PIIE PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

Research on AI and the Labor Market: Still in the First Inning

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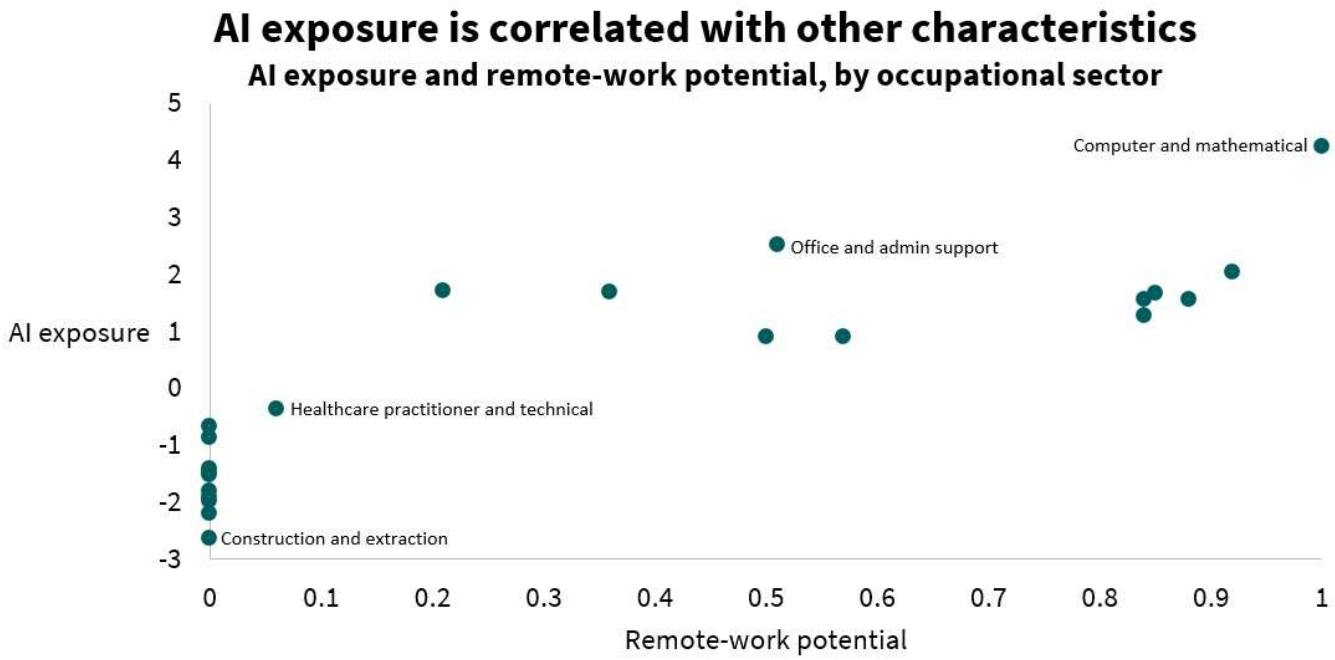
The surge of early research is:

- Inconclusive
- Weak signals
- Only one corner of the vast AI research landscape

Current research is inconclusive

- Method: compare or predict labor-market outcomes in more vs less AI-affected jobs
  - Multiple AI exposure and usage measures disagree somewhat
- Conflicting interpretations from leading studies
  - Brynjolfsson et al.: employment fell for young in AI-exposed jobs
  - Eckhardt & Goldschlag: unemployment rose less in AI-exposed jobs
- Hard to isolate AI from other factors
  - Timing (the macroeconomist's objection)
  - Omitted variables (the microeconomist's objection)

Hard to disentangle AI from other effects



Jed Kolko analysis. Correlation = 0.87.
Remote-work potential is share of jobs that can be done from home (Dingel & Neiman, 2020)
AI exposure is PCA-weighted average across multiple measures (Yale Budget Lab, 2026)

