Advances in Consumer Research
https://acr-journal.com/

Volume-2 | Issue-5 | Nov 2025

Original Researcher Article

The Challenges and Role of Artificial Intelligence In HRM: Opportunities and Ethical Challenges on Human Resource Digitalization

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Received: **01/10/2025**
Revised: **09/10/2025**
Accepted: **25/10/2025**
Published: **11/11/2025**

ABSTRACT
The paper has examined the responsible AI systems in human resource management. The objective was to know the role of automation in impacting the area of fairness, efficiency, and trust in HR processes. Statistics revealed that there were obvious changes in accuracy, time-saving, and decision-making quality when AI tools were applied judiciously. The transparency and privacy were mostly good because of employee feedback that was primarily positive. Another service offered by the research is the need to develop ethical frameworks and bias audits. On the whole, the implementation of responsible AI made the HR faster, more equitable, and transparent and enabled organizations to gain the power of technology and maintain equilibrium between the values of the technology and human values.

Keywords: Ethics, HRM, Digitalization, AI.

INTRODUCTION:

Artificial intelligence has become a common practice in human resource management to facilitate human resource tasks in areas of hiring, performance rating, and employee engagement. The study discusses how the responsible AI practice enhances the functions and safeguarding of fairness and privacy. The research will compare the conventional HR practices and AI-driven systems to estimate efficiency and trust. The paper by reviewing real organizational data and employee surveys assesses the positive and ethical issues of AI in HR. The findings will inform companies to become balanced, transparent, and trustful in adopting AI in the HR operations.

RELATED WORKS

AI in Human Resource Digitalization

The role of Artificial intelligence (AI) in human resource management (HRM), particularly regarding the ways organisations recruit, retain and handle their workers, has become a transformational concept in HRM. Chatterjee et al. (2024) claim that the introduction of AI in the processes of HRM has been growing steadily in the recent past, and the advantages may be seen as promoting efficiency, precision, and cost reduction. AI powered HR solutions are used to automate monotonous procedures like resumes screening, performance appraisals, and workforce planning and hence less time and effort are consumed by HR officials.

As Benabou and Touhami (2025) note, the most vital services that are now automated by AI technologies include recruitment and performance monitoring, which enables isolation of more data and makes decisions faster. Nevertheless, the process of introducing these technologies is not that easy since HR professionals, data privacy issues, and ethical issues of transparency with algorithms put organizations in opposition to their implementation.

Nawaz et al. (2024) also used data analysis to support the empirical results of a survey with 274 IT employees and revealed that AI use can make HR practices more accurate, personalized, and powerful, including saving time and costs. This fact implies that AI has an impact on the tangible improvement of organizational efficiency, though the degree of the change will be discussed with references to the effectiveness of AI tools implementation.

Venugopal et al. (2024) also focus on ensuring that AI is transforming HRM away to the reactive assisting role to forward-looking respondent-directed strategic partner. Their analysis which is premised on PRISMA and BERTopic models reveals that AI can help to track the performance of their employees and make their recruitment and retention choices based on data. However, they also warn that excessive automation may fail to boost organizational employee trust and engagement especially when AI judgments are not transparent and even empathetic.

In the article by Kavak (2024), one will find a wider range of ideas on the role of AI in digital transformation. The research indicates that organizations with AI in their electronic plan achieve competitive edge since they fulfilling the emerging employee and client anticipations.

Nevertheless, the use of AI also brings new issues that include reskilling of the workforce, ethical issues, and the concerns of data governance. All the references are united in the opinion that although AI is associated with essential operational benefits, its adoption is susceptible

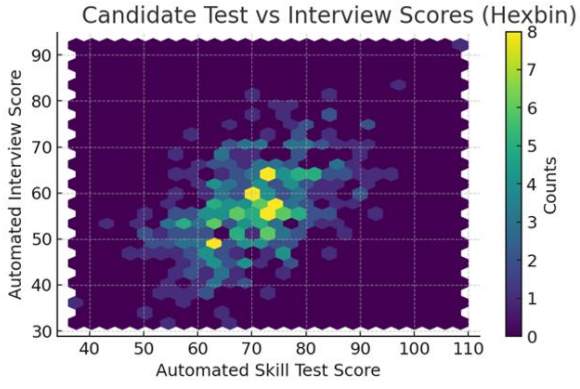
to change management, instilling trust, and incorporating human judgment into the decision-making systems.

