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If artificial intelligence leads to job destruction, what are the economic policy options?

Optimists argue that artificial intelligence will set in motion a process of creative destruction: the disappearance of jobs in sectors where artificial intelligence is substituted for labour, and the emergence of new jobs linked either to the new technology itself or to the additional income and demand for goods and services as a whole.

Pessimists, by contrast, contend that artificial intelligence would simply be substituted for labour. This would result in higher productivity and higher aggregate income, but in net job destruction.

How, then, can a socially unacceptable situation be avoided if artificial intelligence does indeed lead to massive job losses?

To avoid a socially unsustainable situation, the following would have to be implemented simultaneously:

- policies to provide training in artificial intelligence and in the new occupations it creates;
- redistributive policies in favour of employees who lose their jobs, financed by taxes on household income and on corporate profits;
- a reduction in working time without loss of income.

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Effects of artificial intelligence: creative destruction or simply job destruction?

Optimists argue that **the development of artificial intelligence will trigger a process of creative destruction**. Artificial intelligence would lead to job destruction in sectors where AI and labour are substitutable (trade, transport, logistics, communication, financial services); **Chart 1** shows the case of the United States. AI would also lead to job creation, linked either to the development of AI itself or to the rise in demand stemming from the additional income generated by these productivity gains. **Charts 2A** and **2B** show the acceleration in labour productivity in the United States since 2023.

Chart 1
United States: Change in private payroll employment, excluding education and health services (M/M, thousands)

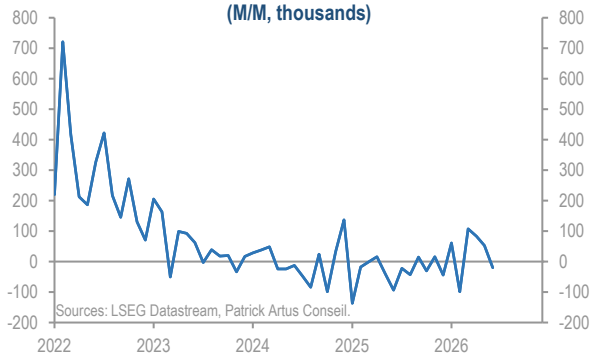
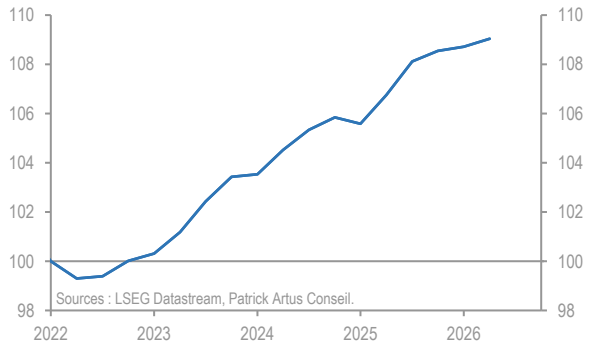


Chart 2A
United States : Productivity per hour worked in the private sector (2010.Q1 = 100)



Chart 2B
United States : Productivity per hour worked in the private sector (2022.Q1 = 100)



Pessimists, however, contend that **the development of AI would result only in the substitution of artificial intelligence for labour**, that is to say in job losses not offset by job creation. To date, these job losses have mainly affected young people and relatively skilled jobs.

AI would then drive **a very sharp rise in unemployment**. If this scenario materialises (substitution of AI for labour rather than creative destruction), **what policies should be pursued to avoid a socially unacceptable situation**?

What policies should be pursued to prevent mass unemployment if AI leads only to job destruction?

We suggest **implementing three policies simultaneously**.

1. **Training in AI and in the new occupations associated with** it would clearly need to be developed (data analyst, data scientist, artificial intelligence engineer, data quality manager, cybersecurity specialist).

2. The development of artificial intelligence generates **additional productivity and income**. If the pessimistic scenario materialises, there would be **large-scale job losses alongside wage increases for employees whose jobs are enhanced by AI and a sharp rise in corporate profits**. This is already visible in the United States, where profits are rising very rapidly (**Chart 3**) and where the incomes in the top quintile and the top 5% of households by income are growing faster than those of the lower quintiles (**Chart 4** and **Table 1**). To correct this trend, **a redistributive policy in favour of employees who lose their jobs would have to be introduced, financed by taxes on household income or on corporate profits**.

Chart 3
United States: Profits after tax and interest, before depreciation, of non-financial corporations, deflated by the GDP deflator (2010 Q1 = 100)



Chart 4
United States: Mean household income by quintile (in 2016 dollars)

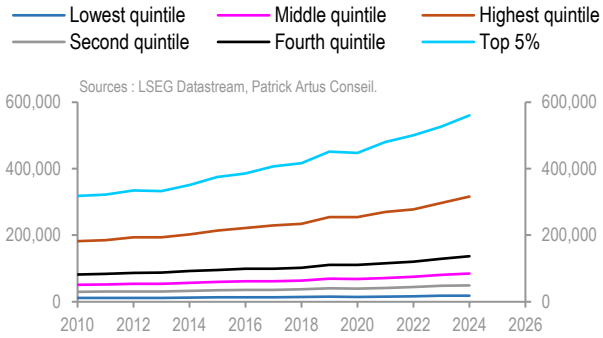


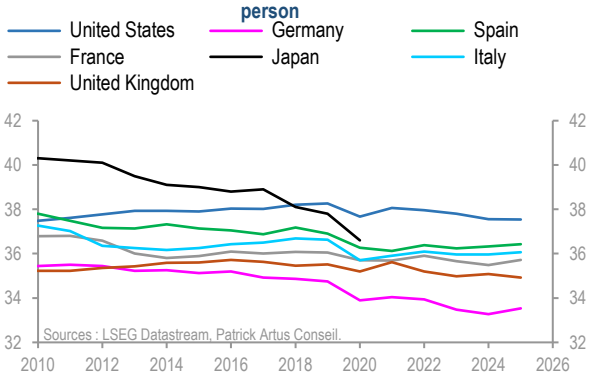
Table 1 - United States: Change in mean household income by quintile (% change, income in constant 2016 dollars)

	Lowest quintile	Second quintile	Middle quintile	Fourth quintile	Highest quintile	Top 5%
Change between 2010 and 2024 (%)	60.7	66.3	64.9	66.6	73.8	76.0
Change between 2023 and 2024 (%)	4.6	3.8	4.5	5.7	6.3	6.4

Sources: LSEG Datastream, Patrick Artus Conseil

3. If the deployment of AI generates **productivity gains**, these gains **can be passed on to employees in the form of a reduction in working time** (**Chart 5**), without loss of income.

Chart 5
Mean weekly hours actually worked per employed person



Summary: if the introduction of artificial intelligence mainly destroys jobs, governments will have to respond

There is a risk that the introduction of artificial intelligence will destroy jobs without creating many new ones. If so, in order to avoid a sharp rise in unemployment and inequality at a time when AI is generating faster productivity growth, it will be necessary to:

- train employees, the unemployed, school pupils and students in artificial intelligence and in the occupations associated with it;
- implement redistributive policies for the unemployed;
- reduce working time without loss of pay.

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