

# HR'S AI DILEMMAS

AI is rewriting the rules of work by enabling organisations to move faster and work smarter. Yet its breakneck adoption and constant reinvention are generating complex risks – and it's often HR practitioners who are asked to make sense of them.

BY KATE NEILSON

For some time now, questions about artificial intelligence in the workplace have been largely practical: How does it work? What are the use cases? Which platforms should our business adopt? But as AI embeds deeper into core work processes, the questions are becoming harder to answer.

Ethical grey areas, governance gaps and unforeseen wellbeing impacts are dampening the initial excitement around AI, and organisations are beginning to recognise the long-term consequences of scaling AI-enabled work without paying equal attention to work design, wellbeing and governance considerations.

"We can't solely value speed and efficiency over some of those longer-term outcomes, which are all about the impact of this technology on people," says Dr Ben Hamer FCPHR, futurist, founder of ThinkerTank, AHRI board member and chair of AHRI's Future of Work Advisory Panel.

Dr Emmanuelle Walkowiak, Vice-Chancellor's Senior Research Fellow at RMIT, has spent two decades researching how the rapid adoption of technologies drives the transformation of work and organisations.

"HR is in the messy middle of AI more so than other functions, because HR must simultaneously be a user and a workplace regulator of AI systems," she says. "HR decisions often have the most direct impact on workers – and are where the sensitive ethical or legal questions arise."

Despite businesses wanting to solve these challenges quickly, a rushed approach goes against the very nature of their complexities, says Hamer.

"We don't even understand the problems deeply enough to be able to solve them. The fact that we can't offer practical tips for these challenges is a real indication of where we are heading as a profession.

"There is no best-practice guidance for these dilemmas. We need to attract people in HR who can thrive in uncertainty and can get comfortable with ambiguity."

With this in mind, the following dilemmas aren't designed to offer black-and-white guidance, but to help navigate the grey areas, with suggested thought-starters to raise with the executive or board.

## DILEMMA #1

Improvements to physical working conditions or workflows are often accompanied by faster, more demanding workloads, says Walkowiak.

Consider the introduction of email in the workplace. It unlocked an incredible amount of opportunity for instantaneous communication, but also immediately increased the expectation of an instantaneous response, meaning the majority of knowledge workers now spend more and more of their work hours wading through their inboxes.

For the same reasons, AI is intensifying the rhythm of work.

"Part of my research focuses on evaluating psychosocial risk through working conditions. We look at indicators such as job demands, job control, emotional demands, unfairness at work, poor workplace relationships, conflict and job insecurity."

One of the most pertinent protective factors, she says, is the relational dimension of work – meaning how supported, secure and connected employees feel.

"When AI systems automate processes such as performance evaluation, you might get more precise metrics, but you lose that relational element," she says. "The social interactions that help align perceptions between employers and employees are missing – and that's what contributes to increased emotional demands, stress about job security and uncertainty about the future."

There are also implications for workplace civility. Recent research from The Michelle McQuaid Group found that civility scores were 22 per cent lower among employees who said they often use AI technologies (67 per cent) versus those rarely using AI (86 per cent).

## PSYCHOSOCIAL SAFETY AND RELATIONAL ELEMENTS OF WORK



"Asking questions about human-machine interactions and the implications on social interactions is important, but it's quite complex," says Walkowiak. "AI interactions may shape our communications, but not always in the way we first assume."

She uses the example of using AI for writing assistance, such as when emailing clients or colleagues.

"We're creating these overly polished, formal and structured ways of communicating with each other. That means we can lose the spontaneity and authenticity that comes from unfiltered peer-to-peer interactions. All of our messages are becoming 'optimised', so to speak."

This is making it harder to discern someone's true tone, intent or emotion from their message, she says.

"Then you layer in the fact that we're increasingly working in hybrid or remote environments where social interactions are already being reduced. Generative AI could lead to [authentic] communication being avoided."

As a result, our tolerance levels could start to weaken.

"In real-world organisational structures, we rarely have full clarity. There are delays, escalations and negotiations – that's normal," says Walkowiak. "But if we start expecting the same immediacy from our colleagues that we get from AI, it could erode our patience. It also risks weakening our interpersonal skills, such as the ability to navigate ambiguity and maintain trust through human interaction."

"The disagreements and moments of tension that are essential for collaboration – we're losing them. It's not just about politeness. It's about preserving the human dynamics that make work meaningful."

### HR THOUGHT

#### STARTERS

How is AI reshaping the rhythm and relational fabric of work within our organisation?

