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SPOTLIGHT ON

Leading the Charge: Innovation & the Future of Artificial Intelligence

Core strategies for our nation's leaders seeking to promote American innovation while also safeguarding against potential risks.

By Chatrane Birbal

About this Series

HR Policy Association (HRPA) represents nearly 400 of the largest companies worldwide. Members employ more than 10 million individuals in the U.S. This report articulates the perspectives of our members regarding the trajectory of work in the U.S. and the need for specific changes in both corporate and public policies to effectively advance the future of the American workforce.

HR Policy Association's "Advancing the American Workforce" series equips policymakers and business leaders with insights from Chief Human Resource Officers (CHROs) of major companies. The profound changes employers and society have experienced over the past five years have transformed the way large employers and their employees think about work, the workforce, and the workplace and how each needs to be structured for long-term success. HR Policy provides the perspective, not only from employers, but from CHROs who bridge the goals of their companies with the talents and needs of its greatest asset: employees.

New technologies, evolving demographics, and shifting political winds demand a strategic approach to HR. Chief Human Resource Officers are at the forefront of navigating these changes, and their perspective provides invaluable insights for policymakers. This multi-part series offers practical experiences and perspectives on the critical trends shaping the future of work, and suggests policy approaches to ensure the American workforce remains at the vanguard of global excellence in the years to come.

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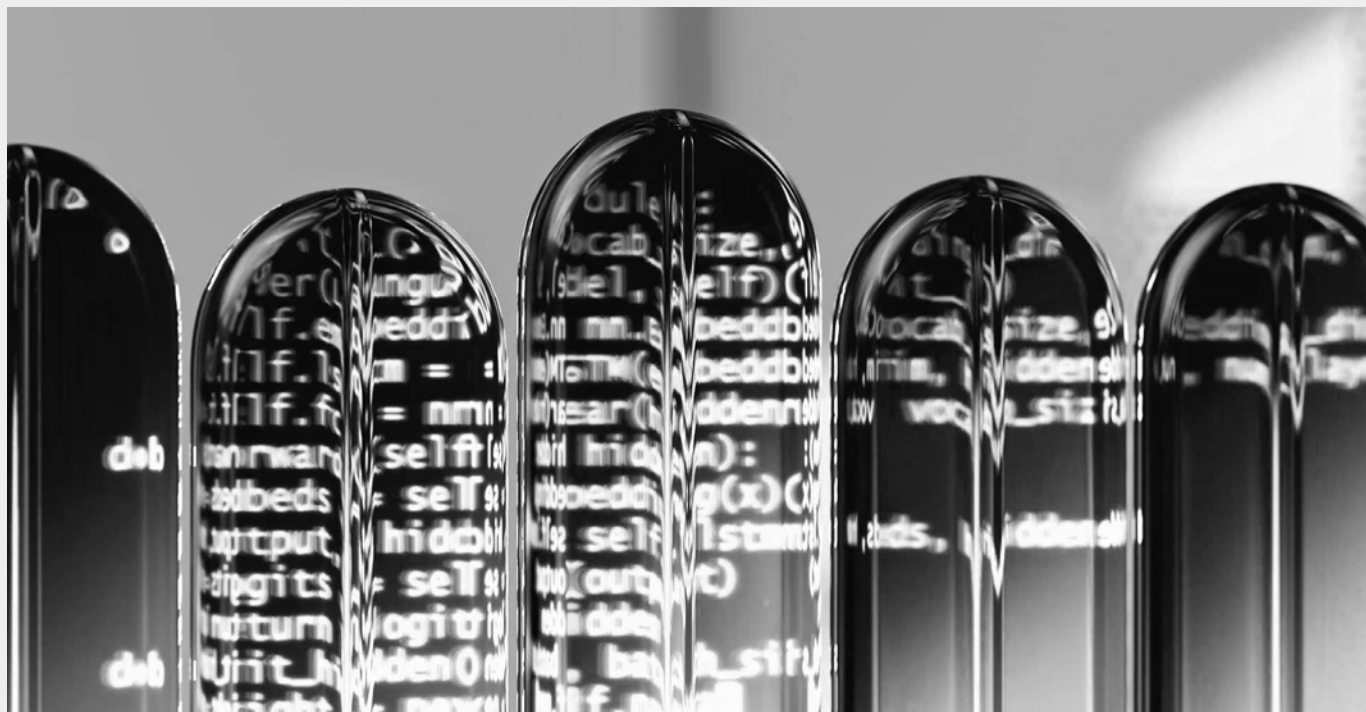
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EXECUTIVE SUMMARY

Leading the Charge: Innovation and the Future of Artificial Intelligence

Policymakers and Chief Human Resource Officers play pivotal roles in the digital and cultural transformation of the American workforce, as AI technologies become increasingly prevalent in U.S. workplaces.

