Chapter 1
Transparency and XAI in AI-Assisted Management Decisions

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ABSTRACT

Artificial Intelligence (AI) in Human Resource Management (HRM) is helping in revolutionizing decision-making process from recruitment till development of employee. Since AI assisted HRM decisions lack transparency, they raise concern of fairness, accountability and trust. In this chapter we look at how Explainable AI (XAI) can add to the transparency found with AI driven HRM practices. It presents how XAI can alleviate the bias, ethics compliance, and organizational trust. The chapter also describes the tradeoffs between getting transparent and how well AI works, and looks at regulatory frameworks and best practices to strike a balance between fairness and efficiency. To impart a roadmap of implementing transparent and explainable AI systems within HRM, this chapter sheds light on interdisciplinary insights from HRM, AI ethics and organizational studies.

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1. INTRODUCTION

Artificial Intelligence (AI) is transforming Human Resource Management (HRM) at the core as it automates recruitments and simplifies the process of hiring talents and also allows data-based performance assessment (Benabou, 2024). The quick adoption of AI technologies has led the HR professionals to analyze bulky sets of data easily, forecast the turnover of employees and improve candidate experience using automated systems. However, this technological development shows multiple challenges of fairness, transparency, ethical decision making, as well as compliance to regulation. Many AI's are "black boxes" that make it difficult for both HR professionals and the employees to comprehend or believe in the logic of machines' decisions 9Dima, 2024). This chapter presents a comprehensive examination of ways in which AI is affecting HRM, including the significance of transparency, the function of explainable AI (XAI), and ethical and legal factors, real-life examples, and best practices of responsible use. The goal is to provide HR practitioners with the pragmatic strategies and well-balanced vision of opportunities and challenges of AI in the modern HRM.

The application of Artificial intelligence (AI) in the management of human resource has brought significant changes in organizations as it breaks many barriers of offering critical services like recruitment, talent acquisition, performance evaluation, and enhancing employee productivity. Due to increased technological advancement, there is efficient and effective processing of huge employee data through the use of artificial intelligence systems. These tools help the HR in their exercise of searching for qualified staff, future turnover, and containment of undesirable staff turnover by means of using predictive analysis (Aschbacher,2024). Automated hiring uses machine learning algorithms to review cvs and evaluate candidates with the help of certain filters to match them with the most relevant jobs available. In the same way, the use of AI in an organization also helps in improving the candidate experience by answering questions, as well as in arranging interviews. As such, it not only relieved much pressure from the shoulders of HR professionals but it also made the process more efficient and systematic (Azam, et al. 2023).

However, the integration of AI into the HRM function has been done at a very fast pace, and this has brought several issues as to fairness, ethical issues, and regulations. A major disadvantage is that most AI models do not have mechanisms for explaining why they made specific decision: they are black boxes. This lack of interpretability raises questions and concerns to worthy questions for both the HR professionals or any professional in any corporate environment and the employees when it comes to issues of hires, promotions, and performance appraisals (Papagiannidis et al.2023). These conclusions can be highly beneficial," But such decisions are created by algorithms, and as such, reflect the biases found in the historical data