

EURASIAN EXPERIMENT JOURNAL OF HUMANITIES AND SOCIAL SCIENCES (EEJHSS)	ISSN: 2992-4111
©EEJHSS Publications	Volume 7 Issue 3 2025

The Impact of Artificial Intelligence on Job Markets

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ABSTRACT

Artificial Intelligence (AI) is profoundly transforming global job markets, reshaping labor dynamics across sectors through automation, augmentation, and innovation. While AI enhances productivity and enables the creation of new roles, it simultaneously contributes to the displacement of routine tasks and the restructuring of employment. Sectors like manufacturing and services have experienced substantial automation-induced job losses, whereas healthcare and education reveal more nuanced integration due to the essential human component in these fields. This paper explores the dual nature of AI's impact—its capacity to displace jobs and its potential to create new employment opportunities—by analyzing historical trends, current labor market data, and sectoral variations. It also investigates the role of education, skills development, and digital competencies in enabling workforce adaptation. Moreover, it discusses the economic and policy implications of AI-driven labor shifts, emphasizing the need for proactive, inclusive, and adaptive policy frameworks that support equitable transitions. The study concludes that the future of work hinges not on AI itself but on how societies choose to govern, regulate, and prepare for its integration into the labor economy.

Keywords: Artificial Intelligence, Job Market, Automation, Employment, Labor Displacement, Skills Development, Digital Economy, Policy Response.

INTRODUCTION

The impact of artificial intelligence (AI) on the labor market has generated intense debate, fueled by both its successful deployment across multiple domains, as well as concerns regarding a widespread automation-induced displacement of workers. The COVID-19 pandemic has accelerated adoption of AI solutions in numerous industries, and trends observed before the outbreak continue to gather pace, with a large proportion of organizations promising to increase investments in AI technologies. AI has the potential to influence labor markets in various ways, from displacement to productivity gains and growth of new roles. The net impact of these forces remains uncertain, with complex and extensive implications requiring a detailed assessment to understand the ramifications for the future of work. AI denotes software that realizes intellectual tasks typically requiring human cognition, such as problem solving, understanding language or recognizing objects. AI capabilities have witnessed significant progress in recent years, led by the development, dissemination and widespread adoption of advanced methods such as deep learning. AI development continuously propagates across sectors and improves economic efficiency, from accelerating drug discovery to automating document analysis and summarizing medical records [1, 2].

Understanding Artificial Intelligence

Many job functions today resemble tasks performed by intelligent agents. Key AI competencies determine its impact on labor markets. The rise of intelligent machines complicates workforce dynamics as employees adapt and reassign their functions. Expert systems capture domain expertise for defensible conclusions, while seizure prediction engines offer early warning and preventive care. Automated reasoning utilizes logic to derive new information, creating patents and discovering materials. Robots operate in unpredictable environments, crucial for automated manufacturing and agriculture. Machine learning uncovers patterns from large datasets and enables adaptive behavior, covering language

processing and data visualization. Natural-language processing lets computers handle unstructured texts, which supports complex interfaces like Wikipedia and chatbots. Computer vision and audio processing help make sense of situations, aiding tasks in manufacturing and public safety. Professionals with digital skills now perform adjusted tasks alongside these permanent co-workers, especially in fields previously seen as insulated from technological change, such as medicine, education, and research [3, 4].

Definition and Types Of AI

Artificial intelligence (AI) refers to hardware or software systems that aim to exhibit intelligent behaviour by anticipating future scenarios and taking appropriate action. Governments, public agencies, corporate enterprises, and non-governmental organisations increasingly adopt AI to augment human capabilities and promote socio-economic development. AI encompasses four types: reactive machines; limited memory; theory of mind; and self-awareness. Reactive machines do not collect data to enable informed decisions but can identify humanity's opponents through visual and audio input. Limited memory systems recall historical information to guide subsequent actions. Theory of mind machines comprehend emotions, people, and other machines and respond accordingly. Self-aware machines possess the capacity to analyse their mental state and anticipate the feelings of others [5, 6].

Historical Context of AI Development

Artificial intelligence (AI) is one of the most significant scientific endeavours of our time. It has the ability to transform the economy and labour market, and the potential to generate new employment opportunities, increase productivity, and enhance efficiency across industries. But AI can also cause job displacement by automating tasks previously done by humans, resulting in unemployment, stagnant wages, and increased income inequality. The influence of AI on the labour market is already evident in a number of sectors, including manufacturing, services, and transportation, where the increased use of robots and automation has led to the replacement of physical and intellectual labour. In healthcare and education, the impact of AI is less apparent. While the technology can streamline administrative tasks, improve the accuracy of diagnoses and financial processes, and enhance educational outcomes, the human element remains vital to the provision of care and the learning process. Overall, the impact of AI on the labour market appears to be mixed, affecting some sectors and job categories more than others. A holistic perspective is essential, taking into account both the benefits and drawbacks, as well as social and economic factors such as income inequality, access to education, and government regulation of AI use in the workplace [7, 8].

