also discovered that no one trusted these systems simply because of how many these systems would be effectively managed and communicated. The dissatisfactory performance indicators on AI might also demotivate the employees and dent their confidence; once again, ethical and clear implementation is the key.

It also had a positive effect on employee engagement and retention as a sign of its potential to personalize employee experiences, turnover, and well-being. Such findings correspond to the length of the literature on the application of AI to personalised HR interventions and adaptive engagement approaches (Yakubovich, 2019). Nevertheless, there are ethical issues. Although useful in terms of engagement, the gathering of personal information and processing thereof, begs big concerns over employee autonomy and privacy. Based on the findings, it is notable that organizations must consider ways of finely balancing personalization and confidentiality in a way that clearly defines limits of data usage.

The existence of ethical guidelines and checks was one of the main ethical pillars discussed in this paper. The statistics established that this type of frameworks makes employees trust AI systems

extensively. This asserts previously published material that anticipates institutional regulation to guarantee reckless AI actualization (Jobin et al., 2019). Ethical guidelines have a twofold effect: on one hand they become means of protection against misuse, on the other hand they send a positive message to all employees that equity and responsibility are important to the organization. As it has been demonstrated in case of this study, even minor increases in ethical oversight have significant value in increasing trust, particularly when implemented along with extant transparent and inclusive communication habits.

Regarding methodological perspective, multiple regression analysis helped to understand the impact of the individual and generated AI-related factors on employee trust. The most significant predictors became algorithm transparency and AI-powered performance management, which confirm potential critical influence of procedural fairness on employee attitude. Although AI in recruitment and engagement displayed a considerable impact, the effect was a little less than the other categories of AI, thus implying that direct AI experiences (e.g., using AI-based performance evaluation systems) can have more acute effects on trust.

It is interesting to note that the combined model which incorporated all predictors namely: AI usage in recruiting, performance management, engagement, transparency and ethical oversight shared a significant proportion of variability in trust. This implies that trust among employees is multi faceted and is not a one factor entity. Instead, it is influenced by such an ecosystem of ethicalism, technological denudation and human governing. This observation affirms the systems-level thinking that scholars like Mittelstadt et al. (2016) insist on when it comes to the ethical application of AI; that is, it is not a matter of individual solutions.

It is also necessary to mention the demographic setting of the findings. To a greater extent, the sample was made up of younger HR professionals and more middle-level workers, most of which are probably more technically literate and flexible in regard to working solely with digital systems. It is possible that it is one of the reasons why the attitudes towards AI are generally positive since younger professionals are more likely to use digital tools. The skew of this demographic, however, might also obscure the possible resistance on the part of employees who are already older or simply less digitally literate, and these hypotheses will have to be tested in the future research to come up with more democratically oriented AI integration plans.

Long-term ethical implication of AI in HR is also opened in the findings. And take the example of AI systems in which the boundary between machine-made decisions and human judgment is unclear as human-made autonomy increases. It begs the question of accountability: a bad hiring decision or performance review: who is to answer, the HR person, the programmer or the computer? In the study, this implies that there should be properly established hierarchies of accountability, which is pointed out as an issue in regulatory programs like the AI Act introduced in the European Union which requires that high-risk AI applications (including HR applications) be managed through the implementation of strict oversights.

Privacy is another big issue. Even though the application of AI to process large amounts of data about employees can be used constructively, this opportunity can be abused. According to the results, trust is tenuous and it is easily weakened when the privacy of data is not taken into consideration. The issue of surveillance-like behaviors in the name of performance monitoring has already been an allegation of previous investigations, and this research fully proves the key role of ethical data processing in maintaining the trust of employees.

Considering these insights, some recommendations are practical. First, organizations need to focus on the transparency of algorithms, making decisions of AI accessible, audit and explain faster. Second, ethical regulations cannot be symbolic but they need a good enforcement by cross functional oversight committees, regular audits, and universal policy making. Third, the HR departments need to use HR as a hybrid that can embrace the solutions AI through machine efficiencies and human empathy and judgment. The potential to avoid the dehumanization of the HR processes that, as some scholars are convinced, might be an effect of uncontrolled automation, can be achieved with the help of this hybrid model.

