The Future of Reward 2035:

AI, value, and the redesign of compensation systems.

A publication-style strategy report for CHROs, reward leaders, CFOs, boards, and operating leaders redesigning reward under AI pressure.

CORE THESIS

AI is not only changing work. It is changing how contribution is seen, credited, governed, and shared. The reward problem is no longer only pay level. It is the growing mismatch between role-based pay, AI-shaped value creation, and the systems that determine access to opportunity.

3.5%

TOTAL SALARY INCREASE BUDGET

Average 2026 total budget among surveyed U.S. employers. Mercer, 2025.

23%

SKILLS-BASED REWARD

Organizations with some form of skills-based reward program. WorldatWork / Mercer, 2025.

56%

AI SKILL WAGE PREMIUM

Average wage premium for workers with AI skills. PwC, 2025.

90%

ALGORITHMIC MANAGEMENT

U.S. firms using at least one tool for instruction, monitoring, or evaluation. OECD, 2025.

4%

PRODUCTIVITY LIFT

Average short-run labour productivity increase in AI-adopting firms. BIS, 2026.

13

STUDIES IN THE AI PENALTY PAPER

Participants repeatedly lowered compensation for workers using AI. Kim et al., 2025/2026.

Sources used in this report include Mercer, WorldatWork, PwC, OECD, BIS, IMF, arXiv, Ravio, EU and UK regulatory materials, and LinkedIn market discourse.

Inside this version

- What the newest academic evidence adds to the original report
- What current LinkedIn discourse gets right - and what it misses
- How Giac Soliman's CompTech signals change the near-term operating model
- Why attribution, access, and perceived deservingness now matter as much as market pricing
- What boards and reward teams should do in the next 24 months

- Adds the AI penalty and reward-legitimacy evidence
- Separates bounded workflow AI from autonomous pay decisions
- Strengthens access inequality, entry-level pipeline, and team-collective design logic
- Clarifies decision rights, appeals, and gain-sharing philosophy
- Uses LinkedIn discourse as a market signal rather than as proof

Nine integrated implications now require board action

This version keeps the original system view of reward, but adds three missing realities: AI can reduce perceived deservingness even when output rises, access to AI capability compounds inequality before cash moves, and most real-world adoption is still bounded workflow support rather than autonomous pay setting.

#	IMPLICATION	WHAT IT MEANS NOW
1	**Reward breaks at attribution and deservingness**	AI increases output but blurs visible effort, agency, and ownership. Pay systems become contested when firms cannot explain both who created value and why AI use is or is not rewarded.
2	**Stable budgets can hide sharp internal divergence**	Base-pay movement is settling, while AI skill premiums, faster skill change, and internal scarcity are widening differences between workforce segments and roles.
3	**Current adoption is workflow-first, not autonomous**	The market is scaling policy Q&A, scenario modelling, benchmark retrieval, pay-equity diagnostics, and compliance workflows. Final allocation decisions remain high-risk and human-owned.
4	**Access is upstream of pay**	Who gets AI tools, governed data, visible work, experimentation time, and sponsorship compounds capability and future earnings long before salary bands move.
5	**Skills-based reward will grow, but infrastructure still lags**	Organizations are piloting pay-for-skills and talent marketplaces, but many still do not use skills in reward. Weak taxonomies and uneven data make broad redesign fragile.
6	**Dynamic reward must be layered, not total**	Stable base pay plus selective capability, project, and team overlays outperform fully fluid systems in most enterprises. Core protection matters for trust, budgeting, and regulation.
7	**Collective performance matters more in AI-mediated work**	AI can intensify interdependence. Over-individualized incentives over-reward what is visible, under-price coordination, and encourage metric gaming.
8	**Gain-sharing needs an explicit philosophy**	AI productivity gains do not automatically flow to labour. Boards must decide what is retained as margin, what is shared broadly, and what is targeted to scarce capability.
9	**Governance is now part of reward design**	Human ownership, explainability, appeals, and audit trails are no longer implementation details. They determine whether AI-influenced reward decisions remain legitimate and defensible.

Board agenda

- Map where AI already affects pay, progression, and opportunity allocation
- Set segment-specific reward logic instead of one enterprise architecture
- Demand evidence on access patterns, appeals, and gain-sharing outcomes

What this means for reward leaders

- Do not launch dynamic pay before decision rights and data quality are stable
- Pilot capability pricing, team overlays, and bounded AI workflow support first
- Protect frontline stability and regulated control while moving faster in knowledge work

Integrated from the original report plus current research, market discourse, and CompTech practice signals.

From AI tool adoption to reward redesign

A stronger 2026 reward strategy has to connect four layers that are often discussed separately: academic evidence, LinkedIn discourse, real CompTech signals, and enterprise design choices. The original report had the design logic. This version adds the missing evidence and market realism.

