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Introduction

The rapid development of artificial intelligence (AI) has led to increased concerns about technological substitution and the skills of the future in the labour market. Artificial intelligence (AI) is



Figure 1: Artificial intelligence threatening jobs

the capability of computational systems to perform tasks typically associated with human intelligence, such as learning, reasoning, problem-solving, perception, and decision-making. While conventional automation has been commonly associated with substitution in routine tasks and skill-biased technological change, the impact of AI may differ significantly in nature and direction. Artificial intelligence and

automation are transforming the structure of global nations at an unprecedented pace; capital and technologies are invested in artificial intelligence industries across borders, while workers and social safety remain largely unprotected. No single state can address the inequalities between artificial intelligence and workers at industries. Given the scale of artificial intelligence's abilities and transformations, the international community should urgently consider the challenges on workforce to ensure the benefits of AI-driven productivity growth.

Frontline roles, including farmworkers, delivery drivers, and construction workers, are poised to see the largest job growth in absolute terms by 2030. Significant increases are also projected for care jobs, such as nursing professionals, and education roles, such as secondary school teachers, with demographic trends driving growth in demand across essential sectors. Meanwhile, advances in AI, robotics, and energy systems — notably in renewable energy and environmental engineering — are expected to increase demand for specialist roles in these fields. Cashiers, clerical assistants, and graphic designers are among the roles projected to decline rapidly due to the rise of generative AI.

Background

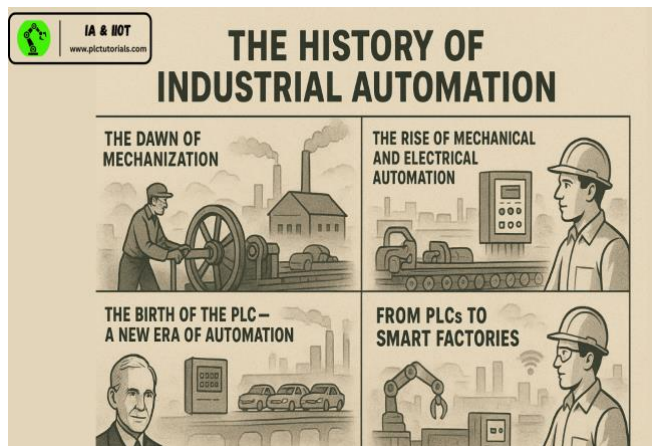


Figure 2: The history of industrial automation

The first wave of automation, called the Industrial Revolution, made machines do rule-based jobs like weaving cloth and doing basic math. The second wave, called computerization, let machines do data work and repetitive office chores. The third wave, called robotics, gave factories and warehouses machines that work with accurate precision. These waves mainly took over jobs that followed rules.

The fourth wave, called artificial intelligence, now aims at hard pattern-based work. Unlike automation, AI lets machines do tasks that need human-like

thinking, understanding language, and solving problems. It shifts the idea from replacing people to working together and improving work.

The first industrial revolution, from the 1700s to the 1800s, turned cloth weaving and steam engines into machines. The second industrial revolution, from the 1800s to the early 1900s, brought electric power, railroads, and the internal combustion engine. The third industrial revolution added computers, software, and the internet, changing banks and communication. The fourth wave, happening now, mixes intelligence, robotics, and the internet of things, taking on tasks that used to need humans. This story shows how work has moved from labor to mental labor as the next big step.

Skill-biased technological change is when new tools mostly help workers, giving them bigger roles while pushing out mid-skill workers. Computers and software in the 1900s showed this trend, favoring college-educated people over those with only a high-school diploma. Job polarization followed: high-skill, high-pay jobs like data scientists grew, while mid-skill, mid-pay jobs like clerks fell. Low-skill, low-pay jobs like farmhands now need new skills, such as knowing how to use computers and being adaptable. Data from 36 countries shows that technology doesn't always help workers, splitting the labor market into two parts.

