TPM Vol. 32, No. S9, 2025
ISSN: 1972-6325
https://www.tpmap.org/

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ARTIFICIAL INTELLIGENCE (AI) IN EMPLOYEE PERFORMANCE EVALUATION: A THEMATIC REVIEW

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Abstract:
The integration of Artificial Intelligence (AI) into employee performance assessment systems is becoming more common and the benefits such as enhanced objectivity, precision in analysis, and faster processing will be the case of comparison with the traditional appraisal methods. Even though the benefits of AI-driven evaluations have been highlighted by previous studies, the very concerns around fairness, transparency, and psychological trust are among the reasons leading to an uncritical adoption of AI. The current empirical and conceptual literature on AI-enabled employee performance evaluation is compiled through this thematic review which is aimed at identifying the dominant themes and the unresolved issues. The analytical accuracy and decision support, the ethical and fairness concerns, the adoption dynamics and organizational resistance, and the contextual variabilities across sectors are the four key themes that emerge from the review. The review critically states that AI-powered performance evaluation is a socio-technical system that disrupts power relations, accountability, and perceptions of organizational justice. Finally, the paper suggests enhancing theory and practice by outlining implications and pointing out future research in applied psychology and management.
Keywords: Artificial intelligence, employee performance evaluation, organizational justice, human resource analytics, thematic review

INTRODUCTION:

The evaluation of employee performance is a pivotal factor in every organization's decision-making process and it directly impacts the outcomes of employees' promotion, salary, training, and retention. However, the traditional process of performance appraisal still suffers from subjectivity, inconsistency, and rater bias, which are the reasons why it has been criticized over the years (Gupta & Tembhurnekar, 2024). The presence of cognitive distortions like the halo effect, leniency bias, and recency bias makes it hard to trust human evaluations and many employees might even find the process unfair and disengaging.

The recent developments in Artificial Intelligence (AI) have unwrapped a whole new range of options for performance evaluation redo. AI-based solutions are making use of cutting-edge technologies like machine learning, predictive analytics and data amalgamation on a large scale to provide the continuous evaluation of the employees' performance instead of the episodic one (Swati et al., 2025). The evaluation can be made by these systems from the very large number of data sources—like outputs of the task, indicators of behavior, patterns of collaboration, and metrics of learning—so that the performance insights can be very thorough. The supporters claim that AI-driven evaluation is more objective, less biased, and better for the making of managerial decisions based on the fact that they are more informed (IJRISS, 2025).

On the other hand, the increasing application of AI in performance evaluation brings along with it a range of complex ethical and psychological issues. There are various ethics-related issues like algorithmic bias, lack of transparency, the issue of employee being under surveillance and the problem of trust that all are to some degree over the assumption that AI is or is not a neutral or an inherently fair evaluator at all (Ovais et al., 2025). A viewpoint from the applied psychology field says that the performance evaluation is not only a technical issue but also a social one that has an impact on motivation, one's identity and the perception of justice in the organization.

This thematic review, therefore, intends to put forward a critical evaluation of the literature on AI in employee

performance evaluation weighing the technological promise against the ethical and organizational risk.

METHODOLOGY:

This review employs a qualitative thematic review methodology to synthesize existing research on AI-based employee performance evaluation. Peer-reviewed journal articles and conference papers were selected based on their relevance to AI applications in performance appraisal, ethical considerations, adoption challenges, and organizational or employee-level outcomes. The selected studies are shown in Table-1.