1

Academic research

Compensation strategy research now emphasizes automation-versus-augmentation boundaries, fairness, explainability, and strategic use of AI. New behavioural work adds the "AI penalty" and distribution research shows mixed but consequential inequality effects.

2

LinkedIn discourse

Market conversation repeatedly highlights skills-based pay, pay transparency, real-time decisions, and human-in-the-loop AI. It is directionally useful, but often optimistic about fairness and light on attribution, access, and distribution.

3

CompTech reality

Giac Soliman's recent signal is especially useful here: current deployments are mostly bounded workflows such as policy retrieval, audit prep, scenario modelling, guardrails, and compliance automation - not autonomous compensation logic.

4

Design consequence

Reward has to become a portfolio of models: stable where trust and control dominate, selectively dynamic where capability and project leverage matter, and continuously governed where AI influences consequential decisions.

The integrated reward shift model

Market pressure
Budgets flatten while AI capability premiums and skills change accelerate.

Workflow change
More work is co-produced by people, models, data, and workflow rules.

Legitimacy test
Employees ask who created value, who owned the decision, and how outcomes can be challenged.

Distribution test
Gains flow unevenly through access, bargaining power, and capital ownership unless sharing rules are explicit.

Design response
Stable cores, targeted premiums, team overlays, access governance, and named human accountability.

What the original report already got right

Reward is a system of measurement, allocation, governance, and access. Attribution matters. Segment-specific design beats one-size-fits-all architecture.

What the new evidence adds

Perceived deservingness can fall when AI use becomes visible. Distribution effects are mixed, but concentration risk is real. Bounded AI is the actual near-term operating model.

What changes in practice

Map problems before tools, define decision rights before pilots, and measure access before assuming pay equity dashboards tell the full story.

Sources: Marler (2024); Kim et al. (2025/2026); BIS (2026); IMF (2025); LinkedIn discourse sample (2025-2026).

What the latest evidence suggests

The shape of the problem is now clearer than it was when the first version was drafted: salary budgets are stable, skills and AI signals are accelerating, real operating-model readiness is still thin, and some market segments are already compressing entry-level pathways.

Budgets stabilise

Mercer's 2026 planning data points to a third straight year of relative stability, which means differentiation pressure now shows up more through premiums, access, and scarce capability than through broad salary movement.

AI signals accelerate

56%
Average wage premium for workers with AI skills

66%
Faster skill change in AI-exposed jobs

4%
Average productivity lift in AI-adopting firms

90%
U.S. firms using at least one algorithmic management tool

The signals point in the same direction: AI is not just a technology issue. It is a pricing, measurement, and operating-model issue.

Reward architecture lags

23%
Organizations with skills-based rewards in place

43%
Employers connecting talent to work through a marketplace

40%
Do not incorporate skills into rewards and recognition

~60%
Marketplace users uncertain how well the model works

Skills language is spreading faster than enterprise-grade skills measurement, contribution data, and manager confidence.

Tech-market signal: AI demand rises while junior pathways compress

- AI/ML new-hire share grew 88% year-on-year in Ravio's 2025 data.
- Unique AI/ML job titles increased 50% in the same period.
- Administrative-role hiring fell 32.5% globally in Ravio's tech-market data.
- P1/P2 entry-level hiring fell 73.4%, intensifying the early-career pipeline problem.
- Median AI pay premiums in tech are significant but not uniformly extreme: Ravio estimates roughly 12% at professional levels and 3% at management level.

Signal read for reward teams

- Do not confuse stable budgets with stable reward pressure.
- Use premiums selectively and time-limit them where market spikes may settle.
- Audit early-career pathway health, not just current senior AI-skill pricing.
- Measure access to high-value work because it increasingly drives who compounds capability fastest.

Sources: Mercer (2025); WorldatWork / Mercer (2025); PwC (2025); OECD (2025); BIS (2026); Ravio (2025).

What LinkedIn discourse says - and what the evidence adds

The latest LinkedIn conversation is useful as a market signal. It shows where practitioners are focusing attention right now. But it is not the same thing as causal evidence. Read together with the research, the discourse tells a sharper story.

WHAT POSTS KEEP SAYING

- **AI enables fairer, faster, more defensible pay decisions.** Pay transparency, good-faith ranges, and better data are rising.
- **Skills-based reward is the future.** Job titles matter less; skills, capabilities, and sharper differentiation matter more.
- **Human-in-the-loop remains essential.** AI should support, not replace, judgment.
- **Total reward expands beyond cash.** Flexibility, wellbeing, learning, and career mobility matter more.
- **Comp teams need better tools now.** Workflow automation, audit support, and less spreadsheet dependence are practical priorities.

