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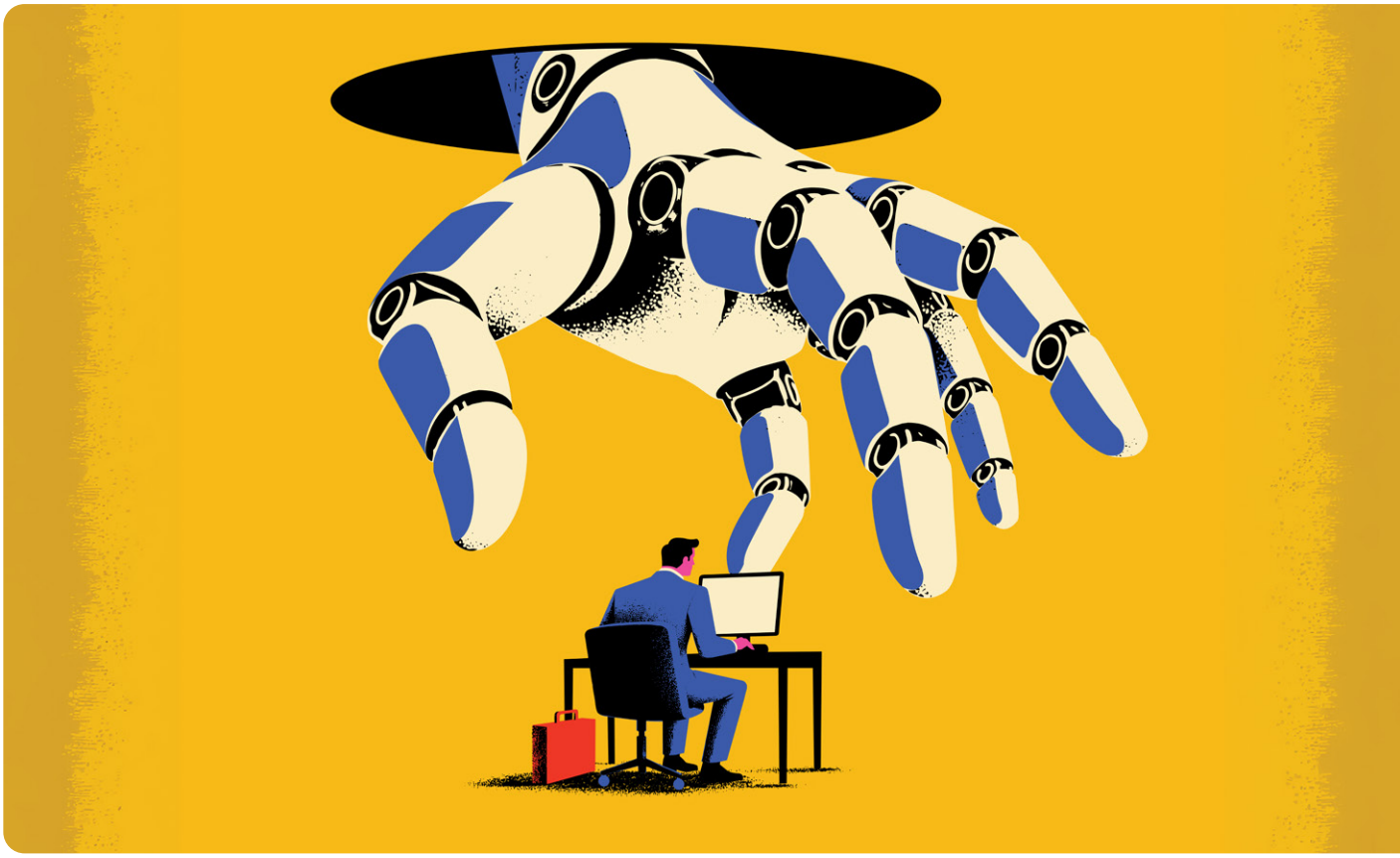

Report: AI, Tech & Energy

Five policy planks to prepare U.S. workers for dislocation caused by artificial intelligence

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Key takeaways

- U.S. policymakers need to prepare our nation's workforce for the potential for job dislocation posed by the rise of artificial intelligence, and this should begin now, even as the outlook remains highly uncertain.
- To assist those impacted by AI dislocation, policies should not target only those who can prove AI-caused job loss, but instead offer supports that are universally available for all displaced workers, including universal job search assistance and universal income support for workers in transition.
- Instead of succumbing to "training nihilism" that generalizes past weaknesses of the overall training system, policymakers should invest in specific workforce development strategies that have shown success alongside innovation and improved data.
- Broader options are needed for workers who lose their jobs, including expanded, progressive wage insurance that can complement workforce training.
- Policymakers should pursue "automatic scaling-up" strategies in addition to automatic stabilizers to ensure we are able to quickly and effectively accelerate responses to labor market challenges as they evolve.
- Innovation is needed around policies that discourage unnecessary layoffs, including by supporting redeployment and shorter workweeks without reductions in pay.
- Alongside other needed measures to support worker power and create good jobs, these policies would support economic dignity for workers amid the potential turbulence of an AI transition, while helping ensure that the gains of productivity growth are more equitably shared.

Overview and summary

The rise of artificial intelligence and the potential for new technology to spark widespread job dislocation reflects a unique challenge for policymakers because of how wide the range of scenarios might be for the depth, breadth and speed of displacement. Economists and technologists have suggested possibilities that range from a transition that is challenging for a subset of workers but in line with prior technological advances to much more dramatic disruptions that dislocate tens of millions of workers, end career paths that previously felt reliable and even lead to a net reduction of jobs with gains concentrated among a relative few.

Our report argues that under almost any scenario, the United States will need a major expansion of worker adjustment policies and that efforts to build those policies should begin now, even as the outlook remains highly uncertain. The United States lags far behind peer nations in having the basic infrastructure today to help support workers who face the potential of AI-induced job dislocation as they transition into new, successful career paths.

Too often, U.S. policymakers and analysts have misinterpreted the well-documented shortfalls of the U.S. workforce training system at large as proof that any type of job training program cannot work. Instead, these shortfalls are often a reflection of the failures of policymakers to invest sufficiently in workforce development systems that employ approaches that have shown evidence of success at a smaller scale, from career counseling to data-driven training programs. We believe that there is an opportunity both to build on past approaches that have been too limited and to develop new models that can help workers recover from painful layoffs.

The correct agenda will include expanded transition assistance and wage insurance alongside more novel efforts to prevent layoffs altogether.

This paper argues that making displaced workers universally eligible for these programs, while investing more in training tailored to the unique challenges that AI presents, offers the best roadmap forward. It acknowledges that getting our approach right will require experimentation, both due to past challenges in scaling up programs that have shown initial success and because AI-related displacement may affect new and different segments of the workforce. But in enacting these ideas as a downpayment, policymakers can address the anxiety that is already being felt by many workers and provide them with greater agency in shaping their own futures, all while building workforce institutions that can evolve further as AI's impact becomes clearer.

We present these ideas with a recognition that any worker transition agenda must be seen as only one element of the policy response that will be needed to address AI's effects on the labor market. It should go without saying that absent a commitment to ensuring good, available jobs and strong labor markets, no worker adjustment policies can succeed. Any scenario of economic disruption will require policy responses that are both multi-faceted and broad-based, addressing the need to create new jobs, share the gains of AI-induced productivity growth, promote greater worker bargaining power, and protect against workplace abuses. The benefits of job training, for example, will inevitably be limited if there are not good jobs for people to train for, so we also need policies that help create good jobs in scenarios where AI results in a net loss of jobs. At the same time, policies explicitly designed to help workers transition from one job to another will be necessary alongside these other approaches.

Indeed, even the mere possibility of swift, widespread displacement should create the impetus for responsible federal policymakers to invest in an evidence-based approach that is broad enough and capable enough of being scaled up quickly if more dire scenarios come to pass. Given these uncertainties, any approach will require some degree of experimentation and ongoing refinement, recognizing that full answers to the effects of AI on U.S. jobs remain unclear.



But that means work at the federal and state level should start now, rather than waiting until more significant disruptions occur, ensuring that there is an infrastructure for transition support that can be expanded as needed.

At the same time, the policies we offer have the virtue of providing much needed support for displaced workers today—even before any major new dislocation has occurred—and for workers in the future who lose their jobs for reasons that extend beyond AI. Indeed, workers and the economy at large might have fared better during the past decades of deindustrialization, the Great Recession of 2007–2009, and the COVID pandemic of 2020–2023 had more robust measures in the areas we describe below been in place.

This report aims to advance these policy discussions by stressing five fundamental approaches that should underpin a worker adjustment package, while offering key program details designed to jumpstart efforts to enact policies now. The policies we describe would build on top of the existing workforce system, filling gaps and experimenting with innovative measures. We believe they should be funded through provisions that would better tax capital and corporate profits, which can ensure that those who benefit from AI-related productivity gains pay for measures to help those who might be displaced.

In this paper, we argue that policymakers must:

1. Assist those impacted by AI dislocation not by targeting only those who can prove AI-caused job loss, but by adopting approaches that are universally available for all displaced workers, including job search and transition assistance

2. Reject training nihilism that generalizes past weaknesses of the overall training system, and instead commit to scaling up specific workforce development strategies that have shown success alongside innovation and improved data

3. Enact broader supports for workers who lose their jobs, including expanded, progressive wage insurance that can complement workforce training

4. Pursue not only automatic stabilizers, but automatic scaling up strategies to ensure we are able to quickly and effectively accelerate policy responses to meet the labor market challenges posed by AI as it evolves

5. Seek new policies to discourage unnecessary layoffs, including by supporting redeployment and shorter workweeks

Below, we briefly describe each of these five principles and how they can be incorporated into a worker adjustment package, before discussing all of them in greater detail in the main body of this report.

The most effective strategy for assisting workers harmed by AI will be to provide universal support to all displaced workers, not just those who can show AI was responsible for their job loss

While concerns about dislocation have led many economists and policymakers to argue for a strategy that targets those workers who are specifically harmed by AI, history suggests that would be a mistake. Past efforts to target assistance based on the particular causes of job loss for workers harmed by trade, for example, often fell woefully short, and not simply because they led to inequities for workers suffering similar dislocation for different reasons. Experience shows how difficult it is to make the right causal determinations as to why displaced workers lost their jobs, which can delay or even block aid even to the workers programs are specifically targeted for.

In that light, we propose two major universal job supports, both of which are designed to give all displaced workers the ability to chart their own paths in a changing economy—universal worker adjustment assistance and universal job-search assistance. Like the other proposals we offer in this paper, these new policies should build on top of and complement the existing workforce system, helping to fill gaps that have long left job-seeking workers without sufficient support.



Universal worker adjustment assistance would provide financial support for all displaced workers as they pursue new workforce training

Building off the Trade Adjustment Assistance model—but addressing the flaws that led to it shutting out many of the workers who needed it—we propose a universal worker adjustment assistance program that covers the cost for any displaced worker to pursue training, along with financial assistance to allow workers to afford their basic costs while out of the workforce. The program would provide new funding for workers to receive up to 104 weeks of additional unemployment insurance payments while they participated in training.

Trade Adjustment Assistance provided real benefits to those who received financial support and training under the program, but it ended up excluding many of those it was intended to serve. For example, during a period in the early 2000s when researchers have estimated 2 million workers were dislocated by imports from China, TAA only provided training to fewer than 50,000 workers per year. As one of us has recently written, the program required workers to satisfy long, complex adjudication processes to confirm their jobs were lost due to new trade deals, which often meant that even those workers who were harmed by trade struggled to get assistance quickly or at all.

That mistake cannot be made again in the effort to address AI-induced job dislocation. Ensuring adjustment assistance is available for dislocated workers regardless of the cause of their job loss—and providing sufficient funding for it—will be critical both to workers who lose jobs due to AI and those who are laid off for other reasons. Establishing the first comprehensive program that focuses only on how to help displaced workers find a new job, as opposed to why they were laid off will streamline assistance, cover a far larger share of the unemployed, and result in the largest single investment in long-term workforce training for displaced workers in history.

Universal job-search assistance would stand up 25,000 new counselors and navigators

Despite a "gold standard" evaluation showing substantial returns for U.S. workers provided with job search assistance and international research showing a statistically significant, positive impact on employment rates, the United States lags far behind its peers in offering such services to workers. U.S. spending on job placement and related job-search services is less than one-tenth of the average amount spent by members of the Organisation for Economic Co-operation and Development as a share of Gross Domestic Product.

Under our proposal, every American would be entitled to high-quality job search assistance (whether in person, by phone, or online) to help find a job, identify the right training programs, or consider career changes, with a guarantee that a highly trained human armed with state-of-the-art tools will be able to assist. As part of this effort, we propose a major investment in 25,000 new counselors and navigators—operating through a combination of American Job Centers and other intermediaries like nonprofits and unions—to perform these roles, while jumpstarting investment in new practices for training and assisting them. These job search counselors might be aided by new AI tools to help them assess skills or understand the job market, but they would be able to provide personal guidance and encouragement and would themselves offer an example of AI-augmenting jobs performed by humans.

