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Artificial Intelligence in HR: Legal and Ethical Aspects of Application and Possibilities of Regulation in Different Labor Markets

Abstract

The paper's purpose involves identifying the legal and ethical aspects of artificial intelligence applied in HR and considering the possibilities of regulating this process in different labor markets. This paper defines how AI affects recruitment, performance evaluation, and HR management. This paper considers the need to create international standards and agreements governing AI applications in HR management that would be the legal ground for safeguarding employees' rights and strike a balance between automation and human factors. The results reveal that AI significantly improves recruitment efficiency and decision-making capabilities in HR by automating candidate screening and analyzing large datasets. The research concludes that successful AI implementation in HR requires balancing technological innovation with ethical and legal considerations. Clear regulations governing the roles and responsibilities of AI

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developers, operators, and users are essential to prevent discrimination and ensure data privacy. These findings have broader implications for other sectors, such as healthcare and education, that are looking to integrate AI technologies.

KEYWORDS: artificial intelligence, HR, regulation, labor markets, human resources management

1 Introduction

Artificial intelligence (AI) is a branch of computer science responsible for creating technologies competent to perform tasks previously reliant upon human intellectual effort.[1] This tool learns to perform complex operations and make intelligent decisions similar to those that humans can make.[2] Unlike traditional software, AI advanced algorithms allow it to process a bulk of data within seconds. The response to user verbal input and actions embedded with the special algorithms facilitate designing the human image to contact job applicants, recruits during their training, and benefits and compensation specialists during payroll and bonus calculation. Additionally, AI helps HR managers and line managers create analytical reports, giving them more capacity, time, and accurate information to manage their workforce[3].

Therefore, it is safe to say that artificial intelligence is a crucial digital economy constituent that emerged in response to new data processing and analysis tools; its feature set and operation response time can be the

1 Crispin Coombs, Donald Hislop, Stanimira Taneva, Sarah Barnard, "The Strategic Impacts of Intelligent Automation for Knowledge and Service Work: An Interdisciplinary Review" *The Journal of Strategic Information Systems*, No. 4 (2020): 101600.

2 Hanna Bey, Hanna Sereda, "Transformation of HR Technologies under the Influence of Digitalization of Business Processes" *Economics and Organization of Management*, No. 2 (2019): 93-101.

3 Alexander Petryshyn, Oleh Hyliaka, "Human Rights in the Digital Age: Challenges, Threats, and Prospects" *Journal of the National Academy of Legal Sciences of Ukraine*, No. 1 (2021): 15-23.

reason human capital is replaced in areas where their performance is not so effective as AI one.[4]

AI in HR opens up many opportunities. One of them is the analysis of large amounts of data about employees, including their skills, education, experience, work achievements, etc. This allows HR leaders to make a more objective selection of candidates, find potential leaders, and identify predictable problems with staff retention[5]. In addition, AI helps automate routine HR processes that used to require a lot of time and effort. For example, automated processing of leave requests, generating reports, or sending notifications can be done directly by AI; HR managers would be able to concentrate on a company's strategic management, being released from routine tasks.

Despite these advancements, several potential applications and opportunities of AI in HR remain underexplored. AI integration in HR raises questions about its impact on employment practices, employee morale, and organizational culture. There is limited understanding of how AI can be used to foster diversity and inclusion, mitigate unconscious biases, and ensure fairness in recruitment and promotion processes. Furthermore, the long-term AI effect on job displacement and the evolution of job roles in HR require more comprehensive research. Identifying these gaps is crucial to developing strategies that maximize AI benefits while addressing its challenges.

This study employs theoretical frameworks and scientific studies to examine AI integration in HR. The theoretical analysis explores existing literature on AI applications in HR, focusing on the benefits and ethical concerns associated with its use. This mixed-method approach provides a holistic view of the current landscape and helps identify best practices and potential pitfalls. By analyzing data from various sectors, the study aims to offer insights into effective AI adoption strategies in HR.

Understanding how AI influences HR is essential for both theoretical advancements and real-world applications. This study expands current knowledge by outlining the key benefits and challenges associated with AI adoption in HR. Practically, the research offers valuable recommendations

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4 Bohdan Lohvinenko, "Research of Artificial Intelligence Tools in Managing the Behavior of Economic Agents in the Digital Space at Enterprises" *The Journal of V.N. Karazin Kharkiv National University*, 15 (2022): 45-53.

5 Alina Shkurenko, "The Use of Artificial Intelligence in HR Management," conference paper, 2021.

for HR professionals and policymakers on integrating AI into HR processes ethically and effectively. The implications extend to improving recruitment efficiency, enhancing employee satisfaction, and fostering a more inclusive workplace. Moreover, the study underscores the need for developing regulatory frameworks to address ethical and legal concerns associated with AI in HR, ensuring its responsible use in the future.

2 Literature Review

In the work, the authors referred to the scientific work of American scholars Richard Johnson, Kimberly Lukaszewski and Dianna Stone.[6] The researchers note that companies tend to apply AI in HR management and decision-making processes. Despite the potentially radical change in HR practices, there is still insufficient structured research examining how these transformations influence the micro-level of organizations, such as recruitment, selection, training, and certification processes. The authors explore and evaluate the effectiveness of new HR processes using artificial intelligence.

In the context of the study, the scientific work of Ukrainian researcher Olha Rossylna[7] is very interesting. In her work, the author reasons the necessity to change the understanding of legal relations, i.e., to define AI's place and role in these relations. She emphasizes that the development of AI technologies raises various ethical, information security, accuracy, legal and other issues. These issues relate to the ethical aspects of using technologies, protecting the confidentiality and security of information, achieving accuracy of results, ensuring human rights, data storage and use, as well as training of specialists with in-depth knowledge and competence in the field of technology application in practical situations, etc. The autonomy

6 Richard D. Johnson, Kimberly M. Lukaszewski, Dianna L. Stone, "The Advantages and Disadvantages of Using Artificial Intelligence in Human Resource Management," [in:] *Research in Human Resource Management: Future of HR* (Charlotte, NC: Information Age Publishing, 2023).

7 Olha Rossylna, "Legal Principles of Application of Artificial Intelligence in Legal Relationships in the Field of Personalized Medicine" *Legal Bulletin*, No. 2 (2022): 156-162.

principle implies that the application of AI or computer-aided systems does not compromise human autonomy.