WHAT THE INTEGRATED EVIDENCE ADDS

- **Measurement can become more contested, not less.** Co-produced work and workflow mediation make value harder to explain.
- **Skills-based pay is real but immature.** The data layer, governance layer, and manager-confidence layer still lag the rhetoric.
- **The real work is defining decision boundaries.** "Human in the loop" is too vague without named owners and explicit non-automation rules.
- **Access becomes reward before cash moves.** Tools, data, projects, and visibility shape future earnings upstream of pay decisions.
- **Workflow automation is not reward redesign.** Most organizations are still in a bounded adoption phase.

Giac Soliman's contribution is the most grounded near-term signal in the LinkedIn sample: reward leaders keep asking "which tool?" because they want proof, not another concept deck. His strongest warning is against "tool tourism" - buying AI before mapping the broken process.

LINKEDIN SAMPLE, FEB 2026

Why this matters for the report

- The market discourse usefully anchors the current state: policy Q&A, audit prep, range creation, skills intelligence, and pay-transparency workflows.
- But the research and original report remain right about the deeper structural problem: attribution, access, trust, and distribution are the true redesign issues.

Sources: LinkedIn discourse sample including Giac Soliman, Peh Keong Teh, Nancy Petrarca Romanyshyn, John Beadle, Duncan Brown, and related 2025-2026 posts.

Reward breaks first at attribution - and then at perceived deservingness

The first version was right to put attribution at the center. New research strengthens that argument. The challenge is no longer only that AI-assisted work is harder to attribute. It is that visible AI use can also reduce how deserving the worker is perceived to be, even when the output is equivalent.

THE AI REWARD PARADOX

AI use rises
Output, speed, and scale improve.

Human effort looks less visible
Observers see less manual work and less obvious authorship.

Agency looks diluted
People may infer that the system "did the work".

Pay legitimacy weakens
Bonus, promotion, and fee decisions become easier to contest.

Kim et al.'s AI Penalty paper now reports 13 studies in which participants consistently lowered compensation for workers using AI. The mechanisms are perceived effort and perceived agency; contractual constraints reduce the penalty.

What the compensation-strategy literature adds

Marler's 2024 synthesis identifies four compensation challenges that now sit at the center of AI-enabled reward: when and how to automate or augment tasks; how to use AI to improve fairness; how to explain AI-derived recommendations; and how to be strategically useful rather than just operationally faster.

Where this shows up first

- Bonus calibration where output is partly AI-assisted
- Promotion cases that depend on visible authorship or leadership credit
- Knowledge-work fees, sales credit, and project attribution
- Executive reward where system leverage can masquerade as leadership quality

DESIGN RULE 1

Reward accountable judgment, quality, risk management, and exception handling - not visible busyness.

DESIGN RULE 2

State explicitly where AI assistance is expected, acceptable, and value-adding so workers are not penalized informally for using approved tools.

DESIGN RULE 3

Require a named human owner for consequential outcomes and a rationale that distinguishes human contribution from system leverage.

DESIGN RULE 4

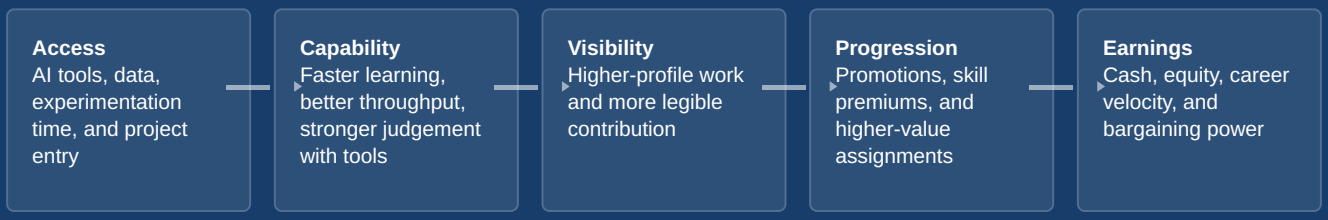
Use policy and contract guardrails to prevent ad hoc downward adjustments when AI use becomes visible.

Sources: Marler (2024); Kim et al. (2025/2026); original report logic on attribution and legitimacy.

Access is becoming a compensation variable in its own right

The original report's "access as reward" insight is even stronger after integrating the new evidence. Workers do not only differ by pay. They differ by proximity to AI tools, governed data, visible work, and learning environments. Those differences shape who compounds capability and earning power fastest.

The access compounding model



Research nuance: distribution is mixed, concentration risk is still real

- BIS finds AI adoption raises productivity by 4% on average, with higher wages and no short-run employment loss, but gains concentrate in medium and large firms.
- The IMF's task-based model suggests AI may reduce some wage inequality while increasing wealth inequality through capital returns and adoption choices.
- Evidence from Chinese listed firms found AI narrowed executive-worker wage inequality in that context.
- Tech-market signals still point to concentration risk: AI talent premiums rise while junior and administrative hiring fall sharply.

