

Office job disruptions

AI's potential effects on entry-level office hiring

by Stewart Rubin, Matt Wnek and Marshall Swett

The U.S. office sector, still adjusting to post-pandemic shifts in occupancy, pricing, tenant preferences and usage amid persistently elevated remote work, may also be confronting deeper structural headwinds. These forces act directly on a core driver of demand: office-using employment.

Generative artificial intelligence (AI) has evolved into a robust enterprise platform in less than three years. Massive investment in models, chips and data centers suggests firms view AI as a durable productivity tool rather than a passing cycle. Early labor market evidence indicates that AI-exposed industries are shifting hiring away from entry-level roles that traditionally feed the office workforce.

Meanwhile, the labor supply pipeline appears to be weakening. Standardized test scores show declining academic proficiency, while grade inflation has reduced differentiation across students. AI tools are now widely used for schoolwork, raising questions about skill development and credential reliability. Employers that had already moved toward leaner teams and experienced hires since the pandemic may increasingly view academic credentials as a noisier signal, raising hiring thresholds and relying more heavily on experience and alternative screening tools.

These demand- and supply-side dynamics are visible in an unusually weak labor market for early-career white-collar employment and may intensify as AI capabilities expand. If sustained, they could reduce the number of office workers required per unit of output, shift hiring toward experienced professionals and alter education pathways feeding the office labor pipeline. Over time, the equilibrium level of office-using employment, and by extension office space demand, could reset lower.

Productivity paradox

Machine learning has shaped business processes for decades, but large language models represent a critical breakthrough. They perform language- and logic-intensive tasks central to modern office work, including drafting, summarizing, coding,

customer support and analytics. The release of ChatGPT in late 2022 demonstrated these capabilities through an accessible interface and accelerated enterprise adoption.

Major technology firms have committed extraordinary capital to AI infrastructure. Amazon, Alphabet, Microsoft and Meta are expected to invest \$300 billion to \$400 billion annually in AI-related expenditures between 2026 and 2032. Venture investment in AI has also reached record levels. Beyond technology firms, companies across industries are embedding AI into operations, driving record data center construction as computing capacity expands.

Office-using roles are particularly exposed because they involve task bundles combining creative and contextual work with repeatable processes. Generative AI excels at automating repeatable components such as drafting documents, generating code and answering internal knowledge queries. A November 2025 MIT study estimates AI could already substitute for 11.7 percent of the U.S. labor market, representing roughly \$1.2 trillion in wages across office-using sectors and healthcare.

Full job automation remains distant in many occupations, but AI-enabled task compression, where fewer workers produce the same output, is increasingly feasible. Entry-level roles are especially vulnerable because they often involve foundational analytical and communication tasks that AI can accelerate. If senior staff can produce acceptable drafts or analyses with AI assistance, the traditional apprenticeship model may weaken, requiring fewer junior roles and higher baseline competence among those retained.

Empirical evidence suggests early-career positions are the first margin of adjustment. Research from Stanford's Digital Economy Lab finds that firms and occupations more exposed to generative AI shifted hiring away from early-career workers and toward experienced professionals following ChatGPT's release. Several large companies have slowed hiring or reduced corporate headcount, and many are expressing restraint in future hiring plans.

AI's long-term impact may not be purely negative. Past productivity technologies displaced tasks while creating new occupations. Computers eliminated some clerical roles but generated entirely new professional fields. AI may similarly produce complementary roles centered on oversight, integration and domain expertise. However, from a firm's perspective, AI-driven productivity gains reduce the need for incremental hiring and lower training costs. If labor required per unit of output continues to fall, office employment demand could trend lower.

Raising experience requirements

While AI pressures labor demand, the supply side is also under strain. National Assessment of Educational Progress data reveal falling academic achievement among high school seniors. In 2013, 74 percent tested at or above basic reading levels and 34 percent at proficiency or higher. By 2024, 67 percent tested at or above basic, while proficiency remained at 34 percent. In math, 65 percent tested at or above basic and 26 percent at proficiency in 2013, falling to 55 percent and 22 percent by 2024.

At the same time, AI usage among students is rising rapidly. A 2025 Pew survey found more than a quarter of U.S. teens used ChatGPT for school assignments, roughly double the share in 2023. While AI can enhance learning, widespread substitution during formative years may affect skill development.

Grade inflation compounds the issue. ACT data show average high school GPA rose from 3.22 in 2010 to 3.39 in 2021, even as ACT scores declined. At the college level, grade distributions have shifted meaningfully upward. Harvard University reported "A" grades accounted for 60.2 percent of grades in 2025, up from 24 percent in 2005.

