From Rationality to Sensibility: Industrial Structure and Labor Market Transformation Driven by the Emotional Economy

Jinglin Wu, Yuzheng Li, Xinjie Shan, Ruihan Yuan
Team ID: AS0313

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Contents

1 Introduction

Following the Industrial Revolution in the 18th century, society moved into an economic model that relied on manual labor and mechanized work to accomplish repetitive standardized tasks. It was not until the information technology revolution of the twentieth century, when personal computers became commonplace, the Internet was born, big data technologies emerged and artificial intelligence initially took shape, that society underwent a shift from a material economy to a thinking economy. In this economic model, social development relied on human thinking, analyzing, and decision-making abilities, supplemented by artificial intelligence. However, the technological leaps brought about by robots, AI macromodels, brain-computer interfaces, and meta-universe experiences in today's society are even more amazing, and it is projected that the affective economy will be able to dominate the consumer and job markets by 2036 (Roland T. Rust, Ming-Hui Huang. 2021). Technological advances in affective computing make one wonder whether we are experiencing a tipping point in the Thinking Economy. Just as the "Thinking Economy" led to the decline of traditional manufacturing and the rise of knowledge services, we are curious about the shifts in industry structure that the "Affective Economy" will bring, and what corresponding capabilities people will need to develop and possess in this economic model. This study will look at these questions and is expected to provide insights for governments, entrepreneurs and job seekers.

2 The Changing Nature of Human Work

2.1 The inevitability of moving from a "thinking economy" to a "feeling economy" and the paradigm shift of human work

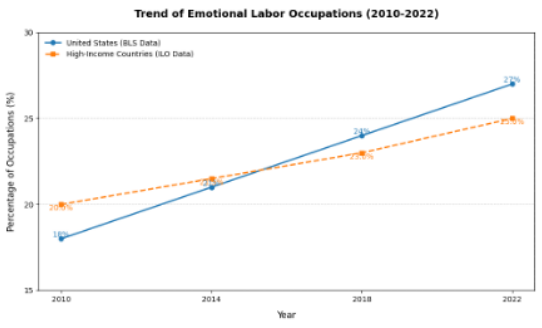
With the rapid development of artificial intelligence, technology-driven forces have greatly replaced manual labor. The replacement of cognitive labor by AI has become a social trend. A stark example is ChatGPT, which is able to understand and generate natural language to help users complete tasks such as writing, translating, and coloring, greatly improving work efficiency. However, as people's emotional interactions, trust and empathy cannot be perfectly replaced by AI, emotional labor has become an inescapable part of economic activities, and emotional intelligence has become an important competitive advantage in interactions with machines. Thus, as AI develops, the central contradiction that stands out is the depreciation of standardized cognitive skills and the growth of scarcity of emotional value, which underscores the evolutionary logic of the current economic landscape: a spiral of physical strength, thinking, and emotion. The nature of human work is also undergoing a paradigm shift from "technology-driven" to "emotionally empowered", with the labor market shifting from STEM hard skills to emotional intelligence, and empathy, emotional intelligence and emotional communication forming a new triangle of competencies. Repetitive cognitive work is decreasing, and high emotional value-added work is gradually emerging, and the core competitiveness of future work will depend on the ability of organizations and individuals to transform human emotional intelligence into a strategic asset.

2.2 Expanded Dimensions of Skills Requirements

The "positive skill-reward correlation" model of human capital theory (Becker, 1964) is structurally broken in the age of AI. With the popularization of AI tools, when the supply of programming skills reaches sufficient elasticity (StackOverflow annual report shows that developers can use Copilot to improve the efficiency of code output by 55%), there is a significant decline in the marginal rate of compensation of hard skills, it is undeniable that the core AI technical talents can still get high salaries, but most of the ordinary employees are gradually replaced by AI. Human capital theory was initially based on a positive correlation between skill improvement and wage increases, but reality has gradually gotten off track. As AI replaces these repetitive tasks, the irreplaceability of soft skills becomes apparent and is at the center of corporate screening. Reality is slowly 'updating' the theory of human capital so that skills upgrading favors higher "emotional literacy" and higher wages. The book Proving the Value of Soft Skills: Measuring Impact and Calculating ROI provides quantitative evidence of the economic value of soft skills. Emotional literacy (e.g. empathy, conflict mediation, creativity) relies on unique human capacities for situational understanding, ethical judgment, and dealing with complex relationships, which are irreplaceable by artificial intelligence, and whereas standardized skills for jobs are easily eliminated by technological iterations, emotional literacy helps individuals quickly adapt to change, drive collaboration, and solve non-structural problems. change, promote collaboration, and solve unstructured problems. As a result, the marginal returns to emotional literacy are significantly higher than standardized skills in the age of AI.

