

Guide to the *European Union* *AI Act* and Its Impact on Talent Acquisition

A simple and straightforward guide to what TA professionals need to know about the EU's new AI legislation

SmartRecruiters

Introduction

The AI revolution is here

Over the past decade, AI has quietly integrated into our daily lives, from social media algorithms to service chatbots. However, the release of ChatGPT in 2022 amplified AI's presence overall, turning it into a force that could no longer be overlooked. With AI's transformative potential capturing the attention of every industry, the European Parliament introduced the AI Act to regulate its development and use within the European Union (EU). As the first comprehensive framework of its kind, this legislation is poised to serve as a model for other regions around the world. For talent acquisition (TA) teams, understanding this new law is essential, as it will shape the responsible and effective use of AI in recruitment.

“AI has an active presence in your employee’s day-to-day whether we are ready or not.

TA has the opportunity to not only adapt but lead the way by showing the world how AI can create real value for both businesses and talent.”



Rebecca Carr
CEO
SmartRecruiters

\$15.7
trillion

AI's contribution to the
global economy by
2030¹

40%

of businesses plan
to increase investment
in AI overall²

9 out of 10

organizations support
AI for a competitive
advantage³

¹ PWC

² McKinsey: The State of AI in 2023

³ MIT Sloan Research Report

10 Things You'll Learn About the EU AI Act

This document covers the need-to-know information that'll help you understand and prepare for the EU AI Act.

- 1 Purpose of the AI Act
- 2 Timeline of the AI Act
- 3 Why business leaders want to invest in AI
- 4 How TA can benefit from AI
- 5 Examples of AI Systems in TA
- 6 Risk Categories for AI Act
- 7 Roles in the AI Act
- 8 High-level compliance requirements
- 9 Top 4 Priorities for TA in Preparing for the EU ACT
- 10 Penalties for Non-Compliance

How to use this guide

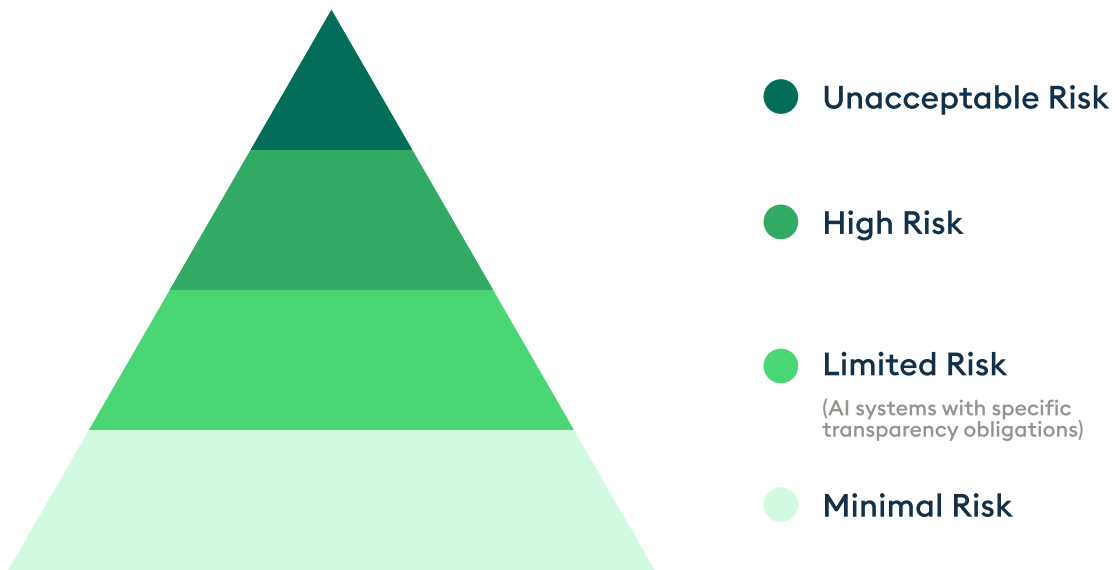
This guide is meant to educate you on the key points of the EU's AI Act. You can use this guide to create your foundation of knowledge and start conversations with your team.

This guide should not be taken as legal advice.

EU AI Act Basics

? What is the EU AI Act?

The AI Act, published in the [Official Journal of the European Union](#) on July 12, 2024, governs the application and development of AI within the European Union by defining four categories of risk with associated rules.



