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How can AI augment your people to realise their full potential?

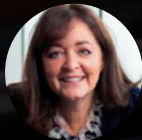
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Chapter one: Setting the scene

Policymakers worldwide recognise that artificial intelligence (AI) has the potential to drive enormous gains in productivity and growth, with forecasts suggesting a contribution of between \$13 trillion and \$15.7 trillion to the global economy by 2030.¹

In findings published by EY and Liberty Global in the report, *Wired for AI*,² from a labour market perspective, 50% of jobs in the US, EU, UK and Switzerland could be complemented by AI because the latest technology can help people become more efficient in at least half of their tasks.

As the UK economy takes its first tentative steps towards a more buoyant economic outlook in 2024, AI has the potential to accelerate economic recovery, thanks to the vast productivity and efficiency gains on offer to reinvigorate GDP,³ arising from AI's ability to enhance work output and quality.

Indeed, assuming the maximum potential efficiency gains for all workers, the total additional 'productive capacity' that could be unlocked within the combined economies of the US, UK and Europe by AI is equivalent to 124 million workers: around 62 million in Europe, 51 million in the US, 9.8 million in the UK and 1.4 million in Switzerland. The total value of this additional productive capacity equates to approximately \$7 trillion in yearly wages.

What's the value of AI innovation?

Around 400 million people are employed across the US, EU, UK and Switzerland. Of that figure, EY and Liberty Global analysis⁴ suggests that 50% of these jobs could be complemented by AI because the technology can help people become more efficient in at least half of their tasks. This means there are benefits on offer for the majority of businesses in all sectors and markets. Put into the context of workforce output, this acceleration of productivity is equal to adding 124 million more workers into the economies of the US, EU, UK and Switzerland.

Our results are consistent with estimates published by the IMF, who suggest that 60% of jobs in advanced economies could be impacted by AI, 40% in emerging markets and 26% in low-income countries.⁵ The research suggests that AI could have the greatest impact in Luxembourg, where nearly 56% of jobs could be complemented; in the UK, that figure currently stands at 46%. With the impact of AI set to target such a significant proportion of the UK workforce, understanding its true benefit is crucial.

How is AI impacting productivity?

