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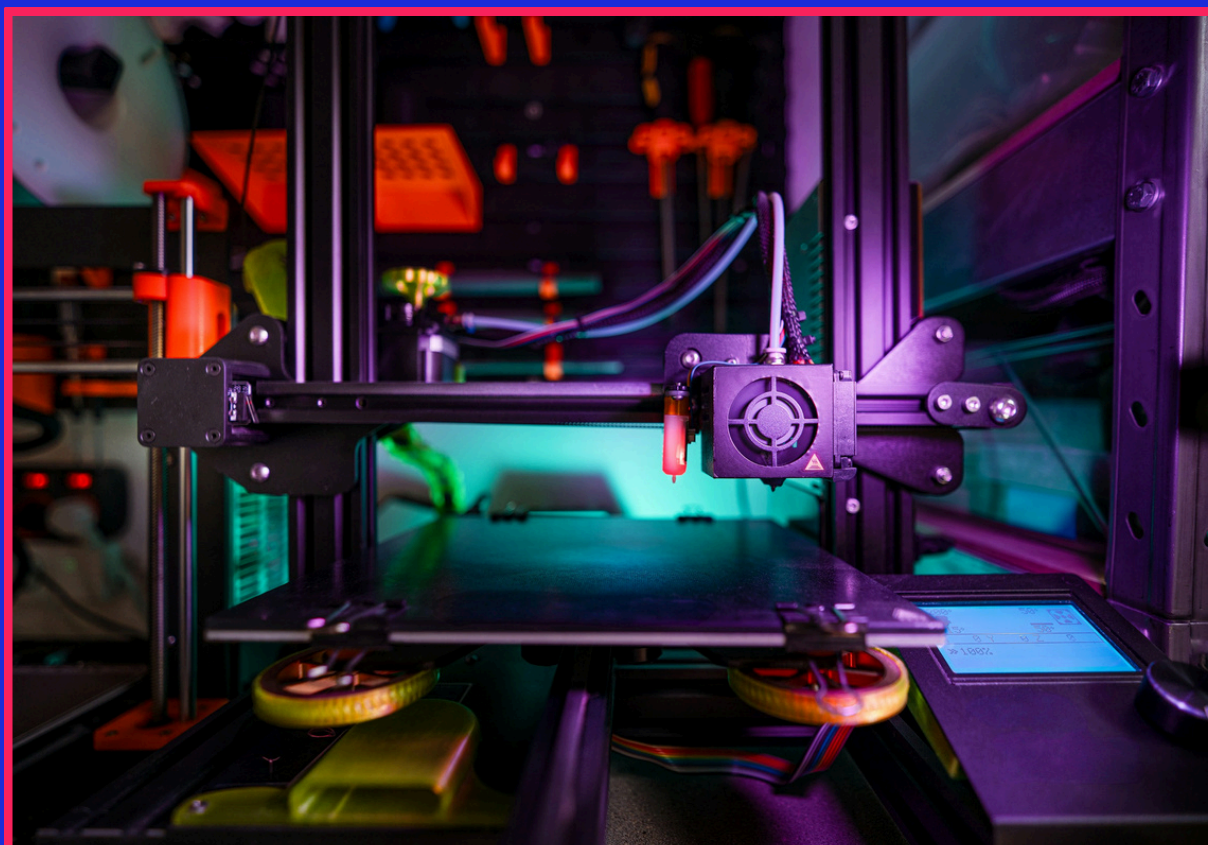


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INVISIBLE HARM: BREAKING THE SELF- REINFORCING GOVERNANCE GAP IN AI LABOUR MARKETS

2026

Muznah Siddiqui



Invisible Harm: *Breaking the Self-Reinforcing Governance Gap in AI Labour Markets*

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The use of AI

Artificial intelligence tools were used to support the organisation of research materials and assist with the drafting and editing of this report. AI tools were also used in the development and production of the figures, with all final content reviewed and approved by the author.

Abbreviations and Acronyms

AI	Artificial Intelligence
BPJS	<i>Badan Penyelenggara Jaminan Sosial</i> (Indonesia's Social Security Administering Body)
EBRD	European Bank for Reconstruction and Development
GDP	Gross Domestic Product
Gen AI	Generative AI
GPT-3	Generative Pre-trained Transformer 3
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organization
IT	Information Technology
OECD	Organisation for Economic Co-operation and Development
SIDS	Small Island Developing States
UNDP	United Nations Development Programme

Executive Summary

Artificial intelligence (AI) is changing who gets hired, how people are managed at work, and which workers bear the greatest risks. Yet, governments largely rely on headline employment figures that can remain stable while entry-level opportunities decline, working conditions deteriorate and specific occupations or demographic groups experience concentrated harm. The central argument of this Report is that governments cannot respond effectively to labour-market harms that they do not measure. Unless these effects become visible in official statistics, affected workers will struggle to secure political attention, firms will face limited accountability, and policy intervention may occur only after labour-market structures have been substantially reshaped.

Evidence of Concentrated Labour Market Effects

Aggregate employment stability can coexist with concentrated losses (Brynjolfsson *et al.*, 2025a). Entry-level hiring at major technology companies has declined 65 percent since 2019 (Sharma, 2026), whilst Stanford's Digital Economy Lab identified a 19 percent relative employment decline among workers aged 22-25 in AI-exposed occupations (Brynjolfsson, 2025a). Working conditions are simultaneously deteriorating, with two-thirds of United Kingdom drivers reporting persistent anxiety from algorithmic decision-making (Kleshcheva, 2026), and 27 percent of managers reporting difficulties understanding algorithmic management decisions (Lemmens, 2026, Milanez *et al.*, 2025). Research involving 441 employees in Bavarian hospitality organisations found that algorithmic control was negatively associated with perceived autonomy (Milojević *et al.*, 2026), illustrating how employee outcomes can vary according to the function and design of AI-enabled management systems.

Effects concentrate unevenly across demographic groups. Among the occupations examined by the International Labour Organization (ILO), 16 percent of female-dominated occupations fall within the highest potential-automation category, compared with 3 percent of male-dominated occupations. Evidence from China associates greater industrial-robot adoption with wider gender disparities in hourly wages and working hours (ILO, 2026a, 2026b). In Kenya, workers hired by Sama to label traumatic content for AI systems reportedly earned as little as USD 1.32 per hour, while more than 140 workers were subsequently diagnosed with post-traumatic stress disorder (Ugwumba, 2026). Furthermore, developing economies absorb compounding harms as premature deindustrialisation has closed manufacturing pathways at substantially lower income thresholds than historical precedents (Rodrik, 2015). Informal sector employment characterises approximately 80 percent of the workforce in most developing economies (Gonzalez *et al.*, 2026), yet statistical capacity to monitor labour market effects remains severely constrained (Fu *et al.*, 2022).

Three Reinforcing Governance Mechanisms

Three mutually reinforcing mechanisms sustain this governance gap. Firstly, firms face stronger commercial incentives to automate because AI can reduce labour costs Frazier and Hardig (2025). Regulatory constraints that increase the cost of automation would impose direct expenses on firms whilst distributing benefits more diffusely, thereby creating structural resistance to frameworks that would increase transparency or accountability. Secondly, affected populations frequently lack the institutional power required to place their experiences on political agendas. Young people lack cohesive political organisation and workers in informal sectors possess limited institutional channels for policy voice (Ayentimi *et al.*, 2025). Thirdly, national statistical systems fail to make concentrated harms sufficiently visible by not routinely publishing disaggregated data on entry-level hiring trajectories, earnings compression or algorithmic prevalence.

These three mechanisms reinforce one another, with statistical invisibility functioning as the critical enabling condition allowing other mechanisms to operate without generating sufficient resistance. National statistical systems do not routinely publish disaggregated data on entry-level hiring trajectories, earnings compression or algorithmic-management prevalence, despite technical capacity within statistical agencies to produce such analysis.

A survey of national statistical offices in 101 countries found that almost half had statistical laws more than a decade old, while almost nine in ten reported needing to strengthen their online dissemination platforms, data-visualisation tools and communication capabilities (Fu *et al.*, 2022). Breaking this cycle requires simultaneous intervention across all three dimensions rather than isolated or sequential reforms.

Why Isolated Interventions Prove Insufficient

Measurement interventions establishing information disclosure without accompanying institutional mechanisms may produce unintended consequences. Evidence from China illustrates that greater information availability can alter economic behaviour in ways that generate distributional costs: following the introduction of real-time air-quality disclosure, increases in pollution were associated with additional reductions in firm employment, with adjustment occurring primarily through labour quantity rather than changes in firms' factor-input structures (Liu & Liang, 2026). Employment regulations that increase the cost of employing workers can unintentionally accelerate fissuring or automation by encouraging firms to obtain labour through external suppliers or substitute technology for human labour (Estlund, 2019).

Measurement functions as a foundational precondition for all subsequent governance mechanisms. When concentrated harm remains invisible in official statistics, political pressure becomes difficult to generate, accountability mechanisms cannot be designed with sufficient specificity to target concentrated effects, and international institutions lack empirical grounds to apply external pressure. Disaggregated employment data on entry-level hiring decline, earnings compression in AI-exposed occupations and algorithmic management effects provide an empirical foundation through which political pressure can be generated across multiple institutional channels (OECD, 2025). The World Bank notes that data transparency makes little demands on public resources and does not require political reforms, suggesting that barriers reflect institutional priorities rather than resource constraints (Lederman & Islam, 2024).

Existing Governance Models Demonstrating Feasibility

Evidence from multiple jurisdictions demonstrates integrated governance response is technically feasible. China announced in February 2026 a monitoring and early-warning system for AI employment effects (Xinhua News Agency, 2026). California's May 2026 executive order directed state agencies to identify early warning signs of workforce disruption and develop a dashboard showing AI's impacts across sectors (State of California, 2026). Three Latin American democracies have enacted enforceable algorithmic transparency legislation without requiring source code disclosure, requiring instead clear explanations accessible to workers regarding which variables are considered and what consequences result (Observacom, 2025). Implementation across three jurisdictions demonstrates that such frameworks represent operationally feasible governance architecture applicable across varied institutional contexts.

The ILO's Decent Work in the Platform Economy Convention, 2026 (No. 193), adopted in June 2026, established the first global labour standard dedicated to platform work, covering fundamental rights, pay, social protection, occupational safety and health, algorithmic management, data protection, dispute resolution and enforcement (Mexi, 2026). Its effectiveness will nevertheless depend on national ratification, implementation, institutional capacity and enforcement (Shobhit, 2026; Solidarity Center, 2026). Research on the US Congress finds that legislators are more likely to follow than lead shifts in public issue attention, particularly shifts among their own political supporters, even after accounting for media agenda-setting effects (Barberá *et al.*, 2019).

