



► ILO Brief

November 2025

The impact of artificial intelligence on employer and business membership organizations in Small Island Developing States

Key points

- ▶ Artificial intelligence (AI) is rapidly transforming economies and workplaces globally. For Small Island Developing States (SIDS), it presents both opportunities for leapfrogging development and risks of deepening digital divides.
- ▶ A 2025 ILO survey of 35 employer and business membership organizations (EBMOs) across 25 SIDS in Asia and the Pacific, and the Caribbean finds that AI adoption remains in its early stages with strong regional disparities – the Caribbean showing greater integration than the Pacific Islands.
- ▶ Most SIDS lack national AI strategies or clear regulations, limiting both public and private sector readiness. Nearly 60 per cent of EBMOs report no national framework for AI.
- ▶ EBMOs are beginning to use AI primarily for content creation, data analysis, and administrative efficiency, but not yet for transformational change.
- ▶ Enterprises are seeking guidance: more than half of EBMOs report member requests for AI-related information, workplace policy advice and training.
- ▶ Barriers to AI adoption include limited technical capacity (86 per cent), cybersecurity risks (66 per cent) and regulatory uncertainty (37 per cent).
- ▶ Despite constraints, optimism is high: 86 per cent of EBMOs expect AI to have a positive impact on business operations in the next three to five years.
- ▶ The greatest anticipated impact is workforce transformation with 65 per cent of EBMOs expecting moderate to major changes in job roles and required skills within three to five years.
- ▶ EBMOs have a strategic role as enablers – building capacity, shaping national AI policy and supporting workforce reskilling to ensure inclusive and sustainable AI integration.

Executive summary

Artificial Intelligence (AI) is no longer a distant frontier – it is a present force reshaping industries, labour markets, and governance worldwide. For Small Island Developing States (SIDS), AI presents both a challenge and an opportunity. This brief synthesizes survey data from the International Labour Organization (ILO) and integrates global insights to assess how Employer and Business Membership Organizations (EBMOs) in SIDS are responding to AI. The survey was conducted with 35 EBMOs across 25 SIDS in Asia and the Pacific, and Caribbean between June-September 2025.¹ It reveals regional contrasts between Caribbean and Asia-Pacific islands, sectoral trends, and strategic pathways for inclusive AI integration. While enthusiasm is growing, many organizations face structural and contextual barriers that must be addressed to ensure equitable digital transformation.

Context: AI in the SIDS landscape

SIDS are characterized by small populations, geographic isolation, limited economic diversification, and heightened vulnerability to climate change. These factors make technological transformation both urgent and complex. AI offers a unique opportunity for SIDS to leapfrog traditional development models and build knowledge-driven, climate-resilient economies.

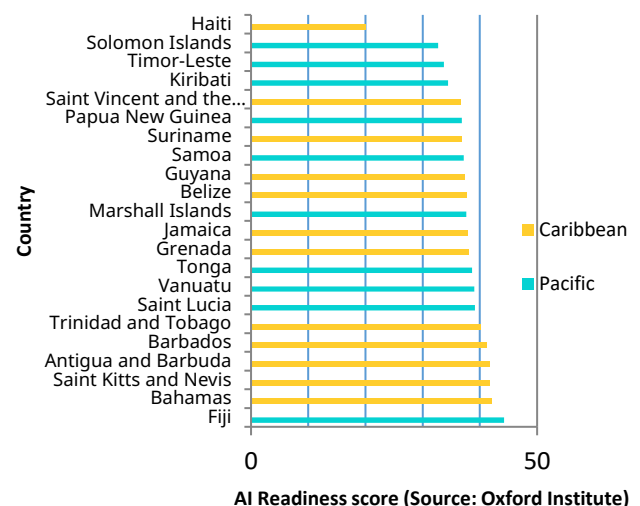
In Barbados, for example, AI is being integrated into education systems to foster analytical thinking and creativity to enable students to have AI certification upon graduation.² Meanwhile, Pacific nations like Fiji has made AI a pillar of its National Development Plan 2024-29 and launched a national AI Hub to accelerate digital transformation.³