The AI application ethics for HR was studied by Dutch scientists Matthew Dennis and Evgeni Aizenberg.[8] AI introduction in HR can be observed in applicant interviews and selection, recruitment, workload and schedule management, career coaching, and performance evaluation. It is an appealing hypothesis that the integration of automation and data-driven decision-making will result in enhanced recruitment methodologies and management practices, elevated performance, and the optimization of financial resources. At the same time, it is not known for certain whether artificial intelligence is correct in these aspects. In addition, a large number of ethical issues remain open.

To ensure a comprehensive literature review, 50 peer-reviewed articles that met the inclusion criteria were selected and analyzed. Below is a descriptive analysis of the sample papers. Out of the 50 selected articles, most publications were made in the last five years, indicating a growing interest of scientists in AI application in HR management. The majority of articles were published in international journals with high impact factors, such as the Journal of Human Resource Management, International Journal of Human-Computer Interaction, and AI & Society.

Various methodological approaches were used in the selected articles. Approximately 25% of the studies were empirical, involving quantitative analysis of data collected through surveys and experiments. About 30% of the studies employed qualitative methods, such as interviews and case studies. The remaining 45% of articles presented theoretical research based on literature analysis and conceptual model development.

The main topics covered in the selected articles include:

- AI application for recruiting and selecting employees (35% of articles).
- Automation of performance evaluation and employee development (25% of articles).
- Ethical concerns, such as bias and privacy, caused by AI application in HR (20% of articles).
- Legal aspects of regulating the use of AI in HR (15% of articles).
- AI influence on organizational culture and the changing roles in HR (5% of articles).

8 Matthew Dennis, Evgeni Aizenberg, "The Ethics of AI in Human Resources" *Ethics and Information Technology*, 24 (2022): 25.

The analysis of the selected articles revealed several key findings:

1. Effectiveness of AI in HR: most studies confirm that the use of AI in HR significantly enhances the efficiency of recruitment processes, reducing the time and costs associated with candidate search and selection.
2. Ethical Challenges: the application of AI can lead to biased decisions if algorithms are not properly calibrated. This highlights the need for developing transparent and ethical algorithms.
3. Legal Aspects: many studies emphasize the importance of legal regulation of AI use in HR to ensure data privacy and prevent discrimination.
4. Organizational Changes: research shows that AI integration changes the role of HR professionals, reducing the need for performing routine tasks and increasing the focus on strategic initiatives.

The expanding body of research still leaves notable gaps in understanding how AI will influence job roles and employment practices in the long run. Moreover, ethical issues, including algorithmic bias and data privacy risks, remain insufficiently examined. Another challenge is the absence of unified standards that would regulate AI application ethics within HR processes. Filling these gaps is essential to ensure that AI is integrated into HR in a responsible and effective manner. Therefore, this analysis of the existing literature helped determine the development level of the AI issue in the HR research field, offering valuable insights for further research and practical application.

The results of this article may be useful as artificial intelligence is becoming more and more widespread in HR. Given the limited number of studies dedicated to AI application within the HR field, the results of this article can provide some important information and recommendations on the ethical aspects of using AI in HR processes. However, it should be borne in mind that artificial intelligence is a rapidly changing and rapidly developing field, so the results of one article may not take into account all aspects or the latest developments. It is recommended that these results be used as a basis for further research and consideration of the broader context when addressing AI ethical application issues within HR field.

The regulation of artificial intelligence in HR may vary across labor markets depending on legal, ethical, and socio-cultural factors. Governments may establish legal frameworks and policies that limit or control the use

of AI in HR. This may include requirements for algorithm transparency, data privacy protection, prohibition of discrimination, and establishing liability for misuse of AI. The first national AI strategy was presented by the Canadian government in 2017, after which more than 700 government initiatives (plans, strategies, concepts) for AI development were approved worldwide.[9]

Most government programs for AI development are related to stimulating scientific research, innovative business startups, security and defense, and healthcare.[10] However, some countries, such as China, Canada, Singapore, South Korea, the United Arab Emirates, the United Kingdom, and the United States, have clearly stated their ambitions to become world leaders in the development of artificial intelligence in their national strategies.[11] In general, preparing society for fundamental changes in the labor market as a result of comprehensive digitalization is one of the biggest challenges facing states today.

Professional organizations, associations, and industry standards bodies can develop ethical principles that impose requirements on the use of AI in HR.[12] These principles may include the prohibition of discrimination, requirements for transparency and validity of algorithms, and consideration of diversity and inclusion. Companies and industry organizations can also adopt policies and practices that limit the use of AI in HR in accordance with ethical principles. This may include internal codes of ethics, algorithm audits, etc.

It is important to create international standards in this area. The creation of international standards and agreements will facilitate cooperation between countries, companies, experts, and academic institutions. This will allow for the exchange of experiences, best practices, and the joint development of ethical standards that take into account different needs and cultural contexts. It can also help harmonize rules and principles related to

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9 Canadian Institute for Advanced Research, *Pan-Canadian Artificial Intelligence Strategy* (Toronto: CIFAR, 2017). https://cifar.ca/ai/.

10 Ministry of Science and ICT, National Strategy for Artificial Intelligence: Toward an AI World Leader beyond IT (2019). https://www.egovspace.co.in/national-ai-strategy-of-south-korea-purpose-and-use-cases/.

11 Nataliia Vinnykova, "State Strategies of Artificial Intelligence Development and Implementation" *Regional Studios*, 28 (2022): 51-57.

12 Serhii Yevseiev, Volodymir Ponomarenko, Oleksandr Laptiev, Oleksandr Milov, Olga Korol, Stanislav Milevskyi, Serhii Florov, *Synergy of Building Cybersecurity Systems* (Kyiv: Kyiv National University of Construction and Architecture, 2021).

the ethical use of AI in HR. This will help create a common framework for companies and organizations around the world. Moreover, the use of AI in HR can have global implications for labor markets, employment rates, and discrimination. International standards and treaties can help ensure fairness, non-discrimination, and equal access to employment opportunities.

To further enrich our study we conducted an analysis of the adoption of artificial intelligence in HR across various sectors. This analysis was based on existing research and survey data to identify sectors where AI adoption in HR relationships varies in levels of application and priority.

