

# Understanding the Future of Work, Labor Trends, and Organizational Change

Video Transcript from Knowledge of Wharton-  
<https://www.youtube.com/watch?v=3bOnG6hFPo0>

**Dean James:** Peter, thanks for joining us.

**Peter:** Thank you for have me. Glad that you're here.

**Dean James:** I'd like to start with an origin story of sorts. So if you were to think back across the span of your life, what are two or three instances or moments or experiences that really propelled you toward a career in higher education and a career in labor economics, more specifically?

**Peter:** Getting to college was a transformative time for most everybody. I have a pretty big case of attention deficit disorder, which was not treated. Of course, they didn't even know what it was, right? But when I got to college, I realized if I could lock myself in the library and study, then I could focus and get things done. I went from being a not particularly distinguished high school student to a distinguished college student. So that was certainly one of them.

I would say, as with many of our colleagues here, we didn't necessarily set out to be faculty members, you know. A large number of us intended to be lawyers. At least when I was in college, if you were good in science, you wanted to be a doctor. If you were good in everything else, you wanted to be a lawyer. My father was a lawyer, and so that sort of made sense. But my father died when I was in college, so that kind of derailed that ambition a little bit. So maybe that was the other one.

Even then, I was in graduate school. I went to Oxford with the idea of just goofing around for a while and coming back here, and I discovered you couldn't do that. You had to enter a degree program. So I did that, and I was not quite done. So I got a postdoc at MIT, and then I kind of woke up, and I was a professor. I was already down the pike a little bit, without so much a conscious choice early on, saying this is what I was going to do.

You know, I didn't know an awful lot about careers, right? I didn't know what business careers were like. I didn't know what consulting jobs were like, nor did anybody else. At Oxford, I went to see the careers people at one point, and they said, "You have the rest of your life to worry about your career. Don't worry about it now." So very different advice, right, than when we got here. Very different advice.

**Dean James:** So how did you come to learn about the field that you chose to study and pursue?

**Peter:** Well, as an undergraduate, I was around a lot of these topics. I was interested in the issue of how we regulate economic forces. I was interested in a lot of the legislative efforts to try to

constrain, guide, harness economic forces, and particularly not crush people in the process. So I was interested in those general questions, and then that takes you into these topics.

Also, in England, labor economics looked a little different. It wasn't dominated by large data sets and econometrics. It was much more "go get data and look at it." So it looks more like what we do here, maybe, than what you would see in an economics department.

**Dean James:** So you were in graduate school in the late '70s. It was the time period where labor unions were starting to be a bit on the decline, and there was an emergence in the management literature on different theories of management. So how did that, or did that shift in how we thought about labor and the workforce, influence your own work?

**Peter:** Yeah. Well, career changes, right? Because I wrote my thesis about inflation. And as soon as I finished it, inflation kind of disappeared. So that topic was gone.

Then, when I came to the Wharton School, there were still seven people here who studied unions. It used to be that, if you looked in corporations, the executive vice president was industrial relations. Human resources reported to the industrial relations people.

Part of my early career, when I came back to the US, was studying what caused these unions to collapse. It wasn't just global economic pressures. It was a sort of concerted effort by employers who had sort of decided that the old bargain—that you just should accept unions and strikes and not try to fight them—they didn't buy that any longer.

So it was a shift in values, I think, that led companies to take off the gloves, as it were, and started to take the unions apart. That started in 1981, with the recession. That was, at the time, the worst recession since the Great Depression. And that was part of it—dismantling unions.

Part of what happened then is, "Okay. What do we got now?" Because part of dismantling unions was also inside the great corporations restructuring themselves down to shrink. A lot of it was the belief that they were bloated, and they probably were, having grown up in a period of regulation, stable markets, lots of planning. And that all kind of went out the window.

So that was probably me talking about that issue of what happens when we got rid of lifetime employment. That was my work in the 1990s, trying to think about that. At the time, a lot of people didn't believe it had changed, because we had had that for 45 years or so—50 years—that stable model of big corporations. And it was just hard to believe that it disappeared that quickly. But in fact, it did.