As AI technologies become increasingly entrenched in American workplaces, it is evident that they are not just a passing trend, and yet their ultimate impact is far from clear. This evolution will inevitably lead to shifts in job roles and the creation of entirely new occupations. In navigating these transformations, Chief Human Resource Officers (CHROs) play a pivotal leadership role within their organizations, guiding the workforce, the organizational structure, and company culture through these changes. Embracing a culture of continuous learning and experimentation will be paramount to adapt to evolving job requirements and skill sets.

To sustain innovation and remain at the forefront of their industries, companies require supportive public policies that facilitate workforce development initiatives and technological advancement. Policymakers must adopt a framework that promotes innovation while safeguarding against potential risks, allowing businesses to leverage AI tools effectively to drive growth and productivity without unnecessary constraints. This approach will not only nurture a thriving environment for technological advancement but also ensure that the U.S. remains at the forefront of innovation in the increasingly AI-driven world.

The Transformative Benefits of GenAI & Workforce Upskilling

Artificial intelligence (AI) has enormous potential to transform the future of work, by addressing talent shortages, addressing inefficiencies, enhancing workforce engagement, and matching skills to jobs.

History shows us that technological innovations can create new jobs that we could not have predicted at the outset. While AI will likely make some jobs obsolete, it will also create new job opportunities (Figure 1). As a McKinsey Global Institute report on technology and jobs indicates, "automation and AI will lift productivity and economic growth, but millions of people worldwide may need to switch occupations or upgrade skills."[1]

The emergence of roles like "prompt engineers" will be crucial, involving individuals who guide and train AI systems to enhance its intelligence over time. In addition, the emergence of generative AI (GenAI) suggests that individuals with adjacent skills could leverage AI to participate in more value-added activities – such AI-assisted coding – to solve problems, even without extensive programming knowledge. This concept underscores the idea that while automation may displace certain tasks, it can also augment human capabilities.

According to PwC's 2024 Global CEO Survey, CEOs are increasingly looking to the transformative benefits of GenAI, and the great majority (69%) say it will require workforce upskilling.[2] The evolution of the job market in response to AI underscores the need for continuous individual upskilling and adaptation to technology, highlighting the potential for a collaborative and symbiotic relationship between humans and intelligent systems in the future workplace.

FIGURE 1

Job Exposure Potential vs Growth Potential[3]
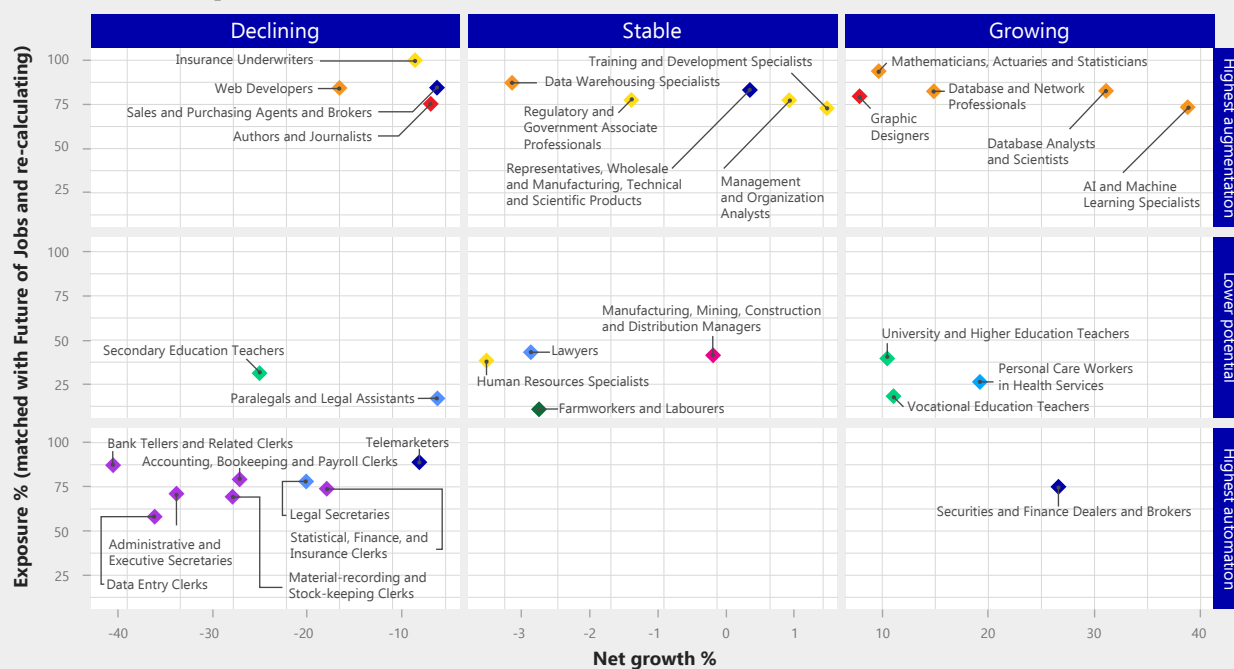
SOURCE: WORLD ECONOMIC FORUM
Jobs where AI can help people complete or improve their work, such as chipmaking, could be set to expand.