Design consequence

- Track access to AI tools, high-value work, data permissions, and experimentation time by cohort.
- Do not rely on pay-outcome audits alone; measure opportunity allocation and progression pathways.
- Rebuild entry-level and reskilling pathways so AI adoption does not hollow out future talent formation.
- Treat inclusion as a systems-design problem, not only a hiring problem.

Sources: BIS (2026); IMF (2025); Wu et al. (2024); Ravio (2025); original report's access model.

Most organizations are still in the bounded-AI stage

Giac Soliman's recent writing materially improves the near-term operating picture. The practical frontier in 2026 is not autonomous pay setting. It is governance-wrapped, workflow-level AI that removes manual friction, retrieves policy, structures evidence, and supports compliance.

DECISION AREA	NOW AT SCALE OR HIGHLY PLAUSIBLE	EMERGING AND BOUNDED	KEEP HUMAN-OWNED
Knowledge and policy	Policy Q&A, band library retrieval, first-line manager or TA support, knowledge bases over cycle materials	Context-aware guidance embedded in Slack, Teams, ATS, or cycle tools	Changes to compensation philosophy or policy exceptions
Analytics and planning	Scenario modelling, benchmark retrieval, data cleanup, audit preparation, slide and memo generation	Predictive compensation modelling, anomaly flags, emerging role benchmarking	Final market positioning and payout decisions without human review
Range and structure work	Band design support, spreadsheet-control reduction, workflow routing, budget guardrails	Skills inference, market premium suggestions, talent-marketplace matching	Self-directed repricing or rule creation by the model
Consequential decisions	Drafting explanations and assembling precedent evidence	Recommendation engines operating inside explicit matrices and thresholds	Final salary actions, contested promotions, regulated variable pay, adverse actions, and appeal outcomes

> The ask for tools is really a request for proof. But tool-first adoption creates "tool tourism" unless the organization maps the broken process first.
>
> GIAC SOLIMAN, PARAPHRASED FROM FEB 2026 ARTICLE

What the market signals show

- AI is moving from dashboards into workflows: transparency-compliance stacks, embedded equity guidance, partner AI, predictive comp modules, and benchmark communities.
- Vendor guardrails are part of the value proposition. Buyers are often purchasing governance maturity, not just model capability.
- The practical design choice is usually build vs buy vs wait - based on governance maturity, workflow specificity, and timeline pressure.

Sources: Giac Soliman LinkedIn articles, Aug 2025 to Feb 2026; Marler (2024).

Governance must define not only what AI can do, but what it must not own

"Human in the loop" is not a design. A defensible reward operating model needs explicit decision-rights architecture, evidence standards, non-automation boundaries, and appeal routes. This matters even more as AI, pay transparency, and sector-specific remuneration rules tighten expectations.

DECISION LAYER	WHAT AI CAN DO	HUMAN OWNER	EVIDENCE STANDARD	SHOULD NEVER BE AUTOMATED
Policy and architecture	Summarize policies, flag internal inconsistencies, retrieve precedents	Reward leader / policy owner	Approved policy corpus and version control	Compensation philosophy, risk appetite, and segment logic
Benchmarking and modelling	Run scenarios, compare ranges, highlight outliers, prepare audit packs	Comp + finance	Source-validated market data and documented assumptions	Auto-setting market position or pay without approval
Contribution signals	Aggregate workflow data, summarize project evidence, surface anomalies	Manager + HRBP	Multi-source signals plus quality review and context checks	Purely model-driven judgments in disputed or ambiguous cases
Allocation recommendation	Propose actions within explicit thresholds, budgets, and matrices	Named manager / reward committee	Comparator set, rationale, budget record, and exception logic	Sending final salary, bonus, or promotion outcomes without human sign-off
Appeal and remediation	Retrieve relevant policies and comparable cases; generate explanations	Appeal reviewer / committee	Visible audit trail and documented reasoning	Final appeal result or formal grievance determination

Core metrics to monitor

- Access to high-value work, AI tools, and governed data
- Progression velocity and skill-premium distribution
- Override and appeal rates on AI-influenced decisions
- Reward disparity across comparable cohorts and pathways
- Share of reward decisions touched by AI, by segment and risk level

Regulatory bar is rising

The EU AI Act's first provisions started to apply in February 2025, and pay-transparency obligations continue to raise standards for explainability, documentation, and remediation. In regulated finance, remuneration reform still anchors variable pay in prudential control, deferral, and human accountability.

Sources: European Commission AI Act materials; Consilium pay-transparency summary; FCA PS25/15; EBA remuneration materials; OECD (2025).

There is still no single future reward model

The original portfolio logic remains right. The update is that the boundary conditions are now clearer: current AI adoption is uneven, current governance expectations are stricter, and the balance between individual, team, and system reward needs more deliberate design.