The fourth international conference on SIDS held in Antigua and Barbuda in May 2025 outlined a comprehensive agenda to address sustainable development and enhance resilience. Among other issues, a strong focus was given to enhancing data governance, technological innovation, and digital transformation,

including AI, to support economic growth, climate action and disaster risk reduction in SIDS.⁴

However, the digital divide remains stark. Many SIDS lack robust infrastructure, skilled labour, and coherent national AI strategies. Oxford Insights' AI readiness index from 2024 reports overall low ranking of SIDS countries. Out of 188 countries, Fiji and Bahamas are positioned as the highest ranked countries from SIDS placed in 90th and 99th position, respectively. These rankings translate into an AI readiness score that ranges from 20.06 for Haiti to 44.22 for Fiji. In comparison, the scores for the top three countries, United States, Singapore and Republic of Korea, are 87.03, 84.25 and 79.98, respectively (see figure 1).

► Figure 1. AI Readiness scores of SIDS (2024)



The ILO survey paints a clear picture of the early-stage and uncertain environment surrounding AI in SIDS.

Nearly 60 per cent of EBMOs report that their country does not yet have a national strategy or legislation concerning AI and another 20 per cent say it is under development (see figure 2). When asked if national authorities have integrated AI in daily operations, over 30 per cent said “not at all” and 40 per cent were “unsure”. This reveals two issues: low internal capacity by governments in using AI to modernize their own services (e.g. tax collection, permit processing, public information),

¹ A total 35 EBMOs responded to the survey. 62 per cent of the respondents were from the Pacific Islands, 29 per cent from the Caribbean and 9 per cent from Asia.

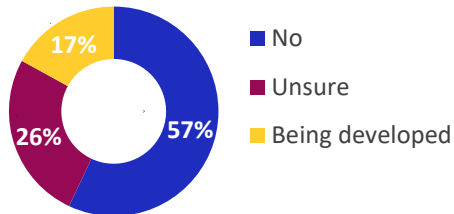
² Shamar Blunt, “AI being added to school curriculum”, *Barbados Today*, 4 September 2025.

³ Hilman Palaon, “Pacific island nations must reboot regional AI leadership”, Lowy Institute, 19 June 2025.

⁴ UN Department of Economic and Social Affairs, The Antigua and Barbuda Agenda for SIDS (ABAS) – A Renewed Declaration for Resilient Prosperity (2025).

and a lack of communication and collaboration between the government and the private sector on this issue.

► **Figure 2. Availability of a national strategy or legislation for using AI at the national level in SIDS**

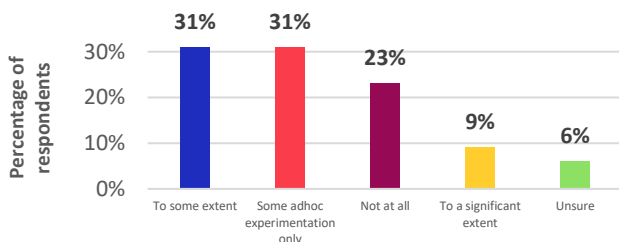


Source: ILO survey of EBMOs on AI, 2025

EBMO engagement with AI: An exploration gap

The ILO survey reveals that most EBMOs are mirroring the government's nascent stage in AI adoption. The journey is just beginning, with significant activity but less mature implementation. A plurality report integrating AI "to some extent" (31 per cent) and **only a small share report significant integration (9 per cent)** (See figure 3). Stark regional disparities exist with 15 per cent of EBMO respondents from the Caribbean reporting significant integration of AI, whereas none from the Pacific do. With Caribbean economies heavily reliant on tourism and international finance, they are likely to have earlier exposure to AI through global partners and competitors compared to Pacific Island Countries. On the other hand, the complete lack of "significant integration" in the Pacific suggests pre-digitalization challenges, such as establishing reliable broadband and basic digital literacy before advanced technologies like AI could be considered.