Past policy failures require a major investment in evidence-based success, data, and accountability, not a defeatist nihilism about workforce development

It has become all too common for commentators to dismiss the value of strategies to help workers train into new roles in response to AI by pointing to the disappointing cumulative results of federal workforce development efforts over past decades. We believe that a full review of the literature makes this sort of training nihilism unwarranted. Instead, we believe skeptics have fallen into a trap: In correctly identifying that these training systems have fallen short, they ignore what has been learned from a range of programs that have shown considerable success.



Indeed, a growing research base has identified programs that do show gains in employment and income, among them sectoral training programs that engage employers in targeting in-demand occupations, or registered apprenticeships and other employer-directed learn-and-earn models. And yet our federal job training infrastructure has lacked the resources to consistently scale up the best approaches.

Instead, without the capacity to support higher-cost, evidence-based programs that ultimately pay off, workforce training programs have too often devoted funds to lower-value programs that do not help workers. As long-time leading training expert and Georgetown University professor Harry Holzer has noted, the result is a "fragmented 'system,' if it can be called a system at all ... with limited understanding by the public of which services are available to any given individual and where they can be found."

We argue that the goal of policymakers should be to address these failures by creating a system where workers are aware of and able to find training that works. This can be done by expanding access to the best training models, including sectoral-based training and apprenticeships, collecting and using better data to test how they and other approaches might adapt to the unique challenges presented by AI, and holding programs accountable for success. To do that, we propose two new federal investments in workforce development policy tools alongside new data-collection capabilities to ensure accountability for success.

$15 billion in Invest-in-Success funding to states

Funding for job training has fallen by half in inflation-adjusted terms since 2000, making it all but impossible to expand models that have shown records of success but often require significant upfront investments. To jumpstart the process of expanding the supply of evidence-based training, $15 billion in new "invest-in-success" funding would be provided to states over the next 5 years, required to go toward data-based approaches developed in tandem with employers, worker organizations, and community colleges to assist displaced workers in finding and keeping quality jobs that provide stability and upward mobility.

This would enable states to seed and expand programs that include the ingredients for success, such as wraparound services, individualized attention around career planning, and more intensive skills-building—providing a complement to what is currently possible through the Workforce Innovation and Opportunity Act or Workforce Pell grants. As a condition for receiving these funds, states would need to guarantee access to high-quality training programs for those displaced workers participating in the universal adjustment assistance efforts described above and ensure accountability through modernized data and evidence collection.

These funds would both build the infrastructure for improved training programs and help cover the cost of providing training to those participating in universal worker adjustment assistance, the "predisplaced" whose jobs or skills are at risk due to AI deployment, and others who are seeking a new job, a career change, or to reenter the labor market.

$10 billion in new innovation grants

While the existing evidence base points to the need to invest in expanding workforce training models that have shown results, those investments should be paired with efforts to encourage innovation and experimentation for responding to new worker adjustment challenges created by AI. Alongside our proposed invest-in-success funding designed to scale up what works, policymakers need to support new models that can be studied and analyzed to learn which new approaches can bring returns to workers and the U.S. economy.

To pilot new models, the U.S. Department of Labor would be provided with $10 billion over the next 5 years for competitive innovation grants that states and localities, community colleges and other educational institutions, unions and other worker organizations, employer consortia and nonprofit organizations can apply for to support cutting-edge retraining for AI-displaced workers. These grants could be targeted to some of the more novel challenges that AI presents, including new populations that may be more vulnerable to disruption than in the past, like college-educated workers, while also allowing for experimentation as to how AI might be used to improve training programs themselves. In doing so, this approach would be consistent with ideas like Sen. Mark Kelly's (D-AZ) AI Horizon Fund that recognize the need for reskilling, upskilling, and entrepreneurial assistance that will look different for various populations.



These grants could go toward supporting workers transitioning into "double dignity" jobs—in which human workers receive dignified compensation for caring and providing dignity to other humans—as well as other human-centered roles with good pay and benefits. The grants might assist predisplaced workers, including those in at-risk occupations or industries who are still employed or just entering the workforce.

These new grants also could help empower workers with AI skills to make them more attractive to future employers. These grants could pilot approaches to workforce training for those workers less traditionally served by the public workforce system, such as college-educated workers and early-career graduates or aid those facing barriers in their jobs that may be exacerbated by AI, including the long-term unemployed, people with disabilities, and those leaving the criminal justice system.

New data and new accountability for results

While AI could become a source of serious job dislocation, it also has the potential to improve our ability to measure whether programs are showing success and to provide trainers with improved information on what skills are most needed by employers. In part, this will require investments and improvements in data collection (as described further below) that can help track a range of employment and earnings outcomes for participants, compare them to non-participants, and establish the impact programs have over time. With that data, states would be required to hold providers accountable for results, including by reporting data in real time about participant outcomes and targeting funding over time to programs that show positive impacts.

Emerging tools such as the digital twins approach recently put forward by Opportunity Insights may also improve the ability to quickly get high-quality evidence on where programs are working and where they are falling short, which in turn can inform both what is funded and how to refine ongoing efforts. Such efforts would consider the populations served by programs to ensure they are incentivized to provide services—and achieve successful outcomes—to disadvantaged workers, rather than getting credit for simply screening them out. These investments could also result in insights that would help improve the existing workforce system, creating information that could be used for the administration of Workforce Innovation and Opportunity Act programs and Workforce Pell grants, for example.

Broader support for workers who lose their jobs beyond workforce training, including through expanded and progressive wage insurance

Even prior to recent AI advances, the consequences of losing one's job in the United States were already more significant than in other major economies due to our nation's patchwork Unemployment Insurance system and the connection of key benefits such as health insurance to employment. As policymakers and experts have proposed, major improvements and expansions to the UI system have long been overdue to provide greater financial support for unemployed workers to meet basic needs and to close the gaps that exclude too many workers. These are fixes that are necessary in their own right, but especially critical to establish the scaffolding on which proposals such as our universal worker adjustment assistance approach can be built.

To complement those long-overdue reforms to the Unemployment Insurance system—as reflected in efforts such as the Stability and Opportunity for Workers Act put forward by Sen. Ron Wyden (D-OR) and others—we propose a new approach for expanded, progressive wage insurance. While our proposals for more universal, affordable and intensive training provide a path that will be appropriate for many workers, for others who may struggle to transition into new careers, the best approach may be to return to the workforce as quickly as possible. By providing a subsidy to cover some portion of the difference between a worker's old pay and their new pay, wage insurance cushions the blow that comes with accepting a lower-wage job while providing a greater incentive to return to the workforce, which may likely be the best strategy for millions of workers.

Recent research shows that wage insurance provided to trade-displaced workers who were more than 50 years of age was effective in increasing employment and earnings. Existing proposals, however, have been limited to the oldest workers and at earnings thresholds that have not been updated in 25 years. The initial motivation for wage insurance proposals was indeed to help laid-off workers who might face the greatest challenges transitioning to new careers, such as older factory employees. But the prospect of broader dislocation due to AI argues for a wage insurance option for a broader range of workers who feel their career paths will be best facilitated by returning quickly to the workforce, as opposed to engaging in new training.



We propose an expanded, progressive model for wage insurance that goes substantially beyond what has been attempted (or proposed) before—one that is able to cover a wider range of workers regardless of why they lost their jobs and provide expanded benefits and higher eligibility thresholds alongside mortgage, rental, and health care assistance. Wage insurance is a proposal that would complement the universal worker adjustment assistance we propose above. With the aid of universal job search assistance, dislocated workers would have the opportunity to identify the right path for them following a layoff – some might embark on long-term intensive training combined with income support and wrap-around services through universal worker adjustment assistance, while others might use wage insurance to return quickly to a job.

Expanded benefits for displaced workers with incomes up to $150,000 regardless of what caused their layoffs

While past efforts that targeted wage insurance to trade-affected workers were limited to those 50 years and over, our proposed program would extend wage insurance to workers over the age of 35. These workers would be eligible if they had a tenure of at least 3 years in their prior positions and lost their jobs as a result of any form of downsizing.

Our approach would also go beyond past wage insurance proposals by offering up to $20,000 per year for 2 years, available to those earning up to $150,000 in their prior role. The benefit would be more generous for lower-income workers, covering up to 60 percent of lost wages below prior earnings of $50,000, up to 45 percent of lost wages for prior earnings between $50,000 and $100,000 and up to 30 percent of lost wages for prior earnings between $100,000 and $150,000.

Mortgage, rental and health care assistance for displaced workers

To limit the consequences of layoffs as workers get back on their feet, universal adjustment assistance and wage insurance could be paired with housing and health care assistance. Banks could be required or incentivized to offer mortgage forbearance for laid-off workers, while mediation services could be deployed to prevent unnecessary evictions. Starting with reversing the work requirements for Medicaid and the Supplemental Nutrition Assistance Program enacted as part of the 2025 One Big Beautiful Bill Act, policymakers also should explore efforts to expand health care support for laid-off workers.

Establish not only automatic stabilizers but automatic scaling up to meet the job challenges presented by AI as it evolves

The policies we are proposing are designed not only to provide benefits for workers under current labor market conditions, but also to establish the policy infrastructure, technological investment, and flexibility to scale up quickly if jobs are displaced to a larger extent and at a faster pace due to AI. As two former senior officials charged with implementing the American Rescue Plan in the context of the COVID-19 pandemic, we saw firsthand the challenges that came with trying to scale up benefits or services quickly without modernized policy infrastructure already in place.

Ensuring our nation is prepared if the sweeping impacts of job dislocation come to pass requires two things: First, the policy frameworks and technical infrastructure need to scale quickly if demand due to AI-induced job loss accelerates; and second, we must have programs designed to expand to meet the needs of additional beneficiaries without new legislation.

Such preparation will require establishing—and providing sufficient administrative funding for—the institutional plumbing needed to get assistance flowing quickly, as well as for programs that automatically adjust to the depth and breadth of displacement as it occurs. To do so, we propose programs and policy mechanisms that expand automatically due to AI-driven job displacement, aggressive investments in systems to monitor such displacement, and a new labor emergency designation power for the U.S. Department of Labor.

Programs to automatically scale when displacement increases

There has long been a push among economists for expanding the role of Unemployment Insurance and other programs as automatic stabilizers, meaning they automatically expand or retract with the ups and downs of the business cycle. AI also raises the possible need for automatic scaling-up policies so that they address major deteriorations in certain job categories regardless of the overall macroeconomic business cycle. AI creates the potential, for example, of dramatic job losses in specific job categories—from truckers to coders—even in scenarios where GDP growth, business creation, and productivity growth remain strong.



In these situations, the concentrated nature of dislocation in certain occupations or industries may result in painful transitions, with substantial near-term and long-term consequences for displaced workers even if other economic metrics look strong. Just as automatic stabilizers in key safety net policies such as Unemployment Insurance should be strengthened so that they sufficiently expand when recessions hit, responding swiftly to this new kind of AI-targeted distress may require policy responses that automatically scale up without the need for new congressional action.

In part, the risk of dislocations that may be either concentrated or broad argues for establishing the capacity to implement critical reforms such as universal transition and job search assistance ahead of time. As was evident during both the Great Recession of 2007–2009 and the short but sharp COVID-19 pandemic recession in 2020, it was easier to scale up dramatically in areas where there was some existing policy infrastructure—and harder where a mechanism for policy delivery was being created for the first time, as with emergency rental assistance and small business programs. This will be especially true now, at a moment when programs such as Trade Adjustment Assistance and its wage insurance provisions have lapsed.

But beyond ensuring such institutional capacity is in place today, automatic scaling up must be built into the design of these programs. This could mean creating wage insurance programs that automatically expand eligibility and/or the length of benefits as a result of higher job losses in certain occupations or industries. These policies could also include, for example, expanding eligibility for work sharing in certain occupations or industries that are facing distress, to encourage firms to avoid unnecessary layoffs during transitions. States could also be automatically provided with additional funding for workforce training if unemployment rises more dramatically in certain job categories.

Aggressive investments in the capacity to monitor U.S. labor market conditions

The U.S. Department of Labor's Bureau of Labor Statistics, in partnership with the U.S. Department of Commerce, Department of Education, and other agencies, should receive major funding to build new capacity to measure potential job displacement in real time, including by better integrating data from AI labs and other private-sector entities. We propose a $1 billion investment in data collection capacity over the

next 5 years, on top of reversing deterioration in annual appropriations, creating the ability for the Bureau of Labor Statistics and other agencies to assess real-time changes in U.S. labor markets.

In addition to allowing for new survey data collection and analysis, this funding should be used to revamp administrative record collections to help granularly assess what is happening to workers within specific industries, occupations, and locations as well as outcomes for those who participate in certain programs or earn certain credentials. This assessment will require states to collect enhanced wage records that include information about workers' occupations, work locations, hours and pay—all crucial to establishing what is actually happening in the workforce.