The CHRO Leadership Role in Integrating AI in the Workplace

In today's modern workplace, Chief Human Resource Officers are at the forefront of integrating AI tools within their organizations, addressing concerns and fostering a culture of learning and adaptation.

CHROs play key roles in integrating AI into the workplace. According to HR Policy Association's 2024 CHRO Survey results[4], respondents indicated that AI is among their top concerns as the lead human resource officer of a major company.

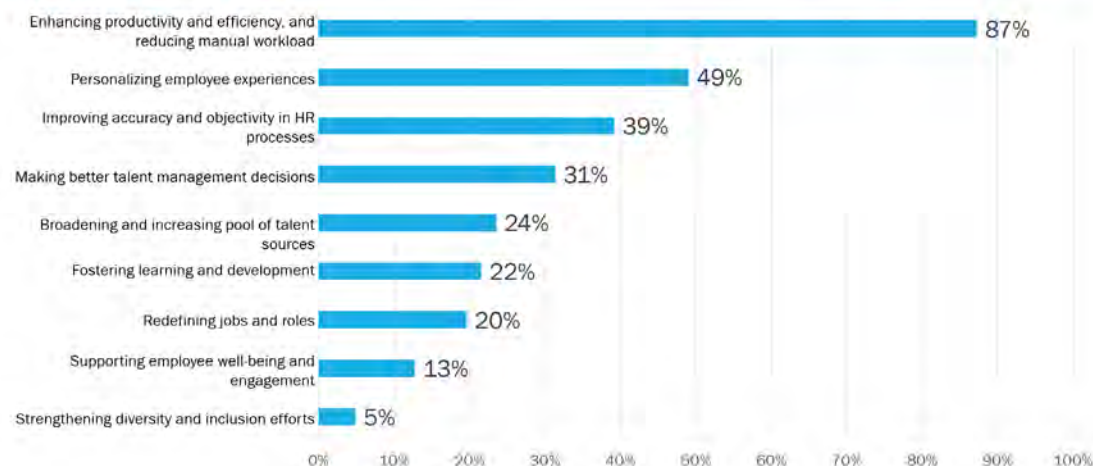Failure of companies to adopt and integrate AI tools may render them less competitive in attracting top talent, not only in the U.S. labor market but also on a global scale. Increasingly, employees expect their employers to incorporate GenAI technology.

The repercussions of a broad-based lag in technological adaptation could extend beyond individual companies and impact the broader U.S. economy. Companies use AI when they see business value, either by reducing costs through automation of processes or by augmenting human capabilities and delivering better output. Embracing AI technologies has become a crucial aspect of staying competitive, as they offer enhanced efficiency, innovation, and productivity. (Figure 2)

FIGURE 2

CHROs HOPE TO INCREASE PRODUCTIVITY WITH AI

Q: Objectives for AI Deployment in HR: What do you hope to accomplish with the deployment of AI in your HR practices? *(Select up to 3)*

- Enhancing productivity and efficiency, and reducing manual workload — 87%
- Personalizing employee experiences — 49%
- Improving accuracy and objectivity in HR processes — 39%
- Making better talent management decisions — 31%
- Broadening and increasing pool of talent sources — 24%
- Fostering learning and development — 22%
- Redefining jobs and roles — 20%
- Supporting employee well-being and engagement — 13%
- Strengthening diversity and inclusion efforts — 5%

SOURCE: HR POLICY ASSOCIATION'S CHRO SURVEY RESULTS 2024

CHROs play key roles in integrating AI into the workplace:

Identifying needs and opportunities: CHROs are responsible for understanding the needs and challenges of their organization's workforce, seeking opportunities where AI tools can streamline processes, improve efficiency, and enhance employee experiences.

