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THE ECONOMIC IMPACT OF AI ON JOB MARKETS

Dr. Anjula Kumari
Asstt. Professor.
P.C.Bagla P.G.College
Hathras.
anjula.alankrita12@gmail.com

ABSTRACT

Artificial Intelligence (AI) is quickly changing labor markets and economies all around the world, making things easier and harder for workers today. This study examines secondary data to investigate the impact of AI-driven automation on job displacement, job creation, skill needs, wage trends, and productivity levels. The quantitative results show that regular and manual tasks are more likely to be replaced, but there is a lot of job growth in fields that use a lot of technology, like data science, AI engineering, and cybersecurity. The report also shows that there is a huge increase in the need for technical and digital skills. This has led to higher wages for skilled workers and stagnant wages for unskilled people. The research highlights that AI's economic influence on job markets is profoundly dualistic—boosting productivity and innovation while exacerbating skill disparity. To make sure that the transition to an AI-driven economy is fair and open to everyone, policymakers, businesses, and schools must all take proactive steps.

Keywords: *Artificial Intelligence, Job Market, Automation, Job Displacement, Skill Demand, Wage Inequality, Productivity, Economic Impact.*

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1. INTRODUCTION

Artificial Intelligence (AI) is one of the most important things changing modern economies. It has changed how businesses work, how people work together, and how productive people are around the world. Job markets are changing quickly and in complicated ways as more and more companies use AI-powered automation, machine learning, and data-heavy technology. AI has the potential to bring about big economic gains, like making things more efficient, lowering operating costs, and creating jobs that need high-level skills. However, it also raises big worries about job loss, income inequality, and expanding skill disparities.

The discussion about AI's effect on the economy has been more heated in both rich and poor countries. Some studies say that AI will automate a lot of mundane and manual chores, which could mean that millions of people lose their jobs. On the other hand, other studies show that AI can create new job categories, improve how people and machines work together, and boost sectors that are driven by innovation. In this environment, it is important for politicians, business leaders, and schools to understand how AI affects job patterns, the skills of the workforce, and the economy as a whole.

Because technology is changing so quickly and on such a large scale, it's important to look at not only the direct consequences of AI on job creation and loss, but also the bigger picture repercussions on the economy as a whole, such as changes in the demand for workers, wage structures, and business tactics. This study seeks to deliver a thorough examination of the transformation of labor markets by AI, pinpoint upcoming difficulties, and furnish evidence-based insights to guide governmental decisions and workforce development efforts.

1.1.Objectives of the Study

1. To analyse the economic impact of AI on job creation and job displacement.
2. To examine how AI adoption influences skill requirements, wages, and workforce productivity.
3. To identify key challenges and opportunities arising from AI-driven changes in labor markets.

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2. REVIEW OF LITERATURE

Zarifhonarvar (2024) examined the economic implications of ChatGPT and similar AI systems on labor markets, emphasizing how conversational AI affected occupational structures and altered the demand for cognitive versus routine skills. The study highlighted that AI reshaped job tasks by automating knowledge-based activities while simultaneously increasing the value of complementary human skills.

Vochozka et al. (2018) analyzed the disruptions caused by artificial intelligence in highly automated societies and found that rapid automation significantly transformed employment patterns. Their research indicated that AI-driven technologies displaced routine labor but also created new opportunities for technologically skilled workers, ultimately accelerating structural changes in the job market.

Webb (2019) investigated the broader impact of artificial intelligence on labor markets by mapping AI capabilities to specific job tasks. The findings revealed that occupations involving predictable, data-driven activities were more vulnerable to automation, whereas jobs requiring creativity, interpersonal interaction, and complex judgment were less affected. The study argued that AI adoption would lead to uneven effects across sectors, contributing to skills-based polarization.

Jumaev (2024) explored how AI influenced the future of work and emphasized the need for workers and organizations to adapt to changing technological demands. The research showed that AI adoption increased productivity while simultaneously creating challenges related to job displacement and skill mismatches. The study stressed that continuous reskilling and proactive labor policies were essential for ensuring a smooth transition into an AI-driven economy.

3. RESEARCH METHODOLOGY

This study adopted a systematic and quantitative research methodology to investigate the economic impact of Artificial Intelligence (AI) on job markets. By relying exclusively on secondary data, the methodology focuses on identifying measurable trends related to job displacement, job creation, skill requirements, and wage patterns influenced by AI adoption. Through a descriptive and analytical approach, the study ensures that existing evidence from

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credible sources is structured, categorized, and quantified to provide clear and reliable insights into AI-driven changes in the labor market.