A new labor emergency designation that unlocks funds for workers facing acute displacement

Given lags in data and the unevenness in the diffusion of AI among companies and across the U.S. economy, there may be instances where provisions to automatically scale up programs are not triggered or are not sufficient, even when there is evidence that displacement is already occurring within specific industries, occupations or regional geographies.

Like how Federal Emergency Management Agency disaster declarations can trigger flexible, cross-agency funding without waiting for congressional action, there may be a need for a similar authority at the U.S. Department of Labor to allow designations of labor market emergencies in the AI era that can be quickly met with creative, targeted responses where there are sufficient indications that acute displacement is happening. In the AI era, such targeting may be focused less on geographic communities than on specific industries or occupations in different locations that may be facing similar AI-induced challenges.

We propose establishing a new labor emergency authority with designated funding attached that can be unlocked when the U.S. Secretary of Labor certifies, with a public memo laying out the evidence, that a set of workers are facing sudden stress. This funding could be put toward scaling up services, targeted outreach, and new experiments to help affected workers in advance of long-term assistance.



Experimenting with efforts to discourage layoffs through a proposed Redeployment and Retention Innovation Fund

The policies we have proposed in this report thus far are primarily designed to assist workers who are laid off. But it is no secret that for millions of workers, policies that provide assistance after a painful layoff offer a second-best solution to saving their jobs.

We believe the choice between policies to assist those who suffer from layoffs and policies to prevent avoidable layoffs should be a both-and conversation, not either-or. There are a range of promising programs—and models from the rest of the world—to assist displaced workers that we should feel confident about deploying. A policy agenda to prevent unnecessary layoffs in the AI era is new and less certain ground, but that should only strengthen our efforts to experiment with creative approaches that might be appropriate if we face unprecedented disruption.

A range of economists and policymakers—including Massachusetts Institute of Technology economists Daron Acemoglu, David Autor, and Simon Johnson—have argued for pro-worker AI policies, proposing steps like research into how AI can develop in ways that are more likely to augment rather than automate human work. They and others have called for reforming the tax code to better favor labor over automation, while others have called for some form of robot tax.

We believe further development of these economywide ideas is warranted, recognizing both the potential value in establishing better incentives in the tax code and the potential challenges in designing them correctly. At the same time, we see an opportunity to encourage innovation at the firm level as to how layoffs might be avoided during a period of transition—experimentation that could both create models for employers to emulate and help inform design of long-term programs to discourage unnecessary layoffs.

With that in mind, we propose spurring such experimentation through a Redeployment and Retention Innovation Fund that would provide $20 billion over 5 years for firms willing to innovate to avoid layoffs as

they adapt to increased AI usage. The efforts that might be supported include companies sharing productivity gains through shorter work weeks or redeploying workers to new roles within their firms rather than laying them off. We will explore of each these proposed experiments in turn before detailing our proposed Redeployment and Retention Innovation Fund.

Experiments with sharing productivity gains through shorter work weeks

Nearly 100 years ago, John Maynard Keynes speculated that productivity gains could allow workers to spend only 15 hours a week on the job. While that has not come to pass, AI has led some of today's corporate leaders, from Bill Gates to Zoom CEO Eric Yuan, to similarly hypothesize that AI-driven productivity might lead to a shorter workweek. Yet with low rates of collective bargaining and limited worker power, companies, including those who might hypothesize publicly about a shorter workweek, have felt little pressure to experiment with a path that offers the same pay for four days or fewer hours of work.

In the long term, equitably spreading the gains from innovation to all workers will likely require more structural changes to worker power, including through increased unionization or sectoral bargaining. But we also believe in the value of offering a proof of concept that firms experiencing AI-induced productivity gains can profitably and sustainably adapt in ways that maintain their current workforce without reducing their pay, even if employees work fewer hours.

One possibility is to build on the idea of work-sharing. Under these policies, rather than letting go 20 percent of its workers, for example, a firm can keep all of its employees but cut their hours by 20 percent, with those workers compensated via Unemployment Insurance payments for the 20 percent of their time they see reduced. Work-sharing has been a central component of recession-fighting strategies for certain European nations, but it has been less utilized in the United States, even though 30 U.S. states have operational programs allowed as an option under our current unemployment insurance program.



Work-sharing may be especially valuable in the next recession, given fears that AI could lead firms to cut workers in response to temporary declines in demand and never hire back. But we believe it may also provide a model for how to spread AI gains and pursue full employment even in the absence of an economic downturn. We propose that firms could apply to the Redeployment and Retention Innovation Fund to experiment with such a work-sharing approach to help cover some of the costs during a transition period for firms that choose to bring workers from 40 hours to 32 hours while still paying the equivalent of 40 hours. This could include multi-employer efforts; for example, similar manufacturing companies or groups of hospitals applying together with their respective unions.

Applications for the fund would be prioritized when submitted jointly by employers and unions (or otherwise prioritizing worker representation), providing an incentive for approaches that give workers a say in how firms implement AI. Firms would face a clawback of funds if they did not continue their programs for a similar period after the subsidy ended.

Experiments redeploying workers rather than laying them off

During past eras of technological change in the United States—as well as today in other parts of the world—firms have publicly committed to redeploying workers into new positions when their prior roles are no longer needed. In the 1960s, firms and unions negotiated the creation of automation funds that helped facilitate such transitions, as well as other ways to spread the gains of technological innovation. More recently (but before the most recent AI boom) AT&T Inc. and JPMorgan Chase announced major programs that offered redeployment as an alternative to severance. And outside of the United States, we have seen some efforts by firms to redeploy workers displaced by AI.

Sweden-based IKEA, for example, shifted thousands of call center workers displaced by their new AI chatbot into new sales positions; the government of Singapore has worked with companies to encourage redeployment as well. Yet among prominent U.S. companies, there are few if any notable examples of companies seriously exploring whether tenured workers who have the misfortune of working in roles that happen to be caught in the AI wave could still be highly productive elsewhere in the firm.

We propose that firms could apply to the Redeployment and Retention Innovation Fund to support efforts to retrain and redeploy workers who might otherwise be at risk of layoffs due to AI into new roles that pay at least as well as their previous positions. The fund could cover some portion of training and wages for these workers during a transitionary period. Firms would also face a potential clawback of funds if they laid off redeployed workers within a certain period after the subsidy ended.

The Redeployment and Retention Innovation Fund

The Redeployment and Retention Innovation Fund would make available $20 billion for innovative approaches to help prevent layoffs, including using the work-sharing and redeployment strategies described above. We propose—consistent with our broader approach—that the program be paid for by new corporate tax revenues to provide insurance that the policy does not lead to an overall corporate windfall. Recognizing the risk that such incentive programs could simply subsidize firms for activities they were already going to do anyway, evaluators would look for:

- Evidence that AI is or will soon reduce demand for labor from existing workers
- A clear plan for redeployment, work-sharing, or a similar arrangement to ensure these workers would be at least as well off under a new plan
- A demonstration that the government subsidy was essential to making the retention or redeployment plan economically viable in the short term, combined with a long-term plan to maintain it without a government subsidy
- Plans that are developed in collaboration with workers, particularly those jointly prepared with unions

Such an application and individualized review process for this new Redeployment and Retention Innovation Fund is a necessary first approach considering that some tax incentives to encourage firms to hire or maintain workers in the past have had mixed results and at times provided an unnecessary corporate subsidy. But especially



given a corporate climate that today leads companies to seek and tout AI layoffs to spike valuations, experimenting with efforts to create best practices and proofs of concept for efforts to redeploy and retain employees—with safeguards in place to limit windfalls—is far better than ignoring this challenge.

The pace and magnitude of dislocation that might accompany increased AI deployment is uncertain. But that uncertainty is no excuse for failing to enact policies that can assist workers today, address anxiety about the future, and lay the policy groundwork for timely acceleration if greater and swifter displacement occurs. These policies will require experimentation, refinement, and adaptation based on circumstances. But the weakness of our existing system to support displaced workers even in our current labor market, and the challenges that come with building responses after the need has already grown, argue for acting now. The agenda presented here and detailed in the pages that follow reflect a downpayment on this challenge—if combined with broader efforts to support worker power, create good jobs, and sufficiently tax the gains from the winners of AI growth.

Five policy planks to prepare workers for dislocation caused by artificial intelligence

As developments in artificial intelligence capabilities have accelerated and as the use of artificial intelligence has become increasingly present in the workplace, concerns that new technology could lead to unprecedented displacement of workers have grown substantially. This anxiety reflects several factors, among them the sheer speed at which AI technologies have advanced, pronouncements by many experts and the creators of these technologies about how quickly and comprehensively they could replace human labor, and a lack of trust by many Americans that political leaders will effectively handle any disruptions.[1]

There is no clear consensus among economists about the impact AI is having on the U.S. labor market today, and even less agreement on the scale of disruption we should expect or on what timeframe. Yet even the potential of significant displacement, especially if it occurs quickly, should create the impetus for investing in an evidence-based approach to assisting workers that is broad enough, deep enough, and capable of being scaled up quickly if the more dire scenarios of AI job dislocations come to pass.

A reasonable chance of a devastating storm requires a preparation plan, even with uncertainty of how great the damage will be. That is especially true because the capacity of the U.S. government to assist displaced workers is already insufficient under current economic conditions, with far less support provided to laid-off workers than in peer nations. And even amid the current uncertainty about how AI is reshaping the labor market, the need to prepare to assist workers for potential disruption has become a point of agreement across the political spectrum and even among the leaders of AI companies themselves.

And yet despite that agreement, far more needs to be done to move this discussion from high-level ideas to specific proposals that could form the basis of near-term action. While we agree that additional data is crucial for refining our nation's approach to AI-driven job dislocation, and that important lessons must be learned from past workforce policies that have fallen short, we do not believe this can be a justification for inaction or defeatism in the face of what has the potential for dislocation on a scale that we have not seen in modern history.

Instead, we believe the need is urgent for specific policies that support displaced workers and are designed to scale up immediately as needed. Policymakers need to remedy weaknesses in our safety net that exist today. They need to address anxiety that is already broadly felt by the American people. And they need to act fast to create and build successful institutional frameworks that can be tested and refined before displacement becomes more significant.

This report attempts to fill some of that gap. In doing so, we draw on ideas that motivate both of our organizations, the Economic Dignity Lab at the McCourt Public Policy School at Georgetown University and the Washington Center for Equitable Growth. The report centers on the principle that the capacity to work with purpose and respect, in order to provide security and opportunity to loved ones, is core to fundamental economic dignity for all.[2] And its policy recommendations are designed to build a U.S. economy that grows in ways that are more equitable, recognizing the potential for increased productivity to improve the lives of workers in the United States and throughout the world, but only if those gains are spread and do not come at the expense of workers who happen to be in the wrong industries or occupations at the dawn of the AI era.

The ideas we lay out below are not intended to address the full range of critical issues concerning how to support workers' agency in their jobs, protect conditions in the workplace, or regulate AI capabilities more broadly. For instance, training for new job opportunities is a false promise if there are not jobs to be trained for. If AI, as some project, does become the first major technological breakthrough to lead to a significant net reduction in jobs, no adjustment strategy will work without a major commitment to new job creation. Otherwise, persistently higher unemployment would mean displaced workers

would have to compete with millions of other unemployed workers for fewer jobs with declining wages due to a structurally weak labor market. And if AI leads to more structural job loss, traditional macroeconomic tools, while still necessary, may not be fully effective.[3]

This establishes the potential need for novel strategies to create jobs, and while such policies are beyond the scope of this paper, one of the authors has long called for creating millions of double dignity jobs, in which "human workers receive the dignified compensation they deserve in exchange for caring and providing dignity to other humans."[4] With such an approach, gains from AI could fund the elevation and expansion of care, counseling, and career navigator and education jobs, all of which are dramatically undersupplied in our current economy. Moreover, the other approaches in this paper will be more effective if we are prepared to provide public investment in these jobs, and scale that investment up as needed if AI results in net job loss.

Similarly, spreading the gains from AI—including to support job transition efforts such as those presented in this report—will require that those AI-driven gains are sufficiently taxed. And increased labor power, including through expanded unionization, sectoral bargaining, and other protections in the workplace, will be critical for achieving better outcomes for workers.

With that in mind, our proposals offer a broad framework for worker adjustment in the AI era, even if they must complement policies in these other areas. As such, our proposals represent a critical piece of the foundation that will need to be built to ensure AI promotes economic dignity, equitable growth, and shared prosperity.

This package of policies would reflect an unprecedented level of government investment to help displaced workers find new job paths and would better prepare our economy if fears of AI-induced job dislocation and job losses come to pass. The policies we describe would build on the existing workforce system, filling gaps and experimenting with innovative approaches. In addition, they should be funded through provisions that would better tax capital and corporate profits, which can ensure that those who benefit from AI-related productivity gains pay for measures to help those who might be displaced.



