



# SURVIVING JOB DARWINISM

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**Hosted by Kokou Agbo-Bloua**

Societe Generale's Head of Economics, Cross-Asset & Quant Research

**EPISODE 7** - Featuring Sir Christopher Pissarides, 2010 Nobel Prize Laureate in Economics

When it comes to skills and jobs, AQ (Adaptability Quotient) can have a massive impact on your career. Especially as workers have to change and evolve to keep pace with new technologies. In this new episode of 2050 Investors, Kokou Agbo-Bloua investigates our ability to survive in a labour market that is poised to be revolutionized by technology. For further insight, Sir Christopher Pissarides, 2010 Nobel Prize Laureate in Economics, joins Kokou in his investigation of the future of jobs.

## 2050 INVESTORS – EPISODE 7 SCRIPT

(Opening credits for all episode of the podcast)

Welcome to 2050 Investors, the podcast that deciphers economic and market mega-trends to meet tomorrow's challenges.

I'm Kokou Agbo-Bloua, I head up Economics, Cross-Asset and Quant Research at Societe Generale.

In each episode of 2050 Investors, I'll investigate a key mega-trend that relates to the Economy, the Planet, Markets and You.

(Beginning of episode 7)

How much is  $254,345 \times 3245$ ?

[Siri answer automatically] 254,345 times 3245 equals 825, 349,525. When did Napoleon invade Russia? [Siri] Napoleon and his grand army of 600,000 men invaded Russia on June 24, 1812. You might have noticed that Siri is now self-aware. You don't need to say 'hey Siri' anymore. hum.... Does this mean that my job might soon become redundant very likely but you still have some time, Kokou. 5 years, 2 months, and 16 days to be precise. Time to consider learning new skills then!

But wait a second, comparing our abilities to that of machines reminds me of Charles Darwin: *It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able to adapt to and to adjust best to the changing environment in which it finds itself.* This is precisely what is often misunderstood about Darwinism. And guess what, dinosaurs were incredibly smart and obviously very strong. And yet, they failed to adapt to the changing atmosphere after a meteorite, 10km across, suddenly hit the earth 65 million years ago. And this happened after they've been living on earth for about 165 million years!!! Modern humans in comparison ONLY appeared 300,000 years ago. And they were clearly not at the top of the food chain back then. The brutal end of the dinosaur era was as tragic as the city of Pompeii, the Italian city buried alive by the sudden volcanic eruption of Mount Vesuvius in 79 AD.

So, what is the key ingredient or the secret sauce we need to survive when it comes to our jobs? Siri: turning oneself into a thinking machine? Not quite Siri. It is in fact the hum... human ability to adapt to change. [Siri: yeah right]. You will have to wait a few upgrades before you get there, my friend.

In other words, when it comes to skills and jobs, having a strong AQ or lack thereof can have a massive impact on your career.

But what is AQ? [Siri answer automatically] AQ is the adaptability quotient. It is the ability to adapt and thrive in an environment of change. Thanks Siri.

**The topic of this episode is the following: Is Adaptability Quotient more important than intellectual and emotional quotient? Is AQ more valuable than IQ and EQ combined?**

Let's start our investigation

First, let me share with you a short life experience of AQ in the world of finance.

When I was a first-year student in business school, I remember everyone wanted to work for big consulting firms or investment banks. The top guys went into mergers and acquisitions. These were the people you never saw again as they worked 30 hours a day and by the time, they turned 30, they looked like 50-year-olds.

Then came the dot com boom in the late nineties and joining an internet start-up was the best thing in town. I remember telling myself that I was born too late and was missing out on a massive mega trend. This boom ended badly. And those who left secure jobs for dotcom start-ups were soon told by their manager "you know, Kokou? you are a man with a great future... behind you". Not very nice. [Siri: I agree]

We then saw the era of booming jobs in capital markets: sales, traders, financial engineers. Working for a proprietary trading desk or a hedge fund was very popular. But after the great financial crisis, bankers experienced something close to a mass extinction event triggered by the Lehman sudden bankruptcy. This was the financial markets equivalent of the eruption of Mount Vesuvius, which sent massive shockwaves across the world economy. Over ten years later banking has recovered somewhat with more regulations, more constraints, and a lot less leverage.