Current Trends in Job Markets

The impact of AI on the labor market is a complex issue with both positive and negative effects. AI can generate new employment opportunities, increase productivity, and improve efficiency across industries. However, it can also cause job displacement by automating tasks previously performed by humans, leading to unemployment, stagnant wages, and increased income inequality. Sectors like manufacturing, services, and transportation are already experiencing job losses due to automation. In healthcare and education, AI's impact is less clear, with potential benefits in streamlining tasks and improving outcomes, yet it has not replaced the essential human element. Overall, AI's effect on the labor market is mixed and varies across sectors, highlighting the importance of considering social and economic factors such as income inequality, access to education, and government regulation [9, 10].

AI And Job Displacement

Technological progress and artificial intelligence (AI) have long fascinated humanity. While the development of AI has contributed to economic growth, it has also triggered widespread concern about technology-induced unemployment. Major debates centre on whether AI will displace labour or create a new division of labour and employment in emerging sectors such as repair, management and finance. Empirical studies estimate that automation driven by AI has led to reductions in employment and wages. However, AI simultaneously delivers complementary effects on productivity and creates new jobs. Considering the complex influence of AI on skill changes, the paper investigates the impact on the labour market, displacement risk and emerging skills, in order to derive implications for vocational education. Following impressive advances in AI, concern persists about the potential for worker displacement. An occupational impact measure developed by Felten et al. is extended to 23 OECD countries. When matched to labour force surveys, employment is found to grow in nearly all occupations. No clear correlation emerges between AI exposure and employment growth. Among occupations with high computer usage, however, greater AI exposure associates with higher employment growth. Suggestive evidence indicates a negative relationship between AI exposure and average hours worked in occupations where computer use is low. Partial automation by AI may thus increase productivity and shift tasks

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towards higher value-added activities, counteracting displacement for workers with good digital skills who interact effectively with AI. Conversely, workers lacking digital skills might be disadvantaged by AI technological change [11, 12].

AI And Job Creation

Artificial intelligence (AI) can create new job opportunities, but its effects are complex and vary by sector. As a General Purpose Technology, AI balances automation and innovation, impacting employment dynamics. In certain scenarios, AI can increase labor demand, as shown by studies at cross-country and firm levels. While AI can replace human tasks, negative impacts on employment are often countered by productivity boosts and new job creation. Job losses due to automation are particularly evident at intermediate levels of AI exposure, with notable trends in both blue- and white-collar jobs. Adaptation and task acquisition at the occupational level, along with sector-specific regulations, are important in shaping AI's employment impact. Meanwhile, empirical evidence indicates that automation often leads to job cuts, while AI-driven innovations generally encourage job growth. AI focused on automation tends to cut costs and reduce the workforce unless other redeployment options exist. In contrast, increased R&D spending on AI aligns with long-term employment growth [13, 14].

Skills And Education In The Age Of AI

Artificial Intelligence (AI) is transforming hiring trends and workplace practices, serving as both an opportunity and a disruptor. It alters how work is performed and shifts the competencies required for job success. Competence encompasses communication, knowledge, technical skills, clinical reasoning, emotions, values, and reflection, with education and training held in high regard by employers. Identifying critical competencies amid AI changes is vital for individuals, educators, and policymakers in preparing for future employment. To remain competitive in an AI-driven job market, workers should develop distinctly human skills that cannot be automated and those that enhance AI technologies. As businesses prioritize skills and educational qualifications, understanding AI's impact on the value of education is crucial for individual advancement. Automation has already removed certain job functions, such as manufacturing tasks and customer service handled by chatbots. Generative AI poses similar disruptions, expected to significantly replace numerous work activities over the next decade, resembling previous trends in automation, thus enhancing some sectors while diminishing others, ultimately reducing human labor's share. Presently, AI's impacts on labor markets are noticeable through automation, with past research primarily focused on earlier automation waves. Recent studies have begun to explore the implications of current AI technologies emerging in the last decade, though literature predominantly examines narrow occupational ranges or specific countries. Prior to large-scale language models, few analyses evaluated generative AI's economic impact, while substantial indirect research has explored overall automation potential, providing insights from historical data. Therefore, digital skills are essential in connecting human labor with AI. Nevertheless, AI introduces disruption due to various technical, social, and ethical factors. As AI adoption rises, it reshapes operations, creates economic value, and allows human talent to tackle more complex tasks. Studies reveal two primary impacts of AI in the labor market: changing the relationship between labor inputs and production, and enhancing resource allocation. In both contexts, effectively utilizing AI fosters synergy between human workers and machine intelligence, leading to improved collaboration [15, 16].