**Dean James:** So speaking of change—and in some cases, transformational change pretty rapidly—is the way in which the workforce has changed as a result of, for example, the pandemic. Remote work, which wasn't something we were talking about 10 years ago, we are now trying to actively navigate. So as you think about some of these big contextual variables that are now influencing the workplace, what is your advice to organizations and to leaders about how we should be thinking about and preparing—advice to a Dean or faculty—how we should be preparing the workforce of the future, given the shifts that we're seeing?

**Peter:** Well, you know—and you see this, I'm sure, in practice, but also in university—we have a really hard time with uncertainty. We would love, love, love to be able to plan. And to plan, you really need certainty of some kind. I think the advice is, we have to get more comfortable with uncertainty.

Planning when you have uncertainty is dangerous. Assuming you're going in this direction, you start making investments in that direction, and then you discover that, if you're wrong, you would have been better off just waiting, right?

I think with AI in particular, we're absolutely in that right now. The assumptions we made about what was going to happen have been proving wrong, wrong, and wrong. Like driverless trucks, right? So by 2019, they were supposed to take over. Every consulting firm had made that story. They've all taken those reports down off their websites now. They just bury them someplace. But they all believed it, right?

I think it happens because we really, really want to know what the answer is. And people are willing to tell you, but they don't know, right?

So I think the problem for us—we see this in executive education, and some of our colleagues here have been trying to persuade employers to think about this for maybe 10 years or so—is how do you deal with uncertainty? You don't have to ignore it, but you don't have to just make a guess either, right?

**Peter:** So I think that's our problem, right?

**Dean James:** And would you say it's the same kind of perspective when you think about remote work and how we should be thinking about the management of a workforce—whether it's in person, whether it's in a hybrid environment—and the way in which technology has influenced how people can engage with the workplace?

**Peter:** Yeah. I think employers are really in the driver's seat on this, right? There's no country in the developed world where employers have more ability to control things than in the U.S., right? And they're making the calls.

I think what concerns me is they're not making sensible calls on this. They're not thinking through what will work for us as an employer. I think the problem is, in lots of places, they're just assuming that having people work remotely will be just like if they were in the office, right? And it's not.

I think one of the things that we didn't understand before the pandemic and before remote work is how things actually got done in offices, and how much of it was relational-based. Right? That you need something done, you call this person that you know over here.

Some of the research that we did, and some of the studies of hybrid workplaces, discovered that that's still what they try to do. If we need something from that team over there, we say, "Who in our team knows anybody over there?" But the problem is, with remote work continuing in some

places, average job tenure is four years. We have cohorts of employees in these companies who really don't know anybody there, because they were never face-to-face.

So we're kind of running down the stock of relational capital we've got. And employers have to think about how do we rebuild this so that people will figure out how to get things done?

You could do it. Some of the companies like GitHub, and the virtual companies—all virtual—they've figured out ways to do it. But they've got rule books that are like this thick, telling you, "Here's how you have to describe what you're doing and keep a record of it so everybody can see it on a common document." And I don't think most employers are willing to go to that much effort.

So the choice is, work is not getting done as well as it could be. And there's now a fair amount of sophisticated research showing problems with this—productivity, innovation problems. And the question is, okay, employers, you're in charge. What are you going to do? Right now, you've been just assuming it's all working. It's not.

**Dean James:** So you've had the opportunity to work around the world both as a scholar, as a consultant, as an author. Have you identified—are there any sort of universal truths or themes that you have found either about companies and organizations or about employees, regardless of region or geography?

**Peter:** Yeah. Well, I think human needs don't differ all that much around the world. And we like to think they do. We like to think these national differences and culture are overwhelming. But human needs don't differ all that much.

I'd say what's really different is how employers deal with them—or don't deal with them. And that stems from how much power the workers have. A lot of that is political power, right? So if you're in a country that has a Labor Party and labor has a strong political role, then employers take labor issues and managing people much more seriously. And if you don't, they don't think to go in that direction.

Despite, for example, in the U.S., the sort of 30-year run of research all saying this—showing that this really matters and pays off—it doesn't always align with people's guts who are in power. And so they go with their gut.

So I'd say that's the big difference. People's motivations, needs, and things don't differ that much. What does differ across countries is how seriously the employers are willing to deal with those as a way of trying to be more effective.

