



Prepare Now:  
**2023 Ethical AI  
Laws in HR**

How to prepare your business



Reejig



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## Introduction

# Did you know that from **January 1, 2023**, your HR AI will need to be independently audited for bias by law?

If you haven't heard this news, or you don't know what exactly 'Ethical AI' is and how AI is even deemed ethical, we have you covered.

This news will come as a surprise to many people leaders who use AI to automate or innovate their hiring and talent management processes. After all, many vendors will already have claimed that their AI is 'ethical'.

Currently, there are no consistent and universally applicable standards for Ethical AI. That means vendors across all industries can call their technology 'ethical' based on a self-assessment, without the input of legal, ethical, or global regulatory experts.

But the growing examination of the impacts of AI, how machine learning processes are built, and what algorithms they learn on, has led many governments and lawmakers to call for official regulations to be put in place. These regulations will ensure HR AI vendors are independently audited and held accountable, giving you confidence in your talent decision-making support.

We'll dive into exactly what the new legislation is, what it means for you and the risks of not using independently audited AI, what you need to be asking your HR vendors, and Reejig's position as a vendor with the world's first independently audited Ethical Talent AI.



Let's get into it →



## What's the new legislation?

### NYC Local Law 144

Under Local Law 144, after January 1 2023 employers may only use automated decision-making tools for employment or promotion decisions relating to individuals in New York City that have been subject to an independent bias audit within the last 12 months prior to its use.

This new legislation is one of the first examples we've seen in the world of an actual jurisdiction requiring algorithmic and entirely independent audits on tools used by organizations for employment decisions — and for those results to be made public.

The rise in regulations around AI that create liability for both the vendor and the user is new, but it's growing. Recent regulation proposals are being put in place not just in the US with Local Law 144 and the recent [Blueprint](#) for an AI Bill of Rights, but across Europe. [The EU Commission has proposed multiple regulations](#) including the [EU AI Act](#) around how AI systems can be used, and who has the burden of proof on how they are used.

So what does this new regulation mean for you as an organizational leader?

# What does the legislation mean for your business?

Local Law 144 doesn't just affect the HR AI vendors who will now be legally required to undergo an independent bias audit, it places the burden of responsibility on the organizations who use these software programs.

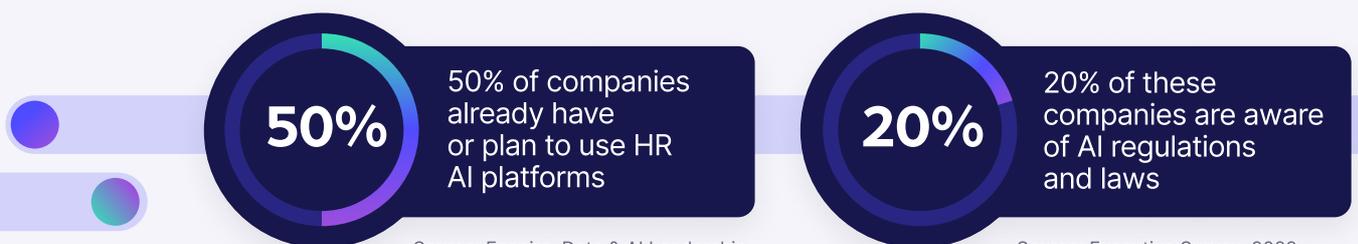
## Under the new legislation employers must:

- Publicly make available a summary of the results of the most recent bias audit of their vendor on their website
- Ensure they are using a vendor who has undergone an independent audit within the last 12 months at all times
- Give every candidate, both internal and external, at least 10 business days' notice prior to being subject to the tool or software
- Give candidates the option to opt-out or require an alternative selection process at any time
- List the job qualifications and characteristics that are used by the tool to make its assessment
- List the sources and types of data used by the tool, as well as their data retention policy, publicly

Often, organizations are under the impression that their AI vendors are already 'ethical' or eliminating/reducing bias in their decision-making support, without any evidence.

In fact, while an [estimated 50% of companies in the US](#) either already have or plan to introduce HR AI platforms to their business, only 20% of these companies are aware that regulations like Local Law 144 are being put in place.

This leaves a large gap of knowledge that could have real-world consequences on your organization if you're not completely aware of your vendors' audit stance, and publicly complying with the organizational responsibilities by January 1st.



Source: Enspira, Data & AI Leadership

Source: Executive Survey, 2022



# What is the penalty if your HR AI vendor isn't ethical?

If your HR AI vendor has not undergone an independent audit by January 1, 2023, the implications on your organization could be significant.

Local Law 144 has established civil penalties for organizations using AI vendors that have not undergone an independent audit, and these penalties range from \$375-\$1500 per violation.

The violations relate to the responsibilities of employers we just discussed, and aren't just one-off penalties either.

### Your penalties if your AI vendor is not compliant with the new legislation:

- Each day that an employer uses an automated employment decision tool in violation of the law counts as a separate violation
- Failure to provide notice to a candidate, internal or external, constitutes an additional daily violation
- Failure to make information about or AI vendor's bias audit status, selection process, and data used constitutes an additional violation.