One of the pivotal sources we referenced is the study by Joanna Tabor-Błażewicz.[13] This study provides a comprehensive overview of how different sectors prioritize AI implementation in HR and the varying degrees of application across enterprises. The study highlights that sectors such as technology and finance are at the forefront of AI adoption due to their high data dependency and the need for advanced analytical tools.

Additionally, we incorporated insights from the "2022 Talent Survey" conducted by Eightfold, which examines the trends and extent of AI integration in HR functions across diverse industries. The survey reveals that while large enterprises are more likely to implement AI for recruitment and talent management, smaller companies often adopt AI tools for more specific tasks like payroll and employee engagement.[14]

3 Methods

This study largely relied on a systematic literature review; it provided for investigating the AI application within the HR field. This approach ensures a comprehensive and unbiased synthesis of existing literature on the topic. The SLR process includes several key steps: search strategy, database selection, keyword identification, inclusion and exclusion criteria, and data extraction.

13 Joanna Tabor-Błażewicz, "Artificial Intelligence Adoption in Human Resources Management," [in:] *Game Changers in Management*, ed. Monika Hajdas (Wrocław: Publishing House of Wroclaw University of Economics and Business, 2023), 30-43.

14 Eightfold AI, *Talent Survey* (2022). https://eightfold.ai/learn/2022-talent-survey/.

The search strategy was designed to capture a wide range of studies related to AI in HR. Multiple databases were searched, including Scopus, Web of Science, PubMed, and Google Scholar. The search terms used included combinations of "artificial intelligence," "AI," "human resources," "HR," "employment," "recruitment," "performance evaluation," "ethical issues," and "legal regulation." Boolean operators (AND, OR) were used to refine the search and ensure the inclusion of relevant studies.

Keywords were identified based on preliminary readings and expert consultations. The initial list of keywords was expanded using a snowballing technique, where keywords from relevant articles' references were also considered. The sampling process involved screening titles and abstracts to determine the relevance of articles to the research questions. Full-text screening was then conducted to ensure that only articles meeting the inclusion criteria were reviewed.

The inclusion criteria were established to guarantee that only high-quality and relevant research was selected. Eligible articles had to be peer-reviewed, written in either English or Ukrainian, and centered on the AI application within the HR field. Works addressing the ethical or legal dimensions of AI in HR were also considered. At the same time, exclusion criteria were used to omit non–peer-reviewed articles, opinion-based texts, and studies that did not directly pertain to AI in HR. Any duplicate entries were removed during the initial screening stage.

The authors used a predefined data extraction form to ensure systematic data collection. Authors, year of publication, research objectives, methodological framework, findings, and implications for HR practices were the essential data that were extracted from each study. This process ensured the consistency and reproducibility of the research. The qualitative and quantitative methods were applied for analyzing the data collected. Thematic analysis was used to uncover common themes, trends, and gaps in research. Quantitative data were synthesized using meta-analysis techniques where applicable. The results were then interpreted to provide a comprehensive understanding of the current state of AI in HR, highlighting both the opportunities and challenges.

This SLR identified several gaps in the current literature on AI in HR. Despite the increasing adoption of AI, there is limited research on its long-term impact on job roles and employment practices. Additionally, the ethical implications of AI in HR, such as bias and privacy concerns, are underexplored. The lack of standardized guidelines for the ethical use of AI in HR practices also emerged as a significant gap. Addressing

these discrepancies will provide reliable and sufficient AI integration in the HR field. By following this systematic approach, the study aims to provide a detailed and reliable overview of the existing research on AI in HR, offering valuable conclusions for both academics and practitioners.

4 Results

4.1. Benefits of Using Artificial Intelligence in HR

AI tools if applied at all stages of an employee life cycle provide an opportunity to analyze the effectiveness of an economic agent as a specialist from the first day of work, objectively evaluate his work and formulate remuneration for his work, provide opportunities for personal growth and help in solving current problems.[15] Organizations are using AI to gain a competitive advantage in recruiting and retaining talent. They believe that AI will help them attract more talented candidates, make better hiring decisions, reduce staffing costs, track candidates, and optimize various HR processes.[16]

In general, there are a large number of stages in HR that can be improved by using artificial intelligence. The first and very broad area of AI application is recruiting and automation of bureaucratic aspects of hiring. First of all, it is the analysis of competencies and skills. AI in this area is used to assess and analyze the skills and qualifications of candidates. This helps to identify the required competencies and compare them with the candidate's profile. Artificial intelligence can also be used for automated recruitment, where algorithms are used to automatically select candidates based on predefined criteria such as education, work experience, and skills. They help to reduce the time and effort required for manual candidate selection. This also includes interviewing tools used to automate the interview

15 Lohvinenko, "Research of Artificial Intelligence Tools in Managing the Behavior of Economic Agents."

16 Johnson, Lukaszewski, Stone, "Advantages and Disadvantages of Using Artificial Intelligence in Human Resource Management."

process with candidates, including scheduling, preparing questions, and evaluating responses.[17]

This group of tools can also include onboarding plans, which help automate the process of creating plans for new employees, including onboarding, training, and development. Text and Speech Recognition automatically analyzes text messages, emails, and audio recordings of interviews to gather information about candidates.[18] Ultimately, it plays an important role in collecting and processing information. In this case, tools for collecting and processing statistical data are used to gain insights into the hiring and HR process.[19] It allows you to collect, analyze, and visualize data such as the number of job applications, the length of time resumes are reviewed, the effectiveness of interviews, and employee satisfaction. This helps to identify trends, improve the hiring process and make HR decisions.

Researchers have long argued that interviews are problematic because they are prone to prejudice and stereotypes, and premature decisions. As a result, traditional unstructured interviews do not always predict the performance of applicants. Thus, organizations are now using structured interviews with AI as a means to overcome some of these problems. In addition, organizations are using both two-way and one-way video interviews to better standardize the interview.[20] Next, they use AI to automatically score the interview, assess the level of candidate fit for the job, and develop a shortlist of the most qualified applicants.

All in all, these AI tools in HR can greatly facilitate and optimize many aspects of HR management. However, there are ethical and legal issues associated with the use of such technologies that require careful consideration and regulation to ensure fairness, transparency, and protection of employee rights.