WORKFORCE SEGMENT	DOMINANT CONSTRAINT	WHAT SHOULD FLEX	WHAT SHOULD STAY ANCHORED	PRIMARY NON-CASH REWARD EMPHASIS
Knowledge / capability-dense	Scarce skills, global market pricing, project leverage	Capability premiums, project access, equity, targeted incentives	Core ranges, review discipline, fairness checks	AI capability, learning, project visibility, career velocity
Frontline / high-volume	Income stability, schedule fairness, operational simplicity	Limited team overlays, skill steps, location or shift differentials	Stable base pay, transparent rules, simple communication	Hours stability, shift quality, schedule access, skills progression
Regulated / risk-sensitive	Auditability, prudent risk-taking, long-tail outcomes	AI-informed scorecards, documented recommendations, governed incentives	Deferral, malus/clawback, named accountability, human approval	Governance credibility, career mobility, control effectiveness
Public value / safety-critical	Equity norms, public legitimacy, patient or service safety	Selective skill supplements, role redesign, learning access	Banding, transparent progression, budget visibility	Capability development, workload fairness, service quality support
Asset-intensive / collective	Safety, union norms, long project cycles, interdependence	Digital-operations premiums, team incentives, completion incentives	Safe throughput metrics, collective economics, control limits	Multi-skilling, reliability credentials, project completion recognition

Design rule

Dynamic reward should be layered, not total. Anchor the enterprise with job architecture, core ranges, and control standards. Flex selectively where capability, scarcity, and high-value project contribution are genuinely legible.

Board question

Has each major workforce segment been assigned a clear reward design logic - or is the organization still assuming one architecture can stretch across AI-intensive, frontline, regulated, and safety-critical work?

Source base: original report logic, updated with LinkedIn market signals and current governance requirements.

AI intensifies the reward trilemma: fairness, performance, simplicity

AI makes more signals available, but it also increases the temptation to optimize what is easy to score. That is why the incentive debate is no longer only about individual differentiation. It is increasingly about how to protect quality, collaboration, and future capability formation when work is more mediated and more interdependent.

The reward trilemma

Fairness

Most organizations can fully optimize two, not all three, at the same time.

Simplicity **Performance**

AI often tempts firms to push hardest on measurable performance, which can weaken simplicity and perceived fairness if the signal quality is poor.

What goes wrong when AI metrics lead

- Visible output outranks invisible coordination, coaching, and judgment.
- Speed can displace service quality and risk management.
- Employees learn to game the score instead of improving the outcome.
- Income volatility shifts from the firm to the worker.
- Early-career learning and collaborative capability get under-rewarded.

WHY THE TEAM COLLECTIVE MATTERS

Duncan Brown's intervention is a valuable counterweight to the market's default appetite for more individual differentiation. Where AI intensifies interdependence, collective gain-sharing, profit-sharing, and team overlays often fit the production reality better than narrow individual metrics.

MANAGER ROLE REDESIGN

Managers become translators of system logic, validators of context and quality, owners of exceptions, and stewards of trust. Their role becomes harder, not less important, as AI takes over administrative steps.

FRONTLINE AND LOWER-PAID ROLES

These roles are most sensitive to volatility and opacity. Strong base pay, simple rules, and small team-based overlays remain safer than frequent repricing.

KNOWLEDGE-WORK IMPLICATIONS

Promotion, recognition, and pay progression should still value mentoring, reusable IP, client trust, and system stewardship - not only whatever the workflow can count easily.

Sources: OECD (2025); Duncan Brown LinkedIn article (Jan 2026); original report consequences section.

Premium design without panic: move faster at the edge, protect the pipeline

Technology and professional services are still where reward can move fastest. But the new evidence and market signals argue against two common errors: overpaying permanently for AI skills that may commoditise and allowing AI adoption to hollow out the junior pathway that future capability depends on.

What to do in knowledge work

- Use targeted capability premiums, not enterprise-wide repricing.
- Prefer time-limited adjustments, equity, sign-on bonuses, and project access over permanent base-pay distortion when the market is volatile.
- Price for scarce capability, judgment, client trust, and reusable IP - not just for visible AI throughput.
- Document business justification whenever you depart from standard structures.

The junior pathway problem

Ravio's 2025 market data shows a sharp drop in entry-level hiring alongside a surge in AI hiring. That matters because AI is also compressing the classic pyramid in engineering and professional services. Reward design therefore has to protect teaching, oversight, apprenticeship, and pathway formation as part of the value model.

- Do not reward only the already-augmented star performer.
- Value mentoring and capability-building roles explicitly.
- Redesign junior work to be AI-native rather than removing it wholesale.

