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Ethical Considerations in the Adoption of Generative Artificial Intelligence in Human Resource Management: A Data-Driven Empirical Analysis

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Abstract

The integration of Generative Artificial Intelligence (GAI) in Human Resource Management (HRM) has made the daily activities of the organization run more smoothly, whether it's making decisions or tailoring services to individuals. However, the integration of AI in HR practices is raising issues related to ethics. Such issues influences trust, acceptance, and overall effectiveness. This research paper investigates the ethical dimensions of GAI adoption in HRM using empirical data collected from 82 respondents, including HR professionals, employees, and academicians.

The results indicate that ethical issues constitute a major hurdle to the adoption of AI. A majority of respondents expressed concerns regarding data privacy (71%), followed by lack of transparency (63%) and algorithmic bias (52%). The analysis further shows that these ethical concerns tend to reduce trust in AI systems, whereas greater transparency enhances their acceptance. Among all factors, trust is identified as the most influential determinant of AI adoption, acting as a mediating variable between ethical concerns and the actual use of AI technologies.

The study shows that using AI in HR mainly depends on ethics and trust, not just technology. It concludes that the sustainable use of Generative AI depends on strong ethical governance frameworks, transparent decision-making systems, and continuous human oversight to uphold fairness, accountability, and trust within organizations.

Keywords

Generative AI, Ethical HRM, Data Privacy, Algorithmic Bias, Transparency, Trust, AI Governance, Empirical Study

1. Introduction

GAI has become a major disruption to the way HRM works. More and more companies are using GAI driven systems to support their recruitment, sourcing, on-boarding, training, performance management and engagement functions — all of which can be improved through the use of data and AI tools to facilitate quicker decision-making and aid organization-wide program implementation. However, some

ethical issues come to light because HR functions are highly sensitive and people-focused. For instance, using AI in recruitment without addressing ethical concerns would be problematic.

Employee career choices are directly impacted by Human Resources (HR) decisions. When it comes to potential career progression, it is vital that HR use processes that are fair, transparent, and accountable. The introduction of AI into HR processes raises ethical challenges such as algorithmic bias; data privacy risks; and explainability limitations. As shown by the study results, ethical issues impact an individual's ability to trust, and accept AI system use within HR processes.

Empirical findings show that while awareness of AI is high at 78%, its overall adoption remains moderate, largely due to ethical concerns. Specifically, 71% of respondents are worried about data privacy, 63% report concerns about transparency, and 52% perceive the risk of algorithmic bias, indicating the need for more responsible and ethical implementation of AI.

This research is dedicated solely to ethical issues and investigates their impact on trust, acceptance, and the successful use of Generative AI in Human Resource Management.

2. Objectives of the Study

- To investigate the ethical issues linked to the use of Generative AI in Human Resource Management
- To explore how privacy, bias, and transparency influence trust
- To assess the connection between trust and the acceptance of AI
- To pinpoint the main ethical obstacles hindering AI adoption
- To suggest methods for implementing AI in an ethical and responsible manner

3. Research Methodology
3.1 Research Design: A quantitative, descriptive, and analytical research design was adopted.

3.2 Sample: The study sample comprised a total of 82 respondents. This included 32 HR professionals and 38 employees from various organizations. In addition, 12 experts and academicians were included to provide broader insights.

3.3 Data Collection: Primary data was collected through structured questionnaires focusing on ethical dimensions.
3.4 Variables:Independent: Data Privacy, Transparency, Algorithmic Bias, Mediator: Trust, Dependent: AI Acceptance

3.5 Analytical Tools: The research utilized descriptive statistics to both summarize and interpret the data. To explore the connections between key variables, correlation analysis was conducted, while regression analysis was employed to evaluate how independent variables influenced the dependent outcomes. The overall approach is based on the empirical framework outlined in the study.

4. Limitations of the Study :The research faces limitations due to a relatively small sample size and results that are confined to a specific area. It depends on perception-based responses, which could introduce subjectivity. Furthermore, the fast-paced advancement of technology and the absence of longitudinal data limit the ability to evaluate long-term trends and effects.