Collaborating across departments: CHROs facilitate cross-functional teamwork across departments such as HR, IT, Finance, and Operations to ensure alignment and maximize the value of AI initiatives.

Selecting and implementing AI solutions: CHROs work closely with technology teams and vendors to evaluate and select AI solutions that align with their organization's goals and values.

Driving cultural change: Introducing AI tools often requires a cultural shift within the organization. CHROs often lead these cultural shifts, communicating the benefits of AI to employees, addressing concerns about job displacement, and fostering a culture of continuous learning and adaptation.

Promoting upskilling and reskilling: CHROs develop training programs and initiatives to help the workforce acquire the skills needed to effectively collaborate with AI technologies and take on new roles.

Addressing ethical and legal considerations: CHROs oversee compliance and develop policies to address ethical and legal considerations surrounding data privacy, bias, and transparency.

Measuring impact and ROI: CHROs track the impact and ROI of AI tools on key performance indicators such as productivity, employee engagement, retention, and customer satisfaction.

Driving cultural change

Introducing AI tools into the workplace requires a cultural shift, fostering an atmosphere of continuous learning and adaptation

AI is revolutionizing HR practices and transforming the American workplace:

Talent acquisition: Use cases include automating sourcing, recruiting, and selection processes, thereby improving efficiency and identifying top candidates.
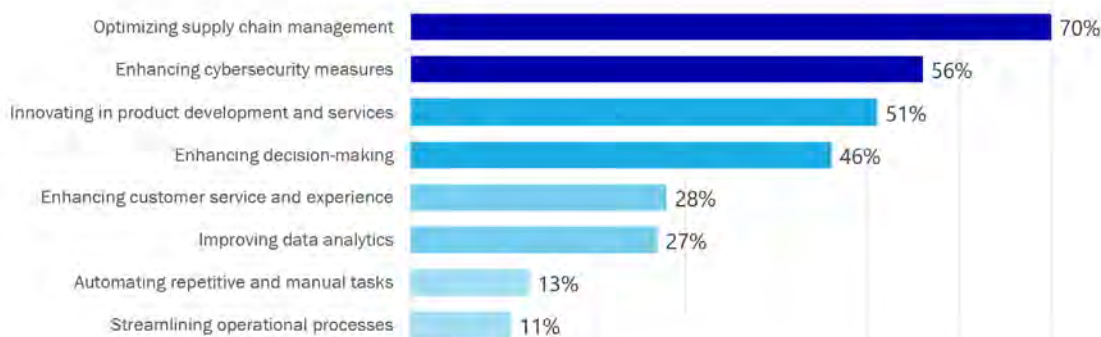
Talent development: Leveraging AI for personalized learning design, workforce planning, succession planning, and retention strategies, aligning employee skills with organizational goals.

Automation and efficacy: Automation through AI opens opportunities for employees to engage in more challenging and fulfilling tasks, promoting upward mobility and professional development within the workplace. In addition, by streamlining processes, AI enhances the customer experience by delivering faster response times, personalized interactions, and improved service quality. (Figure 3)

FIGURE 3

EFFICIENCY LEADS USE CASES FOR AI

Q: Please rank your company's top business use cases for AI in order of importance.

Use Case	Percentage
Optimizing supply chain management	70%
Enhancing cybersecurity measures	56%
Innovating in product development and services	51%
Enhancing decision-making	46%
Enhancing customer service and experience	28%
Improving data analytics	27%
Automating repetitive and manual tasks	13%
Streamlining operational processes	11%

SOURCE: HR POLICY ASSOCIATION'S CHRO SURVEY RESULTS 2024

Compensation: AI algorithms analyze job roles, market data, and employee performance to ensure fair and competitive salary structures, incentive programs, and executive compensation packages.

Benefits: AI-driven systems aid in designing and managing health care plans, retirement packages, and compliance measures by analyzing claims, forecasting costs, and streamlining participant communications.

Performance management: AI helps with objective assessment and feedback mechanisms, including personal coaching, enhancing employee development, and productivity.