Author(s) & Year	Study Context / Sector	AI Application in Performance Evaluation	Analytical Accuracy & Decision Support	Ethical, Fairness & Trust Implications	Adoption Dynamics & Organizational Response	Contextual / Sector-Specific Insights
Swati et al. (2025)	General organizational settings	AI-driven performance appraisal systems	Improved consistency and real-time decision support	Concerns about transparency and algorithmic bias	Adoption driven by perceived usefulness; resistance due to ethics	Best suited for data-rich environments
Abbasi et al. (2025)	Financial and HR systems	Integrated AI systems	Enhanced predictive and strategic accuracy	Privacy and bias risks identified	High cost and infrastructure readiness affect adoption	Effective in large, analytics-mature organizations
Gupta & Tembhurnekar (2024)	IT sector	AI-based employee evaluation tools	Reduced managerial subjectivity	Need for explainable AI to maintain trust	Acceptance varies with awareness and leadership support	High readiness due to digital maturity
IJRISS (2025)	General HR environments	AI-powered evaluation platforms	Increased reliability with calibration	Trust improves with ethical governance	Adoption supported by HR leadership	Applicable across standardized performance contexts
Ovais et al. (2025)	Broad HR functions	AI in recruitment and performance evaluation	Efficiency gains with automation	Strong ethical and accountability concerns	Resistance from fear and uncertainty	Emphasizes regulatory alignment
Marcus (2025)	Performance management & engagement	Conceptual AI systems	Supports continuous feedback	Opaque systems threaten psychological safety	Recommends gradual adoption	Relevant for knowledge-intensive work
Al-Azki & Colleague (2024)	Islamic banking sector	AI tools for evaluation	Improved efficiency and accuracy	Ethics aligned with cultural values	Adoption facilitated by institutional alignment	Sector-specific cultural legitimacy
Atlantis Press Study (2024)	IT sector	AI evaluation linked to retention	Consistent evaluation improves retention	Surveillance concerns highlighted	Adoption influenced by developmental framing	Technology acceptance dependent sector

Table-1, Showing Included Studies.

Both empirical investigations and conceptual analyses were included to ensure theoretical breadth. Thematic analysis was conducted through iterative reading and coding of the selected studies. Initial open codes were generated, clustered into higher-order themes, and refined through constant comparison. This interpretive approach aligns with applied psychology research traditions that prioritize conceptual integration and critical reflection over purely quantitative aggregation.

Thematic Findings:

Analytical Accuracy and Decision Support:

AI-driven performance evaluation systems have more analytical capability as a prime theme throughout the literature. AI has been reported to have a performance evaluation system using standardized algorithms throughout the employees which up to the point of making the subjective managerial judgment totally eliminated and increasing thus the consistency and transparency (Swati et al., 2025). In such data-heavy settings, AI not only provides the basis for real-time feedback but also participates in predictive decision-making. In this way, it becomes the organization's ally in spotting the performance trends and the areas needing development more quickly and accurately (Abbasi et al., 2025).

The critical comment, however, points out that the accuracy of the algorithms is dependent on the quality and the relevance of the data. AI systems working on the datasets that have biased or incomplete histories are likely to give rise to the same inequalities while at the same time presenting a façade of objectivity (Ovais et al., 2025). Also, one of the cautions that AI adoption might bring along would be the overemphasis in quantifiable indicators which may eventually count out the complexities of psychological phenomena like creativity, emotional labor, and informal leadership, the algorithmic encoding of which still remains a challenge (Gupta & Tembhurnekar, 2024). Hence, AI though being the tool to decision-making that is more rigorous in terms of analysis, it is also the one that defines and determines the value of the performance in a constrained manner.

Ethical, Fairness, and Psychological Trust Concerns:

One of the major issues in the literature on AI-driven performance evaluation is the ethics of such systems. The issues of transparency, explainability, and fairness are especially vivid in people's minds (IJRISS, 2025). Usually, workers do not know how AI gives their performance scores, which makes them feel unfairly treated and lowers their trust in the decision-making methods of the organization.

From the standpoint of applied psychology, the concept of fairness perceived by the workers is of utmost importance when it comes to determining their motivation, engagement, and loyalty to the organization. In the case of AI systems that are technically impeccable, if the workers see them as not being transparent or not being open for discussion, the systems might still be rejected (Marcus, 2025). Furthermore, the constant monitoring done through digital activity tracking or workflow analysis is bothering some workers in terms of privacy and mental health. It has been found that allowing too much observation leads to loss of freedom and increased stress that eventually turns out to be the opposite of the desired effect of being the driving force behind the performance (Ovais et al., 2025).