In building the proposals below, we have drawn lessons both from past efforts to support displaced workers and gaps in our existing workforce system. We have structured our ideas around five principles we believe must be at the center of any effort to support those whose jobs are placed at risk by AI, with specific proposals attached to each principle. Together, these proposals would create a safety net that would be fit for purpose today and the immediate future, while providing a foundation to build on as we learn more about how AI reshapes our economy. In this report we argue that policymakers must:

1. Assist those impacted by AI dislocation not by targeting only those who can prove AI-caused job loss, but by adopting approaches that are universally available for all displaced workers, including job search and transition assistance

2. Reject training nihilism that over-generalizes past weaknesses of the overall training system, and instead commit to scaling up specific workforce development strategies that have shown success alongside innovation and improved data

3. Enact broader supports for workers who lose their jobs, including expanded, progressive wage insurance, that can complement workforce training

4. Pursue not only automatic stabilizers, but also automatic scaling-up strategies to ensure we are able to quickly and effectively accelerate policy responses to meet the labor market challenges posed by AI as it evolves

5. Seek new policies to discourage unnecessary layoffs, including by supporting redeployment and shorter workweeks

In this report, we will present each of these principles in turn alongside detailed policy proposals in support of each. This will provide policymakers with an overarching framework for measures that can support workers today as AI is beginning to reshape the economy and evolve flexibly if further dislocation emerges.

The most effective strategy to help those dislocated by AI is a universal and inclusive approach that covers all displaced workers

Concerns about AI-induced dislocation have led many economists and policymakers to argue for a strategy that specifically targets those workers who are harmed by AI. That would be a mistake. Past efforts, including those that sought to provide support only to those who could show they lost their jobs due to new trade deals, suggest that even if we are most concerned about dislocations due to AI, a universal, inclusive strategy focused on helping all displaced workers find jobs is more likely to be effective than one targeted on why jobs are lost. That is true for the three reasons detailed below.

Proving the exact causes of job loss can be an obstacle to timely and effective assistance

As documented in previous work by one of us, the overly restrictive process of identifying whether workers lost their jobs due to new trade deals resulted in zero workers getting assistance in the first 7 years of the Trade Adjustment Assistance program after it was enacted in 1962. [5] And even after standards were loosened, the program still created barriers for many of the workers the TAA program was meant to serve because the program continued to slow or outright deny their access to assistance.

The challenge of establishing that workers lost their jobs due to a specific cause could be even harder in the case of AI. Even in the past year, we have seen significant disagreement among analysts as to whether weaknesses in pockets of the U.S. labor market that have been attributed to AI are instead due to causes such as over-hiring in the wake of the COVID-19 pandemic or cost pressures due to sweeping new tariffs in 2025.[6]

Here is one telling example of an early indication of this challenge. When the technology and financial services provider Block Inc. sparked increases in its share-price valuations after attributing layoffs to AI, outside analysts argued that their job cuts were instead due to post-pandemic over-hiring.[7] And here is a different example of this challenge: In the year after New York became the first state

to give employers the option to mark "technological innovation or automation" as a cause of mass layoffs in 2025, only one company claimed that layoffs were due to AI even at a moment of accelerating adoption.[8]

There may be instances where workers are replaced one-to-one by a single robot or machine, but in most cases, AI might be one cause among many as to why workers lose their jobs through no fault of their own, alongside changes in market conditions or employer strategies. To the extent that AI is a "general-purpose technology" likely to have at least some impact on almost every job—and at least some impact, therefore, on the labor market prospects of all displaced workers—the argument to provide more universal support becomes stronger.[9]

A system that relies on assessing the causes of job losses slows relief

The difficulty in assessing the exact causes of layoffs does not merely risk excluding workers. This approach also creates the potential for processes that slow the delivery of assistance to displaced workers who do eventually get assistance at a moment when they are facing the greatest threats to their livelihoods. A wide body of research shows that the longer a worker is out of the workforce, the greater the consequences in terms of lost earnings, psychological distress, and even long-term health and mortality outcomes.[10]

Reducing the time between when workers lose their jobs and when they either get a new one or enter a workforce training program should be central to the design of any adjustment assistance program. And wherever possible, workers should have access to assistance even before they lose their jobs, for example by helping them identify and enter new career pathways before layoffs occur. Delivering assistance at that speed is incompatible with a drawn-out process of assessing workers' eligibility.

Horizontal equity issues could heighten with AI

Finally, targeting assistance risks creating issues of horizontal equity, which could be particularly acute in the case of AI. Consider that while the distributional impacts of potential AI-related disruption remain quite uncertain—with plausible cases to be made for why the

effect will be larger for either lower-wage or higher-wage workers—there is at least the possibility that the harm could be more acute or visible for those farther up the education and income ladder.

If that is the case, then policymakers should be mindful of the economic, political and moral risks of establishing a program that provides much more substantial benefits to workers who were already (and might remain) higher-income, while denying them to displaced lower-wage workers whose job loss may be less directly due to AI. Our approach applies this principle of universal support, in particular, through two major components: universal worker adjustment assistance and universal job search assistance. We will examine each in turn.

Universal worker adjustment assistance for all displaced workers as they pursue workforce training

Displaced workers face two potential barriers to getting the workforce training they need to transition into new career paths. First, they need to be able to enter high-quality training programs. And second, they need to be able to cover their personal expenses while in training because any time they spend in a training program is time they are not earning an income (or looking for new jobs.) Workers who participate in training still need to pay for child care, transportation, and other costs at a moment when they are most financially precarious.

All of these costs to pay for training itself and to cover time out of the workforce must be understood as barriers for participating in quality workforce training, particularly in cases where successful transitions may require more intensive programs. Importantly, the history of the Trade Adjustment Assistance program—both where it did and didn't work—validates this idea.

The TAA program hypothetically was meant to provide a pairing of available, effective training with financial support that could allow workers to engage in that training. But for much of the program's life, that idea broke down in practice. This happened because many potentially eligible workers were never certified or never even applied at all, or because they did not have access to quality training programs.



Yet when TAA participants did receive training, there were meaningful returns. A study by University of California, Los Angeles economist Ben Hyman found workers earned $50,000 more over the course of 10 years after engaging in TAA-related retraining, even taking into account the income forgone as they were enrolled in the training program.[11]

Building off the Trade Adjustment Assistance model but addressing one of its key flaws, we propose universal worker adjustment assistance to make financial assistance available for any displaced workers pursuing workforce training, regardless of why their positions were eliminated. We argue for a new benefit available to all displaced workers that covers both the cost of training itself and provides extended unemployment benefits to allow workers to afford their basic costs while out of the workforce. Our approach includes three key elements:

- **Universal access to high-quality training.** Workers will need access to best-in-class workforce training, recognizing there may be many occupations reshaped or even destroyed by AI.
- **Training support for a sufficient duration.** Workers need to receive training intensive enough to prepare them for a new occupation.
- **Financial assistance that is robust.** Workers will need to be able to support themselves and their families while they are in training, which will also require building on Unemployment Insurance reforms that create a high enough floor for all workers.

With those key elements in place, participating workers would have their training costs covered, either by enrolling in publicly supported workforce training or having any tuition costs covered in other eligible programs.

As described further below, eligible programs would need to meet certain criteria designed to show they result in positive outcomes for workers. Unlike the Trade Adjustment Assistance program, where training was limited by a cap on funding, our universal adjustment assistance proposal would be funded through mandatory dollars, meaning that money would automatically be available to cover the cost of training or financial assistance regardless of annual congressional appropriations and would be capable of scaling up to meet demand if scenarios for unprecedented AI disruptions in U.S. labor markets do materialize.[12]

Workers would receive up to 104 weeks of additional Unemployment Insurance payments so long as they participated in training, building off the parameters used in the TAA program. While many workers might choose shorter courses of study, this approach would allow for the most intensive training approaches, including receiving a two-year associate's degree, which may be especially necessary if certain job categories are substantially affected.

Our proposed approach would leverage the Unemployment Insurance infrastructure, although it would be funded separately out of general revenues, raised through new corporate and capital taxation measures. In using that infrastructure, it would (as discussed further below) both benefit from and provide an added argument for needed reforms to the UI system to help broaden coverage and improve wage-replacement rates. That is needed both so that workers such as independent contractors are not shut out from transition assistance altogether due to gaps in UI coverage, and so that workers participating in universal worker adjustment assistance are receiving financial assistance at a sufficient level to cover their basic expenses. Using an improved UI infrastructure wherever possible—without deteriorating the system's financing—would avoid unnecessarily duplicating capacity, while ensuring that what we do need is appropriately built and resourced.[13]

This proposed program would be available to any displaced workers who lose jobs they held for at least two years when their position was eliminated, regardless of the occupations or industries in which they were employed. Making the program universal to all displaced workers would prevent some of the barriers to worker participation that plagued the TAA program from emerging. But we propose additional steps that would maximize the likelihood that workers would be able to successfully engage in the program.

The first step is aggressive outreach and coaching for workers before and after layoffs, helping not only increase awareness of the financial assistance they can receive, but also aiding them in choosing the right training program (or alternatives like wage insurance described above). This could include cohort approaches that connect workers with others in their field who have gone through or are going through similar transitions, creating a stronger sense of community that can help address the psychological pain of job loss.



More broadly, this would involve offering wraparound services to workers both as a part of training programs and in the period when workers are selecting training. In doing so, workers could also be supported in navigating health coverage, child care, transportation, and other needs that they might have during a period of joblessness.

The second step involves efforts to partner with employers, unions, and other community organizations to identify workers who are at risk of layoffs to create easy off-ramps into universal worker adjustment assistance. Doing so would maximize the likelihood of an immediate transition into intensive training, lessening the likelihood that workers get disconnected from the labor force during a challenging time in their lives.

The third step is relocation assistance—financial and technical—for workers who are interested in moving to another area of the country to restart their careers. Previous efforts to relocate workers into communities with new jobs have struggled to succeed and we are skeptical about policy proposals predicated on the idea that workers should have to fully uproot their lives to find new careers. Nonetheless, relocation assistance should be available to those who want it given the potential that it can lead to successful career transitions, with a full appreciation of the challenges that come with not only finding new careers, but also new homes, new schools, and new communities.

Universal job search assistance

Above and beyond how AI changes the nature of work, it is almost certainly going to transform the process of searching for a job. Indeed, there are early signs that AI is breaking the job search process, as job seekers use AI to submit much higher numbers of applications and employers struggle to effectively interpret the right signals about an applicant's skills and fit from an AI-crafted submission.[14] The risk is that employers may revert to approaches, such as drawing from their existing networks or reducing their risk tolerance for hiring people entering through non-traditional pathways, that could both reinforce biases in the labor market and create particular barriers for displaced workers.

At the same time, the potential for AI-based job disruption is creating even greater uncertainty for jobseekers as they try to identify viable career pathways. For young workers beginning their careers, mid-

career workers who have been displaced, or others who are simply anxious that their jobs might be at risk, AI creates a new challenge for determining where to invest time and energy during a job search process. Even when resources are available for workers to train for new occupations, they face questions about what career paths will be most resilient in a changing labor market.

Navigating an AI-disrupted labor market might be challenging under any circumstance. But the United States has long underinvested in providing services for workers (displaced or not) who are looking for assistance in identifying the right career paths and the steps they need to get on them. Job search assistance is technically available at American Job Centers through programs established and funded via the Workforce Innovation and Opportunity Act, but it is heavily under-resourced compared to the rest of the world. Annual spending in the United States on job "placement and related services" is less than one-tenth the average spent by members of the Organisation for Economic Co-operation and Development as a percentage of Gross Domestic Product.[15] (See Box 1.)

As seen in Box 1, job search assistance through the WIOA and Employment Service system has been shown to be cost-effective, including through a "gold standard" evaluation completed by the U.S. Department of Labor.[23] But limited resources mean it is heavily oriented toward an important, but limited, segment of the population—the most disadvantaged workers. These workers typically hold no more than a high school diploma and have experience only in low-wage jobs. This population should remain a priority in the workforce system, not least because we anticipate AI could cause substantial displacement to these workers on top of challenges they already face.

But designing and resourcing job navigation services that are only oriented toward the most disadvantaged population means those services are functionally unprepared to help a broader share of the workforce who are also at risk. So, under our proposal, every American would be entitled to high-quality job search assistance to help find a job, identify the right training programs, or consider career changes, with guarantees that a highly trained human armed with state-of-the-art tools—including AI tools—will be able to assist.



