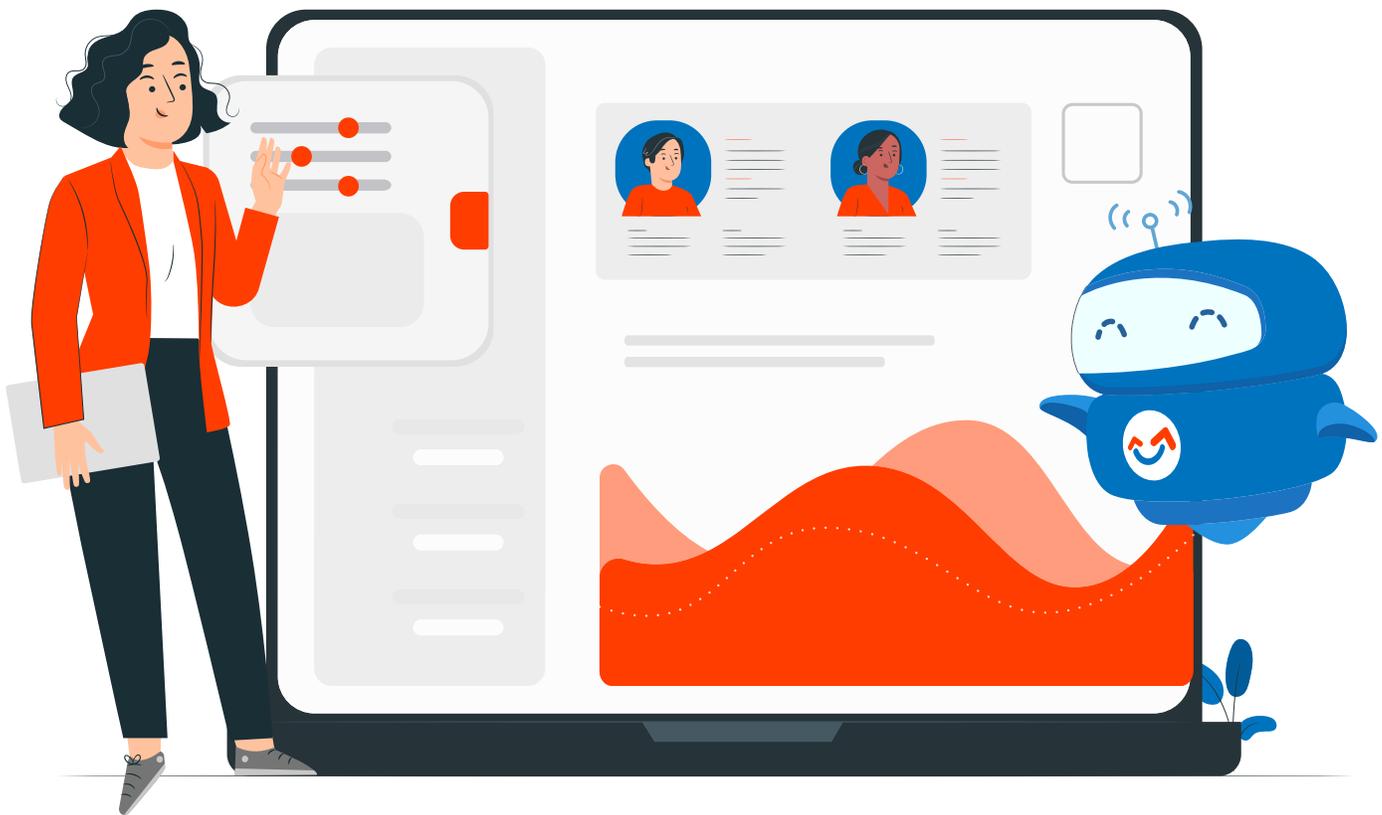
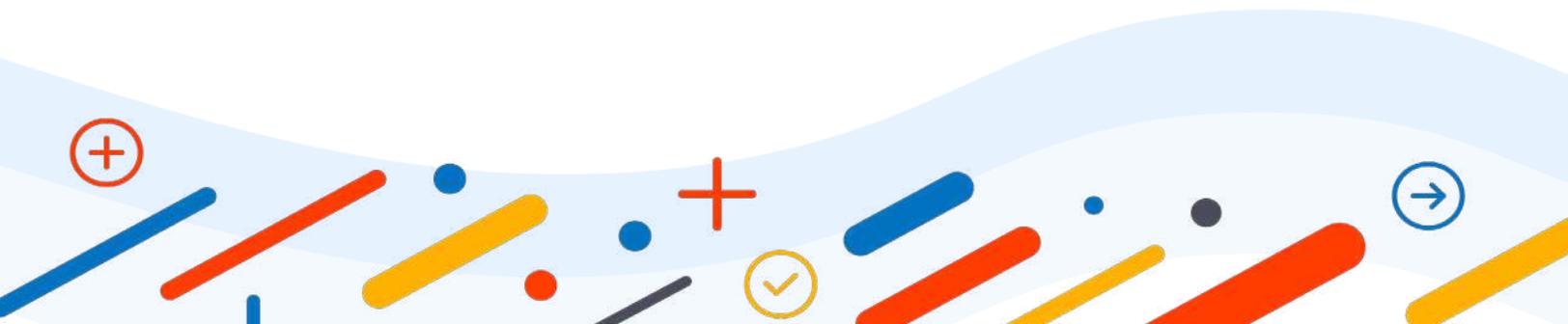


State of Artificial Intelligence (AI) in Human Resource Management

A 2023 Report



Navigating Change and Uncertainty: How AI is Enabling HR Leaders
to Prepare the Current Workforce for the Future of Work



Webinar

How AI Improves Usability in HR Applications

Speakers



Sri Chellappa

President/CEO & Co-Founder,
Engagedly



Jacqueline Martinez

Director of Marketing,
Engagedly

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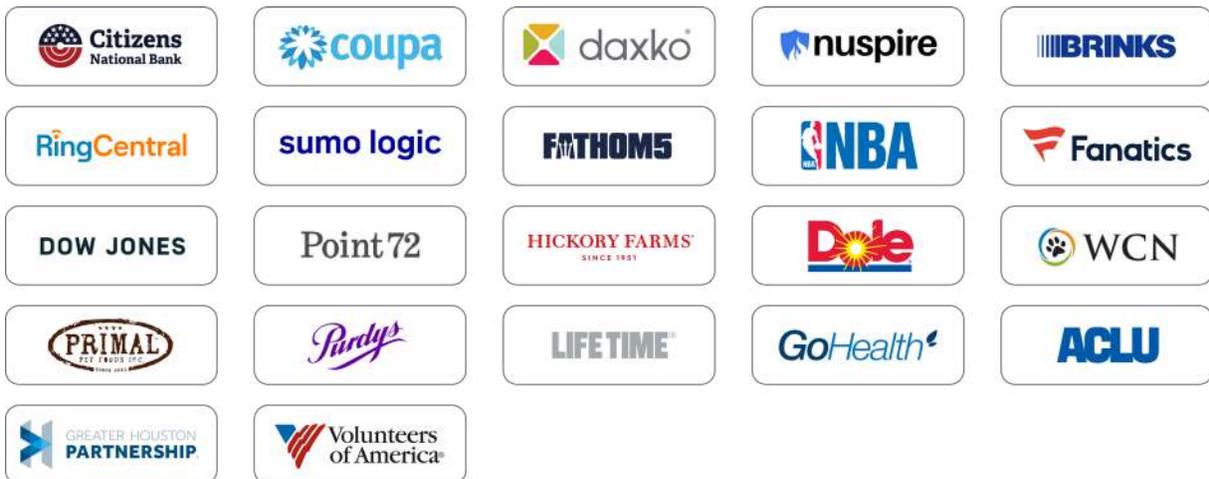




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Foreword

Artificial intelligence is making strides in every realm of the business landscape. The technology's quick adoption by multiple industries can be attributed to its easy accessibility, automation, quick data analysis, enhanced efficiency, and improved productivity. The [global AI adoption rate currently stands at 35%](#), with some industries investing heavily in AI tools to address their business needs. Truly, AI is becoming ubiquitous.

One of the key business areas where AI is gaining significant ground is human resource management (HRM). The increasing demand for skilled talent and the need for businesses to stay competitive in a fast-paced marketplace have made HR leaders turn to AI to streamline processes, automate tasks, and gain crucial insights into their workforce.

AI in HRM can support a range of processes, from recruitment & selection to performance management, workforce engagement, & employee experience. With the ability to accurately analyze large sets of employee data, AI-powered HRM systems are helping companies identify and attract the best candidates, retain employees, reduce bias in HR practices, and provide personalized learning and development opportunities for employees.

Furthermore, AI is assisting in monitoring employee performance, identifying potential areas for improvement, and even predicting employee turnover. This is helping HR leaders take proactive measures to retain top talent and increase employee engagement and satisfaction.

In addition to these benefits, the quick ROI has contributed to the rapid adoption of AI in HRM. The current [global AI adoption rate for HRM is 21%](#)², and it is expected to rise as more companies recognize the potential benefits of AI in managing their workforce.

The numerous benefits of workforce data management offered by AI-powered HRM tools are helping companies ultimately drive business success. Furthermore, it makes HR decision-making easier and more affordable.

Reference links
<https://www.ibm.com>

Table of Contents

Executive Summary	6
The Flourishing Use of AI in HR Management:	
How Are HR Leaders Leveraging AI in Their Organizations	7
Research Insights: The Present and Future of AI in HR Management	9
Global Leaders Embrace AI for HRM Transformation.....	9
Efficient and Productive: AI in HR is Making Positive Strides.....	10
The Biggest Challenge: Integrating AI with Existing Systems.....	12
Ethics and Policies in AI Management: Organizations Buckle Up.....	14
Employee Adeptness in Maximizing AI’s Potential.....	16
HR Functions Currently Impacted by AI.....	17
The Outlook on AI: Exploring Employee Optimism.....	20
Future Prospects of AI in HRM.....	21
Impediments to the Future of AI.....	24
AI’s Influence on Job Creation and Elimination.....	26
Harnessing the Power of AI in HRM: Moving Toward a Smarter Workplace	27
Survey Audience and Industries	28



Executive Summary

This report provides a comprehensive analysis of the current state and future outlook of AI adoption in HR management. It is based on extensive research on the current use of AI in HR management across various industries.