? What is the *purpose* of the EU AI Act?

The main purpose of the AI Act is to allow people and organizations to take advantage of the transformative potential of AI while protecting the public against potential risks like bias or privacy breaches, especially in high-impact scenarios like applying for a loan or a job.

? What is the *timeline* for the EU AI Act?

After the AI Act went into effect on August 1st, 2024, the majority of requirements will be introduced in 2 years on August 2nd, 2026 with the exception of the provisions listed below.⁴

- **February 2nd, 2025**
The prohibited AI systems definitions, and provisions related to AI literacy.
- **August 2nd, 2025**
Obligations for general-purpose AI models.
- **August 2nd, 2026**
Obligations for employment high-risk AI systems & other defined in Annex III of the Act.

⁴[Implementation Timeline](#)

AI in Talent Acquisition

Why should business leaders consider investing in AI?

With the implementation of the AI Act, organizations may find themselves questioning whether now is the right time to invest in AI. Here are a few reasons why the investment is not only worth it but essential to success overall:

→ **Increasing adoption of AI tools**

The rapid adoption of AI technology is becoming essential for businesses that want to remain competitive in the global market. With **77% of consumers already using AI-powered services or devices⁵** and **72% of companies already using AI** in at least one function,⁶ the demand for intelligent systems is steadily increasing.

→ **Competitive advantage**

Companies that fail to integrate AI into their operations risk falling behind as their competitors leverage the technology for better decision-making, enhanced automation, and improved customer experiences. In fact, **9 out of 10 organizations recognize AI as a critical tool for gaining a competitive advantage⁷**, demonstrating the urgency for companies to invest in this rapidly growing field.

→ **Economic impact**

AI's economic impact is also undeniable, with projections estimating it will contribute **\$15.7 trillion** to the global economy by 2030.⁸ This growth is further driven by the AI market's steady expansion, **expected to grow at least 120% annually, and a 33% year-over-year increase specifically in 2024.**

→ **Reskilling for AI**

Moreover, AI's impact on the job market underscores the need for companies to adapt. While AI could potentially eliminate 85 million jobs by 2025, it is projected to create 97 million new ones, leading to **a net gain of 12 million jobs.**⁹ This shift emphasizes the importance of reskilling and embracing AI-driven roles.

→ **AI investments will continue**

With 40% of organizations planning to increase investment in AI overall,¹⁰ **businesses that prioritize AI integration will not only remain competitive but also contribute to job creation and economic growth**, positioning themselves as leaders in the digital age.

⁵ Adobe Cloud Experience

⁶ McKinsey: The State of AI in Early 2024

⁷ MIT Sloan Research Report

⁸ PWC

⁹ World Economic Forum

¹⁰ McKinsey: The State of AI in 2023

? What can TA specifically gain from using AI?

“Finding a job will always be personal - for the candidate and the hiring manager. **AI offers us an opportunity** to eliminate the mundane tasks that drag down the hiring process and instead **focus recruiting teams** on talent strategy, connecting with prospective candidates, and selecting the right people for your business - ultimately **humanizing** an experience that today feels cold.”



Rebecca Carr
CEO
SmartRecruiters

In today's fast-paced recruitment environment, success relies on streamlining operations, gaining valuable insights, and keeping candidates engaged throughout the process. By leveraging automation and data-driven strategies, organizations can enhance productivity, optimize hiring decisions, and boost the experience for both recruiters, hiring managers, and candidates.

Benefits of AI for talent acquisition

ENGAGEMENT

Nurture candidates with tailored communications, 24/7 availability, and automated updates.

PRODUCTIVITY

Automate repetitive, administrative tasks so your recruiters can focus on strategic topics.

INSIGHTS

Understand your hiring trends and impact to optimize the process and predict future needs.

Examples of AI in the Recruiting Process

The potential applications of AI in the recruiting process are vast, but we're already seeing key areas where investment can significantly enhance both ROI and the experience for recruiters and candidates.