This suggests that making concentrated labour-market harms more visible could increase the likelihood that they enter political agendas, although the study does not directly test the effects of official statistics or labour-market evidence. Such evidence can strengthen civil-society advocacy, trade-union participation in policymaking and legal claims involving systemic or indirect discrimination (European Court of Human Rights, 2007).

Sequenced Reform Agenda

Reform should proceed across three coordinated levels. Firstly, governments should immediately designate institutional responsibility for monitoring distributional employment effects and establish three complementary measurement streams; firm-level junior-to-senior hiring ratios, earnings trend analysis and survey measuring algorithmic management. This requires no new legislation and is achievable within a single policy cycle. Secondly, legislative reforms should establish corporate workforce-impact reporting and algorithmic transparency obligations, with proven models that demonstrate feasibility within two to three years (Abrams, 2026). Thirdly, international institutions should incorporate labour protections into development-financing requirements and mandate labour standards audits for companies receiving concessional financing, with meaningful enforcement consequences.

Conclusions

This governance gap is political, not technical. Measurement frameworks are technically achievable within existing mandates. The fundamental challenge is that governments cannot respond to labour market transformation they systematically fail to observe. Measurement functions as the foundational precondition enabling all subsequent governance mechanisms. The statistical infrastructure for effective labour market governance depends on decisions made during the current investment cycle, before path dependency embeds labour market restructuring beyond reversibility.

Recommendations

The report proposes a sequenced reform agenda coordinated across measurement, political representation and regulatory enforcement, consolidating measures developed in preceding sections.

Immediate action within existing institutional mandates

1. Governments should designate a national statistical office, labour ministry or dedicated AI workforce-monitoring unit with explicit mandate, adequate resources, defined public-reporting obligations and legislative oversight to monitor the distributional employment effects of AI deployment. Jurisdictions with less-developed statistical capacity should receive international technical assistance to establish baseline monitoring infrastructure;
2. National authorities should establish several coordinated measurement streams: firm-level junior-to-senior hiring ratios by sector reported to labour authorities; earnings trend analysis in AI-exposed occupations compared against economy-wide wage growth; and baseline surveys measuring algorithmic management prevalence in task assignment, compensation and termination decisions; and
3. Governments should locate AI workforce-monitoring functions within existing labour ministries and employment-governance structures rather than separate technology-policy bodies, equipping these systems with designated institutional authority, explicit mandates, regular reporting schedules and public-accountability mechanisms to ensure measurement findings flow directly into policy-relevant contexts.

Reforms requiring legislation or institutional redesign

4. Companies above a defined scale should disclose to workers and regulators how algorithmic systems affect task assignment, compensation, performance evaluation and termination. Disclosures should explain system objectives and design rationale, identify data categories used, clarify human-intervention roles and describe procedures through which algorithmic outputs become managerial decisions.

- Labour inspectorates should enforce these requirements without requiring source-code disclosure or compromising legitimate commercial confidentiality;
5. Workers should possess access rights to information about how algorithmic systems affect their individual employment situations and should be entitled to request human review of adverse automated decisions;
 6. Existing corporate-reporting obligations should extend to include AI workforce impact as a mandatory disclosure category, requiring companies to report distributional employment effects of AI deployment, junior-to-senior hiring ratios, algorithmic-management prevalence and labour standards applied to hidden labour workforces. Independent verification and penalties for non-disclosure should be calibrated to exceed compliance costs;
 7. Organisations above a defined size should report junior-to-senior hiring ratios and indicators of early-career role quality, including training provision, mentorship and task variety. Governments should consider sector-specific junior-intake benchmarks developed through consultation among regulators, employer bodies and worker representatives. Such benchmarks should be piloted and evaluated for effects on hiring, compliance costs and competitiveness before scaling implementation; and
 8. Governments should reform social-protection financing and administration to reduce coverage discontinuities when workers move between formal employment, informal work and self-employment. Protection should be made less dependent on continuous formal-employment status, particularly in developing economies with large informal workforces.

Measures requiring multilateral agreement and political commitment

9. International labour standards should incorporate measurable protections for workers performing data annotation and content moderation, including compensation parity with equivalent formal-sector work, mental-health support and trauma counselling, and occupational-safety standards covering exposure management, recovery time and occupational-health provision;
10. The ILO should promote ratification and supervise implementation of the Decent Work in the Platform Economy Convention, 2026 (No. 193), while national governments should ratify the Convention and establish domestic mechanisms to enforce its protections concerning remuneration, occupational safety and health, social protection, termination and algorithmic management;
11. The IDA and World Bank should make compliance with minimum labour protections in AI deployment a condition of concessional-financing eligibility;
12. Companies receiving development financing should undergo mandatory labour-standards audits conducted by independent auditors, with audit findings publicly disclosed and considered during lending reviews; and
13. International financial institutions should enforce financing-related labour requirements through consequences including suspension of financing access and public identification of non-compliant companies. Implementation requires explicit direction from member states through existing multilateral governance structures.

1. Introduction

AI is reshaping labour markets at a pace that may outstrip the measurement capacity of existing governance systems to detect its distributional effects. The *International AI Safety Report 2026* finds that national-level studies from Denmark and the United States detected no discernible relationship between occupational AI exposure or adoption and changes in overall employment. However, separate studies identified declining employment or hiring demand for younger and junior workers in highly AI-exposed occupations in the United States and United Kingdom (International AI Safety Report, 2026). This aggregate finding does not exclude concentrated distributional effects that economy-wide employment measures may fail to reveal (Brynjolfsson *et al.*, 2025a).

Globally, almost 40 percent of employment is exposed to AI, rising to about 60 percent in advanced economies (Cazzaniga *et al.*, 2024). Entry-level hiring at major technology companies has declined 65 percent since 2019 (Sharma, 2026). A Gartner survey of 110 chief human resource officers found that 22% report business leaders in their organisation have stopped hiring for entry-level roles due to AI automation, with 95% of organisations having implemented AI in some capacity over the last year (Gartner, 2026). Similarly, gross hiring by Indian IT firms declined from an annual average of approximately 230,000 over the preceding five years to approximately 170,000 in the financial year ending March 2026 (Salve, 2026). These concentrated effects remain absent from national employment totals because aggregate statistics measure job destruction and creation at the margin, not the systematic foreclosure of specific career pathways.

Governance challenges in AI labour market policy centres on a key foundational principle: governments cannot effectively regulate phenomena they systematically fail to observe. The central challenge therefore is not regulatory design or political will, but rather the problem of state observability. Existing governance institutions lack the statistical infrastructure necessary to detect concentrated labour market harms. Statistical invisibility functions as an enabling condition that prevents all other governance mechanisms from operating effectively. Without visibility, political constituencies may struggle to mobilise, regulatory accountability is harder to establish, and market incentives may remain unchecked. However, disclosure alone is insufficient unless information is accessible and connected to mechanisms capable of producing action (Brett, 2024). The World Bank has found that data transparency is particularly important during periods of uncertainty, when demand for timely data is greater, and that countries with credible data systems perform better during crises (Lederman and Islam, 2024).

Three mutually reinforcing mechanisms sustain this governance failure. In a theoretical model of competitive automation, firms capture the full labour-cost savings from replacing workers while bearing only a fraction of the resulting demand loss, creating incentives to automate beyond the collectively optimal level (Hemenway Falk and Tsoukalas, 2026). Structural exclusion of affected populations compounds the measurement problem, as young workers, informal sector workers, and hidden labour workforces lack institutional channels for political voice.

Existing national statistical systems do not publish disaggregated data on entry-level hiring trends, earnings compression, or algorithmic management prevalence, despite technical capacity within national statistical agencies to produce such information. A survey of national statistical offices in 101 countries found that almost half had statistical laws more than a decade old, while almost nine in ten reported needing to strengthen their online dissemination platforms, data-visualization tools and communication capabilities (Fu *et al.*, 2022). The findings indicate continuing legal, technical and financial constraints rather than establishing a single cause for statistical-capacity gaps.

Labour market restructuring is already observable across multiple jurisdictions. The question now centres on whether policy responses can be calibrated to address concentrated effects before labour market structures undergo substantial reshaping. Measurement is necessary, but not sufficient for governance response and must couple with worker contestation rights, regulatory capacity, and international coordination.

Responsibility for developing measurement infrastructure adequate to detect concentrated labour market effects lies with national statistical agencies in coordination with international organisations and frontier AI companies. Figure 1 illustrates how market incentives, structural exclusion and statistical invisibility interact to create a self-reinforcing governance gap.