The report highlights that the rapid adoption of AI in HR management is due to its ability to automate repetitive tasks, improve decision-making, and enhance the employee experience.

However, the report also identifies some challenges that need to be addressed to ensure successful implementation of AI in HRM. These challenges include integration with current systems, data privacy and security concerns, ethical issues, and the need for upskilling HR professionals and employees to effectively use AI tools.

The report recommends that HR professionals embrace AI as a tool to improve HR operations and outcomes. They should also focus on developing AI strategies that align with their organization's objectives while addressing AI integration concerns. HR professionals need to acquire the necessary skills and knowledge to effectively identify, implement, and manage AI tools.

Overall, the report concludes that the use of AI in HR management will continue to grow in the coming years. The successful implementation of AI in HR management requires a strategic approach that addresses the challenges and opportunities presented by this technology.



The Flourishing Use of AI in HR Management: How Are HR Leaders Leveraging AI in Their Organizations?



The changing business landscape, novel work setups, evolving employee expectations, and an impending economic downturn have disrupted global business models. This massive shift has led to redefining the employee experience, a continued talent shortage in the global market, and making

workforce management even more challenging. At the intersection of these issues stand the HR leaders tasked with the responsibilities to identify and hire the best talent, keep attrition under check, enhance engagement and productivity, and improve operational efficiency.



**In our current research to find the impact of AI on HR, we found that HR leaders from various industries are leveraging AI to augment the following HR functions:

1. Performance Management

Performance management has undergone a significant transformation with the advent of AI. Through advanced HR analytics, real-time dashboards, and content summarizers, it can enable organizations to derive insights to more informed decision-making in areas such as goal setting, feedback, and performance evaluations.

2. Employee Engagement and Satisfaction

AI-based data and free text analysis from various sources, such as employee surveys, social media, and communication platforms, help gain a deeper understanding of the factors that drive engagement and satisfaction.

3. Training and Development

AI already aids in optimizing training programs, creating personalized learning experiences, and ensuring that employees are equipped with the skills and knowledge they need to succeed. With the easy accessibility of AI platforms like OpenAI/ChatGPT, training and development can be supercharged.

4. Recruitment and Talent Acquisition

Talent acquisition was one of the first practices to adopt AI. AI has led to data-driven recruitment and talent acquisition. Quick and accurate data analysis by AI enables HR professionals to identify qualified candidates for different positions while reducing bias and increasing efficiency in the recruitment process.

5. Employee Inquiries and Assistance

AI chatbots and virtual assistants are enabling organizations to provide employees with timely responses to their questions and inquiries.

Out of the 15 HR functions, survey participants selected these five as the most impacted ones by AI.



Research Insights: The Present and Future of AI in HR Management

Global Leaders Embrace AI for HRM Transformation

Does your organisation currently use artificial intelligence (AI) in human resources management (HRM)?

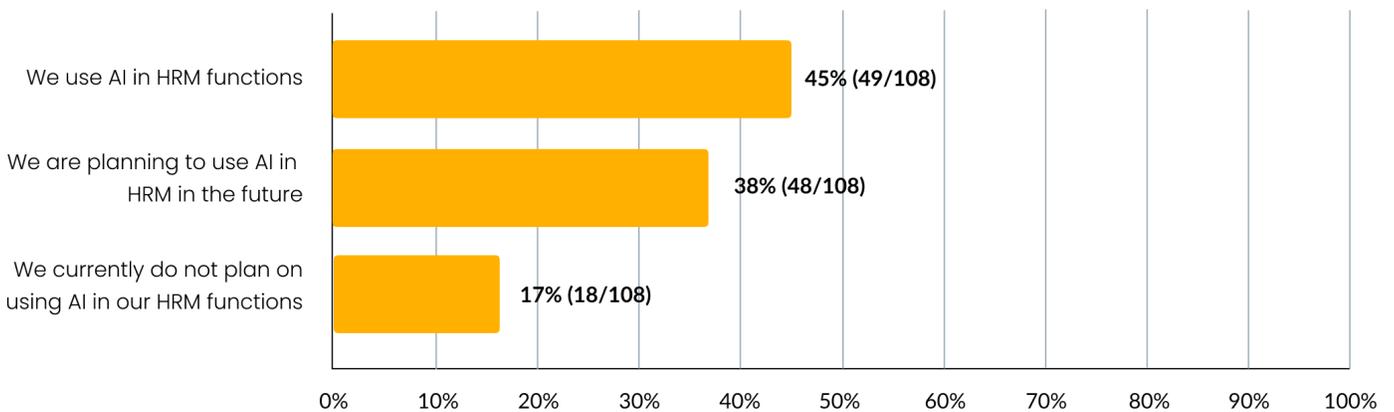


Figure 1 (*Percentages do not add up to 100 due to rounding off)

The use of AI in HRM has been gaining traction in recent years as organizations seek to capitalize on technological advancements to drive business success. In this context, we asked the participants about their current usage of AI in HRM and their plans for future adoption.

45% of respondents cited that they are currently using AI for human resource management, while

39% are planning to use it in the near future. This indicates a growing tendency to adopt AI technology in HRM to take advantage of the growing technology landscape.

However, we also found that a significant proportion of leaders (17%) do not plan to use AI in HRM, suggesting that there are varying levels of readiness and receptivity to AI in the HR industry.



**To create better insights, we will use the data from this section to separate survey participants into three groups.

AI Users

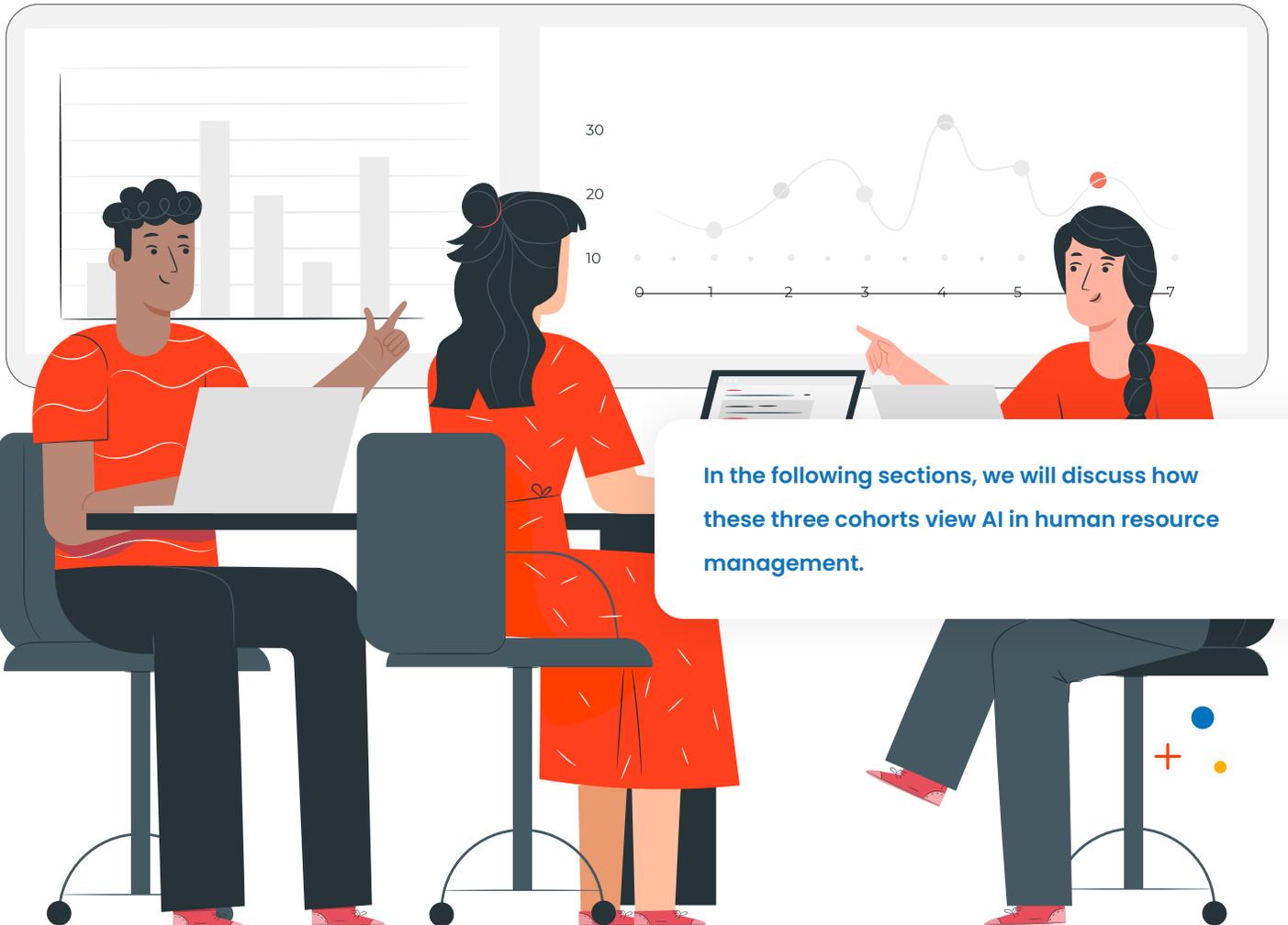
Professionals that are currently using AI for human resource functions.

AI Planners

Professionals that are planning to use AI for human resource functions in the future.

AI Non-Users

Professionals that currently do not plan on using AI in their HRM functions.



Efficient and Productive: AI in HR is Making Positive Strides

What is the overall impact of the implementation of artificial intelligence in human resources management in your organization?

