Flash Economics

N° 7
January 16, 2026

Artificial intelligence and inequalities

It is certain that the development of artificial intelligence will lead to an increase in income and wealth inequalities for several reasons.

- The introduction of AI will lead to job destruction in sectors that make extensive use of AI (technology, legal services, consulting, logistics, financial services). People who lose their jobs in these sectors will find low-skilled employment in less sophisticated industries, while labour productivity will increase in AI-using sectors.
- There will be a divergence in labour productivity, and therefore in real wages, between sectors that can make significant use of AI and sectors where its use is limited (construction, personal services, hotels and restaurants, healthcare, ...).
- Companies that develop AI models, their suppliers, and companies that use AI are experiencing increasingly high stock market valuations, which contributes to widening wealth inequalities because shares are held mainly by the wealthiest Americans.

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The multiple effects of the development of artificial intelligence

The development of artificial intelligence will lead to:

- **A substitution of artificial intelligence for employment** in the performance of many tasks (the International Labour Organization estimates that nearly 40% of jobs are potentially affected by AI);
- Therefore, **an increase in labour productivity** in sectors where the use of AI is possible;
- **An increase in the stock market valuation** of companies that develop AI models, their suppliers, and companies that increase their productivity thanks to AI.

We will show that all these developments will result in **an increase in income and wealth inequalities**. We use data **relating to the United States** to support the idea that AI will increase inequalities.

First mechanism: reallocation of employment

The mechanism is as follows: artificial intelligence is substituted for employment in the sectors where it is most effective; this leads workers who lose their jobs in these sectors to find employment in sectors where AI is difficult to use.

The sectors that can easily use AI are technology, legal and financial services, consulting, and logistics. The sectors where the use of AI is more difficult are construction, personal services, hotels and catering, and healthcare.

On average, **the development of artificial intelligence therefore leads to a shift in employment towards less sophisticated sectors** at the expense of more sophisticated sectors.
One can look at **the evolution of employment by sector in the United States** (**Charts 1A/B/C/D**).

Chart 1A
United States: Employment by sector
(millions of persons)

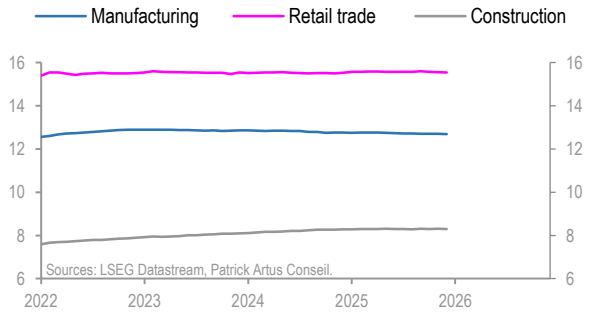


Chart 1B
United States: Employment by sector
(millions of persons)

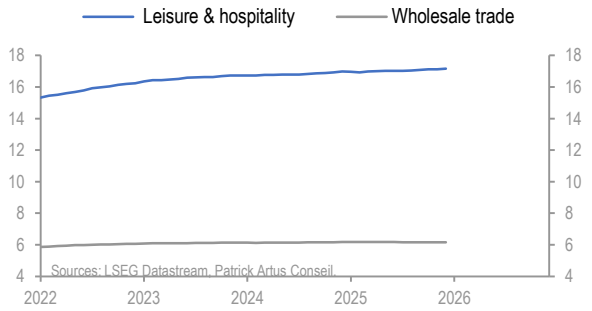


Chart 1C
United States: Employment by sector
(millions of persons)

