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Artificial Intelligence and the Termination Decision: Issues of Bias and Accountability

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Abstract:

This study provides a comprehensive analysis of the phenomenon of AI-driven employee termination, exploring its technical, legal, and ethical dimensions. Using an analytical and comparative methodology, the paper examines the issues of algorithmic bias and legal accountability, and reviews the shortcomings of legislative frameworks. The study concludes that this practice requires strict governance to protect employee rights, and offers recommendations for legislators, companies, and technology developers to ensure the fair and responsible use of artificial intelligence in the workplace.

Keywords: Employee Termination, Artificial Intelligence, Algorithmic Management, Labor Law, AI Ethics, Employee Rights.

Introduction :

Human resources management in the digital age is undergoing a radical transformation. Decisions concerning employees, including critical ones like termination, are no longer exclusively within the realm of human judgment. Artificial intelligence (AI) has emerged as a powerful force reshaping evaluation and decision-making mechanisms within organizations, promising increased efficiency, objectivity, and cost reduction. The shift of the termination decision from human discretion to automated algorithmic analysis represents a qualitative leap that raises complex, multidimensional issues. While these technologies promise to improve institutional performance based on big data, they also open the

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door to unprecedented legal and ethical challenges related to fairness, transparency, accountability, and fundamental workers' rights.

This study derives its importance from its response to a growing and rapidly evolving phenomenon. Recent research indicates that a significant percentage of managers have already begun using AI tools to assist in decisions regarding termination, promotion, and performance evaluation.[3] In a survey of managers in the United States, 66% reported consulting AI when making a layoff decision, and 64% used it to assist in the actual termination of services. This accelerated proliferation necessitates a thorough academic examination of its repercussions, especially given the inadequacy of current legislative frameworks to address these emerging issues. Traditional labor laws were designed to regulate relationships based on human interaction, creating a legal vacuum when a machine intervenes as a mediator or decision-maker.

This paper adopts an analytical and comparative methodology. The analytical approach will be used to deconstruct the concept of "AI-driven termination" into its technical, legal, and ethical components by examining the operational mechanisms of these systems, the institutional motives for their adoption, and the fundamental challenges they pose. The comparative method will be applied when reviewing legislative and regulatory frameworks in different regions, such as the United States, the European Union, and the Kingdom of Saudi Arabia, in addition to analyzing case studies of global companies that have implemented these systems, to understand the phenomenon in various contexts and derive comprehensive insights.

This study is divided into three main chapters. The first chapter addresses the conceptual and technical framework of the automated termination process, from defining algorithmic management to the operational mechanisms of the systems. The second chapter analyzes the legal and ethical challenges arising from this practice, focusing on issues of bias, liability, and employee rights. The third chapter reviews practical applications through real-world case studies, discusses the psychological and social impacts on the work environment, and explores future trends of this technology and its effect on the future of labor relations. Finally, the conclusion presents a summary of the findings and offers a set of recommendations for legislators, institutions, and technology developers.

Chapter One: The Conceptual and Technical Framework for AI-Driven Employee Termination

To understand the phenomenon of AI-driven termination, it must be viewed not as an isolated tool, but as a logical outcome of a broader process of digital transformation in human resources management. The automated termination decision is the culmination of a series of monitoring, analysis, and evaluation

processes carried out by integrated intelligent systems. This chapter provides the necessary theoretical and technical foundation to understand how organizations have reached the point of relying on algorithms for critical decisions, clarifying that termination is not a standalone application but the final output of a comprehensive system of "algorithmic management" that permeates all aspects of the employee lifecycle.

Section One: The Nature of Algorithmic Management and Its Applications in Human Resources

"Algorithmic Management" can be defined as the use of computer systems that rely on data collection and analysis to make automated managerial decisions related to work organization, task assignment, performance monitoring, and employee supervision and evaluation. According to the International Labour Organization (ILO), this practice reduces direct interaction between employees and human managers, with the algorithmic system becoming the primary intermediary in the employment relationship. This is particularly characteristic of digital labor platforms but is also extending to traditional work environments in various sectors such as logistics and healthcare.