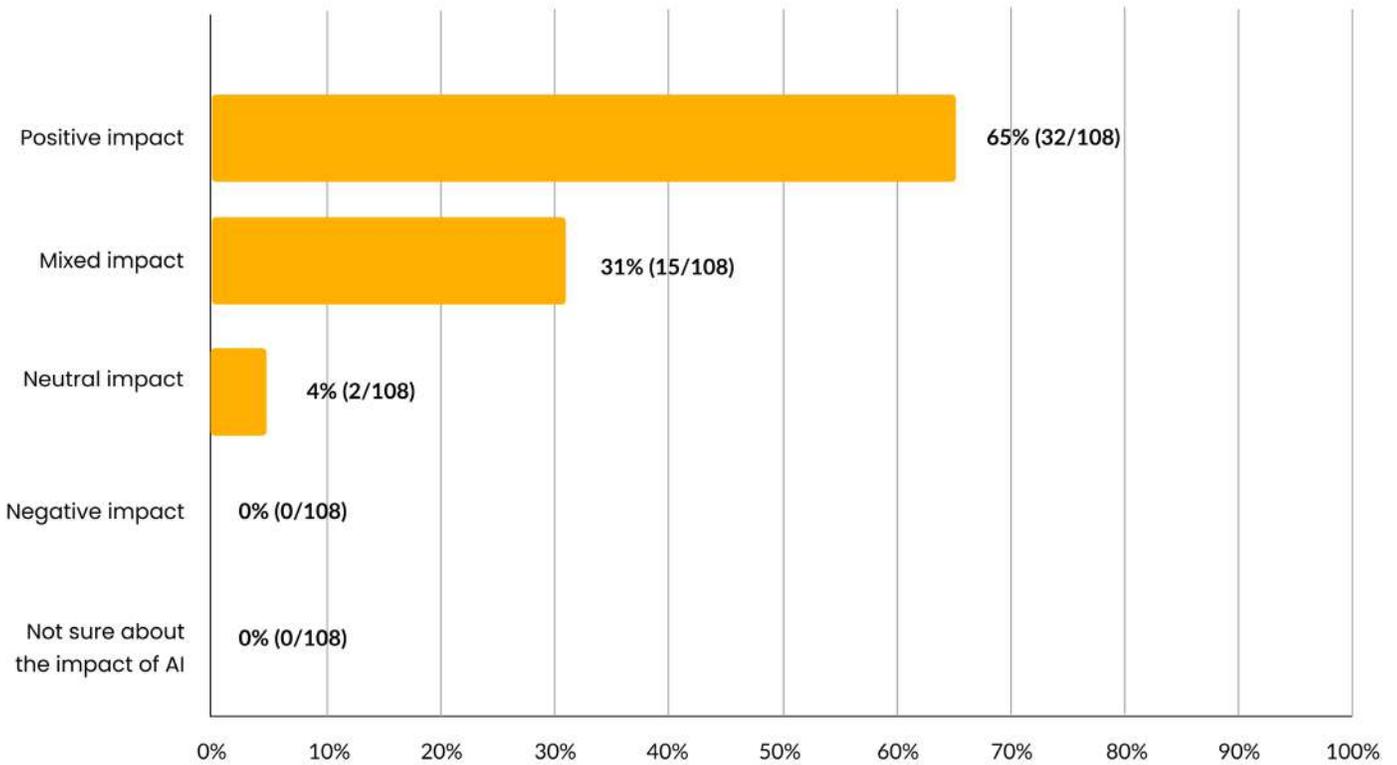


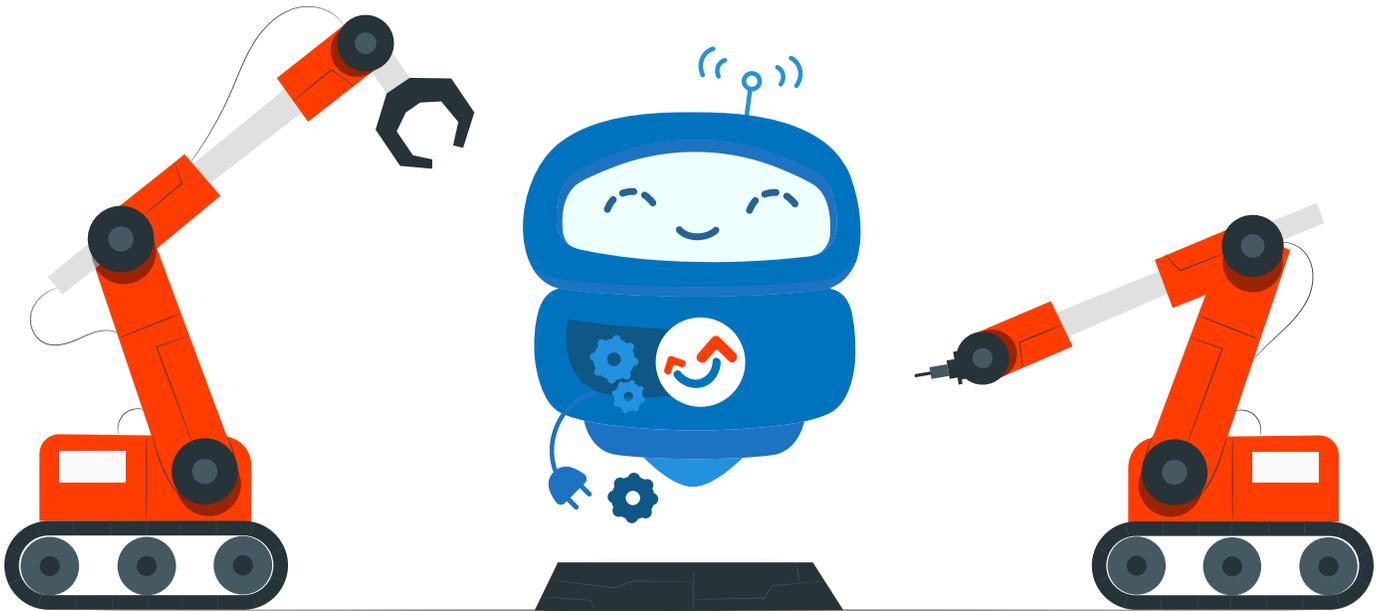
Figure 2

The implementation of artificial intelligence in human resources management has generally been perceived as a positive development by the majority of AI Users. An overwhelming 65% of them feel that AI has greatly improved efficiency and productivity in HR management tasks.



However, it is also interesting to note that a significant proportion of AI Users (31%) felt that while AI has brought some benefits, it has also presented new challenges and limitations. This suggests that while AI may have improved certain aspects of HR management, it has also raised new issues that need to be addressed.

It is also noteworthy that only 4% of AI Users felt that AI has not had a significant impact on HR management in their organization.



Overall, these insights suggest that while AI has the potential to greatly improve efficiency and productivity in HR management tasks, there is a need to be mindful of the challenges and limitations that AI can present.

It is important for organizations to carefully consider how they implement AI in their HR management processes and to address any issues that arise as a result of this implementation.



The Biggest Challenge: Integrating AI with Existing Systems

What challenges did you face in implementing artificial intelligence in human resources management

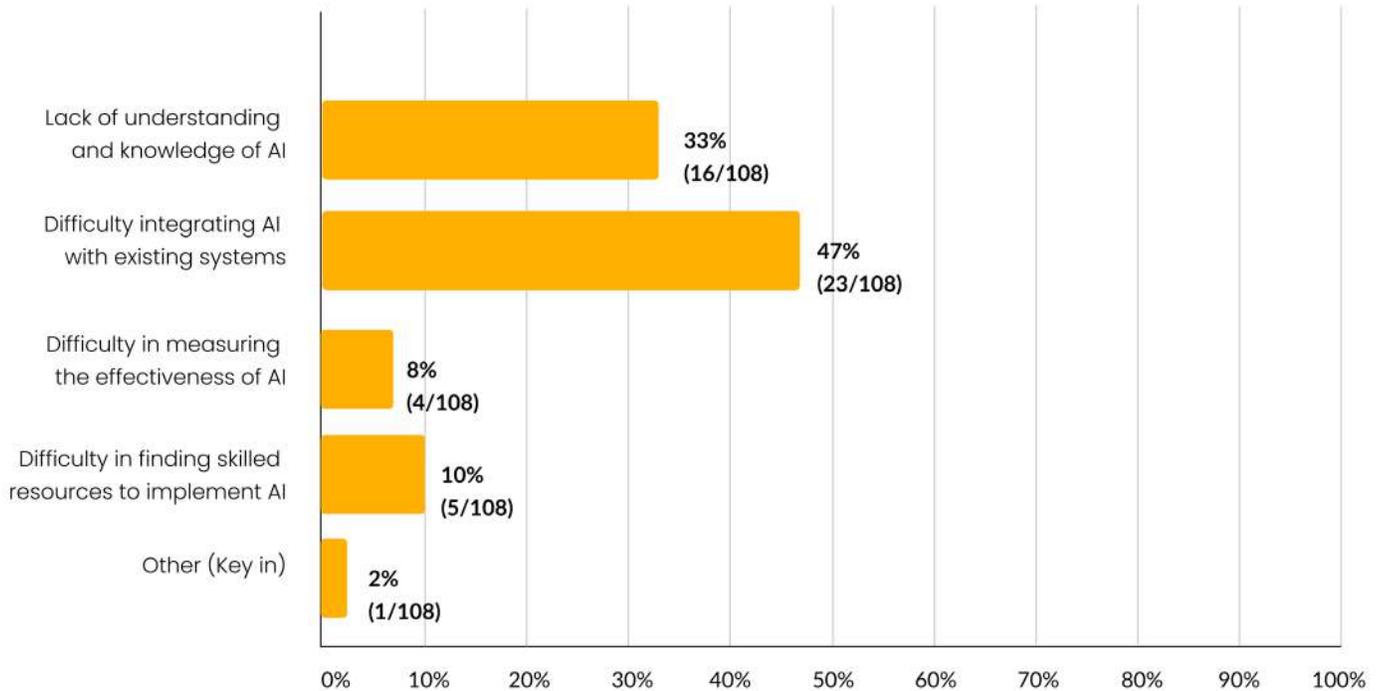


Figure 3

Even though the outlook for AI in HRM looks promising, there are challenges at every stage that need to be addressed. When AI Users were asked about the biggest impediment to implementing AI in HRM, the majority (47%) said that they experienced challenges integrating AI with their existing HRMS, suggesting that technical difficulties or compatibility issues may be

present when incorporating AI into HRM processes.

(Figure 3)

33% of respondents identified a lack of understanding and knowledge of AI as a challenge. This highlights the need for greater education and training on AI for HR professionals to fully reap its potential benefits.



In addition, 10% of participants reported difficulty finding skilled resources to implement AI, indicating a potential scarcity of professionals with the required technical expertise and experience to effectively deploy AI in HRM.

Finally, 8% of respondents found it challenging to measure the effectiveness of AI. This underscores the importance of developing appropriate metrics and evaluation criteria to assess the impact of AI on HRM processes and outcomes.