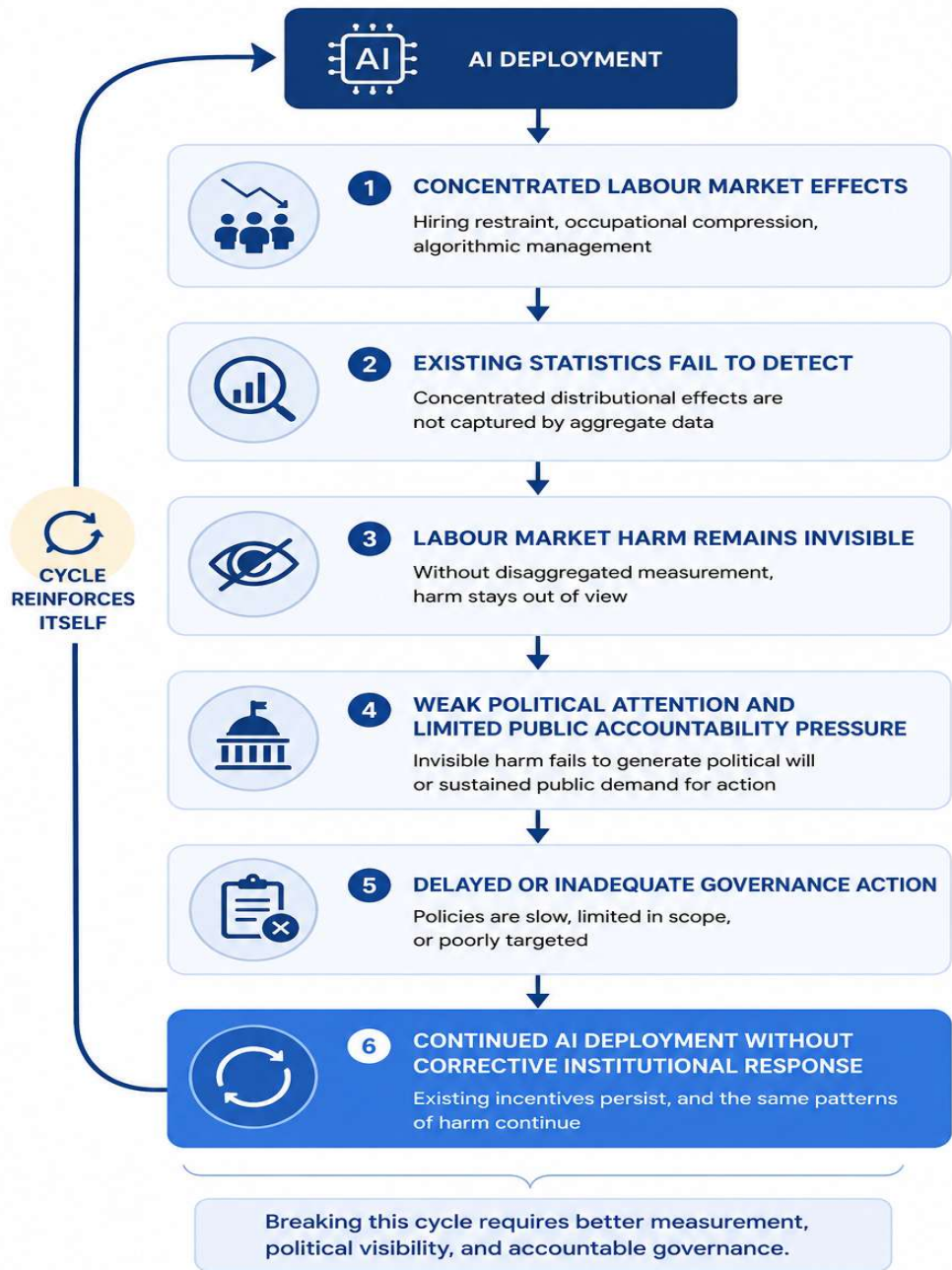


Figure 1 The Self-Reinforcing AI Labour Governance Gap

2. How AI Is Reshaping Work: Empirical Evidence

2.1 Entry-Level Hiring Decline and Compression of Learning Curves

Large-scale studies of AI-assisted tools reveal substantial heterogeneity in productivity gains that aggregate statistics mask. A study of a GPT-3-based conversational assistant found overall productivity increased approximately 15 percent (Brynjolfsson *et al.*, 2025b). This aggregate figure conceals that junior workers improved productivity by approximately 30 percent, while experienced workers experienced negligible gains (Brynjolfsson *et al.*, 2025b). Entry-level hiring pathways are contracting simultaneously across multiple labour markets, with evidence converging across jurisdictions and measurement approaches. For instance, entry-level hiring at major technology companies has declined 65 percent since 2019, and US job postings for entry-level roles that typically require some college education declined by more than 35 percent relative to January 2023, equivalent to over 100,000 fewer new monthly postings (Simon, 2025; Sharma, 2026).

Stanford's Digital Economy Lab finds a relative employment decline of 19 percent for workers aged 22 to 25 years in occupational categories most exposed to AI automation since late 2022 (Brynjolfsson *et al.*, 2025a). This convergence across independent measurement approaches indicates entry-level hiring decline is a robust distributional pattern, rather than a result produced by the limitations of any single dataset or method (Gartner, 2026). College graduate unemployment for workers aged 23 to 27 years increased from 3.25 percent in 2019 to 4.59 percent in 2025, indicating the mechanism operates through hiring restraint, rather than differential displacement (Ozkan & Sullivan, 2025).

Governments possess regulatory instruments designed to manage severance and redundancy for displaced workers, though generally lack dedicated instruments to monitor or preserve entry-level hiring pipelines affected by technological change. This absence likely reflects the invisibility of the harm in aggregate statistics, rather than the absence of technical capacity. Policy frameworks have been constructed to regulate visible displacement events rather than to establish monitoring infrastructure for the systematic foreclosure of pathways that would otherwise exist. Closing this framework gap requires statistical capacity to detect concentrated hiring restraint before labour market entry structures undergo substantial reshaping, and regulatory instruments capable of operating on hiring pipeline preservation.

2.2 Deterioration of Working Conditions

Algorithmic management increasingly performs functions that were previously undertaken by human managers across platform-based, hybrid and traditional work settings, including task allocation, shift planning, performance monitoring and reward determination. Indeed, in some platform settings, it can also implement disciplinary measures or dismissal (Lippert, 2025). Furthermore, two-thirds of United Kingdom drivers and couriers report persistent anxiety driven by algorithmic decision-making (Kleshcheva, 2026), with opacity affecting supervisory capacity as well as worker autonomy. An OECD survey found that 27 percent of managers report difficulties understanding algorithmic management decisions (Lemmens, 2026; Milanez *et al.*, 2025), indicating that system opaqueness constrains both worker agency and managerial oversight simultaneously. These outcomes reflect specific governance choices about system architecture and contestation design, rather than representing inevitable consequences of algorithmic deployment.

Research on worker autonomy and algorithmic control reveals the role of design choices in shaping outcomes. A study of 441 employees in Bavarian hospitality organisations found that algorithmic control was negatively associated with perceived autonomy, whereas AI-supported skill development was positively associated with both perceived autonomy and career security (Milojević *et al.*, 2026). Digital literacy did not significantly moderate the relationship between algorithmic control and perceived autonomy, indicating that higher digital literacy did not reduce this negative association within the study sample.

Working conditions and cognitive outcomes are not determined by technology, but rather by governance choices about deployment architecture, including decisions about worker contestation rights, system design, and the preservation or elimination of human decision-making authority. Regulatory frameworks must establish minimum standards for deployment design that preserve worker autonomy, enable contestation, and maintain cognitive engagement. Accepting algorithmic governance as immutable forecloses policy options that remain technically and institutionally feasible.

2.3 Gender-Differentiated and Demographic Concentration of Effects

The potential employment effects of generative AI (Gen AI) are unevenly distributed across demographic groups. The ILO finds that women have greater occupational exposure to Gen AI than men in 88 percent of the countries included in its sample. Across the occupations examined, 29 percent of female-dominated occupations have some exposure to Gen AI, compared with 16 percent of male-dominated occupations; 16 percent of female-dominated occupations fall within the highest potential-automation category, compared with 3 percent of male-dominated occupations (ILO, 2026a).

This disparity is closely connected to persistent occupational segregation, particularly over-representation of women in business-administration and clerical-support occupations containing tasks that are highly exposed to Gen AI. Women are also concentrated in teaching, care and personal-service occupations, although many care-related roles have lower automation potential because of their reliance on interpersonal skills (ILO, 2026a). Policymakers have begun to acknowledge this pattern. The California May 2026 executive order explicitly recognises that *'women, in particular, face disproportionate risks of displacement and widening economic inequality as AI evolves'* (State of California, 2026).

Evidence from China indicates that the productivity and income gains associated with industrial-robot adoption are distributed unevenly by gender and skill level (ILO, 2026b). A 1 percent increase in provincial industrial-robot density was associated with an approximately 0.316 percent increase in the gender gap in hourly wages. Robot adoption was also associated with lower weekly working hours overall, but the reduction was smaller for men than for women, thereby widening the gender difference in working time (ILO, 2026b).

The estimated effect on the gender wage gap was strongest among low-skilled workers and weakest among high-skilled workers. Among low-skilled workers, a 1 percent increase in industrial-robot density was associated with an approximately 0.1 percent expansion in the gender wage gap (ILO, 2026b). These findings indicate that productivity and income gains from technological adoption can coexist with unequal distributional outcomes across gender and skill groups.

Evidence on occupational exposure and wage and working-hours outcomes indicates that AI-related labour-market effects may be concentrated among women and low-skilled workers (ILO, 2026a; 2026b; Gardberg *et al.*, 2026). Aggregate employment statistics and average wage measures do not capture these effects. Governance frameworks designed around aggregate outcomes are therefore systematically blind to distributional consequences falling disproportionately on female workers and low-skilled workers. This framework design choice creates conditions in which concentrated harms remain invisible within policy-relevant data, preventing development of targeted policy responses proportional to the scale of distributional effects (OECD, 2025).

2.4 Hidden Labour: Statistically Invisible, Institutionally Unmeasured

More than 140 Kenyan workers hired by Sama¹ to label traumatic content for AI systems were reportedly diagnosed with post-traumatic stress disorder after earning as little as USD 1.32 per hour (Ugwumba, 2026). The Scale AI Remotasks platform also employed data labellers in Kenya and Nigeria before abruptly ending operations in both countries in March 2024 (Ugwumba, 2026). This vulnerability operates through multiple reinforcing mechanisms.

Worker-generated data may be re-purposed to develop technologies that restructure or displace the forms of labour from which those data originated (Shobhit, 2026). Simultaneously, exclusion from political processes operates through tangible institutional mechanisms including non-disclosure agreements and corporate subcontracting structures that obscure direct employment relationships, leaving workers without institutional representation, collective bargaining capacity, or domestic regulatory protection (Arends and Cleary, 2026; Pidoux *et al.*, 2026).

This opacity extends to international measurement systems. The ILO estimates that 27.6 million people are in forced labour, with 63 percent of forced labour occurring in the private economy (ILO, 2026c). However, the ILO portal does not separately identify hidden labour within AI supply chains or connect worker conditions to the frontier AI companies benefiting from their labour. This measurement gap limits international institution capacity to assess corporate responsibility, develop targeted conditionality, or enforce minimum standards. Cost savings from low wages and weak regulatory compliance accrue to companies, while psychological injury, employment insecurity and labour-market exclusion are borne by workers and their communities.

This governance gap is compounded by regulatory capture. The National Artificial Intelligence Strategy of Nigeria was co-created through a workshop involving Meta, Microsoft and Google, creating a potential conflict of interest because these companies may be subject to the governance framework they helped shape (Ugwumba, 2026). Companies possess structural incentives to design regulatory frameworks that preserve opacity and constrain measurement. Closing this conflict of interest requires either separating regulatory design from commercial participation or establishing measurement and accountability mechanisms that make the costs of opacity visible to policymakers and international institutions.

2.5 Structural Employment Deficit in Developing Economies

Figure 2 illustrates how constrained industrialisation pathways, changing demand for digitally tradable services, large informal sectors and limited statistical capacity can combine to intensify the structural employment deficit in developing economies.

