

Transforming Labor Markets in the Feeling Economy: A Case Study of Aged Care Industry

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Abstract

The emergence of the "feeling economy" signifies a fundamental shift in labor markets, where emotional intelligence and interpersonal skills are becoming paramount as automation assumes routine cognitive and physical tasks. This transition is acutely evident in the aged care sector, which serves as a critical case study. While AI and robotics automate duties like patient lifting and monitoring, demand is increasing for human caregivers to provide empathy, complex communication, and emotional support. However, significant supply-demand contradictions threaten this transition. An aging global population is escalating demand, yet the labor supply is constrained by systemic issues: educational programs that undervalue emotional skills, low wages and social status leading to high turnover, and a pervasive skills mismatch. To bridge this gap, integrated policy solutions are required. These include reforming vocational education to certify emotional care competencies, implementing wage incentives to improve retention, leveraging immigration pathways to expand the skilled workforce, deploying assistive technologies to reduce routine workload, and launching public campaigns to enhance the profession's societal value. Proactively addressing these challenges is essential to building a resilient, skilled care workforce capable of meeting the human-centric demands of the future economy.

Keywords: Feeling Economy; Emotional Intelligence; Labor Market Shift; Aged Care; Automation; Skill Gap.

1. Introduction

The rise of the feeling economy, marked by the growing importance of emotionally intelligent human interactions over machine-led cognitive tasks, is fundamentally reshaping labor markets. As AI and automation increasingly take over routine and analytical work, the workforce is being redirected toward roles that demand advanced emotional skills—such as conflict mediation, trust-building, and adaptive problem-solving—areas where human capabilities remain unmatched. This shift is not only redefining job descriptions but also elevating emotional intelligence from a secondary asset to a core driver of collaborative innovation, organizational adaptability, and workplace well-being.

In this new landscape, soft skills like empathy, resilience, creativity, and effective communication are becoming essential for navigating complex human-machine collaborations and for interpreting nuanced social contexts that machines cannot fully grasp. The demand for these skills is rising across sectors, from healthcare and education to customer service and management, as organizations recognize their value in fostering flexibility, adaptability, and sustainable growth.

However, this transition is not without its challenges. The rapid pace of technological change has created significant skill gaps, with many workers needing to reskill or upskill to remain relevant. The imbalance between the supply of emotionally intelligent professionals and the growing demand for such roles risks exacerbating socio-economic inequalities and workplace stress. Addressing these challenges requires coordinated efforts in education, training, and policy-making to ensure that the workforce is equipped with both digital and emotional competencies.

Ultimately, the feeling economy underscores the irreplaceable value of human-centric skills in an era dominated by intelligent machines, highlighting the urgent need for proactive strategies to cultivate and sustain these abilities within the evolving world of work.

2. Literature Review

The Feeling Economy is fundamentally redefining labor value, marked by the declining relevance of routine, easily automated skills. Research by [Bughin *et al.* \(2018\)](#) quantifies this shift, projecting that demand for basic cognitive skills and for physical and manual skills will decline by 15 percent and 14 percent, respectively. This devaluation of traditional technical abilities is met with a corresponding surge in the valuation of soft skills. As the same study indicates, demand for social and emotional skills is expected to grow by a striking 24 percent ([Bughin *et al.*, 2018](#)). This trend is corroborated by recent analyses, which find that employers now actively prioritize interpersonal, communication, and emotional intelligence skills as essential for success in increasingly technologically sophisticated workplaces ([Evans *et al.*, 2020](#); [Poláková *et al.*, 2023](#)).

This rapid restructuring of skill requirements has, however, generated significant labor market imbalances. According to [Gevorgyan \(2022\)](#), "over 57 out of 108 countries report a skills mismatch," revealing the pervasiveness of this disconnect between workforce capabilities and economic needs. The consequences of this mismatch are acutely felt in sectors undergoing simultaneous demographic and technological transformation, such as the aged care industry. Here, the skill demands are evolving faster than the workforce can adapt. While automation readily assumes standardized tasks like medication scheduling, human caregivers are confronted with heightened expectations for complex emotional labor—such as providing companionship and empathy—which remains irreplaceable by machines ([Bughin *et al.*, 2018](#); [Evans *et al.*, 2020](#)).

Compounding this problem is the inadequacy of current systems to facilitate the necessary transition. Training and reskilling programs are failing to address these market imbalances effectively. Many programs do not place sufficient emphasis on the critical development of social and emotional skills, while others are hindered by incomplete or misaligned policy frameworks ([Allen *et al.*, 2021](#); [Donovan, 2023](#)). This systemic shortfall highlights the profound challenges facing workers, particularly those whose existing knowledge is becoming obsolete, as they find themselves without sufficient access to the upskilling necessary to thrive in the Feeling Economy.