Some tech companies are now worth more than 1trillion dollars. A lot of young graduates out of university are being drawn towards digital and big tech. These sectors are big consumers of human brain power. Quantum computing, python coding, data scientists, etc...

So, the bottom line is this: Despite periods of job destruction, you also have significant job creations. Job seekers have reskilled and adapted themselves as they've always done for centuries. Think about jobs that no longer exist such as ... [Siri: a quick google search across terabytes of articles shows lifts operators, lamplighters, milkmen, switchboard operators]. Indeed.

The industrial revolution caused a Schumpeterian Creative Destruction for jobs. Dying industries gave way to new industries. Even today, the existence of YouTube or Tik Tok influencers are only made possible thanks to the creation of the smartphone and to the significant expansion of social media.

But what about jobs that will Never Go Away. [Siri: here is what I found on the Geneva college website] Thanks Siri. Social Workers, Educators. Healthcare professionals. Nurse Midwives. Police officers. Marketing, Design, Advertising Professionals. Data Scientists. Dentists. Conservation Scientists. Cybersecurity Experts. AI machine maintenance. [Siri: what about psychotherapist for both human and AI machines as discussed in 'The Recovery is You' episode on the societal scars of Covid-19 on mental health]. That's correct. I'm impressed by your memory Siri. [Siri: thank you]. That's a good point. I've read somewhere that 2/3 of all psychopaths are not in mental hospitals but very much in the corporate world. This reminds me of the movie American Psycho where the main character Patrick Bateman goes crazy.

**Now, what does all of this mean for the economy and markets?**

Well, this is a very relevant topic today. The current supply chain disruptions caused by a significant surge in demand as economies re-opened can be linked to the trillions of cumulative excess savings built up during months of confinement. All this demand has put supply chains into overdrive and unable to cope. This is causing demand pull inflation across goods and services [Siri: as discussed in our episode 'The Roaring 2020s'] that's correct. But it was also caused by a job and skill mismatch, between job openings and the unemployed. The shortage of truck drivers in the UK is a very interesting case in point.

An article I read on Washington post.com in September entitled "why America has 8.4 million unemployed when there are 10 million job openings" argues that there is a big mismatch now between the job available and what workers want. [Siri: the number of unemployed fell by 710,000 to 7.7 million in October to be precise]. This is because some of these jobs that cannot be automatised like childcare, elderly care, education, or jobs in the hospitality sector have historically seen low wage increases. They are no longer attractive to jobseekers at a time when the cost of living is going up.

Today employers are forced to increase wages in order to attract job seekers given the acute shortage of labour supply.

**It is one thing to adapt to change but equally it is as important for an economy to provide jobs with decent pay.**

**Let's discuss this topic with our guest speaker and who else but a Nobel prize laureate in economics to ask about the future of jobs.**

**Sir Christopher Pissarides** is a Cypriot and British economist. He is the School Professor of Economics & Political Science and Regius Professor of Economics at the London School of Economics, and Professor of European Studies at the University of Cyprus. His research focuses on topics of macroeconomics, notably labour, economic growth, and economic policy. In 2010, he was awarded the Nobel Prize in Economics, jointly with Peter A. Diamond and Dale Mortensen, "for their analysis of markets with theory of search frictions."

One of his most well-known papers is "**Job Creation and Job Destruction in the Theory of Unemployment**" (with Dale Mortensen), published in the Review of Economic Studies in 1994.

The Mortensen–Pissarides model that resulted from the paper has been exceptionally influential in modern macroeconomics.

In 2013, he was Knighted in the year's Birthday Honours for "services to economics."

[Interview starts]

**Kokou:** Professor Sir Chris Pissarides, thank you for taking part in this podcast. It's a real honour.

**Chris Pissarides:** It's a pleasure. Thank you for the invitation.

## **Question 1**

**Kokou:** Let's start with one of your key discoveries, which is very relevant today, particularly in the US, where we have close to 9 million job openings and approximately the same amount in terms of unemployed frictions and mismatching the job markets. Do you think this is transitory or permanent?

