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Challenges of AI Driven Algorithmic HRM Practices in Managing the Digital Workforce

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Abstract:

"Challenges of AI Driven Algorithmic HRM Practices in Managing the Digital Workforce"

Purpose of the study:

The purpose of this study is to examine the challenges of AI-driven algorithmic HRM practices in managing the digital workforce, focusing on their impact on recruitment, performance evaluation, employee engagement, and decision-making. It also aims to identify key issues such as algorithmic bias, data privacy, transparency, and ethical concerns, while assessing their effects on employee performance, job satisfaction, and organizational effectiveness. The study further seeks to suggest strategies for ensuring fair, ethical, and effective AI-driven workforce management.

Significance of the study:

This study highlights the challenges of AI-driven algorithmic HRM practices in managing the digital workforce. It focuses on issues such as algorithmic bias, data privacy, transparency, and ethical concerns. The study helps organizations and HR professionals improve decision-making, ensure fairness, enhance employee trust, and promote effective and ethical AI-based workforce management.

Research Methodology:

A conceptual research methodology is adopted, proposing a mixed-methods approach involving surveys and qualitative interviews to examine AI-driven algorithmic HRM practices, employee experiences, and workforce management. Hypotheses are developed to analyse the impact of AI-driven HRM practices on employee performance, job satisfaction, and organizational effectiveness, while identifying challenges such as algorithmic bias, data privacy, transparency, and ethical concerns.

Findings:

Preliminary findings from the literature suggest that AI-driven algorithmic HRM practices improve workforce efficiency, decision-making, and employee performance. However, challenges such as algorithmic bias, data privacy, lack of transparency, and ethical concerns may negatively affect employee trust, job satisfaction, and overall workforce well-being.

Managerial Implications:

Managerial implications highlight the importance of implementing transparent, fair, and ethical AI-driven HRM practices to improve workforce management. Organizations are encouraged to address algorithmic bias, ensure data privacy, promote employee trust, and provide AI-related training to HR professionals and employees to enhance employee well-being, productivity, and sustainable organizational performance.

Keywords: AI-Driven HRM, Algorithmic Management, Digital Workforce, Artificial Intelligence, Algorithmic Bias, Data Privacy, Employee Well-being, Ethical AI, Workforce Management.

INTRODUCTION:

The rapid development of Artificial Intelligence (AI) and digital technologies has brought significant changes to Human Resource Management (HRM) practices in modern organizations. AI-driven algorithmic HRM refers to the use of artificial intelligence, machine learning, data analytics, and automated algorithms to perform and support various human resource functions, including recruitment, selection, training and development, performance appraisal, employee monitoring, workforce planning, and decision-

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making. These technologies enable organizations to process large volumes of employee data, reduce administrative workloads, improve operational efficiency, and support faster and more data-driven HR decisions. As organizations increasingly adopt digital transformation, AI-driven HRM practices have become an important part of managing the modern digital workforce.

The integration of AI into HRM has created new opportunities for improving workforce productivity, employee engagement, talent management, and organizational performance. Algorithmic systems can help HR professionals identify suitable candidates, evaluate employee performance, predict workforce requirements, personalize employee training, and monitor organizational outcomes. These technologies also support remote and hybrid work environments by enabling digital communication, automated task allocation, real-time performance tracking, and data-based workforce management. As a result, AI-driven HRM practices are changing the traditional roles and responsibilities of HR professionals and creating new approaches to managing employees in technology-oriented workplaces.

In this context, the study "Challenges of AI-Driven Algorithmic HRM Practices in Managing the Digital Workforce" aims to examine the major challenges associated with the implementation of AI-based HRM practices and their implications for employees and organizations. It focuses on issues such as algorithmic bias, data privacy, transparency, ethical decision-making, employee trust, and technological adaptation. The study also seeks to understand how these challenges influence employee performance, job satisfaction, employee well-being, and organizational effectiveness. By identifying the major barriers and exploring suitable managerial strategies, the study aims to contribute to the effective, ethical, transparent, and sustainable implementation of AI-driven HRM practices in managing the digital workforce.