5. Conceptual Framework The research suggests that ethical issues influence the adoption of AI by affecting trust, which subsequently impacts the acceptance of AI systems. The proposed framework outlines a process where ethical concerns affect trust, and trust, in turn, dictates AI acceptance. In particular, privacy and bias negatively impact trust, whereas transparency has a positive influence. This highlights the crucial role of ethical governance in the effective adoption of AI.

6 Hypotheses Development

H1	Data privacy negatively affects trust
H2	Algorithmic bias negatively affects trust
H3	Transparency positively affects trust
H4	Trust positively affects AI acceptance
H5	Ethical concerns negatively affect AI acceptance

7. Data-Based Analysis

7.1 Descriptive Statistics

Ethical Issue	Frequency (N)	Percentage (%)
Data Privacy	58	70.7
Transparency Issues	52	63.4
Algorithmic Bias	43	52.4
Total	82	100.0

The descriptive results indicate that ethical concerns are widely prevalent among the respondents. Data privacy (70.7%) emerges as the most significant issue, showing that a large majority are concerned about the protection and use of sensitive employee information. This highlights the importance of strong data governance in AI-enabled HR systems.

Transparency issues (63.4%) are also notably high, suggesting that many respondents lack clarity about how AI systems make decisions. This lack of explainability can reduce trust and confidence in AI-driven HR processes.

Algorithmic bias (52.4%), though comparatively lower, still affects over half of the respondents, indicating concerns about fairness and potential discrimination in AI-based decisions.

Overall, the findings suggest that ethical concerns—particularly privacy and transparency—are critical barriers to AI adoption, emphasizing the need for transparent, fair, and well-regulated AI systems in HRM.

7.2 Correlation Analysis

Variables	Trust (r)	Sig. (p)	Acceptance (r)	Sig. (p)
Data Privacy	-0.620	< 0.001	-0.550	< 0.001
Transparency	0.680	< 0.001	0.600	< 0.001
Algorithmic Bias	-0.510	< 0.001	-0.480	< 0.001
Trust	1.000	—	0.720	< 0.001
Acceptance	0.720	< 0.001	1.000	—

The results show that ethical factors significantly affect trust and acceptance of AI ($p < 0.001$). Data privacy ($r = -0.620$) and algorithmic bias ($r = -0.510$) have negative relationships with trust and acceptance, indicating that higher concerns reduce adoption. In contrast, transparency has a strong positive effect on trust ($r = 0.680$) and acceptance ($r = 0.600$).

Trust shows the strongest positive relationship with acceptance ($r = 0.720$), making it the key driver of AI adoption. Overall, reducing ethical concerns and improving transparency are essential for increasing trust and acceptance of AI in HRM.

7.3 Regression Analysis

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.781	0.610	0.596	0.412

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	24.85	4	6.21	36.62	<0.001
Residual	15.72	77	0.20		
Total	40.57	81			

Variable	Unstandardized B	Std. Error	Beta (β)	t-value	Sig.
(Constant)	0.842	0.215	—	3.91	0.000
Trust	0.685	0.081	0.720	8.45	<0.001
Data Privacy	-0.392	0.085	-0.410	-4.62	<0.001
Transparency	0.458	0.085	0.490	5.38	<0.001
Algorithmic Bias	-0.276	0.086	-0.330	-3.21	0.002

The regression analysis indicates that the model is statistically significant ($F = 36.62$, $p < 0.001$) and explains 61% of the variance ($R^2 = 0.610$) in AI acceptance. This demonstrates a strong explanatory power of ethical factors and trust in determining AI adoption in HRM.

Among the predictors, trust emerges as the strongest determinant ($\beta = 0.720$, $p < 0.001$), indicating that higher levels of trust significantly enhance AI acceptance. Transparency also shows a positive and significant effect ($\beta = 0.490$, $p < 0.001$), highlighting the importance of explainable and clear AI systems in building confidence among users.

