Ethical & Legal perspective of HR Analytics: Theoretical review

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Abstract

Human Resource Analytics is becoming one of the most powerful tools in Human Resource Management. The data-driven decision takes over the gut feeling. It can see the pattern behind many hidden details in the HR Data and leverage it for a better insight into the employee's mind. With the growing power also comes responsibilities. The rigorous usage of HR Data to predict the future raises many concerns related to the legal and ethical usage of HR Data. Covid 19 has further pushed HR Department to be more aggressive in utilizing data-based decisions.

Key Words: Human Resource Management, HR Analytics, Ethics, Legal

Purpose and Objectives of the Paper

In this work, an attempt has been made to look into two perspectives of Ethical and Legal aspects of HR Data and usage in HR Analytics. The increasing importance and impact of HR Analytics raise the concern about the ethical and legal purview of the same. The data of the employee for various predictions as well as the data of the candidates applying for a job, need to be managed most ethically and legally. While prediction related to flight rate, employee behavior prediction, leadership, career planning, succession planning, etc., which are integral parts of the human resource department as well as required for the organization, needs many data which may violate the ethical and legal aspects. During the Covid 19 pandemic, HR analytics has been used for many purposes, some of which were not meant to be the goal of HR Analytics. Beyond the legal aspects governed by various acts, progressive mindful organizations should also consider ethical standards.

Introduction

Davenport et al. (2010: 54) have identified six main ways in which HR analytics are currently utilized in practice. These vary in terms of sophistication: (1) human capital facts (the selecting and monitoring key indicators of human capital), (2) analytical HR (identifying what units or individuals in the organizations need the most attention), (3) human-capital investment analysis (what actions can have the best impact on the business), (4) workforce forecasts (knowing when to staff up or cut back), (5) talent value model (to know why employees leave or stay) and (6) talent supply chain (how to adapt business environment changes to the employees).

Some key examples of these different types of HR analytics are listed in the Table below.

Types of HR Analytics	Examples from organizations
Basic human-capital facts	JetBlue: Crewmember net promoter score to analyze engagement and predict financial performance (Davenport et al., 2010).

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Analytical HR	Massachusetts Institute of Technology: Uses electronic "badges" for employees to track their interactions with coworkers in order to identify factors of successful teams and leaders (Castellano, 2014)
Human-capital investment analysis	Sysco: tracking the satisfaction levels of delivery associates to improve their retention rate (Davenport et al., 2010). Google: Analyzing attributes of great managers (Castellano, 2014)
Workforce forecasts	Dow Chemical: predicts future headcounts on the basis of industry trends and makes "what if" scenarios (Davenport et al., 2010).
Talent value model	Google: Analysing factors leading to attrition (Davenport et al., 2010). IBM: Predicting employee's propensity to leave (Gherson, 2015)
Talent supply chain	Retail companies: predict incoming call-center volume to manage employee capacity (Davenport et al., 2010). Superior Energy Services: Strategic workforce analysis when considering opening operations in new locations (Roberts, 2013)

(Adapted from Davenport et al., 2010)

In almost all the different forms of usage of HR Analytics, many data are used to predict. There are both positive and alternative aspects to the usage of data in HR Analytics in reference to ethical and legal issues.

Approach

Regarding ethical considerations of HR Analytics, the most important aspect is data privacy. When we talk about ethics, we are thinking of accepted social norms in behavior. We hear business owners argue that they did nothing wrong from a legal perspective, yet still, people will believe that they did not do the "right thing." Collecting and analyzing employee data without appropriate communication and purpose for collection may cause unease and distrust among employees.

Let us take an example to further elaborate on the same. A salesperson of a services corporation, for example, may want to know which employees have a strong relationship with executives at a client prior to visiting them and who best understands the purpose of the meeting. Using various HR Analytics techniques, an outline of a network of relationships among employees, customers, vendors, and others, identifying subject matter experts can be made using employee data. From the company's perspective, the information is vital but ethical conflicts may arise, say when the analysis identifies sensitive personal relationships that may not have existed on corporate servers in the first place.

Talking of Legal aspects of HR Analytics, various laws govern the same. With the General Data Protection Regulation (GDPR) by European Union, which came into force on 28th May 2018, many questions were answered, and the balance has shifted further towards employees. Under GDPR, an employee has the right to know which data is available to the employer and what it is being used for. PDPA Singapore's data collection act extends beyond Singapore's borders and applies to any company that collects the personal data of its citizens. PIPEDA Canada's personal data protection act is similar to the GDPR in that they both ensure individuals have the right to access data stored about them. ISO 30401:2018 Knowledge management systems provide further guidelines for the usage of knowledge management data.

Conclusion and the way forward:

The approaches to ethical dilemmas would also ideally be documented and controlled organization's data usage policies. In many cases, however, decisions about the appropriateness of analyses are grey, not black and white. Legislation and policies might not cover new technologies like HR Analytics and

applications. In cases where the law is silent, HR analytics professionals must make decisions based on the risk of harm to workers or the firm, for example, asking how it will appear if there is an investigation. This approach has a problem as different people have different interpretations of risk and harm, especially when those evaluating the risk and those likely to experience damage due to the risk are different people.

In order to make sure that HR Analytics is productive and in line with what it is expected to deliver, we must build trust among the employees, and the onus lies on the employers. The following recommendations can be made on the basis of a review of various literature on HR Analytics.

1. In order to establish trust and transparency, it is important to inform your employees of what type of data you are collecting, how you intend to use it, and the sources you will draw from.
2. In this case, procedural fairness, transparency, and communication will be of great importance to ensure employee acceptance and cooperation.
3. Keeping employee data safe is critical. Beyond personal information like names, addresses, banking information, and PF/ESIC-related numbers, all data that you collect on your employees must be encrypted. Employees need to know that you are concerned for their data's safety, and your priority is ensuring their information is secure.
4. Removing personal identifiers from the data will increase employee acceptance of your analysis and further instill trust.
5. Reporting on an aggregate level, whether departmental or across the whole organization, will further emphasize that the analysis aims to capture more significant organizational trends.

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