These survey findings suggest that successful implementation of AI in HRM requires addressing technical, training, and resource challenges, as well as developing effective measures for evaluating the efficacy of AI.

**The single response collected in the other (key in) option was rejected in this insight.



What challenges do you anticipate facing in implementing artificial intelligence in human resources management?

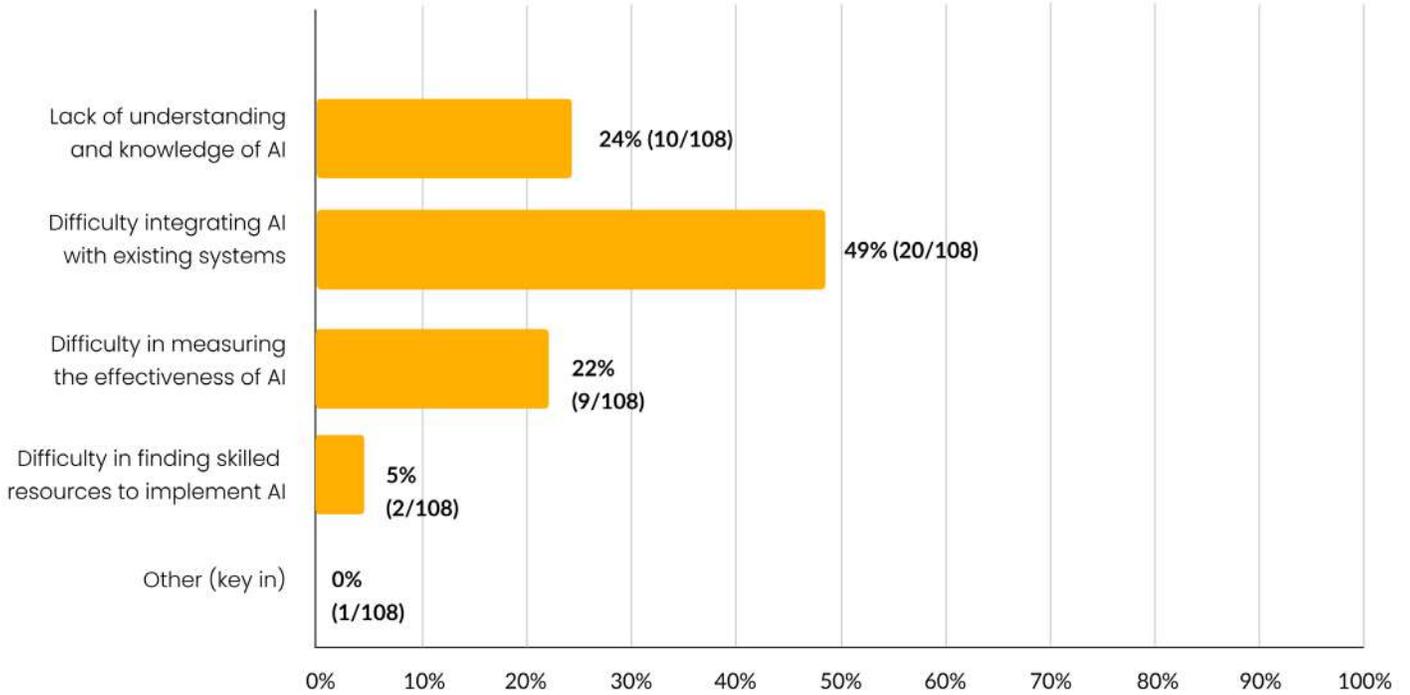
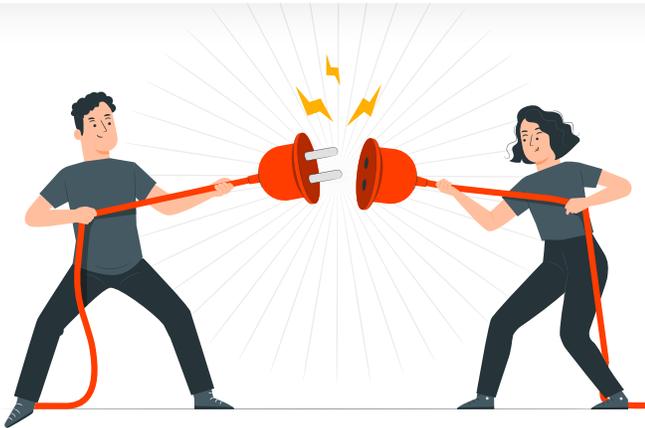


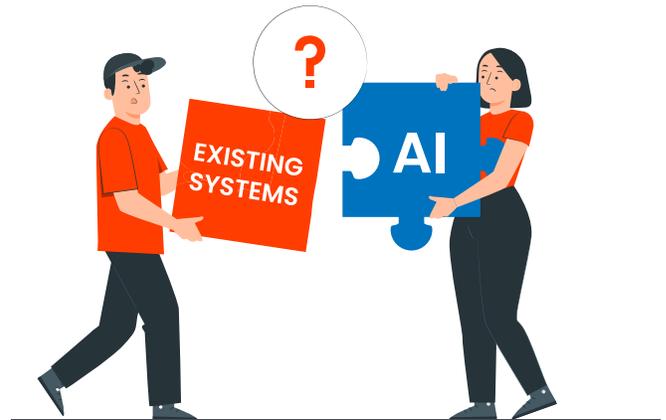
Figure 4



Even in the planning stage, there are some impediments to making AI part of HRM functions. AI Planners cited the following three as the biggest challenges they anticipate while implementing artificial intelligence in human resource management (Figure 4):



1. 50% of respondents said integrating AI with existing systems is the biggest challenge. This can arise due to the fact that organizations may have legacy systems that are not compatible with AI technology or don't have open APIs. Furthermore, integrating AI with existing systems may require additional investments in hardware and software, which can be cost-prohibitive for some organizations.



2. The second most significant challenge cited by respondents (24%) is a lack of understanding and knowledge of AI. This challenge can occur due to a lack of awareness or knowledge gap among HR professionals about AI technology. This lack of understanding can hinder the implementation of AI in HRM processes.

3. The third challenge identified by the survey participants is difficulty in measuring the effectiveness of AI, with 21% of the respondents selecting it. This challenge can arise due to the fact that AI may be implemented in multiple HRM processes, making it difficult to measure its effectiveness. Furthermore, there may be a lack of metrics available to measure the effectiveness of AI in HRM processes.



Ethics and Policies in AI Management: Organizations Buckle Up

What steps is your organization taking or planning to take to ensure the ethical use of artificial intelligence in human resources management?

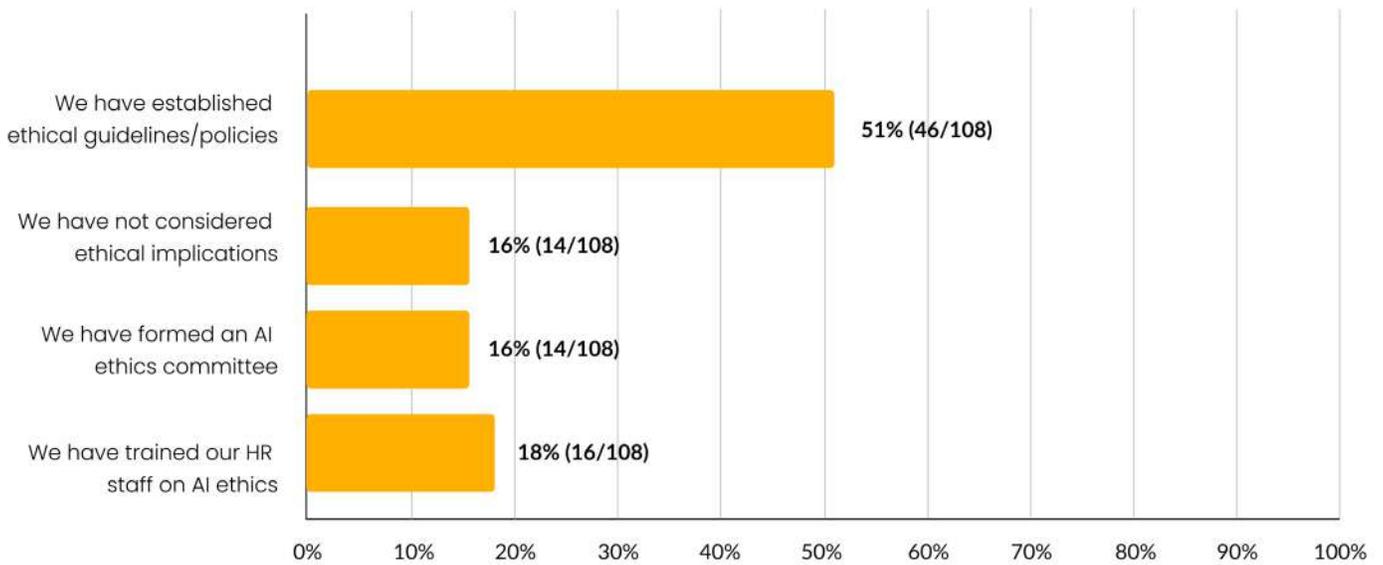
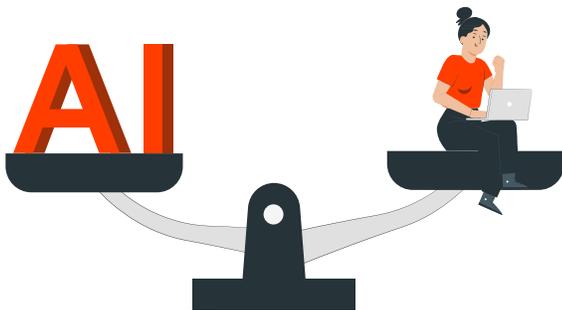


Figure 5



Ethical use of AI is one of the major concerns surrounding its rampant percolation in HRM. We asked AI Users and Planners about the steps their organizations are taking or planning to take to ensure the ethical use of artificial intelligence in human resource management.



The majority of respondents (51%) said their organizations have established ethical guidelines governing the use of AI in HRM, which is a positive development. Another 18% of respondents said that they have trained their HR staff on AI ethics, showing that organizations are developing training programs for their employees.



