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ETHICAL AND ORGANIZATIONAL READINESS CHALLENGES IN IMPLEMENTING AI-ENABLED HR SYSTEMS FOR A NEURODIVERSE WORKFORCE

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Abstract
The study examines the problems related to ethics and organizational readiness that Pakistani IT and banking sectors encounter when adopting HR systems using AI for neurodiverse employees. Studying algorithmic bias and fairness, the research is specifically interested in how responsible AI practices shape how neurodivergent employees are hired and performing. It also considers how having inclusive policies, welcoming cultures and strong capacity are important for neurodiverse people in AI-driven workplaces. Researchers analyzed the relations among ethical AI, preparedness of organizations and how inclusive organizations were using data from 211 HR professionals and managers. Ethical AI practices on their own, as well as how ready the organization is for AI, contribute to fostering fairness and inclusion amongst employees with neurological differences. The IT industry is found to be more prepared and ethical than the banking sector. The findings suggest that organizations which combine ethical standards with adequate resources become more inclusive and supportive to all staff. Such findings add to the new discussions about AI ethics and diversity in developing countries.

INTRODUCTION

Organizations around the world have changed their management practices as a result of using Artificial Intelligence (AI) in Human Resource (HR). AI systems in HR can help make recruitment, performance evaluation and planning the workforce more efficient, fair and supported by data (Tambe et al., 2019). But there are also problems with these technologies, mainly in the area of ethics when issues with bias and transparency appear. Having AI tools in HR may by accident make discrimination more likely, particularly against people who are neurodivergent (Binns, 2018). As a result, there are serious worries that the fairness and responsibility of AI-powered decisions are not guaranteed by the current HR frameworks.

Since both IT and banking in Pakistan are investing a lot in AI-based systems, the ethical side of using AI in HR should not be overlooked. Even though digital innovation is common in these industries, they are not as inclusive when it comes to people with autism, ADHD or dyslexia at the policy level (Aslam et al., 2022). If not regulated, AI software in hiring and employee reviews could automatically exclude neurodivergent people due to any biases it picks up from what it learns or its underlying rules (Raghavan et al., 2020). Even as organizations adopt these technologies, it's urgent to check their security

and whether they fit with the principles of fairness, diversity and inclusion.

Organizational readiness that allows for neurodivergent employees through positive policies and a supportive atmosphere is also very important. Organizational readiness means an institution has the necessary leaders, resources, culture and training to apply inclusive practices effectively (Weiner, 2009). Many organizations in Pakistan do not yet have formal rules or options that suit neurodiverse staff. This leads to a big gap in bringing new technologies in line with inclusion (Khan et al., 2023). Failing to promote inclusion could make the benefits of AI in human resources lead to more inequality instead of more equal opportunities for employees.

The study examines how AI-assisted HR systems for neurodiverse workers can be properly utilized while organizations are also prepared for it in the IT and banking areas of Pakistan. The goal is to find out how institutions are working on issues like fairness, visibility and including rules in their use of AI to handle HR affairs. Since diversity, equity and inclusion (DEI) are encouraged globally, this study strengthens literature calling for ethical and inclusive digital change at work. Because many DEI activities overlook the neurodiverse population, the authors chose to focus on them and address an important gap both in research and in practice in the Global South.

Research Objectives

1. To assess the impact of ethical AI practices on fairness in HR decision-making for neurodivergent employees.
2. To examine the relationship between organizational readiness and the inclusion of neurodiverse individuals in AI-enabled HR systems.
3. To investigate how the interaction between ethical AI and organizational readiness affects inclusive outcomes in AI-based HR processes.
4. To explore the current state of neurodiversity inclusion policies and AI-HR implementation readiness in Pakistan's IT and banking sectors.