Developing economies face compounding measurement failures within pre-existing structural employment deficits (Ayentimi *et al.*, 2025). African labour market entry reaches approximately 12 million persons annually against formal sector employment expansion of roughly 3 million, producing a 9 million-person annual absorption gap (Doumba, 2026; Gonzalez *et al.*, 2026). This reflects premature deindustrialisation, in which developing economies reach peak manufacturing employment at substantially lower income thresholds than historical precedents. Rodrik (2015) documents that since 1990, countries have achieved peak manufacturing employment at incomes approximately one-third of pre-1990 levels: USD 4,447 compared to USD 12,088 in 1990 international dollars. Automation and skill-biased technological change increased capital requirements and reduced labour intensity at the moment when manufacturing was needed most to absorb surplus labour.

¹ A certified B-Corp tech company providing data annotation, validation, and training data for computer vision and machine learning models

Rapid AI deployment is simultaneously reshaping labour demand in digitally tradable services, eliminating established transition mechanisms exactly as manufacturing pathways are contracting. In India, gross hiring by IT firms declined from an annual average of approximately 230,000 over the preceding five years to approximately 170,000 in the financial year ending March 2026, while firms also posted fewer entry-level vacancies as the sector shifted away from volume hiring (Salve, 2026).

In most developing countries, up to 80 percent of workers operate in the informal sector, generally without labour-code protections, severance rights or mandated employment benefits (González *et al.*, 2026), yet the statistical capacity to address these challenges remains severely constrained, with two-thirds of national statistical offices in International Development Association (IDA)-eligible countries experiencing moderate or severe budget delays that undermine their ability to collect and disseminate disaggregated labour market data (Ayentimi *et al.*, 2025; Fu *et al.*, 2022).

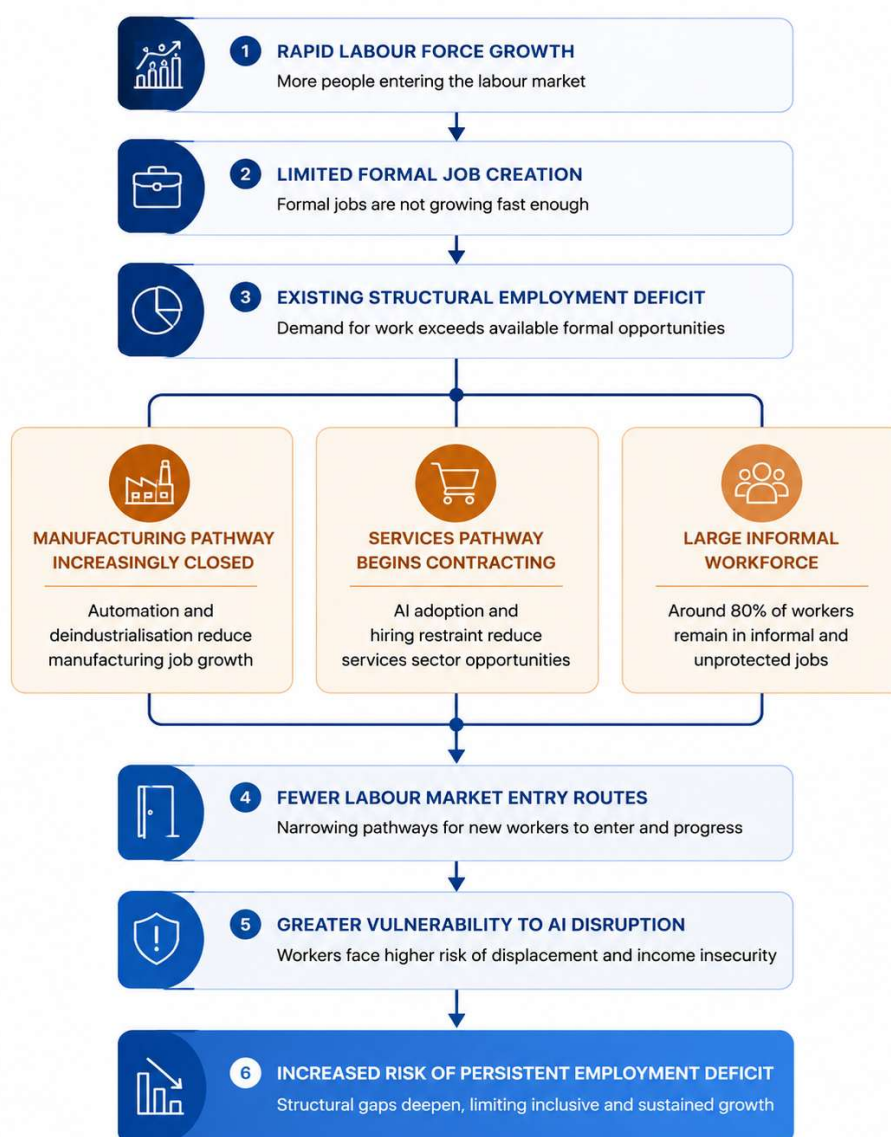


Figure 2 AI and the Structural Employment Deficit in Developing Economies

The combination of closed manufacturing pathways, contracting services sector hiring, widening capability gaps and structural exclusion of informal employment from measurement and regulation creates conditions in which technological deployment may accelerate rather than mitigate the structural employment deficit. Governance mechanisms must extend labour market protection and employment opportunities to populations that existing frameworks have never adequately reached.

2.6 Countervailing Evidence: Job Creation, Augmentation and Labour Reallocation

Evidence on aggregate employment effects of AI remains mixed, complicating straightforward assessments of net employment impact. Some research documents substantial job creation, with LinkedIn reporting 1.3 million new AI-related roles created globally within two years, alongside over 600,000 AI-enabled data centre positions (Shapero, 2026). Bersin (2026) argues that employment trends in high-exposure occupations such as software engineering remain stable or expanding, with skill composition rather than aggregate headcount shifting as AI alters task requirements. Conversely, the Stanford synthesis of labour market research finds that aggregate employment effects remain modest, though entry-level workers face elevated unemployment at 5.6 percent, up 1.6 percentage points from three years prior, suggesting concentrated rather than economy-wide disruption (Mahoney *et al.*, 2026).

AI may create new occupational categories, increase demand for complementary skills, improve firm productivity and enable business expansion (Bersin, 2026; Mahoney *et al.*, 2026). AI-assisted tools can raise the productivity of less-experienced workers and accelerate skill acquisition, potentially expanding employment where firms respond to productivity gains by scaling output (Brynjolfsson *et al.*, 2025b). However, aggregate job creation does not establish accessibility of newly created roles to workers, regions or occupational cohorts experiencing displacement (Autor, Dorn and Hanson, 2015). Nor does it clarify whether new employment provides comparable wages, security or developmental value. The relevant governance question is therefore not whether AI creates or destroys employment in aggregate, but rather how simultaneous creation and displacement distribute across workers, and whether existing measurement systems detect labour market transition at speeds sufficient for policy response.

2.7 What Aggregate Employment Statistics Cannot Detect

The mechanisms through which AI produces workforce harm operates below the threshold that aggregate employment statistics are designed to detect. This represents a fundamental mismatch between the level of analysis at which harm concentrates and the level at which governance frameworks collect and disseminate data. Disaggregation by occupation, age cohort, gender and sectoral exposure is technically feasible using variables already collected through national labour-force surveys, censuses and administrative systems, although data granularity, sample size and cross-country comparability may constrain implementation. Evidence from the measurement of irregular migration demonstrates that statistical gaps may reflect political priorities, legal restrictions and reluctance among vulnerable populations to disclose information, as opposed to simply technical constraints (Vono de Vilhena and Loi, 2020).

Disaggregated analysis reveals labour market harm invisible in aggregates. Autor, Dorn and Hanson (2015) demonstrate that technology-exposed commuting zones experienced substantial occupational polarisation: employment declined in routine-intensive occupations, but these losses were largely offset by growth in abstract- and manual-task-intensive occupations, producing little net change in overall employment. These offsetting aggregate effects illustrate how substantial occupational restructuring can remain obscured when measurement focuses on net employment change, rather than changes across occupations and demographic groups.

Rodrik (2015) documents a similar pattern with premature deindustrialisation in developing economies, detectable only through careful empirical analysis controlling for income and demographic trends. These precedents establish that concentrated effects require disaggregated measurement to become visible for policy response (Autor, Dorn and Hanson, 2015).

This precedent is directly instructive for AI governance. Employment effects associated with technological change can differ across occupations, sectors, local labour markets, age cohorts, education levels and demographic groups (Autor, Dorn and Hanson, 2015).

Emerging AI-related harms may similarly operate at levels which are not revealed by aggregate employment statistics. These levels of disaggregation are technically achievable within existing statistical infrastructure.

However, establishing the governance capacity to detect concentrated AI-driven labour market effects requires institutional decisions to prioritise disaggregated analysis, configure data dissemination systems to reveal concentrated effects, and establish feedback mechanisms through which discovered harms become objects of policy attention and regulatory response. Technical innovation in data collection is not required.

As summarised in Table 1, the dominant labour risks associated with AI differ across regions according to their economic structures, development pathways and existing labour-market institutions.

Table 1 Regional Patterns of AI Labour Market Risk

Region	Dominant Labour Risk	Development Context
Global North	Entry-level hiring decline; occupational compression	Mature labour markets undergoing workforce re-composition
China	Manufacturing automation alongside AI industrial upgrading	Industrial upgrading with emerging AI occupations
Middle East & Gulf	Workforce readiness lagging AI investment	Diversification through AI adoption
East Asia	Automation combined with demographic ageing	Mature economies facing shrinking workforces
South & Southeast Asia	Platform work, IT services displacement, informal employment	Large informal sectors and service-led growth
Africa	Hidden labour, premature automation, structural employment deficit	Industrialisation pathways remain incomplete
Caribbean (& Pacific) SIDS	Tourism and financial services disruption	Small labour markets with limited diversification
Latin America	Platform work and algorithmic management risks	Emerging statutory protections for platform workers alongside uneven regional coverage

These differences demonstrate why a uniform governance response would be insufficient: monitoring and protection must be calibrated to the principal risks and institutional conditions within each region.

3. How Governance Fails: Interconnected Mechanisms

Evidence from multiple jurisdictions demonstrates that labour market change is concentrating rather than distributing economy-wide. The governance challenge is not about whether labour market transformation is occurring, but why existing institutions have struggled to recognise and respond to its concentrated effects. This governance gap emerges not from technical inability, but from three mutually reinforcing mechanisms operating simultaneously, rendering isolated policy responses insufficient.