3. Methodology

This research employs a mixed-methods methodology, using the aged care industry as a focal case study to analyze labor market dynamics in the feeling economy. It combines qualitative analysis, including sector-specific case studies such as Japan's caregiver shortages and Canada's immigration policies, with quantitative data such as Organization for Economic Co-operation and Development (OECD) workforce projections and turnover rates in U.S. nursing homes, to map skill demand shifts and labor supply gaps. The study integrates policy benchmarking, such as Canada's caregiver visa programs and Japan's PARO robot deployment, alongside practical frameworks like career pathways for high school students, to evaluate solutions. By examining aged care's unique challenges—particularly the tension between rising emotional labor needs and systemic undervaluation of caregiving—the methodology bridges macro-economic trends, especially automation's role in freeing humans for empathy-driven tasks, with micro-level insights such as virtual reality (VR) use in senior companionship. This approach synthesizes academic literature, real-world examples, and statistical projections to propose actionable strategies for aligning education, policy, and technology with the demands of a feeling-centric economy.

4. Skill Demand Shifts in the Feeling Economy Era

The transition from a thinking economy to a feeling economy is paradigmatic in the aged care industry. As artificial intelligence automates repetitive and physically demanding tasks, new demands emerge for caregivers to provide emotion-related services. Robots such as Robear and RIBA, as well as social robots like PARO, are now capable of safely lifting, transferring, and even engaging with patients, significantly reducing the need for human caregivers to perform labor-intensive, repetitive tasks ([Chien *et al.*, 2019](#); [Ma *et al.*, 2021](#); [Padhan, 2022](#)). AI's capabilities in physical tasks are increasingly comparable to those of human caregivers, freeing up substantial time for caregivers to focus on interpersonal engagement, emotional support, and complex decision-making rather than logistical or manual duties ([Bhimavarapu, 2022](#); [Chien *et al.*, 2019](#); [Padhan, 2022](#)).

Obtaining interpersonal skills is now integral in the era of the feeling economy, especially in aged care, where the emotional well-being of elderly individuals is largely determined by the quality of emotional support provided by human caregivers ([Chien *et al.*, 2019](#); [Jia, 2023](#)). Studies show that social robots can improve mood, reduce agitation, and foster engagement among older adults, but the irreplaceable value of human empathy and communication remains central ([Chien *et al.*, 2019](#); [Rony *et al.*, 2023](#); [Wang *et al.*, 2022](#)). As a result, employers increasingly prioritize interpersonal skills—such as empathy, communication, cultural sensitivity, conflict resolution, and tech-complementary skills—when hiring for aged care roles ([Poláková *et al.*, 2023](#); [Rony *et al.*, 2023](#)).

Patient communication and cultural sensitivity are fundamental for optimal health outcomes, while conflict resolution skills, rooted in effective communication, help reduce disputes and foster positive relationships between caregivers and the elderly ([Rony *et al.*, 2023](#); [Wang *et al.*, 2022](#)). The advent of AI in aged care also underscores the need for tech-complementary skills, as caregivers must now collaborate with advanced technologies to deliver holistic care ([Chien *et al.*, 2019](#); [Padhan, 2022](#)). In summary, the growing focus on interpersonal and soft skills is generating new demands and reshaping workforce priorities in the aged care industry.

5. Supply-Demand Contradictions in the Labor Market

Global aging is worsening and epitomizes the conflict between supply and demand brought about by the emerging feeling economy. According to the [United Nations *et al.* \(2020\)](#) report, there will be 2.1 billion people over

60 globally in 2050. For example, the elderly population in China and India will exceed 300 and 200 million respectively by 2025 (United Nations *et al.*, 2020), which puts great pressure on the aged care industry. However, supply shortages and mismatch exaggerate the problem of supply-demand contradiction.

First, current nursing education emphasizes professional knowledge and basic skills (e.g., medication management) but neglects the importance of emotional skills, such as communication skills and empathy. In the United States, only 35% of caregivers have received specialized education in emotional intelligence (U.S. Bureau of Labor Statistics, 2023). Caregivers who lack emotional skills are largely unable to recognize the emotional changes and psychological needs of the elderly, which in the long run can lead to serious illnesses, such as depression and heart disease (National Institute on Aging, 2022).

Second, low wages in the aged care industry discourage labor force participation. The median hourly wage for caregivers in the United States is \$15.50, far below the national average by 30% (Bureau of Labor Statistics and U.S. Department of Labor, 2023). The aged care industry has more female than male workers; female caregivers constitute about 85% of the total population (International Labor Organization, 2021). At the same time, some caregivers are underpaid and have to work other part-time jobs, having no time to improve their emotional skills (Bureau of Labor Statistics and U.S. Department of Labor, 2023). The low wages are attributed to the fact that society views the caregiving industry as a natural advantage for women, rather than a profession that requires skill. Excessively low wages limit laborers from entering the profession. In addition, because wages are so low that caregivers are unable to improve their caregiving skills, it reinforces society's stereotypical view of the profession as "unskilled," further solidifying the labor shortage caused by low wages.