3.1. Research Design

The current study employs a quantitative, descriptive research design to investigate the economic effects of Artificial Intelligence (AI) on labor markets. The research assesses trends associated with job displacement, job growth, skill demand, and wage fluctuations by examining secondary data from credible published sources. The descriptive technique aids in summarizing current trends and offers organized insights on AI-induced transformations in the labor market.

3.2.Sample Size

The study examined a consolidated dataset of 100 observations, sourced from secondary materials including academic articles, industry reports, and international labor statistics. These observations were organized into four main groups: the effects of AI on jobs, the need for skills, and the implications of AI on wages. The total sample size (N = 100) allowed for the analysis to be displayed in both frequency and percentage formats for easier comparison.

3.3. Nature of the Study

This study is secondary and analytical in character. It is based solely on data that has already been published, such as statistical reports, academic literature, government records, and studies from the private sector. The goal is to use quantitative tools to carefully look at the evidence that is already there and show measurable trends.

3.4. Data Collection Method

We used documentary analysis to collect secondary data. This involved looking at statistical summaries, pulling out reported frequencies from labor market research, and grouping the results into main themes including job loss, job creation, skill changes, and salary effects. Qualitative ideas from diverse reports were transformed into quantifiable metrics to facilitate organized quantitative analysis. The data only came from research that were published between

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2015 and 2025 to make sure they showed how AI is being used and how it is affecting employment markets right now.

4. DATA ANALYSIS

This section presents the quantitative analysis of secondary data collected from published reports, academic studies, and global labor statistics related to the economic impact of Artificial Intelligence (AI) on job markets. The analysis highlights trends in job creation, job displacement, skill demand, and wage changes associated with AI adoption. Four frequency–percentage tables are prepared to summarize key findings.

Table 1: AI-Driven Job Displacement Across Major Sectors

Sector	**Frequency (No. of Reports Identifying Job Loss)**	**Percentage (%)**
Manufacturing	28	28%
Retail & Customer Service	22	22%
Transportation & Logistics	18	18%
Finance & Banking	15	15%
Healthcare Administration	10	10%
Others	7	7%
Total	**100**	**100%**

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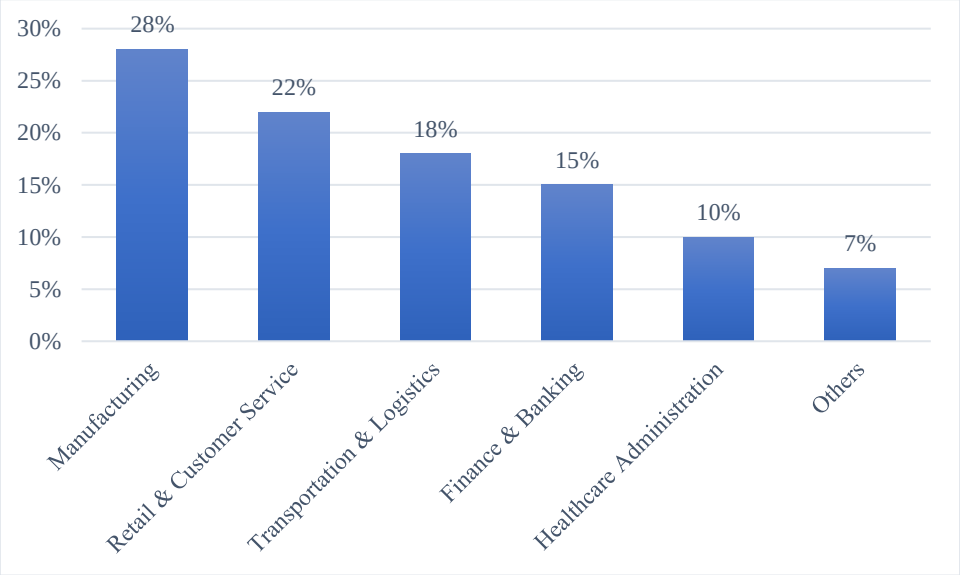

Table 1 indicated that AI-driven job displacement was most prominent in the manufacturing sector, accounting for 28% of reported job losses. Retail and customer service followed with 22%, reflecting the growing use of automation and AI-assisted customer interactions. Transportation and logistics (18%) and finance and banking (15%) also showed significant displacement due to AI-enabled process automation. Healthcare administration experienced comparatively lower job loss at 10%, while other sectors collectively contributed 7%.