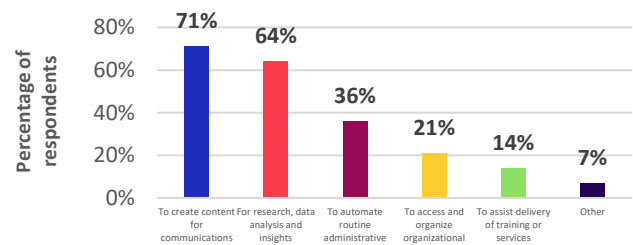
► **Figure 3. Extent to which EBMOs integrate AI in its operations in SIDS**



Source: ILO survey of EBMOs on AI, 2025

The primary adoption of AI in SIDS EBMOs is for efficiency and augmentation, not transformation. The top two uses are content creation and research/data analysis (71 per cent and 64 per cent, respectively), followed by automation of routine processes (36 per cent) (See figure 4). These are classic examples of low-hanging fruit – they involve applications that are widely accessible, require minimal technical integration, directly augment the work of individual EBMO employees and do not fundamentally alter core business operations.

► **Figure 4. Areas in which EBMOs are using AI in SIDS**



Source: ILO survey of EBMOs on AI, 2025

Member enterprises: Growing demand for AI

EBMOs will increasingly need to act as intermediaries between global AI trends and local enterprise needs. The survey data shows that while enterprises are aware of AI, they feel unprepared and are turning to their representative organizations for assistance, placing a new and urgent set of responsibilities on EBMOs.

Half of organizations surveyed are being asked for AI-related information by their members and for guidance on an AI workplace policy. A significant share of EBMOs have also been requested to offer practical AI training for enterprises (46 per cent) and operational guidance (40 per cent) (see figure 5).

► **Figure 5. EBMO members request for AI support in SIDS**

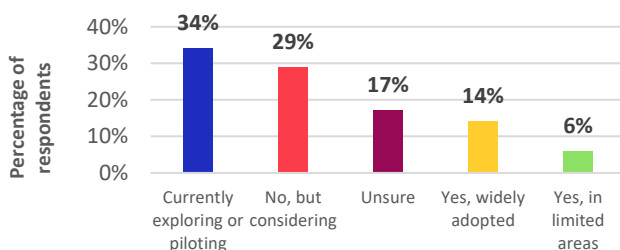


Source: ILO survey of EBMOs on AI, 2025

In short, EBMOs will need to sift through the overwhelming amount of global AI information to provide curated, relevant and accurate information tailored to local industries (e.g. how can a hotel in Fiji or a farmer in Jamaica use AI?). EBMOs will also need to deepen their work as a policy advisor as crafting an AI workplace policy is complex. It touches on data privacy, employee monitoring, intellectual property, ethics and liability so EBMOs should aim to provide templates, good practices, and legal guidance to help members navigate these risks.

Figure 6 provides the most direct snapshot of the private sector's actual position in the AI adoption journey. The picture is one of widespread early-stage investigation with transformative adoption still a distant reality for most. Nearly two-thirds of EBMOs report their members are at the exploratory (34 per cent) or pre-exploratory (29 per cent) stages. Only 14 per cent of organizations indicate that their members have widely adopted AI with stark regional differences: 23 per cent of EBMOs say enterprises in Caribbean are widely adopting AI whereas this figure is dwarfed to zero in the Pacific. This data powerfully illustrates that adoption is not just about willingness, but about enabling conditions. The Caribbean's adoption suggests a vanguard of businesses, like tourism, international finance and logistics, are beginning to integrate AI at meaningful scale, driven by global competition and better connectivity. The Pacific's situation is an indicator of a more fundamental barrier, likely including severe limitations in digital infrastructure, smaller market size and greater geographical isolation from technology hubs.

