



# AI and the future of work: An investor briefing

*The AI-related workforce transformation is financially material to investors because it changes the very nature of jobs, tasks and economic activities, reshaping the foundations of company valuation.*

For investors, this creates a critical tension: the same decisions that generate near-term financial gains through automation and efficiency can also create longer-term organisational risks in terms of company resilience and future performance stability. The investment challenge is therefore not simply to identify exposure to AI, but to assess which companies are positioned to translate adoption into durable value, and where new risks may be building across portfolios and markets.

**Drawing on interviews with global institutional investors, as well as leading academics and experts within this field, this brief provides a live understanding of how investors are thinking about the workforce transformation and the key questions that are emerging as priorities.**

We identify four interconnected themes driving the AI-related workforce transformation: **the changing nature of work, changing organisations, changing labour markets and the changing economy. What drives materiality for investors is the tensions emerging from these themes:** short-term efficiency vs long-term organisational resilience, AI adoption vs durable value creation, concentration vs diversification dynamics and company-level impacts vs system-level risks. Ultimately, this report is not about whether AI will create or destroy jobs, but how it is expected to change the very foundations of work, markets and economic activities, and what this would mean for investors.

## I. Introduction: overview of emerging developments

Artificial intelligence (AI) is emerging as a powerful force of economic and workforce transformation, with implications that extend far beyond the technology itself. As AI rapidly diffuses across firms, sectors and economies, it is reshaping how work is organised, how value is created and distributed, and how businesses compete. For investors, understanding these changes is critical to assess the risks and opportunities that AI may create across portfolios, and to anticipate the characteristics of the new economy that will emerge. For investors, the key question is not simply where AI is being adopted, but how it will affect company performance and resilience, portfolio exposures and the wider economic assumptions underpinning asset valuations.

Against this backdrop, we synthesised the latest research on emerging developments shaping the AI-driven workforce transformation into four broad themes. Together, these themes provide a structured framework for understanding the AI transition from a human capital perspective, recognising that its impacts on the workforce are dynamic, place-based and shaped by the broader environment.

The four themes are:



### Changing nature of work

how AI is transforming jobs, tasks and the relationship between people and technology.



### Changing organisations

how firms are redesigning their operating models, workforce strategies and governance in response to AI.



