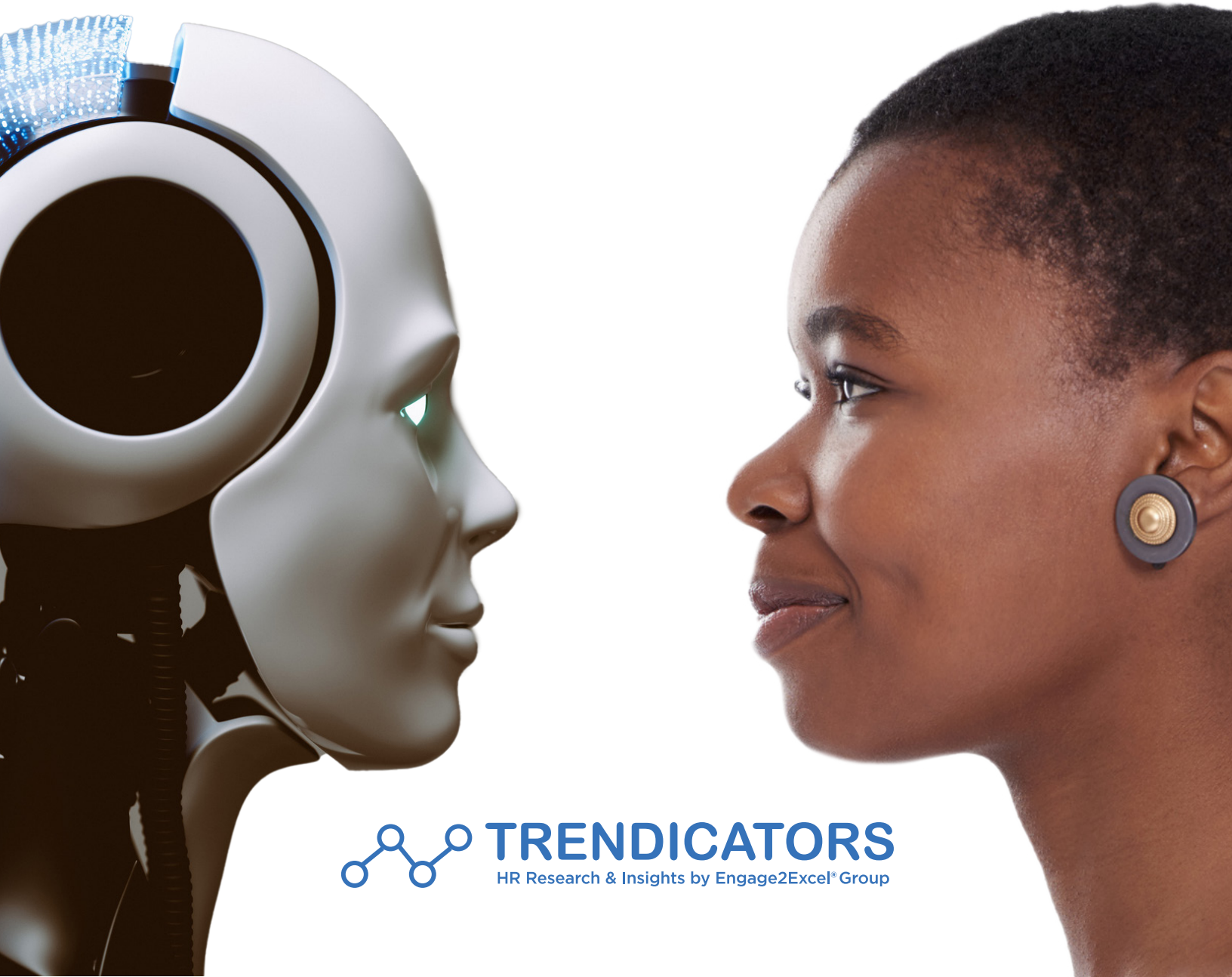# The HR Leader's Guide to Using AI in Recruiting

TRENDICATORS

HR Research & Insights by Engage2Excel® Group

AI is transforming how organizations
deliver products and services, manage customer
experiences and orchestrate operations.

This publication is a primer for HR leaders
to use in managing current and future applications
of AI-enabled technologies in recruiting.

