

Final Project 1
Code: MGM 496-PMG496
Project Template

Faculty of Management
Midocean University

Artificial Intelligence and Its Impact on the Labor Market

Fatima Ahmad Almutawah
1088937527

Graduation Project – 1
Faculty of Management - Midocean University

Supervisor
Dr. Abdelrehim Nader
Faculty member- Faculty of management- Midocean University

22/8/2025 – Second semester 2025

Contents

1. Chapter 1: Introduction	4
1.1. Research Background	4
1.2. Research Problem.....	5
1.2.1. Theoretical Gaps	5
1.2.2. Practical Gaps.....	6
1.2.3. Main Research Question:	6
1.3. Research Significance.....	7
1.3.1. At the theoretical level	7
1.3.2. At the practical level	8
1.4. Research Questions	10
1.5. Research Objectives	11
1.6. Research Hypotheses.....	12
1.7. Research Model	13
1.8. Research Methodology	16
1.9. Scope of The Study	16
1.10 Research Philosophy.....	16
1.11 Research Approach.....	16
1.12 Research Strategy	17
1.13 Research Choice	17
1.14 Time Horizon.....	17
1.15 Data Collection Techniques • Primary Data:	17
The questionnaire includes:	18
Secondary Data:	18
1.16 Sampling	18
1.17 Data Analysis Techniques	19
1.18 Ethical Considerations.....	19
1.10. The Suggested Project Structure.....	19
2. Chapter 2: Literature Review.....	21
2.1. Introduction	21
2.2. The independent variable	21
2.3. The dependent variable.....	22

2.4.	The relationship between the independent and the dependent variables.....	22
2.5.	Conclusion	23
References:		24

1. Chapter 1: Introduction

1.1. Research Background

Introduction:

In recent decades, artificial intelligence (AI) technologies have advanced at an unprecedented pace, raising an urgent issue concerning their impact on the stability of the labor market and the balance between human employment and automation. Numerous studies have addressed this problem, focusing on analyzing the roles that AI can potentially replace, as well as discussing opportunities for creating new jobs that require advanced skills. However, clear gaps still exist in the current literature, as some studies lack in-depth analyses of the readiness of labor markets in developing countries and comparative assessments across different sectors in terms of their vulnerability and adaptability to these technologies. This research targets academics, policymakers, and business leaders, given the significance of the issue and its direct impact on economic and social policies, as well as on individuals who face the challenge of adapting to new skill requirements. Accordingly, this study aims to fill these gaps by providing a comprehensive analysis of the main anticipated impacts of AI on the labor market, along with practical recommendations and solutions to help manage this transformation in a way that balances technological progress and the protection of employment opportunities.

1.2. Research Problem

Problem Statement

Artificial intelligence (AI) has emerged as one of the most transformative technological advancements, significantly reshaping the structure and dynamics of modern labor markets. Previous studies highlight that AI affects the nature of jobs and alters the demand for various skills

(Brynjolfsson & McAfee, 2014; Chui et al., 2016).

1.2.1. Theoretical Gaps

Despite the extensive body of literature addressing automation and AI in general, there is still a notable lack of comprehensive theoretical frameworks that clearly explain the causal relationships between the spread of AI technologies and shifts in labor market dynamics across diverse contexts (Autor, 2015).

Furthermore, existing studies often fail to integrate socio-economic and cultural factors that influence how individuals and organizations accept and adapt to these technological changes

(Makridakis, 2017).

1.2.2. Practical Gaps

At the practical level, literature reviews indicate a shortage of empirical studies that measure the actual impact of AI on labor markets in developing countries, which frequently face unique challenges in adopting advanced technologies compared to developed economies

(ILO, 2020).

Additionally, much of the existing research focuses on a limited number of industrial sectors, often overlooking other critical areas such as public services or small and medium-sized enterprises (SMEs), which may experience different impacts and adaptation patterns

(World Economic Forum, 2020).