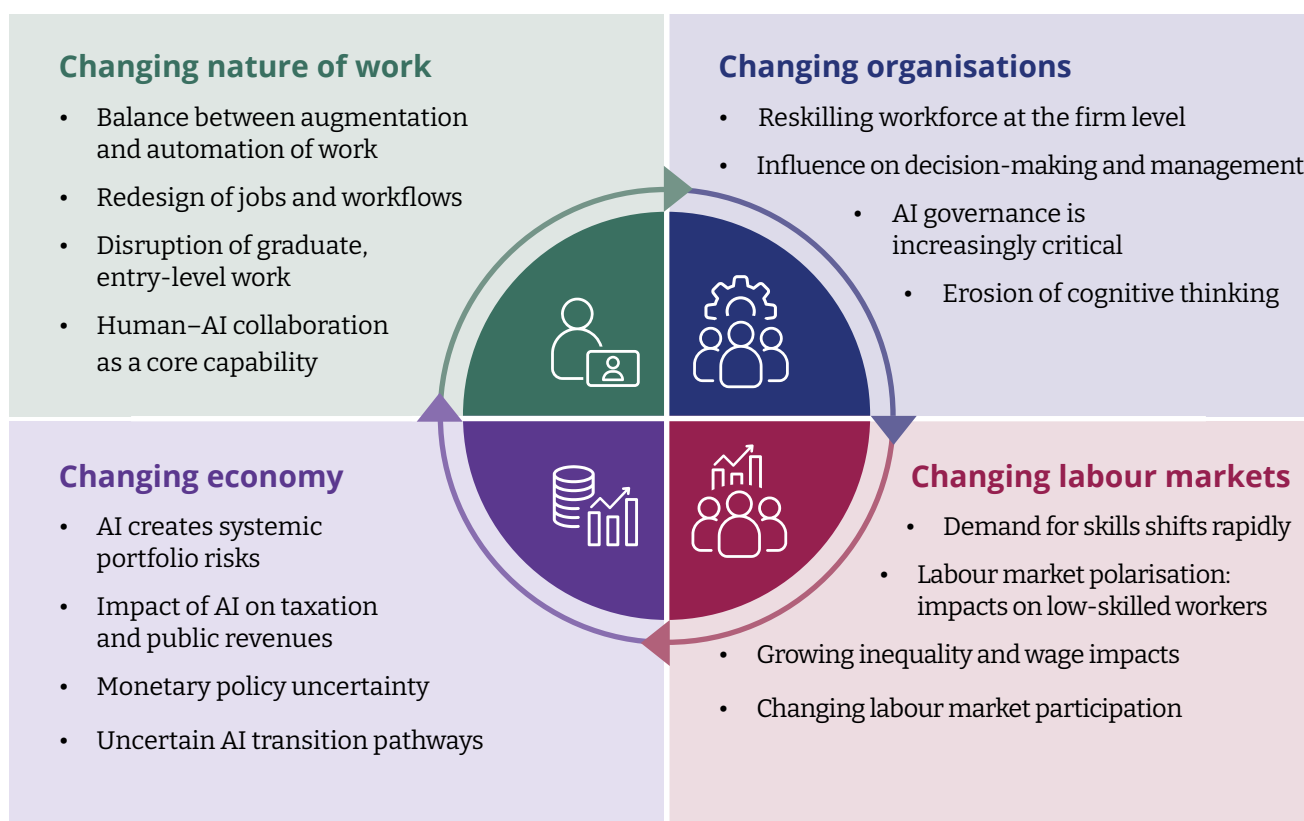
### Changing labour markets

how AI may reshape skills, employment patterns, wages and workforce participation across the wider economy.



### Changing economy

how AI-driven workforce transformation may influence productivity, sovereign risks, economic growth and system-level outcomes.



These themes were then tested with investment practitioners to understand which are priorities for investment decision-making. Through interviews with our investor network, academic experts and civil society organisations, we explored the latest challenges and opportunities currently shaping investor thinking as they grapple with the workforce implications of AI on their portfolios.

The following investor brief highlights the latest thinking in the debate around market implications of the AI workforce transformation, the transmission channels that make these impacts financially material and the company-, portfolio- and system-level signals investors can monitor to evaluate the AI-related risks and opportunities.

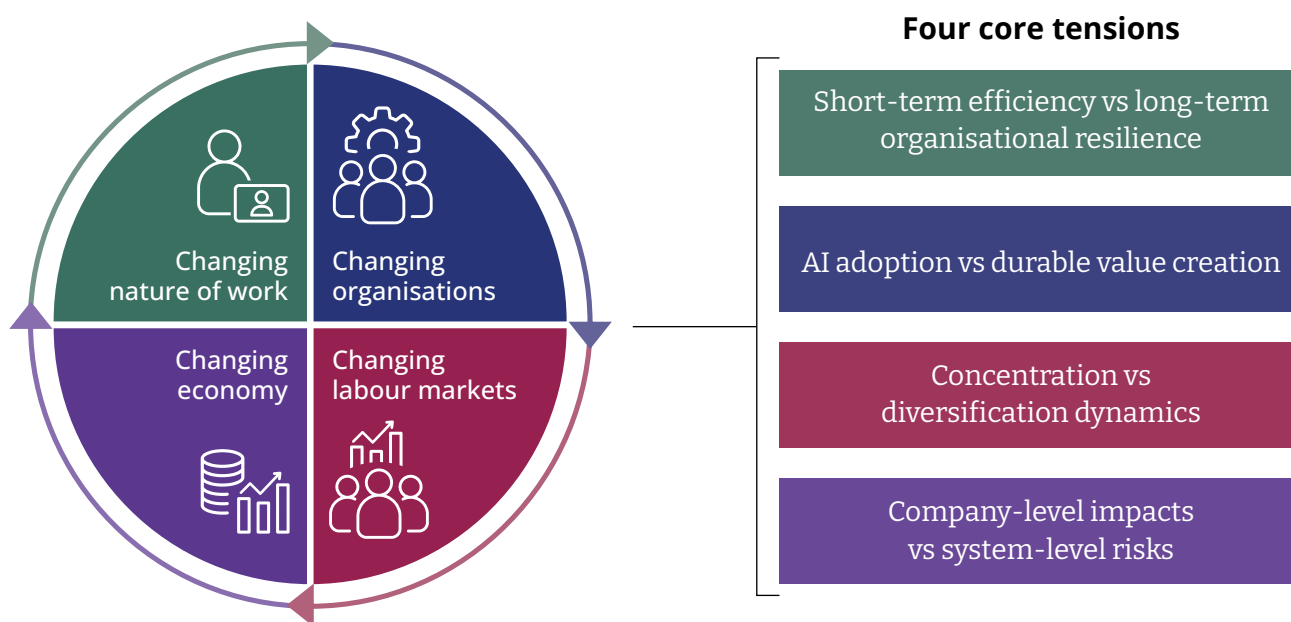
## II. What drives materiality: core tensions between these themes