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DISCLAIMER: This eBook contains information intended to guide HR executives interested in learning more about AI-enabled recruiting tools and platforms. When implementing AI platforms or tools within your organization, it is essential to engage key stakeholders from the IT, legal, finance, procurement and compliance teams.

Introduction

AI's role in recruiting must first be examined through the lens of how such technology has reshaped the talent acquisition landscape. Early versions (1990s) of AI in applicant tracking systems (ATS) were used in keyword matching to help recruiters sift through large volumes of applications. As computational processing power improved exponentially one decade later, machine learning algorithms and natural language processing led to the use of predictive analytics for candidate assessment and sentiment analysis, which enabled recruiters to gain deeper insights into candidates' personalities and cultural fits.

Today, AI in recruitment involves the application of artificial intelligence and machine learning algorithms to automate and improve recruiting functions—from candidate sourcing and assessment to candidate engagement, interviewing and hiring decision support.

The question is not whether AI will transform recruiting processes—it already has. This publication explores a top-of-mind question for HR leaders: What can be done to ensure the responsible, equitable and legally compliant application of AI to streamline workflows, save time, enable more efficient resource utilization and improve the quality of hires?

In a recent roundtable session with members of the Trendicators Advisory Board, we addressed that question. Dr. Charles Scherbaum, Engage2Excel's chief analytics officer and professor of psychology at Baruch College, City University of New York, led the discussion. Dr. Scherbaum has worked as an expert in employment litigation. He has provided advice and guidance for several class action settlements and federal consent decrees related to discrimination in hiring, compensation and performance assessment.

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The Current State of AI in Recruiting

According to recent research by the Society for Human Resource Management (SHRM), about 1 in 4 organizations currently use AI to support HR-related activities. However, most of those organizations began using the technology within HR during the prior 12 months. In January 2024, the SHRM survey revealed that using AI to support HR organizations had become more of a priority within the last year. While AI proponents cite numerous advantages, significant risks and barriers to adoption exist.

Today, chatbots, virtual assistants and sourcing platforms are becoming increasingly prevalent in the early stages of the recruitment process. These AI tools can answer common queries from candidates, schedule interviews, help identify new candidate pools, and automate other tasks to increase efficiency and optimize resources in talent acquisition. When held to well-established standards for ensuring fairness in HR processes, these tools can also help to standardize interviewing and selection processes to minimize bias and increase diversity. This, however, will require greater levels of transparency from AI solution providers than exists today. The greatest concerns for HR leaders are legal and regulatory risks, which are discussed on page 9. Ultimately, realizing the full potential of AI in recruiting will require integration with other enterprise systems and the ability to move from exclusive reliance on large language models to customization of algorithms to adapt to organizational policies, cultures and needs.

BENEFITS

- Increasing efficiency and productivity
- Enhancing candidate experiences
- Standardizing interviewing processes
- Minimizing bias and ensuring fairness
- Increasing diversity and inclusion
- Providing data-driven decision support

RISKS

- Legal and regulatory compliance risks
- Discrimination through the perpetuation of biases inherent in training data
- Privacy violations due to the collection of personal data without consent
- Reliance on inaccurate data
- Lack of human interaction and oversight

BARRIERS TO ENTERPRISE ADOPTION

While legal and regulatory risks represent the most significant barrier to the adoption of AI in HR, Barnard Barr, Forbes contributor and author of the book *Generative AI in Practice*, identified 11 other barriers to the enterprise-wide adoption of generative AI technologies.

- Leadership inertia
- Fear of the unknown
- Lack of understanding of AI's potential
- Data availability and quality
- AI skills shortage
- Legacy system integration

- Ethical and legal considerations
- Costs and budgeting constraints
- Lack of a strategic approach
- Difficulty of scaling AI initiatives
- Lack of an innovation culture

Overview of AI Use Cases & Benefits

While most employers are still evaluating the use of AI in recruiting processes, AI adoption is expected to increase significantly over the next several years as recruiting teams gain a better understanding of how AI can be leveraged to improve recruiting efficiency and effectiveness. According to MMR, a market research firm serving Fortune 500 companies, the AI recruitment market, valued at $661M in 2023, is estimated to reach $1.1B by 2030.

The *Future of Recruiting Report 2024* from LinkedIn indicates that 62% of recruiting professionals are optimistic about AI's impact on recruiting. The number of recruiters who added AI skills to their profiles jumped 14% last year. According to this report, recruiters using AI tools cite these benefits.