Table 2 compares the principal measurement practices and governance gaps across regions, showing that statistical blind spots vary according to institutional capacity and labour-market structure.

Table 2 Regional Governance and Measurement Gaps

Region	Current Measurement	Principal Governance Gap
Global North	Aggregate employment statistics	No distributional monitoring
China	Early-warning system under development	Accountability architecture still emerging
Middle East & Gulf	Adoption-focused indicators	Workforce governance underdeveloped
East Asia	Aggregate employment tracking	Weak developmental pipeline monitoring
South & Southeast Asia	Informal work largely unmeasured	Two-tier labour market governance
Africa	Significant statistical gaps	Governance capture and limited institutional capacity
Caribbean SIDS	Minimal AI-specific measurement	Limited governance infrastructure
Latin America	Platform-specific algorithmic disclosure in selected jurisdictions	Uneven enforcement and limited economy-wide monitoring of AI employment effects

Despite these regional differences, the underlying governance failures operate through the common reinforcing structure presented in Figure 3 below.

3.1 Three Mechanisms Sustain the Governance Gap

Measurement gaps cannot be addressed in isolation, as they interact with market incentives and limitations in the representation of affected workers. Firms may capture the immediate cost savings associated with replacing labour while bearing only part of the wider effects on employment and aggregate demand. This may create incentives to automate beyond the collectively optimal level (Hemenway Falk and Tsoukalas, 2026). Competitive pressures can reinforce these incentives, including where widespread automation may adversely affect aggregate employment and demand. Regulatory measures intended to increase the transparency or accountability of automation decisions may impose direct costs on individual firms while generating benefits that are distributed more widely. This creates incentives for firms to resist or seek to limit such measures.

The limited representation of affected groups may further contribute to measurement gaps. Young people are not generally organised as a cohesive political constituency, while workers in informal employment often have limited access to institutional channels through which to articulate their interests.

Workers in informal and platform-based employment often have limited access to collective representation and institutional channels through which to articulate their interests, particularly in sub-Saharan Africa (Ayentimi *et al.*, 2025). Where the effects experienced by these groups are not captured in official statistics, they may lack the evidence required to demonstrate common patterns, inform collective action and support policy engagement. Limited representation may therefore reduce demand for improved measurement, while inadequate measurement can further constrain effective participation in policymaking.

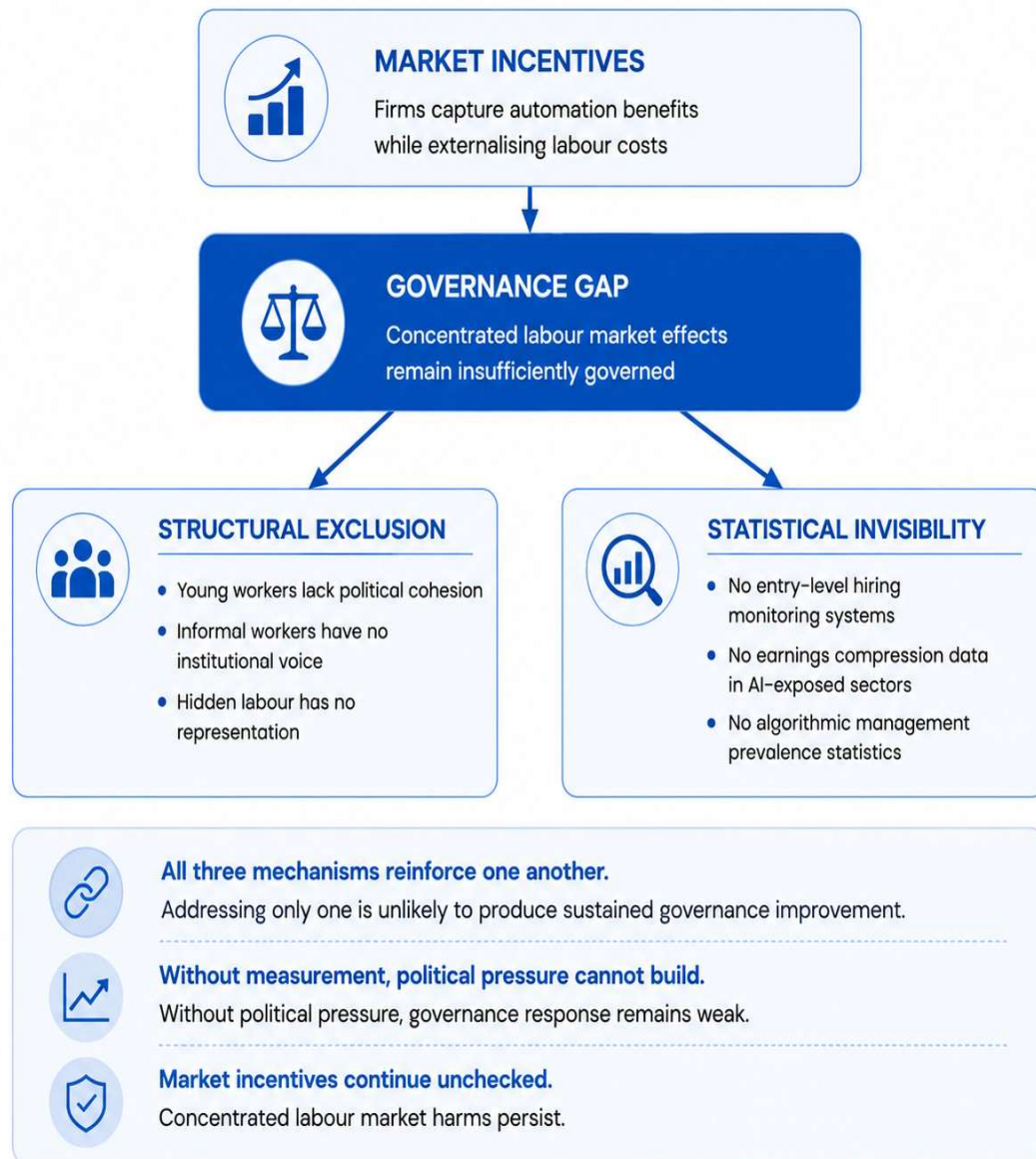


Figure 3 Three Reinforcing Mechanisms Sustaining the Governance Gap

Statistical invisibility can enable these dynamics to persist by limiting the evidence available to policymakers, workers and oversight institutions. Evidence from the United States illustrates how conventional labour statistics may obscure the distributional effects of AI. Employer-based systems primarily classify employment by industry rather than occupation or task, comprehensive occupational data operate on a three-year rolling cycle, and freelance and self-employed workers remain poorly captured (Legis1 Editorial, 2026). Aggregate employment indicators may therefore remain stable while disruption is concentrated within particular occupations, tasks, career stages or contractual arrangements. Decisions concerning which outcomes are measured and the level at which data are disaggregated reflect governance priorities and institutional choices, as well as technical capacity (Vono de Vilhena and Loi, 2020).

These mechanisms are mutually reinforcing. Market incentives may encourage automation while limiting support for transparency requirements. Weak representation can reduce political demand for improved measurement and regulatory action, while inadequate data can make it more difficult for affected groups to demonstrate harm and participate effectively in policy processes. Addressing measurement alone would improve the visibility of distributional effects, but would not resolve the underlying incentives favouring automation or the barriers to worker representation. Effective governance therefore requires a co-ordinated approach combining improved measurement, inclusive participation and regulatory accountability (UNDP, 2011).

As Figure 3 demonstrates, none of the three mechanisms operates independently: statistical invisibility weakens political representation, limited representation allows measurement gaps to persist, and weak accountability enables market incentives favouring labour displacement to remain insufficiently constrained. Figure 4 translates this diagnosis into an intervention framework, showing why measurement, political representation and regulatory constraint must operate together rather than as isolated or strictly sequential reforms.



Figure 4 Why Governance Requires Coordinated Intervention

3.2 Mutual Reinforcement and Why Isolated Interventions May Be Insufficient

Improved measurement may also create risks for vulnerable populations: data that increase statistical visibility may simultaneously expose individuals to identification or persecution unless appropriate safeguards govern collection and access (Vono de Vilhena and Loi, 2020). Evidence from China demonstrates that information disclosure can change the behavioural responses of firms, workers and regulators. For instance, following the introduction of real-time air-quality disclosure, increases in pollution were associated with additional reductions in firm employment, particularly among non-state-owned enterprises, small firms, polluting firms and non-labour-intensive firms (Liu and Liang, 2026).

The identified mechanisms included intensified local enforcement, the absence of compensating wage differentials and employment declines among highly educated and highly skilled workers consistent with relocation from polluted areas (Liu and Liang, 2026). Although this evidence concerns environmental disclosure rather than AI, it illustrates that improved visibility does not always determine how institutions and market actors respond to newly available information. Measurement should therefore be accompanied by policy mechanisms capable of anticipating and addressing its distributional consequences (Brett, 2024; Liu and Liang, 2026).

Regulatory constraints applied without measurement visibility and without political mechanisms for affected populations face sustain implementation challenges. Policies designed to alter automation incentives may be vulnerable to lobbying, regulatory arbitrage and implementation gaps. Evidence from fissured workplaces and global supply chains shows that firms can use outsourcing, subcontracting and offshoring to distance lead companies from employment responsibilities and take advantage of differences in labour protections across contractual forms and jurisdictions (Estlund, 2019; Gurumurthy *et al.*, 2021). Without measurement transparency documenting compliance and outcomes, and without political mobilisation creating external pressure for enforcement, regulatory constraints erode over time through bureaucratic drift or corporate adaptation.

Coordinated intervention across all three mechanisms simultaneously produces sustained change more effectively than isolated intervention. Measurement establishes visibility of concentrated harm. Political mechanisms enable affected populations to act on information and participate in regulatory design. Regulatory constraints address structural incentives favouring labour displacement within a governance environment in which compliance is visible and political pressure is sustained.

Sequential intervention produces disclosure without effective constraint, regulatory intervention without measurement faces implementation challenges, and political mobilisation without measurement and regulatory frameworks lacks institutional mechanisms to achieve material change (Brett, 2024). Sustained governance response therefore requires coordination across measurement, political representation, and regulatory constraint operating simultaneously rather than isolated or sequential intervention.

4. Governance Responses and Existing Models

Evidence from multiple jurisdictions demonstrates what is actually feasible.