► **Figure 6. Adoption of AI among EBMO members in SIDS**



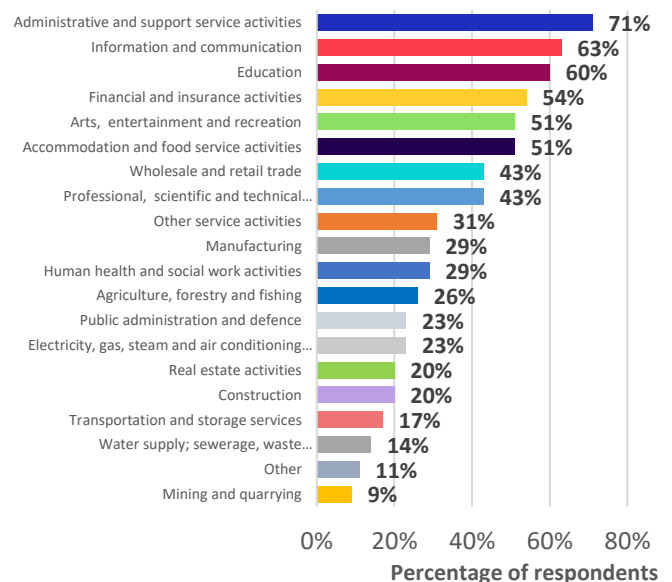
Source: ILO survey of EBMOs on AI, 2025

Sectoral deployment: Where AI is taking root

The ILO survey reveals that AI adoption is not spreading randomly in SIDS; it is following the path of least resistance, which is determined by digital maturity and economic structure. **The most prominent in sectors for AI deployment are precisely those that already operate on a digital foundation** (see figure 7):

- Administrative and support services (71 per cent)
- Information and communication (63 per cent)
- Education (60 per cent)
- Financial and insurance activities (54 per cent)
- Arts, entertainment and recreation (51 per cent)
- Wholesale and retail trade (51 per cent).

► **Figure 7. Sectors with the highest AI deployment in SIDS**



Source: ILO survey of EBMOs on AI, 2025

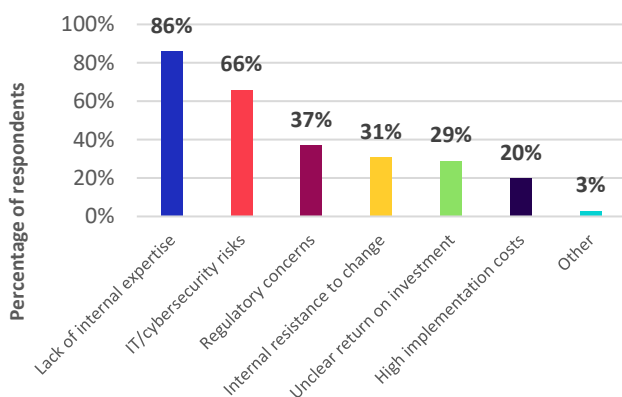
The data also confirms that AI adoption is being shaped by the dominant industries in each region. In the Caribbean, adoption is skewed towards tourism and its supporting industries. The high penetration in “Information and communication” (62 per cent), “accommodation and food” (62 per cent), and “wholesale and retail” (54 per cent) is indicative of businesses using AI for dynamic pricing, customer service chatbots and managing supply chains for the tourist economy.

In the Pacific, the pattern is different with higher uptake in public-sector adjacent and essential services. “Administrative and support” (77 per cent), “information and communication” (59 per cent) and “education (59 per cent) suggest that adoption may be driven by donor-funded projects or government-led digitalization efforts in public services.