1.2.3. Main Research Question:

In light of these gaps, the primary research question for this study is:

“To what extent does artificial intelligence impact the labor market in terms of job displacement, job creation, and the readiness of organizations and individuals to adapt to this transformation?”

1.3. Research Significance

1.3.1. At the theoretical level

1) Clarifying the theoretical foundation:

This study is grounded in theories of technological change and labor market dynamics, particularly drawing on frameworks that explore how technological innovations reshape the demand for human capital and alter occupational structures (Autor, 2015; Brynjolfsson & McAfee, 2014).

These theoretical foundations emphasize that while automation and AI can displace certain jobs, they also have the potential to create new opportunities by transforming tasks and generating demand for novel skill sets

(Acemoglu & Restrepo, 2018).

2) Identifying the gap in the existing literature:

Despite significant research on automation and labor market evolution, there remains a lack of integrative theoretical models that explain how AI specifically, as opposed to general automation, interacts with different labor market contexts, especially in developing economies

(Makridakis, 2017; ILO, 2020).

Moreover, many studies narrowly focus on technological determinism without sufficiently considering moderating factors such as education systems, institutional readiness, and cultural attitudes towards technology adoption.

3) Explaining how this study will address the gap:

By synthesizing existing theoretical insights and extending them with empirical evidence from diverse economic sectors and contexts, this study aims to refine and expand theoretical understanding of AI's impact on employment. It will propose a conceptual model that captures both direct and indirect pathways through which AI affects job displacement and creation, while integrating contextual variables such as policy readiness and workforce adaptability.

4) Discussing the potential theoretical implications:

The expected findings can contribute to theory development by offering a more nuanced and context-sensitive perspective on technological disruption in labor markets. They may challenge or enrich current theoretical assumptions by highlighting conditions under which AI adoption leads to net positive or negative employment effects. This could guide future research in constructing more robust and adaptable theories about the interplay between advanced technologies and labor market resilience.

1.3.2. At the practical level

The rapid adoption of artificial intelligence (AI) technologies poses a major challenge for policymakers and organizations worldwide, especially in developing countries that continue to face obstacles related to digital infrastructure and institutional readiness

(ILO, 2020).

A review of existing literature reveals a clear practical gap: there is a lack of field-based studies providing accurate data on the real impact of AI on various sectors and on the evolving demand for new workforce skills

(World Economic Forum, 2020).

Moreover, many current workforce development plans are often designed without sufficient information about which sectors are most affected or which job categories are at highest risk of automation

(Bessen, 2019).

In response to this, the study addresses the following main research question:

“To what extent does artificial intelligence impact the labor market in terms of job displacement, job creation, and the readiness of organizations and individuals to adapt to this transformation?”

The practical significance of this research lies in its contribution to providing actionable evidence that helps decision-makers and employers design effective programs for workforce reskilling and upskilling, and to direct investments in education and training toward future-proof skills. The findings will also enable organizations to develop flexible policies that mitigate the negative effects of sudden technological shifts on job structures

(Chui et al., 2016; OECD, 2019).

This study thus serves as an applied reference for supporting sustainable economic growth and narrowing the skills gap, enhancing societies' capacity to adapt to the accelerating technological revolution.

1.4. Research Questions

Sub-Research Questions:

1. Job Displacement

1.1 What types of jobs or occupational categories are most vulnerable to being replaced by AI technologies?

1.2 How does the risk of job displacement vary across different industries and sectors?

1.3 What are the main factors contributing to the susceptibility of certain jobs to AI-driven automation?

2. Job Creation

2.1 In what ways has AI contributed to the emergence of new job roles or career fields?

2.2 Which sectors have experienced net job growth as a result of AI adoption?

2.3 What skills are increasingly demanded in the labor market due to AI-related innovations?

3. Readiness to Adapt (Organizations & Individuals)

3.1 How prepared are organizations to integrate AI technologies into their operational models without causing workforce disruptions?

