The Post-Labor Economy

A Portfolio Framework for the AI Employment Transition

April 2026

"So what makes you uniquely qualified to take everyone's job?"

I. The Post-Labor Economy

The replacement of human labor by machine intelligence is underway. Artificial intelligence, robotics, and automation are reaching a capability threshold where they can perform an expanding share of tasks currently done by human workers — faster, cheaper, and at a scale unimaginable five years ago.

The corporate world is responding with the largest capital reallocation in business history. The five largest technology

companies are projected to spend more than $660 billion on capital expenditure in 2026, approximately 60 percent more than in 2025.[i,ii]Alphabet alone has guided to $175–185 billion.[i] Amazon plans $200 billion. These are not experimental budgets. These companies see what is coming: an economy where the cost of producing goods and services falls dramatically, where productivity accelerates, and where the companies that harness these technologies gain a structural advantage over those that do not.

AI is not merely a technology story. It is a macroeconomic transformation that will reshape which companies thrive, which struggle, and how value flows through the economy.

This is the post-labor economy.

What Do We Mean by "Post-Labor"?

The term "post-labor" does not mean the end of work. It describes an economy in which human labor is no longer the primary driver of production. Just as "post-industrial" did not mean the end of manufacturing — it meant the economy's center of gravity shifted from factories to services — "post-labor" describes a shift in which the center of gravity moves from human labor to technology-driven production. People will still work. But the nature of work, the number of people required, and the relationship between labor and economic output are all changing.

The Full Equation

Economics, at its core, is the study of two things: the production of goods and services, and the distribution of those goods and services. AI is transforming both — but in different directions and on different timelines.

The production side is overwhelmingly positive. Output is rising. Costs are falling. Productivity is accelerating. Companies that enable this shift or benefit from the infrastructure it requires are experiencing extraordinary growth. This is the story the market is pricing today, and it is real.

The distribution side is an open question. When production requires less human labor, the traditional mechanism for distributing economic gains — wages — weakens. As Korinek and Stiglitz have documented, automation can simultaneously increase total output while reducing the share captured by labor.[iii] Piketty's landmark study documented the long-term trend of capital's share of income rising relative to labor's — a trend AI is now accelerating.[iv] Labor's share of national income peaked at 58.4 percent in 1970 and stood at 51.9 percent in 2024 — nearly seven percentage points lower, representing trillions of dollars in annual income that have shifted from workers to capital owners over half a century. The Bureau of Labor Statistics labor share index (2017=100) stood at 95.3 in Q3 2025, down 1.4% year over year.[v]

This tension between production and distribution is not a prediction of economic collapse. It is a recognition that the gains from AI will not be distributed evenly — across companies, across sectors, or across the economy. Some companies will capture an outsized share of the value. Others will find their revenue base eroding as the consumer spending that supports it comes under pressure. Understanding which companies sit on which side of this equation is the analytical challenge of the next decade.

Since 1973, productivity in the American economy has increased by more than 70 percent. Over the same period, the typical worker's real hourly wage has grown by roughly 15 percent. The gap between what the economy produces and what workers earn is not a rounding error — it is fifty years of gains flowing to capital rather than labor. The average worker has not shared in the prosperity their work helped create. It should come as no surprise that a growing share of Americans feel the system is no longer working for them. That is the foundation on which the AI acceleration is now building.

The marginalization of labor is not a new trend — it has been building for fifty years, driven by globalization, technological change, and shifting market dynamics. AI is an accelerant — the same structural force moving faster and broader than anything that preceded it.

The post-labor thesis:

as AI and automation replace human labor across the economy, returns to capital will rise relative to returns to labor for a sustained period — and the companies on the right side of that shift will outperform.

II. The Evidence

The AI transition will create enormous value — new industries, new business models, entrepreneurial opportunities that don't yet exist. Mokyr, Vickers, and Ziebarth, writing in the Journal of Economic Perspectives, examined the full history of technological anxiety and found that every previous wave of automation ultimately created more jobs than it destroyed.[vi] But they also found that transitions were uneven — lasting a generation in some cases, with significant variation across regions, industries, and skill levels. Governments responded with new institutions and social programs, sometimes on the scale of the New Deal.

The endpoint of technological transitions has always been prosperity. The journey has always been uneven. For investors, the journey is where the opportunity lives.

The Thesis Scorecard

If the post-labor transition is underway, specific measurable changes should appear in the labor market and broader economy. Six key signals are tracked below.