4.1 Measurement and Early Warning Systems

The Ministry of Human Resources of China announced in February 2026 a monitoring, early-warning, and response system for AI employment effects, embedding AI governance within employment administration rather than treating AI as a separate technology policy domain (Xinhua News Agency, 2026). The California May 2026 executive order directed state agencies to identify early warning signs of workforce disruption, develop a dashboard showing impacts of AI across sectors, explore severance standards and worker-ownership models, and make recommendations within 180 days on revisions to the California Worker Adjustment and Retraining Notification Act (State of California, 2026). Both jurisdictions established institutional authority for coordinated measurement, designated responsible bodies with explicit mandates, and established reporting schedules with public accountability.

Both examples place AI employment measurement *within* existing employment governance structures, rather than creating separate AI policy domains. This institutional positioning enables measurement findings to flow directly into policy instruments designed around employment outcomes rather than technology policy considerations. Both also establish early-warning and rapid-response capacity rather than awaiting the accumulation of concentrated effects to crisis proportions.

These approaches demonstrate that governance frameworks addressing employment effects of technological change prove more tractable and implementable when embedded within employment administration, rather than when situated within technology policy governance. This institutional architecture design is replicable across jurisdictions, regardless of development level or statistical system maturity. The institutional positioning of measurement capacity within existing employment governance structures creates pathways for evidence to translate into operational policy response, whereas separate AI governance domains may operate at an insufficient proximity to employment policy instruments to generate timely intervention.

4.2 Algorithmic Transparency as Enforceable Governance

Three Latin American democracies (Chile, Mexico, Uruguay) have enacted enforceable legislation requiring platform companies to disclose how algorithmic systems determine work allocation, task assignment, compensation, and other employment conditions (Observacom, 2025). These legislative frameworks establish binding requirements with specified penalties for non-compliance and institutional authority for verification and enforcement. The Labor Code amendment of Chile (Law 21.431, 2022) requires platform companies to disclose the methodology for treating workers' personal data, the matching criteria used to assign tasks, and the calculation methodology for compensation (Observacom, 2025).

The 2024 Federal Labor Law reform of Mexico established Chapter IX Bis on work on digital platforms, requiring platforms to disclose the rules used to assign tasks and file policy documents explaining consequences of task completion or failure, effects of customer ratings on compensation, and incentive and penalty structures (Observacom, 2025). The Law 20.396 of Uruguay (2025) takes a comprehensive approach, requiring companies to inform workers about the existence of automated systems and mandating that algorithmic logic, criteria, and parameters be communicated in understandable language, with workers possessing rights to access algorithmic information and receive explanations of significant decisions including possibility of contacting humans for clarification (Observacom, 2025).

Notably, none of these legislative frameworks requires source code disclosure or publication of commercially sensitive algorithmic formulas.

Instead, they mandate clear and comprehensible explanations in language accessible to workers regarding which variables are considered, how they are combined, and what consequences their operation has for employment outcomes (Abraha, 2023; Observacom, 2025). National authorities access detailed algorithmic information for oversight and compliance verification purposes while maintaining confidentiality of proprietary business information (Observacom, 2025). The framework structure balances worker protection and meaningful contestation rights against legitimate business interest protection (Observacom, 2025).

These legislative precedents establish that governance response on algorithmic transparency and worker access is institutionally feasible (Observacom, 2025). Viable frameworks operate at the boundaries between worker protection and commercial confidentiality without requiring source code disclosure. Indeed, implementation across three Latin American jurisdictions demonstrates that such models are operationally achievable and represent a replicable governance architecture applicable across varied institutional contexts rather than exceptional regulatory arrangements.

4.3 International Labour Standards

The ILO's Convention 193, adopted in June 2026, establishes protections for platform workers regardless of whether they are classified as employees or independent contractors, although the application of particular protections may depend on employment status (Business & Human Rights Resource Centre, 2026; Solidarity Center, 2026). The Convention requires workers to be informed about automated systems and establishes rights to explanation and review for certain adverse automated decisions, including those concerning remuneration, suspension, deactivation and termination (Mexi, 2026; Shobhit, 2026). The United States and New Zealand voted against adoption, while Australia, Canada, India, Japan and the United Kingdom were among the governments that abstained, despite the Convention receiving overwhelming overall support (Shobhit, 2026). This pattern indicates that consensus around platform labour protections remains contested at the institutional level.

The substantive provisions of the Convention contain significant implementation gaps. Disclosure obligations require that workers be informed of the existence of automated systems, but provisions regarding algorithmic objectives, data categories, institutional procedures, and human intervention roles remain unspecified or underdeveloped (Shobhit, 2026). Review rights apply only to a narrow category of adverse decisions, potentially leaving task allocation, pricing, and performance scoring excluded from contestation mechanisms (Mexi, 2026; Shobhit, 2026). While the Convention establishes the principle that platform workers warrant labour rights protection, the operationalisation of those rights remains substantially constrained.

This pattern illustrates a broader challenge in international labour governance. Formal institutional agreement at convention adoption may coexist with substantial implementation gaps, contested support from major actors, and procedural mechanisms insufficient to translate rights into material protections for affected workers (Mexi, 2026). The Convention represents institutional progress on platform labour rights, while simultaneously illuminating the constraints on that progress and the distance between formal agreement and effective implementation. The gap between institutional commitment and operational capacity to enforce that commitment suggests that convention adoption alone is insufficient without accompanying national-level regulatory capacity and monitoring mechanisms.

5. A Sequenced Reform Agenda

5.1 Measurement as Foundational Precondition

The reform agenda divides into three categories by implementation horizon and institutional requirements. Some interventions are achievable within existing institutional frameworks through modifications to statistical practice and regulatory procedure. Others require new legislation or institutional redesign within national governance structures. A third category requires political conditions and multilateral consensus that do not yet exist at international level but could be constructed through sustained advocacy. Measurement functions as the foundational intervention because it serves as the precondition for all subsequent reforms to become politically achievable. When affected populations remain statistically invisible, governments and civil-society organisations have limited evidence with which to assess their circumstances, design targeted policies or monitor whether their rights are protected (Vono de Vilhena and Loi, 2020).

Disaggregated employment data on entry-level hiring decline, earnings compression in AI-exposed occupations, and algorithmic management effects provide an empirical foundation through which political pressure can be generated across multiple institutional channels (OECD, 2025). The California May 2026 executive order operationalises this principle by directing the creation of a sectoral AI impact dashboard and the incorporation of business feedback on technology's role in workforce decisions into monthly jobs reports (State of California, 2026).

Research on the US Congress finds that legislators' expressed agendas respond to shifts in public issue attention, with legislators particularly responsive to their political supporters and, to a lesser extent, politically attentive citizens (Barberá *et al.*, 2019). Disaggregated statistics may therefore help increase the political visibility of concentrated labour-market harms by connecting workers' experiences to documented sectoral and regional patterns. Such evidence can also strengthen civil-society advocacy, trade-union participation in policymaking and legal claims involving systemic or indirect discrimination, although statistics are not required for every campaign or case (European Court of Human Rights, 2007).

International financial institutions already incorporate labour safeguards into project financing through the World Bank's Environmental and Social Standard 2, the IFC's Performance Standard 2 and the EBRD's Performance Requirement 2; these mechanisms provide an institutional precedent for using disaggregated labour-impact evidence to inform compliance assessments and oversight of AI-intensive projects, subject to institutional mandates and appropriate safeguards (World Bank, 2016; IFC, 2012; EBRD, 2023).

These three channels through which measurement generates political pressure reinforce one another. Legislative action creates regulatory requirements that international institutions can condition financing upon. International conditionality creates pressure on governments to adopt legislation that domestic constituencies are demanding through civil society mobilisation. Disclosed information can support regulatory development, agency action and litigation when affected groups and institutions possess the capacity to use it (Brett, 2024). Official statistics documenting concentrated labour-market harms may consequently strengthen civil-society advocacy and create political demand for legislative action. Measurement therefore functions not as one policy input among competing alternatives, but rather as the foundational intervention enabling all other mechanisms of political accountability and regulatory response to operate.

5.2 Category One: Achievable Now Within Existing Institutional Mandates

Publishing credible and timely statistics can be a comparatively low-resource intervention: the World Bank notes that data transparency 'makes little demands on public resources and does not require political reforms' (Lederman and Islam, 2024).

Applying this principle to AI labour-market measurement would nevertheless depend on whether jurisdictions already possess the necessary data, institutional authority and statistical capacity. This requires a political decision to disaggregate existing data and publish findings with appropriate frequency and accessibility.

Comprehensive measurement requires coordinated disaggregation across several dimensions. High-frequency employment monitoring disaggregated by age and occupational AI exposure can reveal whether employment changes are concentrated among early-career workers in highly exposed occupations (Stanford Digital Economy Lab and ADP Research, 2026). Building on this approach, this report proposes firm-level reporting of junior-to-senior hiring ratios by sector to labour authorities. Monitoring wage growth and within- and between-occupation wage inequality by occupational AI exposure can help identify distributional wage patterns associated with AI, although existing evidence does not establish a causal effect and predates recent generative-AI developments (Georgieff, 2024). Baseline surveys on algorithmic management prevalence establish the proportion of workers subject to automated decision-making in task assignment, compensation determination, or termination decisions (Milanez *et al.*, 2025).

These measurement streams create a coherent system capable of detecting concentrated employment effects as they emerge rather than retrospectively after labour market structures have shifted. Together they provide empirical grounds for legislative action, civil society campaigns, and international institutional pressure. Neither individually nor in aggregate do they require technical innovation in data collection methodology. Each operates on data that is already collected within national statistical systems, but not currently disseminated in forms that reveal concentrated effects.

Initiatives by the Ministry of Human Resources of China and the California government demonstrate that governments can initiate AI-related workforce monitoring through existing institutions and executive action (State of California, 2026; Xinhua News Agency, 2026). Both jurisdictions established institutional authority for coordinated measurement, designated responsible bodies with explicit mandates, established reporting schedules with public accountability, and created legislative oversight mechanisms (State of California, 2026; Xinhua News Agency, 2026). This institutional architecture is replicable across jurisdictions regardless of development level or statistical system maturity. The requirement consists of designating a body with explicit mandate to produce disaggregated employment dashboards on a defined schedule, with public reporting obligations and legislative oversight accountability for findings and outcomes.

Table 3 translates this general measurement agenda into immediate priorities reflecting the different labour risks and institutional conditions identified across regions.

