# Ethical complexity in AI-driven hiring processes

## Group 5 – Case study 5

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# Executive summary

This white paper uses the PeopleTech Inc. case study as a practical example to examine the ethical challenges associated with AI-driven hiring systems, focusing on how issues of bias, transparency, privacy, and accountability arise in real organisational settings and how they can be addressed through effective governance.

# Background & context

Recruitment has become increasingly complex and competitive in recent years. Organisations often receive thousands of applications for a single position, placing significant pressure on HR departments to identify suitable candidates while maintaining quality and fairness. In response to these challenges, many companies have begun integrating AI into their hiring processes to improve speed, scalability, and data-driven decision-making. Recent industry data indicates that the proportion of organisations actively using AI in recruitment increased from 20% to 25% between 2024 and 2025, while the number of companies with no plans to adopt AI declined (Universum Global, 2025). At the same time, more than half of organisations report that they are still evaluating how best to implement AI tools responsibly, reflecting both growing adoption and ongoing caution. In this context, PeopleTech Inc. provides a useful case study through which to examine the ethical risks and governance structures required in algorithmic hiring.

AI-driven hiring systems typically use machine learning models trained on historical data to analyse large volumes of applicant information. In the PeopleTech Inc. case, the system scanned CVs, evaluated psychometric assessments, and analysed video interviews to identify patterns associated with successful hires. By automating resume screening and candidate ranking, such systems enable organisations to process applications at scale. As AI adoption in recruitment increases, these technologies are positioned as tools for improving efficiency and consistency in hiring (Kassir et al., 2023). However, while these benefits are significant, they also create ethical challenges related to bias, transparency, and accountability, which this paper examines.

# Ethical Challenges

The transition to AI-driven recruitment at PeopleTech Inc. demonstrates a central challenge of algorithmic hiring: rather than eliminating bias, AI systems can inherit and scale existing patterns embedded in historical data. Although the company aimed to create a more objective recruitment process, the system was trained on past hiring decisions and performance metrics, thereby reproducing preferences for certain backgrounds and demographic profiles. In practice, this meant that candidates who did not fit a historically dominant 'ideal' profile risked being systematically downgraded. For instance, a 2025 report by Next Up highlights that AI recruitment tools are 30% more likely to filter out candidates over 40 compared to younger applicants with identical qualifications (Next Up, 2025). This form of automated ageism reinforces existing barriers and strengthens the glass ceiling for experienced talent. This reflects a broader concern identified in research, where algorithmic bias is often treated as a technical

optimisation problem rather than a moral challenge (Law, 2026). The PeopleTech case illustrates that fairness is not automatically achieved through automation; without oversight and continual reassessment of training data and evaluation criteria, AI-driven systems may institutionalise past discrimination under the appearance of objectivity.

The issues encountered by PeopleTech Inc. reflect well-documented concerns in the literature on AI-enabled hiring systems. Research highlights that many recruitment algorithms function as “black boxes,” offering limited insight into how candidate data, particularly from video interviews and psychometric assessments, is evaluated, which undermines transparency and accountability (Fabeyo, 2025). In the PeopleTech case, this opacity contributed to candidate discomfort and uncertainty over responsibility for automated decisions. These concerns extend beyond technical performance, emphasising the need for clear organisational accountability when AI is used in employment decisions.

The question of accountability in decision-making also surfaces in the PeopleTech Inc. case, particularly regarding who bears responsibility for hiring outcomes produced by the AI system. While PeopleTech's system automated screening, moral and legal liability cannot be delegated to algorithms; accountability remains a strictly human obligation, especially when those systems shape access to employment opportunities. PeopleTech Inc.’s dilemma therefore reflects a broader ethical concern: without clear accountability structures, AI risks diffusing responsibility in ways that undermine justice and fairness in hiring.

## Recommendations

The PeopleTech case demonstrates that ethical AI in recruitment depends on structured governance rather than isolated technical adjustments. Addressing bias requires ongoing monitoring of hiring outcomes and training data to ensure that historical inequalities are not reproduced through automated systems. Transparency should be integrated into the recruitment process through clear disclosure of AI use, accessible explanations of evaluation criteria, and opportunities for human review, consistent with emerging regulatory standards such as the EU AI Act. Ultimately, accountability for AI-driven decisions must remain clearly anchored within organisational leadership. In response to these concerns, PeopleTech established an oversight committee to review system performance and address discrepancies, reinforcing that accountability cannot be delegated to technology. Governance frameworks such as ISO 38500 further underscore that effective oversight of technology rests with senior management.

Although this paper has highlighted significant ethical challenges in AI-driven hiring, these risks do not justify abandoning the technology. Rather than rejecting AI in recruitment, the central challenge is to govern it properly; with structured oversight and clear accountability, algorithmic systems can strengthen — rather than undermine — fairness in hiring.

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