AI applications in human resources do not operate in isolation; they form an integrated ecosystem that collects data from various stages of the employee lifecycle. The output of each application feeds into the input of another, creating a robust information infrastructure upon which termination decisions are ultimately based. Key applications include:

- **Continuous and Real-Time Performance Evaluation:** Instead of traditional annual reviews, AI systems analyze work patterns, productivity, and Key Performance Indicators (KPIs) instantly and continuously. They identify strengths and weaknesses, provide immediate reports, and rank employees based on their performance, making the identification of low-performing individuals an automated and ongoing process.
- **Predictive Analytics for Employee Retention:** Algorithms use historical data and behavioral patterns to predict which employees are at a high risk of leaving the company. Based on these predictions, management can take proactive measures, which may include restructuring plans or planned terminations for roles expected to become vacant.
- **Automation of Administrative Tasks and Data Collection:** Systems accurately track attendance, manage leave, and monitor resource usage. These once purely administrative processes are transformed into rich sources of quantitative

data that feed evaluation models and provide "objective" metrics on employee commitment and behavior.

- **Skills Gap Analysis:** AI systems compare the current skills of employees with the skills the company needs to achieve its future goals. The results of this analysis can be used as an objective justification for restructuring decisions and terminating employees whose skills do not align with the organization's strategic direction.

In this sense, the termination decision is not a sudden event but the natural outcome of an integrated "operating system" that manages employees algorithmically. Initial hiring data is used to set performance standards, performance data is used to predict resignation or the need for training, and failure to meet these automated metrics can lead directly to termination. Therefore, any attempt to address the issues of automated termination requires understanding and addressing the entire system of algorithmic management.

Section Two: Corporate Motives for Adopting Automated Termination Systems

The adoption of AI systems by organizations, including for sensitive decisions like employee termination, is not arbitrary but driven by a set of strategic and operational motives. These motives are often presented in a corporate discourse that emphasizes positive aspects like innovation and fairness, but a deeper analysis reveals more pragmatic economic drivers.

- **Improving Operational Efficiency and Reducing Costs:** This is the primary and most common driver. Automating evaluation, monitoring, and termination tasks reduces the time, effort, and human resources required for these processes, leading to a direct reduction in operational costs. Automated systems can process vast amounts of data and make decisions in a fraction of the time required by human managers.

- **Increasing Productivity and Making "Objective" Data-Driven Decisions:** There is a prevailing belief in business circles that decisions based on big data analysis are inherently more accurate and objective than human judgments, which can be influenced by emotions and personal biases. By relying on quantitative metrics, companies hope to base termination decisions on actual performance, thereby promoting a meritocratic culture and improving overall organizational performance.

- **Leading Innovation and Gaining a Competitive Advantage:** In the contemporary business environment, adopting the latest technologies, especially

AI, is seen as a sign of a company's leadership and innovative capacity. The use of these tools is viewed not only as a means to improve processes but also as a strategy to enhance brand image and attract investment and talent, giving the company a competitive edge in the market.

- **Facilitating Strategic Restructuring:** AI is used as a powerful tool to justify and facilitate large-scale restructuring. As major corporations increase their investment in AI projects, expenditures are redirected from traditional departments to these new ventures. In this context, laying off employees in lower-priority departments becomes a "strategic necessity" aimed at funding the transition to an AI-driven economy, as observed in major layoff waves in the technology sector.

A clear contradiction emerges between the stated discourse and the real motives. While promotional materials and industry reports focus on positive concepts like "reducing bias" and "improving the employee experience", news and financial reports directly link investment in AI with mass layoffs aimed at cutting expenses.[1] This discrepancy between "why we say we use AI" and "why we really use it" creates a deep trust deficit and is a major source of ethical concern and negative psychological impact on employees.

Section Three: Mechanisms of AI-Based Termination Systems

AI-based termination systems operate through a systematic process that involves multiple stages, from data collection to the issuance of an automated decision. This process, often invisible to the employee, is the core of algorithmic management.