REVIEW OF LITERATURE:

- Budhwar et al. (2022), in their study Artificial Intelligence—Challenges and Opportunities for International HRM: A Review and Research Agenda, examined the opportunities and challenges associated with the adoption of AI in international human resource management. The study discussed the use of AI in recruitment, employee engagement, workforce planning, and decision-making. The authors identified the potential of AI to improve operational efficiency, organizational performance, and HR decision-making, while also highlighting concerns related to employee adaptation, technological changes, and implementation challenges. The study emphasized the need for further research on human–AI interaction, employee skills, and the strategic role of HR professionals in managing AI-driven workplaces

- Hunkenschroer and Luetge (2022), in their study Ethics of AI-Enabled Recruiting and Selection: A Review and Research Agenda, systematically reviewed 51 articles to examine ethical issues associated with AI-based recruitment and selection. The study explored the application of AI in resume screening, candidate assessment, and recruitment decision-making. The authors identified important ethical challenges, including algorithmic bias, discrimination, lack of transparency, privacy concerns, and accountability. The study emphasized the importance of fairness, ethical guidelines, and responsible AI implementation in recruitment practices. It provides useful insights into how algorithmic HRM challenges may affect equal employment opportunities, employee trust, and organizational fairness

- Cameron et al. (2024), in their study Mapping the Evolution of Algorithmic HRM (AHRM): A Multidisciplinary Synthesis, examined the development of algorithmic HRM research and its applications across different disciplines. The study explored the use of algorithms in HR strategies, workforce planning, performance evaluation, and organizational decision-making. The authors highlighted the importance of understanding the relationship between technology, human agency, and organizational contexts in algorithmic HRM. The study also emphasized that algorithmic systems can influence work structures, managerial practices, and employee experiences. The research provides a multidisciplinary perspective on algorithmic HRM and identifies opportunities for further investigation into its implementation challenges and implications for digital workforce management.

- Malik et al. (2023), in their study Artificial Intelligence (AI)-Assisted HRM: Towards an Extended Strategic Framework, conducted a systematic review of 67 peer-reviewed articles to examine the organizational and employee-centric outcomes of AI-assisted HRM. The study explored how AI transforms traditional HR functions and supports talent acquisition, employee management, and organizational productivity. The authors developed a strategic framework to guide the adoption and implementation of AI in HRM. The study emphasized the importance of organizational capabilities, employee-related considerations, and strategic alignment when implementing AI-based HR technologies. It also identified the need for further research into employee experiences and the challenges of integrating AI into existing HR systems.

- Noponen et al. (2024), in their study Taylorism on Steroids or Enabling Autonomy? A Systematic Review of Algorithmic Management, systematically reviewed 172 articles to examine the effects of algorithmic management on workers and organizational practices. The study explored how algorithmic systems influence employee autonomy, task allocation,

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performance monitoring, and workplace control. The authors identified that algorithmic management can both enable and restrict worker autonomy, depending on the organizational context and how the systems are implemented. The study also discussed the emergence of new power relationships, information asymmetry, and inflexible work practices. These findings are relevant to understanding how algorithmic HRM practices may affect employee well-being, work autonomy, and job satisfaction in the digital workforce.

- Basu et al. (2023), in their study Artificial Intelligence–HRM Interactions and Outcomes: A Systematic Review and Causal Configurational Explanation, systematically reviewed research on the interaction between AI and human resource management. The study examined how different AI adoption approaches influence organizational and employee-related outcomes. The authors identified that the outcomes of AI adoption depend on the type of technology, the level of implementation, and the organizational context. While AI can contribute to organizational performance and HR efficiency, it may also raise concerns about job displacement, employee resistance, and the management of technological change. The study highlighted the importance of coordinated and phased AI adoption and provides a useful foundation for examining the relationship between AI-driven HRM practices and digital workforce outcomes

