

The Impact of the AI-Driven Feeling Economy on Labor Market and Policy Responses

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Abstract. The rapid advancement of automation and artificial intelligence (AI) in recent years has started to change how work is organized and what kinds of expertise are most valued. Earlier rounds of automation mainly replaced manual tasks and relatively simple cognitive functions, but today's intelligent systems are increasingly reaching into technical and analytical fields. These shifts raise significant concerns regarding how employees can adapt to new demands and how training and education initiatives can be adjusted to address these issues. This study focuses on how the "Feeling Economy" driven by AI is altering the global labor market. This study uses data analysis and literature analysis to support its claim that, as automation takes over routine cognitive and mechanical tasks, the dominant skill in the labor market is increasingly shifting toward unique human "feeling" skills like empathy, communication, and emotional intelligence. The report also highlights the obstacles faced by educational systems to adjust to these new expectations. Finally, the study manifests practical career development paths: re-skilling, cross-skilling, and up-skilling—to give employees the emotional skills they need to fit in and prosper in the new economic environment.

Keywords: Feeling economy, Dominant skill, Labour market, Responding policy, Skill developing strategy

1. Introduction

In the age of artificial intelligence (AI), AI has been defined as computational systems performing tasks which requiring human abilities such as cognition, reasoning and pattern recognition- driven transformation, the labor market is on the advent of significant change due to the rise of the Feeling Economy. As AI slowly takes over more and more repetitive, rule-based work tasks, how important unique human qualities like compassion, talking to people well, and noticing other people's feelings has grown really fast. This steady shift is changing old patterns of how work is split up in big ways. Workers who have jobs that can easily be replaced by machines now face the risk of losing their jobs, but at the same time, totally new job opportunities are starting to show up in fields that care a lot more about these people and emotional skills. It matters a lot for individual workers, company bosses, and people who make government policy to understand these big changes clearly, because they all need to get used to the global economy that keeps changing all the time.

This research starts with the main goal of looking into how the growth of the so-called "Feeling Economy" — a labor system shaped by constant improvements in artificial intelligence technology — is changing how the global job market is organized. More specifically, this study focuses on finding which job types and professional skill sets are most likely to get replaced by automated systems, and also which people-focused abilities are slowly becoming more valuable in the market. While doing this analysis, the study also looks at current gaps between the workers we have available and what employers actually need, like having too many workers with specialized technical training at the same time as there are far fewer professionals with well-developed emotional control and social interaction skills.

This research has really important value because it helps both scholars and people working in the field better understand a big change that is happening in labor markets right now, as artificial intelligence spreads really quickly. Past studies have mostly looked at how automation changes jobs that need a lot of technical skills, or jobs that are repetitive and follow set rules. But not many people have done a full, organized look at how much more important interpersonal and emotional skills have become for modern workplaces. This study points out that the gap between what skills workers already have and what employers actually want is getting bigger and bigger, it also shows there are big problems with the current school curricula and professional development systems, and it gives useful suggestions based on real data that can help make policy and help people plan their own careers. Because of this, the results from this work don't just add more to the academic talk in labor economics — they also give clear, useful help for individual workers and people in organizations who are trying to adapt and do well in a global economy that keeps changing all the time.

2. Change in demand for skills

According to the "The Feeling Economy", in the upcoming Feeling Economy, the pattern of the labour market will also change. Specifically, there is a shift in the demand of skills for the labour market and employees. Indeed, there are still skills that will not be replaced in today's Thinking Economy and AI maturity [1].

2.1. The effect of the feeling economy to the demand of skills in short-run

On the one hand, these hard skills will not be replaced by AI immediately, because the demand for skills in the labour market has a lag, and people are not able to react to the change of market demand in the first time. Through the "Analysis of the demand for skills in the labor market in 2035" data can be seen: in the stage of 2020-2025, the top 20 skills of the first place is still around the "AI and technology". In addition, in the Future of Jobs Report 2025, published by the World Economic Forum, we can see that Big data Specialists and FinTech Specialists are the top 20 skills for skills in the labor market in 2035.

