

INTERVIEW

"IT'S ABOUT THE CORE OF CREATING YOUR OWN VALUE"



Prof. Dr. Holger Bonin, Research Director of the IZA (Institute for the Study of Labor), on the consequences of automation, superstars of digital structural change and the limits of virtuality.



D *DIALOG: Professor Bonin, a few years ago you analyzed the well-known study by Oxford economists Carl Benedikt Frey and Michael Osborne on the substitution of jobs by automation for Germany on behalf of the Federal Ministry of Labor and Social Affairs. How serious will the structural change that is coming our way be?*

HB: It has relatively little to do with reality if you only look at the technological substitution potentials and derive spectacular scenarios for the labour markets of the future from them. After all, these undoubtedly existing potentials are also matched by positive economic adjustments. This is the reason why

we have so far not observed that work is becoming less. On the one hand, machines - whether physical or virtual - have to be developed, manufactured and integrated into higher-level systems and processes. That doesn't happen by itself. For another, if productivity actually increases through digitization and automation, the goods and services produced will become cheaper, which will lead to an expansion of markets. Another factor is that new business models also emerge, which in turn lead to additional employment.

In addition, higher productivity also leads to increases in wages and entrepreneurial income, which also have a positive impact.

Among other things, this is due to the fact that new jobs are created in areas that cannot be efficiently automated, especially in the service sector or in the skilled trades. These effects massively counteract the substitution process.

In general, this structural change is not disruptive, even compared to previous technological upheavals. That gives us some time to adjust to these changes. In Western Europe, unlike in the US, for example, we also have the advantage of a productive and well-qualified workforce. Most companies are therefore asking themselves how they can make their employees more productive and train them, rather than how they can get rid of

"The structural change in automation is not disruptive. That gives us time to adapt to these changes."

them. And let's not forget one thing: If we look at photos of workplaces from 30 years ago today - it was a different world. But that world and today's world have a place within a working life. Some of the people in these photos still have ten working years ahead of them. I am optimistic: we are quite adaptable, also with regard to the ongoing changes through digitalization.

DIALOG: But this structural change also has problematic aspects?

HB: Yes, of course. Basically, change is perhaps more of an opportunity than a risk. But it requires agility and a willingness to shape things in order to adapt to it. On the one hand, we have distribution issues: what share of the profits from automation ends up with the entrepreneurs, what share with the employees? And where do the profits accrue? If, for example, the robots in European factories belong to Japanese or Chinese companies, then additional jobs may be created primarily there and not in Europe. How the profits from automation are distributed also depends on the structure of the labour markets - the legal framework, the role of trade unions, whether there is a minimum wage.

On the other hand, a net effect of zero also means: millions of jobs disappear, millions of new jobs are created. But the new service jobs are probably not as well paid as the old well-paid industrial jobs. And even where they are: It's unlikely that you can easily integrate into the growing market for higher-paying health services if you're an industrial worker.

There may be polarization. The low-wage sector may remain relatively stable, with workers at the upper end of

the income scale even benefiting disproportionately, while the middle class comes under pressure to adjust. The clerical jobs and skilled manual jobs with a high routine content that used to be so secure are becoming fewer.

DIALOG: What does this pressure to adapt mean in concrete terms?

HB: The engineer whose job it has been to design and produce the car may find it difficult to think of the car as a hub of data streams, to understand the business value of that data, and to design the car for data use. That brings us to the issue of continuing education and development. The key thing is not that the engineer needs to get more involved in customer service or sales, which can certainly be the case. Rather, it is about the core of his own value creation. From the individual's perspective, this is indeed disruptive. After all, you can't just say, "Now change your mindset! "

The debate on how to achieve this further development is, on the one hand, not being conducted intensively and bindingly enough. And on the other hand, it is too one-sidedly focused on "digital literacy", on coding skills and the like. But it is primarily about a broad range of non-technological skills that are very difficult to learn in adulthood, about communication skills, about the ability to think in terms of business models and processes. So

"Formerly secure clerical and skilled labor jobs are coming under pressure to adapt. "

far, we don't have any particularly good concepts for how to develop these skills.

Other countries, such as Singapore, have recognised this at least conceptually and anchored it in higher-level qualification strategies. An influencer, to use a new job description, does not need digital literacy, he does not have to code. But they must be able to recognize that money can be made in social media and develop a business model.



Prof. Dr. Holger Bonin, Research Director of the Institute for the Study of Labor (IZA)

DIALOG: You mentioned the top earners who benefit disproportionately from the digital structural change. What are the reasons for this and how can this segment be described?

HB: This development can be explained by two intertwined figures, the figure of the superstar and the figure of the crowdworker. Crowdfunding can be described as a development in which work is increasingly advertised and delivered across borders on the Internet.

This is good for you if you can do something that is sought after worldwide, if you are a superstar; an industrial designer with special skills; a high-end programmer; a doctor who can make outstanding complex diagnoses.

Then your market - and your market value - suddenly increases. As a European, you can make diagnoses in the USA, design a factory in Japan or hold seminars in Abu Dhabi without moving. But if you are a mediocre doctor, you will not profit - on the contrary. Because the hospital company



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might get the idea of having the standard diagnoses made in India.

Crowdworking thus opens up opportunities for average experts in low-cost locations, who can take on many standard tasks, on the one hand, and for superstars, who can choose their locations and their markets, on the other. And it threatens the position of average experts in the high-cost locations with their high wages and cost of living.

DIALOG: What does this dissolution of labour boundaries mean for the individual regions, especially for the expensive western locations?

HB: Highly automated factories need very few people. But the people who are still needed are highly productive and critical to success. And they want an attractive environment. Elon Musk is also recruiting employees in Poland - but the Tesla factory is being built in the immediate vicinity of Berlin and not in Poland, where costs would presu-

competent employees nor attractive framework conditions, they will not win the race, but rather lose their superstars. Other factors also play a role: legal certainty and IP protection, proximity to top universities, industrial and knowledge clusters. Some countries have recognised this and are working hard to improve their attractiveness as locations for global superstars. This is very clear in the Gulf states, for example.

The other aspect is that we will not see a world of solo self-employed people in the future. There are good reasons why companies exist. Digitalization does reduce transaction costs - but nowhere near as effectively as companies do. Certain things are hardly feasible in a crowd model. Leadership, personnel development, qualification, evaluation of offered services, enforcement of demands, relationships of trust and social bonds in well-rehearsed teams - all of this sets limits to virtuality. In addition, there will also be political pressure that will result in regulatory structures.

DIALOG: Is there a counterpart to this upper segment of superstars in the structural change of the working world?

HB: Yes, take the phenomenon of the gig economy. Typical of this is a platform that mediates small jobs globally, but which are carried out locally. These tend to be low-paid

jobs without security and social protection: delivery services, manual work, cleaning, passenger transport. The physical value creation takes place locally, the coordination work globally. In a certain sense, the person working in the gig economy is the antipode of the superstar. Their sometimes precarious existence is a warning: structural change is not an apocalyptic scenario per se. But it does require active and responsible social management.

"Digital literacy' is not enough as a future competence. Communication skills and business model and process thinking are critical."

mably be lower. As long as today's low-cost locations provide the global market with neither sufficiently