For investors, the biggest challenge is not understanding the financial materiality of the AI transformation but being able to quantify it. Markets have long struggled to price uncertainty – and so for investors, it becomes increasingly important to assess, model and price in risks, even when there is limited information about possible future outcomes. As one investor put it, *“doing nothing is in itself a [market] assumption”*.<sup>1</sup>

From a risk perspective, the uncertainty around the possible futures in the context of the AI workforce transformation shakes the very foundation of risk management. The lack of clarity on the impacts of AI on firm-level outcomes amplifies uncertainty in valuation, pricing of risk and forecasting – making it very difficult to forecast how business models will look even in a three- to five-year time frame. As a result, the AI-driven transformation is *“expected to be painful in the short run, even for fundamentally sound firms”*. That being said, AI has emerged as a transformational force bridging gaps in access, research and advancements. The healthcare sector is one such example of this, where AI has augmented productivity by taking over administrative tasks, supported in early detections of disease and improved access to healthcare services.<sup>2</sup> A [recent survey](#) of small business owners in the USA also finds that firms using AI are significantly more likely than non-users to expect increased employment and revenues over the next year.<sup>3</sup> As AI becomes increasingly embedded in our day-to-day lives, the focus must shift towards ensuring its responsible deployment. Effective governance, training and regulation are more essential than ever to ensure that AI is deployed in a safe and sustainable manner.

**For investors, what really drives materiality is the “tensions between each of these four themes” and how different stakeholders react to them.** For example, as technology advances and changes the nature of work, companies respond differently – with some embracing the change and others pushing back. Ultimately, *“profitability depends on how companies respond to these changes”*.

The financial materiality of the AI-driven workforce transformation, therefore, hinges on a range of core tensions between the overlapping and intersecting themes presented above:



## 1. Short-term efficiency vs long-term organisational resilience

### *Why this matters*

AI is increasingly capable of automating work historically undertaken by graduates and junior employees. A study by [Stanford Digital Economy Lab](#) found that employment for young workers has declined in AI-exposed occupations by about 19 per cent in the US labour market.<sup>4</sup> The lack of data and clarity around this disruption also suggests that the impact may be more significant than current headlines suggest, as organisations increasingly see roles disappearing through attrition and non-replacement rather than formal redundancies, further deepening the crisis around entry-level and graduate employment.

While investors acknowledge the potential for improved margins in the short term as a result of the workforce reductions, they remain cautious in pricing these in as there may be longer-term implications. Investors cite the erosion of business continuity, institutional knowledge and talent pipelines as significant operational risks for companies in terms of long-term market resilience. The past few months have seen a wave of companies backtrack on their decisions to replace workers with AI, with [Ford, Commonwealth Bank of Australia and IBM](#) among those reportedly rebuilding human capacity after finding that AI could not fully replicate the expertise, judgement or customer interaction required for certain roles.<sup>5</sup>

### *Company-level signals to monitor*

- **Erosion of workforce capabilities and critical thinking:** Over-reliance on AI for routine cognitive tasks and decision-making could, over time, erode critical thinking, judgement and other core capabilities, making it a material business risk. [A study by BCG](#) found that among 70 C-suite leaders and senior executives surveyed globally, half reported already experiencing de-skilling within their organisations, and more than 60 per cent expect it to pose a material threat within the next three to five years.<sup>6</sup>
- **Quality of workforce transition planning:** Companies that anticipate workforce impacts and invest early in reskilling, redeployment and organisational transition are likely to be better positioned to manage disruption than those responding reactively. [A study by Deloitte](#) found that organisations investing in workforce development were 1.8 times more likely to report better financial results.<sup>7</sup>

### *Implications for investor practice*

|                                                          |                                                                                                                                                                                                    |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assess company-level exposure to workforce-related risks | Identify where AI-driven automation and workforce restructuring could materially affect operating costs, business continuity and long-term capabilities.                                           |
| Engage with companies on workforce transition            | Ask companies how they are preparing for AI-driven workforce transformation, including their approach to reskilling, workforce impacts, governance and responsible AI.                             |
| Strengthen stewardship and active ownership              | Draw on resources such as the <a href="#">WEF Responsible AI Playbook</a> for <a href="#">Investors and Investor AI Resource Hub</a> to inform engagement and investment decisions. <sup>8,9</sup> |