According to the [2], the fastest-growing jobs between 2025 and 2030 will be concentrated in fields such as big data, financial technology, and artificial intelligence, with Big Data Specialists and FinTech Engineers expected to show net growth rates of nearly 100%. Meanwhile, demand for AI and Machine Learning Specialists, Software Developers, and Cyber security Analysts will also rise significantly. This trend indicates that in the short run, the labor market will continue to favor technology-oriented roles, even as the longer-term shift toward emotional and social skills gradually takes shape [2].

2.2. The effect of the feeling economy to the demand of skills in long-run

On the other hand, there is also a lot of data that predicts a positive outlook for soft skills. Similarly, the Feeling Economy analyzes O*NET's data on the future of work in the United States. Among the report, "feeling tasks increase importance for human jobs (+5.1%)" while "the importance of the mechanical tasks shrank (-1.3%)". In addition, from the literature study in the "The Employ-ability Skills Needed To Face the Demand of Work in the Future", the study documented different literature references to long-term skill needs [3]. Among them, Problem solving, Communication, and Team working were the three most mentioned skills. The importance of these soft skills and cognitive skills were mentioned. This shows that soft skills will be emphasized more in the future, and also reflects that the market demand for skills is slowly changing from hard skills to hard skills. Psychologist might be one of the most popular jobs in the Feeling Economy, which require wide range of soft skills, such as empathy, critical thinking, listening skills and so on. Meanwhile, according to the figure 1, the "U.S. Bureau Of Labour Statistics" point out that psychologist is the job with the 7% growth in employment, which is expected higher than social scientist and related workers (6%) (Fig. 1).

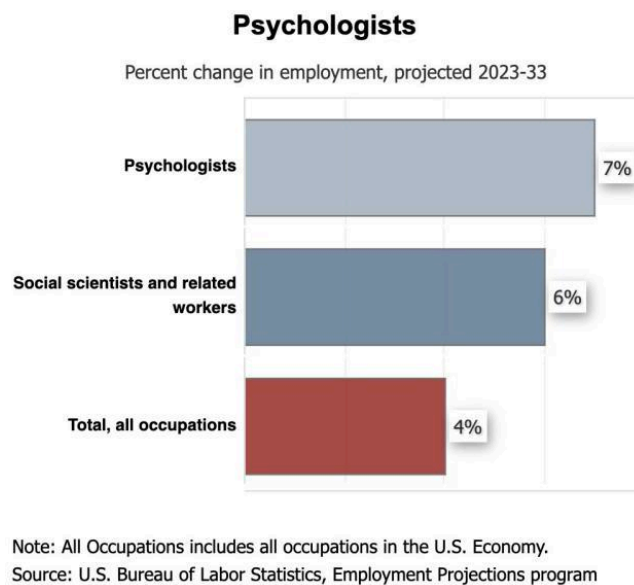


Figure 1. Projected employment growth of psychologists compared to other occupations (2023–2033)

2.3. Cross skills

In Feeling Economy, besides the increase of demand for soft skills, cross skills also attracted the attention of labour market [1]. Among the book "Feeling Economy", cross-skilling indicates that laborers, through learning and training, have acquired new skills that they had not mastered before. This also indicates that in the subsequent Feeling Economy, companies and employers have higher requirements for workers, and the latter need to possess multi-skills in order to be more competitive in the labour market. Employees with multi-skills are likely to perform better and be more efficient in the company. For instance, Engineers can learn basic coding skills to enhance their ability to work on software projects. According to research [4], employees with diverse skills are 47% more likely to be hired and 33% more likely to be promoted than those with a more limited skill set.

