



LABOR MARKETS IN *TRANSITION*:

Demographics, Productivity and Macroeconomic Policy

JACKSON HOLE ECONOMIC POLICY SYMPOSIUM
FEDERAL RESERVE BANK OF KANSAS CITY
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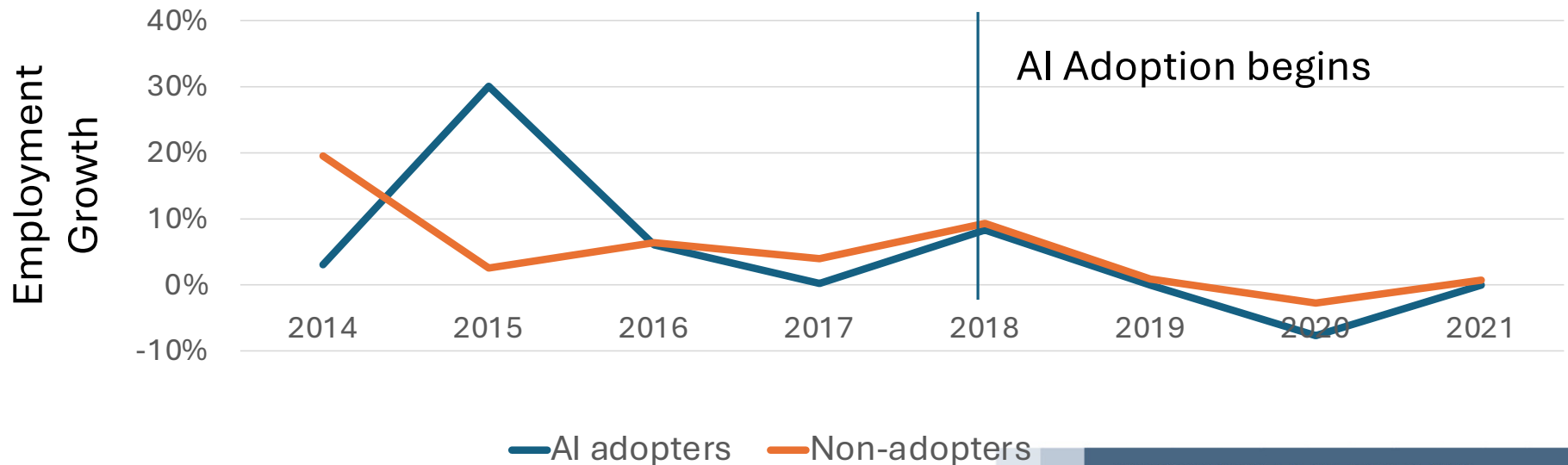
AI and the Future of Labor Markets

Beyond Displacement: Reallocation, Management, and Market Power

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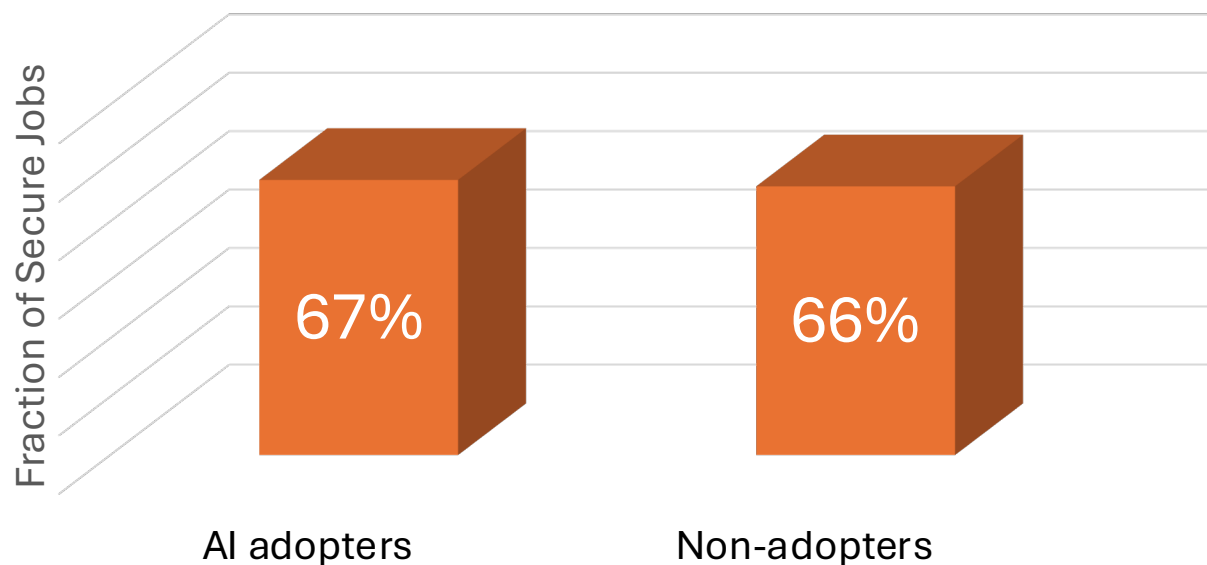
Is AI Displacing Jobs? Not Yet.