Adoption Dynamics and Organizational Resistance:

The industry and context are considered important for the effectiveness and adoption level of AI performance evaluation. The IT and financial service sector is found to have a higher adoption level because of the existence of structured performance data and the development of analytics culture (Gupta & Tembhurnekar, 2024). Conversely, service and relational work environments do not have any challenges associated with the adoption of AI evaluation metrics.

Additionally, there are cultural and legal considerations that affect the performance of AI in various ways. For instance, studies carried out among Islamic banking environments have shown that if AI is to be perceived as credible and therefore accepted, it has to adhere to and reflect ethics and cultural norms (Al-Azki and Colleague, 2024). Such evidence not only debunks the theory but also shows how context matters in AI development.

Contextual and Sector-Specific Variability:

The effectiveness and acceptance of AI-based performance evaluation however, differ a lot depending on the sectors and institutional contexts. IT and financial services sectors have been reported to have higher adoption rates due to the existence of structured performance data and the establishment of analytics cultures (Gupta & Tembhurnekar, 2024). On the other hand, service-oriented and relational work environments hardly ever encounter problems with the operationalization of AI evaluation metrics.

Moreover, cultural and regulatory factors affect AI outcomes in different ways. To illustrate, some studies in emphasize the need for AI tools to be compatible with ethical and cultural norms in order to be considered legitimate and thus accepted (Al-Azki & Colleague, 2024). These results not only refute the universalist assumptions but also highlight the significant role of context in AI design.

DISCUSSION:

As a result of this thematic review, it is concluded that the implementation of AI in evaluating employee performance is a drastic change in the way companies think about and handle performance, accountability, and control. Flavors of the literature point again and again to efficiency and objectivity, nonetheless, a critical synthesis reveals many unresolved tensions existing among them.

First and foremost, AI does not rid the process of subjectivity but rather shifts it from human decision-makers to algorithmic design decisions. The choices of data—what data to select, how to weight and train the model—embedded normative assumptions that permeate the rankings and even the whole process of evaluation (Ovais et al., 2025). This shift of subjectivity makes accountability very difficult since responsibility for the eventual biased results gets shared among various technological and organizational actors.

Second, the AI-based evaluation has the effect of increasing the intensity of monitoring and the extraction of data to the point where it has altered the terms of the psychological contract between the employee and the organization. While Continuous evaluation might lead to an increased feedback frequency it also brings about the danger of the formation of a constant surveillance atmosphere. Applied psychology studies contend that such

conditions can lead to the suppression of intrinsic motivation, creativity, and psychological safety—all of which are key factors for the sustainability of performance (Marcus, 2025).

Thirdly, the AI-based evaluation system has the potential to not only monopolize the evaluative power but also to change the organizational power relations. It is true that on the one hand the application of such a system would result in the establishment of consistent and standardized practices but on the other hand it may also silence the employee's voice unless the system is operated in a way that allows for the participation of the staff. Equity thus cannot be regarded as merely the accuracy of the algorithm but prevails as the inclusion of and openness in the process (IJRISS, 2025).

Finally, ethical aspects will be viewed as a necessity in the strategy, not just as a minor issue. If the systems are seen as unfair or not transparent, they can lead to resistance, disconnection, and reputational damage, thereby negating the efficiency gains. The literature has increasingly been in favour of a mixed assessment model where AI is supported by human assessment, ethics supervision, and constant verification (Swati et al., 2025).

CONCLUSION AND IMPLICATIONS:

This thematic review reveals that AI really can improve the performance evaluation of the employees quite a lot through better analytical capacity and decision-making support. But its success very much relies on the resolution of the ethical, psychological, and organizational issues. On a theoretical plane, the results incorporate applied psychology and management scholarship by viewing the AI evaluation as a socio-technical system that is influenced by organizational justice perceptions. On a practical plane, companies should treat AI as a synergy tool, with a priority given to transparency, employee participation, and ethical governance.

The future research agenda should include the use of longitudinal studies to investigate any lasting psychological and behavioral impacts of AI-assisted evaluation, as well as the areas of cultural diversity in terms of acceptance and effectiveness.

Conflict of Interest: Nil to declare

Financial Support: Self-Funded

Ethical Approval: A secondary published data, used in this work, thus exempted from Ethical Approval

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