Problems Raised

AI's white-collar penetration deepening job polarization

Traditional automation is mainly threatening the low-skill manual labor, but generative AIs' abilities are continuously developing because of deep learning. In machine learning, deep learning (DL) focuses on utilizing multilayered neural networks to perform tasks such as classification, regression, and

representation learning. The field takes inspiration from biological neuroscience and revolves around stacking artificial neurons into layers and "training" them to process data. Conventionally, AI was just a threat to low-workers production line. However, high white-collar works are also challenged by AI. These AIs are creating a new inequality circumstances that the existing job polarization theory doesn't fully explained.

Some sectors in the Philippine labor market, such as the business process outsourcing (BPO) industry, could be at risk of being displaced by artificial intelligence. As AI systems become more capable and readily available, they are likely to replace or significantly alter many job roles, particularly those involving routine and repetitive tasks. "The Philippines, with its large BPO sector, faces unique challenges and opportunities. The BPO industry, a significant contributor to the country's economy, might experience shifts as AI-driven chatbots and virtual assistants handle more customer service tasks.

Widening labor market gap between the Global North and Global South

The development of the AI infrastructure is widely perceived by every nation. Nations are investing massive amounts of capital to construct AI framework. However, AI infrastructure and capital remain concentrated in developed countries. Developing countries dependent on outsourcing or BPO economies face disproportionately higher exposure to AI technologies and job displacement. Monopolistic circumstances are intensifying the displacement of developing countries. The Philippine BPO sector — with 1.82 million workers and \$38 billion in annual revenue — faces a simultaneous two-front threat:



Figure 3: The production process in the Philippines

United States legislative and regulatory proposals targeting offshore delivery, and AI automation accelerating displacement of the entry-level and mid-tier workflow roles that underpin business process outsourcing (BPO) employment at scale. The Philippines' overseas foreign worker remittance economy — generating approximately \$40 billion annually from roughly 10 million OFWs — faces its own AI displacement curve, as the caregiver, logistics, administrative, and service roles that Philippine workers fill in OECD markets are among the categories most exposed to automation in destination countries. For BPO operators and investors, the Philippine sector's dual exposure to AI automation and US regulatory risk represents a compression of the timeline for strategic repositioning — and the sector's official response speed in June 2026 is a leading indicator of how seriously Philippines IT-BPM leadership is treating the combined threat.

International Actions

OECD AI principles and the Hiroshima AI process: international soft law norms

The OECD launched new norms according to the Hiroshima AI process (HAIP). It was determined at the G7 digital and tech ministerial meeting under the French G7 presidency. This framework was only for organizations to report on their efforts to promote a broken participation on AI registrations. They launched Hiroshima Process International Code of Conduct for Organisations Developing Advanced AI Systems, a central component of the Hiroshima AI Process launched during Japan's 2023 G7 Presidency. The key updates are mainly four parts. First, enhances access for organisations of all sizes, especially small and medium enterprises, by providing a simpler, more structured reporting experience. Second, reflects organisations' roles across the AI system lifecycle, distinguishing between model developers, application developers and deployers so each organisation can focus on the questions most relevant to its role. Third, connects to the OECD.AI Catalogue of Tools and Metrics for Trustworthy AI, so organisations can reference tools they already use and contribute new ones, supporting the exchange of good practices. Finally, keeps pace with new technology, including agentic AI and other emerging capabilities. Due to these key factors, participation in the HAIP Reporting Framework has also generated benefits beyond simple compliance, with several organizations self-reporting improved coordination among teams working on trustworthy AI and the ability to benchmark their governance practices against international standards.

ILO – draft convention on the platform economy

The International Labour Organization has taken the most direct approach to addressing AI's impact on workers, focusing specifically on worker protection rather than on regulating AI developers themselves. At its 114th International Labour Conference in June 2026, the ILO is expected to adopt a Convention and accompanying Recommendation concerning decent work in the platform economy, targeting the algorithmic management systems that govern digital labor platforms. Director-General Gilbert Houngbo stated that the productivity gains generated by AI must be distributed fairly through better wages and stronger labor protections.