Impact of AI-Driven Algorithmic HRM Practices on the Digital Workforce

AI-driven algorithmic Human Resource Management (HRM) practices have a significant impact on the digital workforce by transforming the way employees are recruited, managed, evaluated, and developed. The use of artificial intelligence, machine learning, and automated decision-making systems helps organizations improve workforce efficiency, productivity, performance monitoring, and talent management. These technologies support faster decision-making, personalized training, flexible work arrangements, and effective allocation of tasks. However, the increasing use of AI in HRM also creates challenges for the digital workforce, including algorithmic bias, data privacy concerns, excessive employee monitoring, lack of transparency, and reduced human interaction. Continuous performance tracking and automated evaluations may increase employee stress, affect job satisfaction, and reduce trust in management. Furthermore, AI-based automation may create concerns about job security, changing job roles, and the need for continuous technological skill development. At the same time, AI-driven HRM can improve employee engagement and career development when implemented fairly and transparently. Therefore, the impact of AI-driven algorithmic HRM practices on the digital workforce depends on how effectively organizations balance technological innovation with employee well-being, ethical decision-making, fairness, and human-centered management.

Challenges of AI-Driven Algorithmic HRM Practices in Managing the Digital Workforce

AI-driven algorithmic HRM practices offer several benefits to organizations, but their implementation also creates various challenges for managing the digital workforce.

1. Algorithmic Bias and Discrimination: AI systems may produce biased decisions in recruitment, selection, promotion, and performance evaluation due to biased training data or algorithms, resulting in unfair treatment of employees.

2. Data Privacy and Security: The collection and processing of large amounts of employee data create concerns regarding data privacy, unauthorized access, data misuse, and cybersecurity.

3. Lack of Transparency: Employees may find it difficult to understand how AI algorithms make decisions regarding recruitment, performance ratings, promotions, and other HR activities.

4. Employee Trust and Acceptance: Excessive dependence on AI-based decision-making may reduce employee trust in management and create resistance to the adoption of new technologies.

5. Job Security Concerns: Automation of HR functions and work-related tasks may create uncertainty among employees about job stability, changing job roles, and future employment opportunities.

6. Employee Monitoring and Surveillance: AI-based tracking of employee activities, productivity, and performance may create pressure, increase stress, and raise concerns about workplace privacy.

7. Lack of Human Interaction: Excessive reliance on automated HR systems may reduce personal communication, emotional understanding, and human judgment in employee management.

8. Technological Skills Gap: Employees and HR professionals may lack the technical knowledge and digital skills required to adapt to AI-driven HRM systems, resulting in difficulties in implementation and usage.

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9. Ethical and Accountability Issues: Determining responsibility for incorrect, unfair, or discriminatory AI-based decisions can be challenging, particularly when decision-making processes are complex.

10. Implementation Costs and Technical Limitations: The adoption of AI-driven HRM systems requires significant investment in technology, infrastructure, training, maintenance, and system integration, which may create challenges for organizations.

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) was developed by Fred Davis in 1989 to explain how individuals accept and use new technologies. The model suggests that the adoption of technology depends primarily on two important factors: Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). These factors influence an individuals attitude toward using technology, behavioural intention to use it, and actual technology usage.

In the context of Artificial Intelligence (AI)-driven Human Resource Management (HRM), TAM helps explain how employees and HR professionals perceive, accept, and adapt to algorithmic systems used in recruitment, selection, performance evaluation, employee monitoring, training, and workforce management. The model provides a theoretical foundation for understanding why employees may willingly adopt AI-based HRM systems or resist their implementation due to concerns about complexity, reliability, fairness, privacy, and job security.

As organizations increasingly adopt AI-driven technologies to manage the digital workforce, understanding technology acceptance becomes essential for ensuring successful implementation, employee engagement, and effective workforce management.

Key Components of the Technology Acceptance Model

1. Perceived Usefulness (PU)

Perceived usefulness refers to the extent to which an individual believes that using a particular technology will improve their job performance. In AI-driven HRM, employees and HR professionals may consider AI systems useful when they simplify HR processes, reduce administrative workloads, improve decision-making, increase productivity, and support performance evaluation.

For example, AI-based recruitment systems can help HR professionals screen large numbers of applications efficiently, while AI-enabled performance management tools can provide timely feedback and support workforce planning.

2. Perceived Ease of Use (PEOU)

Perceived ease of use refers to the extent to which an individual believes that using a particular technology requires minimal effort. In algorithmic HRM, user-friendly interfaces, accessible digital platforms, effective training, and clear system instructions can make AI-based HR technologies easier for employees and HR professionals to use.