3.2 What strategies have organizations implemented to upskill or reskill their employees in response to AI integration?

3.3 To what extent are workers aware of and equipped for the changes AI is bringing to their industries?

4. Cross-Cutting Questions (Comparative and Policy-Oriented)

4.1 How does the impact of AI on the labor market differ between developed and developing countries?

4.2 What public policies or training programs have proven effective in supporting workforce transition amid AI adoption?

4.3 What role does education play in preparing future workers for an AI-driven economy?

1.5. Research Objectives

1. To identify the types of jobs and occupations most vulnerable to displacement due to artificial intelligence technologies.

2. To explore the extent to which AI contributes to the creation of new jobs or the transformation of existing roles across different sectors.

3. To assess the readiness of organizations to adapt their workforce strategies in response to AI adoption.

4. To evaluate the preparedness of individuals—particularly employees and job seekers—to acquire AI-related skills and adapt to changing labor market demands.

5. To compare the impact of AI on the labor market in developed versus developing countries.
6. To examine the effectiveness of current policies, training programs, and organizational initiatives in mitigating the negative impacts of AI on employment.
7. To propose evidence-based recommendations for policymakers and institutions to support a balanced and inclusive transition to an AI-driven labor market.

1.6. Research Hypotheses

1. H1: Jobs that involve repetitive and routine tasks are more likely to be displaced by artificial intelligence technologies than jobs requiring human judgment and creativity.
2. H2: The adoption of AI leads to the emergence of new job roles that require advanced digital and analytical skills.
3. H3: Organizations with high digital maturity are more prepared to integrate AI without significant negative impacts on employment.
4. H4: Employees with access to ongoing training and digital skills development are more adaptable to AI-induced changes in the workplace.
5. H5: The impact of AI on job displacement is greater in developed countries due to higher levels of automation and digital infrastructure.
6. H6: Government policies and institutional training programs play a significant role in reducing the negative effects of AI on employment levels.

7. H7: There is a positive correlation between investment in workforce reskilling and an organization's ability to maintain employment levels during AI integration.

1.7. Research Model

Main Independent Variable

Artificial Intelligence Adoption

(e.g., use of AI technologies, automation level, AI-driven tools)