As grades rise while standardized test scores decline, employers may find academic credentials less informative. Firms may respond by favoring candidates with prior experience, relying more on internships and skill assessments and raising experience requirements for entry-level roles. While rational at the firm level, these adjustments can reduce aggregate entry-level opportunity and further weaken education's signaling value, especially alongside AI-driven task compression.

Even as national college enrollment has declined over the past 15 years, employment outcomes for new graduates have deteriorated. Unemployment among college graduates ages 22 to 27 rose from 3.6 percent in fourth quarter 2019 to 5.8 percent in third quarter 2025, with the largest increases in business, financial operations, management and computer-related roles.

For two decades, white-collar employment growth closely tracked output in office-using sectors. During the past two years, that relationship has diverged. Bureau of Labor Statistics data show robust output growth without commensurate hiring gains. Some of this reflects post-2021 hiring normalization, but sustained output growth alongside flat or contracting employment suggests a structural shift in labor intensity.

Hiring patterns reinforce this view. Job postings requiring six or more years of experience in office-using fields have increased more than 40 percent since 2019, while postings seeking fewer than three years of experience have declined roughly 30 percent. Generative AI may accelerate this shift by absorbing tasks traditionally assigned to junior professionals. A Deutsche Bank survey found 24 percent of workers under 35 expressed high concern that AI could take their jobs, compared with 10 percent of workers ages 55 and older.

Strain and shifts

According to the Federal Reserve Bank of New York, 41.8 percent of recent college graduates were underemployed as of September 2025, working in roles that did not require a degree. Persistent underemployment can reduce lifetime earnings and delay career progression.

Rising tuition and student debt add pressure. After nearly five years of federally suspended student loan repayments, the New York Fed's *Quarterly Report on Household Debt and Credit* reported a sharp increase in delinquencies upon resumption. As of third quarter 2025, 9.4 percent of student loans were 90 or more days past due, up from 0.5 percent in fourth quarter 2024. Repayment stress may weigh on younger households' financial stability and consumption.

These pressures may influence future education choices. Overall postsecondary enrollment remains 2.4 percent below pre-pandemic levels, while enrollment in vocational and public two-year programs has increased 19.4 percent. Demand for skilled trades remains strong, particularly in manufacturing and logistics as near-shoring accelerates.

St. Louis Fed tabulations show the unemployment rate for workers with an associate degree from an occupational program at 2.5 percent on a trailing six-month average basis, compared with 3.0 percent for workers with a bachelor's degree or higher. Employers in skilled trades increasingly recruit high school students directly, offering apprenticeships and signing bonuses.

Younger workers may perceive trades as more insulated from AI-driven displacement than

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office roles. Construction, electrical and mechanical occupations rely heavily on manual and spatial skills that remain difficult to automate. If this perception persists, degrees aligned with office-using jobs may lose relative appeal, contracting the pipeline of college-educated entrants into office occupations.

Talent pipeline

The post-pandemic office debate often centers on attendance and hybrid policies. Beneath these issues lies a structural question: how many office workers the economy ultimately requires and how those workers are trained and credentialed.

Generative AI represents a plausible long-term force that will reduce white-collar job demand, particularly at the entry level. Early evidence points to hiring shifts toward experienced professionals. Simultaneously, declining academic performance and grade inflation may be weakening the reliability of educational signals, encouraging firms to raise hiring thresholds and narrow talent pipelines. On the supply side, underemployment, debt burdens and reassessment of four-year degrees are reshaping education decisions.

In the near term, firms may benefit from substituting capital for labor and relying on experienced staff

augmented by AI. Over time, new complementary roles and alternative training pathways may emerge. The office landlord has the least flexibility. If equilibrium office-using employment resets lower, office space demand may adjust accordingly.

In conclusion

For commercial real estate, these trends reinforce post-pandemic divergence. Asset selection becomes critical. Well-located, amenity-rich properties are likely to remain more resilient, while class B buildings face elevated risks of obsolescence, potentially accelerating conversions. Markets concentrated in back-office and junior white-collar employment may face greater exposure to structural demand erosion.

Near-term AI-related leasing may prove cyclical rather than structural if productivity gains reduce long-run labor intensity. A bearish outcome for office involves a downward reset in equilibrium office employment even within a healthy macroeconomic environment. If fewer workers are required, long-term office demand may settle below prior cycles, compelling investors to focus on relative resilience and opportunity amid structural dislocation. ♦

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