Table 3 Regional Government Priorities

Region	Immediate Policy Priority
Global North	Entry-level hiring dashboards
China	Expand employment early-warning systems
Middle East & Gulf	Workforce transition planning
East Asia	Age-specific transition policies
South & Southeast Asia	Portable social protection
Africa	Labour market measurement infrastructure
Caribbean SIDS	National AI labour strategies
Latin America	Consolidate and enforce algorithmic-transparency and worker-contestation rights

These priorities identify the most immediate point of entry for each region rather than an exhaustive reform programme; all regions ultimately require coordination across measurement, worker protection and regulatory accountability.

5.3 Category Two: New Legislation or Institutional Design

Three intervention categories require new legislation but possess proven design models and are technically achievable within two to three years in jurisdictions with functioning legislative processes and political commitment to labour market protection. Algorithmic transparency obligations extend established principles from the European Union's General Data Protection Regulation into workplace algorithmic management systems (Abraha, 2023). Companies above a defined scale should disclose to workers and regulators how algorithmic systems affect work assignments, compensation determination, performance evaluation, and termination decisions (Abraha, 2025; European Parliament, 2025). The proposal could require workers to be informed about the data collected or processed and the operation of human oversight, while requiring consultation when algorithmic systems affect remuneration, evaluation, task allocation or working time (European Parliament, 2025)

Workers must similarly possess rights to access information about how algorithms affect their specific employment situation and to request human review of adverse algorithmic decisions (Abraha, 2023; Abraha, 2025; European Parliament, 2025). ILO's Convention 193 provides the international framework for this, while Law 21.431 of Chile, Article 291-J of Mexico, and Law 20.396 of Uruguay demonstrate that algorithmic transparency can be mandated through specific legislative requirements, enforced through labour inspectorates, and operationalised without requiring source code disclosure or compromising legitimate business confidentiality (Mexi, 2026).

This report additionally proposes mandatory pipeline-monitoring obligations for organisations above a defined size. Governments should consider sector-specific junior-intake benchmarks, developed through consultation among regulators, employer bodies and worker representatives. Covered firms could report junior-to-senior hiring ratios and indicators of developmental quality, including training provision, mentorship and task variety. Such monitoring could help identify whether AI-enabled automation is contributing to the contraction of entry-level pathways (Abrams, 2026). Existing apprenticeship levies and employer-training obligations in countries such as France and the United Kingdom demonstrate that governments can require larger employers to contribute to early-career training (Gambin *et al.*, 2016; OECD, 2018). However, these mechanisms are not directly equivalent to mandatory junior-intake floors; any such floors would therefore require piloting and evaluation to assess their effects on hiring, compliance costs and competitiveness.

Social-protection portability may require reforms to financing and administration (Holzmann and Koettl, 2011). ILO-supported initiatives in the Economic Community of West African States, the Southern African Development Community and the East African Community demonstrate that social-protection portability can be advanced through regional coordination mechanisms and administrative arrangements, including efforts to extend coverage to migrant workers in both formal and informal employment (ILO, 2019). Financing social protection through broad-based taxation rather than formal-employer contributions can allow health coverage, pensions and unemployment support to follow workers across employers, sectors and self-employment (González *et al.*, 2026).

Without portable protections, the adverse effects of technological change may fall disproportionately on informal workers who lack severance rights, mandated benefits and other institutional safeguards (Ayentimi *et al.*, 2025; Gonzalez *et al.*, 2026). This requirement is particularly acute in emerging-market and developing economies, where informal employment accounts for approximately 70 percent of employment in a typical economy (Elgin *et al.*, 2019). Table 4 summarises three institutional approaches discussed in the report that illustrate how protection can be extended beyond conventional formal-employment relationships without requiring the complete replacement of existing systems (Gonzalez *et al.*, 2026).

Table 4 Institutional Models for Portable Social Protection

Country	Institutional innovation	Relevance for AI labour governance
Brazil - Bolsa Familia	Broad-based, tax-financed transfers	Reached informal populations at scale
Indonesia - BPJS	Extension of contributory social insurance toward universal coverage	Expanded coverage without immediately dismantling existing structures
Rwanda - Mutuelle de Santé	Community-based health-insurance system	Achieved near-universal coverage in a low-income country

These models differ in financing and administration, but each demonstrates an approach to reaching populations whose occupational status would otherwise restrict access to protection.

5.4 Category Three: Political Conditions Not Yet Existing

Addressing governance challenges multilaterally requires moving beyond aspirational language to standards specific enough for verification and enforcement (Ugwumba, 2026). Hidden labour workforces face harms existing frameworks inadequately address (Abraha, 2025; Arends and Cleary, 2026; Pidoux et al., 2026, Ugwumba, 2026). Evidence warrants incorporating several protections into international labour standards. Compensation parity between hidden labour and equivalent formal sector work addresses sub-subsistence and systematic underpayment (Arends and Cleary, 2026). Occupational safety standards for content moderation could apply the ILO risk-management framework, requiring ongoing hazard identification, preventive controls, exposure records, and health surveillance (ILO, 2001). These protections are specific, measurable, and grounded in evidence of concentrated harm.

The barriers to implementation appear institutional rather than technical or informational. However, a significant development has changed this landscape. On 12 June 2026, the ILO Conference adopted the Decent Work in the Platform Economy Convention, 2026 (No. 193), the first international labour standard for the platform economy (Business and Human Rights Resource Centre, 2026; Solidarity Center, 2026; Mexi, 2026). This Convention gives the ILO an explicit mandate to establish binding employment standards for platform workers, potentially granting rights on pay, safety, and social benefits (Business and Human Rights Resource Centre, 2026; Mexi, 2026; Solidarity Center, 2026). Its practical effect now depends on ratification by national governments and subsequent implementation and enforcement through domestic institutions (Business and Human Rights Resource Centre, 2026; Shobhit, 2026; Solidarity Center, 2026).

The World Bank already operates mechanisms linking financing to compliance with specified requirements. Its Environmental and Social Framework incorporates environmental and social requirements, including requirements concerning labour and working conditions, into covered Investment Project Financing (World Bank, 2016). In a 2025 concessional-financing agreement with the Kyrgyz Republic, the IDA required the project and financed subprojects to comply with the Environmental and Social Standards, established monitoring and reporting obligations, and provided for contractual remedies where participating enterprises failed to meet their obligations (World Bank/ IDA, 2025). Separately, the Sustainable Development Finance Policy can reduce country allocations or harden financing terms when specified debt-sustainability actions are not implemented satisfactorily (World Bank/IDA, 2020).

Together, these mechanisms demonstrate that financing can be linked to defined and monitored requirements, although extending them to AI-specific labour protections would require explicit policy and contractual provisions. Institutional capacity and the technical expertise to design standards exists. However, what remains is political commitment from member states to require labour standards compliance as a *condition* of development financing and multilateral institutional engagement, incorporating labour standards compliance into financing eligibility and monitoring frameworks, and extending ILO mandate toward enforcement mechanisms for hidden labour populations currently outside its institutional reach.

6. Accountability Mechanisms and Institutional Responsibility

Reform implementation requires accountability mechanisms specified with sufficient detail to enable verification and enforcement, assignment to designated institutions possessing explicit legal authority and administrative capacity, and implementation timelines calibrated to labour market disruption velocity rather than to regulatory cycles operating at misaligned pace.

6.1 The Measurement Accountability Gap

No jurisdiction currently assigns designated institutional responsibility for monitoring distributional employment effects from AI deployment and publishing findings at regular intervals with legislative accountability. This governance gap requires establishing a named body, or a function within an existing body, with explicit mandate to produce and publish disaggregated employment data on a defined schedule, subject to public reporting obligations and legislative oversight mechanisms through which findings can inform regulatory response.

The appropriate institutional location varies with existing statistical infrastructure. Jurisdictions with robust statistical systems can locate this mandate within the national statistical office or labour ministry. Jurisdictions with less developed statistical infrastructure may find a dedicated AI workforce monitoring unit, supported by international technical assistance, a more feasible initial pathway. The institutional form matters less than the functional requirement that measurement responsibility be explicitly assigned, adequately resourced, and subject to legislative oversight.

Furthermore, data transparency produces measurable economic returns. A 1 percent increase in data transparency is associated with 0.03 percent annual increase in real GDP per capita, an effect magnitude exceeding that of trade openness or school enrolment (Lederman and Islam, 2024). Countries with credible, timely data systems perform better during periods of economic uncertainty, demonstrating that measurement functions as both a governance tool and economic resilience mechanism (Lederman and Islam, 2024). The productivity and distributional consequences of AI deployment cannot be effectively governed without measurement systems capable of making those consequences visible across occupational, sectoral, and demographic categories. Without such systems, policy responses operate on incomplete information and constrained evidence, reducing the likelihood that governance responses address concentrated effects proportionate to their magnitude.

6.2 The Corporate Accountability Gap

No jurisdiction currently requires technology companies above a defined scale to report distributional employment effects from AI deployment decisions, junior-to-senior hiring ratios in AI-affected functions, algorithmic management system prevalence in operations, or labour standards applied to hidden labour workforces in data annotation and content moderation.

This reporting gap creates substantial information asymmetry. Companies possess detailed knowledge of their employment impacts while governments and workers lack empirical grounds to assess whether concentrated harm is occurring and to calibrate policy responses accordingly.

Closing this gap requires extending existing corporate reporting obligations, such as the European Union's Corporate Sustainability Reporting Directive, to include AI workforce impact as a mandatory disclosure category with independent verification requirements and penalties for non-disclosure calibrated to exceed compliance costs (Abrams, 2026).

Evidence from environmental reporting shows that firms under earnings pressure may selectively disclose favourable information while concealing adverse impacts (Chi and Cheng, 2026). Applied to AI workforce reporting, this precedent suggests that voluntary disclosure could allow companies to emphasise productivity gains and re-skilling initiatives while omitting displacement, hiring restraint or deteriorating working conditions.

Mandatory disclosure coupled with meaningful enforcement has been associated with stronger behavioural compliance across multiple domains. For instance, evidence from Sweden indicates that mandatory ESG reporting improved the financial performance of covered private firms: mandated firms experienced an estimated 1.9-percentage-point increase in return on assets relative to firms outside the reporting requirement (Martinez and Vazquez, 2024). This precedent suggests that mandatory workforce impact reporting with verification and enforcement mechanisms may prove more effective than voluntary approaches at producing both disclosure compliance and underlying behavioural change regarding employment practices. Disclosure regulation is institutionally feasible at scale across jurisdictions with varying regulatory maturity, and graduated enforcement calibrated to deter non-compliance can operate reliably across multiple regulatory contexts.