As shown in the chart, the share of emotional labor jobs in the U.S. market rises from 18% in 2010 to 27% in 2022. The fastest-growing occupations include user experience designers (+58%), consultants (+50%), and

Figure 1: Temporal Trends in the Share of Emotional Labor Jobs



Source: (U.S. Bureau of Labor Statistics, International Labor Organization)

tableTop 5 Fastest-Growing Emotional Labor Occupations (2010–2022)

Occupation	**Growth Rate**
UX Designers	+58%
Mental Health Counselors	+50%
Customer Success Managers	+45%
Senior Care Coordinators	+40%
Educational Coaches	+38%

Source: BLS Occupational Employment Statistics (2010–2022 projections).

customer success managers (+45%). According to the International Labor Organization, the global trend is for the share of emotional labor jobs in high-income countries to rise from 20% in 2010 to 25% in 2022.

2.3 Structural Adjustment of Job Types

Ricardo's theory of comparative advantage takes on a new interpretation in human collaboration: the logic of the division of labor is undergoing a fundamental reconfiguration. With AI processing structured data 3,400 times faster than humans (Accenture 2024 white paper on human-machine collaboration), while humans maintain a 68% absolute success rate advantage in emotional negotiations. In the digital age, humans and AI are based on emotional intelligence and computational intelligence differences, a new paradigm of specialized collaboration has emerged. Labor market price signals further confirm this shift: scarcity of emotional skills drives the marginal output curve to the right - a basic course designer at Coursera can earn $82,000 per year (in 2023), while an expert in Emotional Instructional Design can earn $134,000 per year (Coursera 2024 Salary Report), a premium of 63.4%. The future labor market is trending toward human-computer collaboration, with high-emotional-value jobs becoming mainstream.

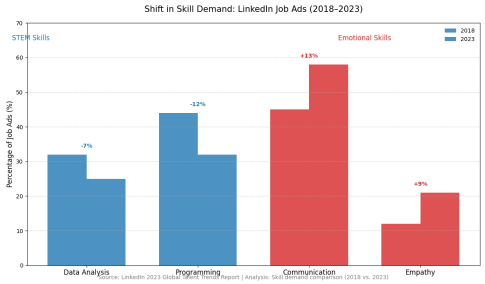


Figure 2: Shift in Skill Demand: LinkedIn Job Ads(2018-2023)

LinkedIn data shows that from 2018 to 2023, the demand for STEM skills decreases (the share of data analytics jobs declines by 7% and programming jobs decline by 12%) and the demand for emotional skills rises (the demand for communication skills grows by 13% and the demand for empathy grows by 9%).

2.4 The return of humanism in the age of the emotional economy

As the marginal return on emotional literacy is significantly higher than standardized skills, the way companies assess employees has changed in the age of AI. Whereas hiring used to focus on education, work experience and relevant standardized tests, with AI, this is no longer a core criterion, and the number of people and salaries required for such jobs will decrease. For example, prior to 2018, the core of Unilever's hiring assessment was education and standardized tests; the change added new tests such as cross-cultural empathy and other emotional bias tests. For the service industry, these factors are more important to focus on in the age of AI.

Education in the AI era is also returning to its basic mission of developing the emotional competencies that "make people human." Universities and high schools should offer courses on emotions and implement programs to

build emotional competence. Some education departments have already begun to make systemic changes, and the University of Chicago Booth School of Business has started an interdisciplinary course on "Neuroeconomics and Affective Computing," which uses Prospect Theory (KahnemanTversky) to analyze irrational decision-making in the age of AI. Data from its "AI Ethics Sandbox" program suggests that students trained in emotionally charged environments are 41% more likely to create value in MA negotiations. A vivid example from high school is Shanghai High School's "Emotional Math" course, which uses game theory to analyze school conflict. This fosters critical thinking, promotes the expression of rational emotions, and fosters cooperation and win-win situations.