**Dean James:** So as you think about a lifespan of work and investigation into organizations and employees, is there one thing that you have seen time and time again that companies just get wrong?

**Peter:** Yeah, I think in U.S. companies anyway—I think now, anyway, so in the last 15 years—they are just underinvesting. Not just in employees and training and development, but they're underinvesting in management.

We're seeing this right now almost as we speak—companies trying to take layers of management out. Sounds like a reasonable thing, except what you're doing then is you're really expanding the spans of control. So one supervisor has 20 people, right? And you just can't keep track of what's going on with those people, even in their work. How are they doing in their jobs?

We're trying to make the supervisors individual contributors as well as supervising all these people. So I think we are systematically, particularly in public companies, underinvesting. Training is largely disappearing. A third of U.S. managers say they never had any training in management before becoming a manager.

So I think that's the big thing, which we're seeing systematically in the U.S. A lot of ideas from the U.S. translate around the world, maybe through multinational companies. But you're starting to see some other countries—UK, the Commonwealth countries especially—following the U.S. path on some of these things, which is not always great.

But not all countries are. Like India, for example, never copied the U.S. They were closer to copying Japan than the U.S. And it's a country that takes managing people very seriously. They've got enormous challenges, right? They don't have education systems that are near at the scale that they need. They have diversity issues that absolutely swamp what we see here—religion, caste, nationality, language. And so they have to take them seriously.

**Dean James:** So I'm curious about this notion of management and the underinvestment of management. Wharton, obviously, is a premier business school where we teach management. Are we teaching it the right way? Are there things that we should be including in our syllabi and in the curricula that we are not including, or things that are outdated that we're doing? What would your advice be?

**Peter:** Yeah. So funny story about this. We have a case that we teach on purpose every year. We've been teaching it for a long time. And it's a case about an investment bank and about the associates—junior people in investment banks.

They're often in bullpens in the middle of the building, and the managers are around the outside with window suites. The people in the middle get these tasks sort of dropped on them at the last minute. They don't know what's going on. They're working crazy hours.

Then we ask people in the room, "Does this look like what you've been doing?" And they say, "Yeah, yeah, yeah." And then we tell them the case was written in 1973. Right? So we've had generations of managers go through, and they go off to Wall Street. They know this is crazy, and yet, for some reason, it persists.

I think part of the problem, which we don't quite understand sometimes, is how much our students, when they come to us, have already got very strong ideas about things. And there are

things they pay attention to and things that they don't. And they pick those up from what's going on in the business.

**Peter:** Community around them by the time they—when they get here, right? And it's hard to get them off of those things. So that's—I don't think we're teaching the wrong things. I don't think that's right. Getting their attention is another problem.

**Dean James:** Well, increasingly now—we are officially in the age of having a digital native generation entering the workforce. And the ability to maintain focus and attention is a whole other issue.

You have spent a number of years also focused on women and women's issues in the workplace. What can you share with us about what drove that interest for you?

**Peter:** Well, I think I wrote about a lot of groups that were sort of disadvantaged in the workplace a little bit. Maybe before we get to the women, one that I think I really had some influence—it turned out, in a small way that's really mattered—was the world of people with disabilities and with the Office of Disability Employment in the Department of Labor.

They were persuaded that the problem they had with employers was not being able to show the ROI on hiring disabled workers. And I pointed out to the people in the department and elsewhere, "Think about the struggles that women had getting into the workforce and then getting up into leadership positions. Do you think any of that had to do with ROI problems? You think the problem was they couldn't show an ROI as to why you should hire minorities?" No, no, it wasn't any of that.

Well, so why do you think that's what's going on here? The problem with disability is that people are uncomfortable around those who have disabilities, because they feel, "If this happened to me, I would feel terrible if I lost a limb." And they assume the people they're talking to who have disabilities feel like that. And they don't, right? Somebody who's lost a limb lost it 20 years ago. They're over it. They're dealing with it. They're fine. So don't assume that they're miserable because of that. That's the problem. It wasn't—nothing to do with ROI.