Challenges to adoption: Structural and strategic barriers

Despite growing interest and optimism, the potential of AI is being held back by a set of concrete barriers. The top three challenges that the private sector face for adopting or scaling up AI include (see figure 8):

- **Limited technical understanding (86 per cent):** Many organizations lack the internal expertise to evaluate or implement AI solutions.
 - **Cybersecurity risks (66 per cent):** Enterprises in small economies are likely to be wary of introducing new digital vulnerabilities, especially when they may lack robust cybersecurity measures to begin with.
 - **Regulatory uncertainty (37 per cent):** A lack of clear national policies on AI creates hesitation which was confirmed in the earlier data showing that most governments lack an AI strategy.
- **Figure 8. Top three challenges experienced by enterprises in adopting or scaling up AI in SIDS**



Source: ILO survey of EBMOs on AI, 2025

However, there is widespread optimism amidst the challenges. 86 per cent of EBMOs indicate either moderate positive impact (49 per cent) or major positive impact (37 per cent) on business operations of their members in the next three to five years. This is a sign of

belief in the technology's potential – despite steep barriers, the private sector in SIDS sees AI as a net positive for efficiency, productivity and competitiveness.

There is a notable regional optimism gap. 46 per cent of Caribbean EBMOs anticipate a major positive impact compared to only 23 per cent in the Pacific. This mirrors the AI adoption gap. The Caribbean, with its higher adoption rates in key sectors, is already likely to see the tangible benefits to be more bullish about the future. The Pacific, with slower adoption and greater infrastructural hurdles, is more cautious in its outlook.

Anticipated impact on workplaces

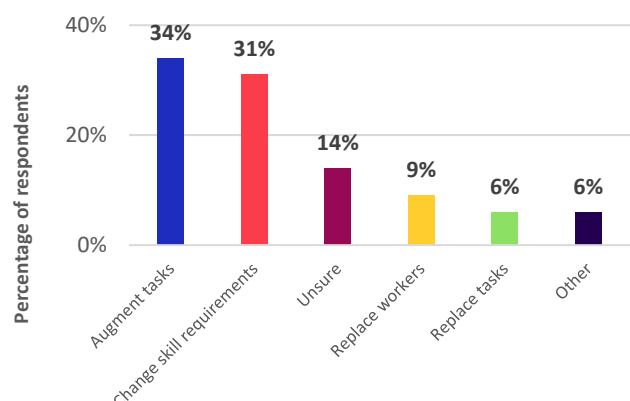
The majority of EBMOs expect AI to reshape the workforce but their primary expectation is one of evolution, not eradication. The survey results reveal that the focus is on changing how work is done and the skills required, rather than on widespread job replacement.

A combined 65 per cent of EBMOs expect either major transformations (34 per cent) or moderate changes (31 per cent) to the workforce within the foreseeable three to five year window. Only 17 per cent of EBMOs believe they can avoid its impact.

The findings further show that EBMOs anticipate a focus on augmentation and skill shifts, not replacement (see figure 9):

- 34 per cent believe AI will augment tasks, not replace jobs.
- 31 per cent foresee changes in required skill sets, emphasizing the need for reskilling.

► **Figure 9. Expected impact of AI on enterprises' workforce in the next three to five years in SIDS**



Source: ILO survey of EBMOs on AI, 2025

A regional split in priorities and certainties exist. For the Caribbean, the top expectation is skills change (54 per cent) with augmentation (38 per cent) as a secondary effect. In the Pacific, the top expectation is augmentation (38 per cent) with a significant degree of uncertainty (23 per cent) as the second-most common response.

The Caribbean's focus on skills change aligns with its higher adoption rate and more forceful optimism. They are further along the adoption curve and are therefore more acutely aware of the practical need to retrain their existing workforce to fit new, AI-augmented roles. The Pacific's focus on augmentation and uncertainty reflects its earlier stage of adoption. They see the potential for AI to assist workers but have less clarity on the downstream consequences, leading to greater ambiguity about the specific changes that will be required.

Conclusions: From exploration to integration – a strategic pathway for SIDS

The ILO survey reveals a SIDS private sector at a critical juncture. There is widespread optimism about AI's potential, but this is held back by a reality of nascent adoption, a significant skills deficit, and a policy vacuum. EBMOs are now the central node in this ecosystem, caught between member demand for guidance and their own limited capacity. The choice is clear: proactive leadership by EBMOs can harness AI for equitable economic transformation, while a passive approach risks widening the digital divide both within SIDS and with the rest of the world.