**Chris Pissarides:** Well, it's quite interesting that the new technologies that we're having now have two features. One is that they're changing faster than in the past, so we need to adapt to the new technology in the labour market faster. I don't consider that to be the most important. The most important one I consider is the second one, which is that the new skills that we have to learn to overcome the friction of technological change are now harder than in the past.

In other words, we have to cover a longer distance now to go from the pre-existing technologies we knew to be able to work with the new technologies. And that's why we're seeing unemployment, high end vacancies high at the same time.

You asked me if it is a transitory phenomenon or permanent one with frictions. They're always there because technology is changing all the time and we have to adapt to new circumstances. The idea of the friction is that we don't jump from one point where we were before to a new equilibrium instantaneously, but it's a slow adjustment because there's an adjustment cost in the meantime due to these frictions.

So, I don't see a situation where there would be no coexistence of vacancies and unemployment, but I do see the existing situation improving for sure. As we're learning new ways of working with new technologies, we're learning new tricks, new skills. People do learn.

## **Question 2**

**Kokou:** This is an important point because in one of your lectures online you mentioned the dynamic of job destruction and job creation, where you observe that across developed economies, the employment rate has roughly remained constant at 70% of total population over time. But in a world where jobs are being more automated, do you think that the pace of job creation can keep up with that of job destruction?

**Chris Pissarides:** Here, we cannot avoid bringing in Covid19. In the pre Covid world, I think we were coping with the destruction due to the new technologies and the creation of jobs in alternative sectors of the economy. The reason is not that knowledge was not advancing fast. The reason is that companies were taking it more slowly, more gently to introducing new technologies and destroy jobs and move on to new situations. Now, with Covid, we know that technology adoption has accelerated in the attempts that companies were making to avoid human contact at the place of work.

At the same time, the sectors that were creating most of the jobs that were attracting the displaced workers, they're losing on the job creation because they were human contact sectors, what you might call social sectors. It was the hospitality sector, it was retail, high street kind of jobs. It was care of all kinds, not only health care but childcare. All people care. And those sectors

are the ones that were affected most badly by Covid. So the job creation there has suffered. So when we combine technology with Covid and we look at the labour markets, then we do reach a situation that is rather worrying, at least to me that the job destruction might continue at a fast pace.

But the job creation may not be able to keep up with the job distraction and therefore maintain the employment rate at 70% like mentioned before. If we go back to what I said before, it's not going to be forever like that, we're going to get back to what we have before unless we really want to get more time of work. Which is an observation that we have been seeing, especially European countries and the United States.

### **Question 3**

**Kokou:** So, this leads to the fundamental problem of worsening inequality because some of these new jobs don't necessarily pay a high enough wage. So, do you think that introducing concept of higher minimum wage is a solution in terms of government policies in designing a system that would work for everybody?

**Chris Pissarides:** Well, inequality is my biggest long-term worry because as I mentioned before, I am worried about what's going to happen in short term construction, but eventually we're going to get there five years from now, maybe. But I don't see inequality somehow curing itself everywhere. There's always the potential of social unrest problems there with extreme inequalities, because there are not only inequalities of income, they impact on the standard of living, on health standards.

Now you mentioned the minimum wage. I think a good minimum wage is good, but only for the very bottom of the labour market, the lowest wages. Because we know that section of the labour market is not competitive. If it was competitive, you have many, many companies competing with each other for workers. Then you wouldn't need the minimum wage. They would push wages up. But there are big monopolies in that sector. Those famous tests that were done involved the fast-food industry, the fast-food industry obviously is not very competitive with only two or three suppliers. Then there might be warehouse jobs, delivery jobs, that kind of gig economy jobs.

And the minimum wage does help when you have these non-competitive elements in that it sets a base at which workers know that they can go, and work and they know how much they're going to earn. And they're not worried about being taken advantage of by a very big employer who's much bigger than them or any kind of organisation they might appeal to.

In other words, we see the government is a protector of workers at the lowest unskilled end of the labour market with the minimum wage, when at a time when in the old days of the very crowded strong manufacturing, trade unions were offering that protection to wage negotiations.