Top Benefits of Gen AI Tools for Recruiters

57% Faster/easier to write job descriptions

45% Automate tasks to spend more time on fulfilling work

42% Remove daily mundane tasks

41% Improve overall productivity

35% Faster/easier to engage candidates

The following is an overview of AI's use cases and benefits in talent acquisition. It is a starting point for HR executives seeking to learn more about integrating AI into talent acquisition processes.

WORKFORCE PLANNING: AI-enabled workforce planning tools can improve the effectiveness of talent acquisition strategies by analyzing market data to understand competitive hiring landscapes. They can help HR professionals identify employee skill gaps, predict turnover and enable more proactive talent management and retention strategies, empowering organizations to forecast and plan their workforce needs more accurately.

SOURCING: AI sourcing tools utilize sophisticated algorithms to analyze social media, online portfolios and job board profiles in real-time. These tools can help identify potential candidates based on job descriptions and other criteria. However, their effectiveness can vary depending on the job role and requirements. Sourcing algorithms may use data biased toward or against certain demographics and favor or reject candidates from those groups.

JOB DESCRIPTIONS: To create job descriptions, HR teams often use job analyses or descriptions of similar jobs. AI job description tools employ natural language processing and machine learning to analyze existing job postings and other documents (e.g., performance evaluations) to provide descriptions optimized for specific roles and generate engaging job posting language to help attract more qualified candidates and stand out from other hiring organizations.

CHATBOTS: Chatbots have become indispensable tools for managing high-volume candidate interactions for many employers. These AI-driven assistants can handle initial inquiries from candidates on employers' career sites, freeing recruiters to focus on more strategic tasks. They can also guide candidates through the application process, provide real-time updates and even schedule interviews, significantly enhancing the candidate experience.

SCREENING: AI screening tools can help recruiters quickly sift through resumes to streamline candidate screening and automate background checks. These tools use machine learning and natural language processing to analyze resumes and other data sources to recommend potential candidates. However, screening tools can perpetuate the bias inherent in the data used to train algorithms. Oversight of the results generated from AI screening tools by HR professionals is essential for ensuring legal compliance and fairness in hiring.

PRE-EMPLOYMENT ASSESSMENTS: AI-enabled assessment platforms can administer customized tests and simulations to measure candidates' cognitive abilities, problem-solving skills and job-specific competencies, providing valuable insights into their potential fit for the role.

The use of AI for pre-employment generally falls into two categories. The first involves using AI to score traditional assessments and predict candidate success in a role. Such use is governed by well-established standards for fairness that require explicit statistical links between a selection procedure and outcomes related to job performance. The other category uses unstructured information from simulations, interviews or gamified assessments to infer information about a candidate's knowledge, skills and abilities. This application of AI involves greater risk and requires documentation that the attributes are accurately measured and relate to job success.

Whether using traditional or AI-enabled assessments, your assessment provider should possess documentation demonstrating the validity of an assessment for any given job role. Ask the vendor for evidence that an assessment or combination of assessments is a reliable and valid predictor of performance for the job role.

INTERVIEWING: Many AI-assisted interviewing platforms exist today. Some deliver and analyze responses to standardized questions for early-stage candidate screening. These platforms can speed up the recruiting process and help structure the evaluation of behavioral interview questions to reduce human bias. Other platforms operate independent of human involvement, conducting AI-led automated or asynchronous video interviews, leaving AI to conduct interviews and recommend hiring decisions. Such platforms pose significant risks under current and proposed regulations.

SELECTION DECISION SUPPORT: By analyzing large datasets, AI can identify patterns and insights that can assist recruiters in matching suitable candidates with the right job opportunities. While AI tools can help reduce human bias in hiring, they can also perpetuate the bias inherent in historical data. HR leaders should request bias audit reports from any vendors using AI and, in all cases, ensure that their HR professionals use these tools to inform rather than replace decisions made at each step in the talent acquisition process.

ONBOARDING: Onboarding experiences play a vital role in influencing early attrition rates. However, the manual administration of onboarding processes can be time-consuming and monotonous. AI-enabled onboarding platforms can reduce administrative burdens and tailor experiences to an individual's role, preferences and progress. Interactive AI platforms can provide personalized learning pathways based on an individual's skills and learning style to improve engagement, reduce time to productivity and improve retention.