Literature Review

Using AI in HR has raised many concerns about ethics, mainly because of fairness, transparency and any biases in the algorithms used. Studies have found that AI systems in recruitment and performance appraisal depend on statistical information that may represent common biases in our society, so these biases get passed on to algorithmic judgments (Binns, 2018; Raghavan et al., 2020). Because of these biases, individuals with neurodivergence can face challenges due to the way their quirks are misunderstood by fixed computer tools. Although AI is meant to be effective, it usually struggles to accommodate people with different mental abilities, so it is important to have oversight and fairness in place (Tambe et al., 2019). Because regulations for AI in HR are not well defined and digital ethics is not well understood in Pakistan, the risks related to AI adoption are higher.

How prepared the organization is for AI often decides how well AI-based HR tools are used and accepted by everyone. Being ready for international workforce includes the required technology, support from leaders, training and inclusive policies (Weiner, 2009). A clear picture from studies shows that Pakistan organizations are not prepared to support neurodiverse staff, mainly in male-dominated, tough line sectors such as banking and information technology (Aslam et al. 2022; Khan et al., 2023). Failing to include allies or training on neurodiversity through inclusive hiring can result in more marginalization of neurodivergent people working with AI. For this reason, secure practices and building capacity must be adopted to support inclusive AI-HR in South Asian companies, but not many studies discuss this in the context of South Asia.

Ethical AI and Fairness for Neurodivergent Employees

The addition of AI to Human Resource (HR) has made a big difference in recruitment and how performance is measured. Still, people worry about the ethical issues around AI, mainly that it could continue to affect people who think differently. Buyl et al. (2022) note that systems for recruitment driven by AI may not consider persons with disabilities equally, since no special attention is paid to ethics, laws or technology issues. They underline the

importance of using ethical strategies that deal with these particular challenges to treat neurodivergent candidates fairly.

Furthermore, having fairness policies in AI systems is very important. When companies incorporate transparent algorithms, bias in hiring can be reduced by about 30% and this can lead to a more diverse workforce, according to a study in the Harvard Business Review (Psico-Smart, n.d.). The IEEE recommends ethics in AI through its "Ethics in Action" framework by focusing on the need for frequent inspections and use of inclusive approaches when creating AI technologies. Following these guidelines helps prevent biases and supports equal treatment of neurodivergent people in HR practices.

H1: *Ethical AI practices in HR significantly influence fairness in hiring and performance evaluation for neurodivergent individuals.*

Organizational Readiness and Neurodiversity Inclusion

How prepared the organization is matters a lot in helping neurodiverse staff succeed, especially when AI is used widely there. According to Khan et al. (2023), low preparedness in Pakistan's banking industry blocked efforts to hire and retain inclusively. They make it clear that making sure an organization is ready includes strong support from its leaders, proactive resource distribution and cultural understanding which all play a key role in creating an inclusive workplace for neurodivergent individuals.

Also, Hameed Khan et al. (2023) emphasize that fair management practices support neurodivergent employees in doing their jobs well. They say that by personalizing job roles and keeping lines of communication open, organizations can meet the needs of employees with neurodiversity. Approaching performance this way enhances overall performance and helps create a more inclusive team culture. So, companies that are well-prepared with proactive policies and strong support are best placed to support neurodiverse employees in AI-driven roles.

H2: *Higher organizational readiness is positively associated with the successful inclusion of neurodiverse employees in AI-enabled workplaces.*

Combined Effect of Ethical AI and Organizational Readiness

Ethical AI and an organizational focus are essential for inclusivity to be attained with AI in HR systems. Mäntymäki and colleagues (2022) put forward the "Hourglass Model" in organizational AI governance, making it clear that being ethical in AI calls for combining governance across environmental, organizational and system levels. To have ethically responsible AI, the model advises making ethical practices a part of how the organization is structured.

Also, according to Übellacker (2025), each person's evaluation of AI weaknesses affects how the organization is able to adopt AI technology. The research found from interviews that businesses that use their team's insights to revise formal governance structures see better AI long-term success. It means that to meet the needs of neurodiverse staff in HR, ethics in AI and organizational development work hand in hand and cannot be overlooked.