However, complicated interfaces, limited digital skills, technical difficulties, and a lack of training may create resistance and reduce acceptance of AI-driven HRM systems.

3. Attitude Toward Using Technology

Attitude refers to an individual's positive or negative feelings about using a particular technology. Employees may develop a positive attitude toward AI-driven HRM when they perceive it as useful, fair, reliable, and supportive. Conversely, concerns about algorithmic bias, employee surveillance, reduced human interaction, and job security may lead to negative attitudes.

4. Behavioural Intention to Use

Behavioural intention refers to an individual's willingness or intention to use a particular technology in the future. In AI-driven HRM, employees' willingness to use algorithmic systems may depend on their perceived benefits, ease of use, trust, transparency, and confidence in the technology.

5. Actual System Use

Actual system use refers to the real adoption and utilization of technology in workplace activities. In AI-driven HRM, this includes employees and HR professionals actively using AI-based recruitment platforms, automated performance evaluation systems, digital learning tools, and algorithmic workforce management applications.

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TAM with the Present Study:

The Technology Acceptance Model is relevant to the study because the successful implementation of AI-driven algorithmic HRM practices depends not only on the availability of advanced technologies but also on how employees and HR professionals perceive and accept them.

In the present study, perceived usefulness explains whether employees believe that AI-driven HRM systems improve their productivity, work efficiency, performance evaluation, and decision-making. Perceived ease of use helps identify whether employees face difficulties in using AI-based systems due to a lack of technical knowledge, inadequate training, complex interfaces, or technological limitations.

The model can also be extended to examine challenges that are particularly relevant to algorithmic HRM, such as algorithmic bias, data privacy, lack of transparency, employee surveillance, and concerns about job security. These issues may influence employees' trust in AI systems and their attitudes toward adopting them. For example, even if an AI-based performance evaluation system is easy to use and improves efficiency, employees may be reluctant to accept it if they believe that the algorithm produces unfair or biased results.

Application of TAM to the challenges of AI-driven HRM

TAM component	**with the Present study**
Perceived usefulness	Examines whether AI improves productivity, performance evaluation, and HR decision-making.
Perceived ease of use	Identifies technological complexity, digital skill gaps, and training needs.
Attitude toward use	Examines employees' positive or negative perceptions of AI-based HRM.
Behavioural intention	Measures employees' willingness to accept and use algorithmic HRM systems.
Actual system use	Examines the extent to which AI-driven HRM systems are used in workforce management.