I think with respect to women, it's similar kinds of issues. Had nothing to do with ROI. It just had to do with discrimination in various kinds of forms. One of the things that we were showing actually was about some of the progress that women have made in the managerial and executive ranks. And there were at least some moments where employers were giving women a push to try to advance them faster than you might otherwise expect.

So that was kind of encouraging, and it does show that you could make it happen faster if you wanted. Wasn't really pipeline problems or other things.

**Dean James:** So I want to ask a more personal question, because I think your previous answer surfaced this. Early in your career, you were diagnosed with chronic fatigue syndrome. So I don't know if that's considered a disability of sorts, but it's certainly something that you needed to

navigate as a professional. I'm wondering how you did that, and what influence that may have had in your thinking about some of the research that you've pursued in this regard.

**Peter:** Yeah, you know, it's a quirky illness, and some people get over it reasonably quickly. For me, it was 20 years, which was not fun.

Somerset Maugham, the novelist, began his career as a doctor. And he said, observing patients, that there was really no benefit to being sick. You didn't get stronger. Suffering didn't make you better. It was really nothing useful to it.

I think, in terms of what I learned, was things that everybody who's successful knows. And that is, if you actually take time off to get better, you will pay a price for that. You'll pay a price in opportunities that you're going to be passed over because of that.

**Dean James:** Are you saying that as a perception or as a reality?

**Peter:** No, that's the reality, I think. I can think about my own experience here, for example, when I first had this, and I had the opportunity to work for the Secretary of Labor, because she was a WEMBA student—Ann McLaughlin, then. And then that's going to be in addition to all your other work. You're going to do that or not?

Well, I did it. And because I did that, then I got this opportunity to run a research center for the Department of Education, which we did with my colleague Bob Zemsky here for 10 years. And because I did that, I got the opportunity to be the senior advisor to the Crown Prince of Bahrain. And these things all—if you miss them at the beginning of your career, they don't necessarily come back.

I think it probably cost me a lot in terms of how long it took to get over this thing. So you pay—unfortunately, you do pay a price for these things. But it is, unfortunately, a really difficult Faustian choice to make.

I think I was fortunate in many ways. I didn't pay a career price much for this, really. But you learn how to fake it. You learn how to cut out of the reception part of programs. You learn to come in the night before so you can get more sleep. You learn to go lay down between classes. And you find ways to fake it, which are their own skill. And I think that is kind of how I got through it.

I don't know that it had a profound effect on thinking about these other research topics. I think I am more motivated, maybe, than many people, by things that irritate me. Many people say they're motivated by things they love, but there are many things that I've written really because I found them irritating.

Like a book about older workers—there's enormous discrimination against older workers based on assumptions about them, all of which are wrong. Like their job performance is worse. It's actually better. Absenteeism is actually better. Turnover is actually lower. There's all kinds of myths.

So I think I've been motivated more by those things that I just think were wrong and irritating. And I wanted to say it.

I don't know if you give this advice to people too, but I tell them, if they're interested in an academic career: Do you feel that there's something you want to say, and do you feel better once you have said it? If you think that the goal here is to say it, and then people—your phone will ring and stuff, you know? Doesn't happen.

**Dean James:** Very, very, very—

**Peter:** Very rarely. So it ought to feel good to you to say it. And if it doesn't, you're probably in the wrong line of work.

**Dean James:** So let's talk about your time at Wharton.

**Peter:** Okay.

**Dean James:** You've been here for how long?

**Peter:** Forty years.

**Dean James:** Forty years.

**Peter:** I told that to my undergraduate class, and they just started applauding. Like, "Look, he's still standing. Isn't that cute? He can move and everything," you know. Yeah. So. Yeah, forty years.

**Dean James:** So you have seen a lot of things at this institution and just in the world. How have our students changed over those forty years?

**Peter:** I mean, mainly, I would say, in good ways. Their academic abilities are better. One of the things that was quite clear is their writing got better. Their ability to write was much better.

I think there was kind of a—you know, the thing about students is that they are on the crest of whatever wave is happening in society, particularly with employers.

**Peter:** So employers want to change direction. Easiest to do it by who you hire, right? And the job market is tight. You notice it most if you're at the entry level. The job market goes soft, you notice it most if you're trying to leave. So they get yanked around by the market and society more than people who are in their midlife.