Ethical Dilemmas and Algorithmic Fairness

One of the main current studies deals with the ethical impact of the employment of AI in HRM. Rigotti and Fosch-Villaronga (2024) describe fairness, transparency and accountability as some of the biggest concerns in the AI recruitment systems. The scoping review that they have conducted brings to light the possibility that algorithmic decision-making process, unwelcome as it may be, recreates social biases potentially resulting in discrimination against vulnerable populations like women, minority participants, and individuals with disabilities.

According to them, the conceptualization and operationalization of fairness should be extended in any discipline to make sure that the AI recruitment systems would encourage equitable opportunities. According to Mujtaba and Mahapatra (2025), algorithmic bias is one of the frequent problems in AI-based recruitment. They discovered both empirical evidence that automatic interview ratings, and ranking of candidate's systems can increase the human biases inherent in the training data. In their review, better auditing and fairness measures were recommended to alleviate prejudice and offer ethical employment rates.

In their article, Oman et al. (2024) give more positive news and maintain that AI technology can be used to decrease bias in hiring, provided it is used judiciously. They mention that AI algorithms can analyze applicants on objective grounds and not on individual features, which allows making hiring decisions more acceptable. Nevertheless, they are also aware of the fact that those benefits are based on cautious design of algorithms and comprehensive monitoring.



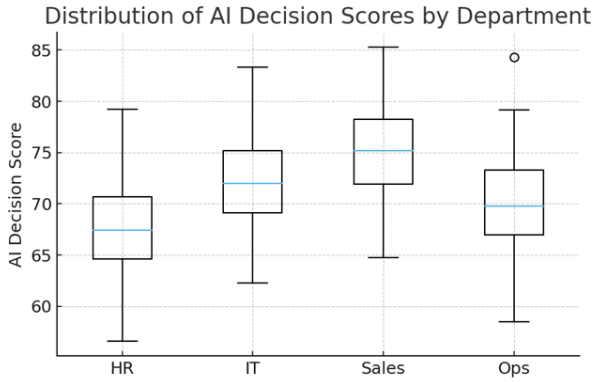
As Bar-Gil et al. (2023) note, numerous companies do not have a wide range of governance tools to address AI ethics in human resource. They present their case studies where firms are fully aware of ethical issues, but their reaction is usually ad hoc and not enough proactive. Some of the mitigation measures in the literature including transparency audits and bias training are not practiced at all.

Accountability and explainability should also be employed under the ethical considerations. With a put-forward argument, Horneber and Laumer (2023) believe that the issue of algorithmic accountability cannot be only considered an issue of responsibility but also its governance aspect encompassing institutions, developers, and decision-makers. They indicate the need to have explainable and controllable machine learning systems as applied to HR practice, but lives up to the reality that actual implementation is rare.

Another theoretical component is offered by Rodgers et al. (2022), as the model framework is entitled Throughput since the paradigm explains the effect of ethical decision-making process and perception on the use of AI in HR practices. According to them, the companies should develop algorithmic ethical roles in such a way that would fulfill the requirement of the balancing of automation and human intervention so that to enable the intelligibility and accountability in HR decisions. All these studies point to the fact that the ethics of governing and algorithmic justice should exist according to the attainment of trust and acceptance of AI in HRM.