Box 1

What we know works for job search assistance

Research shows evidence that under certain conditions, career-navigation and job-search programs can have significant, positive impacts on participants' employment rates and wages. A 2010 meta-analysis of experimental and nonexperimental studies by economists David Card at the University of California, Berkeley, Jochen Kluve at the Humboldt University of Berlin, and Andrew Weber at Central European University on the efficacy of active labor market programs globally found that job search programs have a statistically significant, positive impact on employment rates.[16] Card and his co-authors updated the meta-analysis in 2018 by doubling the number of studies in its scope, finding further support for their prior results.[17]

Within the United States, a randomized control study of the Workforce Innovation and Opportunity Act's career-navigation and job-search programs conducted by Mathematica on behalf of the U.S. Department of Labor found that providing individualized job-search services, such as appointments with career counselors and case managers, increased earnings for participants by about $5,000 (16 percent) per participant over 10 quarters, compared to those that came to WIOA-funded centers but did not receive individual help, in 2012 dollars.[18]

Similarly, a randomized controlled study of Nevada's job-search supports for Unemployment Insurance claimants,[19] as well as a follow-up replication of the study,[20] both observed positive wage gains and shortened reliance on UI benefits. A separate randomized controlled trial study of four other states' job search supports for UI claimants observed smaller employment rate and wage impacts but did find shortened time periods for claimants claiming Unemployment Insurance.[21]

Importantly, though, all of the studies noted here have almost exclusively evaluated job-search supports that target youth or disadvantaged populations; little if any research directly observes the impacts of career navigation support on jobseekers with greater educational or skill levels.

One additional caveat to consider is that studies conducted in Europe, including using experimental approaches, find that some of the benefits of job search assistance may come at the expense of nonparticipants, who are less likely to find work, especially in weaker labor markets.[22] This observation, however, may simply suggest the value of more broadly available job search assistance, and that ultimately, navigation support alone cannot substitute for a lack of available jobs.

This assistance should be available in person, on the phone, or online, depending on a worker's preference. The proposed guarantee would be supported by a new cohort of 25,000 career navigators and significant outreach efforts to help reach workers where they are.

Building a new cohort of 25,000 career navigators

In order to deliver on the promise of universal access to job navigation assistance, we propose a major investment in 25,000 people to perform these roles. Federal funding would be provided to states to train and deploy well-paying roles for coaches, counselors and other career navigators, creating a new cohort of skilled professionals who could deliver services to workers at any stage of their careers and any educational or career backgrounds. These new navigators would operate both within existing American Job Centers, and through placements with other intermediaries like nonprofits and unions.

Beyond simply providing the resources to cover the cost of hiring these workers, this approach would jumpstart investments in new practices for training and assisting these navigators, arming them with the tools and skills they need to help other workers understand the opportunities available to them, including the use of AI-enabled technology that might assist them. With expanded resources, these investments would be designed to continue having a special emphasis on supporting workers facing the most economic hardships, while also providing new training and resources to help counselors assist college-educated job seekers who may face labor market challenges. Importantly, this investment in 25,000 navigators would also provide a case study in how we can train a new cohort of human-centered jobs that are resilient to automation.

Significant outreach efforts to help reach workers where they are

Job search assistance will only be effective if workers use it. One consequence of the historical underinvestment in employment services through American Job Centers and other venues is not just that jobseekers lack access to sufficiently robust assistance when they seek it, but also that many are not aware that resources exist at all. An investment in building our capacity to provide job search navigation must be paired with outreach that meets workers where they are. Key elements should include three distinct policy elements.



First, there should be efforts to reach displaced (and soon-to-be-displaced) workers as quickly as possible. The immediate period after layoffs is one where workers risk losing their connection to institutions that might help them transition into new jobs. Trade Adjustment Assistance efforts tended to work best when workers were provided with guidance and resources as or even before layoffs occurred.[24] Job navigators could play an especially important role in helping laid-off workers identify whether to pursue more intensive job training, go back to work quickly with the benefit of wage insurance described below, or some combination of the two.

Alongside initiatives to help employers redeploy workers into new roles within their firms, as described elsewhere in this report, efforts should be made to help connect workers with job counselors when their jobs might be at risk. This could be facilitated in part by funding outreach in occupations and industries at risk, whether through unions, professional associations, social media, or other tools. In doing so, counselors should place a priority on making personal contact with workers even before layoffs occur and then working to maintain that connection to a supportive navigator into the period of joblessness. Such efforts could be aided by reforms to the Worker Adjustment and Retraining Notification, or WARN Act to cover more workers, provide more advanced and robust notice, and better integrate worker supports into the notification process.[25]

Second, this new program should include workers as navigators. Workers who themselves have prior experience in an industry or occupation that faces displacement may be particularly well-suited to understand the challenges that others with a similar background might face. Specialized training should be designed to prepare workers with experience in those occupations to serve as career navigators. Unions and other worker-led organizations should also serve as intermediaries to provide navigation services, with some portion of funding available to support these efforts.

Third, local outreach efforts will be needed in schools and communities. Alongside unions, schools and local community organizations should serve as partners in engaging workers in identifying the right career paths. That could include either embedding navigators at schools or in local community organizations, or alternatively, providing grant funding to support innovative local efforts to provide coaching.

Job navigation services also should be better linked with college counseling efforts, recognizing that many people—especially younger people—are evaluating whether to pursue postsecondary educations, other forms of job training, or immediate entry into new jobs. Funding would be provided to college intermediaries to assist job navigation efforts, with grantees required to adhere to best practices and demonstrate results for continued funding.

Our approach must reject training nihilism and invest in evidence-based success, data, and accountability

Over the past half-century, formal evaluations finding weak results from many government workforce training programs, alongside frustrations expressed by employers and workers, have led some commentators and policymakers alike to conclude that government-supported training programs are inherently ineffective.[26] If so, they argue, new investments in training are likely to be a waste of money and time and raise false expectations.

We believe that a more complete review of the literature on workforce training makes this sort of training nihilism unwarranted and unwise, especially amid threats of AI-induced job dislocation. In particular, it is important to distinguish between evaluations of the totality of the U.S. public workforce training system, which do suggest disappointing returns, with a growing research base of training programs that show positive results, as we discuss below.[27]

These successful programs include sectoral training programs that target in-demand occupations and engage employers, combining training in both occupational and soft skills as well as wrap-around services. One major study of these sectoral training initiatives found participating workers experienced earnings gains of 12 percent to 34 percent.[28] Learn-and-earn models such as registered apprenticeship have shown increases in long-term employment and earnings, too, resulting in broad support for increased investments in apprenticeships and other employer-based training from across the political spectrum, including from the Trump administration and leading conservatives.[29] (See Box 2.)



Box 2

Training models with records of success

Evaluations of the overall federal job training system have shown mixed results, yet high-quality studies (including randomized controlled trials) have demonstrated consistent impact for certain models. Among them are sectoral training, apprenticeships, and wrap-around services, which we will examine briefly in turn. These approaches may not be appropriate for all workers and have typically been tested primarily with workers without college degrees. But they provide a template that can be scaled up for many of those facing potential AI job displacements.

Sectoral training

Sectoral training models are typically built around the specific hiring needs of a particular industry in a particular regional market. They utilize skills training with employer partnerships and support services that offer a track to higher-wage employment. Several sectoral training programs have shown large results on earnings and/or employment in randomized controlled trials.

According to a 2019 study by the Economic Mobility Corporation, for example, participants in Project QUEST—designed to prepare low-income individuals in San Antonio for employment in the health care sector—had average annual earnings approximately $5,490 (20 percent) higher than those of nonparticipants nine years after entry. Over the nine years covered by the study, participants' own average annual earnings grew from about $11,700 at entry to approximately $33,600. And graduates of Project QUEST, the smaller group of participants who completed the training, did even better, averaging about $46,600 in earnings during the study's final year.[30]

WorkAdvance, a sector-focused training and advancement program delivered by four providers in New York City, Tulsa, Oklahoma, and Northeast Ohio in fields such as information technology, health care, and manufacturing, produced similar results. In a randomized evaluation analyzed by Harvard University economist Lawrence Katz and his colleagues, WorkAdvance and similar sectoral programs raised participants' average annual earnings by 11 percent to 40 percent relative to control groups, largely by helping workers move into higher-paying occupations, and WorkAdvance's gains were sustained over 5 to 7 years.[31]

Following 6 months of direct hands-on technical training, another sectoral training program, Year Up United, places its students into paid internships at large corporations. A randomized controlled experiment conducted by Abt Associates for the U.S. Department of Health and Human Services found that Year Up United produced large and lasting earnings gains. Participants' incomes were approximately 40 percent greater 3 years after program start, or about $7,011 per year. Roughly 7 years after entering, their incomes remained higher than the control group's by more than $7,500 annually, approximately 28 percent above the control group's average. For every dollar invested in Year Up, society gained about $2.46 in benefits.[32]

Apprenticeships and other on-the-job training models

Apprenticeships combine paid work, classroom instruction, and formal accreditation. A Registered Apprenticeship must meet federal standards and is formally registered with the U.S. Department of Labor.

A 2012 research study conducted by Mathematica Policy Research and sponsored by the U.S. Department of Labor compared Registered Apprenticeship participants with similar nonparticipants across 10 states. The study found that Registered Apprenticeship participants earned approximately $6,595 more per year than the comparison group in the sixth year after enrollment, and their employment rates were 8.6 percentage points higher. Over a full career, these differences amount to approximately $98,718 in additional earnings for the average participant, and about $240,037 for apprentices who complete their programs.[33]

More recently, a 2026 study by Mathematica and the Urban Institute found similar results focusing on apprenticeships for workers outside the historically traditional trades, such as health care and information technology. In the ninth quarter after enrollment, apprentices earned $3,230 to $4,693 more than comparison workers, and their employment rates were 7.8 to 8.8 percentage points higher.[34] A separate 2022 study found that apprenticeships generated a median surplus return to employers for each dollar spent.[35]

The apprenticeship model has been employed in industries beyond those most traditionally associated with apprenticeships, such as construction and manufacturing. In health care, for example, the SEIU Healthcare 1199NW Multi-Employer Training Fund (a partnership between the union and hospital employers across major Washington State health systems) had trained more than 6,700 caregivers by 2019, and as of 2026 more than 22,000 workers are eligible for its programs.[36] Likewise, the privately funded Chicago Apprentice Network, founded by professional services firm Aon PLC, technology consulting firm Accenture PLC, and Zurich Insurance Group AG, has grown to more than 2,000 apprenticeships at financial services, insurance, and technology companies across more than 100 employers.[37]

Wraparound services

Wraparound services are nontraining supports, such as transportation, tuition assistance, or additional coaching, all of which are integrated as a part of participants' broader resources within a sectoral training or apprenticeship program. This model has been integral to many successful sectoral models, including Project QUEST.

These additional layers of support have been shown to raise completion rates for students. One case in point: A study by the nonprofit education and social services organization MDRC of the City University of New York's Accelerated Study in Associate Programs, which includes assistance with tuition, transit, and career advising, showed that these forms of service support nearly doubled 3-year graduation rates.[38]

These tools also help support workers who have the greatest employment barriers. A 2012 analysis of veterans with post-traumatic stress disorder, published in the academic journal *Psychiatric Services*, found that 76 percent of the group that received individual job placements and support went on to find employment, as opposed to 28 percent in standard vocational rehabilitation.[39]

Programs designed to support individuals when they are released from prison also demonstrate similar results. The Center for Employment Opportunities, for example, provides transitional employment and individualized coaching and job placement services. This program was tested using a random-assignment study conducted by MDRC. Among participants who began shortly after their release date, the program produced an estimated 16 percent to 22 percent reduction in recidivism rates compared to control-group members. There were even greater reductions in recidivism among participants who were at highest risk of reoffending, and MDRC also found that the benefits of the program exceeded its costs.[40]



And yet the structure of our federal job training system funded and approved under the Workforce Innovation and Opportunity Act makes it nearly impossible for most states to provide many of these programs at scale, given the mismatch between the funding available and what would be needed to offer workers complete and sustainable access.[41] It is as though we have identified a promising treatment, but made it all but impossible for many of those who need it to actually receive it. As Georgetown University economist Harry Holzer writes in a comprehensive overview of the literature:

> The many options of training and services available in the United States, with their many sources of funding, provide very mixed labor market value for students and trainees—though different options seem more or less cost-effective for different categories of workers. But these many sources of job training and services also generate a fragmented "system," if it can be called a system at all, with limited coordination and some wasteful overlap across agencies; it also creates a limited understanding by the public of which services are available to any given individual and where they can be found.[42]

In principle, the WIOA system is set up to support the best approaches. The WIOA legislation explicitly supports sectoral strategies, and the U.S. Department of Labor has engaged in ongoing efforts to assist states and workforce boards in implementing them.[43] Similarly, the WIOA system prioritizes registered apprenticeships and thus these programs are automatically placed on the list of training providers eligible for WIOA funds, allowing them to avoid going through certification processes.[44]

More broadly, the activities that would likely serve at the core of consensus recommendations for operating successful workforce training systems—among them engaging with employers, using data to determine in-demand jobs, and holding programs accountable for performance—are already built into the WIOA legislation and its day-to-day operations.