### **Question 5**

**Kokou:** So, what should our kids learn today in terms of skills to be ready for the job market in 20/30 years from now? What are the skills that will be most valued by society? Is it emotional intelligence, IQ, or capacity to adapt? What's your opinion on that?

**Chris Pissarides:** I get this question all the time being a University Professor, my answer nowadays is very different from the answer I have given a few years ago. Now I would say, get a bit of everything. It's like you go to one of those ice cream stores and you see 20 flavours and you're going to say, could I have a bit of each, can I try them all and then I can decide which one you want. Whereas in the past you go and say, plain vanilla or chocolate vanilla and that's it.

You shouldn't specialise too soon. You should learn the EQ because the jobs in the future will involve some social contact. In Britain, we call those soft skills, but it's not a good term. I think sooner or later we're going to abandon it. I prefer to use social skills. They are by no means to be looked down at. And of course, technology will be advancing and we're going to need highly specialised technical people as well. But that's something that can be learned on the job after you take on your portfolio of many different skills and abilities.

Obviously, mathematics is absolutely essential for anyone, even social skills and language and all that. But I wouldn't say "oh you know new technology, you have to understand it, same for everyone". No, the jobs of the future will be in the health and care sector – learn how to deal with other people. In the hospitality industry because as human beings, we don't like to be looked after by machines, even if they are capable of doing it. But currently they're not even capable of doing it. When you go to simple things like you go to restaurant, you want to meet someone who understands about food, about wines. You ask what wine should I have with these and talks to you? You don't get a robotic voice saying, "red or white, sir?". Those are skills that need to be learned.

Of course, you're going to come back and say, okay, fair enough but those jobs don't pay well. Well, that's where the inequality problem comes in. That's why inequality is my big boy. Those jobs should be paid well.

### **Question 6**

**Kokou:** And it's clearly maybe a sort of Darwinism of jobs where over time, the jobs that require a more generalist set of skills will eventually attract more talent and might be rewarded more attractively compared to others. So, what you're describing is a shift in the hierarchy of jobs, and maybe society will pay more for different set of jobs that are maybe undervalued today. And that could fundamentally change what is being taught at school.

**Chris Pissarides:** Exactly. We're begin to see that in some sectors of the economy. Take the restaurant trade in Britain at least. If you go back to the 1980s 90s, the chefs were cooks and it was a very badly paid profession. You worked in hot sweaty environments in kitchens, strange hours at night, weekends, and all that. Now they are celebrities. At least the very successful ones. You switch on your television and some of the most popular programmes. You see chefs doing all kinds of things. Recently I even watched one of the most famous chefs in the UK going around the Greek Islands, finding interesting things to cook and eat you know, with TV cameras following him. Things do change, but it's a slow process and we should promote it also in other sectors, like care. Having good care is a wonderful experience. And when you see how much is spent on things like care, both health care and childcare and other kinds of social care, generally, spending there increases faster than income. It's what we economists call the luxury.

If your income goes up by 10%, you're going to spend on caring services some like 12%. That difference shows you that this service is a luxury. I'm prepared to pay more than what I was paying for, you know now that I can afford it.

### **Conclusion**

**Kokou:** Thank you, Professor Sir Chris Pissarides. I think we've run out of time. This was incredible insights. So, the main message is hedge your bets and don't put all your eggs or skills in one basket.

**Chris Pissarides:** Exactly. Thank you very much. It was interesting talking to you.

**Kokou:** Thank you.

[Interview ends]

I think the bottom line when it comes to adaptability and jobs is to make sure you keep learning new tricks. to make sure you don't become too specialised in one single field where you "learn more and more about less and less until you know everything about nothing"

"Siri: it is best to know more and more about almost everything". True. But it is not about quantity but quality. Siri: fair enough.

**To quote Einstein: "Life is like riding a bicycle. To keep your balance, you must keep moving."**

(Credits)

Thank you for listening to this episode of 2050 Investors and thanks to [Sir Chris Pissarides] for sharing some useful insights with us.

I hope this episode has helped you get a better glimpse of the future of finance! You can find the show on your regular streaming apps. Please subscribe, leave some stars on Apple Podcasts, leave comments anywhere you like and spread the word!

See you at the next episode!

(Disclaimer)

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