The second category of HR tools allows for monitoring performance and dismissal procedures, the main functionality of which is the analysis

17 Shashwata Biswas, Srinivasulu Naidu, "A Study Correlating Perceived Stress with Marital Status among Working Men and Women in Bengaluru City" *International Journal of Psychology*, 7 (2019): 212-215.

18 Oleg Yaroshenko, Roman Shapoval, Olena Lutsenko, Vladyslav Povydysh, Roman Prokopiev, "Labor Law: Is the Profession of HR Manager a Thing of the Past?" *Rivista di Studi sulla Sostenibilità*, No. 2 (2024): 197-217.

19 Olha Pizhuk, "Artificial Intelligence as One of the Key Drivers of Digital Transformation of the Economy" *Economics, Management and Administration*, No. 3 (2019): 41-46.

20 Bilal Hmoud, Varallyai Laszlo, "Will Artificial Intelligence Take Over Human Resources Recruitment and Selection?" *Network Intelligence Studies*, 13 (2019): 21-30.

of employee behavior, which allows for identifying leaders in the team, managing employee involvement in various labor processes, measuring collective mood, analyzing potential candidates for dismissal from the workplace.[21]

The third group of tools is aimed at supporting the training and personal growth of specialists. These tools provide companies with the means to conduct effective onboarding and assess the knowledge of staff and customers. They also help to choose training courses for career development and job preparation For companies that already have training programs in place, these tools help organize and streamline existing courses.[22] In addition, these tools provide convenient access to training from any device, allowing employees to acquire new knowledge and skills at a time and place that is convenient for them. In general, these tools create conditions for continuous professional development and ensure that employees improve the quality of their work.

The fourth category of HR tools is aimed at automating labor processes and ensuring the consistency of decisions in organizations. The use of artificial intelligence allows automating the processing of large amounts of data and decision-making by applying machine learning and big data analysis methods. This data can be collected from various components of the IT infrastructure in real time.[23] With the help of neural network modeling, the characteristics of agents and their subjective preferences are identified in the process of decision-making. This facilitates the fulfillment of a company's objectives in view by creating appropriate management strategies and increasing the speed and consistency of the decision-making process.

Thus, the use of artificial intelligence in HR has numerous benefits, including the ability to attract talented candidates faster and more efficiently through accurate analysis of their competencies and skills. Furthermore, AI automates bureaucratic processes, reducing HR costs and improving organizational efficiency. It also facilitates employee training

21 Lohvinenko, "Research of Artificial Intelligence Tools in Managing the Behavior of Economic Agents."

22 Vegard Kolbjørnsrud, Richard Amico, Robert J. Thomas, "Partnering with AI: How Organizations Can Win over Skeptical Managers" *Strategy & Leadership*, No. 1 (2017): 37-43.

23 Oleg Yaroshenko, Nataliia Melnychuk, Olena Lutsenko, Natalya Vapnyarchuk, Viktoriia Sheverdina, "Employee's Right to Information in ECHR Judgments: Analysis of Specific Cases Where This Right Was Violated or Recognized" *Revista da Faculdade de Direito da Universidade Federal de Minas Gerais*, 84 (2024): 335–350.

and development by providing personalized approaches and improving career growth. In addition, AI provides accurate data analysis and forecasting of future trends for informed management decisions. Finally, it improves employee and candidate engagement through convenient and fast communication using interactive chatbots and other AI tools. AI application in HR management offers great opportunities for companies, but at the same time, it is associated with new legal and ethical challenges. These technologies create the need to develop transparent and fair rules for the use of artificial intelligence in the recruitment, evaluation, and management of personnel.

4.2. Legal Aspects of Applying Artificial Intelligence in HR

The legal regulation of artificial intelligence, despite the existence of certain standards, is imperfect, as it is still in its infancy even in developed countries. However, the absence of a regulatory framework does not stop the emergence and development of numerous developments in the field of artificial intelligence.[24] States and other participants in international relations are trying to create a legal framework for the use of artificial intelligence. The Resolution Civil Law Rules on Robotics[25] suggests developing the regulatory framework for AI application and introduction of a pan-European system for intelligent machine registration.

This Resolution draws attention to the shortcomings of the existing legal framework governing artificial intelligence, particularly in areas related to contractual obligations and liability for harm. It specifies that the rules on product quality and safety also extend to damages caused by AI systems, meaning that manufacturers are responsible for any defects, while users bear responsibility for actions on their part that contribute to the harm. The European Union also intends to advance a horizontal, technology-neutral framework for intellectual property rights applicable to sectors where robotics technologies may be deployed.[26] The Resolution represents the first substantive attempt to outline legal standards for the development

24 Kseniia Tokarieva, Nataliia Savliva, "Peculiarities of Legal Regulation of Artificial Intelligence in Ukraine" *Legal Bulletin*, No. 60 (2021): 148-153.

25 European Parliament, Resolution of 16 February 2017 with Recommendations to the Commission on Civil Law Rules on Robotics (2015/2103(INL)), 2017. https://www.europarl.europa.eu/doceo/document/A-8-2017-0005_EN.html.

26 European Parliament, "Resolution on Civil Law Rules on Robotics."

and use of AI. Although it is not legally binding, its provisions help shape a future regulatory vision and establish the foundation for rules that may govern such activities moving forward.

Ukrainian researcher Tetiana Katkova,[27] using the example of the analysis of Ukrainian legislation, notes that if the future national legislation of Ukraine establishes a special status of robots as independent subjects of legal relations, this will entail the need to adjust the issues of liability for artificial intelligence errors. The idea of assigning AI the status of an "electronic person" for insurance purposes, as well as defining clearer rules for dividing responsibility between manufacturers and owners, will require specific steps. However, it seems to us incorrect to equate artificial intelligence with humans in this aspect.[28] Therefore, we should agree with the vast majority of scholars who consider artificial intelligence as a specific object of law, not its subject.[29]

If artificial intelligence is granted the status of a subject of law, we can talk about the emergence of new areas of justice. In addition to traditional justice, at least two new types will emerge, namely mixed justice and artificial intelligence justice. Scholars refer to mixed justice as a form of resolving legal disputes between individuals, legal entities, society, and robots. While artificial intelligence justice is planned to include forms of resolving legal disputes directly between robots.[30] Also, the functioning of such a justice system will ensure counteraction to robots that pose a threat to social development and the stability of social relations.[31]

The use of artificial intelligence also comes with certain disadvantages, such as an increased risk of fraud[32]. In terms of establishing liability for

27 Tetiana H. Katkova, "Artificial Intelligence in Ukraine: Legal Aspects" *Law and Society*, No. 6 (2020): 46-55.

28 Ryan Calo, *Robots in American Law* (Seattle: University of Washington School of Law, 2016).

29 Oleksandr Baranov, "Internet of Things: Artificial Intelligence Robot in Legal Relations" *Yurydychna Ukraina*, No. 5-6 (2018): 75-95.