Profiles of AI Use in Recruiting

How are industry-leading brands using AI in recruiting? The following profiles, based on reports from AI platform providers, reveal the use of AI to streamline recruitment processes, facilitate good candidate experiences and improve skill matching with open opportunities. The degree to which companies report the use of AI on career websites varies and is sometimes included in FAQs. All companies listed include detailed information about using, storing and protecting personal information in privacy disclosures.

amazon

As a pioneer in leveraging AI and machine learning in various aspects of its operations, including recruitment, Amazon has built tools to help job applicants throughout the hiring process, from identifying the right position to apply for to giving them more flexibility through online assessments.

Unilever

Unilever administers a game assessment for candidates. Their AI video interviewing system poses questions based on the attributes of successful employees, analyzes candidates' responses and correlates these with the traits exhibited by Unilever's high-performing employees.

DELTA

Delta Air Lines uses AI technology to enhance the candidate experience, streamline recruitment and facilitate career advancement. The company has developed an AI-powered chatbot to answer candidate queries and provide personalized feedback.

SIEMENS

Siemens harnesses the power of AI in its recruitment practices to streamline and enhance the candidate selection process. The company utilizes AI algorithms to analyze candidate profiles, resumes and online assessments and identify suitable candidates for specific roles.

Domino's

Domino's uses AI to structure its recruitment, selection and hiring processes. Each applicant advances through the same process, and many steps are taken to minimize any human bias. The company has partnered with pre-employment assessment firms to streamline its recruitment processes.

Electrolux

Electrolux uses its AI-powered platform to provide targeted job recommendations to candidates, enable auto-scheduling of interviews and conduct one-way interviews. The system records text and audio/video responses and checks them against traits that predict job success.

Regulatory & Legal Risks

The use of AI in hiring has come under increased regulatory scrutiny over the past several years. While the U.S. has no federal regulations in place, states and municipalities are quickly moving to enact legislation that affects employers and software vendors. Currently, 16 states have legislated and passed AI regulations. Over the past year, state-level AI-related bills have increased by 1,600% and now exceed 400 in number. Navigating these complex requirements is even more difficult for companies operating internationally.

On August 1, 2024, the European Parliament published the long-awaited final version of the AI Act, which treats employers' use of AI in the workplace as a potentially high risk. The act imposes obligations for AI use along with potential penalties for violations. The legislation will be implemented incrementally over the next three years. Although it only applies to organizations operating in the European Union, the AI Act is expected to provide a baseline for other countries, including similar regulations in Canada, India and China.

Managing Regulatory and Legal Risks

One of AI's most significant advantages in hiring is its ability to automate the analysis of massive amounts of structured and unstructured data. However, collecting and analyzing this information for use in selection and hiring decisions raises privacy, compliance and legal concerns. Dr. Scherbaum, who has served as an expert in employment litigation and class action cases, offered the following recommendations for employers to use in navigating the risks associated with using AI in hiring processes. Consult with legal counsel to obtain information on compliance requirements specific to your company.

Understand what the tool does: When evaluating AI's current or future use at any step in the hiring process, ensure you completely understand the functions you expect the tool to perform. People selling or developing AI tools may lack the necessary knowledge of HR practices to define the tool's role within HR clearly. A red flag should be raised if a software provider cannot document how their software works in plain language.

Use AI to support decisions, not replace them: Most current AI regulations focus on situations in which steps in the hiring process are completely deferred to AI and have no human intervention or oversight. In any multi-step talent acquisition process, it is essential to appoint an HR decision-maker at each step to either confirm the results, reject pieces of the results or challenge the results in question.

Mobley v. Workday: Current litigation involving software provider Workday was recently allowed to move forward through the federal court system. In this case, an individual applied to over 100 positions at employers that exclusively use Workday for screening over a five-year period. The individual was rejected by all employers and often received rejection notices during non-working hours, which indicated a lack of human involvement in the process. The district court judge has allowed the case to move forward based on the premise that Workday can be held liable for discrimination as an employer agent by acting as a gatekeeper in the selection process.

