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## MEDIA RELEASE

### **AI to impact high-paid workers more than manual workers: Epoch whitepaper**

Occupations most likely to be impacted by artificial intelligence (AI) are white-collar jobs, including well paid positions requiring high levels of formal education. On the other hand, the jobs least exposed include manual tasks which AI-enabled robots can't as easily replicate, according to a new white paper from GSFM fund manager partner Epoch Investment Partners.

Dr Kevin Hebner, Managing Director, Global Investment Strategist with Epoch, said AI will be highly disruptive to labour markets overall, though it will also bring substantial efficiency gains to companies and economies.

"While jobs are not going to disappear, around 60 per cent of tasks and occupations in the US will be changed materially by AI over the next two decades. We expect overall employment and real wages to rise but that will be accompanied by dramatic shifts across vocations. Furthermore, high wage sectors are the most exposed to AI," says Dr Hebner.

The white paper finds that occupations most likely to be impacted by AI are those involving cognitive functioning and formal education rather than jobs involving manual work. These occupations include lawyers, post-secondary teachers, real estate brokers, personal finance advisers and content creators such as journalists and computer code writers. In contrast, occupations with low exposure to AI include trade jobs such as painters, plumbers, electricians and welders, as well as cleaners.

"Those with the lowest exposure to AI feature physical skills that will remain beyond the aptitude of AI-enabled robots for the foreseeable future," the whitepaper reports.

Following from that, workers' cognitive skills and IQ could become less important as AI replaces these skills and they could become relatively cheap over time. In contrast, soft skills could become more important as AI can't as easily replace them.

"The key worker skills likely to be beneficiaries of this change could include empathy, relationship skills, artistic creativity, and athletic exceptionalism," says Dr Hebner.

In contrast, AI will effectively replace the skills of workers involved in technical and repetitive tasks such as content production, customer support, writing and coding, but not perfectly.

"AI will reduce the cost of creating content toward zero. However, truly exceptional code, writing, music, or videos will remain beyond the realm of AI for at least the next decade. In the meantime, prepare to be overwhelmed by mediocre content of every sort," says Mr Hebner.

For employers, AI is unambiguously positive, as it is increasing opportunities for efficiency gains and innovation. AI is expected to increase US productivity by 20 per cent over the next two decades.

“While this is a very rough guess, we can be more certain that a relatively small share will come from efficiency gains (doing things we already do, but with a bit less labour), with the lion’s share generated by innovative new products and services, many of which will astound and befuddle us all,” the whitepaper finds.

In terms of investment implications, only a small number of companies are expected to capture most of the value created by AI, especially those businesses which develop a dominant position in the provision and application of AI.

“Business strategies for the digital age are capital light, which is positive for margins and shareholder yield. This is especially for true for companies that establish themselves as global champions in the AI era,” says Dr Hebner.

However, he adds we are likely to see increased concentration in most sectors.

“We view AI as the fourth wave of digital technology after the PC, internet and mobile phones, with each stage having a progressively greater impact on the labour market, productivity, sector concentration, and free cash flow (FCF) generation,” the whitepaper says.

The minimum initial investment in the fund is \$10,000.

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- Payden & Rygel, a Los Angeles based independent investment management firm
- Munro Partners, an independent global equity manager based in Melbourne
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