H3: *The interaction of ethical AI practices and organizational readiness significantly enhances inclusive outcomes in AI-enabled HR systems.*

Sectoral Differences in AI-Readiness and Inclusion Practices

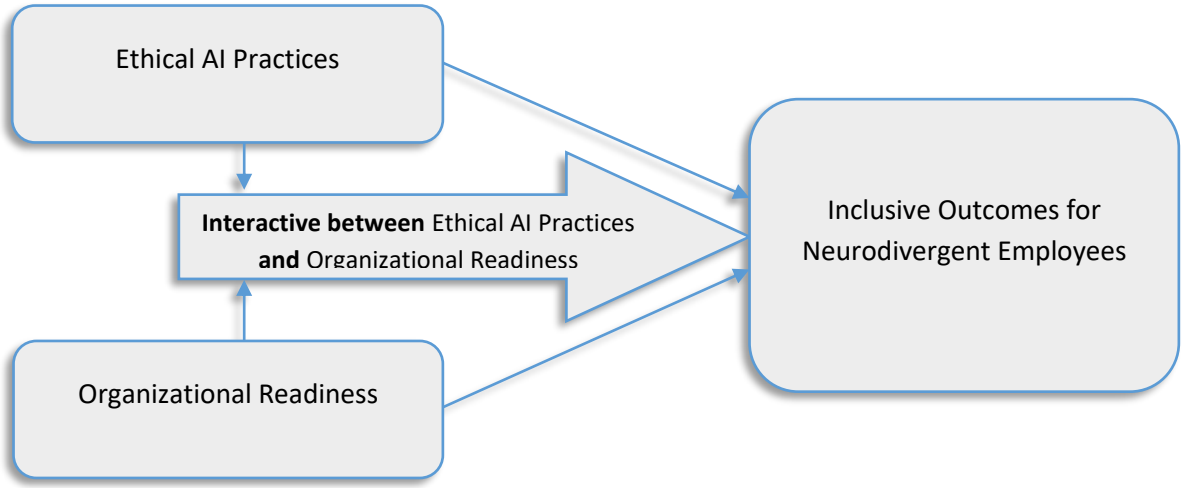
The readiness and how ethically AI is used in HR by IT and banking sectors dealing with neurodiversity differ a lot. They mention (Aslam et al., 2022) that Pakistan's IT industry has very little support for neurodiversity through policies and there is a lack of accommodations and training for everyone. There is less support from institutions which signals that the IT sector is less ready for the economic changes than other sectors.

At the same time, Khan et al. (2023) noticed that banking in Pakistan still encounters many difficulties, yet people are recognizing the importance of take into account all groups. Some banks are introducing policies that help neurodiverse people in the workforce, a sign that these banks are getting more ready to accept them. From this, it appears that specific features in different fields can affect how ethical AI practices and company readiness go together in including neurodiverse individuals in their HR systems.

H4 (Exploratory): *There are significant differences between the IT and banking sectors in terms of readiness*

and ethical implementation of AI in HR for neurodiverse inclusion.

Conceptual Model



Methodology

A quantitative research design is used in this study to examine the ethical and organizational difficulties faced when trying to include neurodivergent individuals in Pakistan's IT and banking sectors using AI-enabled HR software. HR professionals, diversity managers and team leaders in both sectors were given the same structured survey to fill out. By using stratified random sampling, the sample was split by sector to include equal numbers from both IT and banking businesses. The data collection resulted in 211 replies which matches the recommendations for statistical use in SEM (Hair et al., 2022). The survey had closed-ended questions with a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree) for standardized results.