Professional-services implication

As AI compresses junior leverage, partner value shifts further toward origination, judgement, client trust, risk management, knowledge capture, and the ability to build repeatable capability. Reward logic should reflect those shifts rather than assuming the old pyramid remains intact.

Technology implication

The market may pay sharply for top AI talent, but median premiums are still more moderate than headline stories imply. The design task is to stay competitive without breaking internal coherence or locking today's spike into tomorrow's fixed cost base.

Sources: Ravio (2025); PwC (2025); original report knowledge-work logic; LinkedIn market discourse on skills-led pay.

AI makes gain-sharing and executive attribution impossible to ignore

The finance question is still central: if AI increases output, who captures the gain? This version adds two refinements. First, research does not support a single universal inequality story. Second, the more enterprise performance is lifted by system leverage, the more executive reward needs to separate leadership action from platform effect.

The value-capture stack

- **Infrastructure and model providers** capture value through capability, switching costs, and scale.
- **Adopting firms** capture value through workflow redesign, data advantage, and customer trust.
- **Workers** capture value through scarce capability, bargaining power, and access to high-leverage work.
- **Capital owners** may capture an outsized share even where wage effects are mixed.

That is why gain-sharing needs an explicit philosophy rather than an assumption that the market will decide fairly on its own.

Executive reward under AI leverage

- Separate performance uplift created by system leverage from uplift created by leadership choices.
- Reward leaders for capability formation, governance quality, risk control, and durable value - not only the headline financial result.
- Where long-tail outcomes matter, keep deferral, malus, clawback, and named accountability intact.

OPTION	UPSIDE	RISK
Retain most gains	Supports margin expansion and reinvestment.	Workers may experience higher pressure without visible participation in value creation.
Targeted sharing	Helps retain scarce capability and critical roles.	Can amplify internal inequality and weaken broader trust if done without narrative and controls.
Broader gain-sharing	Improves legitimacy, enterprise alignment, and collective buy-in.	Raises fixed or semi-fixed cost if poorly designed or weakly linked to sustainable gains.

Recommended stance

Use a layered philosophy: targeted premiums for scarce capability, broader gain-sharing where value is truly system-level, and transparent explanation of what portion of AI gains is being retained for reinvestment.

Regulated nuance

In financial services, reforms do not change the core principle that remuneration must support prudent risk-taking. AI can improve evidence and scorecards, but it does not remove the need for human-owned, auditable control.

Sources: BIS (2026); IMF (2025); FCA PS25/15; EBA remuneration materials; original report finance and executive sections.

The next 24 months: sequence redesign before scale

This report does not argue for a leap from legacy reward to fully dynamic allocation. The integrated evidence points to staged redesign: make AI influence visible, strengthen the architecture, pilot bounded use cases, scale by segment, then rebalance continuously.

PHASE	MAIN OBJECTIVE	TYPICAL ACTIONS	WHAT SUCCESS LOOKS LIKE
1	Diagnose and make visible	Map where AI already affects work, reward, progression, and opportunity. Audit access to tools, data, projects, and experimentation time.	Clear inventory of AI touchpoints, access gaps, and high-risk decisions.
2	Build the minimum architecture	Strengthen skills taxonomy, knowledge base, policy retrieval, contribution logic, decision-rights model, and evidence standards.	Managers and reward teams can explain the rules and use them consistently.
3	Pilot bounded AI and selective redesign	Run narrow pilots in policy Q&A, scenario modelling, pay-equity diagnostics, capability pricing, and team overlays. Add visible appeal routes.	Time saved without loss of trust; pilot decisions remain auditable and human-owned.
4	Scale by segment	Protect frontline stability, govern regulated roles tightly, and move faster on capability-dense segments where value is genuinely fluid.	Different parts of the workforce operate under clearly stated reward logic.
5	Measure and rebalance quarterly	Track access distribution, progression velocity, override and appeal rates, disparity trends, cost volatility, manager confidence, and pathway health.	Selective uplifts do not silently become structural inequality.

Do now

- Clarify ownership for all AI-influenced reward decisions
- Pilot one knowledge-base use case and one capability-premium use case
- Track access to AI tools by segment

Stop doing

- Do not assume one architecture can span every workforce segment
- Do not buy tools before defining the broken process
- Do not treat pay-equity analysis as sufficient without access analysis

Board scorecard

- Access fairness
- Appeal and override rates
- Segment-specific model adoption
- Gain-sharing credibility
- Early-career pathway health

Roadmap updated from the original report using bounded-AI, access, and gain-sharing findings.

Evidence base and interpretation note

This version combines the original report's system-design framing with four additional inputs: recent academic research, official labour-market and regulatory evidence, current LinkedIn discourse, and Giac Soliman's CompTech market signals. LinkedIn content is used here as a directional market signal, not as causal proof.