3 Impact of the Emotion Economy on Consumer Markets

3.1 Qualitative Changes in Consumer Decision Drivers

Richard Thaler's theory of "mental accounts" states that people allocate money to different "accounts" based on subjective emotions. In the Emotional Economy, consumer behavior and market demand will change significantly, with emotions and experiences becoming the main drivers, and consumers may be more willing to allocate more budget to products or services that bring emotional satisfaction (e.g., luxury goods, entertainment experiences). Since consumers value emotional value, producers must accept that every consumer is different by nature, so customized and limited edition goods will emerge, and consumer decision-making relies on emotions and is more inclined to buy products with emotional attachments.

Table 1: Consumption Decision Emotional Value Weight Change (2020-2025)

Decision Factor	2020 Weight	2025 Weight	Change
Product Functional Parameters	62%	37%	↓40%
Emotional Value Experience	31%	58%	↑87%
Community Identity	7%	5%	↓29%

Data Source: Nielsen Global Consumer Confidence Index (January 2025)

Conclusion: For the first time, the weight of emotional value surpasses that of functional indicators. The weight of emotional value in consumer decision-making has increased by 87% in three years, surpassing functional parameters as the primary driver of consumer decision-making (58% vs. 31%).

3.2 Subversive Reconfiguration of Consumption Scenarios

The compounding effects of the emotional value of skills premiums, along with increasing the number of products consumed and improving conversion and repurchase rates, have led to a gradual increase in market penetration of emerging consumer scenarios for emotional spending, boosting overall spending. statista data shows that the emotional skills premium has risen from 8% in 2010 to 15% by 2022, in contrast to the STEM skills premium, which has declined from 22% to 10%. The emotional economy consumer scenario market is performing strongly.

Table 2: **Market Performance of Emotional Economy Consumer Hotspots**

Consumption Scenario	Key Indicators	Case Studies and Data
Immersive Experience	User Stay Duration and Payment Speed	Meta Horizon Virtual Store: User stay duration extended to 8.7 minutes (+230% compared to traditional e-commerce).Virtual concert tickets sold out 3.6 times faster.
Emotion-Driven	Emotional Interaction Frequency, Order Growth, and Peripheral Product Repurchase Rate	Tesla owner community: Every 1% increase in emotional interaction frequency led to a 23% increase in customized car orders. Peripheral product repurchase rate increased by 19% (2024 Q4 data).
Emotional Health	Duration of Use and Acceptance of Emotion-Driven Purchase Recommendations	Apple Watch 10: Users use the emotion monitoring feature for an average of 1.2 hours per day. Emotion-driven purchase recommendation acceptance rate reached 63%
Data Source: Statista "2025 Global Consumer Trends White Paper"		

4 Impact of the Emotion Economy on Traditional Industries

4.1 Changes in Traditional Industries

The rapid development of AI has had a significant impact on traditional industries, mainly reflected in the replacement of traditional labor-intensive industries by automated and intelligent technology-intensive industries. This process includes AI replacing manual labor → AI performing specific tasks a shift in the role of the workforce a restructuring of traditional industries. In traditional manufacturing industries, for example, AI has replaced repetitive labor such as assembly in assembly line production once performed by humans through technologies such as big data analysis, intelligent manufacturing, and predictive production line maintenance, thereby increasing labor productivity and reducing production costs. According to Manyika et al, as many as 800 million jobs could be replaced by AI by 2030, forcing between 75 million and 375 million workers to change occupation types.

In the healthcare industry, AI has already replaced jobs in primary care, such as imaging, assisted diagnosis, and telemedicine. This shift has improved the accuracy of diagnosing diseases and made pathology decisions more efficient, with physicians reducing the amount of repetitive technical work and being able to give more psychological and emotional support to their patients, which will greatly improve the patient experience. In financial and business services, AI is responsible for data analysis and risk control, while humans focus on customer relationship management and decision-making consulting, such as JPMorgan Chase , which uses AI for investment analysis, but human beings are still responsible for customer relationship management.

4.2 Transformation and Upgrading of Traditional Industries

In order to cope with the changes in the nature of human work and consumption scenarios brought about by AI, traditional industries need to be transformed and upgraded to parallel AI substitution with emotional transformation, reduce the demand for low-skilled workers while increasing the demand for high-skilled technicians, tap into and satisfy emotional demand, and need to ensure that these costs can be perfectly covered by the benefits.