Evaluate data models and sources: Despite its potential to reduce bias, AI can inadvertently exacerbate existing discriminatory practices if not carefully managed. Systems learning from historically biased data may perpetuate or intensify these biases, leading to unfair hiring practices and reduced workplace diversity. In addition, many AI tools collect information beyond what is typically used in hiring by scraping social media or other open data sources. Identifying data sources used in AI applications is essential for evaluating the risk these sources may introduce when used to support hiring decisions.

Ensure transparency: Currently, legislation on the use of AI in hiring focuses on ensuring that the use of AI is transparently reported to candidates. The Institute for Workplace Equality recommends that employers that use AI tools during the hiring process tell job applicants that this is being done to assess candidates and make hiring decisions. Additionally, employers should obtain consent from job applicants before using AI tools to evaluate their skills, experience, talent and qualifications.

Audit compliance: In New York City, employers and employment agencies are barred from using Automated Employment Decision Tools (AEDTs) unless they have conducted a bias audit and provided the necessary notices. Enforcement of this New York AEDT law began in July 2023. Multiple employers or recruiting agencies may use the same bias audit, and vendors may have an independent auditor conduct an audit of its tool, which reduces some of the barriers to compliance.

Video Interviewing: The Illinois Artificial Intelligence Video Interview Act mandates that companies operating in Illinois obtain consent before recording interviews, inform applicants if AI will be used to analyze their recorded interviews, and, if so, specify the traits or characteristics AI will assess. Maryland's Use of Facial Recognition Services law prohibits the use of certain facial recognition services without the applicant's consent and limits the acquisition, storage and use of facial recognition data. As a result of these regulations, many employers are likely to opt out of using video analysis in the recruiting process.

Compliance with existing regulations: As all HR leaders know, if any of an organization's talent acquisition processes adversely impacts a protected group under the law, employers must demonstrate how the process is related to the job or necessary for business. The following is a high-level overview of select AI initiatives from regulatory agencies and the White House.

Executive Order 14110: Required the Department of Labor to publish guidance for Federal contractors on nondiscrimination in hiring processes using AI and other technology-based hiring systems.

White House Blueprint for an AI Bill of Rights: This position document includes mention of "workplace algorithms that inform all aspects of the terms and conditions of employment including, but not limited to, pay or promotion, hiring or termination algorithms, virtual or augmented reality workplace training programs, and electronic workplace surveillance and management systems."

Artificial Intelligence and Algorithmic Fairness Initiative: In 2021, the EEOC launched this initiative to "guide employers, employees, job applicants, and vendors to ensure that these technologies are used fairly and consistently with federal equal employment opportunity laws." This initiative has led to guidance specific to adverse impacts under Title VII of the Civil Rights Act of 1964 and the Americans with Disabilities Act.

Joint Statement on Enforcement of Civil Rights, Fair Competition, Consumer Protection, and Equal Opportunity Laws in Automated Systems: The Consumer Protection Board, EEOC, Department of Justice and FTC issued a collective statement affirming the application of existing laws to AI technology and application and their intent to monitor the use of this technology.

Candidate Perceptions
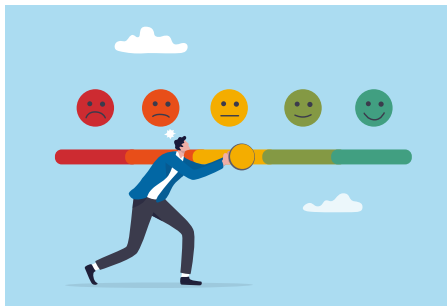
Not surprisingly, many candidates are skeptical about using AI in recruitment and hiring processes. People do not trust what they do not understand. In reviewing the results of surveys about perceptions of AI in hiring, it is important to distinguish between those that assess general perceptions and those that assess perceptions based on the actual use of AI in hiring processes. The following is an overview of the results of two studies on this topic. Your best source of research will come from surveying your company's job applicants.

A 2022 study by the Pew Research Center revealed that 62% of the respondents would not apply for a job with an employer that uses AI to help make hiring decisions. By contrast, the use of AI by an employer would not deter 32% of those surveyed from applying. The same survey reported that 47% of the respondents said AI would be good at treating all applicants objectively, but they felt that AI, compared to a human, would be worse at seeing someone's potential.