- Only 4% of jobs used AI for at least 75% of tasks.
1/3rd of jobs used AI for 25% of tasks. (Anthropic Econ Index, 2025)
- What about jobs? Lindenlaub, Oh, Veldkamp (2025) from LPP survey and admin data of ~3k German firms. Consistent with Hampole et. al. (2025) based on job postings.



Firm AI Adoption Improves Worker Job Security

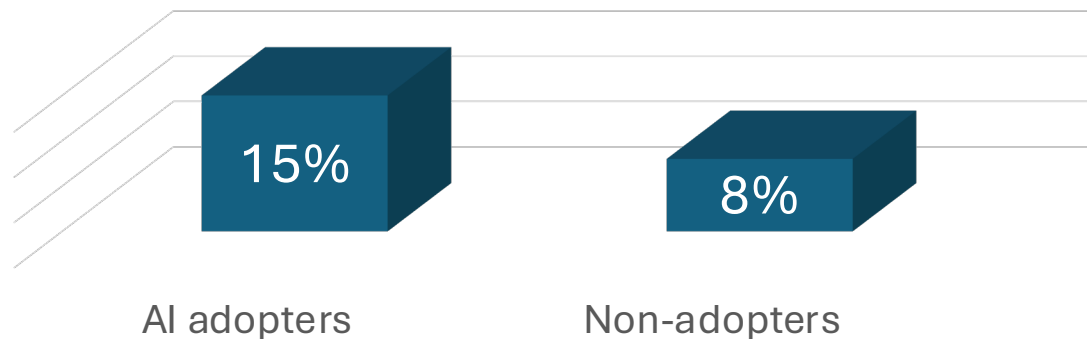
Fraction of workers reporting **NO** to “Are you concerned about your job security?”



Lindenlaub, Oh, Veldkamp (2025) from LPP survey

AI Firms Manage Talent Internally

Fraction of workers reporting **YES** to, “Have you changed jobs within your company during the last twelve months?”



...and no evidence of wage cuts.

2 channels:

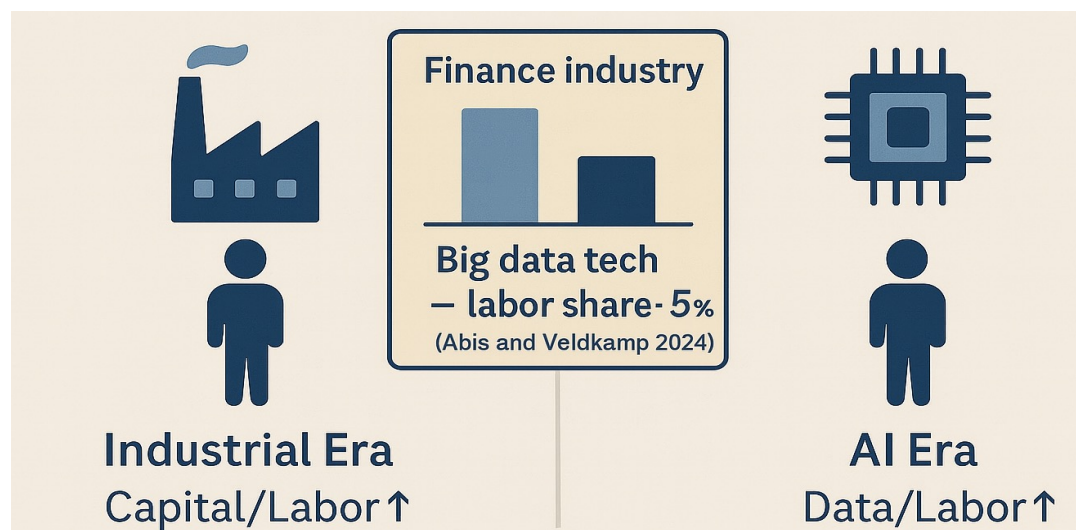
1. Labor force analytics: AI is used to predicts workforce needs.
2. Worker adaptation: New technology adopters report that worker skill development is a key adjustment margin.