Educating the employees and letting them participate in the design of the AI policies can further boost trust. By providing workers with information on the mechanism of functioning of AI tools and letting them be heard in the manner of their application, organizations can improve their sense of control and confidence. This kind of participatory governance is also in accordance with the concepts of procedural justice and has been discovered to enhance organizational commitment (Greenwood and Van-Buren, 2010).

Value of the Research

The work generates important insights into the field because it is based on empirical evidence, using the interaction between AI, ethics, and Human Resource Management as the object of interest. It contributes theoretically through the combination of socio technical systems theory and stakeholder theory which speaks the necessity of the balance between efficiency and social responsibility, fairness, accountability and inclusiveness. In addition to theory, it also provides practical strategic advice to organizations, on how to conceive and adopt explainable, transparent, and ethically regulated artificial intelligence (AI) applications, that protect the employee rights, trust, and promote equitable workplace offerings across the various industries in the UK.

Future Considerations

Future studies are necessary on differences between ethnics and sectors in perceptions of ethical AI in HRM, particularly in low- and middle-income countries and in multicultural workplaces where context might influence the building of trust and the adoption process. Future longitudinal research would be able to determine the effects of growth in AI technologies and the increasingly standardized ethical governance systems on staff faith. In incorporating qualitative insights into statistical trends, employees, HR practitioners and policymakers should contribute their experiences and understanding of subtle challenges and lived-experiences that are behind the trends, and this would result in even more adaptable and globally applicable ethical AI models of HRM.

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APPENDIX – A (QUESTIONNAIRE)

Topic: *Ethical Implications of Artificial Intelligence in Human Resource Management: Balancing Efficiency with Fairness*

Controlled Variable

1. **Gender:**
   - **a.** Male
   - **b.** Female
2. **What is your age:**
   - **a.** 18 – 25
   - **b.** 26 – 35
   - **c.** 36 – 45
   - **d.** 45 – 55
   - **e.** Above 55
3. **Designation**
   - **a.** HR Professional
   - **b.** Employee
   - **c.** Manager
   - **d.** Executive
   - **e.** Others: _____

Choose/Tick (✓) one option from the following statements, depending on the scale described below:

5: Strongly Agree, 4= Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

Sr. No.	Description	5	4	3	2	1
Employee Trust in AI-Driven HR Systems (Dependent Variable)						
1	I generally accept the outcomes produced by artificial intelligence tools in human resources work.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	I perceive those tools as treating every employee with equal fairness.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	Such data-driven HR systems safeguard the personal privacy of staff members.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Ethical Guidelines and Oversight in AI Implementation (Moderating Variable)						
1	The firm maintains detailed ethical rules that govern all AI applications in human resources.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	Close human supervision of AI-driven staffing choices helps to keep outcomes fair.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	I am confident that senior leaders routinely examine the ethical risks AI poses in HR.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
AI Use in Recruitment (Independent Variable)						
1	Sophisticated AI applications sift applicants and spotlight those whose skills, experience, and credentials best match the position.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2	Leading platforms now embed explainable algorithms so hiring managers can trace each recommendation back to the data that drove it.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	As the code can be audited, I am confident these systems produce shortlists largely untainted by human prejudice.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
AI-Driven Performance Management (Independent Variable)						
1	Machine-learning algorithms now produce exact ratings of day-to-day employee output.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	Computer-generated feedback mirrors what I contribute.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	Review systems that draw on AI appear less biased than assessments carried out by managers.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
AI in Employee Engagement and Retention (Independent Variable)						
1	AI systems now flag workers most likely to depart the company.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	In my experience, machine-generated comments lift day-to-day commitment.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	These applications have boosted my overall sense of job well-being.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Algorithmic Transparency and Fairness (Independent Variable)						
1	I grasp the technical mechanisms by which artificial intelligence algorithms arrive at selections and recommendations in human-resource work.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	Current AI tools used in human resources offer intelligible rationales for approving, denying, or ranking candidates.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
3	On balance, I contend that those same algorithms operate fairly, avoiding bias based on gender, race, or other protected traits.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree