

# EXECUTIVE SUMMARY

Managing Artificial Intelligence(AI) induced bias in hiring practices

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**AUDIENCE:** Board members of the Society of Human Resource Management(SHRM)

## **SUMMARY:**

The AI revolution has begun; it is not only vastly changing the way industries function but will also have a major impact on our communities. According to McKinsey, worldwide AI adoption has increased by 2.5 times in the past five years. On the one hand, AI can propel us forward by decades with its capability to make processes efficient and provide groundbreaking insights. On the other hand, PWC reports that 76% of global top executives are concerned about AI-based risks. AI can undermine the persistent efforts to eradicate gender and racial biases in recruitment, which have been reduced from 4% to 1% in the last two decades. If unchecked, AI-induced bias is expected to increase by 1300% by 2050, causing a loss of \$27.6 billion to Fortune 1000 businesses. This makes the use of AI in recruitment one of the most affected areas in businesses.

Starting from the job search to the final offer letter, HR departments use AI in multiple capacities to optimize the hiring process. However, AI has detrimental impacts on marginalized communities, with women and people of color being the most affected groups, according to the National Bureau of Economic Research. In modern-day enterprises, Diversity, Equity, and Inclusivity are already difficult gaps to bridge, and AI could widen this gap further, as stated above.

The analysis comprehensively examined the ethical impact of AI in hiring candidates from marginalized communities. From a legal perspective, the analysis examined the execution of still-developing regulations and policies such as Local Law 144 around the use of AI in recruitment. Finally, in the financial analysis, the continuous economic impact of the issue on our businesses and society at large was assessed.

There is no one solution to fix AI's negative impact on hiring. Therefore, a three-pronged strategy was built for members to tackle it. First, incentivize enterprises to self-regulate and critically examine the AI algorithm before deployment. Second, guide businesses to provide proactive communication channels to report AI-specific issues to increase accountability. Finally, use their network and influence to encourage education through community outreach that increases participation from a diverse pool of candidates in the hiring pipeline.

The way forward is not to turn away from AI but to accept it, understand it, and reform it for the greater good.