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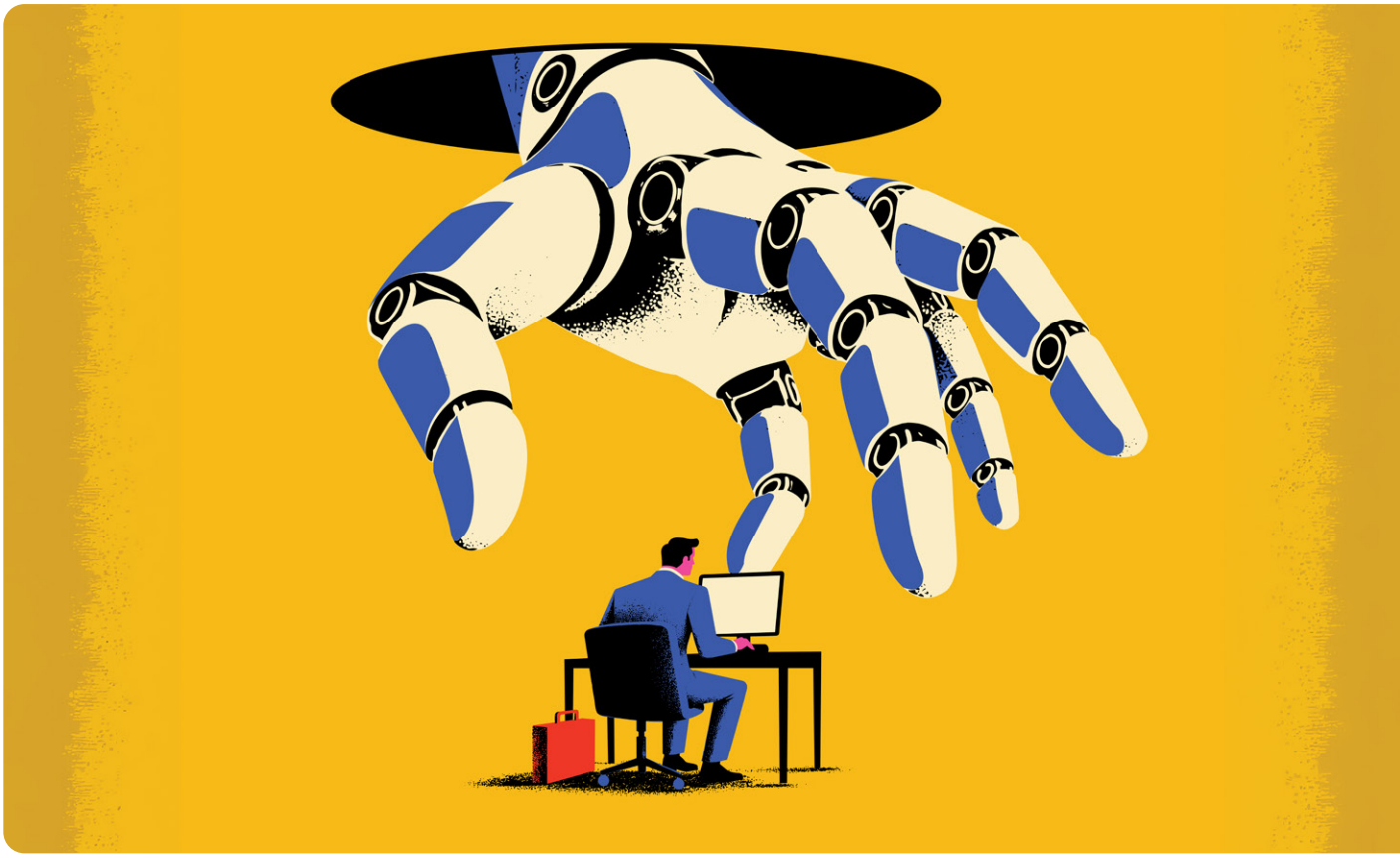

Summary: AI, Tech & Energy

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

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Contents

Key takeaways 2

Overview and summary 3

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.