


Chapter 2

Ethical AI in Human Resources: Balancing Innovation With Fairness

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ABSTRACT

As artificial intelligence becomes increasingly embedded in HR practices—from hiring algorithms to performance tracking tools—the tension between innovation and fairness has never been more pressing. While AI promises efficiency, consistency, and scalability, it also risks entrenching systemic biases and reducing human beings to data points. This chapter critically examines the ethical challenges posed by AI in human resource management, focusing on the delicate balance between technological progress and the preservation of human dignity. Drawing on real-world cases and current research, the chapter explores the pitfalls of algorithmic bias, the need for explainable AI, and the moral imperative to design systems that serve—not supplant—people. It calls for a new paradigm in which fairness, transparency, and inclusivity guide AI implementation in HR. Ultimately, it argues that organizational excellence in the digital age is not just about automation, but about ensuring that innovation remains grounded in ethical human values.

INTRODUCTION

When Machines Make Decisions About People: Rethinking Ethics in the Age of Algorithmic HR. Once, the realm of human resources was just that—*human*. Hiring

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managers trusted their instincts, performance reviews were shaped by conversations, and workplace dynamics unfolded within the bounds of interpersonal relationships. While these approaches had their own flaws—susceptible to bias, inconsistency, or personal favoritism—they were at least rooted in an intimate, nuanced understanding of people. Today, this landscape is undergoing a seismic shift. Artificial intelligence (AI), with its powerful algorithms and promises of objectivity, has become a quiet but potent force in the way organizations evaluate, hire, monitor, and even dismiss their employees (Busuioc, 2021).

This transformation is not merely technical; it is philosophical, moral, and deeply human. It raises difficult questions that transcend software and data: *Can fairness be programmed? Should judgment be delegated to machines? Whose values are encoded into AI systems?* When an algorithm filters resumes or flags an employee as a performance risk, it is not just a matter of efficiency—it is a matter of justice. And increasingly, this justice is being automated, scaled, and rendered invisible.

In the rush to modernize, companies have embraced AI for its potential to streamline HR processes, reduce costs, and ostensibly eliminate human bias. Algorithms now predict “cultural fit,” assign performance scores, analyze facial expressions during interviews, and determine career advancement opportunities (Oni, 2025). On paper, this sounds like progress. But under the surface, another story is unfolding—one of data-driven discrimination, opaque decision-making, and ethical blind spots. The very tools designed to promote meritocracy can end up reinforcing existing inequalities, precisely because they learn from historical data, which is already tainted by structural bias.

At the heart of this transformation lies a paradox: the same technology that promises neutrality may, in practice, replicate or even amplify injustice. And unlike human bias, algorithmic bias is harder to see, harder to challenge, and often dressed in the language of objectivity. If a hiring manager discriminates, you can protest. If an AI system screens you out, who do you appeal to? A server? A spreadsheet?

This chapter enters that moral gray zone. It does not reject innovation, nor does it demonize technology. Rather, it seeks to navigate the fragile space between possibility and responsibility. It asks how we might harness the undeniable power of AI in HR without losing sight of fairness, dignity, and humanity (Honnamane & Girish, 2024). It questions the implicit assumption that more data equals more justice. It scrutinizes the hidden layers of bias baked into training sets, the lack of transparency in proprietary algorithms, and the profound impact these systems have on people’s lives—often without their knowledge or consent.

As we move forward into a future shaped by machine-human synergy, the stakes are not just operational—they are existential. How we choose to design, regulate, and deploy AI in HR will shape not only the workplace but also our collective un-

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