To navigate this transition, EBMOs must move from being passive observers to active architects of their members' AI future. This requires a coordinated, multi-level strategy focused on building foundational capacity, shaping a supportive policy environment, and managing the workforce transition.

► **Build foundational capacity: Address the immediate “knowing-doing” gap.** The overwhelming barrier is a lack of technical understanding (86 per cent). EBMOs must first build their own expertise and that of their members:

- Upskill EBMO staff first: Prioritize AI literacy and strategic training for EBMO personnel so they can advise members from a position of knowledge and credibility.

- Develop “AI starter kits”: Create simple, adaptable and sector-specific resources. These could include templates for AI workplace policies, guides for high-impact use cases and basic risk management checklists for cybersecurity and ethics.
- Forge strategic partnerships: Collaborate with organizations, technology companies, and academic institutions to access the expertise and resources they lack internally.

► **Champion a supportive ecosystem: Advocate for coherent policy and infrastructure.** The 37 per cent regulatory uncertainty and the stark regional disparities highlight that adoption depends on enabling conditions. EBMOs must leverage their collective voice.

- Advocate for national AI strategies: Use the survey data to lobby governments for clear, SIDS-appropriate national AI strategies that address regulation, infrastructure and incentives.
- Bridge the infrastructure divide: Particularly for the Pacific, advocacy should extend to foundational digital infrastructure as a prerequisite for AI adoption.
- Shape global norms: Ensure SIDS voices are heard in international AI governance forums to prevent becoming passive recipients of technologies and regulations that do not suit their context.

► **Manage the human transition: Lead on workforce reskilling and adaptation.** With 65 per cent of EBMOs expecting significant workforce changes, preparing the labour market is urgent.

- Launch targeted reskilling alliances: Partner with governments and educational institutions to develop reskilling programmes focused on the skills employers need the most: AI-augmented collaboration, critical thinking and digital literacy. The high demand in the Caribbean (54 per cent) signals a need that can be anticipated elsewhere.
- Establish monitoring frameworks: Create systems to track AI's impacts on jobs, skills and productivity. This data is crucial for proactive policy-making and could be disaggregated to understand impacts on youth, women and workers in vulnerable sectors.
- Facilitate peer learning: Create “peer learning pods” for sectors leading in adoption (e.g. Caribbean tourism) to share practical lessons with sectors in earlier stages (e.g. Pacific agriculture), accelerating cross-pollination of ideas.

In summary, the data shows that the private sector's journey with AI in SIDS is moving beyond the exploratory stage and EBMOs hold the key to igniting this engine. By acting as informed interpreters, guides, capacity builders and advocate, EBMOs can transform the AI challenge into a tangible opportunity to build more resilient, productive and inclusive economies. Their ability to respond will not only determine their own relevance but the future competitiveness of nations they serve.

Acknowledgements

Deep appreciation is extended to all EBMOs in Asia and the Pacific and the Caribbean who took the time to respond to the survey. The valuable insights shared by representative employer and business membership organizations in SIDS formed the foundation of this brief. Wade Bromley and Gary Rynhart, Senior Employers'

Specialists in the ILO Decent Work Country Team in Bangkok developed the conceptual framework and designed the employer survey tool. They also reviewed the brief together with Maria Victoria Giullietti, Senior Employers' Specialist in the ILO Decent Work Country Team in Port of Spain. The brief was authored by Jae-Hee Chang, Senior Relations Officer, ILO Bureau for Employers' Activities.

**International
Labour Organization**
Route des Morillons 4
CH-1211 Geneva 22
Switzerland

**Bureau for Employers' Activities
(ACT/EMP)**
W: www.ilo.org/bureau-employers-activities
E: actemp@ilo.org

© International Labour Organization 2025