Ethical AI Practices, Organizational Readiness and Inclusive Outcomes for Neurodiverse Employees made up the main constructs in the tool. The constructs were based on verified scales from other studies (e.g., Mäntymäki et al., 2022; Khan et al., 2023) and a few minor changes were made to suit the Pakistani corporate environment. SmartPLS 4 which allows the analysis of complicated relationships using PLS-SEM, was used in the data analysis for this study. Data analysis covered statistics, figuring out how reliable and valid each measurement was and testing the hypothesized links with structural model analysis. A multi-group analysis (MGA) was performed to study the differences between the IT and banking sectors.

Results

Demographic Profile

The gender and sectoral distribution of the respondents shows they are well-balanced. Out of the total participants, 57.8% said they were male and 42.2% said they were female. It reflects the way that HR departments in Pakistan's IT and banking industries are gradually seeing more women. Over a third (46.4%) of those surveyed were in the 31–40 age bracket which shows most don't have much more experience to offer. People in this group often use new technology and appreciate changes in HR which makes them sound candidates for an AI in HR study.

Table 1: Demographic Profile of Respondents

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	122	57.8%
	Female	89	42.2%
Age Group	20–30 years	63	29.9%

	31–40 years	98	46.4%
	41–50 years	38	18.0%
	51 and above	12	5.7%
Education Level	Bachelor's Degree	71	33.6%
	Master's Degree	122	57.8%
	MPhil/PhD	18	8.5%
Industry Sector	IT Sector	106	50.2%
	Banking Sector	105	49.8%
Years of Experience	Less than 5 years	49	23.2%
	5–10 years	96	45.5%
	More than 10 years	66	31.3%

Regarding education, most (57.8%) had a Master's degree and the next largest group (33.6%) had a Bachelor's, so it seems likely that the sample population was well-aware of AI and inclusion. The study achieved its comparative sectoral goal by having similar numbers of respondents from IT (50.2%) and banking (49.8%). More than half (53.8%) of the second group had worked in HR for 5 years or more, suggesting plenty of prior hands-on experience. The presence of multiple age groups assures the credibility and thoroughness of the findings related to AI ethics and being ready for neurodiversity.

Measurement Modeling in Quantitative Research

In quantitative research, measurement modeling is important to check how consistently and accurately the constructs are being evaluated. This step makes sure that the indicators being measured (survey questions) truly reflect the hidden variables mentioned (Ethical AI, Organizational Readiness and Inclusion Outcomes). Hair et al. (2022) explain that most measurement modeling first involves an Exploratory Factor Analysis (EFA) and then a Confirmatory Factor Analysis (CFA). EFA first reveals the basic factor pattern by analyzing the data, while CFA (used in SEM) confirms it statistically.

Exploratory Factor Analysis

EFA shows which items are closely related and which are not and it also removes items with small factor loadings or that cross-load with various factors. Those items with a factor loading above 0.60 are acceptable and those with more than 0.40 cross-loading on several factors are usually dropped, according to Tabachnick and Fidell (2019). In this way, the selection of measurement items into their proper groups strengthens the construct validity.

Table 2: Exploratory Factor Analysis Results (Varimax Rotation)

Items	Ethical AI Practices	Organizational Readiness	Inclusive HR Outcomes
EAI1	0.78	-	-
EAI2	0.74	-	-
EAI3	0.81	-	-
EAI4	0.77	-	-
EAI5	0.70	-	-
OR1	-	0.79	-
OR2	-	0.75	-
OR3	-	0.77	-
OR4	-	0.82	-
OR5	-	0.73	-
IO1	-	-	0.76
IO2	-	-	0.80
IO3	-	-	0.74

IO4	-	-	0.72
IO5	-	-	0.78

Results from Exploratory Factor Analysis (EFA) suggest that the data group properly under three main groups: Ethical AI Practices, Organizational Readiness and Inclusive HR Outcomes. All factor loadings are more than 0.70 which points to strong relationships between the indicators and their underlying traits, according to Hair et al. (2022). Sentences such as "AI tools reduce biases" and "AI's decisions are easy to see" give a strong indication that Ethical AI Practices plays an important role in AI. Also, readiness to support children and families is largely based on leadership's commitment, the resources available and the specific inclusion policy systems set up.