## 2. AI adoption vs durable value creation

### Why this matters

The culture around AI integration at an organisation level is a key determinant of the impact on value creation. High AI adoption rates do not necessarily mean companies are using AI in genuinely “value-adding” ways. [McKinsey’s latest ‘State of AI’ survey](#) finds that while 80 per cent of respondents say AI has improved individual productivity, only 37 per cent report a positive contribution to EBIT (earnings before interest and taxes).<sup>10</sup> As a result, despite the increasing expenditure on AI infrastructure, there is growing pressure on companies to demonstrate returns from AI investment and explain how technology spending translates into business value.

While human–AI collaboration is increasingly emerging as a source of competitive advantage, “bottom-up approaches remain a key determinant of success”. Involving employees in the training and use case development of AI models remains essential to ensure that firms are able to move from adoption to value creation. However, [the Financial Times](#) summarises the unique paradox this creates as well – highlighting that while the knowledge required to make AI models genuinely useful and productivity-enhancing remains with the workforce, employees may be hesitant to get involved out of the fear that these systems may replace them.<sup>11</sup>

### Company-level signals to monitor

- **Quality of AI governance:** Effective governance will require AI to be treated as a fundamental organisational transformation, rather than solely as a technology, compliance or standalone risk issue. The [Partnership on AI](#) conducted a landscape assessment of the current state of formal reporting for 50 of the world’s largest companies, evaluating the quality of AI disclosures. They found that even among the world’s major companies – “there are significant gaps in how companies report AI-related impacts, risks, and opportunities.”<sup>12</sup>
- **Workforce participation in development of AI use cases:** “Bottom-up” development of use cases acts as an important risk mitigator when designing AI strategies internally. Evidence of meaningful employee involvement in design, testing and implementation can help surface practical challenges, improve adoption and reduce the risk of poorly designed or unsuitable applications.

### Implications for investor practice

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assess whether AI is translating into business value | Look beyond AI adoption rates and assess how companies are translating AI investment into productivity, innovation, cost savings and other sources of long-term value.                                                                                                                                                                                                                                                                                                                |
| Evaluate the quality of AI governance                | Assess whether AI is embedded in broader organisational strategy and governance, with clear management accountability and oversight. <a href="#">Aon</a> outlines an AI governance maturity curve, highlighting immediate actions that investors can take to ensure good governance within portfolios. <sup>13</sup><br><i>In the following section we identify six areas of company preparedness that help investors to evaluate the quality of AI governance within portfolios.</i> |
| Monitor workforce participation in AI adoption       | Ask how employees are involved in identifying, developing and implementing AI use cases, and whether companies are investing in the skills and capabilities needed for <a href="#">effective human–AI collaboration</a> . <sup>14</sup>                                                                                                                                                                                                                                               |

### 3. Concentration vs diversification dynamics

#### Why this matters

A key challenge for investors is navigating the new market dynamics that will emerge from the AI workforce transformation. Frontier AI development and the infrastructure that supports it are concentrated among a relatively small number of companies, creating new dependencies on hyperscalers and data-centre infrastructure. Yet the financial impact on portfolio-level exposure extends far beyond these companies and the technology sector. [Research from Schroders](#) highlights increasing AI exposure in portfolios across sectors beyond technology – including utilities, real estate, software-driven platforms and financial services,<sup>15</sup> making diversification across portfolios significantly more complex. As a result, a key concern for investors is their “*consolidated exposure to AI*” – “*understanding the different vectors that it could disrupt and how this would flow through to share prices, economic conditions, and investments*”.

For investors, this creates a tension between traditional approaches to portfolio diversification and the emergence of common AI-related exposures and dependencies across sectors. Diversification across sectors may not necessarily translate into diversification from AI-related risks, as companies across the economy become increasingly exposed to the same underlying AI infrastructure and dependencies. A repricing or disruption among a small number of AI leaders could therefore have implications across a much broader set of assets.