Source

- Search talent pools
- Segment talent pools
- Create nurture campaigns
- Optimize career site SEO and searchability

Market

- Write job ads and review ads for bias
- Target ads
- Optimize ad spend
- Personalize career site experiences



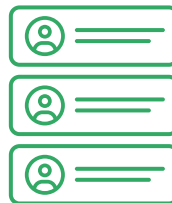
Collaborate

- Engage hiring team members
- Create interview questions
- Update candidates on their application status
- Communicate with candidates



Select

- Screen candidates
- Schedule interviews
- Conduct and/or summarize interviews
- Rank or score candidate fit/performance



Hire

- Draft offer letters and associated candidate communications
- Create contracts
- Develop onboarding programs



Analyze

- Review processes for inefficiencies or overspend
- Predict hiring needs
- Test for bias within processes



A Deeper Look Into the AI Act

By having defined risk levels and associated rules for both the application and development of AI, the European Parliament hopes to create an environment where organizations can take advantage of the transformative potential of this technology with positive overall outcomes.

Risk classification in AI Act & TA examples

Risk Level	Definition	Examples in TA
Unacceptable Risk	AI applications that are considered a threat to people. <i>These applications will not be allowed under the EU's AI Act.</i>	<ul style="list-style-type: none"> • Sorting, classifying, or building a database of candidates based on behavior, socioeconomic status, or personal characteristics such as ethnicity or religion • Biometric identification or categorization of candidates
High Risk	AI applications that can negatively impact safety or fundamental rights. <i>Subject to certain regulations and requirements under the EU's AI Act</i>	<ul style="list-style-type: none"> • Candidate selection and evaluation • Application analysis and filtering • Job ad targeting
Limited Risk	AI applications that pose a risk of manipulation or lack of transparency. <i>Subject to certain regulations and requirements under the EU's AI Act.</i>	<ul style="list-style-type: none"> • Using chatbots to communicate with candidates • Using AI to draft and send email campaigns to candidates
Minimal Risk	AI applications that pose essentially no safety or security downsides.	<ul style="list-style-type: none"> • Using generative AI to create job descriptions • Using AI to send your internal team task reminders

Roles in the AI Act

Get to know the roles outlined in the EU's AI Act with these simplified definitions. ¹¹

→ **Provider**

A person or organization who develops and offers an AI product on the market.

→ **Importer**

A person or organization that makes an AI product from outside the EU available on the EU market.

→ **Deployer**

A person or organization who uses an AI system in a professional capacity.

→ **Authorized representative**

A person or organization who has been made responsible for carrying out obligations and procedures established by the AI Act on behalf of the Provider.

→ **Distributor**

A person or organization (besides the provider or importer) in the supply chain that makes an AI product available on the market.

→ **Product Manufacturer**

A person or organization who offers on the market an AI system through their own product.

Further terms to know

→ **AI systems**

These are specific applications of artificial intelligence designed for particular tasks or functions, categorized by risk level under the EU AI Act. This part of the Act is more concerning 'traditional' machine learning-based products.

→ **General Purpose AI Models (GPAIs)**

These are versatile AI technologies that can be adapted for various applications across multiple domains. This part of the Act concerns LLMs and products based on these technologies. **The risk pyramid does not concern GPAIs.**

Notes about GPAIs

A GPAI model does not equal a GPAI system. A GPAI system is the user interface that allows us to use the AI model. For example: ChatGPT is a GPAI system and GPT-4 is the GPAI model. You can't use the model without the system.

A useful analogy

A Ferrari is the **GPAI system**, and its motor is the **GPAI model**.

Understand how the Act articulates:

- The Act concerns each AI system: GPAI systems and AI systems.
- Per each system, the roles can change, implying different requirements.
- For example, if a TA team is using an LLM-powered chatbot and developing a scoring AI system and selling it to other companies, then the TA Team will likely be a **deployer of the GPAI system and provider of a High-Risk AI System**.

Compliance and risk

→ High-level compliance requirements for AI in TA

While AI can feel like a complicated and mysterious technology, the basics of compliance with the AI Act are actually quite simple. Below you will find an easy-to-understand overview of the four main categories of obligations laid out in the EU AI Act.

Transparency and explainability obligations

Clearly disclose when users are interacting with AI systems, provide understandable explanations of the AI's decision-making processes, and ensure that these systems' operations are transparent to regulators and affected individuals.

Non-discrimination and fairness in AI-driven recruitment decisions

Uphold principles of non-discrimination and fairness, ensuring that algorithms do not introduce or perpetuate biases based on protected characteristics such as gender, race, or age, and that decisions are transparent, explainable, and subject to human oversight.

Data privacy and protection measures

Comply with GDPR standards, ensuring data minimization, transparency, and secure handling of personal data, while also providing safeguards to protect individuals' rights and prevent misuse of sensitive information.