I think in terms of the students, they haven't changed that much. The 1980s—the students were a little difficult, because it was the peak of the finance wave, and it was just heady. They were able to make so much money so quickly. Unprecedented, right? And that just completely captured them. They were not happy to be doing anything that wasn't showing them how to make money right now, and they'd like to get out of here and start cashing in.



But I'd say after that, they haven't changed that much. The world around them changes, and as a result, whenever the labor market gets tight, we hear employers complaining that our students are difficult and have unrealistic expectations. And it happens every 10 years or so. They don't change.

**Dean James:** I want to bring this to a close shortly, but I have two more questions. One of which is: higher education is going through a very tumultuous period right now. And so, as an organizational scholar, as someone who understands labor and labor markets and employee dynamics and all of those issues, how should we be thinking about the management of change through this period of tumult? And what advice, what counsel would you have for leaders of higher education institutions?

**Peter:** Yeah. So, I think three points.

One is just to remember that higher education in the U.S. is largely a public university story. 80–85% of students go to school in public universities. And the big thing that has changed there is that it used to be—so, I began my career at University of Illinois. Wasn't there long, but a couple years. And Illinois largely loved the University of Illinois, and the view among people there was, if your kid got in there, your career was set.

I think what has happened in the last two generations or so is, we've so expanded higher education, and when you add an extra college graduate, you don't add an extra college job. We've tended to add more capacity, frankly, at the lower end of the distribution—in the sense of schools that have fewer resources, students who are not able to have residential experiences. It's just a different experience.

And families discovered that their kids were graduating and could not get a college job—the kind that was going to give you a career. And that led to considerable dissatisfaction with the whole college experience and the whole concern about whether it will pay off for people or not. So I think that's the big political change.

I think the second issue is about management—something that you obviously see. We used to run an executive ed program here for higher education. We had 100 colleges and universities go through it. Early on, they didn't understand that there were markets they were competing in with each other, but they got that pretty soon.

The second thing they didn't understand was strategy. That you can't all, as a university, be Harvard or Penn. You can't all, as a college, be Amherst or Swarthmore. There were niches. You had to figure out your strategies. They kind of got that.

What they never quite got their hands around was that management mattered. Understanding how to manage change mattered. Understanding how to deal with uncertainty really matters. And we're still struggling with that.

As one of my colleagues in education said, "If you really want to be a university president, be a classicist and take one course in accounting. The path is set for you." But the rest of higher ed is suspicious of business schools and management. So it doesn't get up there.

I think the third point, where we are this year, in the last year or so, is that we have to recognize that we have groups that really don't like us—for reasons which might not be good. And traditionally, we have laid back and just let things pass. But if you let your opponents define you, then you really have a problem.

I think that's what's happening now. We were visiting a company—a colleague and I here—we were doing some research at. And one of the guys there, who was a very conservative guy, at the end of our program said, "You know, you guys really surprised me. You're not weird."

And I said, "What do you mean?"

"You know, all politically correct and all this sort of stuff."

So I said, "What do you think goes on at universities? Like our campus—3,000 faculty—half of them are in medical school. What do you think they're studying there? They're trying to save your life."

And I think we've allowed them to define us. And we can't do that. We have to define ourselves to this broader community. We can't take it for granted anymore.

**Dean James:** Thank you for sharing that. Last question. Given all that you've learned in your career, what would be your biggest piece of advice for someone entering the workforce today?

**Peter:** I think it ties back to things we were talking about earlier. And that is, you can tell pretty quickly from an employer whether they think that their employees are an asset or a liability. And you probably are not going to have a good time for long in a place where they see employees as a liability.

So, you know, if you pass through those places, that's fine. You're probably not going to stay long and be happy, but you could figure that out pretty easily these days as to how they're going to manage and treat you. And you want to be in a place where they think you matter.

**Dean James:** So assessing culture and the fit of the culture with your own values?

**Peter:** Yeah. And you can see that by how they treat people and what their priorities are. Pretty easy to tell.

**Dean James:** Peter, thank you so much.

**Peter:** Well, thank you. This was fun.

**Dean James:** Likewise.