Fear of Job Losses Rise Amid AI Adoption

FRED ASHTON | JUNE 6, 2025

An opening line from a 1982 *New York Times* article discussing the impact of computers on the job market reads: "As new computer-based technologies are installed to improve productivity and reduce labor costs, there is growing concern about whether the nation will create the number of jobs it needs." Similar warnings dominate the headlines today, this time about artificial intelligence (AI).

Recently, AI development firm Anthropic's CEO Dario Amodei forecasted that AI could wipe out roughly 50 percent of all entry-level white-collar jobs and cause unemployment to spike as high as 20 percent. The fear of job displacement amid technological advancements is nothing new, but the often-bleak forecasts of mass job losses rarely fully materialize.

Yes, it is likely that the increased adoption of AI will cause structural friction in the labor market and lead to job losses. Perhaps entire occupations will disappear, just as the computer eliminated the need for keypunch operators. Yet what is often overlooked is how new technologies tend to create entirely novel industries and occupations, reshape existing jobs, and generate demand for new, more productive skills. Newly minted lawyers, for example, may no longer be needed to perform the mundane task of writing simple contracts. AI can do this in a matter of minutes. But their skills could be put to more productive use that creates greater value for clients. Moreover, firms planning for the long term would be unlikely to slash entry-level work on the scale predicted by Amodei as these workers will eventually be needed to fill more senior roles. Instead, firms would likely adjust their demand for skills. From a macroeconomic perspective, AI promises to provide a boost to productivity and growth, fueling the overall demand for labor.

The use cases for AI are still largely unknown. Some cannot yet be imagined. But just like the computer and previous technological advancements, AI could usher in a productivity boom that leaves workers better equipped to serve their customers and for entire new industries and occupations to be created.

FREDDY'S FORECAST: MAY JOBS

The April jobs report showed employers added 177,000 new hires to their payrolls while the unemployment rate was unchanged at 4.2 percent. Average hourly earnings rose by 6 cents, or 0.2 percent for an annual gain of 3.8 percent.

May data from payroll processor ADP showed that hiring continued to slow. Private payrolls expanded by just 37,000 during the month, down from a revised 60,000 in April. The manufacturing sector shed 3,000 jobs while tariff uncertainty weighed on the trade, transportation, and utilities sector, which cut 4,000 positions. The professional and business services cut 17,000 workers, and education and health services, which has been a leader in job growth, slashed 13,000.

The Federal Reserve's Beige Book – which gathers anecdotal evidence on current economic conditions throughout the 12 Federal Reserve Districts – reported on June 4 that employment was little changed from the prior survey published on April 23. According to the report, all Districts described lower labor demand, declining hours worked and overtime, hiring pauses, and staff reduction plans.

Various indicators from the JOLTS report showed signs of stabilizing in recent months. The pace of hiring, which had been on a downward trend since early 2022, has largely leveled off since September 2024. The level of quits has followed a similar pattern. The break in the downtrend suggests that the labor market may be returning to its normal churn.

High frequency jobless claims data have trended higher over the past few months. The last two reports have lifted initial jobless claims from 226,000 to 247,000 as of May 31. Continuing claims remained above 1.9 million for the past two weeks, suggesting it is increasingly difficult to find a job.

For the May report, expect topline payroll growth of 120,000, a downshift from the three-month average of 155,000 as employers remained cautious amid tariff and other economic uncertainty. Expect the unemployment rate to tick up to 4.3 percent, which would be the highest level since October 2021, while growth in average hourly earnings rises to 0.3 percent.