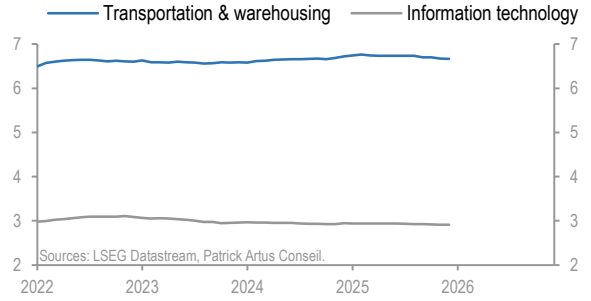
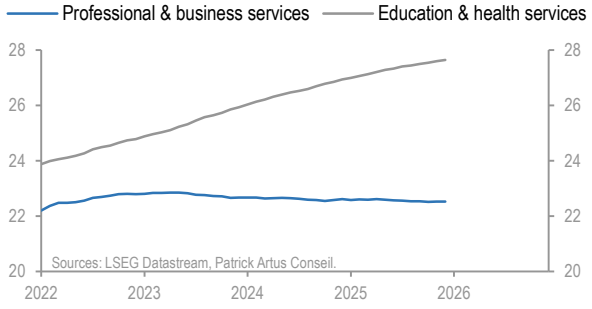


Chart 1D
United States: Employment by sector
(millions of persons)



We observe a reshaping of employment:

- **To the detriment of employment in manufacturing**, transport and storage, information technologies, and business services;
- **In favour of employment in construction**, education and health, and hotels and restaurants.

This confirms our hypothesis of the replacement of medium-skilled jobs by predominantly low-skilled jobs as a result of the introduction of AI, which increases income inequalities among employees (a smaller proportion of workers will hold skilled jobs, and a larger proportion low-skilled jobs).

Second mechanism: divergence in labour productivity

The sectors of activity in which the development of artificial intelligence will be significant will experience, prior to the job destruction described above, **faster productivity gains**. By contrast, sectors in which AI remains little used will not benefit from these productivity gains. **There will therefore be a divergence in productivity between AI-using sectors and sectors where AI develops little, and hence a divergence in real wages between these two groups of sectors**.
Chart 2 shows labour productivity in information and communication technologies (ICT) and in the economy as a whole; **Chart 3** shows the weight of information and communication technologies in the US economy.

Chart 2
United States: Labour productivity in the ICT sector and in the business sector (2002 = 100)

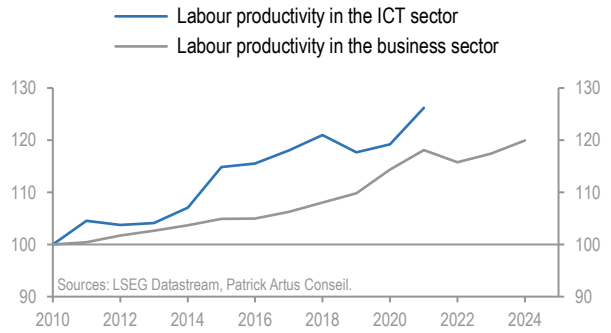
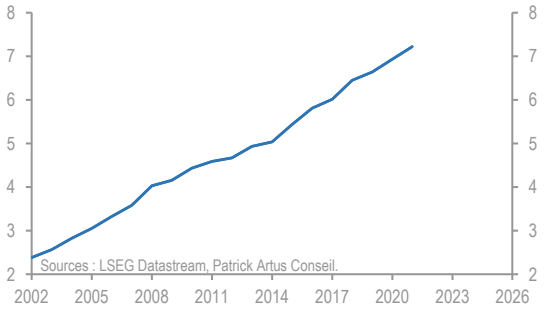


Chart 3
United States: Gross value added of the ICT sector (as % of real GDP)



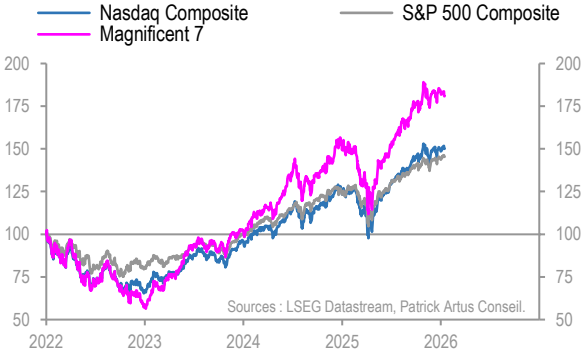
Outside the ICT sector, labour productivity in the United States increases significantly more slowly than in the ICT sector, which clearly shows this divergence in productivity trends, particularly when separating ICT from the rest of the economy. **The divergence in productivity (and in real wages) between AI-using sectors and sectors that use AI little** will lead to an increase in income inequalities.
This is a different mechanism from the one examined above. Income inequalities increase:

- Because more workers move to low-productivity jobs;
- And because productivity rises more rapidly in sectors that make extensive use of AI.