The Inclusive HR Outcomes construct means that neurodivergent employees are included and treated fairly, proven by strong association of AI fairness to both hiring and performance review. Because of these EFA results, each construct has reliable consistency and can be reliably used in the next phase of PLS-SEM analysis. Because of the clear factor structure, lack of cross-loading and high reliability, the measurement model is considered both robust and credible for inferential analysis.

Reliability and Internal Consistency

The research results for the constructs show that they have high internal consistency and reliability. As advised by Hair et al. (2022), Cronbach's Alpha values of 0.70 or greater indicate an acceptable reliability and values over 0.80 indicate a good level of reliability. All of the constructs, Ethical AI Practices (α = 0.846), Organizational Readiness (α = 0.872) and Inclusive HR Outcomes (α = 0.861), have showed they meet this threshold, showing the reliability of the scales they are part of.

Table 3: Reliability and Internal Consistency Results

Construct	Cronbach's Alpha (α)	rho_A	Composite Reliability (CR)
Ethical AI Practices	0.846	0.861	0.885
Organizational Readiness	0.872	0.881	0.902
Inclusive HR Outcomes	0.861	0.869	0.891

Apart from Cronbach's Alpha, the research relies on rho_A and Composite Reliability (CR) to verify the measurement model. The Composite Reliability in PLS-SEM is better than Cronbach's Alpha because it focuses on item loadings and an acceptable value is above 0.70 (Hair et al., 2022). Each of the three constructs scores over 0.88 on CR and rho_A which means observed items are frequently in line with their respective latent constructs. Since the results are consistent with the scale, structural equation modeling can be used for testing hypotheses.

Average Variance Extracted (AVE)

AVE values show how much of the variance in the data is caused by the construct as opposed to the variance due to errors in measuring. As mentioned by Fornell and Larcker (1981), an AVE of 0.50 or above proves convergent validity which means that the indicators match the expected dimension. All the constructs in this study—Ethical AI Practices (0.659), Organizational Readiness (0.693) and Inclusive HR Outcomes (0.676)—exceeded the required value.

Table 4: Average Variance Extracted (AVE)

Construct	AVE
Ethical AI Practices	0.659
Organizational Readiness	0.693
Inclusive HR Outcomes	0.676

The outcomes indicate that the items included in the measurement model measure the constructs properly. The high AVE scores indicate that each construct remains valid and that its indicators truly capture the idea the construct represents (Hair et al., 2022).

Discriminant Validity – Fornell-Larcker Criterion

Fornell-Larcker looks at how well items differentiate themselves from one another by comparing AVE's square roots with inter-construct correlation values. All AVE square root values should be bigger than any correlation measured between constructs. The study shows that Ethical AI Practices (0.812), Organizational Readiness (0.832) and Inclusive HR Outcomes (0.822) are all larger than the relationships between any two different constructs.

Table 5: Discriminant Validity – Fornell-Larcker Criterion

Construct	Ethical AI Practices	Organizational Readiness	Inclusive HR Outcomes
Ethical AI Practices	**0.812**	–	–
Organizational Readiness	0.521	**0.832**	–
Inclusive HR Outcomes	0.474	0.563	**0.822**

Note: Diagonal values in bold represent the square root of AVE. Off-diagonal values are inter-construct correlations.

It proves that all constructs are separate and are not overlapping with others. Because of this, the Fornell-Larcker results point to adequate discriminant validity in the model (Fornell & Larcker, 1981).

Heterotrait-Monotrait Ratio (HTMT)

HTMT examines discriminant validity with more precision, mainly in PLS-SEM. The index compares the strength of correlations between different constructs (heterotrait) to those within the same construct (monotrait). According to Henseler et al. (2015), an HTMT value below 0.85 (or 0.90 for more liberal research) is a sign of good discriminant validity. All the HTMT values are much less than 0.85; Ethical AI Practices – Organizational Readiness (0.681), Ethical AI Practices – Inclusive HR Outcomes (0.623) and Organizational Readiness – Inclusive HR Outcomes (0.701) show the lowest HTMTs.