#### Portfolio-level signals to monitor

- **Consolidated exposure to AI:** The scale and nature of AI-related workforce risks will vary significantly across sectors, occupations and tasks. In terms of workforce exposure, both white- and blue-collar roles may be affected: “*as AI capabilities progress, so are the robotics and the entire technology stack*”.
- **Pace and breadth of AI diffusion:** The speed at which AI progresses from automating routine and junior cognitive tasks towards more complex, professional and managerial functions will be a key determinant of the scale of workforce disruption. The [Microsoft AI Diffusion report](#) provides country-level estimates of the depth of AI adoption, with implications on regional concentration of economic advantage.<sup>16</sup> The [UK Government AI Scenarios 2030](#) identifies five plausible AI futures, highlighting uncertainties around AI capability, governance and public adoption, with implications on labour displacement.<sup>17</sup>

#### Implications for investor practice

|                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Map consolidated exposure to AI across different sectors and portfolios | Use sectoral and occupational data to identify where AI-related workforce risks and opportunities may be concentrated. The <a href="#">OECD's sectoral taxonomy of AI intensity</a> offers an overview of the impacts of AI on human capital across a range of sectors and factors, demonstrating considerable variation in the impacts across the economy. <sup>18</sup>                                                      |
| Use scenario analyses to price materiality of AI-related risks          | Incorporate different AI adoption and workforce-transition scenarios into portfolio analysis to assess where impacts could become financially material, and over what time horizon. Reframe Venture has launched a series of scenario analyses for investors to understand the impact of <a href="#">AI on climate</a> and <a href="#">AI on labour and productivity</a> within a five- to ten-year time period. <sup>19</sup> |
| Rethink diversification strategies to strengthen portfolio resilience   | Traditional approaches to diversification may no longer be applicable as investors grapple with increasingly concentrated portfolios. <a href="#">Fund managers</a> are now looking for assets that are sheltered from “sudden shifts in sentiment on the technology,” citing real assets as a renewed opportunity to protect against these risks. <sup>20</sup>                                                               |

## 4. Company-level impacts vs system-level risks

### Why this matters

While companies may be able to manage workforce restructuring, reskilling and changes in productivity individually, when these impacts accumulate across sectors, labour markets and economies they create the potential for system-level macroeconomic risks. These macroeconomic risks are increasingly opaque for investors to evaluate. As one investor put it, for fixed-income investors: *“it is difficult to isolate the AI component from other macroeconomic shocks”* when evaluating labour market impacts.

These changes also have significant implications for fiscal policy and sovereign risk. [A study by the University of Sussex](#) finds that a 10 per cent shift of value creation from labour to capital would reduce tax revenues by 2.1 per cent across the OECD.<sup>21</sup> With the expected increase in welfare and retraining costs, this could create a *“serious crunch on already stretched government finances”* before the productivity benefits materialise.

For investors, changes in productivity, employment and value creation will have direct impacts on inflation, tax receipts and public expenditure, with implications for government borrowing requirements, sovereign creditworthiness and the trajectory of interest rates. These developments could, in turn, influence broader economic assumptions underpinning investment decisions. As one investor put it, *“These are not peripheral considerations: they feed directly into capital market assumptions and the risk-free rate, and therefore into discount rates, asset valuations and strategic asset allocation.”*

### System-level signals to monitor

- **Debt dynamics and market risks:** Rapid investment in AI infrastructure is [increasingly being financed through debt](#), creating growing exposure across financial markets.<sup>22</sup> As the [Bank of England](#) recently warned, this puts capital markets at higher risk if there is “a significant shock to earnings expectations reflecting concerns around the pace of AI development or adoption.”<sup>23</sup>
- **Emerging taxation strategies:** Government decisions on AI regulation, development and deployment could materially shape the distribution of economic gains and costs, and consequently investment outcomes. Various approaches to taxation are gaining traction – ranging from a [tax on compute](#) to [taxes on tokens, digital services and robot/robot services](#), with different expected impacts on macroeconomic indicators.<sup>24</sup>

### Implications for investor practice

|                                                           |                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Incorporate impacts of AI in capital market assumptions   | Estimate how the scale and pace of AI adoption could affect productivity and what this would mean for earnings growth, inflation, interest rates and ultimately asset valuations. <a href="#">Research from the OECD</a> highlights the expected macroeconomic productivity gains from AI over a ten-year horizon in G7 economies. <sup>25</sup>                                                            |
| Monitor sovereign risks through fiscal policy development | Track AI-related corporate borrowing, leverage and refinancing needs alongside changes in government revenues, spending and taxation. For example, in the UK, the <a href="#">Financial Policy Committee</a> identifies and monitors risks that threaten the resilience of the UK financial system and publishes its guidance in the <a href="#">Financial Stability Report</a> twice a year. <sup>26</sup> |

### III. What good governance looks like: AI execution and company preparedness

Across the core tensions above, the quality of governance emerged as a key determinant enabling investors to better navigate, assess and manage AI-related risks in portfolio companies. During our interviews, investors consistently pointed to six areas of preparedness that can help assess how businesses are managing AI-driven workforce transformation. Together, these provide practical indicators for evaluating management capability, company execution and workforce transition, rather than access to technology alone, as measures of long-term preparedness.