Implemented effectively, AI could effectively add

9.8 million
workers to the
UK workforce

Create additional
productivity
equivalent to

\$7 trillion
in wages

46% of UK
jobs could be
complemented by AI

Percentage of jobs that can be complimented by AI

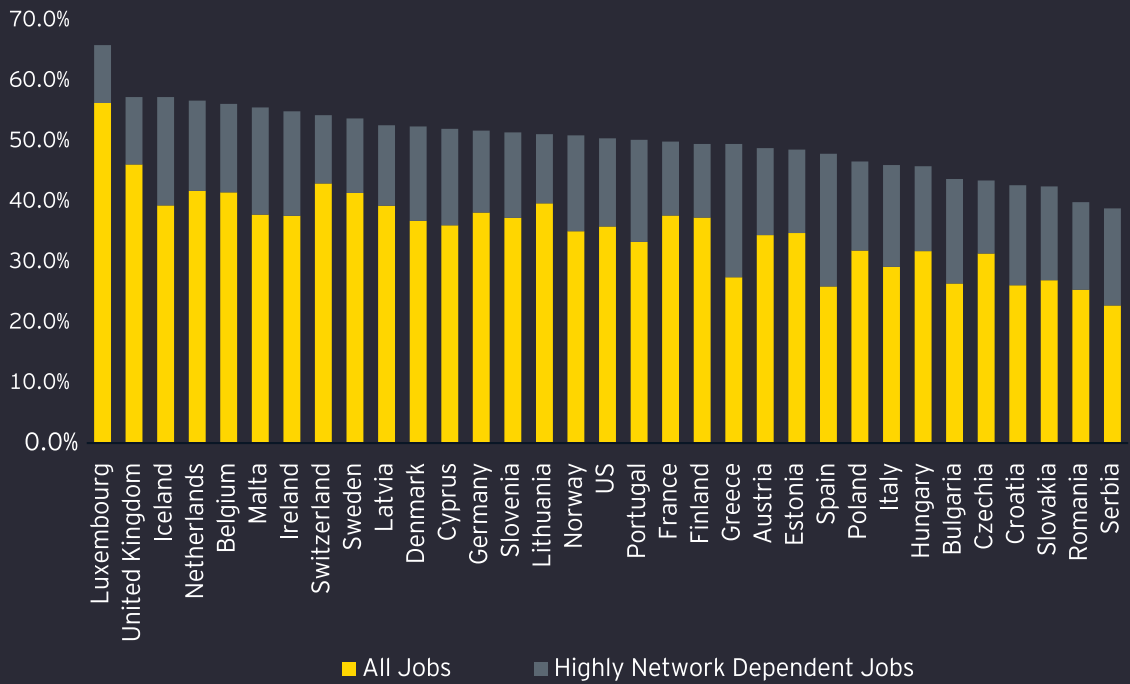


Figure 1. Percentage of jobs that can be complemented by AI and GenAI in the US, UK, Switzerland and individual countries in Europe, showing the contribution from highly network dependent jobs
Source: EY and Liberty Global²¹

What tasks will AI augment?

As a general-purpose technology, AI’s principal impacts are likely to be felt in improved efficiency and new business models across industries, providing opportunities for business transformation and job creation. In the US, EY estimates that generative AI (GenAI) is set to provide a substantial lift to productivity, likely delivering a boost worth \$650 billion over the next decade and lifting real GDP by nearly 2.5% by 2033.⁶ Moreover, Goldman Sachs indicates that further progress in the field of GenAI could add an extra \$7 trillion to global output over the next decade, as innovative tools like ChatGPT become increasingly woven into the fabric of business and society.⁷

With the World Economic Forum predicting that 44% of roles will be disrupted in the next five years, there is, of course, a fear that AI will displace workers in sectors which are unable to adapt quickly.⁸ Yet, this is not the only possible future. As economists Erik Brynjolfsson and Gabriel Unger suggest, “There is a scenario in which AI leads to a higher-productivity-growth future. AI might be applied to a substantial share of the tasks done by most workers and massively boost productivity in those tasks.”⁹

This report will explore where AI will have the biggest impact, how business leaders can prepare their workforce for the new reality of AI augmented work, and the regulatory and ethical watch outs – particularly when it comes to supporting women in the workplace – that businesses should be wary of to ensure AI innovation does not eclipse the needs of the workforce.

Chapter two:

How can AI enhance productivity for UK business?

In 2024, business leaders and policymakers alike will need to address urgent issues in the labour market, namely the number of people in work and the skill levels across the workforce. As we enter a new epoch of technology innovation in our workplaces, businesses will need more widespread tech skill than ever before.

With AI presenting opportunities for net gains in employment figures, business leaders and policy makers would be wise to focus on developing AI skills amongst the existing workforce to prevent employee loss and provide opportunities for those out of work to access AI skills courses. This can expedite their return to work, future proof their skills and prevent unnecessary delays to AI innovation.

Addressing inactivity by encouraging people back into work through the creation of AI-related roles could help contribute to closing some of the disparities in regional growth performance. In a study conducted by the Institute for the Future of Work, although 47% of respondents said AI and automation had eliminated positions within their company, almost 67% reported the technology had created new positions.¹⁰

What magnitude of productivity savings could AI bring to the UK economy?

An accurate assessment of AI's potential effect on productivity is difficult to establish because it is a broad and rapidly evolving field. Considerable uncertainty also remains about how it will be adopted by people and integrated into established business processes. However, there are ways to assess its impact on the workforce by considering how it can help people to carry out tasks more efficiently.

For organisations looking to retain top talent in a sluggish talent market, AI innovation can be instrumental in improving workforce conditions, particularly in a marketplace where budgets for learning and development are contracting; findings from the recent EY CEO Outlook survey¹¹ indicate 96% of UK leaders are considering restructures or hiring freezes, a reduced focus on learning and development and a move from permanent to contract workers. By prioritising opportunities for AI innovation in areas where the technology can help to reduce the workload, free up workers to enjoy more skillful work and embrace a better work-life balance; AI could be the vehicle needed to redress potential workforce issues before firmer tactics, such as redundancy, are adopted.

What are the potential risks?

Despite the evident benefits of integrating AI into the everyday lives of the workforce, it's essential that organisations remain aware of the potential damage AI can have on diversity and inclusion, particularly in how it impacts women or lower skilled workers.