Third, there is a high turnover rate of caregivers in the aged care industry due to physical and mental exhaustion. As the aged care industry requires constant emotional output, caregivers need to provide additional emotional value while maintaining their emotional stability. The disadvantages of long hours of heavy work and self-consumption are magnified by the lack of human resources, leading to high turnover and a reluctance to join the industry. In the U.S., the turnover rate of nursing home caregivers is as high as 50% (Bureau of Labor Statistics and U.S. Department of Labor, 2023), and in Japan, 80% of caregivers leave their jobs due to "emotional exhaustion" (Ministry of Health and Labor and Welfare (Japan), 2021).

Fourth, low social recognition deters involvement in the workforce within the aged care industry. The aging workforce of caregivers is a very important factor that affects social acknowledgement. In developing countries, more than 70% of caregivers are women over the age of 45, and only 30% of them have more than a high school diploma (World Bank, 2022). According to an International Labor Organization (2021) report, 90% of young people believe that caregivers have a low social status, and only 5% of college graduates are willing to enter the profession. The face of the profession, consisting of the keywords of advanced age, low literacy, and female, largely diminishes the attractiveness of the profession. Of all service professions, the average social prestige rating on a scale of one hundred is only 23, which is even lower than catering and sanitation (Organization for Economic Co-operation and Development, 2023). The occupational profile of the senior care industry exacerbates the problem of low social recognition, which discourages people from entering the profession.

Figure-1. Supply and Demand Contradictions in Aged Care Industry

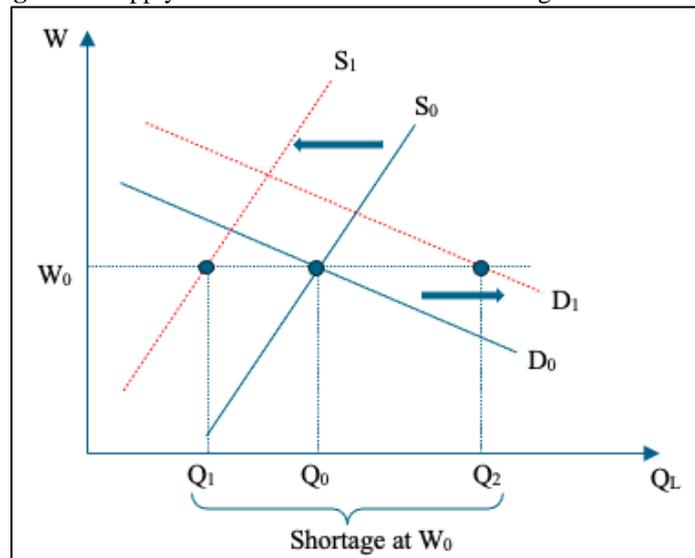


Figure 1 illustrates the circumstances in the labor market for caregivers equipped with both physical and emotional capabilities. As analyzed previously, the demand for such caregivers increases due to a surge in the aging population, causing a rightward shift in the demand curve (D_0 to D_1). This shift raises wages for these caregivers. Concurrently, skill mismatches among caregivers lead to a shortage of qualified workers, resulting in a leftward shift of the supply curve (S_0 to S_1). Since the supply is relatively inelastic, this contraction exacerbates the shortage. At the initial wage level (W_0), the labor market experiences an extreme shortage of skilled caregivers, represented by the gap between Q_1 and Q_2 .

6. Policy Recommendations to Alleviate Contradictions

To address supply-demand contradictions in the aged care labor market, several potential policies and implements can reduce the shortage of skilled caregivers in the feeling economy era.

First and foremost, education and training reforms are essential to bridge skill gaps and reduce burnout. Governments should integrate empathy training into vocational programs and certify “emotional care specialists” to formalize soft skills. Empirical evidence supports this approach. Japan’s pilot programs combining technical and emotional skills reduced caregiver burnout by 30% by emphasizing patient-centered communication (Organization for Economic Co-operation and Development, 2023), while psychology modules in German care homes improved patient satisfaction by teaching staff to manage emotional labor (Vernooij-Dassen and Moniz-Cook, 2021). By equipping caregivers with both clinical and relational competencies and lowering burnout, such training can directly increase the supply of qualified caregivers to meet rising demand.

