AI AND THE MORAL ECONOMY OF THE WORKFORCE

# Artificial Intelligence (AI) and the Moral Economy: Social Choice, Exclusion and Sustainable Development in the Reckless AI Age

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Published November 2026

**Abstract**

Today we inherit the reckless AI age. Artificial Intelligence (AI) is transforming economic and social relationships in an unprecedented way. This article examines the emerging moral economy of AI with particular emphasis on its impact on vulnerable sections and economically disadvantaged communities in society including the informal sector workers and youth. Whether AI-driven economic decisions can reflect collective welfare rather than mere private profit and output is the dominant theme of this paper. Can economic system be considered efficient when AI system causes exclusion and inequality undermining social justice? This paper tries to connect the argument to Amartya Sen's capability approach and Kenneth Arrow's social choice theory and some empirical evidence on AI's effects on labor and sustainable development. After reviewing neo classical paradigm and the economists who have questioned the economic efficiency alone approach the paper examines whether AI driven benefits are filtering down to the laboring poor in the dualistic labor markets in countries like India where the informal sector is expanding and is a survival mechanism for the laboring poor. This paper concludes by citing few hypotheses and making a strong case for a morally responsible AI regime for sustainable human development. Time has come to review the moral economy of the laboring class in the ICE age. The article tries to connect AI driven corporate restructuring and the recent Microsoft layoffs/ voluntary exit offer and attempts to examine the changing relationship between technological innovation and human labor.

**Keywords:** AI and economic efficiency; social choice; human capability; social exclusion; conflict in collective choice; AI and displaced workers; AI and youth employment; informal sectors; global youth unrest; moral economy

## 1 Introduction

Today we all inherit the ICE age i.e. Information, Communication and Entertainment age. The relationship between neo classical economic efficiency paradigm and artificial intelligence (AI) is an important research area particularly when examining the relationship between rational choice, resource allocation and sustainable development. In the neoclassical paradigm individual maximizes utility and the firm's main goal is profit maximization. Prices coordinate supply and demand. In the neoclassical approach economic decisions are modelled using rational calculations and economic system constraints. Welfare analysis like Pareto optimum evaluates resource allocation. The Paretian welfare criterion is a fundamental concept in welfare economics. A situation is Pareto optimal when no further improvement can be made for one person without making at least one other person worse off (Pareto, 1971). The main limitation of Paretian criterion is that it ignores income inequality. Paretian criterion is not a sufficient criterion for socially desirable development. Can an economic

system be considered efficient when it excludes workers, widening inequality and undermining social justice? This is the central analytical focus of this article. This article examines the social consequences of what may be termed as "reckless AI". Drawing on welfare economics, social choice theory, and the capability approach the article questions the assumption that AI driven aggregate gains in productivity necessarily translate into social welfare.

## 2 Theoretical and conceptual framework

Several leading economists have questioned this economic efficiency alone argument and its failure to establish what is socially desirable and sustainable. Arrow's (1951) impossibility theorem is relevant to AI because decisions about automation and access to technology involve conflicting individual and collective preferences. Firms will prefer AI because it reduces production costs. But society will value inclusion, human dignity, green growth and sustainability. Amartya Sen (1970) extends the social choice tradition and demonstrates that efficiency is not same as social justice. Sen's (1970) human capability approach differs from the neoclassical efficiency paradigm and clearly demonstrate that higher productivity alone cannot establish that society is better off. AI may increase company's output and profits while eliminating/excluding workers particularly the young work force both in the formal and informal sectors. Do AI benefits reach the urban and the rural poor in the informal sectors, women, and other disadvantaged groups? Are AI driven benefits translated into better environmental protection, health and education. Is growth filtering down to the poor and the marginalized in the informal sectors. Is it promoting green growth or dirty growth?

In the current reckless AI driven phase firms use AI, Robots and automated systems to produce more goods and services with fewer or no workers. Max Weber's (1930) influential book 'The Protestant Ethics' and the spirit of capitalism explores certain religious ideas associated with Calvinism contributed to the development of the spirit of capitalism in western Europe, helped shape attitude and economic conduct. The central idea is that work glorifies God. Work is seen as a vocation. It is not merely a duty but seen as a meaningful contribution to society. Weber (1930) did not claim that Protestantism alone created capitalism. Work is not merely a means of earning income and is a moral responsibility. Weber distinguishes between a rational calculation and the wider meaning of human action. AI driven system might maximize a firm's output and profit but not social welfare. Reckless pursuit of AI optimization does not always promote inclusive development.

In the transition from the Protestant Ethics age to the algorithmic age we inherit today there is a tradeoff between AI optimization and human welfare. Weber (2001) helps to explain the ethical foundations of economic behavior. Arrow (1951) examines conflict in collective choice. Sen (1985) raises the question whether economic arrangements expand human freedom and capabilities. These authors provide us a very rich foundation for any research on AI, work, social justice and sustainable development. AI can create a situation of jobless growth. How can an economy continue to grow in output while stable jobs stagnate for the youth? In the AI age firms use robots and automated systems to produce goods and services. The competing firms in AI has to pay more attention to the consequences of reckless AI measures. Some Scientist have already resigned perceiving some possible negative impact in future. AI can generate more output and employment. The fundamental issue is whether these innovations offset job displacement.