Labor and employee relations: AI facilitates grievance analysis, contract negotiations, turnover analysis, and termination administration, providing insights to optimize workplace dynamics and compliance with labor laws.

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AI Compliments and Amplifies the "Human" Part of HR

AI-enabled data allows HR leaders to glean deeper insights into employee needs, preferences, and performance.

Using AI as a tool, HR can dedicate more time and energy to cultivating meaningful connections with employees, addressing individual concerns and development, and fostering a workplace culture that prioritizes both professional growth and well-being. In essence, AI becomes a tool that complements and amplifies the human dimension within HR, leading to a more nuanced and empathetic approach to workforce management.

Incorporating a human dimension into technology implementation serves as a vital strategy to assuage the apprehensions that individuals may harbor toward technological advancements. CHROs identify data privacy, potential bias in AI algorithms, and addressing the skills gap when adopting technology as top concerns regarding AI implementation (Figure 4). HR plays a pivotal role in identifying and addressing such concerns, helping provide information and education for the organization as individuals work through their own concerns and fears about AI in the workplace. HR also helps employees seize the opportunities AI presents by creating a learning agenda that demystifies the technology, instills learning agility, and ensures change readiness in the organization.
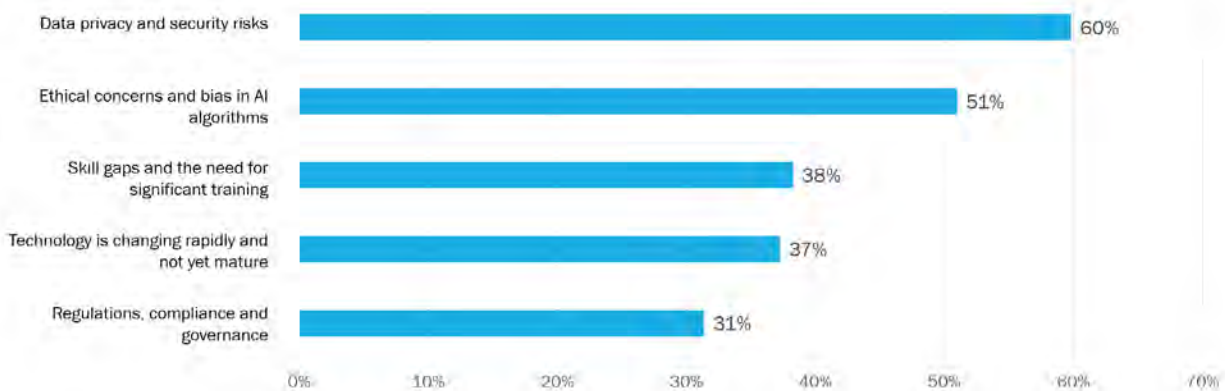
> **"AI will help put more human into Human Resources."**
>
> HEIDI CAPOZZI, EXECUTIVE VICE PRESIDENT AND GLOBAL CHIEF PEOPLE OFFICER, McDONALD'S CORPORATION

FIGURE 4

DATA PRIVACY, ETHICS, AND SKILLS GAPS LEAD AI CONCERNS

Q: What are your top concerns about adopting AI in your organization?

Concern	Percentage
Data privacy and security risks	60%
Ethical concerns and bias in AI algorithms	51%
Skill gaps and the need for significant training	38%
Technology is changing rapidly and not yet mature	37%
Regulations, compliance and governance	31%

SOURCE: HR POLICY ASSOCIATION'S CHRO SURVEY RESULTS 2024

Company Best Practices for AI Workplace Implementation

Before using an AI tool, it must be assessed against an ethical framework and applicable legislation for the locations where the tool will be used.

In an HR context, new AI tools must be reviewed and approved by internal Digital Technology and Data Teams, Global Privacy Officers, and Global Employment Law Teams. Some company guidance also extends to how AI is to be used responsibly once a specific tool is approved.

Some companies have specific guidance and policies on generative AI use. For example, they may block access to GenAI tools like ChatGPT and Google Bard on devices, while maintaining a system to request approval for business use and testing/AI learning purposes. Many large companies have developed their own internal generative AI chatbots for finding information more easily and many have developed protected areas where employees can experiment with

generative AI tools. These approaches stem from a desire to keep the company's data safe and avoid potential legal issues like violation of intellectual property rights and government policies. If employees use generative AI tools on their personal devices, most companies instruct them not to share or enter company or other confidential information into the tools, to continue to act responsibly and ethically by following all company policies, and not share personal information or otherwise violate the privacy of other individuals.