Human oversight and accountability provisions

Ensure that AI systems, especially high-risk ones, are monitored by qualified individuals who can intervene when necessary, and that clear responsibility is assigned to both developers and users for any potential harm or non-compliance arising from the AI's operations.

*Please note that the above is a high-level intro to the AI Act and not an exhaustive list of all requirements.

Sound familiar?

Veterans of GDPR implementation will find many similarities with the basic tenets of the AI Act.

→ **Top 4 Priorities for TA in Preparing for the EU ACT**

There are many obligations and requirements outlined in the EU Act and every organization will have to review these and tailor a plan best suited to their unique needs. To get started, we've outlined the 4 basic actions that your team will likely need to take in preparation for this new legislation.

1 Conduct impact assessments for AI systems

There are many obligations and requirements outlined in the EU Act and every organization will have to review these and tailor a plan best suited to their unique needs. To get started, we've outlined the 4 basic actions that your team will likely need to take in preparation for this new legislation.

2 Ensure transparency and communication with candidates

Ensure that your candidates are informed about how and when AI is used in your recruitment/HR processes.

3 Perform regular audits and updates to AI systems

Make maintenance a priority with regular check-ins for compliance auditing and AI system updates. This will help you stay compliant and make sure your AI is working towards your organization's goals.

4 Provide training and education for TA and HR teams

Many workers are new to using AI and may be unfamiliar with best practices and benefits. Ensure your team is getting the most from AI systems and using them correctly with comprehensive training.

AI is closely related to GDPR as it is (almost) always processing personal data. ***The key is to execute the priorities of the AI Act while taking care to respect GDPR.***

→ 6 Questions You Should Ask Your HR Tech AI Vendors

TA and HR functions will be working closely with AI vendors to ensure the obligations of the EU AI Act are satisfied. Here are some important questions to get the conversation with your providers:

1

What measures like system audits do you have in place to ensure that your AI system is free from biases that could lead to discrimination in recruitment?

2

How does your AI system ensure transparency in its decision-making processes, and what information can it provide to candidates about its evaluations?

3

What human oversight mechanisms are integrated into your AI recruitment tool, and how can recruiters intervene in the decision-making process?

4

Can you explain how your AI system complies with data privacy obligations under GDPR, particularly concerning candidate data collection and storage?