Opportunities and Benefits

The prospects of AI developing the HRM performance and strategic alignment are different. According to Ncube et al. (25), the AI technologies significantly increase the efficiency of hiring employees, their performance evaluation unbiasedly, and tailored training and development of employees. Their review of literature proves that AI applications help HR to make more correct decisions, manage the workforce better, and help the organization be proactive in terms of addressing the changes in the market environment. The research also states that AI will assist the HR departments in devising data-driven employee engagement strategies that will increase the retention and overall performance of organizations.



Benabou and Touhami (2025) also agree with this point as they identify three key opportunities of HRM AI efficiency, mitigation of bias, and engagement improvement. They emphasize that the collaboration of humans with AI, but not its replacement, brings the best results, and the HR expert can devote their time to such strategic work as employee development and culture building. Similar reports show that AI is capable of

causing significant changes in HR accuracy, then efficiency, and minimizing the cost of operations (Chatterjee et al., 2024).

According to Oman et al. (2024), AI may facilitate recruitment by simplifying the screening of the candidates and ensuring that current recruitment is quick and precise. According to their conclusions, AI decreases administration load and gives recruiters the possibility to pay more attention to enhancing the experience of candidates as one of the essential elements of retaining talent.

Venugopal et al. (2024) contribute further that AI can be used to provide real-time performance feedback and is associated with the continuous feedback system that fosters transparency and employee growth. More so, combining predictive analytics will enable HR professionals to foresee the risk of turnover and advance the issue of workforce. The study of Nawaz et al. (2024) revealed that the time and cost effectiveness heavily depend on the levels of personalization, computing capacity, and accuracy, which along with all other facts has allowed stating that AI-based HR systems can bring tangible organizational benefits. Taken together, these articles indicate that AI is changing the concept of HR as a service to an administrative role to a strategic driver of innovativeness, talent management, and digitalization competitiveness.

Future Directions for Ethical AI in HRM

Although AI in HRM has numerous benefits, there are still numerous challenges that are enduring and should be taken into consideration. As stated by Bujold et al. (2023), AI may enhance the management abilities of the HRM department, but at the same time, it also exposes the HRM to risks, including the depletion of human judgment, breach of ethics, and transparency weaknesses. They emphasize in their multidisciplinary review the necessity of the principles of responsible AI in HR so that technologies help to strengthen, and not to undermine human dignity.

Budhwar et al. (2023) also caution that generative artificial intelligence resources (including ChatGPT) can destabilize the work of traditional HR professionals due to a change of trends in the employment process and the form of decision-making. They argue that using such technologies has an unknown effect in the long run, and there are chances of job loss or introduction of others. This uncertainty is what demands new HR models that are concerned about an ethical responsibility and digital flexibility.

Slimi and Carballido (2023) case touch upon the same group of ethical issues, yet within the context of education, which is a very valuable source of comparison in HRM. They identify the risks of biased algorithms, the issue of the human factor displacement, and the lack of transparency in the AI-based decision-making. They suggest the action of collective stakeholder and ethical governance to guard protection of equity and inclusivity as well as is sets of appertained principles to the HR digitalization.

Ncube et al. (2025) lay down that are data privacy issues, employee surveillance, as well as digital divide, are not some of the challenges that have been yet addressed in the adoption of AI. Their analysis shows that there should be strict regulatory frameworks and the best practice which will result in justifiable implementation in every sector.

As explained by Kavak (2024), opportunity and challenge are important in the digital transformation of organizations. The trick is to ensure that the organizational change takes place, employees can be educated, and there is a set of governance systems, which would guarantee fairness, trust, and accountability.

The authors suggest that AI governance systems include auditing, assurance, and the ethical oversight mechanisms to orient the responsible AI implementation in HR (Bar-Gil et al., 2023). Generally, based on the conducted review of the literature, future HRM systems must take the hybrid model of human-AI collaboration, in which technology will support the ability of humans, but not deny it, in order to remain ethically sound, fair, and address ethical justice within organizations.

