Artificial Intelligence in Hiring

In collaboration with:

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Foreword

Lord Holmes

Never have the stakes been higher, nor the opportunities greater. Artificial intelligence has the potential to transform society, but it must be done responsibly.

Nowhere is this more true than in the case of artificial intelligence in hiring. It has the power to change the way people find work, to drive efficiency and the speed of hiring, to overcome bias in the hiring process, and to level the playing field for job applicants. Yet it also has the potential to create new bias as well as amplifying existing bias, to eliminate what is human about hiring and not in a good way, to scale up fraud, and to leave marginalised groups even further behind.

The importance of getting this right cannot be understated. This is why I introduced my Private Member's Bill, the Artificial Intelligence (Regulations) Bill, because we must get the balance right.

The Better Hiring Institute's mission is to make UK Hiring faster, fairer, and safer. Artificial Intelligence speaks to each element of the mission. It has the power to help make UK Hiring the fastest globally or leave it well behind, to make UK Hiring the fairest in the world or make it even less fair than it is now, especially for underrepresented groups, and it can help make UK Hiring the safest it can be through the innovative use of AI to identify fraud, or it could make hiring fraud even more widespread and sophisticated.

Whilst the answers aren't straightforward, I am delighted to provide the Foreword for the Institute's important work on developing the first set of principles of best practice in the use of Artificial Intelligence in Hiring. Making UK Hiring the fastest globally would have great economic, productivity, and social benefits such as cutting waiting lists, making UK Hiring the fairest in the world could help hundreds of thousands of marginalised, underrepresented, and disadvantaged groups find good work, and making UK Hiring the safest it can be is good for business and the public.

Introductions

Dr Huw Fearnall-Williams

Lecturer in Organisation, Work and Technology, Lancaster University Management School

Artificial Intelligence (AI) technologies, based on sophisticated machine learning algorithms trained on big data, are increasingly being developed and applied by organisations to all stages the hiring process. The use and profusion of these AI tools and technologies is already altering and reconfiguring how hiring happens, shifting how organisations are sourcing, shortlisting, and assessing applicants. This is not a one-sided development, since job applicants have access to widely available 'consumer AI' products, such as general generative AI tools (such as OpenAI's ChatGPT) that can be used to instantly create and tailor their CVs, cover letters and assist in preparing interview questions. Then there are a growing number of bespoke AI tools designed specifically for job applicants, from 'auto apply bots' that will automatically complete and submit job applications on mass, to job matching optimisation tools that help candidates ensure their CVs match the roles, and even chatbot tools that can be used to complete online assessments and answer real-time interview questions.

All these technological developments taken together are reconfiguring and transforming the hiring process. This is why this Better Hiring Institute's guide AI in Hiring is urgently needed to help employers and organisations navigate this complex and rapidly changing environment. The guide sets out key principles and recommendations for employers to consider when evaluating the appropriate adoption of AI tools for hiring.

While it is hard to predict what these technologies mean for the future of hiring, it remains crucial that the use and adoption of these are appropriate, ethical, and aligned with human values. This is particularly important as these AI hiring systems can determine people's abilities to gain employment and maintain a livelihood. To ensure this, complex AI machine learning technologies and systems should be subject to various and constant forms of critical scrutiny and monitoring, for instance, by having a regular independent 'red team' of auditors to constantly check the systems data, algorithms and output for bias and robustness. This is required because machine learning algorithms can 'learn' and infer patterns from historical data and even develop 'emergent biases' unbeknownst to the original designers and programmers. Computer systems, even those that are labelled as artificial intelligence are not infallible, they can also get things wrong as well as right. Hopefully, this guide will help employers and organisations ensure that their adoption of AI is working to make hiring Faster, Fairer and Safer.