Unlike the OECD's Hiroshima AI process, the ILO convention would be the first international labor standard to directly address AI's effects on workers. However, its impact remains ambiguous because it only becomes legal within member states that agree to it domestically. This means the effects heavily depend on how many countries choose to adopt it.

Key Players

International Labour Organization (ILO)

The International Labour Organization is the only United Nations specialized agency to address the impact of artificial intelligence on workers. Since its founding in 1919, the ILO has developed conventions and recommendations covering workers' rights across its 187 member states, and it has turned its attention to digitalization and algorithmic management in recent years. Its most significant recent effort is the draft Convention on decent work in the platform economy, expected to be adopted at the 114th International Labour Conference in June 2026, which would establish the first international labor standard directly addressing algorithmic management systems used by digital labor platforms.

However, the ILO's authority is constrained by the voluntary nature of the convention. An ILO convention only becomes binding in a member state once that state formally ratifies it through its own domestic legislative process.

Major AI Developers (Open AI, Google, Microsoft and others)

Major AI Developers function as policymakers in the global AI labor debate, since the direction of AI's developments are depending on them. These companies control the infrastructure, capital, and technical activities. These multinational corporations are widely affecting finance, shopping, and everything that functions with the internet.

However, this influence remains fundamentally unaccountable to the workers most affected by it. Because AI developers are private companies rather than public institutions. Their internal decisions about which tasks to automate and how to price their tools are governed primarily by their own profits rather than labor market considerations. This creates a structural imbalance in which the actors with the greatest capacity to affect workers hold no direct obligation to protect them, reinforcing the report's broader argument that voluntary frameworks alone cannot fully address AI-driven labor inequalities.

Possible Solutions

Integrating Binding Worker Protections into International AI Frameworks

Current international responses to AI treat developer regulation and worker protection as separate tracks. The ILO's draft Convention addresses labor conditions, but neither framework connects the two. Bridging this gap would require cooperation between worker-protection standards and AI governance frameworks, rather than leaving them to be negotiated as a separate, weaker instrument. One approach would be to strengthen the ILO Convention's practical effect by tying ratification to concrete incentives, such as preferential trade terms or access to international AI development funding for states that adopt binding worker protections domestically.

This integration matters because voluntary standards alone have consistently underperformed relative to binding ones, as seen in the Hiroshima AI Process's reliance on voluntary reporting without any enforcement mechanism. Without a comparable enforcement mechanism, worker protections risk remaining aspirational even as AI-developer regulation grows more robust, reproducing the exact asymmetry between capital and labor that this report has identified as the core problem.

Supporting Industrial Diversification in AI-Exposed Developing Economies

Countries with labor markets heavily concentrated in AI-exposed sectors, such as the Philippines' reliance on business process outsourcing, face a structural vulnerability that broader international regulation does not directly address. A targeted response would involve joint OECD-ILO technical assistance programs designed to help these economies diversify away from single-sector dependence, modeled on the region-specific approach used in UNHCR's Regional Refugee Response Plans. Such programs could combine funding for reskilling initiatives with direct support for emerging sectors, such as AI-adjacent technical roles that require human oversight and cannot be easily automated.

This approach recognizes that global frameworks, however well-designed, cannot substitute for interventions tailored to the specific economic structure of the most exposed countries. By pairing binding international standards with targeted diversification support, the international community can address both the regulatory gap facing workers everywhere and the disproportionate exposure faced by economies most dependent on AI-vulnerable industries.

Key Terms

Automation

The use of technology to perform tasks with minimal human intervention, historically concentrated in routine, rule-based work

Job Polarization

The phenomenon in which employment grows in both high-skill, high-wage and low-skill, low-wage occupations, while employment in middle-skill, middle-wage occupations declines

Algorithmic Management

The use of AI systems and automated decision-making tools by employers to direct, monitor, or evaluate workers, particularly common on digital labor platforms

Platform Economy

An economic model in which digital platforms connect independent workers with tasks or clients, often coordinated through algorithmic management rather than direct human supervision



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