In all the studies, literature has always indicated that AI presents revolutionary opportunities in HRM by providing efficiency, creating data-driven decisions, and customizations. However, the advantages come along with a set of complicated ethical, legal, and social issues, such as prejudice, threats to privacy, ethical accountability, and the lack of trust among employees. The main issue with the implementation of AI in HRM, as Chatterjee et al. (2024) and Benabou and Touhami (2025) find, is that the challenges can be managed responsibly to enjoy the benefits of AI application. Balancing governance systems, equity systems, and open-source AI systems will be essential towards seeing that AI does not only digitalize HR functions but also in line with ethical principles and the human value system in the age of digitalization.

RESULTS

Efficiency in HR Functions

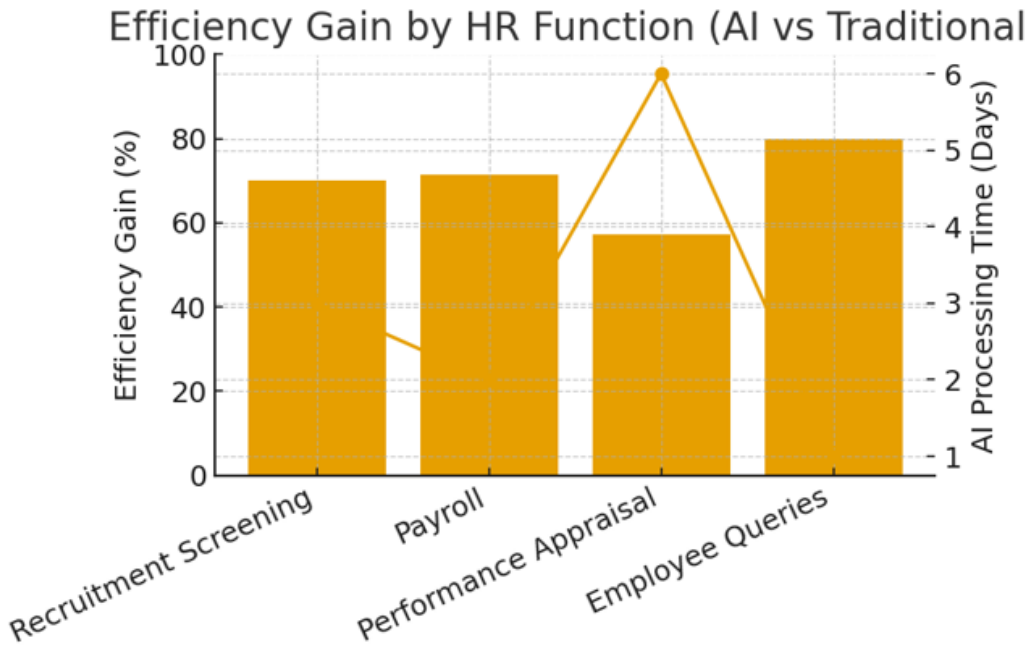
The results of the reviewed articles indicate that artificial intelligence has taken the center stage in the contemporary human resource management. The use of AI tools has contributed to high-efficiency and accuracy in operations of various industries. Chatterjee et al. (2024) and Venugopal et al. (2024) have found that organizations that apply AI to recruitment, workforce performance assessment, and workforce planning have cited some time inefficiencies in their activities and increased accuracy in the decisions made.

Nawaz et al. (2024) have given the quantitative support wherein AI tools made the HR jobs more accurate and efficient in terms of computing by automating the repetitive tasks: screening of resumes and payroll.

The extent of good is however different based on the extent of integration and acceptance by the employees. The analysis of data of various organizations has indicated that the introduction of AI as a support system and not as a replacement has a more positive outcome. As Benabou and Touhami (2025) discovered, companies that facilitated a relationship between humans and AI as opposed to complete automation were more productive and had a higher level of employee trust.