In findings published by McKinsey Global¹², the industries expected to shrink as a direct result of AI automation include food services, customer service and sales, and office support- all industries in which women are disproportionately overrepresented. In the UK, women account for 53% of workers in food service¹³, and over 60% of total workers across the service and administrative sectors.

Seniority also adds to the burden placed on women; there's well established evidence that women hold more lower paying jobs than men: currently only 41% of managerial roles are held by women, this figure decreases to 38%¹⁴ when looking at senior business leading positions. And with AI poised to drive operational efficiencies that reduce administrative and repetitive workstreams, those in more junior positions- who are predominantly women – also stand to be more affected.

How can organisations retain and protect female talent?

Considering AI's potential to unduly damage the careers of women, it's essential that workplaces invest in comprehensive training and development programmes to upskill workers and provide opportunities for growth into roles that are augmented by AI rather than subsumed by it. By fostering a culture of continuous learning, companies can ensure that all individuals remain at the forefront of AI advancements. As a result, businesses can reduce potential layoffs and the exacerbation of skill gaps that prevent employees from advancing, therefore avoiding an abyss of talent with those with AI skills on one side, and those without stranded on the other.

Despite the gloomy outlook in some sectors, there will also real opportunities for women thanks to AI innovation. McKinsey Global¹⁵ reports that in spite of real challenges to workplace equality, AI innovation will generate a demand for work and workers, which will only increase as economies grow, facilitated by AI: by 2030, the same research indicates there will be a 17% increase in women's jobs gained in the UK as a result of AI. Men will also experience the same uplift.

Benefits of AI adoption for the workforce:

- ▶ Achieve an improved work-life balance, which may reduce attrition and work-related stress.
- ▶ Perform other meaningful work, which increases output quality or enhances value.
- ▶ Spend more time with their clients, which increases client satisfaction and may lead to growth in future sales.
- ▶ Foster innovation because creative thinking requires time.
- ▶ Increase work quality since they have more time for each task.
- ▶ Improve delivery times for work, without an increase in stress or demand for overtime.
- ▶ Introduce lower skilled individuals to the workforce, thanks to AI tools being able to take the strain of more complicated tasks.
- ▶ Reducing burden of repetitive or administrative tasks.

Chapter three:

AI and the UK regions

Despite AI's potential to generate huge opportunities for the UK – it has already delivered £3.7bn in gross revenue and created 54,000 jobs – a staggering 75% of all AI activity is taking place in just three regions: London, the South East and the East of England, according to the Department for Science, Innovation & Technology, leaving other UK regions vulnerable to slower economic recovery and less opportunity for productivity enhancement.¹⁶ Whilst 'the golden triangle' is generating value for the UK economy, activity across the rest of the UK is sluggish, particularly in the North, Midlands and South West.

In the recently published EY Regional Economic Forecast¹⁷, it was found that London and the southern regions of the UK are expected to lead the economic recovery, thanks to a still strong labour market, a recovery in consumer spending, and robust growth expected in information and communication, professional services, and a recovering retail sector.

London's success continues to be driven by the distinctiveness of its economy, which is characterised by knowledge-based sectors such as professional services, information and communication, and the concentration of high-skilled workers in these sectors. AI is undoubtedly supporting that surge in economic recovery.

The UK Sectors Most Impacted by AI

Finance, IT and professional services will be most impacted by AI



Source: Department for Education, Unit for Future Skills, the impact of AI on UK jobs and training report

In research undertaken by the Department for Education¹⁸, London was the city identified as most likely to experience the earliest impacts and benefits of AI innovation due to its high concentration of roles in these sectors. When considered alongside the fact that 75% of AI focussed organisations are based in London, and the density of professions that will be most quickly and intensely impacted by AI, it's unsurprising that London is currently at the forefront of AI innovation and is able to realise its benefits before other UK regions.

Where does this leave the regions?

Whilst AI has the potential to exacerbate existing regional inequalities due to disparities in AI preparedness, harnessing the technology could galvanise economic growth across the regions, and help upskill workers cross-sector. But it will take investment.