Outside of the C-Suite, many companies have established cross-functional groups that include business representatives, IT, Compliance, Legal, HR as well as employee representatives to discuss AI implementation and governance.

To ensure responsible usage and increase digital literacy, companies offer training on using GenAI in pilot projects, with the intention to scale them further within the company.

Leveraging AI tools effectively to drive growth

Companies must adopt a framework that promotes innovation while safeguarding against potential risks

HRPA Framework for Company Use of Employee Data & AI

A principles-based approach to AI regulation creates a reasonable framework for use while avoiding the potential for stifling reasonable experimentation and innovation.

In 2020, HR Policy Association recommended to its Members a set of principles on the use of employee data and AI for use as a framework for companies to leverage in their own work environments. Policymakers are encouraged to consider the following principles as they develop any final policy recommendations:

Privacy and security: Most companies maintain privacy policies applicable to current and prospective employees and tailor such policies to comply with jurisdiction-specific privacy regulations in the U.S. and abroad (*e.g.*, EU's General Data Protection Regulation). Principles for the use of data and AI should include a statement specific to employee privacy and security and may explicitly state that data may not be used for purposes incompatible with the specific purpose for which it was collected without employee consent..

Transparency: The intended uses of data should be clearly explained, understood, and shared, including the impact on decision-making and the processes for raising and resolving any issues. In some cases, this may include an explanation of the algorithms involved in machine learning assisted analysis and how those algorithms are developed and "trained" to analyze employee data.

Integrity or "good use": The principle of integrity is interpreted in a variety of different ways by companies according to their cultures but is rooted in the concept of "positive intent." In addition to committing to the use of data in a highly responsible way, companies may also specify that the purpose of all automation and AI is to augment and elevate a broad use of human stakeholders rather than replace or diminish them, and that data usage should be sensitive to cultural norms and customs and aligned with company values.

Fairness and bias: Although AI has been touted as the solution to unintended bias in many people-related processes – such as hiring, performance management and promotion – there is inherent risk of unintentional bias occurring within AI algorithms or the datasets used to train them. Principles around data and ethics should commit to continuous monitoring and correction for unintended bias in machine learning.

Accountability: Companies should be accountable for the proper functioning of automation and AI systems and for unintended foreseeable consequences arising from its use. Companies should ensure that everyone involved in the lifecycle of the technology is trained in ethics and that ethics is part of the product development and operation of an automated system. This may include the coders and developers responsible for creating the software, the data scientists responsible for training it, or the management of the company. Further, companies should develop governance and training mechanisms to ensure that automated systems and AI is developed responsibly.

HR Policy Association Supports the Following Reforms:

1 **Align any new policies with existing government frameworks that govern the use of AI.** The use of technology in the employment context is already subject to extensive regulation which should be taken into consideration when developing any additional protections. These areas of law include:

a *Labor laws:* The National Labor Relations Act (NLRA) – a cornerstone of American federal labor law – prohibits employers from interfering with, restraining, or coercing employees' exercise of Section 7 rights[5], including spying (*i.e.,* doing something out of the ordinary to observe employee activity) or giving the appearance of spying on employees' union activities.[6]

On October 31, 2022, NLRB General Counsel Jennifer Abruzzo issued a memorandum addressing Electronic Monitoring and Algorithmic Management of Employees Interfering with the Exercise of Section 7 Rights.[7] While the GC's actions are not specific to AI, the memo's interpretation could be a slippery slope for employers. In the memorandum, the General Counsel announced she will urge the NLRB to adopt a new framework to protect employees from intrusive or abusive electronic monitoring and automated management practices that would tend to interfere with an employee's protected activity by vigorously enforcing current law and applying settled labor law principles in a new framework.

The General Counsel has also made clear that the NLRB is committed to an interagency approach to these electronic monitoring and automated management practices issues. To that end, the GC signed agreements with the Federal Trade Commission, the Department of Justice, and the Department of Labor which will facilitate information sharing and coordinated enforcement on these issues.

Taking the General Counsel's instruction seriously, on April 11, 2023, the NLRB found that an employer violated the NLRA by creating an unlawful impression of spying when it viewed camera footage of an employee who was on his lunch break, even though the employee was not engaged in protected concerted activity.[8] Although a federal appeals court reversed this decision, stating that the NLRB had exceeded its authority, the case illustrates how the current administration can push the envelope on regulating AI through available legal channels.

