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Midocean University

Midocean University

Faculty of Management

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Artificial Intelligence and Its Impact on the Labor Market

Fatima Ahmad Almutawah

1088937527

Graduation Project – 1

Faculty of Management - Midocean University

Supervisor

Dr.

Faculty member- Faculty of management- Midocean University

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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.

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1.4. Research Questions

1.5. Research Objectives

1.6. Research Hypotheses

1.7. Research Model

1.8. Research Methodology

1.9. Scope of The Study

1.10. The Suggested Project Structure

2.Chapter 2: Literature Review

2.1. Introduction

Brief introduction for the chapter

2.2. The independent variable

2.3. The dependent variable

2.4. The relationship between the independent and the dependent variables

2.5. Conclusion

References