Keith Rosser

Chair of the Better Hiring Institute and Director of Reed Screening

Artificial Intelligence has the potential to be the biggest single change to hiring since the internet. Whether this change is positive or negative depends on how we - the UK hiring community - harness and apply it. Whether business likes it or not, AI is already here and is already being used by job seekers everywhere. This is only likely to increase. For job seekers the power could be phenomenal: a great democratiser, leveller, and personal recruiter. But it could be misused too: a fake document generator, interview aid, CV or application untruth, or even a deepfake applicant intent on doing harm. For employers the power is equally great: an efficiency revolution, a data-driven gift to hiring, a much-needed way to improve process and eliminate bias. But it could create enormous challenges too: eliminate the best talent from the process, amplify bias and prejudice, and dehumanise a process that perhaps is most importantly human. It reaches into the very question of what it is to be human, what future do we want to create and how important is it that people interact with people? For all these reasons AI needs a good parent, and this guide - the UK's first - attempts to begin to define the blueprint for how AI should best be used in hiring.

I thank the incredibly talented contributors, supporters, and critical friends who helped put this guide together. Special thanks goes to Lord Holmes, the architect of the Artificial Intelligence (Regulations) Bill, MPs and Peers who supported this work, and Dr Huw Fearnall-Williams who provided the academic framework to help bring this to life. Artificial Intelligence is alive in hiring, and making sure this is entirely positive and that it contributes hugely to improving UK productivity is down to all of us.

About this guide

In March 2024, the Modernising Employment All-Party Parliamentary Group held a session on Artificial Intelligence in Hiring.

Artificial Intelligence (AI) has revolutionised how we carry out manual tasks and hiring is seeing the impact, with AI being used by both work seekers and employers to make hiring faster and more efficient. The session was chaired by Lord Lucas and opened by Lord Holmes of Richmond MBE who has introduced the Private Members' Bill Artificial Intelligence (Regulation). Academics, lawyers, providers, and employers also offered insights on what the best-practice principles of using AI in hiring should look like.

This guide looks to explore the topics discussed, including the current regulatory landscape around the use of AI, ways in which this technology is already being utilised and recommendations on how we can navigate the rapid changes that recruitment with AI brings.
It is designed to be a practical tool for organisations currently using, or thinking of using, AI in their hiring process. Time is of the essence, as AI is already in use, and this is only set to rise dramatically in the months and years ahead.

What is...

AI?

Artificial Intelligence, or AI, refers to the simulation of human intelligence processes, often problem-solving, reasoning and learning, by computer systems.

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How hirers are using AI

A report from the Institute of Student Employers revealed that nearly a third (28%) of employers now deploy AI in their recruitment process. Currently, recruiters use different forms of AI for different parts of the hiring process. These include:

- Creating job adverts and job descriptions.

- Sourcing, matching, and shortlisting candidates through different mediums.

- Communication and query handling, such as chatbots.

- Scheduling, building, and transcribing interviews.

- Conducting video interviews on the hirer's behalf.

- Scoring assessments and using data to predict potential success in a role.

AI systems can drive efficiency in hiring practices in many ways. For example, by employing AI to make small decisions on a hirer's behalf, they can optimise application management and process a higher number of applications in a reduced amount of time. As AI is constantly learning from live data, when used correctly, it can be a highly effective tool for ensuring decisions are made in the best interest of the business.

These efficiencies can present opportunities for cost reduction by reducing time to hire, lowering administration costs, and improving candidate quality. AI can optimise the hiring process and deal with routine tasks, allowing companies to scale recruitment processes in a cost-effective way and enabling hirers to focus on the human aspect of hiring.

The success of AI in recruitment does depend on the quality of its training data, and how well this is integrated and understood. Media has reported AI to have shown bias against work seekers, resulting in one high-profile case in 2018 where the recruitment tool was ultimately withdrawn due to its bias towards male applicants. Similarly, reports as recent as March 2024 have detailed analyses of OpenAI and its unfair disadvantaging of work-seekers based on their names, despite CVs being equally qualified.

How work-seekers are using AI in hiring

A report by Bright Network revealed that 38% of British students and graduates admitted to improving their job application with AI. Currently, work-seekers are using AI to:

- Enhance and tailor their CV.

- Complete job applications.

- Complete verbal reasoning and general tests, including personality assessments.