1. **Data Collection and Continuous Monitoring Stage:** This is the foundational stage where a comprehensive digital profile is built for each employee. Systems continuously collect data from various sources, including direct performance data, digital behavior data, and attendance and compliance data.
2. **Model Training and Verification Stage:** The algorithm (a machine learning model) is trained on a massive dataset of historical data from past and current employees. The algorithm learns by identifying patterns and relationships between input variables (such as performance and behavior data) and known outcomes (such as employees who were promoted, resigned, or were terminated). The goal is to build a model that can predict future outcomes for a specific employee based on their current data.
3. **Application and Decision-Making Stage:** Once the model is trained and its accuracy is verified (according to the developer's standards), it is applied to the live data of current employees. The system processes each employee's data and

generates a "score" or "rating" that reflects their performance or the risk of their continued employment. Based on this score, the system can automatically issue recommendations, such as sending a performance warning, placing the employee on a performance improvement plan (PIP), or directly recommending termination.

In some extreme cases, the system may be authorized to issue the final termination decision and send a termination notice automatically without any human intervention, as has been alleged in some cases. This shift from using AI as an assistive tool to making it an independent decision-maker is the core of the problem addressed in this study.

Criterion	Traditional Termination	AI-Driven Termination
Decision Source	Direct human manager, senior management, HR department.	Machine learning algorithm, automated decision system.
Evaluation Criteria	A mix of quantitative metrics and qualitative assessments (teamwork, initiative, behavior), which can be subjective.	Primarily quantitative metrics (productivity, attendance, digital activity), with predefined criteria.
Decision Speed	A process that can take weeks or months (reviews, warnings, meetings).	Can be instantaneous or within days based on real-time data analysis.
Transparency	Usually conducted through a direct conversation, with the possibility of explaining the reasons (even if unsatisfactory).	Often a "black box," where the final reasons for the decision are unclear to the employee[16].
Likelihood of Bias	Personal bias (favoritism, personal	Systemic bias (embedded in the data or

Criterion	Traditional Termination	AI-Driven Termination
	impressions, unconscious bias).	algorithm), which can affect entire categories of employees.
Appeal Mechanism	Direct discussion with the manager, filing a grievance with HR or a higher authority.	The mechanism is often unclear or ineffective, and may be limited to submitting a review request to the system itself.
Direct Psychological Impact	Painful, but involves human interaction that may provide closure or a sense of respect.	Can be demeaning and dehumanizing, exacerbating feelings of injustice and loss of dignity.

Chapter Two: Legal and Ethical Challenges of AI-Driven Termination

Having established the conceptual and technical framework within which automated termination systems operate, this chapter moves to the heart of the issue, analyzing the profound challenges this shift poses to concepts of justice, responsibility, and fundamental rights in the workplace. Replacing human judgment with algorithms is not merely a technical update but a radical redefinition of the nature of authority and accountability within an organization, necessitating a thorough examination of its legal and ethical implications.

Section One: The Problem of Algorithmic Bias and Discrimination in Termination Decisions

Algorithmic bias is one of the most serious challenges facing the use of AI in human resources. While these systems are promoted as "objective" and "neutral," they can become tools for perpetuating and amplifying existing human and societal biases, leading to systematically discriminatory termination decisions, often unintentionally. Bias can creep into these systems from several key sources:

- **Training Data Bias:** This is the most common source. Algorithms learn from the historical data they are fed. If this data reflects past patterns of

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discrimination in the company—such as a preference for hiring or promoting men over women, or younger people over older ones—the model will learn these patterns and consider them the standard for success. As a result, the system will penalize employees who do not conform to this biased "successful pattern," leading to indirect discrimination.

- **Design Bias:** This bias originates from the developers themselves. When designing the algorithm and determining the variables to consider and their relative weights, developers may incorporate their personal biases, whether conscious or unconscious, into the model's structure. This can lead to an unfair preference for certain traits over others.
- **Proxy Bias:** This occurs when the system uses a seemingly neutral variable as a proxy for a legally protected characteristic like race or gender. For example, an algorithm might find a correlation between a postal code (which may be linked to the racial or social composition of an area) and job performance. Based on this, it might penalize employees from certain neighborhoods, constituting indirect discrimination based on race or social class.

