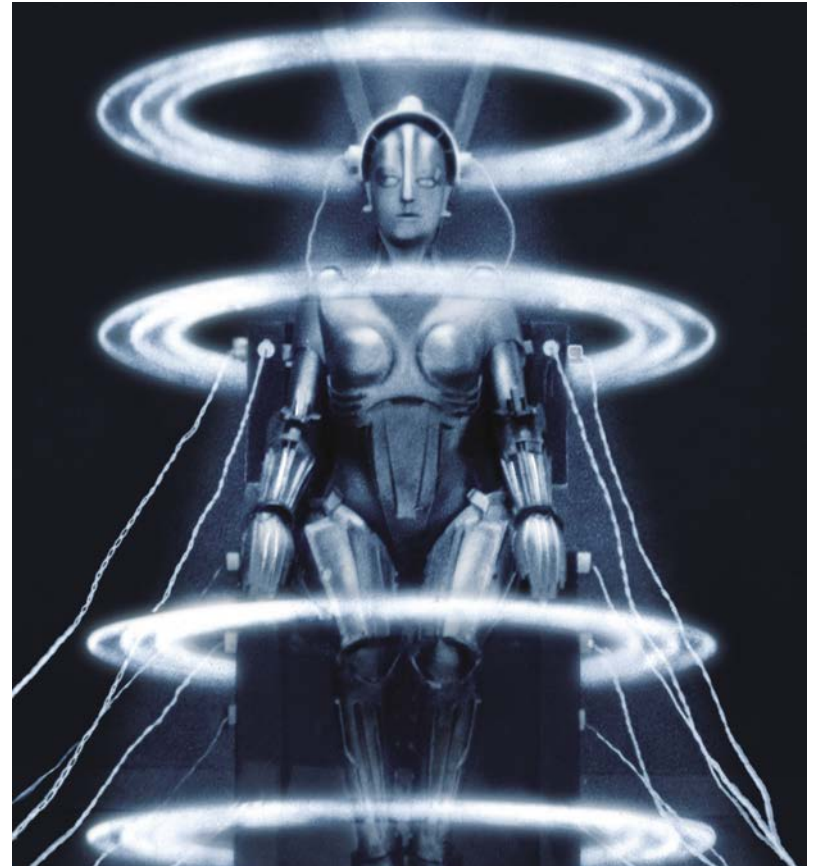


How will AI and robotics affect the labor market?

Jesse Rothstein

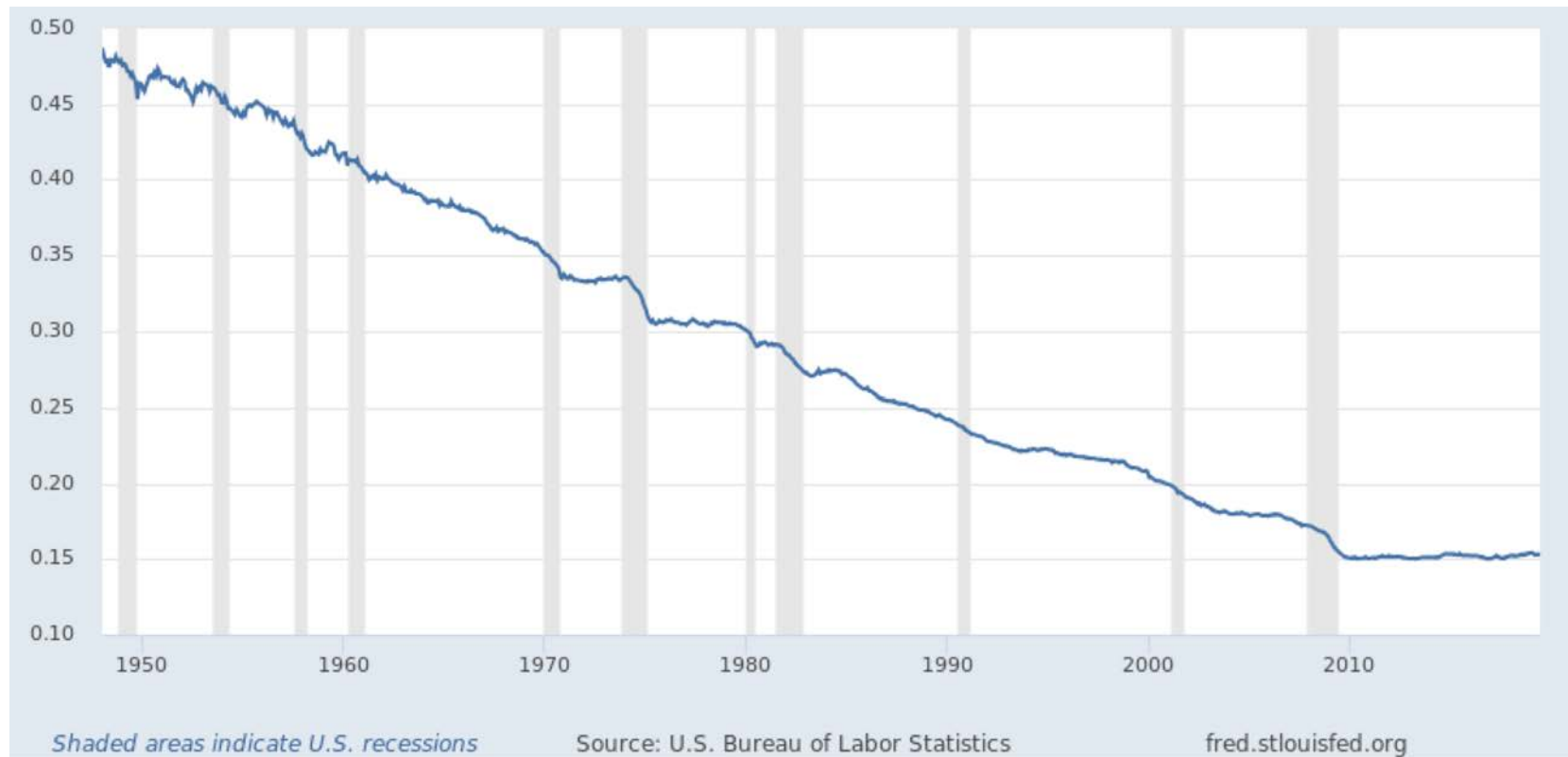
University of California,
Berkeley, and NBER