A study published in *Computers in Human Behavior* titled "Applicants' Perception of Artificial Intelligence in the Recruitment Process" analyzed respondents' reactions to AI recruitment tools in a simulation of AI-enabled application processes. Most participants (69%) agreed that AI reduces response time and is fast and efficient when used correctly. Almost half of the respondents confirmed that AI tools are easy to use, intuitive, self-explanatory and convenient and that AI technology generally works well. The results also showed that applicants perceived less favorable personal treatment when they believed an AI system evaluated them than when human reviewers did. However, there were no differences in the fairness of the process between the AI and HR conditions.

Would you apply for a job with an employer that uses AI to help make hiring decisions?

No	62%
Yes	32%
Unsure	2%

Positive User-Reported Benefits of AI Hiring Tools

- Time savings
- Increased quality and objectivity
- Better candidate experience
- Enhanced employer brand

Reactions to AI Vs. Human Evaluation Results

- Applicants perceived lower interpersonal justice when they believed an AI system evaluated them, compared to human reviewers.

Key Takeaways: The contrast between these survey results is important for HR leaders contemplating using or are already using AI in recruiting. The popular perception, as illustrated in the Pew Research Center study, is that AI would dissuade candidates from applying. However, experience-based testing and the widespread use of AI by large employers demonstrate many positive benefits when AI is used responsibly.

It is important to note that when applicants believe that they have been rejected by an AI tool, they doubt the fairness of the procedure more than if they are rejected by a human. Concerns over racial bias may also make minority applicants wary of AI rejections. These results underscore the importance of conducting bias audits, human engagement with candidates and clear communication about how selection and hiring decisions are made.

Roundtable Q&A

The following are excerpts from a Q&A session between Dr. Scherbaum and members of the Trendicators Advisory Board.

What is your outlook on the future of AI in helping employers improve fairness in hiring? I believe it is possible to use AI to increase fairness in hiring decisions. The obvious benefits are efficiency and automation. AI can do things much faster and more easily on a scale that humans could ever do. Regarding fairness, AI can introduce standardization in areas with the highest degree of subjectivity. Any time you can reduce the amount of subjectivity in a process, that is a good thing. AI imposes process and structure onto subjective recruitment phases, representing an advantage from a defensibility standpoint.

However, because AI has come under increased regulatory scrutiny, employers face increased risks. Also, the ultimate fairness of any AI tool will depend on the datasets used to train the model. Improvements in fairness can only be achieved if the underlying data reflect fair and equitable decisions and outcomes.

In volume hiring, human bias is unavoidable but not subject to the same legal risks as when AI is involved. Why is that? In a class action suit against an employer, potential class members must have all suffered an action or inaction that arose from a common set of facts. In Mobley v. Workday, this criterion was met because the class members were all subject to the same standardized process for selection or rejection by an AI application. In contrast, while hiring managers at different locations may make personally biased hiring decisions, such a situation is less likely to qualify for a class action suit. While AI can help improve hiring fairness through standardization, it could be a double-edged sword. We are just beginning to understand the many trade-offs involved in applying AI in hiring.

Can AI be used to audit traditional hiring practices? AI could prove useful in auditing hiring processes. But today, we're still using humans to do the auditing. In addition to statistical models, we are looking at processes and data in the context of their use. For example, part of a broader audit could examine the locations of in-person interviews or testing. A test or interview might be fair, but the locations may not be accessible by public transportation. This could exclude large groups of people from the pool of candidates. Experts look beyond just the results of statistical analyses to determine the context for evaluating fairness—whether AI is involved or not.

In your opinion, what applications of AI have the lowest level of risk with the greatest immediate benefit? There are three areas today where AI can save time, improve candidate experiences and improve hiring success with the least amount of risk. These are job descriptions, candidate communications and workforce planning.

There is promising work on using AI to conduct job analyses and create job descriptions. A lack of job analysis is the Achilles' heel in any litigation against an employer because employers often don't take the time to do it. Almost every accepted way of demonstrating the job-relatedness of a hiring process relies on a job analysis.

AI can also help facilitate better candidate communication. For example, if a candidate has not been scheduled for an interview within a certain number of days, an AI system can send a note saying, "You're still in consideration. The position is still open. We will be in touch soon. We really hope you continue to be interested."

Finally, workforce planning can greatly benefit from AI. AI-powered systems can analyze historical data, market trends and business objectives to help predict future demand, identify skill gaps and recommend possible workforce adjustments.

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