- Generate answers to interview questions.

- Apply to jobs in bulk via an AI bot.

Most commonly, applicants are using a subset of AI called Generative AI (GenAI). This subset focuses on generating new or original content, rather than being designed for the analysis and interpretation of existing data. For example, an applicant may use GenAI to write a unique CV or tailor their existing one to a specific role, they may even use it during an interview as it can provide answers to competency-based questions almost instantly.

Increasing however, applicants are also using AI bots to apply for jobs in bulk, with no need to oversee the process, which is increasing the volume of applications recruiters are seeing exponentially. The volume these bots achieve ranges in service, from a few dozen a week to up to almost 1000 applications completed per day.

This technology already exists for work seekers, and it is likely to lead to greater pressures on hirers who may well experience a rise in applications as well as heightening the risk of over-exaggeration, or even fabrication, by work seekers.

For work seekers, AI can improve their chances of being short-listed or successful, however, unless the information provided is still authentic, they are unlikely to be found suitable for the role in the long-term leading to higher turn-over rates.

Study

72% of 2000 surveyed students confirmed they were using some form of GenAI every week, with 7 in 10 intending to use ChatGPT to assist with an application or assessment in the next 12 months.

– Arctic Shores (2023)

How can UK hirers respond to work seeker use of AI?

How companies respond to work seeker use of AI will impact how prospective applicants will view the company and may attract or repel them from making the initial application. Typically, companies are responding to work seeker AI use in one of three ways:
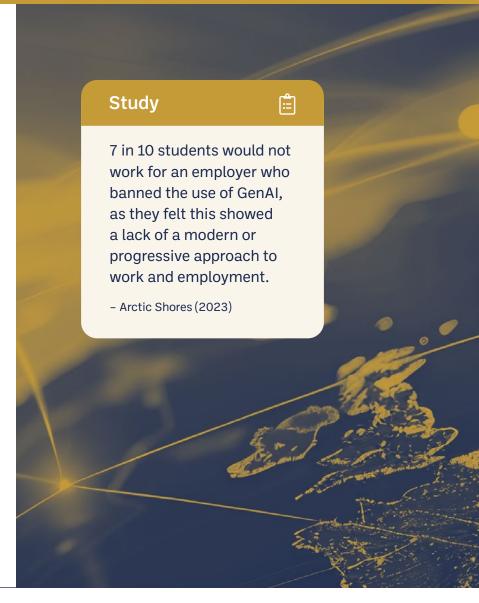
1. Banning the use of AI
This is a straightforward approach, however, it comes with the possibility of harming candidate attraction, diversity, and overall experience.

2. Remain neutral
This may lead to work seekers using AI in a way that is disadvantageous as they have no guidance on 'good' AI use.

3. Provide guidance on AI use
While this will likely require a significant change in how we approach the hiring process (learning how to detect suspect responses) this may be a future proof approach.

Study

7 in 10 students would not work for an employer who banned the use of GenAI, as they felt this showed a lack of a modern or progressive approach to work and employment.

– Arctic Shores (2023)

AI Governance

Data Protection

Currently, the UK lacks dedicated legislation specifically governing the utilisation and development of AI, however, certain aspects of AI use are addressed by other regulations, such as the UK General Data Protection Regulations (UK GDPR) and Data Protection Act 2018.

When utilising AI in hiring, careful attention must be given to whether personal data is being processed and how data rights are being protected. The Information Commissioner's Office (ICO) provide guidance on AI and data protection as well as an 'AI and data protection risk toolkit' to support with compliance to the UK GDPR.

International legislation:

International hirers utilising AI will also have to comply with international AI regulation. For example:

- **AI and Hiring Bill 2023 (New York City State):** requires hirers to have an understanding of the AI tools they employ, to inform work-seekers where AI is in use and to publish independent annual bias reports.

- **EU AI Act (draft phase):** will look to categorise AI systems as prohibited, high risk or limited risk. This will likely class AI use in recruitment as high risk.