However, 16% of respondents stated their organizations have not considered the ethical implications of using AI in HRM, which is concerning. This highlights the need for more education and awareness efforts to ensure that organizations are aware of the potential ethical issues that can arise from using AI in HRM processes.

The formation of AI ethics committees in 15% of organizations is another positive development, as it indicates that organizations are taking a collaborative approach to address ethical issues related to AI. This approach can help to ensure that a diverse group of stakeholders is involved in the development of ethical policies and guidelines.



Policies Governing the Use of AI in HRM

Having a defined policy regarding the use of AI is the first step toward ensuring that it is used ethically and responsibly. A policy can provide clear guidance to HR professionals on how to use the technology

in a fair and ethical manner, as well as outline the responsibilities and accountability of those involved in the AI decision-making process.

Do you have policies governing the use of AI in HRM in your organization?

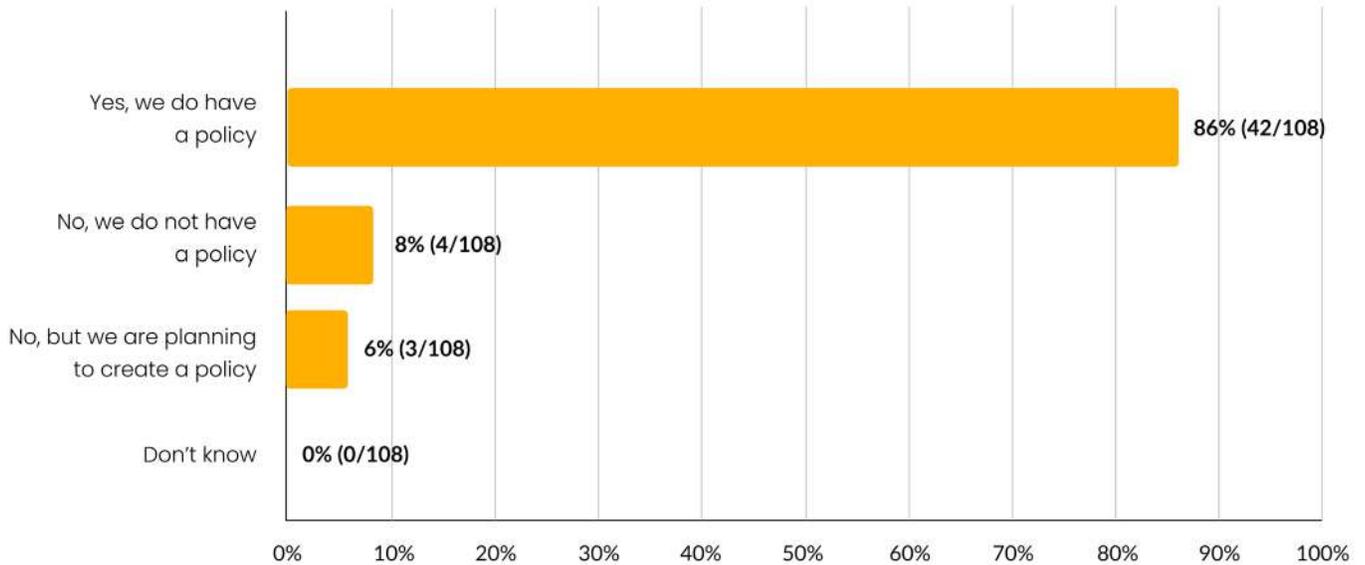


Figure 6

The finding that 86% of organizations using AI in HRM have an established policy governing its use is a promising indication of proactive measures taken by these organizations to ensure the ethical and

responsible use of AI. However, the remaining 8% of organizations lacking such policies and the 6% planning to create them underscore the necessity for increased policy-making endeavors in this domain.



Employee Adeptness in Maximizing AI's Potential

How technically adept are the employees in the human resources department of your organization at using AI functions?

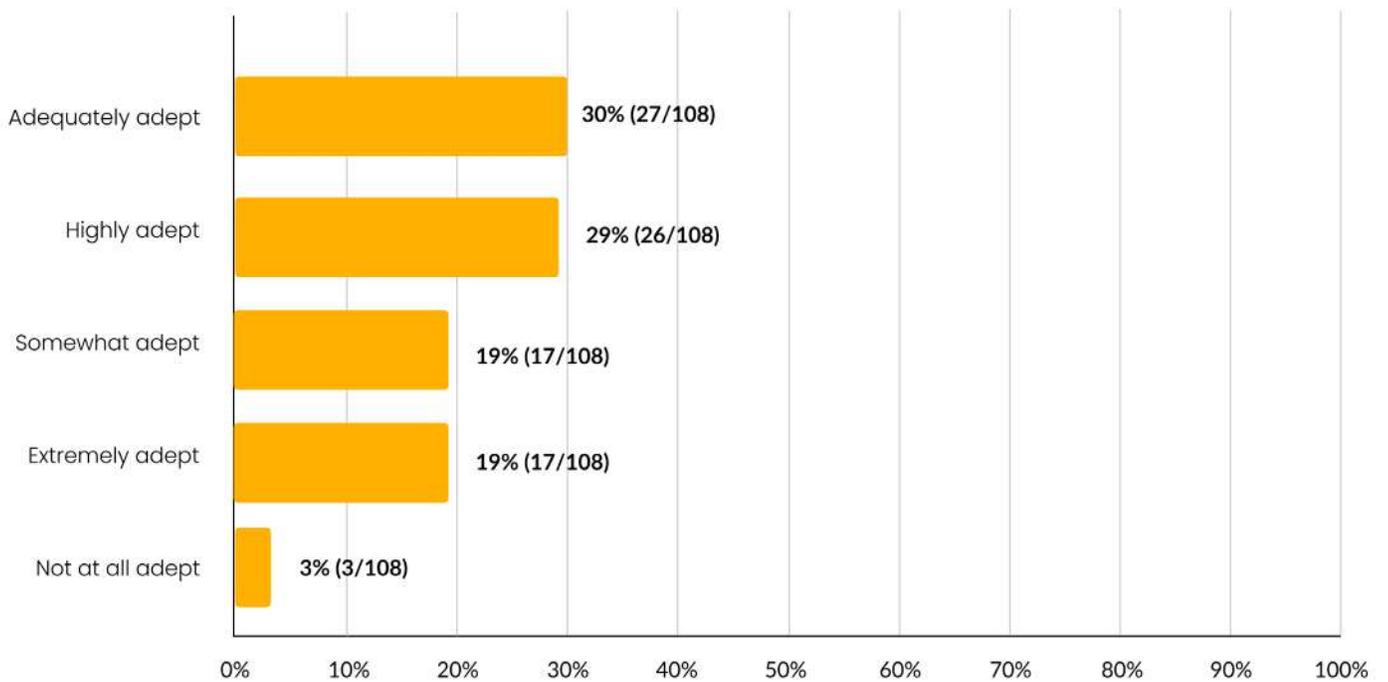
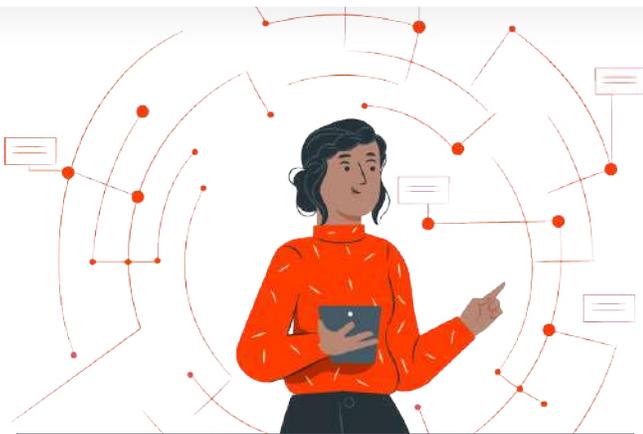


Figure 7

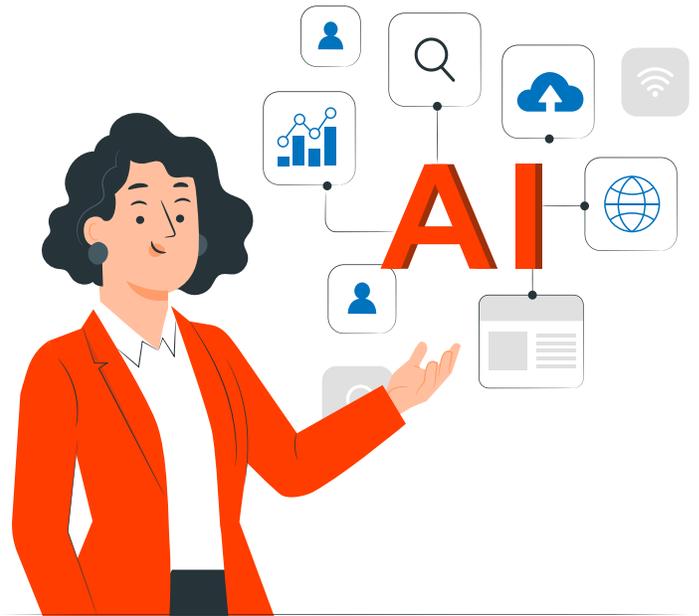


The successful implementation and usage of AI in HRM depends largely on the technical aptitude of employees using AI in their respective functions.



To explore this issue, we asked both AI Users and Planners to rate the level of technical proficiency of employees in the HR department at using AI functions on a five-point scale, ranging from not at all adept to extremely adept.

59% of respondents said HR employees in their organizations have adequate to highly adept technical skills in using AI functions, while 20% reported being somewhat adept. Only a small percentage of respondents (3%) reported not feeling adept at all, and 19% considered HR employees to be extremely adept.



These findings suggest that, while the majority of HR employees have some level of technical proficiency in using AI functions, there is still room for improvement. Organizations must continue to invest in training and resources to support their employees in effectively using AI functions.