Dependent Variables

1. Job Displacement

- Loss of existing roles
- Automation of routine tasks

2. Job Creation

- Emergence of new AI-related jobs
- Transformation of traditional roles

3. Readiness to Adapt

a. Organizational Readiness

- Internal training initiatives
- Digital maturity
- Change management systems

b. Individual Readiness

- Digital skills
- Access to reskilling programs
- Willingness to adapt

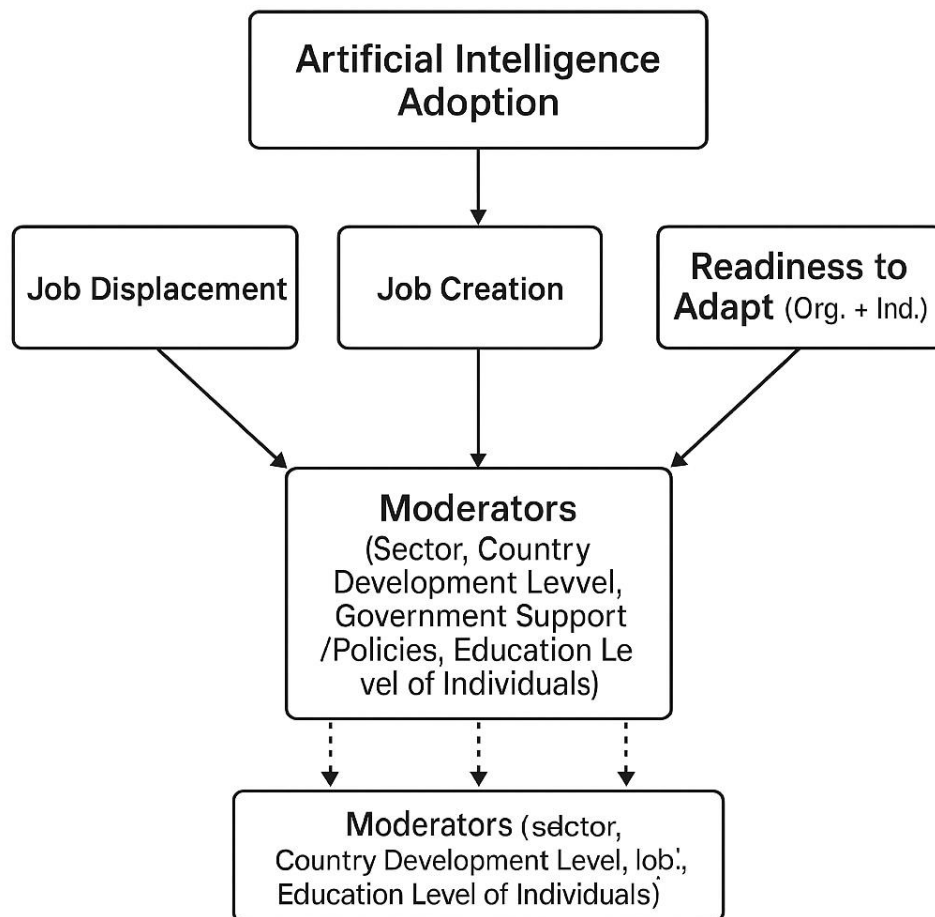
Moderating Variables

(optional depending on your design):

- Sector (e.g., manufacturing, education, healthcare)
- Country development level (developed vs. developing)
- Government support/policies
- Education level of individuals

Relationships Represented in the Model

- AI adoption → Job displacement (positive or negative relationship)
- AI adoption → Job creation (positive relationship)
- AI adoption → Organizational readiness (varies based on internal capacity)
- AI adoption → Individual readiness (varies based on training, awareness)
- Moderating variables affect the strength/direction of these relationships



1.8. Research Methodology

This chapter outlines the research methodology based on the Research Onion Model (Saunders et al., 2019). The model guides the selection of philosophical stance, approach, strategy, choice, time horizon, and data collection and analysis methods suitable for this study on the impact of Artificial Intelligence (AI) on the labor market.

1.9. Scope of The Study

1.10 Research Philosophy

The research adopts a pragmatist philosophy, which allows flexibility in choosing both qualitative and quantitative methods depending on what best answers the research question. Pragmatism focuses on practical outcomes and is ideal for real-world, complex issues like AI's multifaceted influence on employment (Saunders et al., 2019).

1.11 Research Approach

A deductive approach is applied, which tests existing theories and hypotheses drawn from literature regarding job displacement, job creation, and organizational readiness in response to AI. This approach allows the development of hypotheses that can be quantitatively tested with structured data (Bryman, 2016).

1.12 Research Strategy

The primary research strategy is a survey, which supports broad data collection from a large sample of employees, HR managers, and technology specialists. Surveys are ideal for assessing patterns, correlations, and statistical trends regarding AI's effects on the labor market (Creswell, 2014).

1.13 Research Choice

A mono-method quantitative approach is selected, specifically through structured questionnaires. This allows statistical generalization and objective measurement of variables such as job displacement rates, reskilling levels, and AI integration readiness.

1.14 Time Horizon

The study uses a cross-sectional time horizon, meaning data is collected at a single point in time. This is appropriate to capture the current status of AI adoption and labor market responses (Robson & McCartan, 2016).

1.15 Data Collection Techniques • Primary Data:

A structured questionnaire distributed electronically to a sample of 200+ respondents across different industries.

The questionnaire includes:

- Demographics
- Likert-scale questions on job displacement, creation, skill adaptation, and organizational readiness
- Open-ended optional questions for qualitative insight

Secondary Data:

Existing reports and datasets from:

- World Economic Forum (2020)
- OECD (2019)
- ILO (2020)
- Academic literature and journal articles

1.16 Sampling

- Target Population: Employees, HR professionals, AI specialists across technology, education, healthcare, and manufacturing sectors.
- Sampling Technique: Stratified random sampling to ensure representation across sectors.
- Sample Size: 200 participants, based on Slovin's formula with a 95% confidence level.