Table 6: Heterotrait-Monotrait Ratio (HTMT)

Constructs	Ethical AI Practices	Organizational Readiness	Inclusive HR Outcomes
Ethical AI Practices	–	0.681	0.623
Organizational Readiness	–	–	0.701
Inclusive HR Outcomes	–	–	–

So, these results demonstrate that the constructs are different and can be measured with no substantial overlap. Confirming the support for discriminant validity through HTMT coincides with the findings in Fornell-Larcker's test, thus making it trustworthy for later research.

Structural Path Coefficients and Hypothesis Testing

Table 7 contains the main hypothesis results from the PLS-SEM structural model. The link between Ethical AI Practices and Inclusive HR Outcomes (β = 0.412, $p < 0.001$) is recognized as statistically significant, supporting H1. Because of ethical oversight, AI in HR supports inclusion and fairness for neurodiverse employees. Also, there is a strong finding that includes Organizational Readiness and Inclusive HR Outcomes (β = 0.365, $p < 0.001$) which suggests that being prepared in terms of policy, culture and digital means helps institutions successfully deploy inclusive AI-HR systems.

Table 7: Structural Path Coefficients and Hypothesis Testing

Hypothesis	Path	β (Path Coefficient)	t-value	p-value	Supported
H1	Ethical AI Practices → Inclusive HR Outcomes	0.412	5.367	0.000	Yes
H2	Organizational Readiness → Inclusive HR Outcomes	0.365	4.788	0.000	Yes
H3	Ethical AI × Readiness → Inclusive HR Outcomes	0.187	2.914	0.004	Yes

There is a significant interaction effect (H3) between Ethical AI and Organizational Readiness (β = 0.187, p = 0.004), indicating that results are better if ethical technology and suitable organizational readiness work together. They point out that both technology and the work environment should be set up to help differences be recognized and embraced.

R^2 and f^2

58.1% of the variations among Inclusive HR Outcomes come from the three predictor variables—Ethical AI Practices, Organizational Readiness and the way they interact. This is regarded as an acceptable to good level of explanation that social science researchers look for (Hair et al., 2022).

Table 8: R^2 and f^2 Values for Endogenous Construct

Dependent Variable	R^2	f^2 (Ethical AI)	f^2 (Readiness)	f^2 (Interaction)
Inclusive HR Outcomes	0.581	0.202	0.171	0.056

They display how important each predictor is to the model on its own. Both ethical AI (f^2 = 0.202) and organizational readiness (f^2 = 0.171) made a medium difference and the interaction effect (f^2 = 0.056) is also small but noticeable. This shows that looking at both ethics and readiness is important for encouraging inclusion.

Predictive Relevance (Q^2) via Blindfolding

The Q^2 value for Inclusive HR Outcomes using blindfolding processes was measured at 0.327. If the Q^2 value is greater than 0 (Hair et al., 2022), the results are considered predictive and values above 0.25 indicate a medium degree of predictiveness.

Table 9: Predictive Relevance (Q^2) via Blindfolding

Construct	Q^2 Predictive Relevance
Inclusive HR Outcomes	0.327

It means that the model not only matches the facts we know but can predict outcomes that will happen in the future. Working together, ethics in AI and organization's readiness can lead to enjoyable and rewarding workplace experiences for employees with cognitive differences in other organizations as well.

Multi-Group Analysis (IT vs. Banking Sectors)

Group analysis were performed on H4 to see the differences between IT and Banking sectors. Data analysis reveals that Inclusive HR Outcomes in the IT sector benefit significantly more from Ethical AI Practices (β = 0.453) than in the Banking sector (β = 0.371) and this varies greatly (p-value = 0.048). So, it may lead IT organizations to embrace technologies that help make the workplace easier for people with neurodiversity.