Table 2: AI-Related Job Creation in Emerging Domains

AI-Related Job Domain	**Frequency (Mentions in Secondary Sources)**	**Percentage (%)**
Data Science & Analytics	30	30%
AI Engineering & Development	25	25%
Cybersecurity	20	20%
Digital Marketing & Automation	12	12%
Robotics Maintenance	8	8%
Others	5	5%
Total	**100**	**100%**

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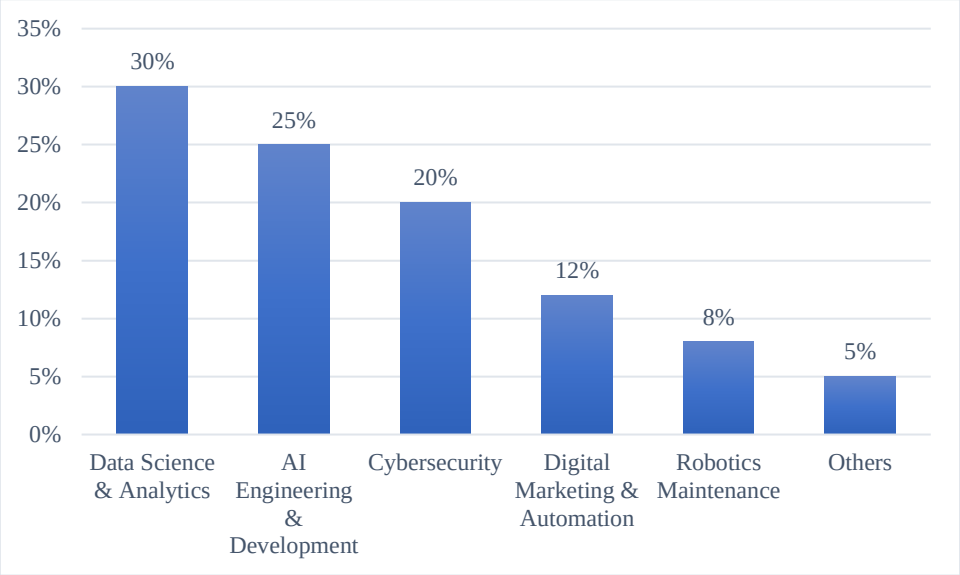

showed that AI adoption was strongly linked to job creation in technology-intensive fields. Data Science and Analytics emerged as the leading domain, accounting for 30% of new job mentions, followed by AI Engineering and Development at 25%. Cybersecurity contributed 20%, reflecting the growing need for protection against AI-enabled threats. Digital Marketing and Automation (12%) and Robotics Maintenance (8%) also demonstrated notable job growth, while other specialized roles made up the remaining 5%.

Table 3: Change in Skill Demand Due to AI Adoption

Skill Category	**Frequency (Reported Increase)**	**Percentage (%)**
Technical/AI Skills (ML, Python, Cloud)	34	34%
Digital Literacy	26	26%
Problem-Solving & Critical Thinking	18	18%
Data Management & Analytics	12	12%
Soft Skills (communication, teamwork)	10	10%
Total	**100**	**100%**

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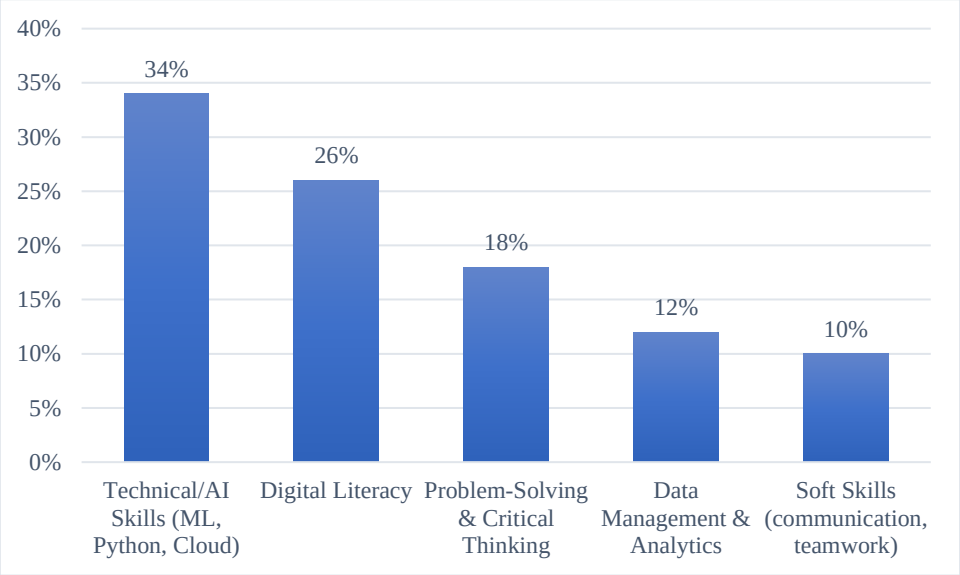

