Artificial Intelligence Adoption and Its Implications for Work, Productivity, and Policy in the UK

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Executive Summary:
Artificial Intelligence (AI) is already being adopted across parts of the UK economy, but its use remains uneven across sectors, firm sizes, and organisational capabilities. Larger firms and more digitally mature organisations are generally better positioned to implement AI effectively, while many small and medium-sized enterprises face barriers related to cost, skills, confidence, and infrastructure. Although AI has the potential to improve productivity and efficiency, these benefits are not guaranteed and depend on how well the technology is integrated into existing workflows. In the labour market, AI is more likely to transform tasks and job roles rather than eliminate entire occupations. This creates opportunities for human–AI collaboration, but it also introduces risks such as increased surveillance, work intensification, widening inequalities, and bias in recruitment and management systems. As a result, a balanced approach is needed that goes beyond promoting advanced innovation. Policy efforts should also support wider diffusion of AI across the economy, strengthen workforce skills, and establish clear safeguards to ensure its fair and transparent use in employment contexts. Overall, the key challenge is not only encouraging AI adoption, but also ensuring it contributes to productive work, inclusive growth, and a responsible transition.

Written Evidence:

- Businesses are applying AI in areas such as customer service, administrative support, data analysis, software development, and internal knowledge management. Government research indicates that many firms already using AI report benefits including improved efficiency, time savings, and enhanced productivity, although these outcomes depend on how effectively AI tools are embedded into day-to-day operations (DSIT, 2026a). The key issue is not simply whether firms are adopting AI, but the depth of that adoption. In many cases, particularly among SMEs, AI use remains limited to isolated tasks such as drafting content, summarising information, or automating routine communications. This is significant because productivity gains typically depend on complementary investments in skills, management capability, workflow redesign, and data quality. OECD evidence suggests that AI can improve productivity, but only where firms have the organisational capacity to use it effectively rather than superficially (Filippucci et al., 2024).

- Barriers to wider adoption are particularly pronounced for SMEs. These include limited technical expertise, cost constraints, uncertainty around return on investment, concerns

about data protection and legal liability, and a lack of trusted guidance. Adoption also varies geographically, with firms in regions that have stronger digital infrastructure, skills bases, and access to investment progressing more rapidly than those in less advantaged areas. This raises the risk that AI could reinforce existing inequalities between firms and regions. Overall, while AI adoption in the UK is growing, it remains uneven and often shallow. Policy should therefore prioritise not only innovation at the frontier, but also broader diffusion across the economy through practical guidance, infrastructure development, workforce training, and targeted support for SMEs and lower-adoption sectors.

- AI is likely to affect work primarily through task augmentation and job redesign rather than immediate large-scale job displacement. In the short to medium term, occupations most exposed include those involving routine cognitive and administrative tasks, such as clerical roles, customer service, human resources, finance, legal support, and certain professional knowledge-based jobs. ILO (2025) analysis suggests that generative AI is more likely to transform tasks within occupations than eliminate them entirely, although the extent of change may still be significant for workers whose roles involve repetitive information processing. Exposure is uneven, with different groups affected depending on occupation, digital access, and bargaining power.

- The evidence on productivity is mixed but promising. AI can enable workers to complete tasks more efficiently, improve access to information, and support decision-making. OECD (2024) research suggests that AI may also improve job quality, health, and safety in some contexts. However, these benefits are not automatic and depend on how AI is implemented, whether workers are adequately trained, and whether organisations redesign jobs in ways that support workers rather than intensify workloads. Poor implementation may increase monitoring, reduce autonomy, and place additional pressure on workers. AI also has implications for inequality. Highly skilled and digitally intensive workers are more likely to benefit from AI as a tool for augmentation, while lower-paid workers may face greater exposure to standardisation, surveillance, and reduced control over work processes. Similarly, firms and regions with stronger digital capabilities are more likely to capture the benefits of AI, potentially widening existing disparities unless addressed through policy interventions (ILO, 2025). A particular area of concern is the increasing use of AI in recruitment and human resource management. While AI systems can improve efficiency and consistency in screening processes, they may also reproduce bias, reduce transparency, and limit accountability. As such, AI-influenced employment decisions should be subject to safeguards including transparency, human oversight, mechanisms for review, and clear employer accountability, even when third-party systems are used (OECD, 2024).

- The expansion of AI across the economy is expected to increase demand not only for specialist technical expertise but also for broader workforce capabilities. Most workers will not require advanced programming or machine learning skills. Instead, they will need

practical AI literacy—understanding what AI can and cannot do, how to use it critically, how to verify outputs, and how to apply it responsibly in workplace contexts. OECD (2024) evidence indicates that occupations exposed to AI increasingly require a combination of digital, cognitive, interpersonal, managerial, and business process skills rather than purely technical competencies (Green et al., 2024). However, current education and training systems are not fully aligned with these evolving needs. Evidence from the UK suggests that understanding of AI skill requirements remains uneven, particularly among SMEs, where employers may lack clarity on training needs and delivery approaches (Skills England, 2025). This creates a practical challenge: even when firms are willing to adopt AI, they may lack the internal capability to support workforce transitions effectively.