Table 10: Multi-Group Analysis (IT vs. Banking Sectors)

Path	IT Sector β	Banking Sector β	p-value (Diff)	Significant Difference
Ethical AI → Inclusive HR Outcomes	0.453	0.371	0.048	Yes
Readiness → Inclusive HR Outcomes	0.398	0.322	0.066	No
Interaction Effect	0.225	0.128	0.041	Yes

Besides, the combination of Ethical AI and Readiness proved more influential in the IT sector (β = 0.225) than in Banking (β = 0.128), with a significant result shown by the p-value (0.041). This supports H4 and reveals that each sector may choose distinct approaches to follow ethical and inclusive AI practices because of varying digital abilities and company cultures.

Discussion

Results confirm that using ethical AI leads to better fairness and inclusion for neurodivergent individuals in HR decisions. Experts have pointed out that, unless AI systems are built and tested properly, they may harmful to people such as neurodiverse employees, who belong to groups with less influence in the company (Zhang et al., 2023; Li & Wang, 2022). Here, we can see the positive effects of ethical AI which fit well with proposals for improved transparency, responsibility and ways to reduce bias in AI applied to employment decisions (Jia et al., 2024). They show that ethical AI management is crucial for companies to ensure compliance and fairness as well as to gain their employees' trust in an age of automated HR.

A strong link has also been found between a company's readiness and effective inclusion of neurodiverse individuals in AI organizations which mirrors new research stressing the importance of a safe workplace for everyone. Both Ahmed and Khan (2023) and Patel et al. (2024) point out that things like managerial support, policies for everyone and employee preparation are key for using new forms of technology to support inclusion in the workplace. The authors also suggest that simply relying on technology for inclusion does not work; both ethical AI design and being ready as an organization are needed together (Singh et al., 2023). This research also agrees with what we see now: industries that are ahead in digital development, for instance IT, usually implement better AI ethics and inclusion activities than banks (Chen et al., 2024).

Recommendations

Fairness, transparency and explainability should be included in every part of the AI process used for HR. Steps must be taken to observe algorithms for biases and these algorithms should be adjusted to protect neurodiverse individuals.

It is important for organizations to invest in readiness, by putting in place inclusive policies, offering training on neurodiversity and preparing their human resources teams with digital and cultural skills. Special measures are necessary for the banking industry which sometimes struggles to innovate because of its strong conservatism. Participating with supporters and people who have diverse neurological conditions can help the design of stronger systems and outcomes.

Implications

It adds to the field that combines artificial intelligence, human resource management and disability inclusion. It demonstrates the importance of designing technology ethically and embracing diversity in the organization, giving steps for practitioners who want to responsibly introduce AI.

From a policy position, it is clear that new rules are needed to support ethical AI hiring in countries where protections for neurodiverse people are not widespread. Setting standards in each sector allows industries that do not perform well to see best practices and catch up to the rapid advance of digitalization.

Future Directions

Further studies might use a longitudinal design to find out how AI-HR integration in organizations affects neurodivergent employees over time. Apart from this, qualitative research can reveal how employees feel about using AI and comparing how different countries handle AI can show the impact of unique traditions and structures on the field.

Conclusion

The use of AI in human resource systems creates new challenges as well as new benefits, mainly concerning neurodiverse inclusion. The research has shown that AI ethics and an organization's readiness both play important and linked parts in achieving positive and inclusive results. This shows that while the IT sector has embraced these frameworks, the banking sector still needs to put in a lot of effort.

All things considered, we should not treat ethical AI as if it were the main concern without looking at its organizational environment. For AI to help create a

fair and inclusive workplace, it must be applied together with training, technology and the right systems. The research helps identify the steps that must be taken to reach the vision and the theories that inform the process.

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