A report published by the Institute for the Future of Work¹⁹, expounds the importance of developing workforce skills rather than focussing on AI alone, emphasising that training and upskilling will have the biggest impact on regions currently displaying the lowest levels of AI preparedness. The report says: "Investments in training, complemented by the sharing of information about new technologies, consultation on technology adoption, and an orientation towards empowerment and autonomy, are expected to influence whether new technologies have a positive or negative impact on work and workers. First, a highly skilled workforce will be more likely to understand the need for the new technology, its technical aspects, and its benefits, and feel less threatened by it (as noted by the OECD in 2023), this will facilitate approaches to AI adoption in which labour is complemented by technology."

By upskilling workers, and providing opportunities for their personal development, the fast-moving organisations can successfully use these technologies, and by preparing the workforce first, and at scale, regional leaders can better enhance the overall preparedness of their regions.



Nurturing high-value sectors can boost resilience in tough times and accelerate growth in better years, but doing so requires regions to build their own tailored growth plans that consider which industries are set to flourish and how to cultivate them locally. High-value sectors will require a high-value workforce, so building in-demand skillsets and competencies with latest technology should help a region attract investment while bolstering the local economy. For example, Generative AI has the potential to enhance regional and UK productivity rates, but will require a shift in skills to ensure the workforce can collaborate with and complement the technology.

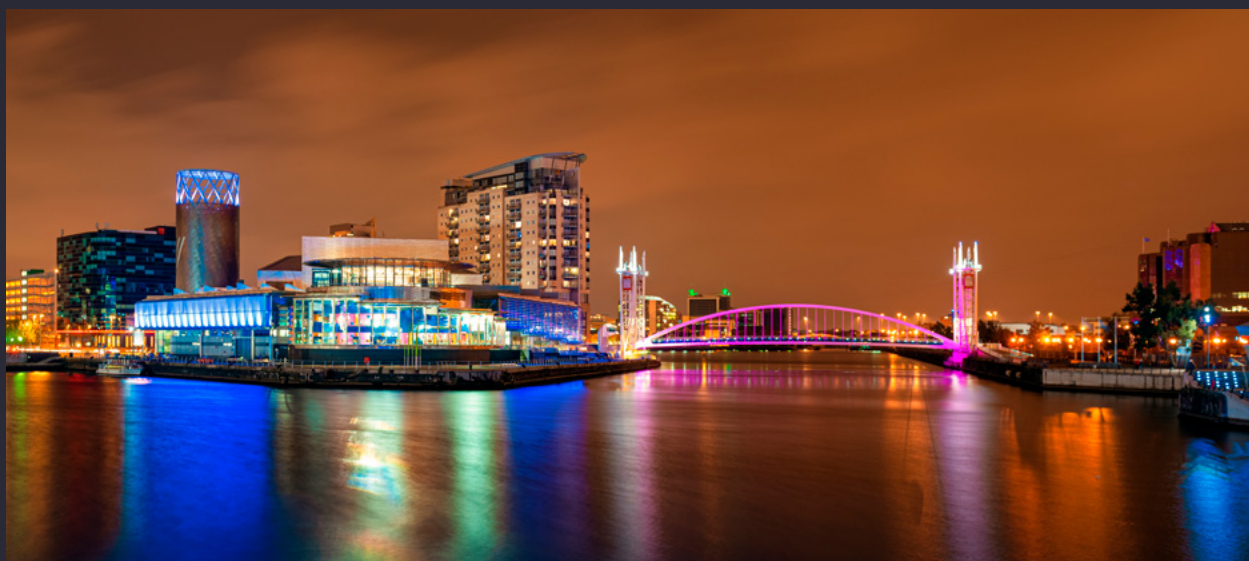
Rohan Malik, EY UK&I Managing Partner for Government & Infrastructure, EY UK regional economic forecast.²⁰

Despite the south dominating AI growth, EY research projects that, between 2024-2027, Manchester will experience the greatest Gross Value Add (GVA) growth at 2.2% compared to any other city in the UK, including London (0.6%)²¹. Whilst the northern city undoubtedly lags behind the 'golden triangle' when it comes to AI, economic value in Manchester is accelerating faster than any other, as investment pours in. With initiatives such as the newly established AI Foundry helping SMEs in the area make headway with AI innovation, and investment in AI research at Manchester University increasing – this February the university received £12 million in funding for AI research²² – it's only a matter of time until this vibrant city closes the gap on its southern counterparts.