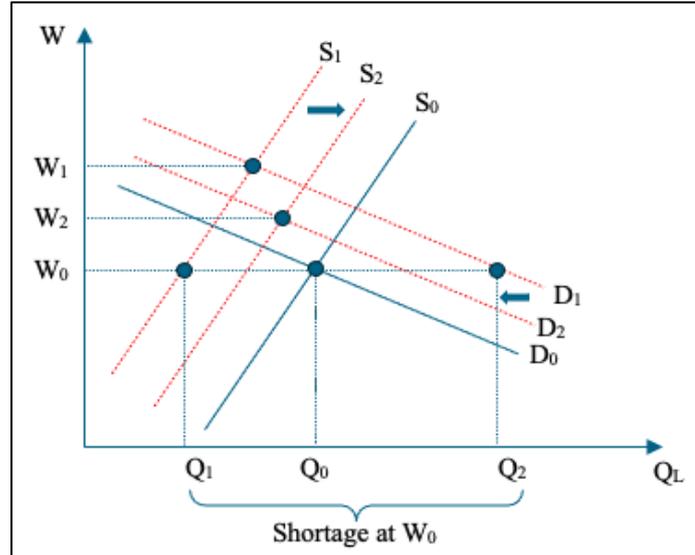
Furthermore, wage incentives are necessary to counteract low pay perceptions and high turnover rates. Subsidizing wages and offering tax breaks for care institutions can directly improve retention and attract talent. For instance, a Health Affairs study found that a 10% wage increase for U.S. nursing home staff reduced annual turnover by 7%, demonstrating the direct link between compensation and workforce stability (Konetzka and Perrailon, 2021). These measures can address immediate labor shortages.

In addition to financial and educational reforms, immigration policies can also alleviate immediate labor shortages by expanding the pool of qualified workers. Canada’s Home Child Care Provider Pilot addressed 40% of caregiver shortages in its first year by fast-tracking visas for skilled foreign workers (Immigration Refugees and Citizenship Canada, 2022). By easing entry barriers for international caregivers, such immigration policies can greatly increase the domestic supply of skilled labor, bridging gaps in underserved regions.

Concurrently, automation policies can reduce demand pressures by delegating repetitive tasks to technology. Japan’s PARO therapeutic robot, for example, reduced staff workload by 25% in dementia care by automating patient monitoring, allowing caregivers to focus on complex emotional needs (Jøranson *et al.*, 2020). By taking over routine tasks, robots reduce the physical demands of care work, decreasing the necessity for extensive hiring while enhancing the quality of service.

Finally, public awareness campaigns can elevate caregiving’s social status, encouraging more individuals to join the industry and expanding labor supply. The UK’s “Every Day is Different” campaign increased care job applications by 15% by reframing care work as dynamic and impactful (Skills for Care, 2023). Norway’s efforts to recognize caregiving through awards reduced gender wage gaps by 12%, as reported by the International Labor Organization (2022), challenging stereotypes that deter potential workers.

Figure-2. The Impacts of Policies on Aged Care Industry



The graph above illustrates the circumstances in the labor market for caregivers equipped with both physical and emotional capabilities. As previously analyzed, policy initiatives such as enhanced education and wage incentives would increase the number of qualified caregivers, shifting the supply curve rightward from S_1 to S_2 . Meanwhile, fast-track immigration programs for skilled caregivers would further amplify this workforce expansion, reinforcing the supply-side growth. On the demand side, automation could reduce the need for human caregivers in certain roles, prompting a leftward shift of the demand curve from D_1 to D_2 . These combined effects—expanded supply and reduced demand—narrow the gap between the quantity supplied (Q_1) and quantity demanded (Q_2), alleviating the labor shortage. Over time, this adjustment will push up wages at a higher equilibrium level (W_2), reflecting the increased value placed on caregivers’ specialized skills and the market’s response to improved workforce availability.

7. Conclusion

The arrival of the feeling economy is a symbolic and fundamental transformation of the structure of the labor market. Skills demanded will shift from routine cognitive and physical skills to interpersonal and emotional skills. Using the aged care industry as our case, we discover that AI and automation have already taken over tasks such as supervision and other physical-demanding tasks; caregivers can concentrate on providing emotional values and other abstract tasks. However, contradictions between the skills demand and labor supply exist, which may potentially trigger wage polarization among caregivers and risk of being unemployed. To tackle the problems, some recommended solutions are proposed: reformation of the education system, promotion of public-private collaboration. As for the youth, especially for students, developing soft skills, diverse experiences, and a lifelong learning mindset are crucial for them to be successful in their career path in feeling economy. For future research, the impact of the feeling economy on different industries, for example, social media, education, and entertainment, should be further investigated, since they are also industries that may be affected deeply. As the government enacts policies to adjust to the feeling economy, the effectiveness of the policies should be further evaluated.

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