## 3 AI and exclusion: Empirical evidence

Inclusion vs exclusion assumes significance in the algorithmic age. When competing powerful firms pursue AI for private gains who all get excluded from the relative share in the economic cake. What matters is not the size of the cake but its distribution. Competing firms are likely to adopt AI to reduce cost and replace workers. We are already witnessing this situation of jobless growth. On October 26, Microsoft announced a voluntary exit program covering 60,000 eligible employees across the US, Canada and India (Coleman, 2026). It is an offer to leave, not an announcement that all 60,000 jobs will be eliminated. AI-driven corporate restructuring enables firms to reorganize the workforce. Employees may face displacement, uncertainty and loss of livelihood. The social cost may be borne by the workforce and their families. The Microsoft experience provides an opportunity to examine whether corporate decisions concerning AI adoption recognize their wider social implications is the central point of this article. AI and Economic development with a human face will continue to be a viral topic for class room discussions and debate. Some universities and colleges across the world are giving free refresher courses in AI, free of tuition in some places. Parents too are eager to place their children in these refresher course. There is nothing wrong with this trend. But time has come to introspect, meditate and even pray for achieving the goal of sustainable development in the highly competitive algorithmic world. The World Economic Forum's Future of Jobs Report (World Economic Forum, 2025) projects that AI and information processing technologies could create 11 million jobs while displacing 9 million by 2030. Reduced hiring is noted by the Stanford digital economy lab in Aug 2026 (Brynjolfsson et al., 2026). Job fields like entry-level coding, software testing, technological support, data entry processing, business process outsourcing all falling in the category of Potential impact of AI. It is not that every job in these categories is disappearing. The OECD (2025) observes that AI and exposure to generative AI platforms may reduce demand for routine programming Intern. International organizations' 2025 study estimates that one in four workers worldwide is in an occupation with some exposure to generative AI. Only around 3.3% of the global employment falls into highest exposure category. ILO's June 2026 review finds that productivity gains are emerging but effects on employment is uneven. Firms today use AI to perform tasks previously carried out by employees. This situation reduces labor demand. Displaced workers ultimately bear the cost of retraining and unemployment. There is anxiety over AI driven job displacement in India. 25% of AI exposed jobs in India are vulnerable to AI. AI literacy has to be improved both in the formal and informal labor markets in India.

The relationship between AI and youth employment in India is an important subject for socially relevant research. Who bears the AI driven displacement? India has a large young population in the labor force. India has the largest youth population in the world with over 65% under the age of 35 (Niti Aayog, 2023). AI is a pathway towards skill intensive employment across technology sectors. AI is projected as a powerful engine for youth driven economic growth. Increasing demand for AI skills and jobs is reshaping opportunities for our youth. It is a powerful engine for youth driven growth and development. The unfortunate fact is that youth is experiencing some sort of exclusion in this regard. The result is retraining requirements, underemployment and displacement and even youth unrest to some extent. AI does not affect every worker the same way. Of all the categories of workers affected how AI affects youth and new entrants to employment is a potential research area. Fewer entry level jobs, internship and trainee positions will be the result. AI will perform tasks previously assigned to junior employees including research, coding and analysis of data. Our fresh graduates have time enough to join protests organized by youth leaders. Technological progress when detached from employment opportunities and social inclusion can produce economic insecurity and social conflict.

Research studies are badly required to examine this connection in the current reckless algorithmic global village. Such studies could come from areas like economic anthropology and heterodoxic approaches taking a holistic view of development as people mattered. There is no doubt that AI creates anxiety, exclusion and job insecurity. A survey of Generation Z found that 41% felt anxious about AI and observed a disconnect between young people's exposure to AI and the guidance they receive from schools and employers (Gallup, 2025). AI should expand young people's capabilities rather than weaken independent thinking, human judgement and opportunities for employment. There is evidence of negative sentiments among the youth. ILO (2025) estimates that 12.7 million jobs in Philippines are exposed to generative AI. Among Gen Z who use generative AI at work 71% believe that AI driven automation would eliminate jobs creating a situation of jobless growth. A student protest sparked by examination paper leaks led to a dispute over AI powered facial recognition and mass surveillance in India. One activist even challenged the use of the technology in the court. India is one of the fastest growing economies with sufficient internal demand. However, India faces substantial youth employment challenges and we cannot attribute all youth unemployment to AI.

## 4 AI and informal sectors

In India the informal sector exists both in the urban and rural sector. AI may increase economic productivity while simultaneously making a section of the workforce more vulnerable. This question is significant in India as millions of workers depend on the informal economy for livelihood. The informal sector workers like street vendors, Auto, Rickshaw drivers, home based and garment workers are all exposed to AI-driven vulnerabilities in the labor market. AI reduces the demand for particular tasks and occupations. Small enterprises may lose customers to technology enabled competitors. Large firms and digitally skilled workers may get greater share of the productivity gains. AI has quietly entered into every corner of human life. It predicts our behavior, guides our vehicles, monitors our health status. Most current AI does not truly understand anything about it. It simply processes the data and optimizes outcome based on probability. The ethical gap between the creator and the creations is wide.