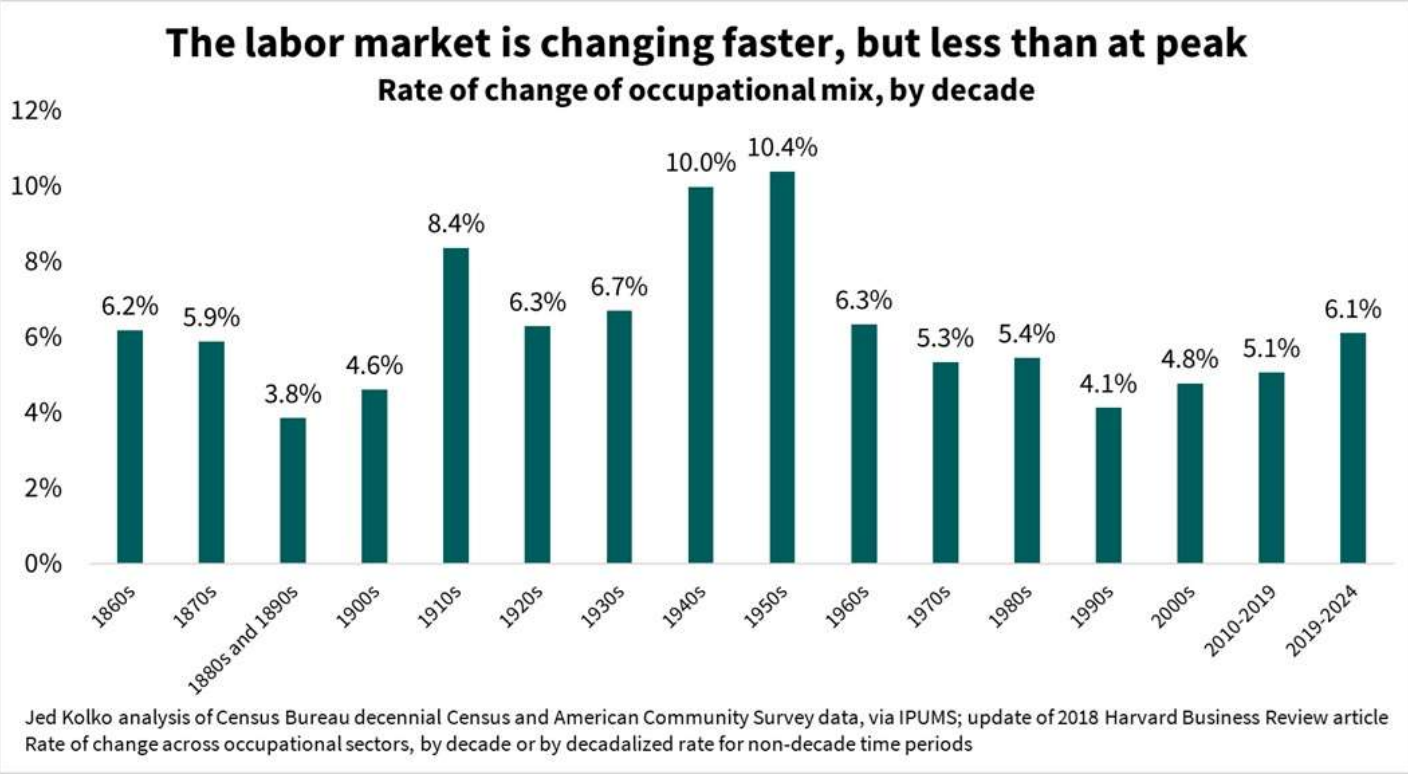
Early findings are weak signals

- LLM diffusion too recent for impact to show in data
  - Past tech revolutions took years or decades to appear
- AI advancing rapidly so today's conclusions may soon be obsolete
- Research tools and definitions still nascent

Beyond labor demand: a vast landscape

- Productivity
  - Most studies find benefits, with notable exceptions
  - <1 in 5 firms use AI; early adopter bias
  - Team and collaboration dynamics are underexplored
- Labor supply
  - Could improve or hamper job search
  - Could change relative value of leisure
  - Historically underappreciated (see: the Pill)
- Transition dynamics
  - Short-run dislocation possible even if long run is manageable

We've seen more dramatic change before



Transition dynamics deserve more attention

- Recent occupational shifts accelerating, but not unprecedented
  - Less dramatic than 1910s and 1940s–50s transformations
  - LLM era comparable to PC and Internet eras
- Past disruptions offer lessons
  - Geographic concentration matters; AI-exposed jobs are dispersed
  - Much room to improve policy for managing disruption
- Adaptability matters; can vary within occupation

Principles for future research

- Think comprehensively about labor market effects
  - Not just demand: productivity, labor supply, transition dynamics
- Contribute to collective data infrastructure
  - Make taxonomies and measures public and reusable
- Make research useful for decisionmakers
  - Translate findings for policymakers, educators, workers
- Be broad-minded about historical analogies
  - Transition lessons may apply even if long-run impact differs

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