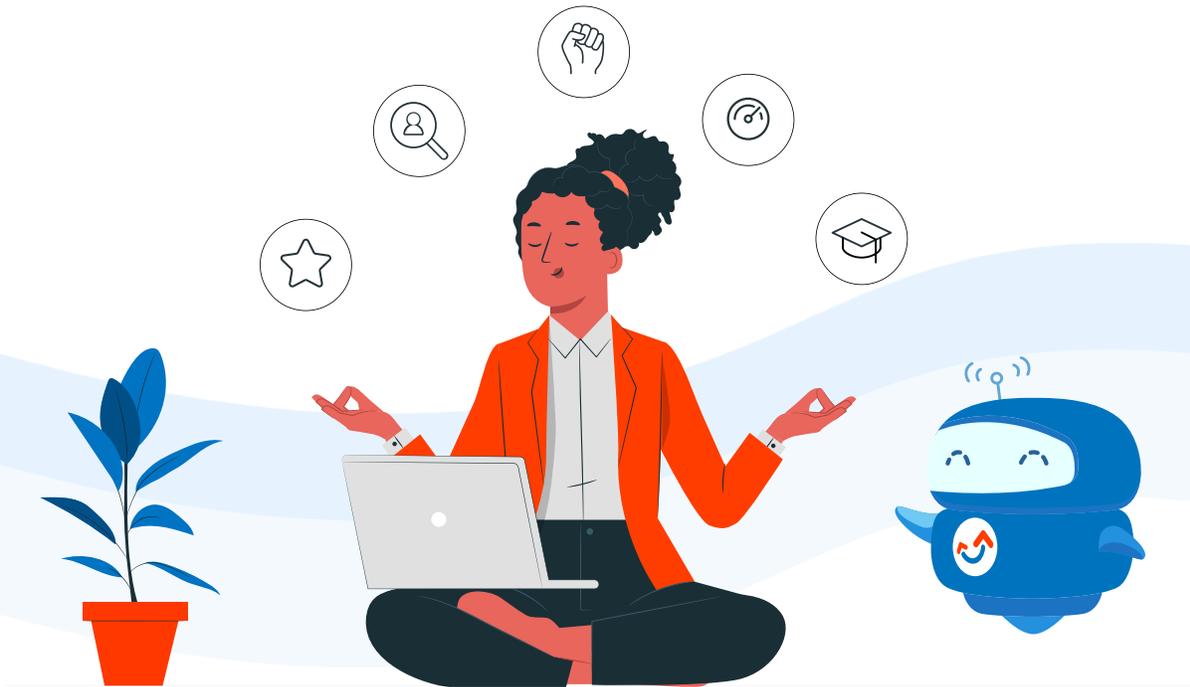
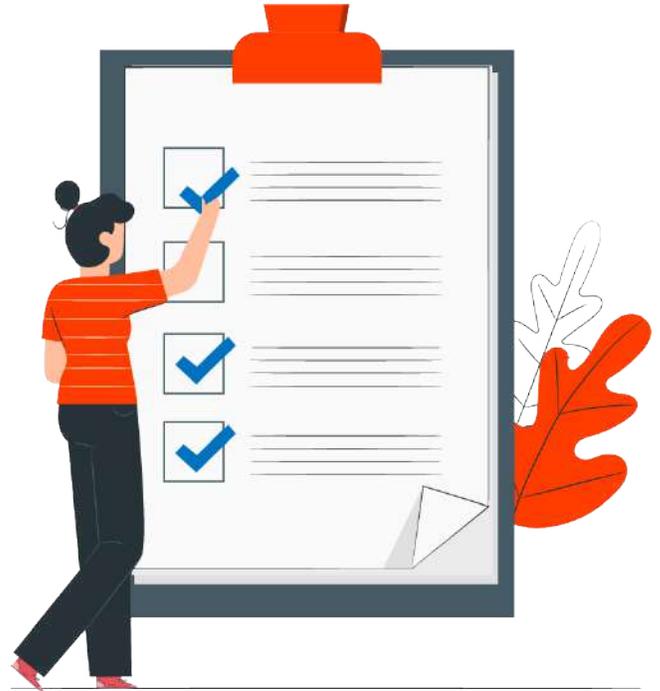
Additionally, the results suggest that organizations may need to focus on training programs or resources for the 20% of respondents who reported being somewhat adept, as they may require additional support to fully utilize AI functions.



HR Functions Currently Impacted by AI

To gain insights into the current impact of AI on HRM, we asked AI Users and Planners to select five HRM functions that are currently impacted by AI in their organizations. The results revealed the following top five HR management functions impacted by AI:

1. **Performance management**
2. **Employee engagement and satisfaction**
3. **Training and development**
4. **Recruitment and talent acquisition**
5. **Employee inquiries and assistance**



From the below list, select 5 HR management functions that are currently impacted by AI in HRM in your organization.

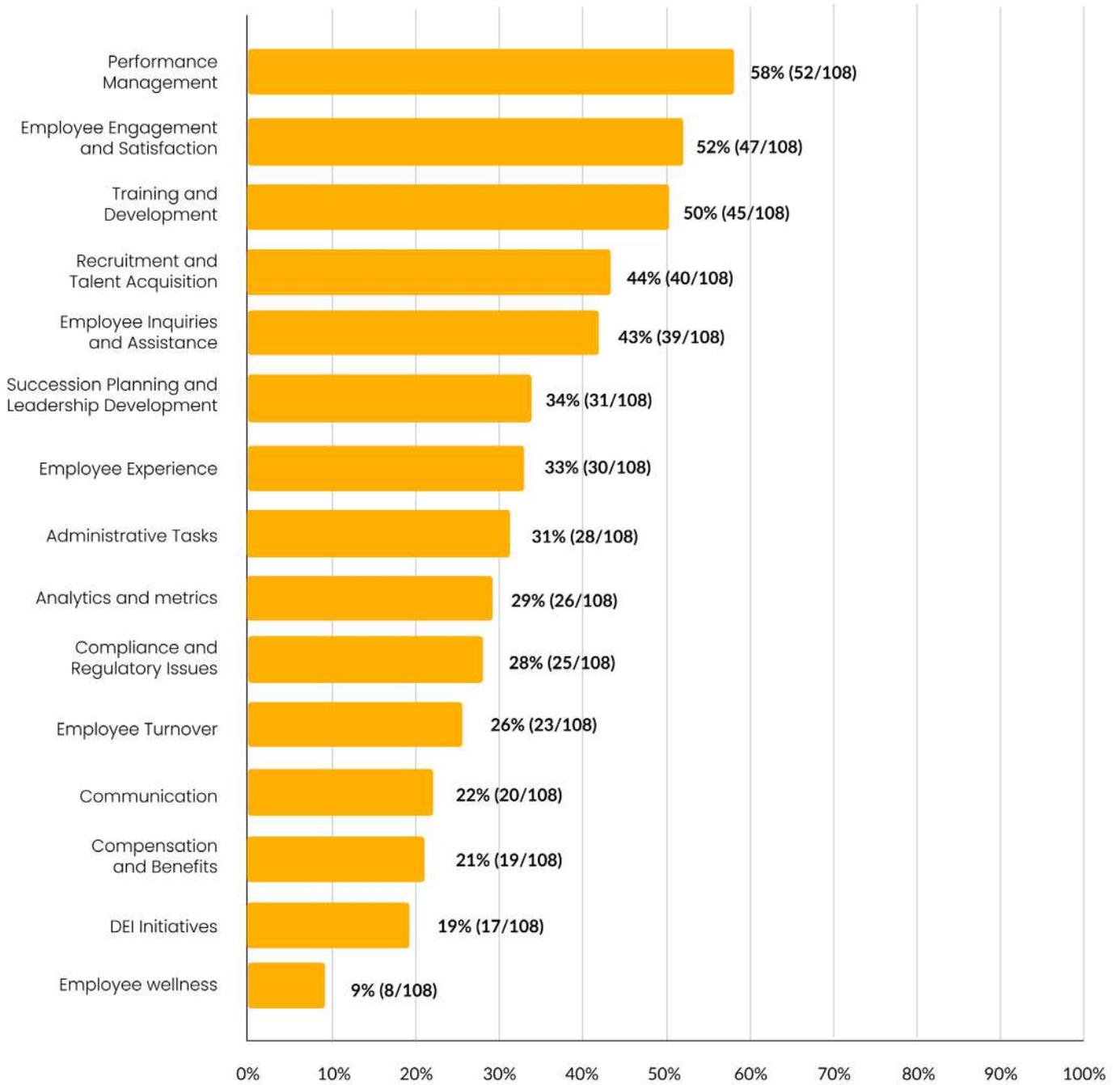


Figure 8



The following inferences can be drawn from the responses:

AI is primarily being used to enhance HR functions related to employee performance, development, and satisfaction.

The use of AI in recruitment and talent acquisition highlights the growing importance of AI in identifying and attracting top talent.

Similarly, the use of AI in employee inquiries and assistance can help organizations provide timely and accurate responses to employee concerns.

Administrative tasks, which are often seen as prime candidates for automation, were down in the list, indicating that organizations may still be exploring the use of AI in administrative tasks or that human interference is required in such tasks at multiple levels of automation.

Organizations are increasingly focused on using AI to support diversity, equity, and inclusion (DEI) initiatives. This reflects a growing recognition of the potential of AI to mitigate bias in HR decision-making.

Employee wellness is also in the list of priorities that organizations are looking to leverage through AI.



The Outlook on AI: Exploring Employee Optimism

How optimistic are you about the potential of artificial intelligence to improve human resources management functions in your organization?