Conversely, data privacy concerns ($\beta = -0.410$, $p < 0.001$) and algorithmic bias ($\beta = -0.330$, $p = 0.002$) negatively influence AI acceptance, suggesting that ethical risks act as major barriers to adoption. These findings emphasize that concerns related to data security and fairness reduce willingness to adopt AI technologies.

Overall, the results confirm that ethical considerations significantly shape AI adoption through trust, reinforcing the importance of ethical governance, transparency, and human oversight in HRM practices.

Hypothesis	Statement	Result
H1	Data privacy negatively affects trust	Supported
H2	Algorithmic bias negatively affects trust	Supported
H3	Transparency positively affects trust	Supported
H4	Trust positively affects AI acceptance	Supported
H5	Ethical concerns negatively affect AI acceptance	Supported

8. Interpretation and Discussion

The findings of this study provide strong empirical evidence that ethical considerations play a central role in shaping the adoption of Generative Artificial Intelligence in Human Resource Management. The results consistently demonstrate that AI adoption is not merely a technological process but a trust-driven and ethics-dependent phenomenon.

The descriptive analysis reveals that ethical concerns are widely prevalent among respondents, with data privacy (70.7%) emerging as the most critical issue, followed by transparency (63.4%) and algorithmic bias (52.4%). This indicates that employees and HR professionals are highly sensitive to how AI systems handle personal data, make decisions, and ensure fairness. Such concerns highlight the inherent tension between technological efficiency and ethical responsibility in HRM.

The correlation analysis further strengthens these findings by showing that ethical concerns significantly influence both trust and acceptance. Data privacy and algorithmic bias exhibit negative relationships with trust and acceptance, indicating that higher ethical risks reduce confidence in AI systems. In contrast, transparency demonstrates a strong positive relationship, suggesting that explainable and clear AI processes can enhance user confidence. Most importantly, trust shows the strongest positive association with AI acceptance, confirming its role as a key driver in the adoption process.

The regression results provide deeper insight into these relationships by establishing causality. The model explains a substantial proportion of variance ($R^2 = 0.610$), indicating strong explanatory power. Trust emerges as the most influential predictor of AI acceptance, while transparency significantly enhances adoption. Conversely, data privacy concerns and algorithmic bias negatively impact acceptance, reinforcing their role as major barriers. These findings validate the proposed conceptual framework, where ethical concerns influence AI adoption through trust.

Overall, the study highlights that ethical governance is fundamental to successful AI implementation in HRM. The results suggest that organizations must go beyond technological deployment and focus on building trust through transparent systems, robust data protection, and fairness in decision-making. The strong mediating role of trust indicates that even advanced AI systems will fail to achieve widespread acceptance unless ethical concerns are adequately addressed.

In conclusion, the discussion emphasizes that the future of AI in HRM lies in a human-centered approach, where technology is aligned with ethical principles. Organizations that prioritize transparency, accountability, and data privacy are more likely to achieve sustainable and effective AI adoption.

9. Conclusions

This research shows that ethics are very important when it comes to using Generative Artificial Intelligence in Human Resource Management. The results clearly point out that issues like data privacy, openness, and unfairness in algorithms greatly affect how much people trust and accept AI systems. Of all these issues, data privacy is the biggest concern, followed by how clear processes are and unfair treatment, which is crucial because HR deals with sensitive employee information and fairness.

The study's findings also reveal that trust is the biggest factor that encourages people to accept AI, acting as a link between ethical worries and how it is actually used. Being open boosts trust and helps increase usage, while worries about privacy and perceived unfairness lower confidence in AI systems. This shows that bringing AI into HRM is not just about technology; it relies heavily on trust and ethics.

In summary, the study highlights that effectively and responsibly using Generative AI needs strong ethical guidelines, clear decision-making practices, and ongoing human supervision. Companies should focus on fairness, being accountable, and protecting data to build trust and ensure that AI is adopted in a responsible way.