5

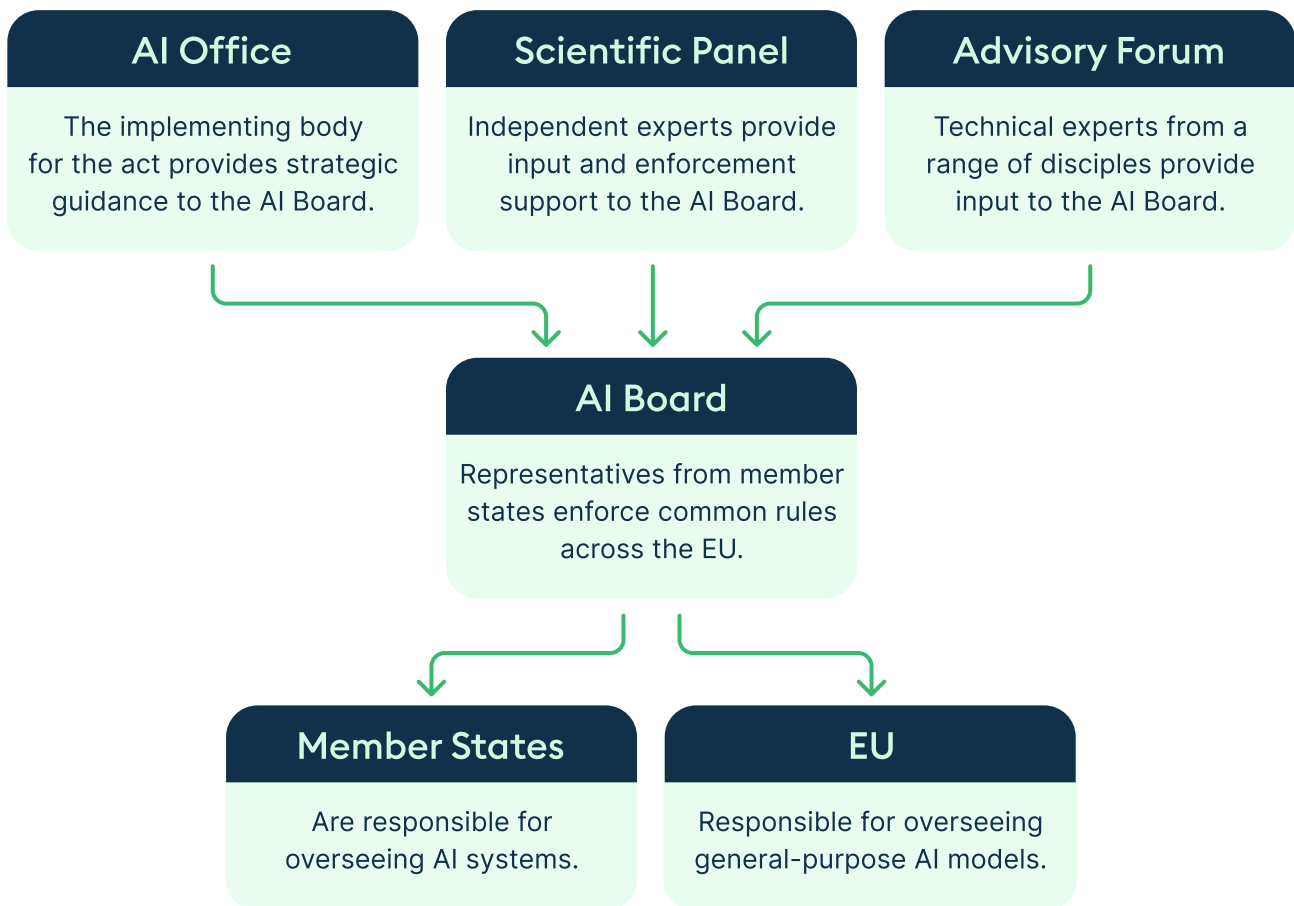
What protocols do you have for auditing and monitoring the performance of your AI system to ensure ongoing compliance with the EU AI Act?

6

What training or resources do you provide to recruiters to help them effectively use your AI system while maintaining ethical standards?

→ How is the EU AI Act Regulated and Enforced?

The AI Act creates a comprehensive framework for governing AI across the EU, blending regulatory oversight with expert guidance to ensure harmonized and informed decision-making at both national and European levels.¹²



Penalties for non-compliance

Penalties may vary depending on the member state but the penalty for non-compliance on prohibited practices of the EU AI Act would likely be up to €35m or 7% of the total worldwide annual turnover of the preceding financial year.

EU agencies are subject to the same rules and fines and will be overseen by the European Data Protection Supervisory.

¹² European Commission: Artificial Intelligence – Questions and Answers and Artificial intelligence (AI) act: Council gives final green light to the first worldwide rules on AI

Key Takeaways

New legislation can be intimidating, but with proper planning and prioritization, TA teams will find compliance easily attainable. You may even find that the EU AI Act opens up exciting conversations about the potential benefits of using AI and recruiting. Overall, this Act paves the way for fair and responsible use of AI in recruitment, putting a spotlight on transparency, fairness, and accountability.

By embracing the guidelines laid out by the EU, recruiting professionals can create a more inclusive hiring process that respects candidates' rights and celebrates diversity. As you navigate this ever-evolving landscape of AI, staying informed and compliant will empower you to harness these technologies in a way that benefits both your organizations and the talented individuals you seek to hire!

Summary



Transparency, data privacy, and explainability are at the heart of the AI Act.



Finding AI providers you can partner with and trust is key to compliance.



AI has the potential to make TA/Recruiting more efficient, fair, and engaging.

Further Reading

- [The Impact of the EU AI Act on Talent Acquisition: An Expert's Perspective](#)
- [EU AI Act: first regulation on artificial intelligence](#)
- [European Commission: Artificial Intelligence – Questions and Answers*](#)


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About SmartRecruiters

SmartRecruiters powers Superhuman Hiring™ by freeing talent acquisition teams from legacy applicant tracking software, and equipping them with next-gen AI functionality. SmartRecruiters' platform serves as the hiring operating system for 4,000 customers, including Bosch, LinkedIn, and Visa. Companies with business-critical hiring needs turn to SmartRecruiters for best-of-breed functionality, world-class support, and a robust ecosystem of third-party applications and service providers.

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