

**THE INSTITUTIONAL IMPERATIVE: REDIRECTING  
ARTIFICIAL INTELLIGENCE FROM LABOR SUBSTITUTION  
TO HUMAN AUGMENTATION**

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**Summary.** *This paper analyzes the systemic bias in artificial intelligence (AI) development towards automation and labor substitution, arguing that this trajectory is shaped by institutional and economic incentives. A structured policy framework, the Augmentation Mandate, is proposed to reorient AI towards human-machine collaboration to foster sustainable productivity and equitable socio-economic outcomes.*

The integration of Artificial Intelligence into the industrial sector represents a pivotal moment in economic organization. While AI possesses the dual capacity to either automate existing tasks or create new, human-centric roles, current development patterns reveal a pronounced bias towards the former. This trend towards automation, if left unchecked, risks generating significant negative externalities, including stagnant labor demand and rising inequality [1]. The central thesis of this paper is that the 'wrong kind of AI' focused predominantly on substitution is a consequence of market and institutional failures, not an inevitable outcome of technological progress. A deliberate institutional response is therefore required to steer innovation towards a more sustainable paradigm of human augmentation.

The preference for labor-substituting AI is deeply embedded within contemporary industrial paradigms. Corporate governance models that prioritize short-term cost reduction and accounting systems that treat human labor as a primary variable cost create a powerful incentive structure for automation. This institutional configuration makes the business case for substitution clear and immediately quantifiable. In contrast, the value proposition of augmentation-based AI is more complex and long-term. Systems designed to enhance human capabilities require significant investment in workflow redesign and continuous skill development. The benefits, such as increased innovation capacity and higher employee retention, are realized over a longer horizon and are more difficult to capture in traditional financial metrics. This institutional mismatch leads to a systematic underinvestment in augmentation technologies.

To correct this imbalance, a proactive policy framework is necessary. The 'Augmentation Mandate' is designed to reshape the institutional landscape through three interconnected pillars. The first is Governance for Technological Stewardship, involving mandatory AI Impact Assessments that evaluate new systems against augmentation criteria like skill preservation and enhancement of worker agency. The second is the Reskilling Investment Obligation (RIO), a mechanism

to legally tie a company's capital expenditure on AI to a commensurate financial investment in human capital development. The third pillar involves Standardized Augmentation Curricula, where national standards bodies develop role-based AI proficiency frameworks to guide educational and corporate training programs.

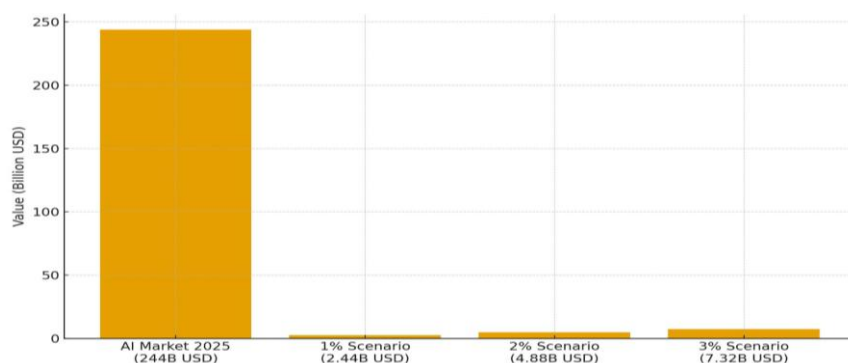


Figure 1 – Comparison of the 2025 Global AI Market and 1–3 % Reskilling Scenarios

The chart compares the total size of the 2025 artificial intelligence market with several reskilling investment scenarios. Allocating only 1–3 % of the market would generate USD 2.44–7.32 billion per year for workforce-augmentation programmes [2]. This shows that even a small redirection of current AI spending can finance large-scale national or sector reskilling efforts, making the proposed Reskilling Investment Obligation economically feasible [2].

Transitioning to an augmentation-oriented ecosystem faces significant barriers, including path dependency in corporate investment. The current push for AI that replaces people is a choice, not an inevitability. Economically, it's a questionable one. Studies show that focusing only on automation can hold down wages and reduce the number of available jobs. A better path is to develop AI that creates new, skilled tasks for humans. This “Augmentation Mandate” is about using technology not just for efficiency, but to build more resilient jobs and broader economic growth. Ultimately, we shape our technology through our rules, investments, and education. By making a conscious choice for augmentation, we can ensure AI acts as a tool that empowers people instead of making them obsolete.

## References

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