Lindenlaub, Oh, Veldkamp (2025) LPP survey.

Will workers' share of income change?

Historical analogy: industrialization vs. AI revolution

Output
 $= K^{\alpha} L^{(1-\alpha)}$

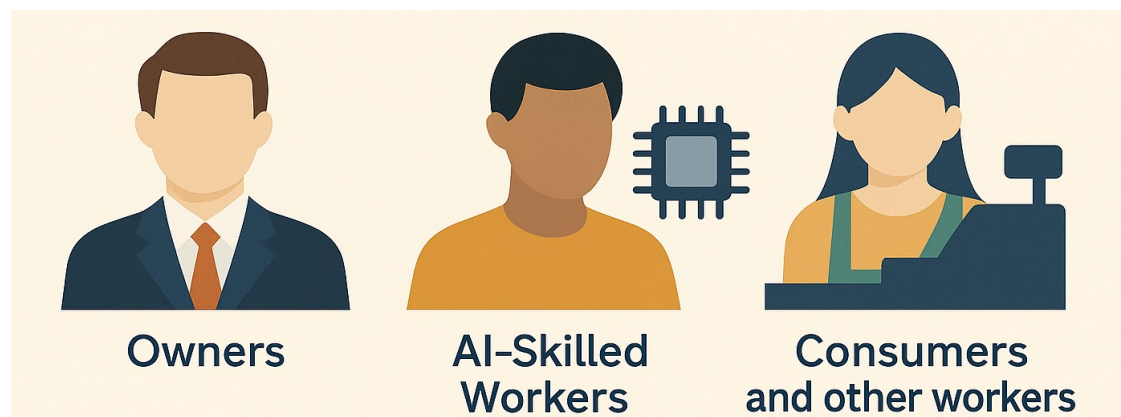


Knowledge
 $= D^{\alpha} L^{(1-\alpha)}$

The labor share
(1- α) ↓ed 5–12%

↓ed 5%

Who Reaps the Gains from AI?



- With competition, the firm makes fewer mistakes, and its workers are more productive. Wages and hiring should rise.
- Monopolists price-discriminate, wage-discriminate and may cut labor inputs to keep goods scarce and prices high.
- Abis-Veldkamp (2024) study: Owners benefitted most, AI-skilled earned \$23k more, but other workers did not lose out.

Real Wages: How Much Can Workers Buy?

- Monopolists can use data to raise prices, eroding real wages.
- With competition, prices fall, real wages rise:
 - Firms that price discriminate with high prices are undercut.
 - If valuable data is derived from transactions, surplus goes to consumers.
Consumers effectively paid for data: “*Partial Data Barter*” (Farboodi Veldkamp, 2025)
- Barriers to competition
 - **Data feedback loop:** Firms with more data grow, generate more data.
 - **Data and products are bundled:** We need separate prices for transactions with and without data. This would create a market for data and enhance competition.
 - **Privacy policy:** Prohibiting data sale/sharing keeps small firms data-poor and small. (Canayaz, Kantorovitch, and Mihet 2021; Demirer et al. 2024)

Conclusion: AI Reallocates Jobs and Surplus

- AI reshapes jobs, does not replace them.
- AI increases productivity and internal worker mobility.
- How is the surplus shared? Depends on changes in labor shares and on competition.

The talk, as summarized by AI:

