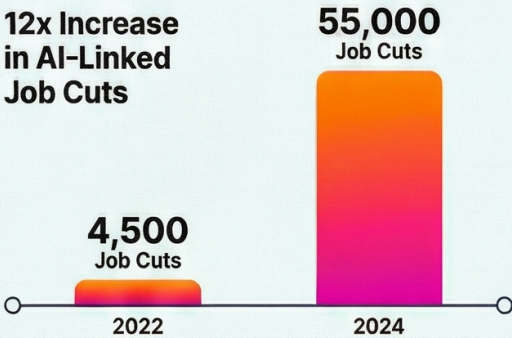


# AI and the New Social Contract: Navigating Workforce Displacement

As AI capability achieves “discontinuous innovation,” companies are replacing cognitive labor with AI—not due to financial distress, but to substitute human capability with lower-cost automation. This shift requires a new ethical framework to prevent long-term organizational erosion and societal instability.

## THE AI DISPLACEMENT LANDSCAPE

12x Increase in AI-Linked Job Cuts

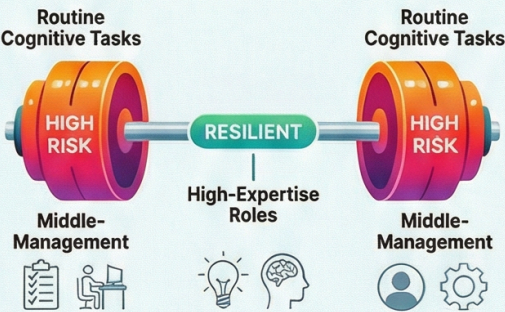


### The Rise of “Capability Substitution”

Displacement now occurs during high profitability, replacing humans because AI performs “sufficiently well.”



### The “Barbell” Distribution of Risk



### Displacement Types & Driver Comparison

**CYCLICAL**

**Driver:** Temporary economic/demand shocks

**Employee Impact:** Temporary gap; reemployment in similar roles likely.

**STRUCTURAL**

**Driver:** Permanent changes in production via AI

**Employee Impact:** Permanent market-value reduction for specific skill sets.

## THE ETHICAL LEADERSHIP FRAMEWORK

### Radical Communication Transparency



### Human-in-the-Loop Procedural Justice

Ensure human oversight and bias auditing when using algorithms to identify redundancies.



### Investing in “Just Transitions”

Follow the IBM/AT&T models by providing AI literacy training and extended benefits.