Academic research

- Marler, Janet H. (2024). *Artificial intelligence, algorithms, and compensation strategy*. Organizational Dynamics.
- Kim, Jin, Shane Schweitzer, David De Cremer, and Christoph Riedl (2025/2026). *The AI Penalty: People Reduce Compensation for Workers Who Use AI*. arXiv working paper.
- Aldasoro, I., et al. (2026). *AI adoption, productivity and employment: evidence from European firms*. BIS Working Papers.
- Rockall, Tavares, and Pizzinelli (2025). *AI Adoption and Inequality*. IMF Working Paper.
- Wu, Y., et al. (2024). *Artificial intelligence, wage dynamics, and inequality*. Pacific-Basin Finance Journal.

Official market, workforce, and regulatory sources

- Mercer (2025). U.S. 2026 compensation planning materials and QuickPulse commentary.
- WorldatWork / Mercer (2025). Skills-based rewards and talent-marketplace adoption articles.
- PwC (2025). *2025 Global AI Jobs Barometer*.
- OECD (2025). *Algorithmic management in the workplace*.
- European Commission (2025-2026). AI Act implementation materials.
- Consilium / Council of the EU (accessed 2026). Pay-transparency directive summary.
- FCA PS25/15 and related UK remuneration materials.
- EBA remuneration and related banking-sector materials.
- Ravio (2025). AI compensation and talent-trend analysis for the tech market.

LinkedIn discourse sample reviewed

- Giac Soliman articles from Aug 2025 to Feb 2026 on CompTech, governance, pay-transparency workflows, vendor guardrails, and bounded AI.
- Duncan Brown (Jan 2026) on AI, reward, and the team collective.
- Peh Keong Teh and Nancy Petrarca Romanyshyn on pay transparency, defensible decisions, and skills-based compensation.
- John Beadle on AI-generated strategy and the risk of weak underlying data.
- Additional LinkedIn posts summarising market thinking on the Future of Pay 2026.

Interpretation note

- This report does not assume a single settled inequality outcome from AI. It treats distributional effects as mixed across settings but nonetheless views access concentration, gain-sharing opacity, and pathway compression as material risks.
- Sector pace, portfolio logic, and recommended design actions are analytical syntheses based on the source set above rather than single-point statistics.
- The strongest near-term implementation insight from the market sample is that current adoption remains bounded and workflow-centric; autonomous pay setting is neither the practical norm nor a safe design target.

How to use this report

Use it to structure board discussion and redesign priorities. The practical next step is segmentation: identify where reward must stay stable, where governance must intensify, and where selective redesign genuinely improves fit between value creation and reward.

What this report is not

It is not a universal pay forecast, a legal opinion, or an argument for fully dynamic pay. It is a design report about how to keep reward credible as AI changes work faster than most reward architecture can currently adapt.

A day in the life of a Reward Analyst

In the bounded-AI stage, the analyst's work shifts away from manual spreadsheet labor toward evidence assembly, diagnostics, prompt design, and anomaly review. AI speeds retrieval and first-pass analysis; the analyst owns quality, context, and traceability.

One working day: analyst workflow

08:30 — **Signal scan and triage**
Review overnight market alerts, pay-equity flags, employee questions, and HRIS exceptions. Separate routine queries from cases needing human judgment.

09:15 — **Benchmark and job-match prep**
Use bounded retrieval to pull prior decisions, policy text, benchmark cuts, and comparable roles. Draft a first-pass job match and note assumptions.

10:30 — **Scenario modelling**
Test salary-range movement, capability-premium options, and compa-ratio impacts. Compare cost, fairness, and market-position effects before escalation.

12:00 — **Manager and HRBP support**
Answer policy questions through an approved knowledge base, document exceptions, and flag where the system response is incomplete or ambiguous.

14:00 — **Diagnostics and narrative build**
Turn data into charts and evidence packs for the Reward Manager. Surface attribution gaps, access inequities, and unusual outcome patterns.

15:30 — **Audit trail and quality checks**
Validate prompts, sources, and calculations. Log assumptions, archive outputs, and make sure any AI-generated insight is reviewable and reproducible.

16:30 — **Improve the knowledge base**
Refine prompt templates, update taxonomy terms, and capture recurring questions so tomorrow's work is faster and more consistent.

ROLE FOCUS IN THE REDESIGN

Evidence quality, policy retrieval, market matching, diagnostic rigor, and version-controlled documentation. The analyst becomes the first line of defense against bad inputs and overconfident outputs.

WHERE AI HELPS NOW

- Pulling policy and benchmark references quickly
- Drafting first-pass job matches and pay scenarios
- Summarizing large data cuts and exception themes
- Creating reusable Q&A; and manager-ready explanations

WHAT STAYS HUMAN-OWNED

Interpreting ambiguous data, deciding whether a comparison is truly valid, challenging system outputs, and escalating cases where context or fairness concerns override the model's recommendation.