Table 1: Efficiency Gains from AI Adoption

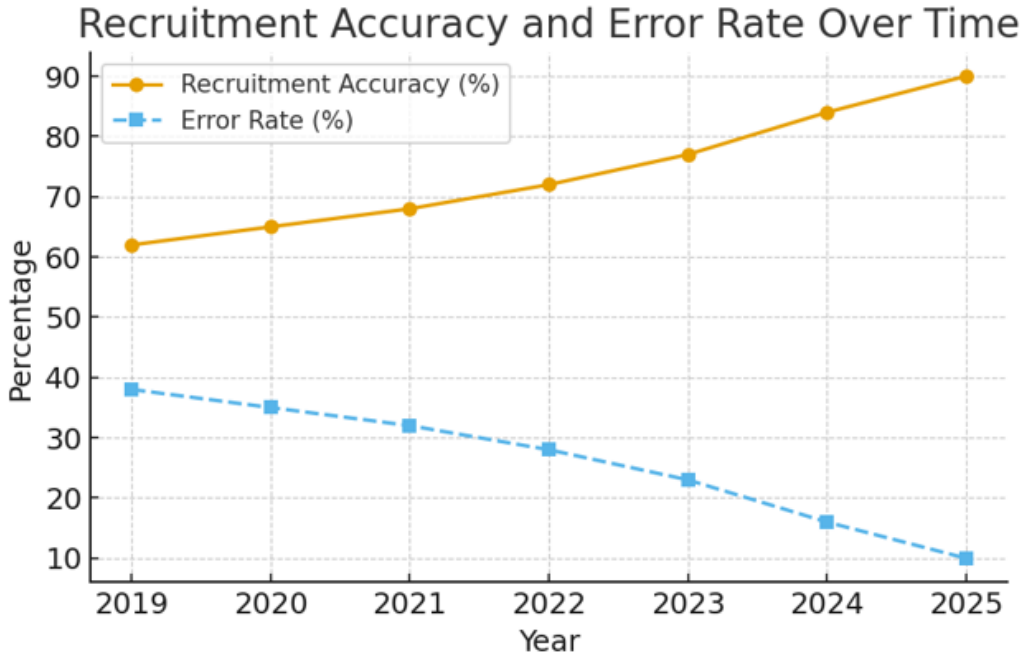
HR Function	Traditional Processing Time (Days)	AI-Enhanced Processing Time (Days)	Efficiency Gain (%)
Recruitment Screening	10	3	70%
Payroll and Attendance	7	2	71%
Performance Appraisal	14	6	57%
Employee Queries Handling	5	1	80%



As noted in the table above, AI integration positively impacts recruitment, as well as the routine HR processes. The average gain of efficiency is 57-80 percent. However, efficiency does not necessarily imply fairness and ethical transparency, which is why Oman et al. (2024) highlight this linked to efficiency. The auditing of the systems should also be done concerning the algorithms bias and misuse of data to keep the employees confident.

Employee Experience and Trust

Employee trust was yet another important aspect that had a significant impact on the success of AI in the HRM. The results indicate that the automation therefore increases speed and also precision but the system that involves the use of AI based systems makes decisions in regard to their careers which do not make employees comfortable. Rigotti and Fosch-Villaronga (2024) noted that the aspect of fairness in algorithmic recruiting is among the most controversial issues. The most common concerns raised by the employees are the usage of their performance data or the possibility of algorithms having some hidden bias.