Signal	Latest Data	Commentary
GDP Growth Without Job Creation	2025 GDP grew 2.1%. Total jobs added: 181,000 — revised down from 584,000. Worst non-recession year since 2003.	The clearest macro signal. Technology enabling output growth without proportional headcount.
Entry-Level Hiring Declining	Entry-level hiring down 17% since 2019. 68% of employers hired same or fewer entry-level workers in 2025.	AI substituting for codifiable tasks that junior workers traditionally perform.
College Wage Premium Declining	Recent grad unemployment hit 9.7% in 2025 — equal to HS diploma holders. 41% underemployment rate.	Higher education's value proposition under pressure as AI handles knowledge work.
Rise in Long-Term Unemployment	1.8M Americans unemployed 27+ weeks in Jan 2026, up 386K YoY. Now 25% of all unemployed.	Workers who lost jobs and cannot find equivalents — structural transition signature.
Labor's Share of Income Declining	BLS labor share index at 95.3 (Q3 2025, base 2017=100). Down 1.4% YoY.	Capital capturing more of GDP at labor's expense. The trend is accelerating.

Signal	Latest Data	Commentary
Capex Shifting from Labor to AI	Big Tech AI capex projected at $660–690B in 2026 — nearly double 2025. Amazon alone plans $200B.	The most aggressive capital reallocation in business history.

The most recent data confirms the acceleration in stark terms. In 2025, the U.S. economy grew at a healthy 2.1 percent for the full year — yet the Bureau of Labor Statistics' annual benchmark revision revealed that the economy added just 181,000 jobs for the entire year, revised sharply downward from an initially reported 584,000. At an average of 15,000 jobs per month, 2025 was the weakest year for job creation outside of a recession since 2003.[vii] For context, the Federal Reserve Bank of St. Louis estimated that an economy at this stage of expansion needed to generate approximately 183,000 jobs per month simply to hold the unemployment rate steady. The economy was not weak. Hiring was. That divergence — robust output growth alongside near-zero employment growth — is the post-labor transition made visible in a single data point.

Research from the Dallas Federal Reserve provides one of the most important insights into how this transition unfolds.[viii] AI is simultaneously augmenting experienced workers and displacing entry-level ones. The distinction between codifiable knowledge — textbook learning that AI can replicate — and tacit knowledge — understanding gained through experience that AI cannot yet replicate — explains why wages are rising in AI-exposed occupations that value experience while entry-level opportunities are contracting.

Geoffrey Hinton, the 2024 Nobel laureate in Physics and "Godfather of AI," told the Financial Times: "What's actually going to happen is rich people are going to use AI to replace workers.

It's going to create massive unemployment and a huge rise in profits."[ix] In December, he told CNN the pace of progress was "faster than I thought."[x] Dario Amodei, CEO of Anthropic, warned that AI could eliminate 50 percent of entry-level white-collar jobs within five years.[xi] In January 2026, he published a 20,000-word essay arguing AI's labor market impact will be "unusually painful" and larger than any previous technological disruption.[xii]

These are the architects of the technology itself. Their assessments are data points, not prophecy — but they are data points that investors cannot afford to ignore.

The Market is Already Repricing

J.P. Morgan's 2026 Global Market Outlook identifies what it calls a "multidimensional polarization" — equity markets splitting between AI and non-AI sectors, robust capital expenditure coexisting with soft labor demand, and a widening K-shaped divide in household spending.[xiii] The pattern they describe is consistent with the early stages of the post-labor transition. Institutional research treats these as cyclical dynamics. This paper argues they are structural — and accelerating.

The SaaS selloff. Software-as-a-service stocks have experienced what traders call the "SaaSpocalypse." The IGV software index entered bear market territory, down more than 22% from its highs. Salesforce is down approximately 26–30% year to date. ServiceNow has fallen 28%. Workday has declined 45%. Bloomberg reported that hedge funds have shorted approximately $24 billion in software stocks.[xiv] The logic is direct: if AI agents perform tasks that previously required human software users, companies need fewer seats. Fewer humans, fewer licenses, lower revenue.

The HALO rotation. The Financial Times reported that investors are seeking shelter from the AI rout in asset-heavy stocks.[xv] Ritholtz Wealth CEO Josh Brown coined the term HALO — Heavy

Asset, Low Obsolescence — to describe the rotation: capital is flowing out of companies vulnerable to AI disruption and into companies with physical assets and essential services. Caterpillar has surged 28% year to date. Consumer staples have become a safe haven.