6.3 The International Accountability Gap

Populations absorbing the most concentrated harm remain beyond the reach of existing accountability mechanisms. Informal sector workers in developing economies lack protection through domestic labour regulation because they operate outside formal employment structures (Ayentimi *et al.*, 2025). Hidden labour workforces in sub-Saharan Africa performing data annotation and content moderation face no institutional oversight of compensation, working conditions, or psychological safety standards (Arends and Cleary, 2026; Pidoux *et al.*, 2026). An ILO study of 11 Caribbean countries found that none had specific legal or regulatory measures governing platform work, leaving platform workers with limited labour protections and access to social security or employment benefits (ILO, 2025). These populations face concentrated harm while excluded from institutional mechanisms through which accountability is typically established (Ayentimi *et al.*, 2025).

International financial institutions possess authority to extend protection to these populations by incorporating labour standards compliance into development financing requirements. Existing IDA agreements demonstrate that concessional project financing can be contractually linked to environmental and social compliance. As mentioned previously, a 2025 agreement with the Kyrgyz Republic requires compliance with the World Bank's Environmental and Social Standards, including Environmental and Social Standard 2 on labour and working conditions, and establishes reporting, grievance and contractual enforcement mechanisms (World Bank/ IDA, 2025). This provides an institutional precedent for financing-linked labour safeguards, but it does not establish a general IDA policy conditioning concessional-financing eligibility on AI-related labour standards.

Closing this governance gap demands coordinated action. First, the IDA and World Bank should tie AI deployment to labour standards by requiring minimum protections for concessional financing. Second, firms receiving development funds must undergo independent labour audits, with findings publicly disclosed and used in lending reviews (Marine Stewardship Council, 2019). Third, non-compliance must carry real consequences, including financing suspension and public identification of violators. The EU Corporate Sustainability Due Diligence Directive offers a model for requiring large firms to identify, prevent, mitigate and remedy human-rights harms, backed by oversight, penalties and civil liability (Danish Institute for Human Rights, 2026). Similar rules could address AI-driven labour harms, though applying them via development financing would need a separate institutional and legal basis.

7. Conclusion

This report identifies a central governance failure: existing measurement systems are not configured to detect concentrated labour market effects accumulating across multiple jurisdictions and occupational categories at sustained velocity. AI deployment is occurring at a pace that current statistical frameworks cannot track in real time, rendering concentrated harms including hiring restraint, entry-level pipeline collapse and occupational compression invisible within aggregate employment statistics (Autor, Dorn and Hanson, 2015).

The central governance question concerns whether systems can develop observational capacity to detect labour market transformation before investment decisions lock in irreversibly. Corporate capital reallocation toward AI infrastructure rather than workforce expansion establishes patterns that embed quickly across economic structures. A Gartner survey found that 95 percent of responding organisations had implemented AI in some capacity during the preceding year, while 22 percent of heads of human resources reported that at least one business leader in their organisation had stopped hiring for entry-level roles because of AI automation (Gartner, 2026). Development pathways in India, sub-Saharan Africa and the Caribbean face increasing constraints as these patterns take hold, potentially foreclosing historical labour market absorption routes.

Path dependency operates through investment allocation decisions that reshape occupational structures. Policy interventions face substantially higher implementation costs and reduced effectiveness once accumulated investment has altered labour market composition (Rodrik, 2015). A workforce denied developmental employment opportunities during this investment cycle cannot retroactively acquire experience if policy responses arrive later.

The measurement frameworks, transparency requirements and accountability mechanisms proposed in this report are technically achievable within existing institutional mandates. Barriers to implementation are political rather than technical. The fundamental challenge is not that artificial intelligence alters work, but that governments cannot respond to labour market transformation they systematically fail to observe. Measurement functions as the foundational precondition enabling all subsequent governance mechanisms. Without it, regulation cannot be calibrated to specific harms, worker protections cannot be targeted to concentrated effects, and political accountability cannot connect to labour market outcomes.

7.1 Measurement as Immediate Institutional Priority

Governments possess the institutional infrastructure, statistical capacity and regulatory authority to implement measurement recalibration within existing mandates (see Recommendations under subsection 8.1). National statistical offices and labour ministries already collect the data necessary to produce disaggregated employment dashboards on entry-level hiring, earnings compression, and algorithmic management prevalence. This requires no new legislation, no technical innovation and no additional data collection. What is required is a political decision to disaggregate existing data and publish findings with appropriate frequency and accessibility. China's Ministry of Human Resources and California's executive order demonstrate that governments can initiate institutional recalibration by assigning existing public bodies responsibility for monitoring AI-related workforce disruption (State of California, 2026; Xinhua News Agency, 2026). The statistical infrastructure for measuring concentrated employment effects will depend on decisions made during the current investment cycle, before path dependency embeds labour market restructuring beyond reversibility.

7.2 Legislative and Institutional Reform as Medium-Term Priority

Measurement visibility creates conditions enabling legislative response to become politically tractable (see Recommendations under subsection 8.2). When concentrated harm becomes visible in official statistics, domestic constituencies can mobilise political pressure, civil society campaigns gain empirical foundation, and legislators can reference constituent concern when proposing regulatory change. Proven design models for algorithmic transparency obligations, corporate workforce-impact reporting and portable social protection exist across multiple jurisdictions, demonstrating technical and institutional feasibility. These reforms require new legislation or institutional redesign but possess proven governance architectures and are achievable within two to three years in jurisdictions with functioning legislative processes and political commitment to labour market protection. Legislative frameworks must establish minimum standards for deployment design that preserve worker autonomy, enable contestation rights, and maintain cognitive engagement, coupled with corporate disclosure requirements that enable governments and workers to assess employment impacts and calibrate policy responses accordingly.

7.3 Multilateral Commitment as Long-Term Institutional Architecture

International interventions operate most effectively when built on foundations of national-level measurement, political mobilisation and regulatory frameworks (see Recommendations under subsection 8.3). Populations absorbing the most concentrated harm remain beyond the reach of existing accountability mechanisms, including informal sector workers in developing economies and hidden labour workforces in sub-Saharan Africa. International financial institutions possess authority to extend protection to these populations by incorporating labour standards compliance into development financing requirements. Institutional capacity and technical expertise to design standards exist within multilateral organisations.

What remains is political commitment from member states to require labour standards compliance as a condition of development financing and multilateral institutional engagement. The ILO establishes institutional precedent and mandate. Implementation of these measures requires explicit member state instruction directing multilateral institutions to exercise existing authority through their established governance structures.

8. Recommendations

The report proposes a sequenced reform agenda coordinated across measurement, political representation and regulatory enforcement, consolidating measures developed in preceding sections.

8.1 Immediate action within existing institutional mandates

1. Governments should designate a national statistical office, labour ministry or dedicated AI workforce-monitoring unit with explicit mandate, adequate resources, defined public-reporting obligations and legislative oversight to monitor the distributional employment effects of AI deployment. Jurisdictions with less-developed statistical capacity should receive international technical assistance to establish baseline monitoring infrastructure;
2. National authorities should establish several coordinated measurement streams: firm-level junior-to-senior hiring ratios by sector reported to labour authorities; earnings trend analysis in AI-exposed occupations compared against economy-wide wage growth; and baseline surveys measuring algorithmic management prevalence in task assignment, compensation and termination decisions; and
3. Governments should locate AI workforce-monitoring functions within existing labour ministries and employment-governance structures rather than separate technology-policy bodies, equipping these systems with designated institutional authority, explicit mandates, regular reporting schedules and public-accountability mechanisms to ensure measurement findings flow directly into policy-relevant contexts.

8.2 Reforms requiring legislation or institutional redesign

4. Companies above a defined scale should disclose to workers and regulators how algorithmic systems affect task assignment, compensation, performance evaluation and termination. Disclosures should explain system objectives and design rationale, identify data categories used, clarify human-intervention roles and describe procedures through which algorithmic outputs become managerial decisions. Labour inspectorates should enforce these requirements without requiring source-code disclosure or compromising legitimate commercial confidentiality;
5. Workers should possess access rights to information about how algorithmic systems affect their individual employment situations and should be entitled to request human review of adverse automated decisions;
6. Existing corporate-reporting obligations should extend to include AI workforce impact as a mandatory disclosure category, requiring companies to report distributional employment effects of AI deployment, junior-to-senior hiring ratios, algorithmic-management prevalence and labour standards applied to hidden labour workforces. Independent verification and penalties for non-disclosure should be calibrated to exceed compliance costs;
7. Organisations above a defined size should report junior-to-senior hiring ratios and indicators of early-career role quality, including training provision, mentorship and task variety. Governments should consider sector-specific junior-intake benchmarks developed through consultation among regulators, employer bodies and worker representatives. Such benchmarks should be piloted and evaluated for effects on hiring, compliance costs and competitiveness before scaling implementation; and

8. Governments should reform social-protection financing and administration to reduce coverage discontinuities when workers move between formal employment, informal work and self-employment. Protection should be made less dependent on continuous formal-employment status, particularly in developing economies with large informal workforces.

8.3 Measures requiring multilateral agreement and political commitment

9. International labour standards should incorporate measurable protections for workers performing data annotation and content moderation, including compensation parity with equivalent formal-sector work, mental-health support and trauma counselling, and occupational-safety standards covering exposure management, recovery time and occupational-health provision;
10. The ILO should promote ratification and supervise implementation of the Decent Work in the Platform Economy Convention, 2026 (No. 193), while national governments should ratify the Convention and establish domestic mechanisms to enforce its protections concerning remuneration, occupational safety and health, social protection, termination and algorithmic management;
11. The IDA and World Bank should make compliance with minimum labour protections in AI deployment a condition of concessional-financing eligibility;
12. Companies receiving development financing should undergo mandatory labour-standards audits conducted by independent auditors, with audit findings publicly disclosed and considered during lending reviews; and
13. International financial institutions should enforce financing-related labour requirements through consequences including suspension of financing access and public identification of non-compliant companies. Implementation requires explicit direction from member states through existing multilateral governance structures.

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One World Trust champions accountable global governance, using research and advocacy to give citizens a stronger voice in how international institutions are run.

Global AI Governance Alliance (GAIGANow) is building a broader Alliance committed to advancing safe, effective, accountable and inclusive global AI governance to help steer AI progress towards benefiting humanity and supporting a more just world.

Written By Muznah Siddiqui

Volunteer with One World Trust and the Global AI Governance Alliance
London, United Kingdom

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