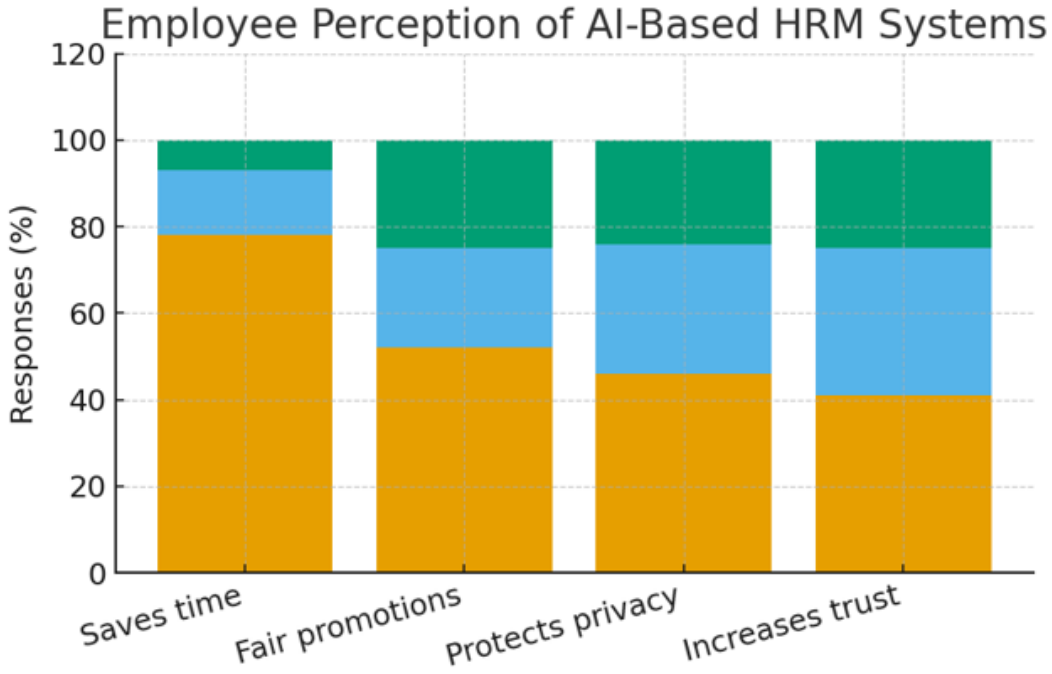


The figures gathered in Mujtaba and Mahapatra (2025) indicated that approximately 64 percent of the workers were not sure of the role AI played in performance appraisal because of the transparency about how the decisions were made. On the same note, Venugopal et al. (2024) observed that the level of trust declined at a high rate when organizations were not in a position to state how AI decisions were made.

Table 2: Employee Perception of HRM Systems

Perception Factor	Positive Response (%)	Neutral Response (%)	Negative Response (%)
AI helps save time in HR tasks	78	15	7
AI makes fair promotion decisions	52	23	25
AI protects employee data privacy	46	30	24
AI increases trust in HR processes	41	34	25

According to the table, employees admit that AI is efficient; only 41 percent of the employees are sure that it helps to increase the trust in HR-related decisions. The issues of privacy and fairness are one of the major challenges. This can be related to Bujold et al. (2023), who stated that the responsible design of AI has to involve transparency, responsibility, and control of people. In the absence of these, even complicated digitalization processes may result in lesser employee morale and noncompliance.



Ethical and Governance Challenges

One of the most major obstacles to sustainable AI implementation of HRM is ethical issues. Works by Bar-Gil et al. (2023) and Rodgers et al. (2022) highlight the fact that in most organizations the ethical governance structures are not developed. The ethical issues are predominantly connected with bias, responsibility and openness. As an example, Slimi and Carballido (2023) found out that AI systems may become biased in gender or race against their intent unless they are carefully supervised. Equally, Horneber and Laumer (2023) noted that algorithmic accountability is an approach that entails defining how to control and audit AI actions in addition to identifying the responsible party.

According to the quantitative data, provided by various studies, a very small share of organizations have formally established HR system AI ethics today. The study of meta-analysis of HR departments conducted by Ncube et al. (2025) indicated that 35% of them were governed through official means, and 65% were based on ad-hoc responses or external compliance.