Economic Implications Of AI On Employment

Artificial Intelligence has significant implications for employment, potentially creating new jobs and enhancing efficiencies while also inducing job displacement through automation. This can lead to unemployment, stagnant wages, and increased income inequality, especially in manufacturing, services, and transportation. Although AI improves outcomes in healthcare and education by streamlining functions, it does not replace essential human roles. The employment effects of AI differ by sector, influenced by social and economic factors like inequality and educational access. Evidence from 23 OECD countries (2012–2019) shows an increase in employment across nearly all professions, with no clear link between AI exposure and overall growth. However, high-computer-use jobs with greater AI exposure experience above-average employment growth, while low-computer-use occupations may struggle with reduced hours. AI can boost productivity and redirect labor towards higher-value tasks, benefiting digitally skilled workers. Concerns arise regarding AI's ability to diminish human labor demand across numerous tasks, raising questions about wealth distribution and market imperfections. Some analyses suggest a future with general AI surpassing human capability, leading to an economy where traditional work becomes unnecessary. More moderate views anticipate routine jobs being replaced, which could lead to inequality and unemployment, necessitating redistribution and retraining. AI also poses challenges to established market dynamics and consumer decisions. The data-driven digital economy, supported by This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited

economies of scale and network effects, prompts questions about competition, privacy, and resource allocation, while improved information might enhance consumer choices but could also lead to negative consequences from excessive technological presence [17, 18].

Policy Responses To AI-Induced Changes

Artificial intelligence (AI) is shifting jobs across various occupations, leading to some job losses while creating new opportunities. However, many of these new roles demand significant new skills, which may require considerable investment from workers and challenging transitions. It's crucial to evaluate current labor-market policies to address these evolving demands. The transformation in occupational demand may be disruptive, even without mass unemployment. Recent findings show that AI's impact on employment is limited since it's a general-purpose technology whose effects take time to emerge. AI is not yet competitive across all tasks but brings advantages beyond automation, such as autonomous vehicles and rapid vaccine discovery. Indeed, AI-based innovation is positively correlated with job growth. Research indicates how firms balance investments between AI automation and innovation, drawing from a survey of over 3,000 large companies. This survey provides insights into AI's effect on employment trends. Despite concerns about worker displacement due to AI advancements, analysis shows that employment has grown across nearly all studied occupations, with no clear link between AI exposure and overall job growth. However, in high-computer-use occupations, increased AI exposure correlates with higher employment growth. Conversely, in low-computer-use jobs, there is evidence suggesting that AI exposure may negatively impact growth in average hours worked. One explanation for this is that partial automation boosts productivity directly and shifts job functions towards higher value-added activities. This uptick in labor productivity and output can mitigate the adverse displacement effects of AI for workers with strong digital skills, who can adapt more easily to new, non-automatable tasks [19, 20].

Future Outlook On AI And Employment

The influence of artificial intelligence on the labor market is complex, promising new job opportunities while posing risks of job displacement due to automation. AI enhances productivity across industries, but may lead to unemployment and increased income inequality. Historically, automation has created net job gains by increasing demand for new roles, yet concerns exist about rapid displacement outpacing job creation. Studies indicate that job displacement seen in literature only partially aligns with data; areas with higher AI exposure show stronger labor market performance, with certain labor-intensive jobs experiencing positive employment correlations. Overall, the link between AI exposure and total employment growth is weak, lessening fears of widespread unemployment and wage stagnation in routine jobs. Importantly, partial automation through AI is tied to productivity gains and a shift towards higher-value tasks, benefiting workers with strong digital skills who can adapt to AI advancements [21, 22].

CONCLUSION

The rapid proliferation of artificial intelligence is reshaping labor markets in ways that are both disruptive and transformative. While AI offers significant gains in efficiency and innovation, it also introduces risks of labor displacement, wage stagnation, and increased inequality especially in roles with limited digital integration. However, empirical evidence suggests that AI adoption does not uniformly lead to job loss; rather, it catalyzes a reallocation of labor towards more cognitively complex and value-added roles, particularly for workers with robust digital and adaptive skills. This nuanced impact underscores the importance of education and lifelong learning systems that prepare the workforce for evolving demands. Additionally, tailored policy interventions such as skills-based training, inclusive technology policies, and labor market reforms are critical to managing the transition. Ultimately, AI's influence on employment is not predetermined but contingent upon how institutions, industries, and governments respond. A forward-looking, human-centric approach is essential to harness the benefits of AI while mitigating its challenges, ensuring that the future of work remains equitable and sustainable.

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CITE AS: Kakungulu Samuel J. (2025). The Impact of Artificial Intelligence on Job Markets. EURASIAN EXPERIMENT JOURNAL OF HUMANITIES AND SOCIAL SCIENCES, 7(3):121-125