There is the potential for UK hirers to violate international legislation if, work seekers living in another country's jurisdiction were found to have used AI deployed by a UK hirer.

UK GDPR Article 22:

Article 22 may be especially relevant when utilising AI, as its purpose is to ensure fair processing by protecting data subjects from solely automated decision making and profiling. If AI is playing a role in the decision to offer someone a job, the impact to an individual can be seen as very significant.

Watch this space

The UK Artificial Intelligence Regulation bill

This private members' bill has had its second reading in the House of Lords and seeks to introduce a dedicated AI Authority and regulated obligations on businesses using AI. There is some overlap with existing international law, including mandated transparency with work seekers and the risk-based approach to AI.

What do we need to take into consideration?

What to consider when **procuring AI technology**

- Mapping the requirements of the AI tool and consider how AI will help meet the hirer's goals.

- How the system will integrate with current policies and processes within the organisation.

- How employees will be expected to interact with the system, including additional training and upskilling.

- What performance testing has been conducted by suppliers (accuracy, effectiveness and fairness) along with plans for regular future testing.

- Piloting the software in a manner that keeps diversity of the users at the fore and using this as an opportunity to understand how employees use the system.

- Consider that the AI environment will affect how it behaves so that even when used correctly the tool may develop bias, cause harm or discriminate.

What to consider when **utilising AI technology**

- The transparency of the system and how it works, including how the system calculates the output.

- How to ensure a complete understanding of the AI tools used by the business.

- Validating the scope and accuracy of the training data to avoid building on previous human bias.

- The need for constant monitoring and refining of AI tools to maximise potential, including regular bias testing and the associated cost.

- Requirements for human oversight.

- AI systems are no less vulnerable to system bugs and performance can decline in effectiveness over time (model drift) depending on the data entered.

- Impact assessments of the algorithm (short and long term) on accessibility, bias and data protection, and ensuring an equal outcome.

- AI hirers assessing AI work-seekers;

  - Bots applying for jobs on behalf of work-seekers and the impact on the recruiters to sift through the greater volumes of applications.

  - AI work-seekers being assessed by AI employers at interview stage.

What to consider to **ensure compliance**

- Data protection requirements under UK GDPR and the Data Protection Act 2018; if AI use involves personal data, you'll likely need to complete a data protection impact assessment.

- Consider international legislation for AI where it could potentially be used outside the UK.

- Future transparency requirements on how AI will be used to make employment decisions and at what stage in the process this will occur.

- Potential risk categorisation of AI, where the recruitment sector will likely be considered high risk.

- Cybersecurity obligations.

- Accessibility (reasonable adjustments and equality laws must be considered).

What to consider from an **ethical perspective**

- Some AI tools may reject people if English isn't their first language, limiting opportunities and potential workforce.

- Understanding and mitigating against the different types of bias and consider whether it is truly possible to completely eradicate bias.

- How and when to communicate the use of AI to potential applicants.

- The decrease in confidence from hirers that a work-seeker's true potential is being assessed.

- How feedback will be obtained by users of the system and the level of detail this should go into, considering feedback from employees, work-seekers and clients.

- How to ensure employees are using the system correctly and that any possible risk of misuse is identified.

- Replacing humans with computers and the effects of this on society and the economy.

- AI can be impersonal and leave people feeling isolated due to the lack of personal touch and human intervention.

Survey

An Arctic Shores (2023) survey found that 44% of 2000 students expressed the belief that GenAI levels the playing field for disadvantaged groups.

Recommendations

AI in hiring offers streamlined processes and enhanced decision-making, however, the adoption of AI in recruitment also raises challenges related to fairness, transparency, and ethical considerations. These challenges must not be underestimated and there are several recommendations which hirers should consider going forward.