**Governance should therefore be viewed not only as a risk management issue, but as an important indicator of whether a company is positioned to convert AI investment into long-term value.** As one investor put it, *“the [companies] that are going to win are not the ones [that have] the best technology. It’s going to be their execution and implementation.”*

The table below outlines these six areas of preparedness and the key indicators investors can look for when assessing company readiness for AI-driven workforce transformation.

| Area of preparedness                            | What good looks like                                                                                                                               | What investors should look for                                                                                                                                                                               |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strategic alignment to business strategy</b> | AI adoption is linked to clear business objectives and material use cases, rather than deployment for its own sake.                                | Clear links to revenue, productivity, cost, quality or competitive advantage; evidence that management understands both upside and downside risks to the business model.                                     |
| <b>Workforce involvement</b>                    | Employees are involved in identifying and developing use cases, particularly where operational knowledge and human judgement remain important.     | Evidence of employee input into use-case design, pilots and implementation; mechanisms for workforce feedback and escalation.                                                                                |
| <b>Oversight and accountability</b>             | Boards and senior management have sufficient expertise and clear responsibility for the operational and workforce implications of AI adoption.     | Defined executive ownership; sufficient AI expertise; board oversight of material risks, workforce impacts and major implementation decisions.                                                               |
| <b>Workforce and transition capability</b>      | Reskilling and workforce planning support effective human–AI collaboration while protecting critical skills and institutional knowledge.           | Credible reskilling and redeployment opportunities; changes to hiring and career pathways; attention to critical judgement, expertise and talent pipelines.                                                  |
| <b>Execution and realised value</b>             | Management can demonstrate that AI investment is producing measurable benefits, rather than relying on anticipated efficiencies or adoption rates. | Evidence of realised productivity, revenue, cost or quality improvements; visibility over implementation costs; clarity on whether workforce reductions are strengthening or weakening long-term capability. |
| <b>Dependencies and resilience</b>              | Companies understand and manage their reliance on external AI models, data, compute and technology providers.                                      | Exposure to major providers; contingency planning; management of operational, reputational, legal and concentration risks.                                                                                   |

For investors, these factors can provide **early signals of execution** quality and organisational preparedness. Strong governance will not remove uncertainty, but it can support sustainable productivity, protect critical capabilities, and increase the likelihood that AI adoption contributes to durable business value.

## Working with imperfect data

A key challenge raised by investors when considering AI-related workforce risk is the lack of consistent, granular human-capital disclosure. Increasingly, investment teams may need to rely on data derived from a combination of third-party estimates and direct company engagement.

### Useful resources:

- The [Corporate AI Risk Assessment Framework](#) offers a practical resource for boards, senior executives and investors to improve the identification, prioritisation and management of AI-related risks.
- The Partnership on AI has published [Disclosure Recommendations](#) to help companies identify material information about the impacts, risks and opportunities of AI to include in their financial and public reporting.
- [CISL's series on Decent Work](#) evaluates existing data availability on human capital management and identifies key gaps in corporate disclosure, recommending improvements to metrics and highlighting best practices for investors in supporting decent jobs.

## IV. What's next: from guidance to practice

This briefing highlights three key implications for investors:

1

### AI exposure alone does not determine investment outcomes.

The quality of company execution, governance and workforce transition will shape whether adoption translates into durable value.

2

### Short-term efficiency gains may create longer-term risks.

Investors must consider whether productivity improvements are strengthening or eroding organisational capabilities and resilience.

3

### Company-level changes can create portfolio-wide and systemic risks.

Understanding AI's implications requires investors to look beyond individual companies to wider economic and market dynamics.

This work is the first phase of a broader research workstream led by [CISL's Investment Leaders Group \(ILG\)](#). The next phase of the ILG research will focus on how investors can apply these insights in practice across the different stages of the investment process – from objective setting and asset allocation, through to due diligence, portfolio construction and engagement. The objective is to develop practical guidance, tools and approaches to help investors assess and manage AI-related workforce risks across their portfolios. In addition, CISL is developing a growing body of tools, insights and research on AI and technology, including through [our education work](#) and the [Minderoo Centre for Technology and Democracy](#).

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