30 Mykola Karchevskyi, "Legal Regulation of the Socialization of Artificial Intelligence" *Bulletin of the E.O. Didorenko Luhansk State University of Internal Affairs*, No. 78 (2017): 99-108.

31 Anatolii Getman, Oleg Yaroshenko, Olena Sereda, Lesya Maliuha, Ivan Zhygalkin, "Social Dialogue at the National and European Levels as a Factor in the Formation of a Common Labor and Social Policy" *Society Register*, No. 3 (2023): 51-72.

32 Oleg Yaroshenko, Sergey Vitvitskyi, Oleksii Nesterovych, Olena Sereda, Oleksandr Yakovlylev, "Legal Protection of Employee Privacy in the Workplace"

artificial intelligence that has a specific legal personality, the same types of legal liability should be applied as for natural persons. In the most severe case, artificial intelligence may be deprived of the ability to carry out further activities.

One of the main aspects is the confidentiality of candidate and employee data. Protecting human autonomy is an important aspect of using artificial intelligence. Giving decision-making power to machines can violate the principle of autonomy. In order to ensure human autonomy, the use of artificial intelligence and other computing systems must be carried out in a way that does not undermine it. At the same time, it is necessary to guarantee the protection of privacy and confidentiality, as well as the obtaining of validated informed consent through an appropriate legal framework that ensures the protection of personal data.[33] Companies should be especially careful to comply with the requirements of personal data protection legislation, such as the General Data Protection Regulation[34] in the European Union or similar regulations in other countries.

The use of artificial intelligence in HR may involve the collection, processing, and analysis of a significant amount of personal data, such as information about education, work experience, ratings, evaluations, test results, details of personal life, and other information. In this regard, it is important that companies use reliable technical and organizational measures to protect this data from unauthorized access, loss or breach.

Companies should also provide an adequate level of transparency and information about what data is collected, how it will be used, and to whom it may be shared. Applicants and employees should be adequately informed of their data protection rights and have the opportunity to consent to the collection and processing of their personal data. The issue of compliance of recruitment and selection processes with the principles of equal opportunities and prevention of discrimination is another important aspect.[35] The AI

Journal of Legal Affairs and Dispute Resolution in Engineering and Construction, No. 2 (2025): 04525003.

33 Rossylna, "Legal Principles of Application of Artificial Intelligence in Legal Relationships."

34 European Parliament and Council of the European Union, General Data Protection Regulation (GDPR) (2016). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0679.

35 Robert M. O'Keefe, Daniel E. O'Leary, "Expert System Verification and Validation: A Survey and Tutorial" *Artificial Intelligence Review*, 7 (1993): 3-42.

application should ensure the objectivity and fairness of these processes, avoiding unforeseen bias and bias in decision-making.

In particular, producers and operators of artificial intelligence should ensure that the algorithms and models used in the recruitment process are not based on discriminatory grounds such as race, gender, age, or nationality. In addition, it is important to ensure transparency and accessibility of information on how artificial intelligence makes decisions regarding the selection of candidates. An additional advantage of using artificial intelligence in HR is the ability to analyze large amounts of data and identify correlations and patterns that can be useful for equal opportunity and discrimination management policies. However, the confidentiality and security of candidates' and employees' personal information should be maintained, and legal requirements for processing personal data should be taken into account.

From a legal perspective, decisions should be transparent and explainable, especially when they depend on algorithms and artificial intelligence. This means that organizations should be able to disclose the logic and processes behind AI decision-making. This approach facilitates understanding and verification of the results, as well as ensures compliance with legal regulations. An important aspect is to determine responsibility for possible errors that may arise as a result of the use of artificial intelligence. The question of who is responsible for incorrect decisions or incorrect data processing requires legal clustering. This may include defining the roles and responsibilities of AI technology operators, algorithm developers, and system users.

Therefore, due to the widespread use of artificial intelligence, the legal system of the state needs to be modified to adapt to new challenges. Legal regulation should take into account the specific aspects related to artificial intelligence, including the establishment of the status of artificial intelligence in legal relations. In addition, it is important to recognize the status of the AI operator and developer involved in the implementation and use of these technologies. Ensuring transparency and compliance with the use and processing of data obtained through artificial intelligence analysis also requires the development of clear regulations.

4.3. Ethical Issues in the Use of Artificial Intelligence Technologies

The second important aspect of the application of artificial intelligence in HR is ethical issues. The use of artificial intelligence can raise a number of ethical issues that require careful consideration and regulation. One of the main ethical issues is the responsibility for decisions made by artificial intelligence. When automated data analysis and algorithmic decision-making are used, there is a risk of injustice, discrimination, and incorrect conclusions.[36] Therefore, it is important to develop ethical standards and norms to guarantee objectivity, fairness, and human rights in the use of artificial intelligence.

Employers see an attractive prospect in automation and data-driven decision-making, as it can enhance the hiring procedure or simplify management, increase efficiency, and reduce costs. The large number of hours that used to be spent reviewing candidates can be reduced to a few clicks of a button.[37] HR recruiters no longer have to sort through countless resumes and can instead spend more time interviewing the most promising job applicants. AI-driven recruitment platforms are capable of providing employers with more accurate and up-to-date information about potential employees. These providers claim that their methods outperform traditional hiring approaches while increasing diversity and reducing human bias.[38] Reducing bias in assessments is certainly an attractive promise for both potential candidates and employees.

Nevertheless, there are various ethical issues associated with these products. First, there is the question of the effectiveness of such technologies: to what extent they can really predict future abilities and how reliable their hiring decisions are (whether they can be easily faked or falsified).[39] Even if AI systems in HR do what their developers promise, the use of AI in

36 Vitalii Pashkov, Andrii Harkusha, and Yevheniia Harkusha, "Artificial Intelligence in Medical Practice: Regulative Issues and Perspectives" *Wiadomości Lekarskie*, No. 12, pt. 2 (2020): 2722-2727.