There are real and documented examples of this problem. One of the most famous is the recruitment tool developed by Amazon, which was found to downgrade resumes containing words associated with women (such as "women's chess club") because the historical training data reflected male dominance in the tech sector. In another case, the U.S. Equal Employment Opportunity Commission (EEOC) filed a lawsuit against iTutorGroup, where it was found that their recruitment software automatically rejected female applicants over 55 and male applicants over 60, a blatant violation of age discrimination law.

Legally, the danger is that algorithmic bias can lead to violations of anti-discrimination laws, such as Title VII of the Civil Rights Act in the United States or similar laws in other countries, even without any "intent" to discriminate on the part of the employer. In many legal systems, it is sufficient to prove a "disparate impact"—that a policy or practice, though neutral on its face, disproportionately affects a protected class—to find the company guilty of discrimination. The opaque "black box" nature of these algorithms makes it difficult for an employee to prove discrimination and, at the same time, difficult for the company to defend its decisions, opening the door to significant legal and reputational risks.

Section Two: Legal Liability and Shortcomings of Legislative Frameworks (A Comparative Study)

Determining legal responsibility for an erroneous or discriminatory termination decision issued by an AI system is a complex legal dilemma. Does the

responsibility lie with the company that used the system, the company that developed it, the programmer who wrote the code, or the biased data on which the system was trained? This ambiguity, coupled with the shortcomings of current legislative frameworks, creates a state of legal uncertainty. Countries differ in their approaches to this issue, reflecting a race between the speed of technological innovation and the slowness of legislative response.

- **The Legal Framework in the United States:** The American approach relies heavily on litigation and the interpretation of existing laws in new contexts. Federal anti-discrimination laws like the Americans with Disabilities Act (ADA) and the Age Discrimination in Employment Act (ADEA) apply to automated decisions. However, employees face difficulty in proving the "intent" to discriminate required in some cases when the decision comes from a "black box." Some states, like California and New York City, have begun to enact legislation requiring employers to conduct "bias audits" on automated hiring tools and to notify candidates of their use[25].[22] Cases like *Mobley v. Workday, Inc.* show how courts are trying to determine the liability of software developers as "employment agencies."
- **The Legal Framework in the European Union:** The European Union follows a proactive and preventive approach through the "EU AI Act." This law classifies AI systems used in human resources management (hiring, promotion, termination) as "High-Risk." Accordingly, it imposes strict requirements on them before they can be placed on the market, including conformity assessments, system registration, data quality assurance, transparency, and, most importantly, ensuring "effective human oversight" of the system's operation.
- **The Legal Framework in the Kingdom of Saudi Arabia:** The situation in the Kingdom is still in its early stages. The current Saudi Labor Law, including articles related to termination such as Article 77, which deals with termination for an unlawful reason, is primarily designed to handle decisions made by human managers. There is a clear legislative gap regarding the regulation of automated decisions and the determination of liability. Despite the Kingdom's significant efforts to adopt AI through its national strategy and the issuance of "AI Ethics Principles" by the Saudi Data & AI Authority (SDAIA), these principles remain advisory and not legally binding in the context of labor relations to date. Local legal studies have begun to address the issue of civil liability for AI actions, recommending the development of special legislation to keep pace with this development.

This disparity in regulatory frameworks creates a heterogeneous global landscape, where workers in one region may enjoy strong protection, while their counterparts in another remain vulnerable to arbitrary algorithmic decisions.