3. Supply and demand contradictions

3.1. Structure contraction

In the current era, with the increase of college graduates, the labor market is in large supply of talents with emerging skills such as technology development, data analysis, and machine learning. Peking University Institute of National Development: Research Report on the Potential Impact of AI Big Models on China's Labor Market Based on the big data of Zhaopin recruitment platform, the "big language model Impact Index" was constructed, showing that the recruitment supply of large models and automatic driving fields increased, the demand for natural language processing jobs doubled, and the supply of related jobs for programming languages, machine learning frameworks and neural networks increased. However, under the emotional economy, the demand for labor has changed a lot. Many new professions such as psychological counselors or emotional counselors who accompany the elderly are in increased demand [5]. Additionally, it is difficult for low-skilled workers to transition quickly, because AI-related jobs require higher-order skills such as programming and data analysis, leading to "structural unemployment". According to the [6], 83 million people are about to lose their jobs due to "structural labour market churn" in the next five years. The report also predicts that 44% of workers' skills will be disrupted in the next five years. It's estimated that there will be a net loss of 14 million jobs, with 69 million new jobs created at the same time. Thus, it is difficult for unskilled labor to survive in the feeling economy era (Table 1 and Fig. 2).

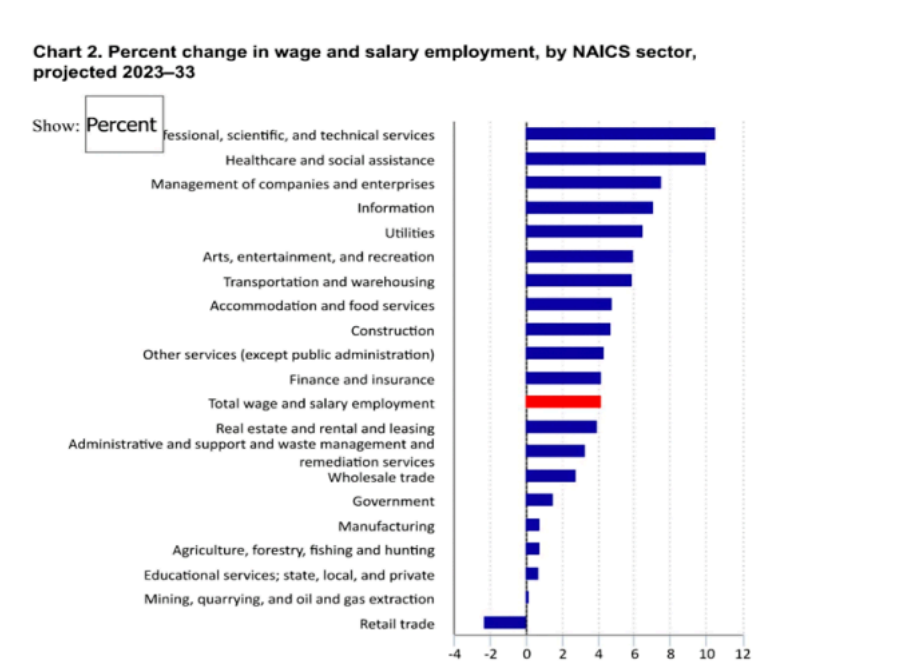


Figure 2. Percent change in wage and salary employment, by NAICS sector, projected 2023–33

Table 1. Feeling industries

The top 10 feeling industries	
1	Community and social service
2	Sales and related
3	Personal care and service
4	Management
5	Food preparation and serving related
6	Education, training, and library
7	Protective service
8	Business and financial operations
9	Healthcare practitioners and technical
10	Healthcare support

3.2. Geography contraction

In less developed areas, the industrial foundation is weak, the development of emotional economy industry lags behind, there are few job opportunities, and the brain drain is serious [7]. To be more specific, talent competition between emerging industries and traditional industries: In some areas dominated by traditional industries, it is difficult to transition to the emotional economy since the majority of the workforce is still traditional and a few jobs that can be completely replaced by AI, there is little demand for talents in the emerging emotional economy field, and local labor skills are difficult to quickly adapt to the requirements of the emerging emotional economy industry. However, in economically developed areas, the development of emotional economy-related industries is more mature, such as high-end emotional counseling agencies, large-scale theme event planning companies, etc., which can provide abundant employment and career development opportunities and attract a large number of talents [8]. Statistics show that in the regional distribution of China's emotional counseling industry, Guangzhou accounts for 25.6%. However, in some economically underdeveloped small and medium-sized cities and remote areas, the emotional counseling industry is almost in its infancy, with a small number of institutions and a very low market share, which reflects the difference in the development degree of emotional economy in different regions [9].