What safeguards are in place to ensure the drive for productivity gains doesn't erode the social capital and trust that underpin sustainable performance?

Are we measuring the right indicators, such as civility, connectedness and perceived fairness, to assess the impact of AI on psychosocial safety and culture?

How are leaders being equipped to model and maintain authentic human connection in increasingly digitised environments?

## DILEMMA #2

DATA, PRIVACY AND  
PROCUREMENT CHALLENGES

HR departments deal with some of the most sensitive employee data, which makes AI adoption inherently risky and complex, says Dr Zivit Inbar FCPHR, founder and CEO of DifferenThinking.

“Most organisations, especially those that have been around for a long time, operate with multiple legacy systems. I don’t know of one HR department that has only one system it uses,” says Inbar, who is facilitating two new AI for HR short courses with AHRI.

“AI is also increasingly drawing on data from systems that have traditionally sat outside HR’s remit, such as communication platforms, project management tools and customer relationship management systems. These systems hold vast amounts of information about employees that often go unnoticed. When this data is integrated, the risks multiply.”

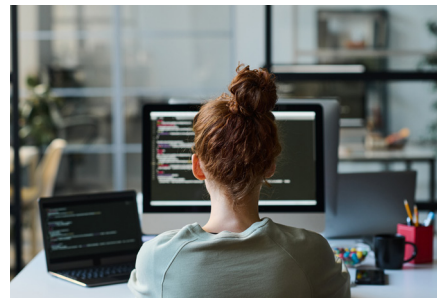
This means, for the majority of organisations, there is a lot of work to be done in cleaning up data inputs to ensure they are AI-ready, says Inbar.

“For example, if an AI tool predicts candidate success based on historical performance reviews, it will inevitably replicate existing biases. Unless those biases are identified and corrected, the AI will reinforce patterns of inequality rather than removing them.”

Collecting and preparing data for AI isn’t straightforward, she adds, because it involves complex decisions.

“For example, who should handle data cleaning? Should it be done internally, knowing the information includes highly confidential details? Or should it be outsourced, which raises budget and privacy considerations?”

“Personally, I’d prefer using an external provider for data cleansing, while working closely with internal IT to assess vendor’s guardrails and technical



practices, including data security, system connections and compliance measures.”

Another emerging risk lies in the procurement of HR software. Most platforms now come with embedded AI, yet few buyers fully understand how these systems are designed or trained. Without that visibility, they can quietly become conduits of business risk.

“While HR may not control the algorithms themselves, we can hold vendors accountable,” says Inbar. “We should demand transparency and ask how systems make decisions or recommendations, how bias is mitigated, and request audits and reports to ensure the AI is functioning as intended.”

She suggests creating a formalised checklist that everyone in your team can use to assess vendors. This might include questions about data quality,

privacy, security, bias mitigation and the explainability of algorithms.

“Explainability and transparency are core principles of responsible AI. I’d never adopt software that can’t clearly demonstrate how the AI system works and how decisions are made. At the end of the day, the accountability is on HR, not the AI. I’d also recommend running a pilot program that gathers feedback from a diverse group of users before full implementation.”

Awareness of data security is also increasingly becoming a core capability for HR.

“From my experience leading global HR teams in technology companies, I’ve learned that deleting data is far more difficult than people think. One company still had copies of my personal documents two years later, which were exposed in a recent cyberattack.

“As new data practices emerge – and as regulations require employers to retain files for years after someone leaves – we need to ask: how much data is too much? These are complex, long-term dilemmas. HR will be called upon to help set those boundaries and lead organisations through them responsibly,” says Inbar.

## HR THOUGHT

## STARTERS

What assurance mechanisms are in place to validate the integrity, privacy and accuracy of the data that feeds our AI systems?

Are our procurement and vendor management processes robust enough to identify and mitigate algorithmic bias, security vulnerabilities and compliance risks before contracts are signed?

What is our organisation’s threshold for responsible data retention?

Who is accountable for ensuring that data deletion practices meet both ethical and regulatory standards?

## DILEMMA #3

THE IMPACTS ON WELLBEING  
AND CAPABILITY BUILDING

High AI use could be fuelling burnout and stress in our workforce.

Dr McQuaid’s research found that those often using AI had less self-compassion (52 per cent) compared to those rarely using it (72 per cent). Those who sometimes used AI were also far less likely to report strong wellbeing (68 per cent) than those who rarely used it (98 per cent).

“When we’re working, we operate in peaks and troughs in terms of cognitive load,” says Hamer. “Knowledge work is becoming so much more intense because we’re seeing more of the boring, routine work being automated.