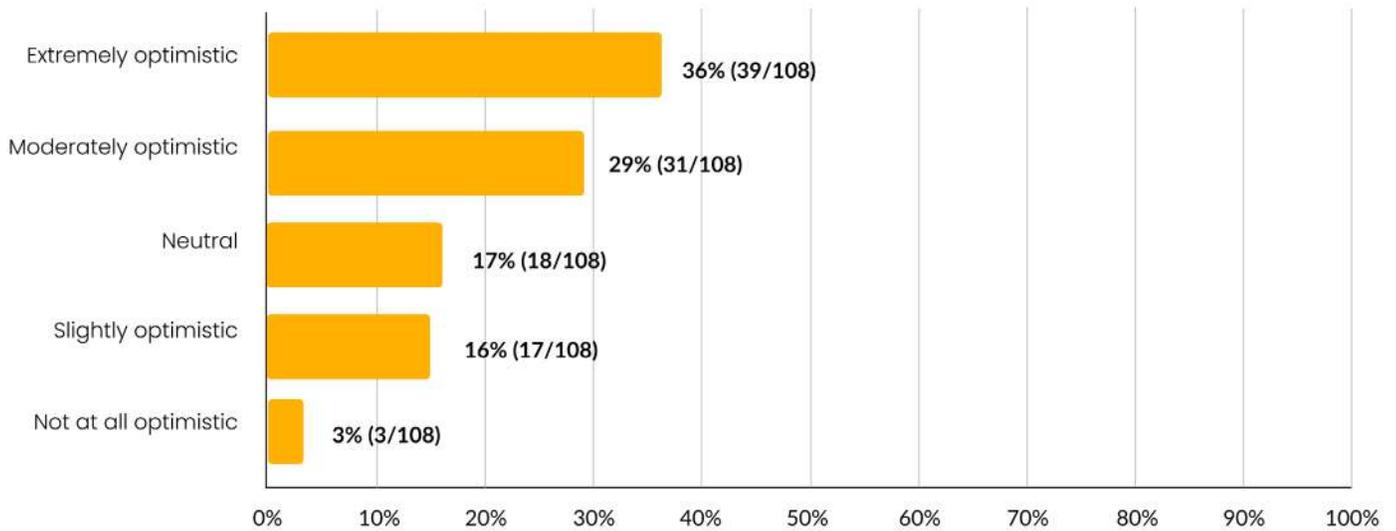


Figure 9 (*Percentages do not add up to 100 due to rounding off)

It is quite evident that organizations are increasingly showing their affiliation with AI in managing multiple HR functions. But when asked how optimistic respondents (AI Users, Planners, and Non Users) are about the potential of AI in HRM, we found that the majority (65%) are either extremely or moderately optimistic about the impact of AI on HRM.

This indicates that there is a growing belief that AI can play a valuable role in enhancing HRM functions.

As organizations increasingly rely on technology

to streamline their operations, it is likely that AI will become an integral part of HRM practices.

However, it is important to note that a significant portion of respondents (33%) remain neutral or only slightly optimistic about the potential of AI in HRM. This suggests that there may still be some skepticism or uncertainty surrounding the use of AI in this context.



Future Prospects of AI in HRM

From the following list, select 3 that you think would be most impacted by AI in the next 5 years in human resources management.

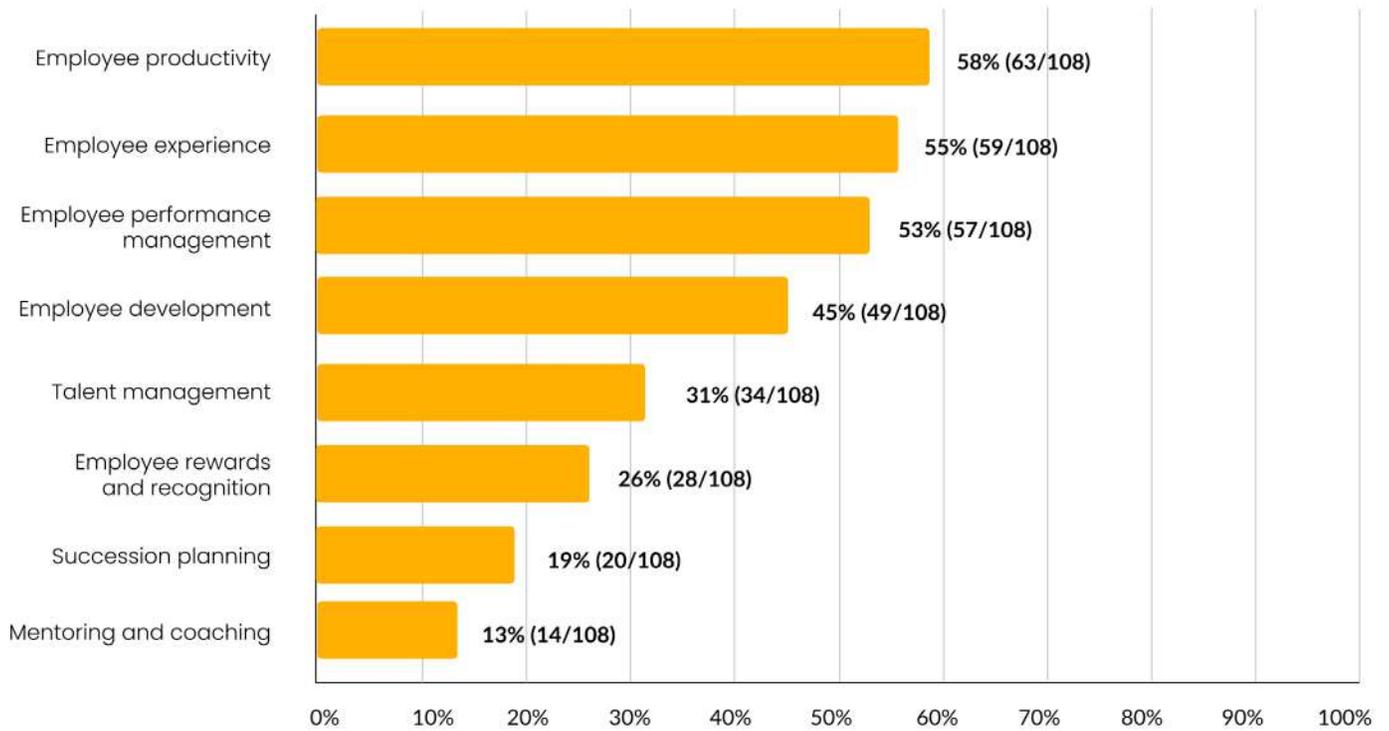


Figure 10



The use of AI in HRM has been a growing trend in recent years, and its future prospects are a topic of interest among industry experts and organizations alike.



To understand what the future of AI in HRM looks like, we asked the respondents to select **three core HR functions** that they think would be most impacted by AI in the next 5 years.



1

Employee productivity was the top-ranked area, selected by the majority of respondents. This suggests that organizations are looking to leverage AI to enhance workforce productivity by automating routine tasks, providing personalized training, and optimizing workloads.

2

Next in line was the employee experience, indicating that organizations are interested in using AI to improve employee engagement, satisfaction, and retention by providing personalized experiences and solutions.

3

Employee performance management ranked third to be most impacted in the future. This shows that organizations are looking to use AI to enhance performance management processes by providing real-time feedback, identifying skill gaps, and recommending personalized development plans.



HR Process to Be Impacted by AI

When we asked the participants to select the degree to which the key HR processes will be impacted by AI in the future, the most popular response we got was automating tasks. We believe this is because automating tasks using AI can help reduce errors, increase efficiency, and save time and resources. Furthermore, it can aid in HR becoming more agile, data-driven, and strategic in its approach.

Other top-rated HR processes cited by respondents :

- **Offering actionable insights**
- **Overall employee experience**
- **Achieving business goals**
- **Talent retention**

To what degree will the following functions of AI in HRM become more prevalent in your organization in the next five years?

	Very High	High	Neutral	Low	Very Low
Automating tasks	31 29.0%	56 52.0%	15 14.0%	3 3.0%	3 3.0%
Offering Actionable insights	27 25.0%	50 46.0%	24 22.0%	5 5.0%	2 2.0%
Value adding work	32 30.0%	44 41.0%	26 24.0%	3 3.0%	3 3.0%
Overall employee experience	29 27.0%	50 46.0%	20 19.0%	8 7.0%	1 1.0%
Talent Acquisition	30 28.0%	40 37.0%	25 23.0%	11 10.0%	2 2.0%
Talent Retention	26 24.0%	46 43.0%	25 23.0%	11 10.0%	-
Achieving Business goals	32 30.0%	49 45.0%	21 19.0%	6 6.0%	-

Figure 11



Impediments to the Future of AI

To make AI a success in HRM, organizations need to battle through all the challenges and find solutions to them. When survey respondents were asked to ponder over the encumbrances of AI in HRM in the next five years, we found that the three biggest impediments are likely to be the following:

1. Issues with data privacy are the biggest concern according to the respondents. This finding is particularly relevant in light of recent data breaches and increased scrutiny of data protection regulations.
2. The shortage of skilled employees is also identified as a significant impediment. This highlights the importance of investing in upskilling the workforce to ensure that employees are equipped with the necessary skills to work alongside AI systems.
3. Increased risks to cybersecurity associated with AI adoption are another concern among participants. This finding is particularly relevant in light of the increasing sophistication of cyber threats and the potential for AI systems to be exploited by malicious actors.



From the following list, select those you think are the biggest impediments to AI in HRM in the next five years.

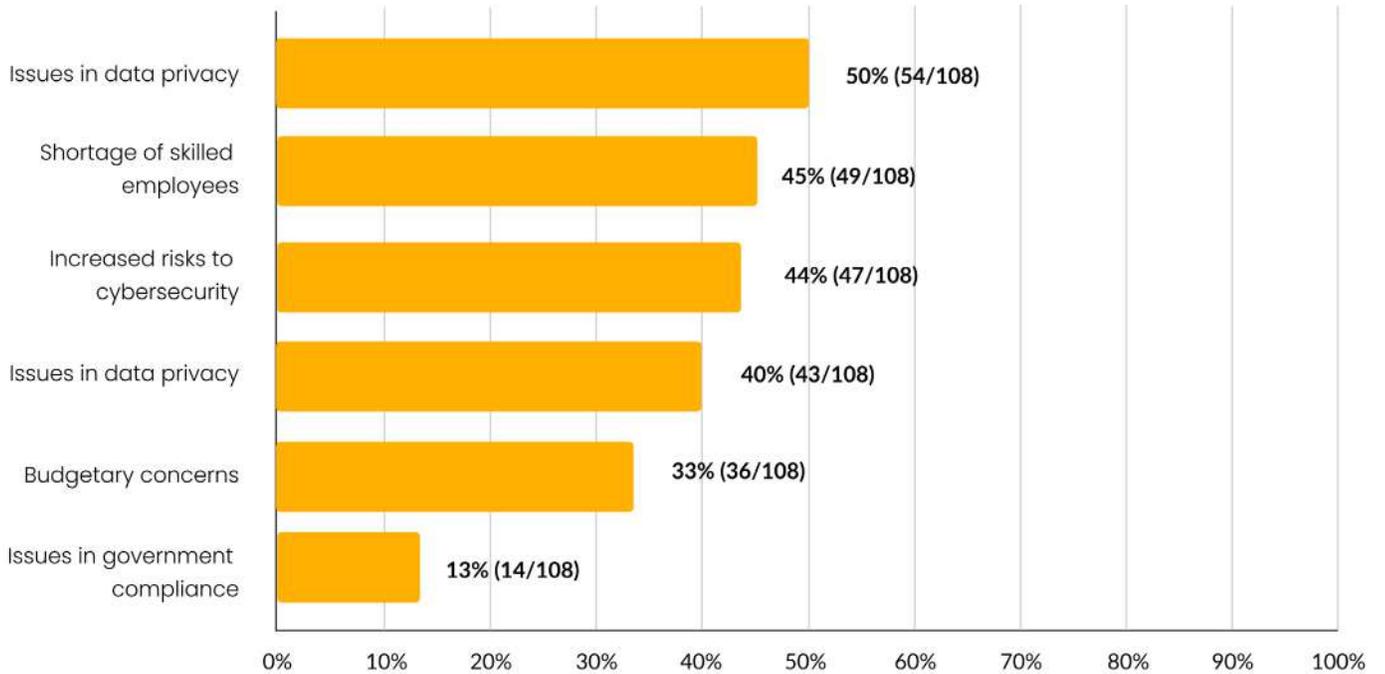


Figure 12

The following inferences can be drawn from the responses:

Low employee confidence and acceptance of AI: Suggests the importance of focusing on change management and employee engagement to ensure that employees are comfortable with the adoption of AI in HRM

Budgetary concerns: Highlights the need for organizations to carefully evaluate the potential return on investment of AI adoption and to develop clear business cases to secure funding for AI initiatives.