Region	Key Legislation/Law	Transparency Requirements	Human Oversight	Key Employee Rights
European Union	AI Act	Mandatory; "high-risk" systems must be explainable.	Mandatory and effective; humans must be able to intervene and override system decisions.	The right to an explanation, the right not to be subject to a fully automated decision.
United States (California)	Civil Rights Act, new CRD regulations	Required; notify employees of system use, disclose its basic logic.	Required; cannot rely primarily on the system for final decisions.	The right to access and correct data, and to appeal the decision before a human reviewer.
Saudi Arabia	Labor Law, AI Ethics Principles	Not legally binding; encouraged by ethical principles.	Not explicitly stipulated in labor law for automated decisions.	Traditional rights against arbitrary dismissal (Article 77), with difficulty in applying them to automated decisions.

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Section Three: Employee Rights in the Face of Automated Decisions: Transparency, Accountability, and Human Oversight

In the face of the immense computational power and the opacity surrounding automated decision systems, there is a need to establish a set of fundamental rights for employees to ensure that the work environment does not turn into an unaccountable system of automated surveillance and punishment. These rights form the cornerstone of any fair and sustainable regulatory framework.

- **The Right to Transparency and Explainability:** This is the fundamental right from which all other rights branch. An employee must have the right to know when an AI system is being used to make a decision that affects them, and what criteria and data that decision was based on. This goes beyond superficial transparency to "explainability," a technical and legal concept that means the ability to understand "why" and "how" the algorithm reached a particular conclusion in a language understandable to humans[28] .This right is essential to enable the employee to exercise their right to object and challenge the decision on objective grounds.
- **The Right to Accountability and Human Oversight:** Automated systems should not be allowed to make final and critical decisions, such as termination, completely independently. There must be meaningful human oversight at all stages of the process. This means that the final decision must be made by a responsible person who can be held legally and ethically accountable for the outcomes[29] .The idea of "algorithmic accountability" is still vague, and therefore, the ultimate responsibility must remain with the human employer.
- **The Right to Access, Contest, and Rectify Data:** Based on the right to transparency, an employee must be granted the right to access the personal and performance data that the system used in their evaluation. In addition, there must be a clear, effective, and prompt mechanism to contest the automated decision and request its review by a human person or committee. This right must also include the ability to correct any inaccurate data that may have negatively affected the automated evaluation.

The recognition of these rights is not intended to hinder technological innovation, but to guide it toward a path that ensures the preservation of human dignity and justice in the workplace, and prevents efficiency from becoming an end that justifies any means.

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Chapter Three: Practical Applications and Future Implications

After reviewing the theoretical, technical, and legal dimensions of AI-driven termination, this chapter moves to analyze the tangible reality of this phenomenon. Through the study of practical cases of global companies, an examination of the psychological and social effects on the work environment, and a look at future trends, this section aims to provide a comprehensive picture of how this technology is manifesting in the business world today and what it may become in the near future.

Section One: Analysis of Case Studies of Companies That Implemented Automated Termination

The study of real-world cases provides a deep understanding of how these systems are applied and the practical problems that arise from them. These cases reveal that the use of AI in termination is not just a theoretical hypothesis but an existing practice, often fraught with controversy.

- **Case Study (1) - Xsolla (2021):** This case is a stark example of an opaque and inhumane approach to automated termination. Xsolla, a payment services company in the gaming industry, laid off about 150 employees from its office in Russia based on a big data analysis of their digital activity. Employees received an email from the CEO, Aleksandr Agapitov, informing them that they were classified as "unengaged" and "unproductive" based on an analysis of their activity on Gmail, Jira, Confluence, and other internal platforms. The case sparked widespread controversy due to the harsh tone of the message, the complete ambiguity of the criteria used, and the feeling that employees were under secret surveillance that led to their dismissal without prior notice or an opportunity to defend themselves.

- **Case Study (2) - Amazon:** Amazon is known for its heavy reliance on algorithms to manage its operations, and this extends to its workforce. Multiple cases have been documented of the company using automated systems to terminate delivery drivers in its "Flex" program and warehouse employees. The performance of these workers is meticulously tracked through strict productivity metrics, such as the number of packages sorted per hour or the on-time delivery rate. The system automatically issues warnings and terminates workers who fail to meet these quotas, often via automated emails.