Challenges Through TAM

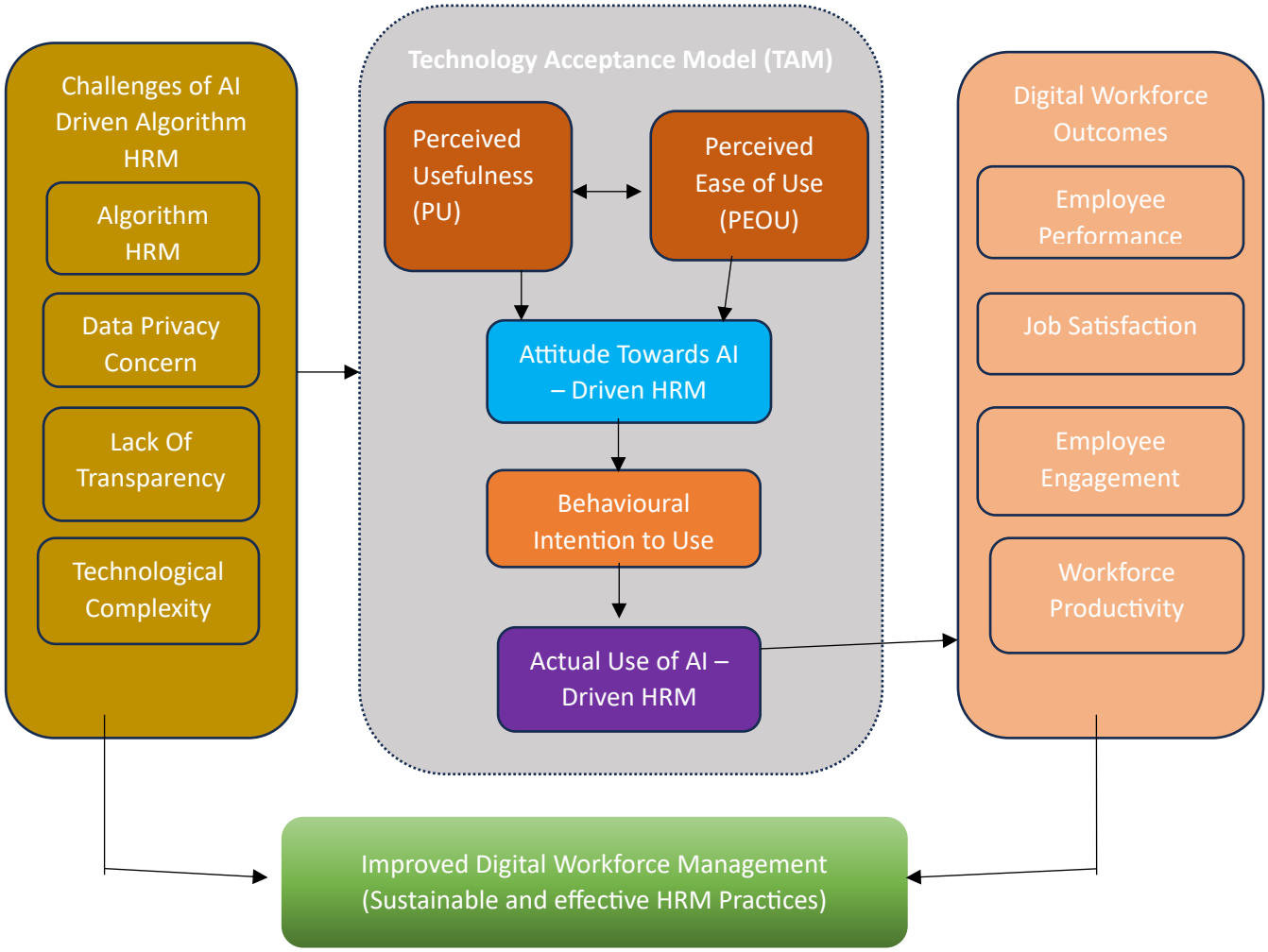
- Algorithmic bias: Employees may be less willing to accept AI systems when they perceive recruitment, appraisal, or promotion decisions as unfair.
- Data privacy: Concerns about the collection, storage, and use of personal employee information can reduce confidence in AI-based HRM.
- Lack of transparency: Employees may find it difficult to accept decisions when the reasoning behind algorithmic outcomes is unclear.
- Technological complexity: Difficult-to-use AI systems and insufficient training may reduce perceived ease of use.
- Employee resistance: Negative attitudes, fear of job displacement, and lack of trust may reduce employees' intention to adopt AI-based HRM.
- Excessive monitoring: Continuous tracking of employee activities may lead to concerns about autonomy, privacy, and workplace pressure, affecting technology acceptance.

These challenges are possible influences on TAM's constructs rather than all being original components of the model. They can be incorporated as additional variables in an extended TAM framework.

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Proposed Conceptual Framework for the Study:



- Independent variables: The key challenges of AI-driven algorithmic HRM that may influence employees' perceptions and acceptance of AI technologies.
- Dependent variables: The outcomes that may be influenced by AI-driven HRM practices, such as employee performance, job satisfaction, engagement, and productivity.
- Mediating variables: These explain how or why the challenges of AI-driven HRM may affect workforce outcomes. For example, algorithmic bias may reduce perceived fairness and trust, which may affect employees' acceptance and job satisfaction.
- Moderating variables: These may strengthen or weaken the relationship between the challenges and employee outcomes. For example, digital literacy may reduce the difficulties employees experience when using complex AI systems.