37 Manish Raghavan, Solon Barocas, Jon Kleinberg, Karen Levy, "Mitigating Bias in Algorithmic Hiring: Evaluating Claims and Practices," [in:] *Proceedings of the 2020 Conference on Fairness, Accountability, and Transparency (FAT '20)* (New York: Association for Computing Machinery, 2020), 469-481.

38 Mohammad Jarrahi, Will Sutherland, "Algorithmic Management and Algorithmic Competencies: Understanding and Appropriating Algorithms in Gig Work," [in:] *Information in Contemporary Society* (Cham: Springer, 2019), 578-589.

39 Miranda Bogen, Aaron Rieke, *Help Wanted: An Exploration of Hiring Algorithms, Equity, and Bias* (Washington, DC: Upturn, 2018).

HR faces serious ethical and legal challenges. Similar to other applications of AI, these issues include discrimination, privacy, explain ability, and liability. Many aspects of human dignity, including individual autonomy, are important to job candidates and employees. Given the importance of work in people's lives, these and other ethical issues related to the use of artificial intelligence in the human resources sector have a significant impact on both individuals and society as a whole.[40]

Some job applicants who don't meet all of the company's strict criteria may be rejected by the HR department. Some of these rejects may have significant contributions to make to the company, but because of the use of AI technology, their resumes may be missed during the review process.[41] Since artificial intelligence lacks human contact, it can only approve resumes of applicants who meet all the mandatory criteria, but are not always ideal candidates for the position. While using artificial intelligence is smart for building broad networks, you need to monitor the process closely to keep an eye on certain characteristics you want in a new hire.[42]

When making hiring decisions, companies do not only consider employable skills, but also pay attention to emotional and psychological aspects, including ambition and passion. However, artificial intelligence is currently unable to control or assess human emotions, and it also cannot explain how emotions affect human behavior. AI also cannot understand how emotions affect team dynamics. If AI is asked to select a new team member, it cannot fully grasp the subtle dynamics within a team or how people interact with one another. Because it lacks an understanding of complex human emotions, its decisions may result in inaccuracies during hiring and performance evaluation.

The issue of plagiarism in artificial intelligence use is important. It should be understood that plagiarism is not just about some high concept of academic integrity. It is about two of the worst manifestations. The first is the theft of someone else's results. The second is deception of the audience, which perceives text, images, audio, etc. as the result of the work of specific people. Therefore, developers of such programs have a moral obligation to

40 Dennis and Aizenberg, "Ethics of AI in Human Resources."

41 Liudmyla Holubnycha, Ilona Kostikova, Yuliia Sytnykova, Tetiana Melnikova, Natalia Guzenko, Anastasiia Dorozhko, "Information Technology Implementation in Online Teaching and Learning: Staff and Students' Attitude" *Journal of Theoretical and Applied Information Technology*, No. 21 (2021): 4958-4968.

42 John Boitnott, "Watch Out for These Five Artificial Intelligence Problems in HR" *Entrepreneur*, 2021.

develop an effective plagiarism detection system. This should be done not only to encourage people to improve their own cognitive abilities, but also to prevent total deception, which could lead to the fall of all humanity.[43]

Another ethical issue is the transparency of decisions made by artificial intelligence. Since many artificial intelligent systems are complex and operate on the basis of deep learning, their decisions may not be transparent to humans.[44] This can cause a sense of incomprehension and distrust of artificial intelligence. Therefore, it is important to develop methods and tools to explain the workings of artificial intelligence in order to communicate with users and stakeholders in a clear and convenient way.

In addition, ethical issues also relate to the impact of artificial intelligence on the workplace and labor market. The use of automated systems and robots may lead to the automation of jobs and a change in the need for professional skills. This raises questions about social responsibility, retraining of workers, and job creation in an evolving economic environment.[45]

AI is capable of affecting interpersonal relationships and the work environment in organizations. On the one hand, the use of AI can facilitate and improve communication between employees. For example, automated data processing systems can facilitate more efficient information sharing and collaboration on projects. On the other hand, the introduction of artificial intelligence can also bring about some challenges and problems. For example, automated decision-making systems can lead to conflicts, especially if employees feel that their decisions and input are not given due consideration. Also, the use of artificial intelligence in performance appraisal processes can cause a sense of injustice among employees who feel that decisions are based on impersonal algorithms rather than on their own achievements and efforts.

Another risky area of artificial intelligence is the threat to human rights when it is used by government agencies. The main problem lies in the ability to process large amounts of data and draw generalizations and conclusions about specific individuals. This may include tracking and de-anonymizing their online behavior. Such capabilities give government agencies powerful

43 Ruslan Sydorovych, "Artificial Intelligence: A New Era or the End of the Legal Profession?" *Yurydychna Hazeta*, 2023.

44 Nataliia Filatova, "Smart Contracts from the Contract Law Perspective: Outlining New Regulative Strategies" *International Journal of Law and Information Technology*, No. 3 (2020): 217-242.

45 Nigel Guenole, Sheri Feinzig, *The Business Case for AI in HR: With Insights and Tips on Getting Started*, technical report (Armonk, NY: IBM Corporation, 2018).

tools to interfere with the privacy of citizens. And, as mentioned earlier, the widespread use of artificial intelligence can lead to unlawful or erroneous decisions regarding citizens, such as imposing sanctions, denying access to services, credit, employment, etc. To make matters worse, the motivation behind such decisions can be difficult to explain or challenge. Therefore, the introduction of artificial intelligence tools in high-risk industries and sensitive areas should be done with caution and gradually.