- **Case Study (3) - Klarna (2022-2025):** This case offers a different perspective, highlighting the limits of automation. In 2022, the Swedish fintech company Klarna laid off about 700 employees and adopted a strategy of relying

heavily on AI, especially in customer service, claiming that AI agents could do the work of 700 human employees. However, after a period of implementing this strategy, the CEO admitted that the excessive focus on cost-cutting had led to a decline in service quality. As a result, the company announced a reversal of this decision and began rehiring humans, especially in roles requiring direct customer interaction, acknowledging that the human element is still crucial for maintaining service quality and brand image.

Company	Technology Used	Stated Reason for Termination	Main Controversy	Outcome /Impact
Xsolla	Big data analysis of digital activity (email, chats, etc.).	"Disengagement" and "low productivity" based on automated analysis.	Lack of transparency, harsh communication, vague criteria, employee surveillance.	Widespread negative reaction, questions about the company's ethics.
Amazon Flex	Automated performance evaluation system monitoring productivity and delivery metrics.	Failure to meet algorithmically set productivity quotas.	Disregard for factors beyond the employee's control, difficulty in appealing, termination via automated email.	Lawsuits, media criticism, highlighting harsh working conditions.
Klarna	AI-powered customer service agents (partnership with OpenAI).	Increased efficiency and cost reduction as part of a shift to AI.	Laying off 700 employees and replacing them almost entirely with AI.	Decline in service quality, company admission of error, and beginning to

Company	Technology Used	Stated Reason for Termination	Main Controversy	Outcome /Impact
				rehire humans.
iTutorGroup	Automated recruitment software for screening applicants.	(Not disclosed)	The system automatically rejected older applicants (over 55 for women and 60 for men).	Legal settlement with the EEOC for $365,000, accusations of systemic age discrimination.

Section Two: The Psychological and Social Impact on the Work Environment

Employee termination, even by traditional methods, is a painful experience with deep psychological repercussions. However, the introduction of AI as an actor in this process adds new layers of psychological and social complexity, affecting not only those who lose their jobs but also those who remain.

- **Impact on Terminated Employees:** Being fired by a machine can be a particularly demeaning and devastating experience. In addition to the usual shock of job loss, the employee faces a sense of loss of human dignity, as years of experience and contribution are reduced to a mere score or algorithmic result. The absence of human interaction deprives the employee of the opportunity for dialogue, a full understanding of the reasons, or even a proper closure to their relationship with the company. This feeling of helplessness and injustice before an non-negotiable "black box" can exacerbate feelings of sadness, anger, and anxiety, leading to deeper psychological crises.
- **Impact on Remaining Employees (Survivors):** The negative impact is not limited to those who are terminated. Employees who survive waves of automated layoffs often suffer from a phenomenon known as "survivor anxiety." The realization that they are under constant algorithmic surveillance, that their performance is being evaluated at every moment, and that the decision to terminate them could be made at any time based on an incomprehensible logic, creates a

work environment fraught with fear and job insecurity.

- **Change in Work Culture:** In the long run, an over-reliance on algorithmic management contributes to a shift in work culture towards an environment that focuses exclusively on quantifiable metrics. This shift devalues essential intangible human skills, such as creativity, critical thinking, collaboration, emotional intelligence, and innovative problem-solving, which algorithms cannot easily measure but are vital for the long-term success of any organization.

In this way, companies may fall into a "vicious cycle of inefficiency." They implement AI to address shortcomings and increase productivity, but the negative psychological impact of these tools on the remaining employees can lead to a decline in performance and creativity—the very problems that AI was supposed to solve in the first place.

Section Three: Future Trends and Their Impact on Labor Relations and Labor Law

The phenomenon of AI-driven termination is not static but is in constant evolution, keeping pace with the rapid advancement of technology. Understanding future trends is crucial for anticipating upcoming challenges and opportunities, and for guiding the discussion on how to adapt labor relations and legal frameworks to this new reality.

- **Evolution of AI Towards Greater Autonomy and Personalization:** Projections for 2025 and beyond indicate that AI tools in human resources will become more sophisticated and integrated. Their role will not be limited to analysis but will move towards "Agentic AI," where systems act as independent agents capable of taking initiatives and making decisions without continuous human supervision.