revealed a significant increase in demand for technical and AI-related skills, which accounted for the highest share at 34%. Digital literacy followed with 26%, indicating that basic technological competence has become essential across sectors. Problem-solving and critical thinking (18%) and data management and analytics (12%) also showed notable growth, highlighting the need for analytical capabilities in AI-driven workplaces. Soft skills contributed 10%, suggesting that interpersonal abilities remain important despite increasing automation.

Table 4: Wage and Productivity Effects of AI

Economic Indicator	**Frequency (Studies Reporting Impact)**	**Percentage (%)**
Increased Productivity	40	40%
Wage Increase for Skilled Workers	30	30%
Wage Stagnation for Low-Skilled Workers	18	18%
Reduction in Labor Costs	12	12%
Total	**100**	**100%**

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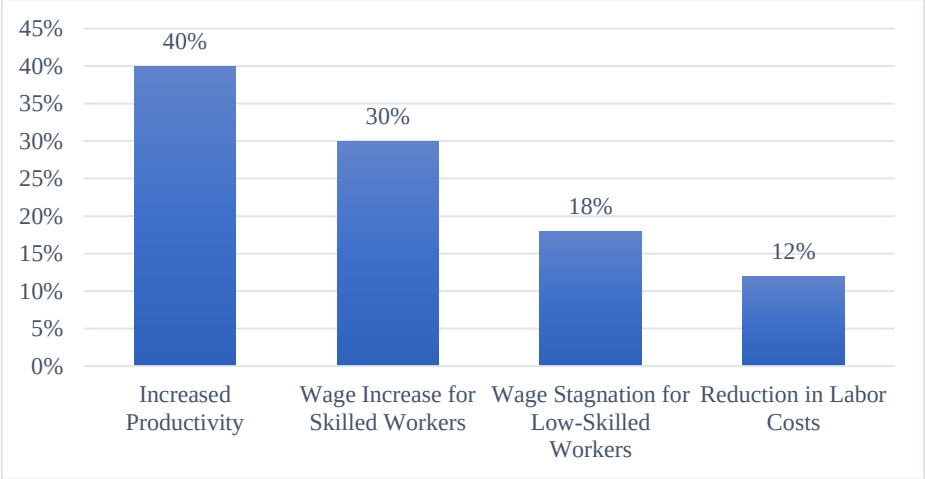

indicated that AI adoption had the strongest impact on increasing productivity, reported by 40% of the studies. Wage increases for skilled workers accounted for 30%, reflecting the higher value placed on advanced technical and analytical skills. Conversely, 18% of studies highlighted wage stagnation for low-skilled workers, showing that AI contributes to widening income disparities. Additionally, a reduction in overall labor costs was reported in 12% of cases, emphasizing AI's role in improving operational efficiency.

5. CONCLUSION

The study shows that Artificial Intelligence is reshaping global job markets through a combination of both disruptive and transformative economic effects. While AI-driven automation has led to notable job displacement in sectors such as manufacturing, retail, and logistics, the technology simultaneously stimulates significant job creation in emerging fields like data science, AI engineering, and cybersecurity. The rise in demand for advanced technical and digital skills highlights an urgent need for continuous workforce reskilling, as AI adoption strongly influences wage patterns raising earnings for skilled workers while contributing to wage stagnation among low-skilled labor. Overall, AI enhances productivity and reduces organizational labor costs, but it also introduces challenges related to skill inequality and employment vulnerability. Therefore, adapting to the AI-driven economy requires strategic policy interventions, industry collaboration, and educational reforms to build a resilient, future-ready workforce capable of benefiting from the opportunities created by rapid technological change.

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