3.3. The lag of education

Under the rapid development of emotional economy, the lag of education is also worth discussing. this study will elaborate from two aspects. First and foremost, it is about the curriculum aspect. This study can assume that feeling economy covers psychological counseling, communication skills, pet economy and other fields, but many colleges and vocational colleges fail to start such professional fields. Instead, they focus on developing student's scientific ability which are more adapted to thinking economy. For example, there are fewer professional courses related to pet economy such as pet behavior training and pet psychology, resulting in a shortage of relevant professionals. Moreover, most teachers that get engaged in educational work, whose knowledge system is often formed in the past educational background, which means they may not have enough understanding and research on the emerging field of emotional economy [10]. According to feeling economy, being a purely

computer and mathematical geek would not be sufficient for the feeling economy [1]. And in the Thinking Economy, such communication skills are not valued as much as thinking, which has created many inter-organizational conflicts. So, this study can conclude that in the feeling economy, having good soft skills is critical for the success of any project [11].

4. Policy

4.1. Re-education

As AI continues to advance, an increasing number of individuals with STEM skills are being replaced by AI, leading to increase in structural unemployment [12].

In history, a lot of countries decide to impose re-education program to address this issue during the transition of economy era, like the British government during the Industrial Revolution set up London Mechanics' Institute (Founded in 1823) and Manchester Technical Institute (Mid-19th Century) to provide evening classes, teaching workers mathematics with mechanical principles, and engineering knowledge.

In order to address this, the government should focus on re-educating these individuals by cultivating their interpersonal and communication skills. For instance, the government could invest more in adult education institutions, establish relevant programs, and promote enrollment. These implements would also create job opportunities for graduates specializing in emotional skills [13].

4.2. Specialization in poor area

Due to the disparities in economic development between regions, we should adopt special measures in areas with low levels of development. For example, In the central and western regions which relatively poor at the end of the 20th century in China, the government focused on infrastructure construction, resource development, and labor skill training to support the development of traditional industries and agriculture, which increase the economic level of whole region eventually (reform and Opening-Up and Special Economic Zone Policies 1978-present) [14]. Thus, in less developed regions, specialized plans should be formulated to reduce taxes and provide subsidies for businesses related to the feeling economy, as well as to encourage entrepreneurship. Additionally, measures such as housing subsidies can be implemented to attract talents with various emotional competencies. Meanwhile, the integration of traditional industries which can offer more supply of the feeling economy should be encouraged, such as incorporating emotional design and personalized customization into manufacturing, to enhance the added value of products [1].

4.3. Promoting higher education system reform

Medieval universities primarily emphasized theology and philosophy, while science and engineering education gradually became mainstream after the Industrial Revolution [15] indicating that the education system needs to be reformed to respond to the new demands for human capital driven by economic growth. Consequently, Due to the lag between the market and higher education, the government needs to implement higher education reforms. By providing subsidies and altering policies, the government can encourage universities to expand programs in the humanities, social sciences, psychology, the subject which can increase the ability of leadership, empathy, communication skill [13]. And increase student enrollment in these fields. Additionally, there should be a concerted effort to promote these changes in society, dispelling the stereotype that "studying the

humanities and social sciences leads to unemployment." This will help increase the supply of human capital with these specialized skills, thereby reducing the supply-demand imbalance [16].