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Whilst there's obvious work to be done to help the North embrace all that AI has to offer, Manchester is undoubtedly benefiting from a boost in GVA, that other cities across the country can't rival. With more spending power to invest in emerging technologies, it's essential that cities in the north embrace AI to help continue this positive outlook, and to close the gap on the 'golden triangle'.

Stephen Church, EY UK&I North Markets Leader & Manchester Office Managing Partner



Chapter four: Balancing rapid adoption with ethical innovation

Cultural and operational risks


The rapid evolution of AI technologies poses its own set of challenges. As AI technologies advance, keeping up with the latest developments and understanding which innovations are most applicable to individual businesses and sectors becomes increasingly complex. This rapid progression can lead to a misalignment between AI capabilities and business needs, potentially resulting in investments in technologies that are either outdated shortly after implementation or do not deliver the expected value.

The fundamental challenge of business adoption lies not just in the successful implementation of AI pilots and projects but also in cultivating an environment where innovation is nurtured, and the workforce is ready and prepared to adapt alongside these advancements.


Companies often struggle with rigid organisational and cultural structures that can significantly impede the speed and success of AI implementations. Such structures typically foster siloed departments and a resistance to change, making it challenging to embrace the collaborative and agile methodologies required for effective AI integration. Centralised approaches, while offering streamlined decision-making, may lack the flexibility and localised insights necessary for innovative AI solutions. Conversely, federated structures can encourage autonomy and innovation at the departmental level but may suffer from a lack of cohesion and unified risk management or strategic direction.

To support both workplaces and the workforce towards embracing AI innovation in their day-to-day work, creating the right environment for innovation will be crucial.

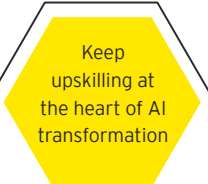
How can you create the right environment for AI innovation?

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1 Provide guardrails for AI's use

There is a critical need for clear and robust guidelines on the ethical use of AI in the workplace, both in how the workforce interact with AI and how clients' and consumer data is treated. Policymakers must formulate and enforce regulations like the EU's AI Act, while businesses should establish comprehensive governance frameworks. This will ensure that AI is used responsibly, with a focus on data privacy, fairness and transparency.
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2 Nurture curiosity and increase agility

Companies should prioritise organisational agility to adapt swiftly to the changing AI landscape and to nurture curiosity that cuts across teams and functions. Emphasising flexible, collaborative work environments and a culture of continuous innovation will be key. This approach will enable businesses to respond effectively to new AI advancements and market demands.
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3 Keep upskilling at the heart of AI transformation

As AI transforms the UK workforce, targeted investment in skill development and workforce training is imperative. Businesses should focus on equipping their employees with the necessary skills to navigate and leverage AI technologies. Policymakers can support this initiative by providing incentives and frameworks for continual learning and skill enhancement in the AI field.

Chapter five:

Create the right conditions for enhanced productivity

As AI transforms the UK workplace, targeted investment in skills development and workforce training is imperative to realise the 46% productivity growth potential on offer for the UK.²³

To rise to the challenge, companies should focus on equipping their employees with the necessary skills to navigate and leverage AI technologies. Businesses can do this by creating the necessary guardrails to create business environments in which AI can be used safely whilst still promoting greater creativity and efficiency.

Policymakers can support business leaders by providing incentives and frameworks for continual learning and skill enhancement in the AI field, that not only incentivise individual businesses but help accelerate both productivity and output across the whole of the United Kingdom.

The productivity boosts that are enabled will be significant for both the UK's economy and skills market as more workers upskill in preparation for a future of work enabled by AI. But capitalising on AI's full potential demands targeted investment across the whole of the UK, cultivating new skills and strategic organisational realignment. In essence, the UK is primed for a new digital transformation, but leaders must prioritise developing AI skills to realise the promise of a more productive future that benefits everyone.

Questions for those charged with leading AI innovation:

- ▶ What opportunities am I providing the workforce to upskill in AI technology?
- ▶ Do I have the right guardrails in place to guide AI innovation?
- ▶ Where is the potential in my organisation to use AI for greater impact?
- ▶ What does success look like for my organisation?

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