1. **Create a strong policy on AI approach and communicate this effectively.**

2. **Before deploying AI, understand how this changes your hiring processes to identify and combat any potential bias or weakness.**

3. **Commit to using AI as a tool for inclusion by providing guidance on AI use in hiring.**

4. **Rethink candidate selection processes and shift the focus from skills (hard and soft) to skill-enablers (personality, core strengths and workplace intelligence).**

5. **Be transparent when deploying AI in the hiring process by communicating this publicly as part of the process, and provide escalation routes for those who are unhappy with decisions made by AI to appeal the decision.**

6. **Ensure Humans are always involved in the hiring process.**

7. **Monitor AI systems in use by auditing the recruitment process and publish an annual statement on use.**

8. **Ensure that all systems are compliant to legislation such as EHRC and UK GDPR.**

9. **Organisations should have a Chief AI Officer or a responsible person for AI at board-level.**

10. **Create a national AI Authority responsible for, amongst other things, providing clarity to businesses and empowering individuals to express views as part of the iteration of the framework.**

By changing our thinking and approach to AI and ultimately, redesigning our processes to embrace the use is the only long-term solution for maintaining equity, efficacy, and scalability.

About Us

The Better Hiring Institute is a not-for-profit social enterprise driving the development of a modern, agile UK labour market, accelerating economic recovery. Working closely with all the major UK industries, The Better Hiring Institute is driving standardisation, best practice, and digital innovation to reduce hiring times, enable portability, and improve safeguarding. Cross industry themes include digital standardised referencing, open banking, digital right to work checks, education credentialing, and digital identity. The Better Hiring Institute is already working with many of the UK's largest, household names making UK hiring the fastest globally.

Reed Screening are the leading specialists in pre-employment vetting and are at the forefront of influencing regulation and industry change. Reed Screening are the only UK, onshore screening company who are open 24/7, they are family owned and give 20% to charity. Their business never sleeps so if you ever need them, they're available. Their vision is to 'create a safer world at work' by collaborating with government bodies and industry leaders to bring about change.

Future Work is a recruitment agency specialising in digital, marketing, data and AI roles. We take the time to understand our clients' business; their culture, ethos and approach and seek people whose skills and experience match the requirement as well as their ambition, drive and values. The company connects mid and senior talent with agencies, consultancies and clients across a wide range of vertical markets. Utilising AI and providing tailored career support, Future Work is committed to refining the recruitment process, placing candidates at the heart of their operations. We offer services to job seekers and employers alike, ensuring a fluid approach to the evolving landscape of work and recruitment. For more information, visit Future Work.

In the age of Generative AI and a rapidly shifting requirement for skills, Arctic Shores gives employers the power to uncover human potential and see more in people than from a CV or application form. Their next-generation selection platform uses tasks (which provide 100X more data points than questions) to help identify the candidates with the greatest potential to be successful in an organisation. Proven to counter natural bias during the recruitment process and build the diverse, successful workforce of tomorrow, their task-based assessment widens talent pools and unearths high-quality candidates in any economic climate. They've given over 3 million candidates worldwide something different: a stress-free, unbiased candidate experience that truly rewards them for their time. Arctic Shores works with over 350 talent disruptors leading the way in the CV-less hiring revolution, including Vitality, Molson Coors, Burness Paull, Amazon, TalkTalk and Siemens.

Lancaster University Management School (LUMS) is one of the longest-established business schools in the UK and is a UK leader in both teaching and research, ranked as the top business school in the UK for 'research power' and joint-top for 'research environment' (REF2021). LUMS has a proud and established reputation for our partnerships with employers, businesses, entrepreneurs and managers across the North West, the UK and beyond, offering unique insights and abilities to introduce positive change.

Lancaster University is among the best in the UK, and has been the top university in the northwest of England for more than a decade. It is consistently ranked in the top 15 in all three major UK league tables: the Guardian University Guide, the Complete University Guide, and The Times and The Sunday Times Good University Guide.

We would like to thank all of the contributors to this guidance. As we continue to strive to make UK Hiring faster, fairer, and safer the use of Artificial Intelligence in hiring will no doubt continue to evolve, please keep the institute up to date with how it is impacting your hiring at secretariat@ betterhiringinstitue.co.uk as we look to keep this guidance as reflective as possible of the current UK hiring landscape.

Click here to access the Better Hiring Institutes other industry leading guidance.