



AI in diversity – a blessing or a curse?

▶ **As the pensions industry strives to instil diversity in everything it does, we ask if AI can be a help or a hindrance**

the applicant's name, gender or school. Your AI is more likely to give greater weight to skills and qualifications. Again, your AI will bring its own biases, but they will be different from yours, so it could help to open your eyes to a more diverse range of candidates.

Despite good intentions, one often sees the diversity of candidates reduce as a proportion as the hiring process reaches the end. AI can be one tool that helps counteract that. That's not the same as saying hand over your hiring process to a robot – far from it.

Quietroom director, Simon Grover

thinking about this problem. Google's Gemini attracted perplexity and derision for its ham-fisted attempts to address this (for instance, it generated ethnically inaccurate historical pictures), and as a result seems to have abandoned the whole idea. Other AI companies don't seem to have tried.

AI is likely to develop into an all-encompassing technology, including in pensions. Unless we act now to make sure its builders have an understanding of underlying societal structures, it will perpetuate them.

Zedra client director, Alastair Meeks

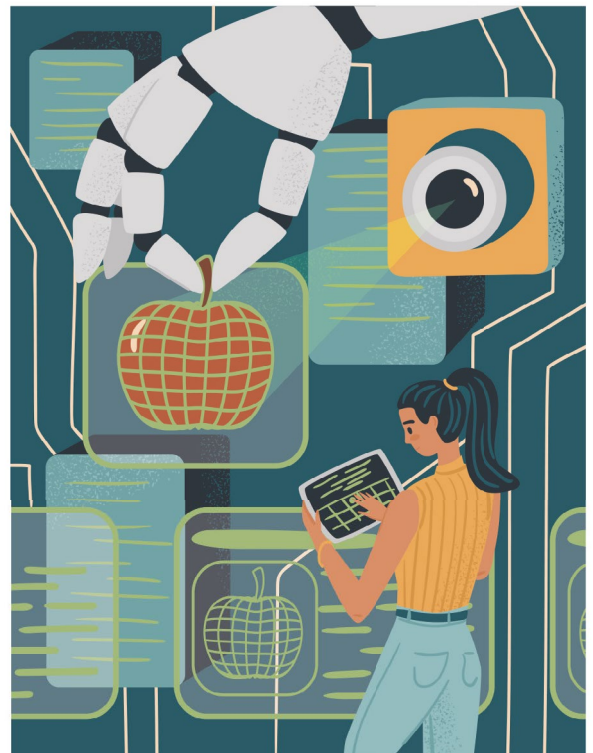
We're finding that AI has a limited ability to produce the first draft of something like a job ad. That's partly because, while it might help balance your biases, it has plenty of its own. It's just as likely to leave out an important concept, or use the wrong word for the situation, as you are.

AI is much better suited to analysing – either data or copy – and making suggestions. So, for example, you can show it the draft of your job ad and ask it to point out any structure, content or language that could be improved to make the ad more inclusive, and so attract a more diverse range of candidates. It could be pretty good at highlighting gendered, age-specific, or culturally biased terms that may unintentionally discourage certain candidates from applying.

AI could also play a role in reducing your bias when the CVs and job applications start arriving. Imagine, for example, putting your 'reject' pile into your AI bot, along with your ad, and asking it to suggest any of the applicants it thinks you might have overlooked. Perhaps you were overly influenced by

AI is a knife. It could be an essential tool, or it could cause great harm. We will need to use it with care. Many technologies fall prey to latent biases. Famously, hand dryers are significantly worse at detecting darker skin tones. That's just an irritation, but when autonomous vehicles have the same problem, the results could be fatal.

If AI is built using databases that structurally incorporate the latent biases of our society, it will have those latent biases. Unless countermeasures are taken. Unfortunately, there are no indications that many AI builders are



AI can be a game-changer in improving diversity, but it's far from a silver bullet. The assumption that AI is unbiased is misleading. In fact, it's often the opposite – AI picks up and amplifies human biases embedded in the data it's trained on. Take facial recognition technology: Studies have shown it misidentifies people of colour at alarmingly high rates. Similarly, language models like GPT have been found to reinforce harmful gender stereotypes. Far from being an impassive decision-maker, AI reflects the prejudices in our society. In the pensions space, while AI can support diversity efforts, human oversight is critical to prevent the very biases we're trying to eliminate from creeping back in.

Trafalgar House client director, Daniel Taylor

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If we focus on generative AI within the wider spectrum of AI, its power lies in recognising and using patterns. Patterns and biases are similar things. Generative AI is already being used to reduce unconscious bias in communication. This is treated with fear and suspicion by some, however a desire to make communication more inclusive is something we should aspire to. The focus on patterns allows us to hold a mirror up to our decision-making processes and highlight where outcomes look inequitable. This not about saying the outcome is wrong, but this check allows us to consider where there might be a better path. Better insight should lead to better decisions. The ability for AI to reduce or reinforce bias seems huge. Like most tools, how we use it is

what matters.

IGG trustee director, Tim Giles

AI could play a transformational role in boosting diversity across the pensions industry, given the relative ease with which it can analyse data to spot differences across various groups such as gender, ethnicity, or income level. This will allow pension providers and trustee boards to create and shape products and support services that meet member needs, especially those who are often under-represented.

AI tools can also be leveraged to make pensions more personal through tailored financial advice and communication, making it easier for people from diverse backgrounds to truly engage with and understand their options. Given the wide pension engagement gap for demographics such as younger women, this could be a real game changer.

There's also a role for AI to play across the industry more generally, for example, by removing bias in hiring and promotion processes – this opportunity will help firms and trustees boards build more diverse and representative teams which will go some way to helping address some of the challenges which are still present in our industry.

Scottish Widows master trust and IGC lead, Sharon Bellingham

The potential uses and benefits of AI in the pensions industry could transform and modernise the way the sector operates. AI could be used to analyse extensive datasets to identify and help address inequities in pension outcomes, automate personalised communication for diverse members, and optimise investment strategies for inclusive outcomes.

However, it's essential for the industry to be mindful of the existing risks within data sets and information systems (e.g. algorithmic biases) to



ensure they are not made worse. AI is relatively immature, with acknowledged flaws, and has been shown to inadvertently perpetuate existing bias when used for some HR processes. To mitigate these risks and promote equitable outcomes for all scheme members – particularly while it is still fast evolving – robust policies that support thorough trustee training in the use of AI systems and address data quality issues are crucial.

Ultimately, trustees must be aware of both the risks and benefits of AI. Understanding the right questions to ask and knowing how to effectively leverage AI could serve to enhance diversity and inclusion within the pensions sector. The Pensions and Lifetime Savings Association (PLSA) is exploring AI challenges with experts, and we will soon be releasing a report aimed at supporting pension trustees in the effective application of this developing tool.

PLSA deputy director of policy, Joe Dabrowski

Written by Francesca Fabrizi