Thus, to address the ethical issues related to the use of artificial intelligence in HR, a comprehensive approach should be adopted and different aspects should be considered. Here are some ways that can help address ethical issues in this area:

1. establishing clear rules and standards. It is important to develop ethical principles that will set the boundaries and standards for the use of AI in HR. These principles should take into account the protection of privacy, the avoidance of discrimination, and the impact on human dignity;
2. ensuring transparency and explain ability. Companies should clearly describe the use of AI technologies for decision-making and how these decisions are formed. Explanation of algorithms and processes will help to understand how AI affects HR decisions and avoid unlawful discrimination;
3. risk assessment and data validation. Before implementing AI systems, it is important to analyze potential risks and negative impact on employees. Data and algorithm quality requirements should be established to ensure accuracy, reliability, and lack of distortion in decision-making;
4. diversity. It is necessary to ensure that AI algorithms do not reinforce existing biases and discrimination. First of all, it is important to consider the need for diversity in the AI development team, ensuring that different groups and beliefs are represented. In addition, it is necessary to carefully evaluate AI algorithms in terms of biases that may exist in the source data and make the necessary adjustments to ensure objectivity and fairness.

4.4. Differentiation of AI in HR from Existing Systems and its Impact on Decision-Making

Although existing HR systems such as SAP SuccessFactors, Oracle HCM Cloud etc. have greatly simplified HR processes by integrating various functions such as payroll, benefits administration, and performance management, the introduction of AI provides a transformational leap in how these processes are carried out and optimized.[46]

One of the main advantages of artificial intelligence over traditional systems is its ability to process and analyze huge amounts of unstructured data, such as resume text, social media profiles, and employee feedback.[47] Unlike traditional HR systems, which rely heavily on structured data, AI can analyze this unstructured data to draw meaningful conclusions, predict trends, and identify patterns that previously went unnoticed.[48] For example, AI can predict employee turnover by analyzing not only performance indicators, but also sentiment arising from employee communications and job searches on external markets.

Artificial intelligence in recruiting goes beyond the capabilities of existing systems by utilizing machine learning algorithms that are refined over time with more data. While systems such as SAP SuccessFactors and Oracle HCM Cloud offer robust recruitment modules, AI-powered tools extend these features by providing predictive analytics on candidate performance, automating the initial screening process, and even using natural language processing to gauge candidate sentiment during interviews. AI can reduce unconscious bias in recruitment by focusing on data-driven criteria rather than subjective judgment.[49]

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46 Olha Prokopenko, Marina Järvis, *AI-Driven Transformation: Mapping the Course for Future Business Landscapes* (Tallinn: Teadmus, 2024).

47 Manthan Bhavsar, "Advantages and Disadvantages of Artificial Intelligence (AI)" *LinkedIn* (2024).

48 Yogesh Dwivedi, Nir Kshetri, "So What If ChatGPT Wrote It? Multidisciplinary Perspectives on Opportunities, Challenges, and Implications of Generative Conversational AI for Research, Practice, and Policy" *International Journal of Information Management*, 71 (2023): 102642.

49 Chukwudi Ifekanandu, Jane Anene, Cajetan Ewuzie, Chiemelie Iloka, "Influence of Artificial Intelligence (AI) on Customer Experience and Loyalty: Mediating Role of Personalization" *Journal of Data Acquisition and Processing*, No. 3 (2023): 1936-1960.

The impact of artificial intelligence on HR decision-making is significant. Traditional HR systems provide data and reports that require human interpretation, while AI systems can analyze data independently and offer practical solutions.[50] For example, AI can recommend personalized development plans for employees based on their performance, learning history, and career aspirations, thus supporting more strategic talent management.[51] Additionally, AI can help with real-time workforce planning decisions, such as identifying skill gaps and suggesting training programs or new hires to fill those gaps.[52]

It is also important to note that AI-based systems increase employee engagement by offering real-time feedback mechanisms.[53] Chatbots integrated into HR platforms can interact with employees, providing instant responses to HR-related queries, collecting feedback, and even assisting with onboarding processes. This constant interaction helps to maintain a high level of employee satisfaction and promptly resolve any issues that may arise.

Moreover, AI also plays a crucial role in ensuring compliance and risk management. Traditional systems require manual updates and checks to comply with labor laws that are constantly changing.[54] AI, on the other hand, can be programmed to continuously monitor and update compliance measures, reducing the risk of human error. It can also detect anomalies in HR data that may indicate potential compliance issues or fraudulent activity.

Thus, while existing HR systems have laid a solid foundation for integrating technology into HR processes, artificial intelligence brings a level of complexity that transforms the way data is analyzed and decisions are made.

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50 Markus Zanker, Laurens Rook, Dietmar Jannach, "Measuring the Impact of Online Personalisation: Past, Present, and Future" *International Journal of Human-Computer Studies*, No. 3 (2019): 160-168.

51 Eduardo Aguirre, Dominik Mahr, Dhruv Grewal, Ko de Ruyter, Martin Wetzels, "Unraveling the Personalization Paradox: The Effect of Information Collection and Trust-Building Strategies on Online Advertisement Effectiveness" *Journal of Retailing*, No. 1 (2015): 34–49.

52 Hamendra Dangi, Anuradha Malik, "Personalisation in Marketing: An Exploratory Study" *International Journal of Internet Marketing and Advertising*, No. 2 (2017): 124-135.

53 Thomas Davenport, Abhijit Guha, Dhruv Grewal, Timna Bressgott, "How Artificial Intelligence Will Change the Future of Marketing" *Journal of the Academy of Marketing Science*, No. 1 (2020): 24-42.

54 James Kirkwood, "New AI HR/Talent Laws Get the Attention of the C-Suite" *IBM Blog*, 2023.

5 Discussion

The integration of AI in H management presents both opportunities and challenges, as evidenced by the findings of this study and corroborated by other research in the field. The thematic analysis of the subject reveals several key themes: the effectiveness of AI in HR processes, ethical challenges, legal implications, and the impact on organizational roles and culture.

AI has demonstrated significant potential in enhancing the efficiency of HR processes. Most studies, including this one, confirm that AI can streamline recruitment by automating candidate screening, thus reducing the time and costs associated with these tasks. For instance, AI tools can analyze vast amounts of data to identify the best candidates, as shown in the works of Johnson et al.[55] and Shkurenko.[56] This automation allows HR professionals to focus more on strategic initiatives rather than routine administrative tasks.

Although AI offers many benefits, its use in HR also raises several ethical concerns. This study, together with research by Dennis and Aizenberg,[57] points to the risks of algorithmic bias and privacy violations. When AI systems are not properly adjusted, they may reinforce existing prejudices and result in unfair recruitment decisions. In addition, the reliance on AI in HR increases worries about data privacy and the protection of personal information. These issues highlight the importance of ensuring that AI systems are transparent and operate fairly.