1.17 Data Analysis Techniques

- Quantitative Data: Analyzed using SPSS:
- Descriptive statistics (frequencies, means, standard deviation)
- Inferential statistics (T-tests, ANOVA, Pearson correlation)
- Reliability analysis using Cronbach's Alpha
- Qualitative Responses (from optional open-ended questions):
- Thematic analysis using manual coding for trends and insights

1.18 Ethical Considerations

- Participants' anonymity and confidentiality ensured
- Voluntary participation with informed consent
- Data used strictly for academic purposes
- Ethical approval obtained from the institution's research committee

1.10. The Suggested Project Structure

Chapter 1: Introduction and Literature Review

Background

Problem Statement

Research Questions & Objectives

Literature Gaps and Theoretical Foundation

Significance of Study

Methodology and Data Analysis

Research Philosophy, Approach, and Strategy

Sample, Instrument, and Data Collection

Analysis Method (SPSS)

Summary of Key Findings

Implications & Recommendations

References

Appendices (e.g., Questionnaire, Consent Form)

2.Chapter 2: Literature Review

2.1. Introduction

This chapter reviews existing research related to artificial intelligence (AI) and its impact on the labor market. It begins with a brief discussion of the independent variable (AI), then explores the dependent variable (labor market outcomes, including job displacement, job creation, and workforce readiness). The section concludes with an analysis of the relationship between these variables, followed by a summary.

2.2. The independent variable: Artificial Intelligence

Artificial intelligence refers to systems capable of performing tasks that normally require human intelligence, such as learning, problem-solving, and decision-making (Russell & Norvig, 2016). Scholars argue that AI is no longer a futuristic concept but an integral part of industries such as manufacturing, healthcare, and services (Davenport & Ronanki, 2018). AI functions both as a disruptive technology and a driver of innovation, influencing how work is performed and how organizations operate.

2.3. The dependent variable: Labor Market Outcomes

The labor market is shaped by AI in three main ways:

Job Displacement: Frey and Osborne (2017) estimate that nearly half of jobs in advanced economies are at risk due to automation.

Job Creation: The World Economic Forum (2020) predicts AI will generate 97 million new jobs by 2025 in emerging fields such as data science and machine learning.

Workforce Readiness: Successful adaptation depends on continuous learning, reskilling, and organizational support (ILO, 2019; Bughin et al., 2018).

2.4. The relationship between the independent and the dependent variables

The Relationship Between AI and Labor Market Outcomes

The relationship between AI (independent variable) and labor market outcomes (dependent variable) is complex and multifaceted. While AI-driven automation threatens repetitive, routine jobs, it also creates new opportunities requiring advanced technical and cognitive skills (Brynjolfsson & McAfee, 2014). The degree of impact often depends on factors such as industry, region, and organizational readiness. Scholars highlight that economies investing in reskilling and digital transformation are better positioned to balance job losses with job creation (Bessen, 2019; Arntz et al., 2016).

2.5. Conclusion

In summary, existing literature shows that AI significantly influences labor market dynamics through displacement, creation, and readiness. However, the balance between risks and opportunities is mediated by organizational strategies, government policies, and workforce adaptability. This study contributes by providing an integrated perspective on these dimensions, addressing both theoretical and practical gaps.

References:

- Autor, D. H. (2015). Why Are There Still So Many Jobs? The History and Future of Workplace Automation. *Journal of Economic Perspectives*.
- Brynjolfsson, E., & McAfee, A. (2014). *The Second Machine Age*. W. W. Norton & Company.
- Chui, M., Manyika, J., & Miremadi, M. (2016). Where machines could replace humans—and where they can't (yet). *McKinsey Quarterly*.
- Makridakis, S. (2017). The forthcoming Artificial Intelligence (AI) revolution: Its impact on society and firms. *Futures*.
- ILO (2020). *Global Employment Trends for Youth 2020*. International Labour Organization.
- World Economic Forum (2020). *The Future of Jobs Report 2020*.
- Acemoglu, D., & Restrepo, P. (2018). Artificial Intelligence, Automation and Work. NBER Working Paper No. 24196.
- Autor, D. H. (2015). Why Are There Still So Many Jobs? The History and Future of Workplace Automation. *Journal of Economic Perspectives*.
- Brynjolfsson, E., & McAfee, A. (2014). *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. W. W. Norton & Company.
- Makridakis, S. (2017). The forthcoming Artificial Intelligence (AI) revolution: Its impact on society and firms. *Futures*.
- ILO (2020). *Global Employment Trends for Youth 2020*. International Labour Organization.