And just how big are these penalties?

Fines for first-time violations start at \$375 per violation, and additional violations start at \$1350 and go up.

These penalties, often adding up every single day that you don't comply as an employer, can cost your organization significantly.

**\$375**  
per first-time  
violation

**\$1350+**  
per additional  
violation



## What should you be asking your HR vendors now?

Now is the time to be evaluating your HR AI vendors on their compliance with the new legislation before it's too late. Without understanding clearly where your vendors sit, you could be setting your business up for multiple harsh penalties come 2023.

This is also the time to understand your vendors' stance on ethical AI, and ethical decision-making support when it comes to employment decisions.

**Before the new legislation comes into effect, ask your HR vendors the following:**

- Have you undergone an independent bias audit?
- If so, when was it done, and do you have plans to have it re-done annually?
- What proof or publicly available information can you provide on your most recent bias audit?
- What data sources do you collect your talent information from?
- What personal characteristics and job information do you collect? How do you use it to inform your selection process?
- How is your AI and machine learning built to reduce bias and provide ethical decision-making support?
- How are you regulating your AI and reviewing its selection process in relation to ethical standards and bias reduction?

**Ethical Talent AI**  
Independently  
Audited



# What is Reejig's position on the legislation?



## We have led the way in AI ethics from day one

Reejig has proudly pioneered the way for independent audits and ethical decision-making support. We have always taken an unwavering stance on the ethical development and deployment of our AI, which is exactly why in 2020, we engaged University of Technology Sydney to conduct an independent audit on our Talent AI.

This audit not only meant Reejig now has the world's first independently audited Ethical Talent AI, but it set a new benchmark in trust and ethics for our industry.

This audit alone included cross-faculty collaboration with assessments from data science, business, law, and social justice departments, reflecting that ethics in AI is no longer just a data science issue. This innovation was recognized by the World Economic Forum, who in 2022, named Reejig as a Technology Pioneer for our innovation in developing the world's first independently audited Ethical Talent AI and our mission toward Zero Wasted Potential.

### → A new independent audit of Reejig is already underway

Reejig has partnered with the University of Technology Sydney to conduct a second independent audit in 2022 leveraging the framework and learnings from our previous audit and acting in compliance with the new NYC legislation, to remain a pioneer in the Ethical AI space.

In order to ensure that this audit passes international standards and is aligned with global trends, UTS has engaged an ethical advisory board made up of international experts on privacy and AI from top tier institutions and across multiple jurisdictions including US, UK, Australia and Europe.

Reejig proudly continues to lead the way in helping organizations achieve compliance in relation to global regulations and laws as well as providing decision-making support that is grounded in fairness, transparency, accountability, privacy, and security.



A key barrier to the adoption of AI, and thus its potential to do good, has been lifted. This is significant for organizations who want to do the right things and minimize risk to their customers, their stakeholders, and their reputation.



**Mark Caine**

AI and Machine Learning Lead, World Economic Forum



# The future of workforce AI will unlock Zero Wasted Potential

There's a global movement by regulators to demand more accountability and more explainability from AI-based tools, especially those operating in areas that come with a higher risk of bias like human resources.

The upcoming NYC legislation is just the start of a growing number of regulations that give organizations the opportunity to review the HR AI vendors they're using and the efforts they are going to eliminate bias in employment decisions.

This is no longer an 'ideal' — it's a must that comes with real consequences for organizations who do not have independently audited vendors onboard.

We're committed to using artificial intelligence for good. That's why, in partnership with University of Technology Sydney, we developed the world's first independently audited Ethical Talent AI certification, setting a new benchmark in trust and ethics for our industry. Our algorithms are compliant with global regulations on equal opportunity, anti-discrimination, and human rights so you can trust you're making good and fair decisions for your people.

These good and fair decisions don't just help you remain compliant, they serve to make people feel seen, feel heard, and avoid wasted potential by placing skills, experience, and future potential at the forefront of every employment decision.

It's what we at Reejig call **Zero Wasted Potential**.

**Diversity Boost**

**Upskilling Boost**

Signals

- All
- Veteran
- Security
- Work anywhere
- First Nation
- Mobile
- Silver medalist

**ZERO WASTED POTENTIAL**



# About Reejig

Reejig is a leading workforce intelligence platform that enables large scale organizations to find, retain, mobilize, and upskill talent at scale. Powered by the world's first independently audited Ethical Talent AI, Reejig acts as your central nervous system for all talent decisions, helping you create a world with Zero Wasted Potential.

Manage your workforce inline with global regulations and make good and fair talent decisions with the world's first independently audited Ethical Talent AI.

[Book a demo](#)



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This document is an overview and does not provide legal advice. The information presented may not take into account future changes in the law and regulations. We encourage you to consult with your own legal counsel to familiarize yourself with the requirements that govern your specific situation.

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