Issues with government compliance: Suggests the importance of ensuring that AI adoption in HRM complies with relevant regulations and legal frameworks



AI's Influence on Job Creation and Elimination

How do you think AI will influence the number of jobs in your organization in the next five years?

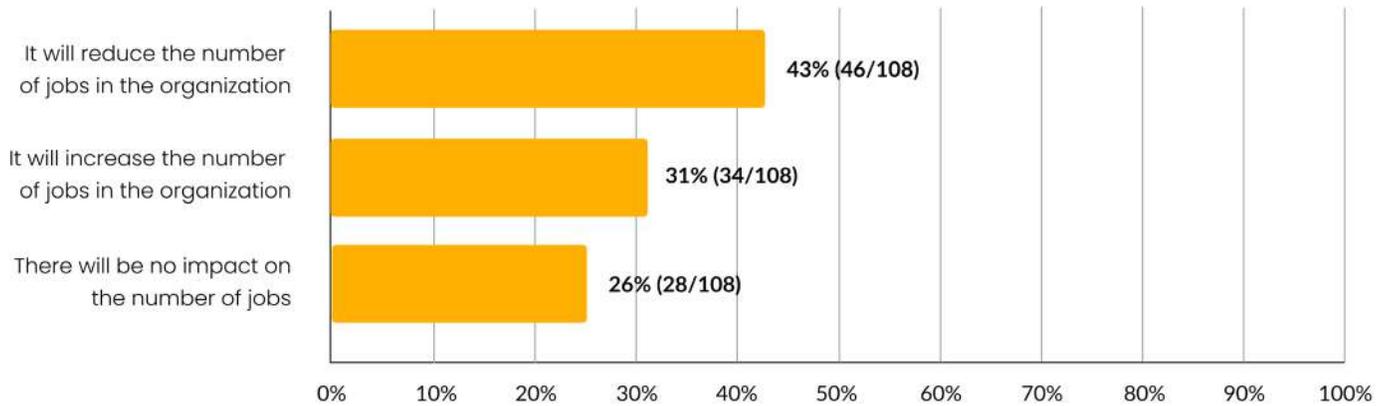


Figure 13

The survey results reveal that a majority of respondents (42%) anticipate job cuts in organizations due to the automation of work roles, while a significant proportion (32%) hold the belief that AI will lead to the creation of more jobs. Another 26% of respondents stated that AI would have no impact on the job market.

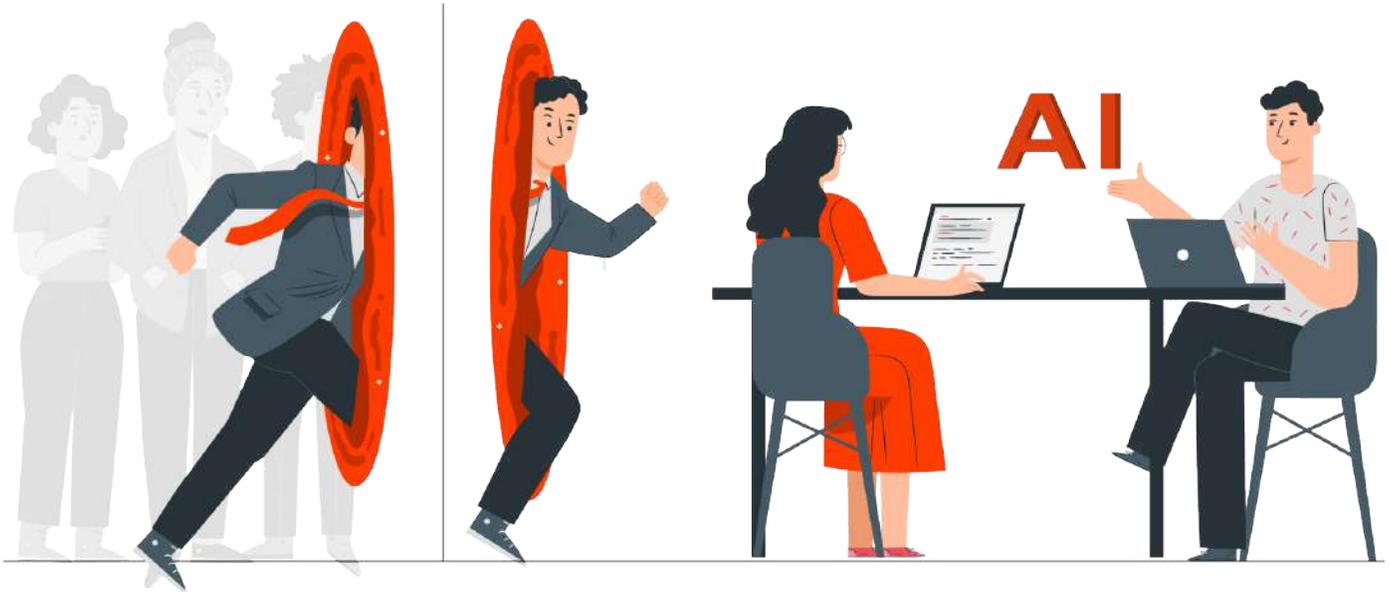


These findings suggest that while there is a potential for job cuts resulting from AI implementation, they may not be as extensive as some experts have predicted in their studies.

Additionally, the significant proportion of respondents who believe that AI will create more jobs highlights the potential for organizations to leverage AI technology as a means of generating new job opportunities.



Harnessing the Power of AI in HRM: Moving Toward a Smarter Workplace



AI is no longer a futuristic concept in HRM but a present reality that is transforming the way organizations operate. While there are valid concerns about upskilling employees, integrating with current systems, potential job displacement, and data privacy, the benefits of AI in HRM are considerable.

These benefits include enhanced decision-making, improved efficiency, and better employee experiences. To fully leverage the potential of AI in HRM, organizations must adopt a strategic approach that takes into account their unique needs and challenges. This could entail investing in AI training for HR professionals and establishing an AI governance framework that ensures the ethical and equitable use of AI.

As the use of AI in HRM becomes more prevalent, organizations must take a proactive approach to fully leverage its potential. [Engaging an AI-enabled HR SaaS tool like Engagedly](#) can help organizations address the challenges associated with AI implementation while reaping the benefits of the technology.

Engagedly's AI enablement coach, **Marissa™ AI**, offers distinct advantages to organizations. The first-of-its-kind technology and approach in talent management utilizes contextual AI to help employees, managers, and people leaders build a highly engaged, high-performance organization. By augmenting HR processes with AI, it supports efficient decision-making with real-time insights and enhanced workforce efficiency.



Outperform on every level with Marissa™ AI,
Your Enablement Coach, by Engagedly

[Learn More](#)



Survey Audience and Industries.

In an effort to identify the current usage of AI in HRM and its future prospects, we surveyed people leaders across all industries and company sizes. In total, we

had 108 respondents across 22 major industries.

Here's a quick breakdown of the voices we were able to capture:

Position/Title	Count	% total
Benefits and Compensation Chief/VP/Director	1	1.00%
CEO	3	3.00%
CFO	13	12.00%
CHRO (Chief Human Resource Officer)	11	10.00%
COO	3	3.00%
CTO	8	7.00%
Diversity, Equity, and Inclusion Chief/VP/Director	5	5.00%
Employee Relations Chief/VP/Director	6	6.00%
Executive Vice President of Operations	2	2.00%
HR Chief Strategist/VP/Director	34	31.00%
Labor Relations Chief/VP/Director	3	3.00%
Organizational Development Chief/VP/Director	5	5.00%
President	1	1.00%
Recruitment Chief/VP/Director	1	1.00%
Talent Acquisition Chief/VP/Director	4	4.00%
Talent Development Chief/VP/Director	3	3.00%
Vice President of Merchandise Planning	1	1.00%
Others	4	4.00%



Company Size	Respondents	% total
101-500	41	38%
1000+	34	31%
501-1000	32	30%
51-100	1	1%

Complete Industry List

Industry	Count	% total
Advertising & Marketing	1	1.00%
Airlines & Aerospace	6	6.00%
Banking	6	6.00%
Business Support & Logistics	4	4.00%
IT and Consulting	4	4.00%
Construction, Machinery, and Homes	11	10.00%
Consumer Services	1	1.00%
Law and Legal Services	1	1.00%
Education	10	9.00%
Entertainment & Leisure	2	2.00%
Finance & Financial Services	5	5.00%
Government	1	1.00%
Healthcare & Pharmaceuticals	15	14.00%
Information technology	1	1.00%
Insurance	2	2.00%



Industry	Count	% total
Manufacturing	13	12.00%
Nonprofit	3	3.00%
Real Estate	3	3.00%
Retail & Consumer Durables	8	7.00%
Telecommunications, Technology, Internet & Electronics	7	6.00%
Transportation & Delivery	1	1.00%
Utilities, Energy, and Extraction	3	3.00%

