Put AI to Work

Intro: A competitiveness imperative

Europe is falling behind other global regions in terms of competitiveness. To reverse this trend, the EU must strengthen its productivity growth – a key message in former ECB President Mario Draghi's report on Europe's future competitiveness. In short: more needs to be produced with fewer working hours. Central to this equation is the digital economy, where Artificial Intelligence (AI) offers a generational opportunity.

AI has the potential to increase productivity, support innovation, strengthen competitiveness, and improve working conditions – while also enabling the green and digital transitions. But to unlock this potential, the EU must avoid regulatory overreach and ensure that businesses can adopt and scale AI solutions. This is not the time for new burdensome rules – especially as companies already face a heavy administrative load and skill shortages.

Background

AI is not just automation – it is transformation

Unlike earlier automation waves focused on manufacturing and robotics, AI affects both products and services, and cuts across all sectors – from logistics and healthcare to retail and professional services. It enables more accurate forecasting, better customer service, and smarter decision-making. If wisely implemented, AI can relieve employees of repetitive tasks, provide better managerial insights, and support more meaningful and qualified work.

AI should not be restricted by outdated work models or protectionist instincts. Efforts to preserve old jobs by limiting technology use tend to block the creation of new ones. In Sweden, for instance, while 140,000 jobs in manufacturing disappeared since 2000, over 800,000 new ones were created in the services sector. Regulation must evolve with such transformations – not obstruct them.

Demographics and productivity: The urgency of action

Europe faces a twin challenge: stagnating productivity and a shrinking workforce. The EU's working-age population is projected to decline by nearly two million people per year in the coming decades. Without major productivity gains, economic growth and social cohesion are at risk.

AI, especially in combination with algorithmic management systems, can help offset these demographic pressures – not by replacing jobs, but by reshaping them and supporting task allocation, workplace efficiency, and smarter resource use. In public services, AI can strengthen healthcare delivery, detect risks in real time, and contribute to better societal outcomes.

Quality jobs and the digital transition

Ongoing policy discussions on quality jobs increasingly recognise the role of digital tools, particularly ICT, in enabling more flexible work arrangements and enhancing workforce productivity. As work becomes increasingly digital and decentralised, it is essential to make the most of the opportunities this transformation offers – for both employers and employees – while

ensuring that rights are protected and risks are managed. When properly implemented, AI and algorithmic management systems can support smarter task distribution and improve overall workplace efficiency. AI systems that are wisely implemented and utilised will help employers assess and develop the skills of their workforce, provide career guidance, and support job matching. Still, a one-size-fits-all regulatory approach would be counterproductive. Algorithmic management systems vary widely across sectors and firms, and their use is already covered by existing frameworks such as GDPR, occupational health and safety laws, and collective agreements in many Member States. Social dialogue – not new legislation – is the key to managing these changes effectively.

Avoiding regulatory overload

Between 2019 and 2024, over 100 digital-related legislative proposals were adopted at EU level. While well-intended, this volume of new regulation has led to increased compliance costs and reduced innovation capacity – particularly for smaller firms. The Draghi report highlights the harmful impact of overregulation in key sectors like healthcare and energy.

As the Commission explores further action on algorithmic management, it is essential to ask: what market failure would new regulation solve? The Confederation of Swedish Enterprise sees no need for new legislative initiatives in this area. Software tools for work organisation have existed for decades and continue to evolve. New EU initiatives should aim to create opportunities – not obstacles – for European companies to leverage AI and maintain global relevance.

Clarifying concepts: AI vs. algorithmic management

The AI Act defines AI systems as machine-based systems with varying levels of autonomy, capable of adapting post-deployment and generating outputs based on input data. Algorithmic management, by contrast, refers to systems – whether AI-based or not – used to assign, monitor, or evaluate work processes.

Confusing the two risks overregulation. While responsible use is essential, most tools currently in use do not require new EU-level rules. Instead, existing frameworks already provide strong safeguards. The priority should be to ensure that these tools are implemented transparently, ethically, and in a way that supports both business development and worker well-being.

Key Messages

1. **AI is a critical driver of competitiveness.**
   The EU must empower companies to adopt AI in ways that enhance productivity and enable smarter decision-making. Legal uncertainty, overregulation, and administrative burdens are major obstacles that need to be addressed.

2. **Don’t regulate innovation away.**
   Calls for detailed, top-down regulation of algorithmic management risk undermining job creation, business growth, and innovation. Sector-specific and national differences require flexible approaches, not rigid rules.

3. **Most jobs will be reshaped – not replaced.**
   According to studies, only 6% of Swedish jobs are at high risk of full replacement by

AI. In contrast, 25% will likely be complemented by it. AI is more about transformation than substitution.

4. **Skills are the real bottleneck.**
   AI deployment will fail without the right competences. Digital skills gaps must be urgently addressed, with employers involved in updating curricula and shaping practical training opportunities.

5. **AI is a productivity tool – not a threat.**
   Productivity in Europe is stagnating, and the EU is facing a severe demographic decline in coming years. At the same time, the use of AI has enormous potential for public services, healthcare, innovation, growth, productivity, and job preservation throughout the EU. The use of AI also creates opportunities for workers, including by providing support in their work tasks, improving job adaptation, simplifying communication processes, and ensuring a balanced workload.

6. **Trust and dialogue matter more than new laws.**
   The impact of AI varies across companies and roles. Social dialogue offers the best way to manage its introduction and use. Trust, transparency, and cooperation must be prioritised over centralised rule-making.