These are not isolated events. They are the market beginning to price the post-labor transition — unevenly, incompletely, but unmistakably.

What the markets are telling us and what the academics are telling us are converging.

III. The Investment Landscape

The post-labor transition identifies a structural shift with a clear direction: capital is replacing labor as the primary engine of economic output. Translating that into investment positioning requires a framework that captures the full scope of the transition — not just the companies building AI, but the companies powering it, deploying it, and positioned to maintain earnings regardless of how the gains from abundance are distributed.

We organize the opportunity into three concentric rings, each representing a different relationship to the structural shift.

The Inner Ring: Enablers

Enablers are the companies building the tools, platforms, and intelligence that directly replace human labor. They are the picks and shovels of the post-labor economy, and they benefit most directly from the capital expenditure cycle currently underway.

Semiconductors and AI compute sit at the foundation. Companies like NVIDIA, Broadcom, TSMC, and ASML provide the computational engine of automation. Every AI model, every autonomous system, every robotic deployment runs on their

silicon. The demand curve is steep and, for the foreseeable future, supply-constrained.

Enterprise AI platforms — Microsoft, Alphabet, SAP, ServiceNow, Palantir, Oracle — are building the software layer that embeds automation inside enterprise workflows. These companies are not selling AI as a product. They are embedding it into the operating systems of global business. The stickiness of enterprise software, combined with the productivity gains AI delivers, creates powerful retention dynamics.

Robotics and physical automation — ABB, Schneider Electric, Rockwell Automation, Siemens, Fanuc, Keyence, Intuitive Surgical, Teradyne — are building the machines that replace physical human labor. Tesla's Optimus, Figure AI, and Agility Robotics are moving humanoid robots from prototype to commercial deployment. Morgan Stanley projects the humanoid robot market could reach $5 trillion by 2050.[xvi]

The key risk for enablers is valuation. Many already reflect significant growth expectations. The investment discipline requires continuously evaluating whether each enabler's earnings power justifies its multiple — and recognizing that some of the most exciting technologies may already be fully priced.

The Middle Ring: Infrastructure

AI and automation are extraordinarily resource-intensive. The infrastructure layer — energy, grid capacity, connectivity, and data center construction — represents a critical bottleneck and a significant investment opportunity that most AI-focused portfolios overlook.

Energy and power. Constellation Energy, Vistra, and NextEra are positioned to supply the enormous power demands of the AI buildout. Data center electricity consumption is growing at a rate that is straining regional grids. Energy in this context is not a defensive allocation — it is enabling infrastructure.

Grid and connectivity. Quanta Services, Eaton, and Amphenol are building and upgrading the physical grid and connectivity infrastructure that the AI economy requires. Without grid expansion and modernization, the compute buildout hits a physical ceiling.

Data center infrastructure. Arista Networks, Equinix, Digital Realty, Vertiv, Cisco, and Dell Technologies provide the networking, cooling, and facility infrastructure that houses AI compute. As data centers grow denser and more power-hungry, the companies that solve thermal management, optical interconnect, and facility design challenges capture an increasing share of the buildout spend.

Infrastructure provides exposure to the AI transition without the valuation risk of the enablers. Many of these companies have physical assets, contracted cash flows, and business models that are difficult to disrupt. The HALO rotation is already directing capital toward precisely this category.

The Outer Ring: Beneficiaries

Beneficiaries are companies across multiple sectors whose economics improve as they substitute capital for labor. They are not building AI tools — they are deploying them to gain structural advantages in their own industries.

Industrial automation. Deere is deploying autonomous tractors and precision agriculture systems. Caterpillar is automating mining and construction equipment. Parker Hannifin and Danaher are embedding automation across industrial processes. These companies are the real-economy expression of the post-labor transition — replacing human labor with machines in the physical world.

Healthcare. Intuitive Surgical's robotic surgery systems represent the automation of physical tasks in one of the world's largest and most labor-intensive industries. UnitedHealth, HCA Healthcare,

Abbott, Medtronic, and Stryker are deploying AI across diagnostics, administration, and care delivery. Healthcare demand is demographic, not discretionary — making these companies resilient regardless of how income is distributed.

Defense and essential services. Lockheed Martin, RTX, Northrop Grumman, and General Dynamics serve institutional and government customers whose spending is driven by geopolitical necessity, not consumer income. Waste Management, Republic Services, and American Water Works provide essential services the economy requires under any scenario. Financial infrastructure companies — CME Group, Intercontinental Exchange, S&P Global, Moody's — sit at the center of capital markets regardless of which companies or sectors lead.