At the same time, this federal training system faces deep resource constraints. Searchlight Institute policy director Will Raderman notes that state-by-state funding for WIOA-funded workforce training has

not only fallen by half in inflation-adjusted terms since 2000 but also is highly volatile year to year due to the formula by which dollars are distributed. “This can make it difficult for officials to permanently expand types of services, assess how to best assist workers over time, and commit the additional funding to new budget line items that incur ongoing expenses,” Raderman writes.[45]

These funding challenges limit the success of a workforce training system that was already under-resourced, both relative to needs of the U.S. labor market and the U.S. workforce, as well as in comparison to peer nations, as the United States spent less than a quarter of the OECD average on training as a percentage of GDP in 2024. [46]

In practice, the resource constraints described above limit the ability of the workforce training system to lay out the laudable goals that have been clearly defined for it. Those resource constraints play out on both an individual and a systemwide level. As the Harvard Project on Workforce has written, while most states cap Individual Training Accounts at between $5,000 and $10,000, “sectoral employment programs with strong evaluations tend to have all-in costs to operate ranging from $8,000 to $35,000 per participant.”[47]

More broadly, both sectoral training programs and apprenticeships require a degree of up-front investments by WOIA training providers that is difficult to make when funding is constrained and volatile. As a 2022 U.S. Department of Labor-funded evaluation wrote, because workforce development boards “have limited WIOA Title I funding for training services, apprenticeships compete for funds with other, often shorter and less expensive trainings,” which leaves them, in practice, to prioritize those other options over those that could deliver better results with more robust financing.[48]

The ability to provide wraparound services, or other financial supports that make it possible for workers to afford child care or transportation, is also sharply limited, even though these are known barriers to engaging in effective workforce transitions. The result is a system that despite all its best intentions ends up able to only prioritize getting workers back into jobs quickly, rather than supporting interventions that might show higher returns by better supporting their long-term career progression.[49] This is especially perverse because higher-quality training options may be able to recoup much



of their public costs over time as getting more people into stable employment and higher incomes increases tax revenue and reduces social safety net spending.

Our approach is designed to get our nation's workforce training system out of this trap. It would guarantee funding to cover the cost of high-quality training for any worker eligible for universal worker adjustment assistance, while providing new training opportunities for other workers, including the predisplaced or younger workers entering the labor market who might be seeking to learn new skills or identify new careers. But aside from ensuring that each individual participant could afford training, we recognize that states and workforce intermediaries need funding to enable them to expand the delivery of successful workforce development models.

Building sufficient capacity for high-quality programs requires both up-front investments to train instructors, obtain and equip facilities, as well as some degree of certainty that funding will continue to be available. As a result, we propose dedicated funding that is needed to expand the supply of successful models so that workers can find and enroll in programs that have been proven to work. We do so with a recognition that scaling up will entail its own set of challenges to solve given mixed experiences in the past when programs have tried to expand in size and the reality that some of the more promising experiments may have benefited from upfront screening of participants.

In addition, sector-specific training and apprenticeships have shown greater success among certain groups of workers, often those without college degrees, and in certain occupations or industries. These programs need to be expanded, especially because we anticipate demand for them will only grow due to the deployment of AI. At the same time, to the extent that AI-driven job displacements may affect workers who have higher levels of education, our nation's workforce development system also will need to rapidly accelerate efforts to develop effective training programs that help different groups of workers find new careers. That will require, for example, rapidly building a data-driven evidence base on the most effective training programs for workers who already have at least some college education. These workers may start with certain skills that are more easily generalizable to new occupations and fields and others that are harder to translate.

Pilot programs and other experiments will be needed to build models that can then be spread more widely. Designing, testing, and scaling up these pilots will also require new investments, and so our approach to training will emphasize building the next generation of successful training programs even as it expands access to the programs that already work.

Our proposal attacks these challenges through a set of new investments in high-quality training. We propose $15 billion in Invest-in-Success funding for states and $10 billion in innovation grants, with portions of these funds dedicated to new data collection and accountability systems to ensure the best results. These funds would provide surge capacity on top of the existing WIOA system in ways that would fill gaps in the existing system, reach a broader set of workers facing AI-related anxiety, and help identify new approaches that could reshape governmentwide workforce training.

We will look at each of these components in turn.

$15 billion in Invest-in-Success funding to states

This funding would go to states to support data-based approaches to assist displaced workers that are developed in tandem with employers and worker organizations. With funding determined by formula, states would have the ability to use it to establish their own programs or provide funding to local educational institutions such as community colleges, nonprofit organizations, or consortia of employers and workers. A particular emphasis would be placed on fostering and scaling up labor-management partnerships, which have been used for both sectoral training and other learn-and-earn efforts. These training programs would include:

- Sectoral training programs
- Registered apprenticeship programs
- Other learn-and-earn, employer-based models provided they lead to sufficient tenure of employment, generalized credentials, and pathways to higher wages



This funding also could be used to provide wraparound services, including support for child care and transportation, to help make it possible for workers to successfully engage and complete their training programs. Participants might not only include displaced workers, like those enrolled in universal worker adjustment assistance, but also the predisplaced in fields particularly at risk from AI, young workers starting their careers, or any others who are seeking a new job, a career change, or to reenter the labor market.

As a condition of receiving Invest-in-Success funds, states would need to guarantee access to high-quality training for those who qualified for the displaced worker benefits described above. Funds would both build the infrastructure for improved worker training programs, including federal and state capacity to manage and evaluate the programs, and help cover the cost of providing training to eligible workers. This money would come on top of existing WIOA funding; at $15 billion over 5 years, it would be several times more than the annual amount of money states currently spend on training through WIOA workforce development programs.[50]

$10 billion in innovation grants

The potential for AI-driven job dislocation will also require experimenting with new models to address new challenges. In particular, this dislocation may affect populations, among them college-educated workers, for whom there is less experience implementing training programs. At the same time, AI may provide new tools that could allow for training programs themselves to operate in different ways.

To pilot new models, the U.S. Department of Labor would be provided with $10 billion in funding over the next 5 years for innovation grants meant to support cutting-edge efforts at providing retraining for AI-displaced workers. These competitive grants would be available to states and localities, community colleges and other educational institutions, worker organizations, employer consortia, researchers, and others to devise and test new approaches. This approach would be consistent with ideas like Arizona Sen. Mark Kelly's (D) AI Horizon Fund that recognize the need for reskilling, upskilling, and entrepreneurial assistance that will look different for different populations, offering grants that could be targeted in particular to some of the more novel challenges AI presents, among them:[51]

- Supporting workers who are transitioning into double dignity and other human-centered roles
- Assisting predisplaced workers—those who are still employed or just entering the workforce, but are in at-risk occupations or industries
- Piloting approaches for those less traditionally served by the public workforce system, such as college-educated workers and early-career graduates
- Aiding those with barriers that may be exacerbated by AI, including the long-term unemployed, people with disabilities, and those leaving the criminal justice system

The $10 billion would be spread over 5 years; in the last 3 years of the funding, money would be used to extend and scale up grants that demonstrate success in the first 2 years in addition to piloting new projects.

New data and new accountability for results

These new funds for workforce training would be subject to higher standards to demonstrate results, ensuring that programs are worth the money taxpayers spend on them and the time workers devote to them. New investments in data collection would be used both to better measure whether programs are showing success and to provide training providers with improved information on what skills employers most demand. As described below, this would likely include collecting administrative data that allows more accurate assessment of what is happening to workers within specific industries, occupations and locations at large, or when they participate in certain programs or earn certain credentials. And it would require building greater federal capacity for evaluation, both internally to federal agencies and in partnership with outside researchers.

Any program receiving funding or for which workers could apply universal worker adjustment assistance benefits would need to meet certain criteria, which might include demonstrated employer engagement, the delivery of both occupational skills determined by industry demand and soft skills, and the provision of wraparound



services. States would be required to hold workforce training providers accountable for results, including by tracking and reporting data in real time about participant outcomes and targeting funding over time to programs that show positive impacts.

Emerging tools like the digital twins approach recently put forward by Opportunity Insights may also improve the ability to get high-quality evidence on where programs are working and where they are falling short, which can inform both what is funded and how to refine ongoing efforts.[52] Such efforts would take into account the populations served by programs, to ensure that programs are incentivized to provide services to—and achieve successful outcomes for— disadvantaged workers, rather than getting credit for simply screening them out. These investments would also help improve the existing workforce system, creating information that could be valuable in the administration of WIOA programs and Workforce Pell, for example.

Prior workforce training efforts and experiences in higher education funding demonstrate the downsides of designing programs that give individuals full discretion for how funds are spent without sufficient guardrails. Our proposed approach would allow workers to choose their career pathways, but with provisions in place to ensure that training dollars go only toward quality programs. Workers would be able to get guidance from career navigators in selecting programs that fit their career goals, and they would do so with the confidence that they were choosing from a menu of options that are held accountable for results.

Our approach expands supports for workers who lose their jobs, including through policies like wage insurance

The consequences of losing one's job in the United States are already more significant than in other major economies, even prior to any AI-induced displacement. Millions of workers lack access to Unemployment Insurance altogether, and for those who are eligible, benefits are often insufficient.[53] Because health insurance for many workers is tied to their employment, job losses create added hardships. At the same time, recent changes to Medicaid and the Supplemental Nutrition Assistance Program are creating new barriers for those out of work to access health care and food assistance.[54]

The potential for greater displacement as a result of AI—and the possibility that it could create greater disconnection for some people from the workforce—will only exacerbate these challenges.

Our report does not seek to address the full range of policies that are needed to strengthen the safety net and provide a floor for economic dignity for those workers who find themselves between jobs. But while we do not propose a specific policy for expanding and reforming Unemployment Insurance—there are many robust proposals that have been offered in Congress and by other experts—such reforms will be essential for two reasons.

First, in the immediate period following a dislocation, newly unemployed workers need to cover basic needs, whether they lose their jobs during a recession or due to a structural change in the labor market due to AI. Second, our approach is designed to build off of a stronger UI system, for example by providing additional weeks for those in workforce training, which will require that UI benefits are sufficiently robust and sufficiently available.

Recent proposals such as the Stability and Opportunity for Workers Act put forward by Sen. Ron Wyden (D-OR) and others and the Unemployment Insurance Modernization and Recession Readiness Act it builds on offer a potential model.[55] Such proposed legislation would provide more robust benefits, reach more workers, deliver assistance more effectively and efficiently, and expand automatically in response to changing labor market conditions.

To accompany those reforms, our report presents a specific proposal for expanded, progressive wage insurance. For many workers, extended workforce training alone may not be the optimal option. Instead, the best course may be for them to find jobs more quickly and stay connected to the workforce. For displaced workers, however, there is a higher risk that the only jobs available will be lower paying than the ones they lost, especially if they are in occupations or industries where demand for their labor is plummeting. That can lead to workers staying out of the workforce if they hold out for pay closer to their previous levels, yet extended spells of unemployment can have lasting effects on workers' wages, health, and well-being.[56]



Since at least the 1980s, economists have proposed wage insurance as a solution to this predicament.[57] Wage insurance—providing a subsidy to cover some portion of the difference between a worker's old pay and their new pay—is intended to cover some of the costs of accepting a lower-wage job while providing a greater incentive to return to the workforce. Wage insurance has been tested among workers who lost their jobs due to trade, and the results are promising.

Under the Trade Adjustment Assistance program, a wage insurance program was established for workers over the age of 50 who qualified for the program's other benefits. The program was limited to workers whose new jobs paid less than $50,000 a year and provided 50 percent of the difference between their old and new wages, up to $10,000 over 2 years. While the program was limited in its scope, a recent paper by economists Benjamin Hyman at the University of California, Los Angeles, Brian Kovak at Carnegie Mellon University, and Adam Leive of the University of California, Berkeley find that wage insurance increased the likelihood of employment, while raising "earnings replacement rates" by 10 percentage points and cumulative earnings by more than $18,000 during the 4 years following job displacement."[58] In total, the program raised more for the federal government than it cost, due to reduced Unemployment Insurance payments and higher tax revenues on these workers' increased earnings.

Extending wage insurance more broadly is not a new idea. President Barack Obama proposed expanding the availability of a version of the TAA program to workers over the age of 50 regardless of how they lost their jobs, with the same earnings ceiling and with benefits capped at $10,000, but the proposal did not advance in Congress.[59] The potential for AI-based job dislocations today make wage insurance a particularly appropriate policy response, especially if some higher-wage white-collar occupations are put at risk.

Since 2002, however, wage insurance proposals have remained stuck at the original parameters—limited to workers over the age of 50, earning less than $50,000, and with benefits capped at $10,000. (For context, $50,000 in 2002 would be the equivalent of more than $90,000 today.) The TAA program never updated these thresholds, and President Obama's proposal kept them even as he would have expanded to a broader universe outside of trade-affected workers.