- Bessen, J. E. (2019). AI and Jobs: The Role of Demand. NBER Working Paper No. 24235.
- Chui, M., Manyika, J., & Miremadi, M. (2016). Where machines could replace humans—and where they can't (yet). McKinsey Quarterly.
- ILO (2020). Global Employment Trends for Youth 2020. International Labour Organization.
- OECD (2019). OECD Employment Outlook 2019: The Future of Work. OECD Publishing.
- World Economic Forum (2020). The Future of Jobs Report 2020.
- Acemoglu, D., & Restrepo, P. (2018). Artificial Intelligence, Automation and Work. NBER Working Paper No. 24196.
- Autor, D. H. (2015). Why Are There Still So Many Jobs? The History and Future of Workplace Automation. *Journal of Economic Perspectives*, 29(3), 3–30.
- Bessen, J. E. (2019). AI and Jobs: The Role of Demand. NBER Working Paper No. 24235.
- Brynjolfsson, E., & McAfee, A. (2014). *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. W. W. Norton & Company.
- Chui, M., Manyika, J., & Miremadi, M. (2016). Where machines could replace humans—and where they can't (yet). McKinsey Quarterly.
- ILO (2020). Global Employment Trends for Youth 2020: Technology and the Future of Jobs. International Labour Organization.
- Makridakis, S. (2017). The forthcoming Artificial Intelligence (AI) revolution: Its impact on society and firms. *Futures*, 90, 46–60.

- OECD (2019). OECD Employment Outlook 2019: The Future of Work. OECD Publishing.
- World Economic Forum (2020). The Future of Jobs Report 2020. Geneva: World Economic Forum.
- Saunders, M., Lewis, P., & Thornhill, A. (2019). Research Methods for Business Students (8th ed.). Pearson.
- Creswell, J. W. (2014). Research Design: Qualitative, Quantitative, and Mixed Methods Approaches. Sage.
- Bryman, A. (2016). Social Research Methods (5th ed.). Oxford University Press.
- Robson, C., & McCartan, K. (2016). Real World Research (4th ed.). Wiley.
- Arntz, M., Gregory, T., & Zierahn, U. (2016). The Risk of Automation for Jobs in OECD Countries. OECD Working Paper No. 189.
- Brynjolfsson, E., & McAfee, A. (2014). The Second Machine Age. W.W. Norton & Company.
- Creswell, J. W., & Poth, C. N. (2018). Qualitative Inquiry and Research Design (4th ed.). Sage.
- Saunders, M., Lewis, P., & Thornhill, A. (2019). Research Methods for Business Students (8th ed.). Pearson.
- Arntz, M., Gregory, T., & Zierahn, U. (2016). The Risk of Automation for Jobs in OECD Countries. OECD.
- Bessen, J. (2019). AI and Jobs: The Role of Demand. NBER.

- Brynjolfsson, E., & McAfee, A. (2014). The Second Machine Age. W.W. Norton.
- Davenport, T., & Ronanki, R. (2018). Artificial Intelligence for the Real World. Harvard Business Review.
- Frey, C. B., & Osborne, M. (2017). The Future of Employment. Technological Forecasting and Social Change.
- International Labour Organization (ILO). (2019). Work for a Brighter Future. ILO.
- Russell, S., & Norvig, P. (2016). Artificial Intelligence: A Modern Approach (3rd ed.). Pearson.
- World Economic Forum. (2020). The Future of Jobs Report 2020. WEF.