- Adult learning systems are also fragmented, limiting access to flexible and affordable upskilling opportunities. As a result, the most effective approaches are likely to be modular, workplace-based, and accessible to individuals already in employment. Short courses, on-the-job training, sector partnerships, and employer-supported learning are likely to be more effective than reliance on long-term formal education pathways. In addition, management capability is critical, as successful AI adoption depends heavily on job redesign, employee engagement, and embedding training within implementation processes. Without such measures, AI adoption may outpace workforce preparedness, particularly among lower-paid and insecure workers (Skills England, 2025; Green et al., 2024).

- The UK Government has identified AI as a strategic economic priority, with increasing emphasis on infrastructure, adoption, and skills (HM Government, 2025). However, preparedness should not be assessed solely in terms of innovation support. From a workforce perspective, a key question is whether the UK is equipped to manage the labour market implications of AI in a fair and consistent manner. While policy direction is clear, the overall framework appears more developed in terms of economic ambition than in workplace implementation and protection. A key limitation is the lack of sufficiently clear and integrated safeguards for employment-related uses of AI. Although existing frameworks such as equality law and data protection legislation apply in principle, the growing use of AI in recruitment, performance management, and workplace monitoring introduces risks related to bias, opacity, and accountability that are not always easy to manage in practice. OECD (2024) analysis emphasises that trustworthy AI at work requires not only innovation policy but also strong governance around transparency, consultation, data use, and worker protection.

- Employers may increasingly rely on third-party AI systems while remaining responsible for the outcomes of those systems. Therefore, Government and regulators should prioritise clearer guidance and stronger coordination rather than relying solely on existing regulations. At a minimum, AI-influenced employment decisions should include transparency, meaningful human oversight, and mechanisms for review or challenge.

Employers should also be required to assess fairness and bias before deploying AI in decision-making processes. Guidance from the Equality and Human Rights Commission highlights the importance of integrating equality considerations at the point of procurement and implementation of AI systems (EHRC, 2024). More broadly, effective policy is likely to combine innovation support with responsible diffusion. This includes targeted support for SMEs, practical implementation guidance, incentives for workforce training, and procurement standards that encourage trustworthy AI systems. Government initiatives such as the AI Opportunities Action Plan, BridgeAI, and AI Skills Boost reflect progress in this direction (DSIT, 2026b). The next step is to ensure that these measures are complemented by clearer employment protections, so that AI adoption supports both productivity and good work.

- **In conclusion,** AI should be understood not merely as a technological advancement, but as a broader workplace transformation that will influence how work is organised, how decisions are made, and how the benefits of innovation are distributed. The evidence suggests that AI can enhance productivity, innovation, and job design, but these outcomes depend on complementary investments in skills, management capability, infrastructure, and institutional trust. Without such support, adoption is likely to remain uneven, with benefits concentrated among larger firms, more advanced regions, and higher-skilled workers. The UK therefore requires an AI strategy that places equal emphasis on diffusion, job quality, and fairness alongside innovation and growth. A balanced approach should enable firms to adopt AI effectively while protecting workers from bias, opacity, and harmful forms of workplace control. Ultimately, the long-term success of AI in the UK economy will depend not only on technological capability, but also on the ability of policy to support a transition that is both productive and inclusive.

- The recommendations outlined below are based on an analysis of UK Government evidence, supplemented by OECD and ILO research on AI adoption, productivity, and labour market impacts. Across these sources, a consistent theme emerges: while AI has significant potential to enhance efficiency and economic growth, its outcomes depend heavily on implementation. Evidence highlights disparities in adoption across firms and regions, the importance of workforce skills and management capability, and the need for clear safeguards in employment-related applications of AI.

- Accordingly, the recommendations below focus on practical, evidence-based priorities to support broader diffusion, protect workers, and ensure that AI contributes to both productivity and equitable work outcomes in the UK:
  1. Government should expand practical AI adoption support for SMEs, particularly in lower-adoption sectors and regions.
  2. AI-related training should be embedded within adult learning, workplace upskilling, and management development programmes.
  3. Employers using AI in recruitment, monitoring, or performance management should ensure transparency, human oversight, and accessible routes for review or challenge.

4. Public policy should prioritise responsible diffusion of AI across the wider economy, alongside frontier innovation.
5. Regulators and Government should provide clearer, joined-up guidance on employment-related AI risks, particularly concerning fairness, accountability, and worker rights.

Reference

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