While it is important to recognize and monitor these developments, care should be taken by regulators to balance the rights of employers to monitor their workplaces for legitimate non-discriminatory reasons with the rights of employees under Section 7 of the NLRA. Specifically, employers should not have to establish any "special circumstances" to implement carefully tailored workplace monitoring policies.

HR Policy Association Supports the Following Reforms:

(b) *Anti-discrimination:* Title VII of the Civil Rights Act prohibits discrimination in the employment context on the basis of race, color, religion, national origin, or sex. An employer can violate Title VII by engaging in actions that lead to disparate treatment or disparate impact of people who belong to a protected class. Disparate treatment occurs when similarly situated people are treated differently based on a protected class. Disparate impact occurs when facially neutral policies or practices have a disproportionately adverse impact on protected classes. Discriminatory intent is relevant to establish a claim of disparate treatment, but intent is not necessary for claims of disparate impact. Employers are also prohibited from unlawfully discriminating in the employment context based on age or disability due to the Age Discrimination in Employment Act and the Americans with Disabilities Act.

Liability for discrimination may arise under anti-discrimination laws when employers use artificial intelligence systems that are trained on biased datasets. With respect to anti-discrimination measures, any new government guidelines should be co-extensive with existing anti-discrimination laws instead of imposing obligations that exceed existing law.

In 2023, the U.S. Equal Employment Opportunity Commission (EEOC) released a technical assistance document explaining the application of Title VII of the Civil Rights of 1964 in preventing employer discrimination when using automated systems.[9] As that document explains, the 1978 EEOC Uniform Guidelines on Employee Selection Procedures "would apply to algorithmic decision-making tools when they are used to make or inform decisions about whether to hire, promote, terminate, or take similar actions toward applicants or current employees."

Existing law can in many instances be applied to the use of AI in the workplace. Any new guidelines or regulatory proposals should be consistent with guidance from the EEOC or other agencies that have already applied existing law to discrimination or other violations triggered by AI.

(c) *Data privacy laws:* Data privacy laws at the federal and state level directly affect the use of technology in the employment context. Federally, the Fair Credit Reporting Act (FCRA) regulates, among other things, how consumer reporting agencies use and share consumer information. A "consumer report" is defined as information bearing on a consumer's credit worthiness, including information related to a consumer's credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living. The FCRA requires consumer reports to be used for only permissible purposes, such as employment so long as employers provide disclosures and obtain consent.

In addition to the FCRA, employers must also navigate biometric information privacy laws in numerous states. For example, the Illinois Biometric Information Privacy Act (BIPA) prohibits organizations, including employers, from collecting and using biometric information unless they have provided notice and obtained written consent.

Aligning any new policies with existing government frameworks that govern the use of AI ensures coherence and avoids redundancy in regulatory measures.

HR Policy Association Supports the Following Reforms:

2 **Adopt a forward-thinking approach.** With technology evolving swiftly, it is crucial for new governance policies to exhibit flexibility and adaptability. Instead of focusing solely on the specific tools or applications of AI, policymakers should consider implementing guardrails that address the principles and ethical considerations governing the technology's usage. By concentrating on the broader principles and impacts rather than specific tools, policies can remain relevant and effective even as technology advances, preventing potential obsolescence by the time laws come into effect.

3 **Support and encourage workforce development.** In the rapidly evolving landscape of AI and technological advancement, it is essential for policymakers to acknowledge the importance of supportive public policies that promote reskilling and upskilling the U.S. workforce. Fostering collaboration between public and private sectors is key to developing a skilled, adaptable, and resilient workforce. Policymakers should prioritize investments in education and training programs to equip workers with the necessary skills for thriving in an AI-driven economy. This includes supporting initiatives that provide ongoing training and professional development opportunities for workers at all career stages, addressing barriers to education and training for underrepresented and disadvantaged groups, and facilitating access to cutting-edge tools and resources that enable companies to innovate and remain competitive. For instance, the Association supports and encourages Congress to pass the Stronger Workforce for America Act[10] (H.R. 6655), a bipartisan bill that allocates funding towards skills development and training programs, including employer on-the-job training and employer-directed skills development.