Table 3: **Traditional Product Transformation Data**

Industry	**AI Cognitive Task Replacement Rate (2025)**	**Emotional Module Penetration Rate**	**Transformation Cost/Benefit Ratio**
Manufacturing	78%	41%	1:4.2
Finance	83%	36%	1:3.8
Healthcare	65%	58%	1:5.1
Data Source: World Economic Forum ”2025 Industrial Automation Report”			

As shown, 78% of cognitive work (e.g., quality control, scheduling) in manufacturing globally has been replaced by AI, but 41% of companies have deployed emotional interaction modules (e.g., emotionally-aware robots); 83% of standardized services (risk assessment, trade execution) in the financial industry are done by AI, and human advisors are shifting to maintaining emotional relationships for high-net-worth clients (client retention increased 19); 65% of primary diagnostics in healthcare are enabled by AI, but 58% of tertiary hospitals have introduced emotional therapists (patient satisfaction from 68%-89%).

5 The Rise of New Industries Driven by the Emotional Economy

Meanwhile, the development of artificial intelligence technology has given rise to numerous new industries. In the context of the emotional economy, consumers are paying more attention to the emotional value brought by products, which is driving the shift from function-oriented industries (which focus on satisfying basic needs and utility) to emotion-oriented industries (which emphasize emotional resonance and personalized experiences to increase consumers' propensity to consume).

The emotion-driven consumer goods industry is an emerging industry whose core characteristic is to drive consumption by satisfying consumers' emotional needs. For example, the animation culture industry makes consumers rely more on emotions, rather than just on product features, in their purchasing decisions through emotional connections with anime characters, virtual idols, and games. In recent years, the animation culture industry has driven the consumer demand of a huge fan base through IP shaping and emotional marketing. A typical example

is the Nezha series of speech boxes co-branded by Nezha and Bubble Mart, which have recently become so popular that almost every offline store is sold out, with demand outstripping supply. The underlying reason for this phenomenon is that, through derivative works, Nezha's IP has been imbued with meanings such as "self-identity", "fighting against destiny" and "growth and transformation", which resonate strongly with modern young people. It also inspires a sense of cultural belonging and emotional identity among the Chinese people, which makes consumers more willing to buy such products.

The virtual entertainment and immersive experience industry is also an emerging sector. Apple's new Vision Pro could well explain the rise of this industry in the context of the emotional economy. While in traditional entertainment the user's experience is mainly an audio-visual treat on a two-dimensional screen, Vision Pro allows the user to enter a virtual world with immersive interactions through VR and AR technology. It can also analyze users' behavior through AI technology and then provide them with personalized services, which greatly satisfies consumers' emotional needs.

In short, AI drives emerging industries, and in terms of social preferences, creative industries, virtual reality, augmented reality immersive entertainment, personalized and experiential consumption, high-end customized products, emotional health and psychological services, AI-enabled human services, environmentally sustainable products, and public welfare and social responsibility industries dominate the emotional economy.

6 Conclusion and Strategies

Emotional economy will completely change the job market, consumption pattern and industrial structure, AI replaces repetitive and standardized work, pushes traditional industries to intelligent transformation, and at the same time gives rise to new industries and new career models. People need to understand the revolution of "human-centred", and it has become mainstream to collaborate with AI, AI provides technology and human provides emotional support. According to Petty—Clark Theorem, as the per capita income increases, the labor force shifts from the primary industry to the secondary and tertiary industries. Under the tide of the emotional economy, the labor force is transferred from the traditional manufacturing industry to the emotional service industry. The main beneficiary of the AI emotional economy is the service industry, and emotional intelligence and creativity will become the new engine of economic growth.

In a changing world, economies should adopt strategies to re-realize the equilibrium and promote smooth economic development. governments should give policy support to cultivate new growth points in consumption, reform the education system at the national level, prioritize investment in emotional skills training, formulate regulations on the protection of emotional labor rights, and economic adaptability, and set up ethical committees for emotional consumption (e.g., the EU White Paper on the Emotional Economy, 2024). Develop emotional data privacy standards. Enterprises need to combine AI technology and human emotional values to build "data + emotion" dual engines in product design, marketing innovation, and organizational change to find a new direction for business competition, and individuals need to improve their competitiveness in the new economy, such as communication, empathy, collaboration, human-computer interaction capabilities and attainment.

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