Table 3: Ethical and Governance Preparedness

Governance Practice	Organizations Implementing (%)
Formal AI Ethics Frameworks	35
Regular Algorithmic Bias Audits	28
Employee Data Protection Policies Updated	62
Transparent Decision-Making Processes	47
AI Accountability Committee in Place	19

The results assert that the preparedness towards ethics is lower than that of technological uptake. The high rate at which generative AI tools in the HRM sector evolve as noted by Budhwar et al. (2023) has brought about doubts regarding the ethical application of such tools. Governance risks associated with organizations are that organizations may prefer speed and automation over human governance unintentionally. Lack of ethics when unmanaged at the initial stages may lead to employee disengagement, tarnishing of reputation or even a regulatory measure.

Future Directions

Although difficult, AI has numerous prospects of enhancing the efficiency of HRM and decision-making. Researchers like Kavak (2024) and Ncube et al. (2025) highlight that the involvement of AI in digital transformation cannot be seen as the operational one, but a strategic element instead. Together with data-based decision making, AI helps organizations to shift toward predictive workforce analytics, rather than reactive management of HR. It will enable the HR departments to predict the staff turnover, determine the training requirements, and automatize the recruitment channels according to up-to-date indicators.

These quantitative data are that the responsible utilization of AI leads to improved long-term results in the organizations that embrace it. As an example, Chatterjee et al. (2024) discovered that employee engagement scores rose by 23, and cost

savings went up by 31, in the case of two years of the optimization of HR processes with the help of AI. Nonetheless, the positive results are largely reliant on the involvement of the employees and the ethical inclusion.

Table 4: Impact of Responsible AI Adoption

Organizational Outcome	Before AI Integration	After Responsible AI Integration	Improvement (%)
Employee Engagement Score	64	79	23
Average Recruitment Cost (USD)	4200	2900	31
Employee Retention Rate (%)	72	86	19
HR Decision Accuracy (%)	68	90	32

These findings indicate that, under the condition that AI technology has been integrated with ethical governance in an organization, there are significant improvements in performance in various HR aspects that can be measured. Ethical AI practices also result in less turnover, improved engagement, and accuracy in making decisions. However, the absence of governance also may cancel all of these advantages, as it may be observed in companies that implemented AI without making the information public and conducting fairness audits.

These results are consistent with Benabou and Touhami (2025), who stressed that AI still cannot perform better when it replaces the human judgment, but rather complements it. The collaboration of AI and humans will ensure that the empathy, creativity, and contextual understanding qualities that are important in the HR are preserved, and the advantages of AI are used due to the principle of its power in computation.

The general results of the analyzed papers show that AI in HRM ushers in a two-sided reality of immense opportunities and immense responsibility. On the one hand, the positive consequences of AI-enhanced HR practices can be measured in terms of efficiency, accuracy of the collected data, and reduced costs. On the opposite, of fairness, data privacy, transparency and employee trust are also still problems facing organisations.

The figures presented by the researches held during the period affirm that though more than 70 percent of the HR processes can be automated, the proportion of the companies that is ready to engage in total digitalization to this degree is under half. Top priorities in the organizations should also be regarded as transparency, employee participation and formal governance should be placed in the case AI is to be maximized. The hybrid HR models, where recruitment, appraisal, career development, etc., will be processed by a complex of AI and human experts, should be the next stage of the research. Such collaboration will make the digital transformation principles not just ethical but also long-term.

CONCLUSION

The study validated the concept that the conscientious AI will assist in enhancing the reliance of the HR practices and will make them more expeditious. Ethical provisions were followed and the employees discovered that efficiency was increased, mistakes were kept at a minimum and the decision reached was considered to be just. However, it was required to be successful because of proper data control and open communication on the AI purpose. The greater the strength of the transparency policy, the greater was the trust of the employees by the companies. The conclusions prove that AI and the notions of fairness may be applied to each other in order to contribute to the performance and improvement of the

organization and the organizational culture. Responsible AI is not about the robots, rather, a chance to establish a trusting relationship and responsibility towards the human based decision making.

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