“People talk about how exciting that is and how it enables us to focus on more value-adding work, but those ‘lower-value’ tasks are often how our brain regulates itself.

“Think about how you feel when you come out of a high-energy workshop. You might be buzzing, but you walk out of the room feeling knackered. You might spend the afternoon tending to your emails or doing some invoicing or expenses to recover.

“When you don’t have that cognitive break, that’s what can lead to burnout. It’s not necessarily that we’re doing more work, but it’s the nature of the work that’s becoming exhausting.”

Walkowiak adds that another concern is the huge amount of work AI is able to generate within seconds.

“Instead of creating, workers often find themselves reviewing, verifying or managing information, which can lead to cognitive overload and new forms of stress,” she says.

Another issue – one many organisations may be overlooking in pursuit of short-term productivity gains – is the gradual erosion of workforce capability, or “skill atrophy”.

“HR is in the  
messy middle of  
AI more than  
other functions.”

DR EMMANUELLE WALKOWIAK,  
VICE-CHANCELLOR’S SENIOR  
RESEARCH FELLOW, RMIT

“Some research, including from MIT, suggests that when we rely too heavily on these systems, our cognitive abilities can begin to atrophy,” says Walkowiak.

“The brain needs time and effort to process and store information. It’s much like London taxi drivers who, before

GPS, developed enlarged brain areas related to spatial navigation. When we outsource too much of that mental work, we risk losing some of those capabilities over time.”

Hamer highlights the example of a leader he worked with who had the opportunity to automate his company’s call centre, but chose not to.

“He recognised that some of the organisation’s strongest middle managers had come from that environment. They were people who understood customers deeply, communicated effectively and knew how to handle sensitive conversations. From a succession pipeline perspective, it didn’t make sense to automate that part of the workforce,” he says.

“We’re often too fixated on productivity and efficiency. Many organisations are aiming to grow over the next 12 to 24 months without increasing headcount, which inevitably means more AI. But we’re thinking about the end result without considering the implications of how we get there.

“HR are going to be the ones dealing with the downstream implications of this in five or 10 years’ time, so they have a vested interest in getting on the front foot of it now,” says Hamer.

## HR THOUGHT

## STARTERS

Are our wellbeing strategies keeping pace with the ways AI is changing the cognitive demands of work in our organisation?

What safeguards or design principles do we have in place to ensure AI enhances, rather than erodes, human energy, creativity and capacity for deep thinking?

How are leaders being equipped to recognise and respond to new forms of burnout emerging from AI-enabled work patterns?

## DILEMMA #4

## LACK OF CLEAR ACCOUNTABILITY AND GOVERNANCE GAPS

The rise of AI agents within teams is creating complex industrial and employee relations questions, with accountability sitting in the grey zone.

“If something goes wrong when an AI agent is being used, who is accountable? Is it the manager? The employee? The AI system? HR?” says Hamer.

“In the next couple of years, we’re going to see the rise of human-AI teams. The first stage is already here – almost everyone has their own AI assistant. The next stage will be when we each have AI agents working largely autonomously.”

Then, he says, the challenge will be balancing that innovation and drive for efficiency with fairness, accountability and the industrial implications of AI.

“We need to be thinking about them now. What happens if an AI vulnerability leads to a cyberattack or confidential information leak? Do we hold the team manager accountable, or is that a systems issue? We don’t have those accountability frameworks in place yet.”

Walkowiak says opaqueness around accountability will be one of the greatest challenges to address as AI becomes more prevalent and advanced.

“AI brings not only automation and surveillance risks, but also new categories of concern, from cybersecurity threats and misinformation to bias, intellectual property breaches and accountability gaps.

“Productivity gains from AI are inseparable from these emerging risks. “People adopt these tools because they make work easier or faster, but they also create problems of trust and reputational risk, generating new layers of emotional and ethical pressure. Someone has to manage those risks, but right now, it’s unclear who that is.”

Questions of liability – both in mitigating risks and responding to



breaches – now demand serious attention from boards and executive teams seeking to safeguard their organisations for the future.

“Traditionally, ethical responsibility was implied within a job description – you were accountable for acting ethically. But when you use generative AI, that accountability becomes ambiguous,” says Walkowiak.

Inbar says the governance gaps around AI are becoming clear.

“If you look at recent research from KPMG and the University of Melbourne, the data is striking. Across 47,000 employees globally, including thousands in Australia, only 40 per cent say their organisations have an AI policy in place.

“Perhaps most revealing, nearly half of the employees who do work in companies with AI policies admit to breaching them.”

