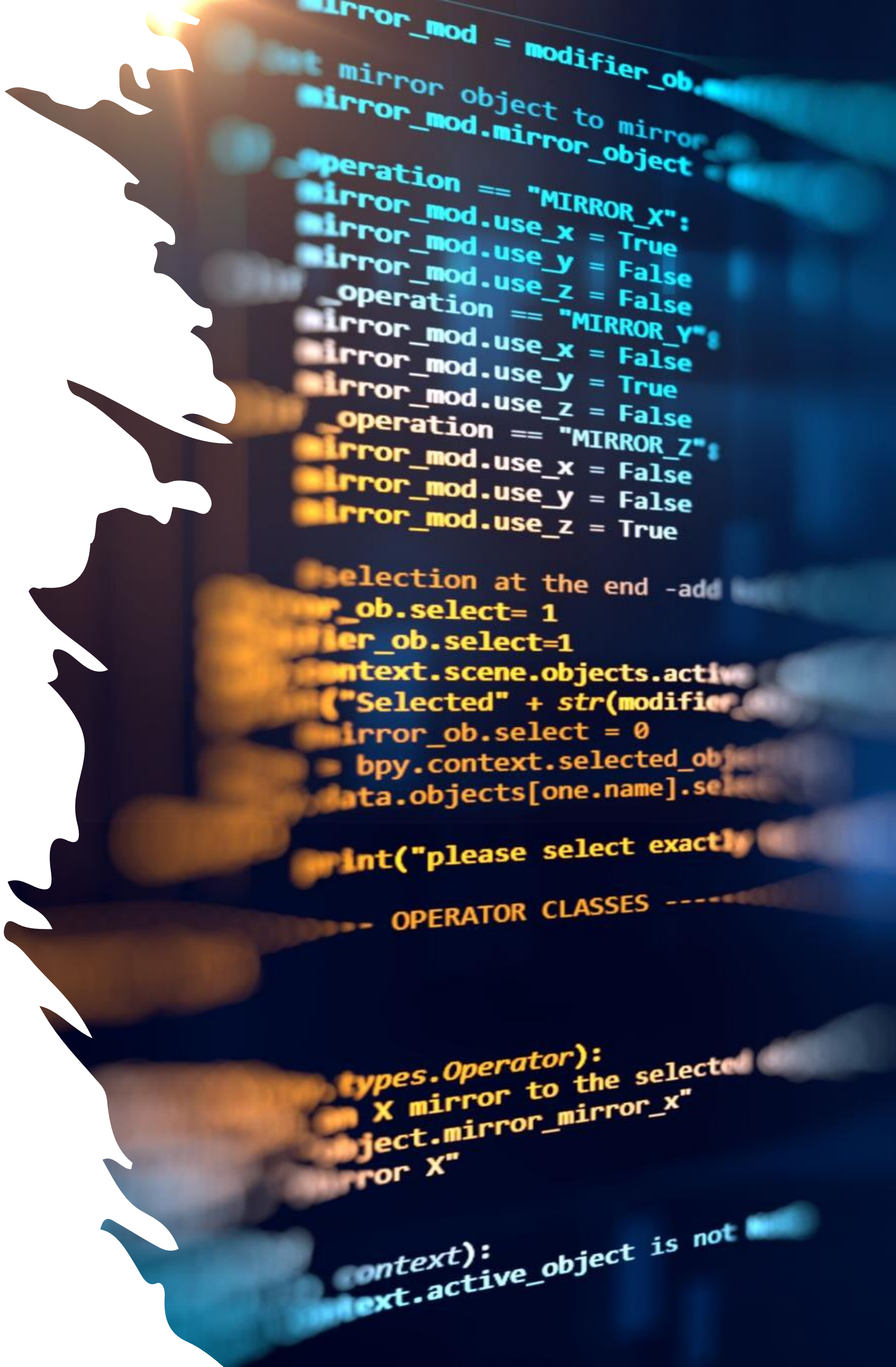
The Economic Impact of Generative AI (GenAI): Transforming productivity, labour markets, and economic structures

Carlos J. Costa

Overview

- GenAI = AI systems that create new content (text, images, code, data, etc.)
- Represents a major increase in automation of knowledge and creative work
- Expected to reshape productivity, employment, and innovation worldwide



Economic Potential

Estimated global value: US$2.6–4.4 trillion per year (McKinsey, 2023)

Could add 1.8–4.0% to global GDP by early 2030s (Oxford Economics, 2024)

Main drivers: automation of knowledge work, faster innovation, cost reduction

Key sectors: marketing, software, customer service, R&D

Mechanisms of Impact

- Productivity gains: faster task execution, fewer bottlenecks
- Innovation acceleration: AI-assisted creativity and design
- Labour reallocation: freeing workers for higher-value tasks
- New business models: data- and content-driven products

Risks and Challenges

- **Job transformation**/displacement of cognitive workers
- **Inequality:** benefits skewed toward skilled and capital-intensive sectors
- **Market concentration:** dominance by large tech firms
- **Regulation gaps:** privacy, bias, misinformation, data ownership

Policy and Management Implications

For policymakers:

- Support re-skilling and labour transitions
- Strengthen competition and innovation policies
- Design inclusive growth strategies

For firms:

- Integrate GenAI into workflows and decision-making
- Invest in training and responsible AI governance
- Balance automation with human oversight

Research and Open Questions

- How does GenAI affect firm productivity and wage dynamics?
- Which tasks are substituted vs. complemented by GenAI?
- What are the distributional and structural effects on inequality and markets?
- How should policy frameworks evolve for inclusive AI-driven growth?

Conclusion

GenAI has transformative potential—but benefits are not automatic

Real impact depends on adoption speed, workforce adaptation, and regulation

The challenge: ensure productivity + equity + innovation move together