- **The Rise of Explainable AI (XAI) as a Regulatory and Market Necessity:** With growing awareness of the risks of the "black box" and increasing legal and societal pressures, Explainable AI (XAI) is expected to become a fundamental standard, especially in "high-risk" systems like those used in human resources. Companies will be forced to adopt models that can provide clear and logical explanations for their decisions, changing the current dynamic and giving employees a stronger basis for challenging unfair decisions.

- **The Urgent Need for New Models of Labor Relations:** The shift towards algorithmic management necessitates a rethinking of the traditional social contract between employers and employees. It will be necessary to develop new models of social dialogue, where labor unions may play a new role in "negotiating

algorithms" to ensure their fairness and transparency. The importance of establishing clear and binding protocols for human oversight will also come to the fore, as will the emphasis on the responsibility of companies to invest in the retraining and upskilling of employees whose jobs are replaced by automation, rather than simply terminating them.

The future of work in the age of AI will not be determined solely by the capabilities of technology, but by the ethical and legislative choices that society will make. This transformation will either lead to increased efficiency at the expense of human dignity, or it can be directed to build work environments that are more just, productive, and humane at the same time.

Conclusion

This analytical study has reached its conclusion after examining the phenomenon of AI-driven employee termination from its technical, legal, and ethical aspects. By deconstructing the mechanisms of algorithmic management, analyzing corporate motives, examining legislative challenges, and reviewing practical applications, a complex picture emerges of a new reality that is redefining labor relations and their rules.

First: **Findings**

Based on the analysis presented in the three chapters, the following main findings can be drawn:

1. **Automated Termination is Not an Isolated Tool but the Tip of the Iceberg:** It has been shown that the decision to terminate by AI is not just an independent application but the final outcome of an integrated system of "algorithmic management" that monitors, evaluates, and manages the employee throughout their entire employment lifecycle. This means that any approach to this phenomenon must be comprehensive and target the entire system.
2. **The Paradox of Objectivity and Systemic Bias:** Companies seek to achieve objectivity and avoid human biases in termination decisions through AI. However, the analysis has shown that these systems are highly susceptible to "algorithmic bias" resulting from biased training data or unfair design, which can lead to widespread systemic discrimination against certain categories of employees, representing a form of "bias laundering" under the guise of technical objectivity.
3. **A Global Legislative Gap:** There is a clear race between the speed at which companies are adopting these technologies and the slow response of legal frameworks. While the European Union is taking a strict proactive approach, other regions, including the United States and the Kingdom of Saudi Arabia, still rely on

traditional labor laws that are not equipped to handle the complexities of liability and transparency in algorithmic decisions.

4. **Erosion of Fundamental Employee Rights:** In the absence of clear regulation, automated termination leads to the erosion of fundamental employee rights, most importantly the right to transparency (understanding the reason for the decision), the right to accountability (having a responsible human entity), and the right to an effective appeal mechanism. The "black box" nature of these systems makes exercising these rights nearly impossible.

5. **The Dual Impact on the Work Environment:** The negative impact is not limited to terminated employees who suffer from an inhumane termination experience, but also extends to the remaining employees who live in an environment of anxiety, job insecurity, and constant surveillance, which can lead to a long-term decline in morale, creativity, and productivity—the opposite of what companies intended.

Second: Recommendations

In light of the findings, the study offers a set of recommendations directed at the key stakeholders in this field:

1. For Legislators and Policymakers:

- **Update Labor Laws:** It is necessary to review and update national labor laws, including the Saudi Labor Law, to include explicit provisions regulating the use of automated decision systems in hiring, evaluation, and termination. Legal liability must be clearly defined in cases of erroneous or discriminatory decisions.
- **Mandate Transparency and Explainability:** Enact legislation that requires employers to disclose their use of AI systems in critical decisions and obliges them to provide clear and understandable explanations to affected employees about how the decision was made.
- **Establish Specialized Regulatory Bodies:** Consider establishing specialized national bodies or committees responsible for reviewing, auditing, and certifying algorithms used in human resources to ensure their fairness and freedom from bias, similar to what is done in other sectors like pharmaceuticals or aviation.
- **Expand the Scope of Occupational Safety Concepts:** Update the definition of a "safe and healthy workplace" to explicitly include protection from the psychological and social harms resulting from continuous algorithmic surveillance and opaque automated decisions.
- **Support Social Dialogue:** Encourage and facilitate the creation of joint

sectoral committees comprising representatives of labor and management to negotiate standards for the use of AI in the workplace, ensuring that technology serves both parties.

2. For Institutions and Companies:

- **Adopt the Principle of "Meaningful Human Oversight":** Final decisions regarding termination must remain in the hands of responsible human managers. AI should be used as a tool to support decision-making and provide insights, not as a final and independent decision-maker.
- **Develop Internal AI Governance Frameworks:** Establish internal ethics committees with multidisciplinary representation (including legal, HR, and IT departments), appoint specific officials for AI ethics compliance, and create clear and transparent policies on how data and AI are used.[37]
- **Invest in Reskilling and Upskilling:** When using automation and AI to replace certain jobs, companies must assume social responsibility by investing in retraining and upskilling programs for affected employees to help them transition to new roles within or outside the company.
- **Conduct Regular and Independent Bias Audits:** Contract with independent third parties to periodically audit the algorithms used in HR decisions to ensure they are free from direct or indirect biases against protected groups.
- **Provide Psychological Support for Remaining Employees:** Acknowledge the phenomenon of "survivor anxiety" and provide psychological support and necessary resources (such as counseling) for employees who remain after waves of layoffs, while maintaining open and transparent communication channels to build trust.

3. For Technology Developers and Solution Providers:

- **Design for Fairness and Transparency:** The principles of fairness, non-discrimination, and explainability must be integrated into the core of the design and development process of AI systems intended for human resources.
- **Provide Bias Auditing Tools:** Develop and provide user-friendly tools for companies to periodically and continuously test and audit their algorithms to detect and correct any potential biases.
- **Collaborate with Legal and Ethics Experts:** Involve experts in law, sociology, and ethics in development teams to ensure that technological products

consider human, social, and legal dimensions from the earliest design stages.

•**Build Diverse and Inclusive Development Teams:** Ensure that the teams working on developing AI systems reflect the diversity of society to reduce "blind spots" that could lead to unintentional biases in algorithm design.

4. For Labor Unions and Professional Bodies:

•**Build Technical Expertise:** Invest in building the technical capacity of worker representatives to understand the mechanisms of algorithms, enabling them to participate effectively in "negotiating algorithms" and ensuring their fairness.

•**Demand Worker Representation in Technology Governance:** Seek representation on internal AI governance committees in companies and demand the appointment of "AI impact monitors" certified by workers in the workplace.

5. For Academic and Research Institutions:

•**Direct Research Towards Existing Gaps:** Intensify studies addressing the legal and ethical gaps resulting from the use of AI at work and provide practical recommendations for policymakers.[33]

•**Update Educational Curricula:** Integrate AI ethics, digital literacy, and critical thinking skills into academic curricula, especially in law and business schools, to prepare a new generation of professionals capable of handling these challenges.[1]

[1] See: Al-Malki, Khalid. (2024). Civil Liability for the Act of Artificial Intelligence in the Saudi System: An Analytical and Foundational Study. Journal of Fiqh and Legal Research, 47(47), 1765-1826; and People Matters. (2025). In 2025, AI bias persists in HR tech.

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[18] See: IBM. (2024). Algorithmic Bias; Darwin box. (2024). HR Tech Trends 2025; and The AI Incident Database. (n.d.). Incident 111.

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[21] See: Darwinbox. (2024). HR Tech Trends 2025; and The AI Incident Database. (n.d.). Incident 111.

[22] Columbia Law Review. (n.d.). AI in the Workplace: The Dangers of Generative AI in Employment Decisions.

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