“The issue isn’t just about technology adoption; it’s about the absence of policies, training and accountability. That’s where HR’s role becomes critical in shaping the culture and governance needed for responsible AI use.”

Inbar suggests establishing clear AI audit processes as a starting point, which she says should be on every CHRO’s agenda right now.

“Boards will be asking for it. HR leaders need a clear inventory of where AI is being used, and regular audits to ensure it’s being applied appropriately and without bias.

“Depending on the organisation, some already have responsible AI frameworks or governance committees in place. For those that don’t, I strongly recommend that chief people officers create a cross-functional AI governance committee, including representatives from IT, HR and employees – and ideally an external expert as well. Those most affected by AI often don’t have a voice, and that’s exactly what governance needs to address.

“And, crucially, every organisation should mandate a human-in-the-loop approach. Establish clear rules that no final decisions about hiring, promotion, termination, compensation or similar matters are made solely by algorithms.”

## HR THOUGHT

## STARTERS

Do our governance frameworks have gaps regarding accountability in our AI processes that we need to address?

Who should oversee AI risk – and how can HR, IT and the board collaborate to ensure accountability is shared, not siloed?

Who do we need to include in a responsible AI committee, and how might that work in our organisation?

## DILEMMA #5

## LOSS OF JUDGEMENT SKILLS

There’s growing evidence that AI use can affect our judgement skills.

One study, cited by Inbar, followed medical specialists performing colonoscopies. It found that, over time, those assisted by AI became less skilled at identifying cancer indicators themselves, as they became too reliant on the technology.

It’s worth noting that the researchers highlight the limits of these outcomes due to the observational nature of their study, and call for further research to be conducted in this area.

“These findings point to a critical issue: when we rely too heavily on AI, we risk weakening the very judgment and expertise that make human work valuable,” says Inbar.

“Think about how technology has

already changed us. Twenty years ago, before smartphones, I could remember everyone’s phone number. Now, I don’t even know my own children’s numbers because we’ve become so reliant on

devices to store information for us.

“The same risk applies to AI. The more we depend on it, the more skills we risk losing – not just cognitive ones, but judgement-based ones too.”

## HR THOUGHT

## STARTERS

How do we preserve and strengthen human judgment, expertise and ethical reasoning in an environment increasingly shaped by machine recommendations?

What checks and escalation pathways exist to support employees to question or override AI-generated decisions appropriately – and are people genuinely empowered to use them?

How are we monitoring for cognitive or skill atrophy caused by over-reliance on AI tools, particularly in roles where professional judgment is critical?

## What next?

All of this isn’t to say that AI won’t have demonstrably positive impacts on the workforce. There are plenty of gains to be made when this technology is introduced in a considered, intentional way.

But businesses can’t bury their heads in the sand regarding the dilemmas attached to this transformative technology – which this article only scratches the surface of.

Bringing these dilemmas to the leadership team and board’s attention, facilitating important discussions and asking the right questions is critical as we stand at the precipice of even greater AI-enabled change.

Hamer suggests starting by getting familiar with what’s on the horizon.

“Learn about agentic AI. Consider what human-AI teaming might look like. Consider how problem-solving looks different now that you have AI as a tool,” he says. “You need to have an awareness of these challenges, then build the capabilities to have these conversations

with confidence and authority at the executive table. That might look like a one-on-one session with your CEO, or asking to allocate time in each executive meeting to surface one of these dilemmas and get people thinking about the downstream implications of the decision we’re making today.”

Walkowiak suggests starting by talking to employees to get their perspectives.

“Ask where AI is already impacting their roles: what’s working, what’s not and what problems are they trying to solve? They know their jobs better than anyone.

“Next, define the rules, especially around accountability. These guidelines are still unclear in many organisations, so setting them provides a sense of direction and helps people understand what they can and can’t do, and how their responsibilities may be shifting.”

HR will continue finding itself at the intersection of these emerging and future risks. Rather than responding to them, HR should be the one surfacing them.

“As AI continues to shape workplaces, HR’s voice will be critical in ensuring responsible AI use, maintaining fairness, reducing bias and upholding ethical conduct and trust,” says Inbar. “These aren’t separate from HR’s work; they’re central to it.” ●●●

*What are some of the most pressing AI dilemmas your organisation is facing? Get in touch with us to share your perspective, and we can tap into our network of experts to share their perspectives.*

## UPSKILL IN AI

Dr Inbar is facilitating two new courses on HR and AI. Head to the ‘organisational enablement’ tab in AHRI’s professional development page.



Find out more – scan the QR code or visit [ahri.com.au/shortcourses](https://ahri.com.au/shortcourses)