A wage insurance policy would need to extend to higher income levels and provide larger amounts if displacement extends more broadly across the income spectrum. Wage insurance has been discussed as a potential approach for addressing AI job displacements, yet new parameters for the program have not been proposed to date, including those that would extend beyond older workers. We propose an expanded, progressive model for wage insurance that goes substantially beyond what has been attempted (or proposed), including availability for displaced workers regardless of why they lost their jobs, expanded benefits and eligibility for workers earning up to $150,000 a year, and mortgage, rental, and health care assistance for displaced workers.

With the assistance of the job navigators we describe above, dislocated workers would then have the opportunity to identify the right path for them following a layoff, whether that is more intensive training with financial assistance attached or wage insurance to help return quickly to the workforce. Here are the details of our proposed approach:

Eligibility for displaced workers regardless of why they lost their jobs

Workers over the age of 35 with a minimum tenure at their prior role who lost their jobs as a result of any form of downsizing would be eligible for wage insurance.[60] This approach, like our universal worker adjustment assistance program, avoids the challenges inherent in assessing who has lost their jobs due to AI and would acknowledge the possibility that a broader set of workers may be affected if wages are suppressed due to AI. And in the event that higher-wage white-collar workers are displaced by AI, it would also avoid a potentially perverse outcome where those workers received substantial payouts even as lower-wage workers facing income losses for other reasons do not qualify for assistance.



Expanded and more progressive benefits, with eligibility for workers earning up to $150,000

TAA wage insurance benefits were capped at $10,000 over the course of 2 years and for incomes below $50,000. Our approach would:

- Provide a larger potential benefit, up to $20,000 per year for 2 years
- Be more broadly available, open to those earning up to $150,000 in their prior jobs
- Be progressive, offering more generous benefits for lower-income workers. It would cover up to 60 percent of lost wages below prior earnings of $50,000, up to 45 percent of lost wages for prior earnings between $50,000 and $100,000 and up to 30 percent of lost wages for prior earnings between $100,000 and $150,000.

Combined with the cap of $20,000 a year, this would provide meaningful potential benefits for workers who suffer significant income losses, while maintaining a progressive approach that provides more robust wage insurance levels for lower-income workers.

The ability to expand the wage insurance program over time

Establishing a wage insurance program today would create the ability to expand its size and coverage over time if economic circumstances dictate. If job displacements are particularly fast or widespread, leaving workers with few and low-paid options, then compensating for a larger share of lost earnings, extending payments over a longer period of time, or reducing the required minimum tenure may be required.

It could also be applied more broadly to workers with significant time employed in their current occupations or industries, even if they had less than 3 years of tenure at their most recent employer, in order to account for those workers who switched jobs but are still bearing the brunt of rapid job displacements. As described below, these could be features that automatically go into effect in the case of particularly acute or concentrated job displacements. Past experience suggests that new programs take time to build and improve, creating an impetus to establish the institutional infrastructure for a wage insurance program that could be modified as needed over time.

Mortgage, rental, and health care assistance for displaced workers

The consequences of workers losing their jobs can be particularly grave when households lose the ability to afford housing or health care. That is why we propose pairing our universal worker adjustment assistance program and wage insurance with housing and health care assistance to provide a bridge for workers as they get back on their feet.

Building on efforts that were developed during the COVID-19 pandemic, banks could be required or incentivized to offer mortgage forbearance for laid-off workers.[61] Likewise, tenant-landlord mediation services and targeted rental assistance could be made available for unemployed workers to prevent unnecessary evictions. Both services could be offered in tandem with universal worker adjustment assistance, wage insurance, and the other programs outlined in this report, ensuring that workers are aware of the assistance available to them.

Policymakers also should reverse the work requirements for Medicaid and the Supplemental Nutrition Assistance Program added in the 2025 One Big Beautiful Bill Act. These new restrictions only serve to increase the hardship that workers might face if they are displaced by AI. That reversal might be paired with broader efforts to expand health care support for laid-off workers.

Establishing not only automatic stabilizers but automatic scaling up to meet the job challenges presented by AI as it evolves

Our approach must be able to automatically scale up and accelerate to meet the scope of job challenges presented by AI as it evolves. Part of the challenge in preparing for the potential for AI-related job displacement is the uncertainty about what lies ahead. The policies we are proposing are designed to provide benefits to workers in the current labor market, but also to have the ability to quickly expand if displacement proceeds at a larger scale. This requires two forms of preparation.

First, as both authors learned during the response to the Great Recession of 2007–2009 and the COVID-19 pandemic, it is critical to have modernized policy infrastructure in place to deliver relief before



facing emergency circumstances that require rapid and dramatic expansion of such benefits. During the response to COVID-19, for example, our nation's ability to deliver Unemployment Insurance, small business aid, emergency rental assistance, and eviction diversion services were all hindered because the systems were not in place to easily distribute relief at the necessary scale and speed when the crisis hit.[62]

AI-related displacement will almost certainly not occur with the same suddenness as COVID-19, but a more gradual acceleration of dislocation creates a different risk: that a significant share of workers are already facing challenges before a dedicated strategy to assist them emerges. Likewise, any new program will almost certainly benefit from a degree of experimentation and iteration. Piloting specific approaches at a moment when displacement is more manageable is a form of insurance against needing to get the details right in one shot when the needs are greater.

But beyond creating the institutional plumbing to get assistance flowing, we also believe in the need to create systems that more automatically adjust to displacement as it occurs. In dealing with the harms caused by downturns in the business cycle, for example, many policy experts have long called for automatic stabilizers—the capacity for programs such as Unemployment Insurance to expand when a recession hits, even without new legislation.[63]

These automatic stabilizers dictated by the business cycle are an important tool going forward. They provide needed services to people and communities who face distress during economic downturns as well as counter-cyclical economic stimulus. Automatic stabilizers in key safety net policies such as Unemployment Insurance should be strengthened so that they sufficiently expand when recessions hit, including by improving the Extended Benefits program. But at the same time, they should also be paired with policies that could scale up targeted relief for workers who face acute job dislocations that are distinct from broader macroeconomic trends.

Past experience shows that when displacement is concentrated in particular occupations or industries, it can be especially difficult for workers in those jobs to transition into something new—even if the overall economy is relatively strong—with lasting consequences for

those who are unlucky enough to have chosen the wrong career paths. At a minimum, that requires making assistance programs open-ended so that there is no cap on participation. But there also may be a case for expanding the length and scope of benefits for displaced workers if certain triggers are met. These features should be considered in part as a means to strengthen the macroeconomic response to any unemployment shocks, but also in the case of more concentrated effects on particular segments of the population.

One of the failures of the Trade Adjustment Assistance program was that even when it was effective for those workers who received aid, it still failed to expand effectively during periods of greater trade-related dislocations, such as the decline of the American manufacturing sector. During these periods, the national unemployment rate often remained relatively low, but the harm was still substantial for some industries and places. Designing programs that automatically scale up if the scope of disruption is larger prevents the federal government from inadvertently being locked into a response that is insufficient to the task.

Establishing these elements up front also provides the public with greater confidence that there is a plan in place if some of the more ambitious (and frightening) projections around AI-based displacement come to pass. Creating the conditions to automatically scale up programs will require new, aggressive investments in data collection capacity, allowing policymakers to identify with greater precision and speed where displacements are happening. In addition, we propose to allow for automatically scaling up through multiple tools.

Designing programs to expand when displacement becomes more pronounced

While automatic stabilizers have traditionally been proposed to expand safety net programs in circumstances of broad macroeconomic distress and retract as the business cycle strengthens, we believe policymakers should consider approaches that also automatically adjust in the case of more targeted job displacements distinct from larger macroeconomic trends. With the benefit of the new data capacity described above, we believe that policymakers should consider designing key elements of a worker adjustment framework to automatically scale up without requiring separate legislation, recognizing the risk that Congress will move too slowly to address this kind of displacement. We propose:



- Expanding wage insurance, including the amount workers can receive, the length of time they can receive it, and/or eligibility criteria, in certain occupations or industries if unemployment accelerates at a certain pace
- Expanding eligibility and/or the size of benefits available for short-time compensation or work-sharing in industries and occupations that experience rapid increases in layoffs
- Increasing the amount of training funding available for states that experience spikes in joblessness

Aggressive investments in capacity to monitor labor market conditions

Even at a moment of greater anxiety about the future of the U.S. labor market, the federal government's capacity for labor market analysis has been undermined through a lack of resources and a loss of expertise at the U.S. Department of Labor's Bureau of Labor Statistics. Since Fiscal Year 2010, BLS funding has fallen by more than 20 percent on an inflation-adjusted basis, while recent turmoil at the agency has led to a large exodus of senior career staff.[64]

The Bureau of Labor Statistics, in partnership with the Department of Commerce, Department of Education and other agencies, should receive major investments to build up new capacity to measure potential displacement in real-time, including by better integrating data from AI labs and other private-sector entities. We propose a $1 billion investment in data collection related to AI over the next five years, on top of reversing deterioration in annual appropriations, creating the ability to create the additional capacity needed to assess real-time changes in the U.S. labor market and engage in necessary experimentation.

In addition to allowing for new survey data collection and analysis, this funding should be used to revamp administrative record collections that help more granularly assess what is happening to workers within specific industries, occupations, and locations as well as outcomes for those who participate in certain programs or earn certain credentials. This assessment will require states to collect enhanced wage records that include information about workers' occupations, work locations, hours and pay—all crucial to establishing what is actually happening in the workforce.[65]

A new labor emergency designation that unlocks funds for workers facing acute job displacements

Automatically scaling up specific programs by making them more available or more comprehensive if more workers are displaced helps ensure that transition efforts are at a magnitude that reflects the scale of the problem. But the uncertainty around potential displacement means policymakers may not know exactly the nature of the problem they face. Providing them with the tools to respond quickly and flexibly will be crucial if (as seems very plausible) displacement unfolds in surprising and unexpected ways.

Given lags in data collection and the anticipated unevenness in the diffusion of AI, there may be instances where provisions to automatically scale up programs are not triggered or are not sufficient, even when there is compelling evidence that displacement is already occurring within specific industries, occupations, or regions. Like how Federal Emergency Management Agency disaster declarations can trigger flexible, cross-agency funding without waiting for congressional action, there may be a need for the U.S. Department of Labor to have the authority to issue labor emergency declarations to apply creative, targeted responses where there are sufficient indications that acute job displacements are happening for particular occupations or industries.[66] This approach would recognize that dislocation may well be more pronounced for certain populations, even if it is not necessarily geographically concentrated.

This authority would unlock up to $1 billion a year that could be put toward outreach that connects workers to available services and experimenting with efforts to transition workers in those at-risk jobs. This would allow for a rapid response in circumstances where relying on congressional appropriations would slow efforts to more intensely assess and assist pockets of the labor market that are facing distress. These funds could be used, for example, to deploy job navigators who place a special focus on and receive special preparation for assisting workers in at-risk jobs. Similarly, additional competitive grants could be awarded in a fast-track process to pilot, deploy, and evaluate job reskilling programs targeted at designated occupations.

The labor emergency designation could also serve as a spur to provide technical assistance (including to support the job redeployment grants described above) and other engagement to firms on how to consider



shifting workers in certain exposed positions into new roles. While such funds would not be sufficient to address major, longer-term labor market displacement, they would offer a mechanism for initial explorations and responses that could be built upon as more data emerges. Implementation could apply lessons learned from existing National Dislocated Worker Grants, which have been similarly designed to provide flexible support in response to major dislocations.

Building on models such as FEMA disaster determinations, the task force would need to lay out criteria in advance as to what data it uses to trigger these determinations, and report to the public and Congress when it makes a decision to apply funds, which would be limited in terms of how much could be used in a certain region, occupation, or industry.

Experimenting with efforts to discourage layoffs through Redeployment and Retention Innovation Fund

The policies we have proposed in this report thus far are primarily designed to assist workers who might be displaced. But it is no secret that for millions of workers, policies that provide assistance after a painful layoff offer a second-best solution to saving their jobs. Indeed, past efforts to help workers who have lost their jobs transition into new ones have been derided by some as burial insurance, seen as a consolation offered by policymakers underplaying the pain that comes with dislocation.

We believe the choice between policies to assist those who suffer from layoffs and policies to prevent layoffs should be a both-and conversation, not either-or. As described above, we have a range of promising programs—and models from the rest of the world—to assist displaced workers that we should feel confident about deploying at a far greater scale. A policy agenda to prevent unnecessary layoffs in the AI era is new and less certain ground, but that should only strengthen our efforts to experiment with creative approaches that might be appropriate if we face unprecedented disruption.

