# The world needs AI-furlough to save middle classes

*When capital replaces labour, labour must be given the right to share in the capital*

by Izabella Kaminska, The Daily Telegraph 26th February 2026

This was the week that a stark prediction about AI roiled markets and briefly pierced public complacency.

A note from Citrini Research warned that unchecked AI deployment could hollow out middle-class incomes, crush demand and tip advanced economies into a deflationary spiral.
Technology stocks were sold off. Commentators panicked.

But the market tremor is the least interesting part of the story.

If anything, it underlines a deeper problem: an AI investment that destroys its own consumer base, and the middle class with it, is not intelligent.

Machines do not consume. They do not take holidays, upgrade kitchens or pay school fees. If labour income shrinks while output rises, the economy does not become more intelligent; it becomes dumb.

Left alone, however, short-termist markets have little incentive to correct for these effects.

Managers are rewarded for cutting headcount and expanding margins. Analysts fixate on the next quarter's earnings.

No one is charged with asking what happens when the very consumers on whom revenues depend are made substantially poorer very suddenly.

If we are to prevent an AI boom from turning into a self-cannibalising bust, political intervention is not optional. It is essential.

The easy fix is introducing Universal Basic Income – a taxpayer-funded transfer to offset technological unemployment.

I, however, am not convinced this is the best path. Such a policy risks weakening the link between contributions and rewards, shifting the costs of capital misallocation to the taxpayer, and simultaneously undermining agency and purpose.

There is a better option: AI furlough.

During the pandemic, governments intervened decisively to prevent mass redundancy. Furlough schemes were expensive and imperfect, but they recognised a crucial truth: when systemic disruption threatens to hollow out the middle class, the state must act to preserve economic capacity.

This time, however, the intervention need not be taxpayer-funded.

Politicians can legislate that AI-driven redundancies – a direct substitution of labour by capital – automatically trigger long-term, dividend-yielding equity in the firm responsible. In other words, when capital replaces labour, labour must be given the right to share in the capital.

This would not be a one-off cash severance, but a legally mandated equity stake calibrated to prior salary and linked to the productivity gains generated by the displacement. In effect, a redundancy package that would convert every displaced worker into a shareholder.

Crucially, it could all be funded through dilution.

If AI genuinely enhances productivity and long-term profitability, then the incremental value created should comfortably absorb the issuance of new shares. The overall cost would not be "felt" as a drag on a viable enterprise.

Rather, it would function as a discipline: firms would automate when AI can expand markets and generate durable returns, not simply shrink payrolls and boost short-term margins.

Moreover, such a corporate pledge would acknowledge that decades of accumulated human capital helped build and train the very systems now displacing them.

It would turn creative destruction into creative inclusion, without encroaching on the agency or dignity of any displaced worker. Individuals would retain the option to hold the shares, live off dividends, sell them to retrain, or reinvest elsewhere at their own discretion.

Nor is any of this really that controversial.

Society has already broadly accepted that unchecked capitalism has a tendency to generate destabilising global externalities. ESG mandates were introduced precisely to get companies thinking longer term.

Boards routinely defend green investments that weigh on immediate earnings because the alternative – environmental collapse – would be worse.

The same logic should apply to AI displacement. A company that erodes the income of its own customers in pursuit of automation, after all, will eventually put itself out of business.

Some will argue that forcing companies to share the capital gains from AI adoption with those who helped forge their businesses is Luddism. I disagree.

Under an equity-transfer framework, firms would still innovate and weak companies would still fail. Crucially, displaced workers would only benefit for as long as their old employer stayed solvent.

It's true, of course, that not everyone works for a large corporation.

Contractors and freelancers can and will lose work just as broadly if clients replace them with AI.

That's why the dividing line for an equity transfer should not be employment status but rather substitution: where AI replaces labour inside a firm, equity compensation makes sense. Individuals who genuinely work for themselves will reap the gains of AI directly anyway.

The public sector presents a different but hardly insurmountable challenge.

Since equity cannot be transferred, the issue is not whether AI-displaced staff receive support – they inevitably will in a welfare system – but whether that support should be linked to demonstrable gains in service quality rather than an unconditional standard entitlement, and more pertinently, whether time served in public duty should influence the settlement.

Whatever the case, politicians must act – quickly. An economy that perfects production while hollowing out purchasing power is not progress but a drift towards societal anti-intelligence that can only be halted by political action.

Those who claim to stand for the middle class should recognise the urgency.

AI furlough, funded through equity dilution rather than taxation, would backstop demand without expanding the state.

It would also enshrine a simple rule: an innovation that destroys its own consumer base is not progress. It is self-sabotage.