BRIEF ON MODEL:

1. Challenges of AI-Driven Algorithmic HRM

- Algorithmic Bias: AI systems may produce unfair or discriminatory decisions in recruitment, selection, performance evaluation, and promotion, which can reduce employees' trust in algorithmic HRM.
- Data Privacy Concerns: The collection and processing of employee information through AI systems may create concerns about confidentiality, unauthorized access, and the misuse of personal data.
- Lack of Transparency: Employees may not understand how AI algorithms make decisions regarding performance, promotions, or other HR activities, leading to uncertainty and reduced confidence.

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- Technological Complexity: Difficult-to-use AI systems, inadequate training, and a lack of digital skills may create challenges for employees and HR professionals in adopting AI-based technologies.

2. Technology Acceptance Model (TAM)

Perceived Usefulness (PU): This refers to the extent to which employees believe that AI-driven HRM systems improve their work performance, productivity, efficiency, and decision-making. When employees recognize the benefits of AI technologies, they may be more willing to accept and use them.

Perceived Ease of Use (PEOU): This refers to the extent to which employees believe that AI-driven HRM systems are easy to understand and operate without requiring excessive effort. User-friendly systems, adequate training, and technical support can improve perceived ease of use.

The two factors are connected because systems that are easier to use may also be perceived as more useful. Both perceived usefulness and perceived ease of use influence employees' attitudes toward AI-driven HRM practices.

Attitude Toward AI-Driven HRM: This represents employees' positive or negative feelings toward using AI-based HRM systems. Employees may develop positive attitudes when they perceive AI as useful, accessible, fair, and reliable. Conversely, algorithmic bias, privacy concerns, and lack of transparency may contribute to negative attitudes.

Behavioral Intention to Use: This refers to employees' willingness and intention to use AI-driven HRM technologies in their workplace. A positive attitude toward AI systems can encourage employees to accept and use these technologies.

Actual Use of AI-Driven HRM: This represents the practical adoption and use of AI-based systems in HR activities, such as recruitment, performance evaluation, employee monitoring, training, and workforce planning. Behavioral intention is expected to influence actual system use.

3. Digital Workforce Outcomes

- Employee Performance: AI-driven HRM systems can support performance monitoring, timely feedback, skill development, and improved task management.
- Job Satisfaction: The usefulness, fairness, transparency, and ease of use of AI systems may influence employees' satisfaction with their work and HR processes.
- Employee Engagement: Effective and supportive AI-based HRM practices may contribute to employee involvement, motivation, and participation in organizational activities.
- Workforce Productivity: AI-based automation, efficient task allocation, and data-driven decision-making may help improve overall workforce productivity.

4. Improved Digital Workforce Management

The bottom part of the framework represents improved digital workforce management through sustainable and effective HRM practices. It brings together the challenges of AI-driven HRM and the resulting digital workforce outcomes.

Organizations need to address algorithmic bias, protect employee data, improve transparency, and provide adequate technological support to overcome implementation challenges. At the same time, positive workforce outcomes, such as improved employee performance, job satisfaction, engagement, and productivity, can contribute to more effective workforce management.

The ultimate aim is to balance technological efficiency with employee well-being, fairness, trust, and sustainable organizational development.

Objectives of the study:

- To examine the role of AI-driven algorithmic HRM practices in managing the digital workforce.
- To identify the major challenges associated with AI-driven HRM practices, including algorithmic bias, data privacy, lack of transparency, and technological complexity.
- To analyse the influence of perceived usefulness and perceived ease of use on employees' acceptance of AI-driven HRM systems.
- To examine the impact of AI-driven algorithmic HRM practices on employee performance, job satisfaction, and employee engagement.

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- To explore the relationship between employee acceptance of AI-driven HRM systems and workforce productivity.
- To suggest strategies for overcoming AI-related challenges and promoting fair, ethical, transparent, and effective digital workforce management.