4.4. Effectiveness of policies

It is important to evaluate the feasibility of the policy when Implementing policies for the labor market in the feeling economy. For re-education, government can fund it by incentivizing enterprise with tax break, But this is likely to cause budget deficit [14]. In poor area Project need to be evaluated meticulously Base on its performance,market viability and employment impact, To avoid misallocation of resources and over-dependence on subsidy. Last but not least, regarding higher education reform the government must regulate the use of subsidy and the university should plan carefully to avoid over-expansion, Meanwhile the society should promote the value of relevant major [13].

5. Plan career skill development path

5.1. Re-skilling

Reskilling is the first main strategy to deal with job loss that comes from new technological progress. This strategy focuses on moving workers out of low-skill factory jobs and regular, repetitive thinking work, and into new jobs that rely mostly on emotional and personal work. A key thing to note about this approach is that workers have to learn completely new skills that they didn't have before they lost their old jobs. When workers take on these emotionally focused jobs that do not need high-level technical skills, they can fill open roles that have not been replaced by automation yet [1]. One good example is a former factory line worker who got let go after his factory installed full automatic production systems. He changed his whole career direction by taking classes in creative design and digital marketing. Since the market started demanding more unique hand-made products that have clear personal and emotional meaning, this ex-factory worker turned to making high-quality handcrafted goods, and over time he built a steady, satisfying new career in the creative and art trading area [17].

5.2. Cross-skilling

The second method we talk about is cross-skilling [1]. This idea basically means a worker has skills that mix together logical thinking tasks and job duties that focus on working with people's emotions. On one side, this mix of skills lets workers adapt better when work requirements change, and on the other side, it helps them do a good job in a much wider range of different work situations. Cross-skilling is especially helpful for workers who already have strong analytical thinking and good critical thinking skills, because it lets them add more interpersonal skills and empathy skills to what they already know how to do. For example, a doctor that has used artificial intelligence tools to make their clinical work faster and make operations run smoother, might notice that patients always need more caring support, not just medical treatment. Because of this, this doctor makes a plan to learn professional skills in psychological counseling, to make their interactions with patients more meaningful and to help reduce the fear and worry that people usually feel when they get a medical diagnosis [18]. When these specific skills get better and the doctor starts using them more in their daily work, the relationship between care providers and patients becomes much more cooperative and positive, and this causes a clear increase in how satisfied patients are overall.

5.3. Up-skilling

The third practical approach focuses on building up better emotional skill sets. This targeted kind of development means improving a person's ability to notice, work through, and show the right emotions at work. It helps people go from basic skill to more advanced skill, so workers are ready to take on more senior roles that need really good people and emotional skills. This method puts most effort into sharpening the emotional regulation and response skills people already have. It lets frontline workers and people who work directly with clients stand out when it comes to emotional work, and handle more complex, high-pressure interpersonal job tasks much better. For example, a retail sales worker can use artificial intelligence tools to figure out changing customer preferences and how the industry is changing. But algorithm systems can't do as well as humans when it comes to building real, long-term emotional connections with customers. To help his team make more money, this sales person signed up for a special program that teaches how to build empathy. In that program, he learned practical ways to better spot the unspoken worries that clients have, and build good connections based on mutual respect and being reliable. After he finished the training, the total sales numbers for the team went up a lot. And he also managed to turn a much bigger percentage of unsure potential customers into loyal clients that come back again and again.

6. Conclusion

In conclusion, our research did a deep check of changes in demand for skill in labour market as Economy is prevailing. We focused especially on how we're moving away from old, task-focused skills and toward skills that center on emotional and people-related abilities. This big shift in the labor market matches what many industries are now prioritizing more: human-focused skills. These include connecting with others in an empathetic way, good communication that works across different situations, and advanced control over and understanding of your own emotions. Specific policy change to address the issues is suggested. These include programs that help current workers learn new skills and improve the skills they already have, special projects to build skill-development capacity in poor areas that don't get much support, and big changes to how college curriculum are structured. These changes are meant to make talent preparation systems match better with what the labor market will need in the future. At the same time, they help grow a workforce that's more flexible, can adapt better, and can bounce back easier when things change.

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