The idea that layoffs lead to painful externalities—from financial and emotional scarring of workers and their families that has long-term consequences to increased safety net costs—has strong grounding in

the economics literature that justify policy incentives to prevent them when possible.[67] Likewise, a range of economists and policymakers, including Massachusetts Institute of Technology economists Daron Acemoglu, David Autor, and Simon Johnson, have argued for pro-worker AI policies, proposing steps such as research into how AI can develop in ways that are more likely to augment rather than automate human work.[68] They and others have called for reforming the tax code to better favor labor over automation, while others have called for some form of robot tax.[69]

We believe further development of these economywide ideas is warranted, recognizing both the potential value in establishing better incentives in the tax code and the potential challenges in designing them correctly. At the same time, we see an opportunity to encourage innovation at the firm level as to how layoffs might be avoided during a period of transition—experimentation that could both create models for employers to emulate and help inform design of longer-term programs to discourage unnecessary job loss.

With that in mind, we propose spurring such experimentation through a Redeployment and Retention Innovation Fund that would provide $20 billion over 5 years for firms willing to innovate to avoid layoffs as they adapt to increased AI usage. The efforts that might be supported include experiments with sharing productivity gains through shorter work weeks and redeploying workers rather than laying them off. We will first look at those two proposed experiments before turning to our proposed Redeployment and Retention Innovation Fund.

Experiments with sharing productivity gains through a shorter work weeks

Well before the modern era of AI, economist John Maynard Keynes predicted in 1930 that advances in productivity would allow future generations to comfortably work only 15 hours a week.[70] And even now, corporate leaders from Bill Gates to Zoom CEO Eric Yuan have suggested that AI might lead to a shorter workweek.[71] It should go without saying that in the midst of national concerns about affordability, a shorter work week would have little appeal if working fewer hours meant less pay. And with low rates of collective bargaining and limited worker power, companies, including those who might hypothesize publicly about a shorter work week, have felt little pressure to experiment with a path that offers the same pay for four days or fewer of work.



In the long-term, equitably spreading the gains from innovation will likely require more structural changes to worker power, including through increased unionization or sectoral bargaining.[72] But we also believe in the value of offering a proof of concept that firms experiencing AI-induced productivity gains can profitably and sustainably adapt in ways that maintain their current workforce without reducing their pay, even if employees work fewer hours.

One possibility is to build on the idea of work-sharing. Several countries have offered work-sharing (or short-time compensation) to prevent layoffs during downturns in demand.[73] Under these policies, rather than letting go 20 percent of its workers, for example, a firm can keep all of its employees on but cut their hours by 20 percent, with those workers compensated via Unemployment Insurance payments for the 20 percent of their time they see reduced. Work-sharing has been a central component of recession-fighting strategies for certain European nations, but it has been less utilized in the United States, even though 30 U.S. states have operational programs.[74]

Work-sharing may be especially valuable in the next recession, given fears that firms may never hire back workers they lay off in response to a temporary downturn—instead replacing labor with AI when the economy recovers. But similar approaches funded outside of Unemployment Insurance could offer a means of achieving more work-sharing if AI reduces labor demand even in the absence of an economic downturn. Providing incentives for firms to innovate with work sharing in the AI context will mean confronting novel policy challenges, but this pro-work option is important enough to start building a path forward now.

We propose that firms could apply to the Redeployment and Retention Innovation Fund to experiment with such a work-sharing approach to, for example, help cover some of the costs during a transition period for firms that choose to bring workers from 40 hours to 32 hours while still paying the equivalent of 40. Applications would be prioritized when submitted jointly by employers and unions (or otherwise prioritizing worker representation), providing an incentive for approaches that give workers a say in how firms implement AI. Of course, there is no way to commit firms to maintain this arrangement permanently, but if they received support for a set period, they would face a clawback of funds if they did not continue it for a similar period after the subsidy ended.

Experiments with redeploying workers rather than laying them off

During past eras of technological change in the U.S.—as well as today in other parts of the world—firms have publicly committed to efforts to redeploy workers into new positions when their prior roles are no longer needed. In the 1960s, firms and unions negotiated the creation of automation funds that helped facilitate such transitions, as well as other ways to spread the gains of technological innovation.[75] More recently—but before the most recent AI boom—AT&T Inc. and JPMorgan Chase announced major programs that offered redeployment as an alternative to severance.

Outside of the United States, we have seen some efforts by firms to redeploy workers displaced by AI. Sweden-based IKEA shifted thousands of call center workers displaced by their new AI chatbot into new sales positions; the government of Singapore has worked with companies to encourage redeployment as well. Among prominent U.S. companies, however, there are few if any notable examples of companies seriously exploring whether tenured workers who have the misfortune of working in roles that happen to be caught in the AI wave could still be highly productive elsewhere in the firm. Indeed, in the United States, we have often seen what appears to be the opposite strategy: companies incentivized to highlight their plans for AI-induced layoffs in order to convince investors that they will permanently lower labor costs.

We propose that firms could apply to the Redeployment and Retention Innovation Fund to support efforts to retrain and redeploy workers who might otherwise be at risk of layoffs due to AI into new roles that pay at least as well as their previous positions.[76] The fund could cover some portion of training and wages for these workers during a transitionary period. Firms would also face a potential clawback of funds if they laid off redeployed workers within a certain period after the subsidy ended.

The Redeployment and Retention Innovation Fund

The Redeployment and Retention Innovation Fund would make available $20 billion for innovative approaches to help prevent layoffs, including using the work-sharing and redeployment strategies described above. We propose—consistent with our broader approach—that the program be paid for by new corporate tax



revenues to provide insurance that the policy does not lead to an overall corporate windfall. Recognizing the risk that such incentive programs could simply subsidize firms for activities they were already going to do anyway, applications would be specifically evaluated on a range of factors designed to produce a higher bang-for-the-buck from public dollars spent on redeployment. Evaluators would look for:

- Evidence that AI is or will soon reduce demand for labor from existing workers
- A clear plan for redeployment, work-sharing, or a similar arrangement to ensure these workers would be at least as well off under a new plan
- A demonstration that the government subsidy was essential to making the retention or redeployment plan economically viable in the short-term, combined with a long-term plan to maintain it without a government subsidy
- Plans that are developed in collaboration with workers, particularly those jointly prepared with unions

Funding would be provided to staff a joint team from the departments of the Treasury, Commerce, and Labor who would be responsible for evaluating applications in a timely manner consistent with the pace of necessary business decisions. Some portion of funds might be reserved for applications submitted by smaller businesses who might otherwise struggle to apply, along with technical assistance to help interested firms design new plans.

Such an application and individualized review process for this innovation fund is a necessary first approach in light of the fact that some past tax incentives have subsidized corporations without actually changing firm behavior. But especially given a corporate climate that often provides incentives to seek and tout AI layoffs, experimenting with efforts to create best practices and proofs of concept for efforts to redeploy and retain employees—with safeguards in place to limit any windfall—is far better than ignoring this challenge.

Government programs to encourage firms to redeploy workers have not been tried at any scale within the United States. But experiments at corporations in the United States and abroad, as well as international policy initiatives, provide potential models. (See Box 3.)

Box 3

Precedents for efforts to redeploy workers

Government programs to encourage firms to redeploy workers have not been tried at any scale within the United States, but experiments among corporations at home and abroad, as well as international initiatives, provide potential models. We examine several of these U.S. corporate and overseas models here.

Examples of corporate redeployment in the pre-AI era

Prior to the AI era, several large U.S. corporations offered redeployment as an alternative to layoffs and severance payments. In 2012, for example, AT&T Inc. found that roughly 40 percent of its employees held skills in hardware roles that would soon be obsolete, so it launched a $1 billion reskilling program in 2016 that paired online coursework with an internal career portal.[77] Redeployment efforts also have occurred in the financial sector. While there are no verifiable results, JPMorgan Chase & Co. publicly announced redeployment efforts for workers in 2013,[78] and then again in 2022 when falling demand for the bank's mortgage business led to job cuts. In 2022, Bloomberg reported that the bank redeployed "about half" of the roughly 1,000 affected workers to other divisions rather than laying them off.[79]

These more recent examples follow a longer history dating back several decades of experiments around redeploying workers displaced by automation. In the 1950s and 1960s, a wave of automation funds—most famously at companies such as the meatpacker Armour and Company—were stood up to help spread the gains of automation within the firm and assist workers who were displaced. Of note, these funds were seldom stood up by companies on their own initiative; typically, they were collectively bargained and led jointly by corporate and union management.

While these strategies have not been rigorously evaluated, and so their effectiveness is difficult to determine, they do show that prior to advent of AI in workplaces, major U.S. companies were willing to make public commitments to redeployment strategies for their employees as opposed to mass layoffs.

Redeployment models to prevent AI job displacement

While many companies claim that AI will lead to new jobs to counter layoffs, few firms have been willing to announce corporate policies that redeploy workers at risk from automation. One notable exception is the privately held IKEA home furnishing giant. Its AI chatbot Billie, introduced in 2021, soon absorbed roughly half of IKEA's customer-service inquiries by 2023.[80] Instead of firing all of its customer support employees, the firm retrained 8,500 call-center workers into remote interior-design consultants. The firm claims that this move not only preserved jobs but also generated more than $1.3 billion in additional design revenue, up 15 percent from the previous year.[81]

Another example is the Singapore banking giant DBS Holdings Ltd. The company reports that while it reduced the number of its entry-level production engineers who work on routine operations from 3,000 to 135 due to AI, it retrained affected workers and moved them to other tech positions. To help employees, the bank has an online learning hub with more than 10,000 classes and offers continued education through hackathons, live teaching, and trips to Silicon Valley.

Additionally, DBS signed a memorandum of understanding with the Institute of Banking and Finance Singapore to help employees adapt to new roles, including repurposing a private banking assistant relationship manager role into



a client enablement partner role, as AI allows workers to focus more on client engagement.[82] These actions reflect a push by the Monetary Authority of Singapore, the nation's central bank, and its larger banking industries to focus on redeployment over layoffs for 35,000 workers for AI-enabled workflows.[83]

Unfortunately, few, if any, U.S.-based companies have implemented clear redeployment strategies to address AI-driven job losses. At a February 2026 investor presentation, JPMorgan Chase CEO Jamie Dimon did claim to have "huge redeployment plans" for "displaced people from AI" but there, again, are no verifiable results.[84]

Strategies for the time between work and layoffs

Internationally, other countries have experimented with approaches to help workers manage the transition out of one firm into another.

Germany has institutionalized its so-called betweener models through transfer companies called Transfergesellschaften.[85] These companies move affected workers voluntarily, for up to 12 months, into a separate entity jointly run by the employer, the works council, and the Federal Employment Agency, where they draw 60 percent to 67 percent of workers' prior net wages while retraining and engaging in job-searching programs. Germany's Kurzarbeit model, deployed alongside the Transfergesellschaften process, allows firms to temporarily cut hours rather than headcount, with partial public-sector wage support.

Another overseas model is Sweden's bipartite Job Security Councils, which provides significant support immediately upon any worker's termination.[86] Funded by a small employer payroll levy, the Councils pair displaced workers with coaches and job-matching services as soon as layoffs are announced. While not directly fitting the redeployment model, these councils supplement incomes above standard unemployment benefits during workers' transitions, with up to 80 percent of workers' prior salaries covered. This model has yielded strong results, with roughly 90 percent of laid-off Swedish workers finding new work within a year.

Other international efforts

Some countries have also encouraged job redeployment and retraining through tax policies. Singapore applies an insurance system model, in which firms pay into a redeployment fund and can draw back from it if they redeploy workers.[87] Every employer in Singapore pays a small mandatory Skills Development Levy of 0.25 percent of wages into a national Skills Development Fund. Firms that train and redeploy workers draw back from this fund far more than they contribute, including course-fee subsidies and up to 90 percent of Career Conversion wage supports during redeployment. All companies are eligible for these returns, but only those that make genuine pro-worker efforts capture them.

The Netherlands has a slightly different model using a sectoral levy that can be drawn down to cofund retraining.[88] When a particular sector's collective bargaining agreement is made binding, every employer must pay into a joint Training and Development Fund, which then cofunds 50 percent to 80 percent of retraining costs for existing staff, with extra claims allowed during the restructuring of a company.

These models operate in different contexts than the United States. In particular, they are a result of far greater union representation and benefit from a history of tripartite engagement between government, business, and labor. But they offer some examples of how government efforts can put a thumb on the scale in favor of corporate efforts to redeploy workers in new roles inside or outside the firm rather than simply leaving workers without a job.

Conclusion

The pace and magnitude of dislocation that might accompany increased deployment of AI is uncertain, but that uncertainty is no excuse for failing to enact policies that can assist workers today, address anxiety about the future, and prepare for the possibility of greater displacement. These measures will need to be accompanied by other policies that support economic dignity and shared prosperity, including measures that support worker power and ensure the creation of good jobs.

These steps should complement reforms that appropriately tax the winners from AI-induced productivity growth—including more effectively taxing corporate profits and returns to capital, which will be necessary both to pay for these policies and to prevent a rise in inequality.

These policies will require experimentation and refinement and will need to be adjusted as the U.S. economy evolves. But the weakness of our existing system to support displaced workers even in our current labor market, and the challenges that come with building responses after the need has already grown, argue for acting now. The agenda laid out here reflects a downpayment on taking on this challenge.



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