Labor-substituting technological change is nothing new



Employment in Goods-Producing Industries (agriculture, mining, construction, manufacturing)

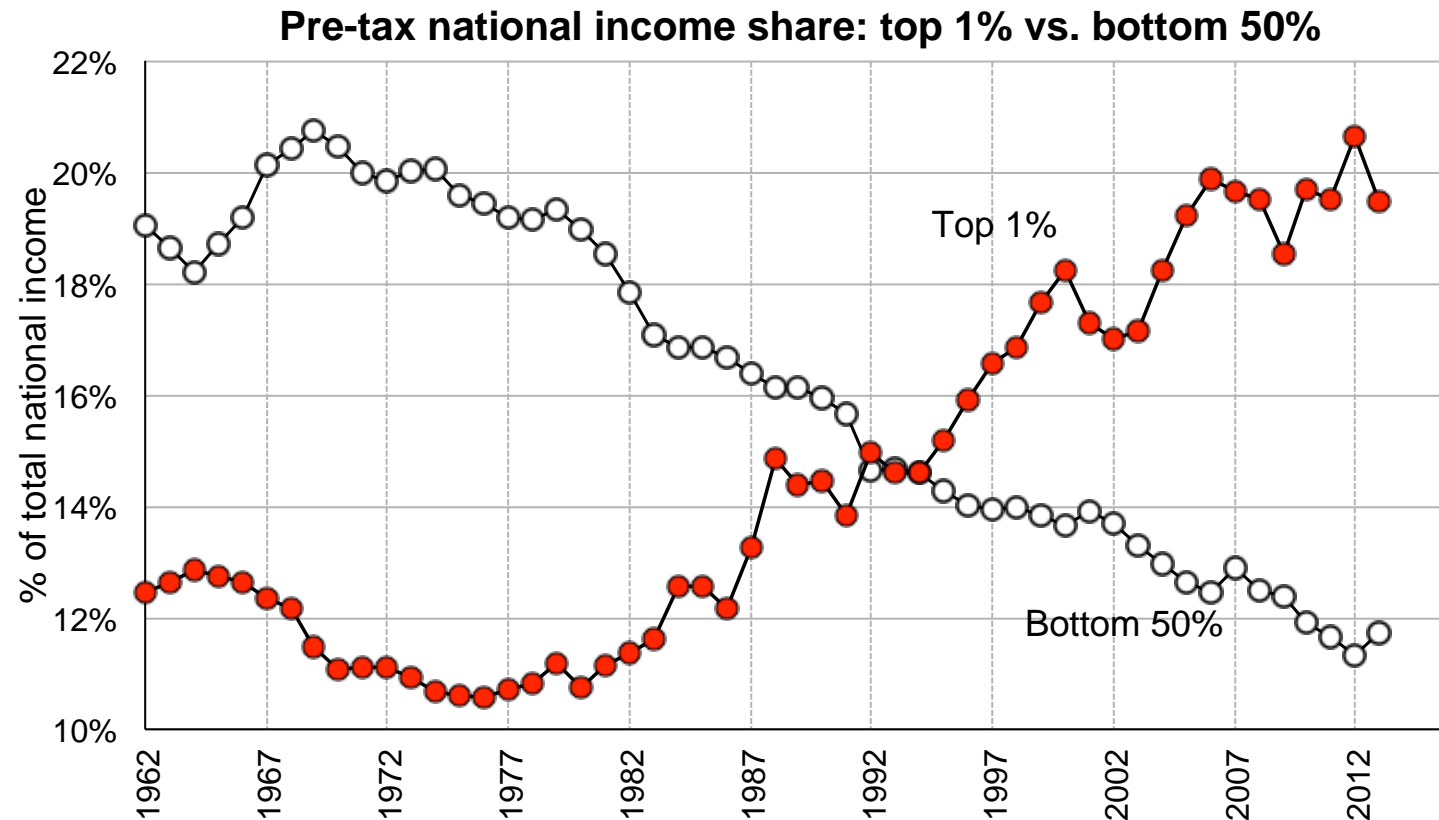


What does technical change do to the labor market?

- Declines in demand in some occupations; rises in others.
 - Often less-skilled occupations have been displaced.
- Wages and employment fall in declining occupations.
- Workers flow to other occupations.
- In theory:
 - Shifts in relative real wages across other occupations also.
 - **Inequality rises.**



The bulk of wealth flows to a small group



Source: Piketty, Saez, Zucman (2016). Pre-tax income is divided equally among spouses and matches national income.

What to do about it?



Not at all obvious that the pace of technological change is accelerating.

- Some data:
 - Between 2008 and 2018, net job losses in shrinking occupations totaled 2.8% of US employment.
 - Between 2016 and 2026, projected net job losses total <1% of employment.

Need policies to combat inequality

- Full employment
- Redistributive transfers
- Wage supports