A Final Thought on Artificial Intelligence

In today's modern workplace, CHROs are at the forefront of integrating AI tools within their organizations. To sustain innovation, American companies require public policies that facilitate workforce development initiatives and support technological advancement. Policymakers must adopt a framework that promotes innovation while safeguarding against potential risks, allowing U.S. businesses to leverage AI tools effectively to drive growth and productivity without unnecessary constraints.

Endnotes

[1] McKinsey Global Institute report, https://www.mckinsey.com/featured-insights/future-of-work/what-can-history-teach-us-about-technology-and-jobs

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[3] World Economic Forum, Jobs AI Will Create, https://www.weforum.org/agenda/2023/09/jobs-ai-will-create/

[4] HR Policy Association's 2024 CHRO Survey Results, https://www.hrpolicy.org/getmedia/1d3f1d1e-5573-4586-a02d-22d7aa21c2ef/2024-03-CHRO-Survey-Results-AI.pdf

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[7] https://www.nlrb.gov/news-outreach/news-story/nlrb-general-counsel-issues-memo-on-unlawful-electronic-surveillance-and

[8] Stern Produce Company, Inc., 372 NLRB No. 74 (2023)

[9] "Assessing Adverse Impact in Software, Algorithms, and Artificial Intelligence Used in Employment Selection Procedures Under Title VII of the Civil Rights Act of 1964." Equal Employment Opportunity Commission (May 18, 2023)

[10] Stronger Workforce for America Act https://www.congress.gov/bill/118th-congress/house-bill/6655/all-actions?s=1&r=1&q=%7B%22search%22%3A%22hr6655%22%7D

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World Economic Forum Future of Jobs Report 2023, https://www3.weforum.org/docs/WEF_Future_of_Jobs_2023.pdf

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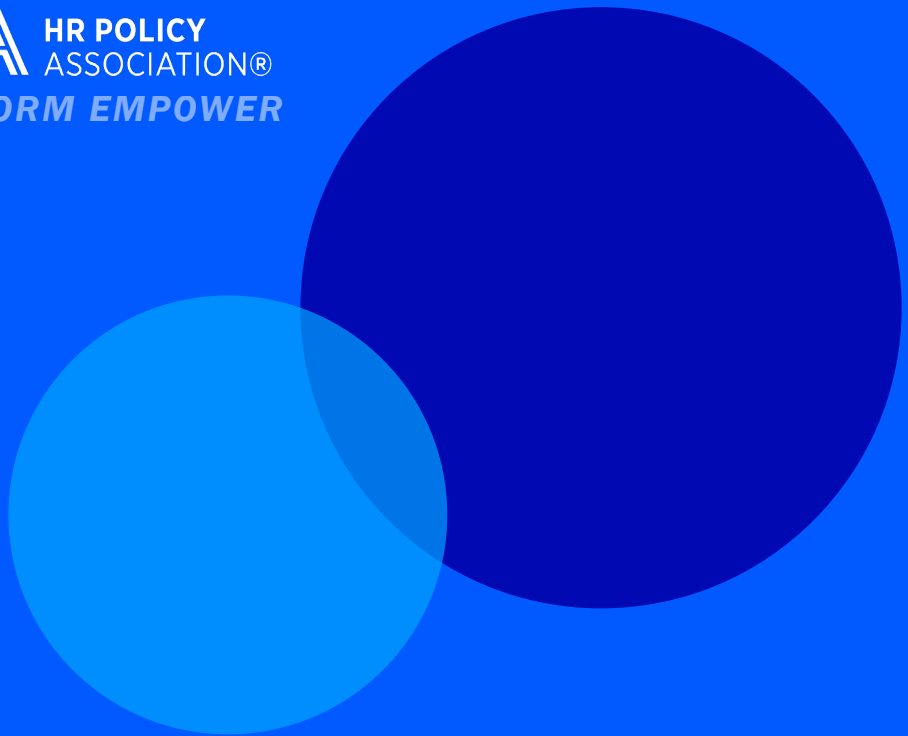President and CEO, Center On Executive Compensation

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For more than 50 years, HR Policy Association has been the lead organization representing Chief Human Resource Officers of major employers. HRPA consists of nearly 400 of the largest corporations doing business in the United States and globally. These companies are represented in the organization by their most senior human resource executives. Collectively, HRPA member companies employ more than 10 million employees in the United States, over nine percent of the private sector workforce, and 20 million employees worldwide. These senior corporate officers participate in the Association because of their unwavering commitment to improving the direction of human resources policy. To learn more, visit hrpolicy.org.