Third mechanism: stock market valuation

The third mechanism explains **the rise in wealth inequalities**. The development of AI entails **an increase in the stock market valuation of companies** that develop AI models (Alphabet, Tesla, Microsoft, Meta, Apple, Amazon…), their suppliers (Nvidia, electricity producers, managers of electricity or water supply networks…), and companies that are heavy users of AI.
This results in a strong increase in market capitalisation and stock indices (**Chart 4**).

Chart 4
United States: Stock market indices (01.01.2022 = 100)



In 2025, while the top 1% of Americans by wealth holds **49.8% of stocks and mutual fund shares, and Americans between the 90th and 99th wealth percentiles** hold **37.3% of stocks and mutual fund shares, the bottom 50% of Americans by wealth** hold **only 1.1% of stocks and mutual fund shares**[1]**.**
The rise in stock wealth therefore increases wealth inequalities.

Summary: towards a further increase in income and wealth inequalities

The development of artificial intelligence will therefore increase inequalities:

- In income, on the one hand by reducing the proportion of workers employed by high-productivity companies and increasing the proportion of workers employed by low-productivity companies; on the other hand by raising the productivity of companies that can use AI intensively, and therefore the real wages of their employees;
- In wealth, by increasing the stock market valuation of companies that develop AI models, companies producing components necessary for AI development, and companies that use AI intensively.

The development of artificial intelligence will thus increase both **income inequalities** (**Chart 5** shows the example of the United States) **and wealth inequalities** (**Chart 6**, also for the United States).

Chart 5
United States : Gini indices of income inequality (before and after taxes and transfers)

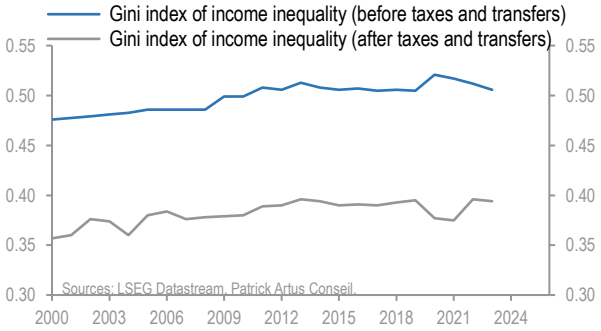
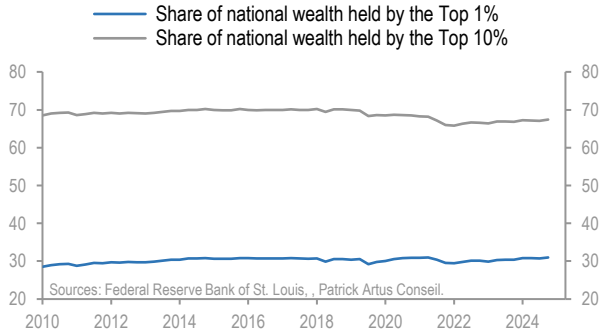
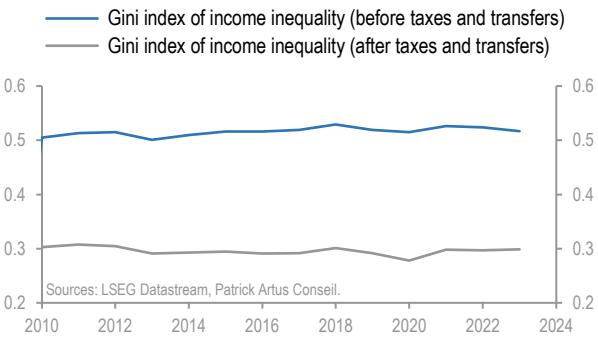


Chart 6
United States: Share of national wealth held by the 1% and the 10% of individuals with the highest wealth (as %)



This increase in inequalities will be stronger in the United States than in Europe due to the limited role of redistributive policies in the United States (**Chart 7**, showing the example of France).

Chart 7
France: Gini indices of income inequality (before and after taxes and transfers)



[1] Board of Governors of the Federal Reserve System – FRED

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