Proposed Research Hypotheses

Based on TAM and its application to the present study, the following hypotheses can be developed:

- H1: Perceived usefulness has a significant positive relationship with employees' acceptance of AI-driven algorithmic HRM practices.
- H2: Perceived ease of use has a significant positive relationship with employees' acceptance of AI-driven algorithmic HRM practices.
- H3: Algorithmic bias has a significant negative relationship with employees' acceptance of AI-driven HRM systems.
- H4: Data privacy concerns have a significant negative relationship with employees' intention to use AI-driven HRM systems.
- H5: Transparency in algorithmic decision-making has a significant positive relationship with employee trust and acceptance of AI-driven HRM practices.
- H6: Employees' acceptance of AI-driven HRM practices has a significant positive relationship with their intention to use these systems.
- H7: Employees' intention to use AI-driven HRM systems has a significant positive relationship with their actual use of these systems.

These are proposed hypotheses

Significance of TAM for the Present Study

The Technology Acceptance Model provides a theoretical basis for understanding the factors that influence employees' acceptance and use of AI-driven algorithmic HRM practices. It helps identify how perceived usefulness and perceived ease of use affect employee attitudes, behavioral intentions, and actual technology adoption. By extending the model to include challenges such as algorithmic bias, data privacy, lack of transparency, and technological complexity, the study can examine the reasons behind employee acceptance or resistance to AI-based HRM systems. The model also provides useful insights for HR managers to improve employee training, develop user-friendly systems, strengthen transparency, and encourage responsible AI adoption in digital workforce management.

Research Questions:

1. **RQ1:** What are the major challenges associated with AI-driven algorithmic HRM practices in managing the digital workforce?
2. **RQ2:** How do perceived usefulness and perceived ease of use influence employees' acceptance of AI-driven algorithmic HRM systems?
3. **RQ3:** How do algorithmic bias and data privacy concerns influence employees' trust and acceptance of AI-driven HRM systems?
4. **RQ4:** How does transparency in algorithmic decision-making influence employee trust and acceptance of AI-driven HRM practices?
5. **RQ5:** What is the relationship between employees' acceptance, behavioural intention, and actual use of AI-driven HRM systems?

Findings for the study:

1. Algorithmic Bias: The study indicates that biased algorithms may lead to unfair recruitment, performance evaluation, and promotion decisions, potentially reducing employee trust and confidence in AI-driven HRM systems.

2. Data Privacy Concerns: The findings from the literature highlight that the collection and processing of employee data through AI systems create concerns regarding confidentiality, data security, and unauthorized access, which may affect employee trust.

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3. Lack of Transparency: The study identifies that unclear algorithmic decision-making can create uncertainty among employees regarding performance assessments, promotions, and other HR decisions, potentially affecting perceived fairness and acceptance.

4. Technological Complexity: The study indicates that inadequate digital skills, insufficient training, and complex AI-based systems may create difficulties for employees and HR professionals, limiting the effective adoption of AI-driven HRM practices.

5. Technology Acceptance: Based on the Extended TAM framework, perceived usefulness and perceived ease of use are expected to influence employees' attitudes and behavioral intentions toward AI-driven HRM systems. Systems perceived as beneficial and user-friendly may encourage greater acceptance.

6. Impact on Digital Workforce Outcomes: The literature suggests that AI-driven HRM can support employee performance, job satisfaction, engagement, and workforce productivity when implemented effectively. However, excessive monitoring, reduced autonomy, and concerns about job security may negatively affect employee well-being and workplace experiences.

7. Importance of Ethical and Human-Centered HRM: The study highlights the importance of transparency, fairness, employee training, data protection, and human supervision in addressing AI-related challenges and supporting sustainable digital workforce management.

Conclusion and Future Study:

The study concludes that AI-driven algorithmic HRM practices play an important role in transforming the management of the digital workforce by improving operational efficiency, decision-making, performance evaluation, and workforce productivity. However, challenges such as algorithmic bias, data privacy, lack of transparency, ethical concerns, and technological complexity may affect employee trust, technology acceptance, job satisfaction, and overall well-being. The application of the Technology Acceptance Model (TAM) provides a theoretical foundation for understanding how perceived usefulness and perceived ease of use influence employees' attitudes, behavioral intentions, and adoption of AI-driven HRM systems. The study highlights the importance of transparent decision-making, ethical AI implementation, employee training, data protection, and appropriate human supervision. Overall, organizations need to balance technological advancement with fairness, employee well-being, and human-centered management to achieve sustainable and effective digital workforce management.

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