The three-ring framework makes this opportunity fundamentally broader than existing AI investment products, which focus almost exclusively on the inner ring. By extending to infrastructure and beneficiaries, the framework captures the full scope of the post-labor transition and provides natural sector diversification that no technology-focused approach can replicate.

Where Capital Ebbs

Understanding who wins is clarified by understanding who loses. Every category of winner has a corresponding category of loser, and the contrast makes the capital flow visible.

Companies whose primary value proposition is selling human labor are the most directly exposed. Staffing firms — whose entire business model is matching human workers to employers — are selling a structurally shrinking commodity. Professional services firms built on leveraged labor models face similar pressure: when AI performs the junior work, the labor pyramid that generates the margin collapses. The Indian IT outsourcing sector is particularly

exposed, as its entire value proposition has been lower-cost cognitive labor.

Commercial office real estate faces a compounding challenge. Remote work has already reduced demand. The post-labor economy adds a second headwind: companies that need fewer workers need fewer desks, regardless of where the remaining workers sit.

Per-seat software companies face the logic the market is already pricing in the SaaS selloff. If AI agents perform tasks that previously required human users, the number of seats a company needs declines — and the revenue model built on per-user licensing contracts with it.

The Lines are Blurring

A SaaS company like ServiceNow is simultaneously an enabler — embedding AI into enterprise workflows, making its product more powerful — and vulnerable, because its per-seat pricing model depends on human users. The product may be essential. The pricing model may not survive.

The same tension applies to data providers. In an AI-driven economy, data becomes more valuable. But the delivery mechanism built around human users — terminals, seats, per-user subscriptions — is in question. Today's enabler could become tomorrow's commoditized utility. Today's beneficiary could discover that the margin improvement from automation is more than offset by revenue decline from a shrinking customer base.

The structural shift — that capital is replacing labor — is durable. The company-level implications require continuous evaluation, sometimes within a single product cycle.

IV. The Consumer Demand Question

The hardest question in the post-labor transition is also the most important. It is the question every sophisticated investor will eventually ask.

When a company replaces a $75,000 worker with a $15,000 software subscription, the margin improvement is real and immediate. Multiply that across millions of jobs and you get spectacular earnings growth — for a while. But that $75,000 was also someone's spending. It paid a mortgage, funded grocery bills, covered a car payment. Aggregate the displacement across an economy and you are simultaneously improving the supply side and eroding the demand side.

How does income reach consumers when it no longer flows primarily through wages? The answer is not yet clear. Universal basic income, automation taxes, expanded transfer payments, new forms of capital ownership — all have been proposed, none implemented at scale. The demand side of the post-labor economy remains an open question.

The range of outcomes is wide. At one end, adaptation is gradual — playing out over fifteen to twenty years, with new jobs emerging, retraining programs absorbing displaced workers, and consumer spending holding up. At the other end, displacement outruns policy. Governments are slow. The political process is contentious. The displacement happens in the private sector at a pace that takes three to five years while the policy response takes ten. In that gap, corporate earnings peak and then decline as the customer base erodes.

The direction is clear. The speed is not. And every company in the economy — including those best positioned for the transition — sits on both sides of this tension: benefiting from automation on

the cost side while depending on consumer income on the revenue side.

The Market Repricing

Right now, the market is pricing the supply side of the AI story. Margins are expanding. Productivity is rising. Earnings are growing. The narrative is one of technological triumph — companies doing more with less, and shareholders as the beneficiaries.

That narrative will evolve. At some point — triggered by a recession, a concentrated wave of layoffs, or a political crisis centered on automation — the market's attention will shift from the supply side to the demand side. The question will change from "how much can companies save?" to "who is going to buy what they're selling?"

The SaaS selloff and HALO rotation are early indicators that this repricing has already begun. The political conversation will accelerate it. Universal basic income, automation taxes, and retraining mandates will move from academic discussion to campaign platforms as displacement becomes visible.

For investors, the implication is not to avoid equities but to understand what they own and why. The repricing, when it comes, may be indiscriminate in the short term. But it will also be clarifying. The companies whose earnings are built on durable structural advantages — essential products, critical infrastructure, genuine pricing power — will recover and compound. Those riding the AI narrative without underlying business quality will not. The investors who have done the work to understand the post-labor dynamics will be far better positioned to act when others are reacting.

"The question is not whether the post-labor economy is coming. The evidence confirms it is already here. The question is whether your portfolio - and your framework for thinking about it - are built for what comes next."

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