

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

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**Box from the Bank of Israel Annual Report for 2024:**

**The expected effect of generative artificial intelligence on employees: Implications for labor market policy**

* Generative artificial intelligence (generative AI) is expected to significantly change the labor market in the coming years. To prepare the labor market for these changes, it is important that the state ensure that the proper training is available—both for workers in jobs AI might replace and for those in roles where it will complement human labor.
* In the public sector, about two-thirds of employees work in professions in which generative AI could serve as a complementary factor. Integrating AI across the public sector will require technological advancement and employee training. Along with updates to labor agreements and regulations, these steps can help make the sector more efficient.
* Generative AI is expected to create new demand in the high-tech industries, but also to reduce the need for many of the technological professions, as it replaces many of their tasks. Employees in the these fields will need to update their knowledge and adapt to the changing market demands.

Generative artificial intelligence[[1]](#footnote-1) technology is rapidly becoming integrated in many fields, and is expected to have a significant impact on the labor market. Generative AI carries out tasks related to repetitive thinking, and occupations that require such thinking are therefore expected to be significantly influenced by such technology. In contrast, the impact on workers in professions that mainly involve physical or technical labor is expected to be more moderate, as long as generative AI is not integrated in a parallel manner in robots.

Generative AI may drive a redesign of the labor market in the coming years[[2]](#footnote-2), and an increase in labor productivity[[3]](#footnote-3), but it also may cause a reduction in employment in certain fields. The state must therefore implement policy measures to prepare the economy for such changes and help workers who are expected to be harmed by them. Such necessary measures include technological training programs, professional retraining, and solutions adapted to older workers.

A box in the forthcoming Bank of Israel Annual Report assesses the extent of the population that will be affected by the adoption of new technologies, examines how they will be affected, and outlines the characteristics of workers who may be affected.

1. “Normal” artificial intelligence (AI) focuses on performing tasks that require human intelligence, such as identifying patterns and solving problems. Generative AI focuses on creating new content such as text, pictures, or music based on existing data. The difference is that normal AI processes existing data, while generative AI created new content based on existing data. [↑](#footnote-ref-1)
2. There is evidence of a significant link between companies’ exposure to artificial intelligence and changes in the type of training required for available positions at those companies (Acemoglu et al., 2022). [↑](#footnote-ref-2)
3. See, for instance, OECD 2024. [↑](#footnote-ref-3)