AI will transfer economic risk to workers with low bargaining power in the informal economy. ILO (2025) has described India as having 90% of the work force in the informal employment in 2023. The percentage depends on how informality is defined in the urban and rural sector in India. This makes distributional consequences of AI based technological change especially important. Do we have to make some provisions for the informal sector workers facing exclusion? Here the AI firms have social responsibility and accountability towards the urban and rural poor in countries like India. The social responsibility towards those facing exclusion needs to be examined. Researchers examined labor protest in China and found that industries and provinces with more protests also tended to have more robots (Liu and Zhang, 2023).

This paper prefers to suggest a set of possible hypotheses which might be empirically tested with a strong data base from across nations. The rush to implement AI without sufficient homework has led to several problems. No doubt there is reckless poorly governed AI adaptation. With AI there is unequal distribution of economic gains. There are fewer entry level jobs and unequal access to skills in countries like India in the informal labor markets. Youth frustration and perceived exclusion is noticed in the informal sector. Technological efficiency is being achieved at the expense of human capability formation. Nobel prize winning economist Joseph Stiglitz (Korinek and Stiglitz, 2019) has

addressed a relevant concern in this regard. Can artificial intelligence (AI) increase inequality, displace workers and concentrate economic power in the hands of a few? The central economic question this research paper can raise is whether AI can raise productivity while simultaneously excluding the young. The benefits of AI according to Korinek and Stiglitz (2019) may follow a "winner takes all" pattern. With AI the size of the economic cake is not the problem, it is expanding but its distribution is a socially relevant concern. New Generation Z both in the formal and informal sectors should have decent employment and meaningful work participation. This leads us to Sen's capability approach and Kenneth Arrow's social choice framework. The expansion of artificial intelligence driven technology primarily by cost reduction and profit maximization rather than promoting inclusive development is likely to adversely affect youth employment and social well-being. However, the expansion of AI has no statistically significant adverse effect on youth employment and social well-being and further research is needed.

## 5 AI and the moral economy of the labouring poor

The benefits of AI accrue disproportionately to the digitally skilled and economically well-off youth. The disadvantaged youths both in the formal and informal sectors face greater risk of exclusion. Can AI driven productivity growth be considered socially sustainable with exclusion remaining its outcome especially exclusion of the young people and other vulnerable groups. This is a potential area for future research in the AI. The causal link between global youth unrest and AI must be investigated carefully from a political economy perspective. One of the reasons for concern is shared by few authors is can AI end the world? Certainly it does not end the world all of a sudden. However, uncontrolled AI driven development and misuse of AI could create existential risk for humanity. We seem to be in a situation where the created start dominating the creator. These risks necessitate serious political, economic and spiritual analysis in the global age. Reckless AI age in which the created start dominating the creator has a profound spiritual dimension. The fundamental question for research is this: can humanity develop an intelligence more powerful than its own. When human beings create intelligent machines can they preserve the moral wisdom and sense of responsibility necessary to govern their own creation. From a spiritual perspective AI is not necessarily an evil but human beings may use their extraordinary creative power without a sense of corresponding moral responsibility. The term moral economy is associated with historian E. P. Thompson (1971) and economic anthropologist James Scott (1976). Their work examines how economic behavior and social conflicts are shaped by customary expectations of fairness and obligation and not by market forces. The reckless uncontrolled pursuit of AI driven efficiency may weaken social inclusion. A morally responsible AI economy will try to share the economic cake in terms of better wages, retraining, worker participation. Corporate profitability cannot be equated with social welfare. The impact of AI on environmental sustainability, social harmony and wellbeing of future generations needs urgent analysis. The moral question is whether technological progress result in expansion of entry level jobs or is it disappearing? AI may augment human capabilities but it necessitates high level of skilling and retraining.

## 6 Research hypotheses and conclusion

This paper concludes by suggesting a set of hypotheses. The reckless adoption of AI is associated with a high risk of employment exclusion among workers both in the formal and informal sectors in countries like India. AI increases the risk of economic and social exclusion. AI-driven automation

adversely affect employment opportunities and job security among youth, informal workers and low skilled workers. The benefits of AI are disproportionately reaped by technologically advanced firms and economically powerful groups widening income and wealth inequalities. This paper suggests an AI strategy that gives top priority to diffusion and distributive justice. The pursuit of AI driven economic growth without adequate social, ethical and spiritual responsibility may undermine the goal of sustainable development with social justice. The pursuit of AI dominance by competing economic actors might result in a situation in which the created start dominating the creator. We have to create a responsible AI system in which the creator has some control and social responsibility. This research paper suggests further research studies in the area of ethical accountability, inclusive governance of the competing AI actors in the AI age and their moral responsibility towards the excluded.

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