Key Findings:

- ❖ Ethical concerns are major barriers: Data privacy (70.7%), transparency issues (63.4%), and algorithmic bias (52.4%) are widely reported concerns among respondents.
- ❖ Data privacy is the most critical issue: A majority of respondents are highly concerned about the protection and use of sensitive employee data.
- ❖ Transparency drives trust: Transparency shows a strong positive relationship with trust ($r = 0.680$) and acceptance ($r = 0.600$), highlighting the importance of explainable AI systems.
- ❖ Bias and privacy reduce adoption: Data privacy ($r = -0.620$) and algorithmic bias ($r = -0.510$) negatively affect trust and acceptance of AI.
- ❖ Trust is the strongest predictor: Trust has the highest positive impact on AI acceptance ($r = 0.720$; $\beta = 0.720$), making it the key driver of adoption.

- Regression model is strong: Ethical factors and trust explain 61% of the variance ($R^2 = 0.610$) in AI acceptance.

- All hypotheses are supported: The relationships between ethical concerns, trust, and AI acceptance are statistically significant ($p < 0.001$).

- Awareness–adoption gap exists: Despite high awareness of AI, adoption remains moderate due to ethical concerns.

Overall Insight

AI adoption in HRM is primarily ethics- and trust-driven, rather than purely technology-driven.

10. Managerial Implications

The findings of this study offer several important implications for managers and HR practitioners seeking to implement Generative AI responsibly and effectively:

- Prioritize data privacy and security: Organizations must establish strong data protection mechanisms, clear consent policies, and secure data management systems to address employee concerns and build trust.
- Make sure things are clear and easy to understand: The AI programs used in human resources should be clear about how they work and be understandable. Managers should adopt explainable AI tools so that employees understand how decisions are made.
- Implement ethical AI governance frameworks: Organizations should develop formal policies addressing fairness, accountability, and bias mitigation in AI-driven HR processes.
- Maintain human oversight: Critical HR decisions such as recruitment, promotion, and performance evaluation should not be fully automated. Human judgment must remain central to ensure fairness and contextual understanding.
- Conduct regular bias audits: Continuous monitoring and evaluation of AI systems are essential to identify and reduce algorithmic bias.
- Build trust through communication: Managers should clearly communicate the role of AI, its benefits, and safeguards to reduce resistance and enhance acceptance among employees.
- Invest in training and awareness: HR professionals and employees should be trained in AI literacy, ethical usage, and interpretation of AI-driven insights.
- Use a people-focused method: AI should be seen as something that helps people instead of taking their place, highlighting teamwork between humans and AI.

Overall Implication

For AI to be successfully used in Human Resource Management, it's important to be ready with technology but also to focus on ethics. This means that building trust, being open about the processes, and having good rules in place should be essential parts of the management plan..

11. Policy Implications

The findings of this study have important implications for policymakers and regulatory bodies in guiding the ethical adoption of Generative AI in Human Resource Management:

- Develop clear AI governance frameworks: Policymakers need to create standards for using AI responsibly in human resources jobs, like hiring new workers, judging their performance, and keeping track of their work activities.
- Strengthen data privacy regulations: Strong laws are needed to keep private employee information safe, make sure people agree to how their data is used, and stop personal details from being used wrongly.
- Require clear information and understanding: Companies must create guidelines that ensure their AI systems can be easily explained. This allows employees to grasp how AI makes choices and feel free to ask questions about those choices when necessary.

- ❖ Address algorithmic bias and fairness: New rules need to be put in place to check and reduce unfairness in AI systems, making sure that hiring practices are fair and everyone has the same chances.
- ❖ Promote accountability mechanisms: It is essential to clearly define who makes decisions with AI, so that groups are accountable for the outcomes.
- ❖ Encourage ethical AI certification and audits: Governments can encourage separate checks and certification processes to make sure AI follows ethical guidelines.
- ❖ Support skill development and awareness: Public policy should support programs that teach people about AI and training opportunities to get the workforce ready for using AI in a fair and responsible way.
- ❖ Facilitate inclusive AI adoption: Extra help might be given to groups with fewer resources to make sure everyone can access ethical AI technologies equally.

Overall Policy Insight

To successfully use AI in Human Resource Management, it is important to have rules that support new ideas while also being fair and responsible. This means making sure that everything is clear, just, and that workers' rights are kept safe.

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