SUCCESS SIGNALS

Faster cycle times without more appeals; cleaner documentation; fewer rework loops; better manager confidence in the evidence pack; and clearer flags when a case should move up for human review.

Role portrait added to make the redesign tangible for reward teams operating in the current bounded-AI stage.

A day in the life of a Reward Manager

The manager becomes the translation layer between system logic and business reality. AI can draft, model, and retrieve; the manager still owns the reward recommendation, the exception logic, and the credibility of the decision with leaders and employees.

One working day: manager workflow

08:30 — **Demand and risk review**
Scan incoming requests from HRBPs, finance, and business leaders. Classify what can be handled with bounded AI support and what must stay fully human-led.

09:30 — **Calibration with analysts**
Challenge assumptions in evidence packs, inspect fairness checks, and decide whether a scenario is strong enough to take forward or needs more context.

11:00 — **Manager and HRBP clinic**
Coach line leaders on pay decisions, promotion cases, and communication. Translate policy into plain language and explain why some cases need extra governance.

13:00 — **Pilot and policy governance**
Review adoption of pay-equity diagnostics, capability premiums, and AI-enabled scorecards. Check override rates, pathway effects, and process consistency.

14:30 — **Design workshop with the business**
Work through incentive changes, scarce-skill pricing, or talent-marketplace rules. Test the trade-off between fairness, performance, and simplicity.

16:00 — **Exception cases and out-of-cycle asks**
Handle retention cases, promotions, international offers, and role re-leveling where context matters more than the model's first answer.

17:00 — **Communications and training**
Update FAQs, manager guidance, and decision logs so tomorrow's cases are faster, more explainable, and less dependent on informal knowledge.

ROLE FOCUS IN THE REDESIGN

Policy translation, manager confidence, exception handling, fairness monitoring, and selective redesign of incentives or premiums. The manager connects analytics to operating reality.

WHERE AI HELPS NOW

- Building first-draft scenarios and communications
- Summarizing policy and market inputs for decisions
- Spotting outliers in pay and progression patterns
- Preparing manager toolkits and FAQ responses

WHAT STAYS HUMAN-OWNED

Final reward recommendations, approval of exceptions, judgment about quality and context, calibration across comparable cases, and the decision to pause or redesign a pilot that is eroding trust.

SUCCESS SIGNALS

Lower exception friction, fewer avoidable appeals, visible consistency across managers, strong documentation of overrides, and measurable time saved without shifting too much ambiguity onto employees.

A day in the life of a Head of Reward

At the top level, reward leadership shifts from running the annual cycle to designing a portfolio of models. The Head of Reward sets gain-sharing philosophy, governance boundaries, and segment-specific logic while ensuring AI influence remains visible, auditable, and credible.

One working day: head of reward workflow

08:00 — **Executive scan**
Review labor-market movement, regulatory changes, productivity signals, appeal trends, and high-profile decisions that may affect trust or cost discipline.

09:00 — **CHRO and CFO sync**
Align on salary-budget posture, gain-sharing philosophy, scarce-capability premiums, and where productivity gains should be shared, retained, or redirected.

10:30 — **Governance boundary review**
Confirm where AI is influencing pay, progression, access, or scheduling. Check that named decision owners, evidence standards, and appeal routes are in place.

12:00 — **Business and segment decisions**
Work with business leaders on whether a segment needs stable pay, selective dynamic overlays, or tightly governed deferred structures.

14:00 — **Board and RemCo narrative**
Prepare a clear story on value capture, fairness, early-career pathway health, premium inflation, and why some reward models should move faster than others.

15:30 — **Technology and operating-model choices**
Assess vendor proposals, knowledge-base maturity, taxonomy health, and whether the function has the capability to scale bounded AI safely.

17:00 — **Capability building for the function**
Develop analysts and managers, build a community of practice, and make sure the function can question tools rather than becoming dependent on them.

ROLE FOCUS IN THE REDESIGN

Philosophy, portfolio design, gain-sharing, risk appetite, board confidence, and operating-model maturity. The job becomes more cross-functional and more explicitly strategic.

WHERE AI HELPS NOW

- Horizon scanning and synthesis across large inputs
- Drafting board materials and leadership briefings
- Running scenario comparisons across segments
- Surfacing where access and outcomes are diverging

WHAT STAYS HUMAN-OWNED

Reward philosophy, budget trade-offs, segmentation logic, regulatory accountability, board communication, and the final judgment about what should never be automated despite the efficiency case.

SUCCESS SIGNALS

Credible gain-sharing logic, regulator-ready audit trails, lower trust risk, segment-specific model clarity, healthier early-career pathways, and a function that uses AI without surrendering governance.

This top-level role portrait translates the report's redesign thesis into the operating decisions boards, CFOs, and CHROs will actually see.