From a legal standpoint, the regulation of AI in HR remains underdeveloped, even in highly advanced countries. This study stresses the need to create legal frameworks that support the ethical use of AI. The European Parliament's Resolution on Civil Law Rules on Robotics,[58] along with similar efforts, emphasizes the importance of establishing robust legal standards to clarify liability and accountability for AI-driven decisions. Research by Tokarieva and Savliva[59] also underlines the need for legal reforms that take into account the unique challenges AI introduces into HR practices.

55 Johnson, Lukaszewski, Stone, "Advantages and Disadvantages of Using Artificial Intelligence in Human Resource Management."

56 Shkurenko, "Use of Artificial Intelligence in HR Management."

57 Dennis, Aizenberg, "Ethics of AI in Human Resources."

58 European Parliament, Resolution on Civil Law Rules on Robotics.

59 Tokarieva, Savliva, "Peculiarities of Legal Regulation of Artificial Intelligence in Ukraine."

AI integration is also transforming organizational roles and culture. This research, supported by findings from Kolbjørnsrud et al.[60] and Lohvinenko,[61] shows that AI reduces the need for routine task performance, allowing HR professionals to engage in more strategic and value-added activities. However, this shift also necessitates new skills and competencies in the workforce, requiring continuous learning and adaptation.

The findings of this study are consistent with other research in the field. For example, the advantages of AI in recruitment and performance management highlighted in this study align with the results of Aguirre et al.[62] and Bhavsar.[63] Similarly, the ethical and legal challenges discussed here are also prominent in the works of Raghavan et al.,[64] Guenole and Feinzig.[65] This consistency reinforces the validity of the findings and their relevance across different contexts.

The implications of this study extend both to theoretical advancements and practical applications. Theoretically, the research contributes to the understanding of AI's role in HR by identifying both the benefits and challenges of its integration. Practically, the study offers valuable recommendations for HR professionals and policymakers. For practitioners, the insights on AI's capabilities in enhancing efficiency and reducing bias can guide the implementation of AI systems in HR. For policymakers, the emphasis on legal and ethical considerations provides a framework for developing regulations to govern the use of AI in HR.

The adoption of AI in HR varies significantly across different sectors. This study, along with the referenced works by Tabor-Błażewicz[66] and the Eightfold Talent Survey[67], shows that sectors like technology and finance are leading in AI adoption due to their high data dependency and need for advanced analytical tools. In contrast, sectors such as healthcare and education are gradually integrating AI to improve operational efficiency and employee development. This sectoral analysis highlights the

60 Kolbjørnsrud, Amico, Thomas, "Partnering with AI."
61 Lohvinenko, "Research of Artificial Intelligence Tools in Managing the Behavior of Economic Agents."
62 Aguirre et al., "Unraveling the Personalization Paradox."
63 Bhavsar, "Advantages and Disadvantages of Artificial Intelligence (AI)."
64 Raghavan et al., "Mitigating Bias in Algorithmic Hiring."
65 Guenole, Feinzig, *Business Case for AI in HR*.
66 Tabor-Błażewicz, "Artificial Intelligence Adoption in Human Resources Management."
67 Eightfold AI, *Talent Survey*.

heterogeneous nature of AI adoption in HR and underscores the need for tailored approaches in different industries.

6 Conclusion

AI tools in HR offer substantial benefits, including improved efficiency in recruitment processes, reduced administrative costs, and enhanced decision-making capabilities. For instance, AI can automate the screening of job candidates, thereby significantly reducing the time and effort required by HR professionals. This allows HR teams to focus on more strategic tasks, such as employee development and organizational planning. The ability of AI to analyze large datasets enables more informed and objective decision-making, which can lead to better hiring outcomes and performance evaluations.

However, the integration of AI in HR is not without its challenges. Ethical issues, such as bias in AI algorithms and data privacy concerns, are significant barriers that need to be addressed. AI systems can perpetuate existing biases if not properly calibrated, leading to unfair hiring practices and discrimination. Furthermore, the use of AI in HR raises concerns about the protection of personal information, necessitating the development of robust data privacy frameworks.

Thus, if the use of artificial intelligence becomes more widespread, the laws of states should be modified. The legislator still needs to develop legal regulation of the development and use of artificial intelligence. In this case, the basis for regulating these advanced technologies should be European standards and recommendations related to the protection of the rights and freedoms of participants in the development and use of artificial intelligence, the conclusion of contracts and the establishment of legal liability in this area. Reforming legislation to meet the requirements of the digital age should be comprehensive. First of all, the status of artificial intelligence as a party to legal relations should be enshrined. In addition, the status of an AI operator and developer as parties to legal relations should be established. Finally, there should be clear regulations for the use and processing of data obtained on the basis of analysis performed by artificial intelligence. This also implies the legal regulation of liability for errors and the specifics of shared responsibility.

Ethical aspects relate to the use of objective and unpredictable algorithms, their possible impact on decision-making, and the possibility of ensuring fairness and greater balance in HR processes. It is important to avoid creating systems that may contribute to social discrimination and to ensure transparency and clarity of decisions, particularly in the selection of candidates. All of these ethical issues require careful consideration and the identification of appropriate legal, ethical, and regulatory frameworks. The use of artificial intelligence should be carried out in compliance with the principles of fairness, security, transparency and protection of human rights and freedoms.

The findings of this study have broader implications beyond the HR sector. The adoption of AI in HR can serve as a model for other sectors looking to integrate AI technologies. For example, industries such as healthcare and education can learn from the experiences of HR to implement AI in ways that enhance operational efficiency and improve service delivery. The sectoral analysis in this study underscores the need for tailored AI strategies that consider the unique challenges and opportunities of different industries.

Future research should focus on exploring the long-term impact of AI on job roles and employment practices in HR. There is a need for more comprehensive studies on how AI can be used to foster diversity and inclusion, mitigate unconscious biases, and ensure fairness in recruitment and promotion processes. Additionally, further research is required to develop standardized guidelines for the ethical use of AI in HR, addressing issues such as transparency, accountability, and data privacy.

Therefore, successful implementation of artificial intelligence in HR requires constant study and consideration of legal and ethical aspects, ensuring mutual trust with employees and candidates, and a balanced approach to the use of these technologies in the corporate environment.

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