Automation's hefty price tag

Technology doesn't have to come at the expense of your workforce, says Brunswick's MARTIN KWOK

Some 65 percent of children entering primary school today will work in jobs that don't yet exist, according to the World Economic Forum. Technology will reshape the workforce well before those primary school students even graduate: roughly 7 million jobs will vanish in the next five years, according to the same WEF report.

Yet popular perception is lagging behind these realities. In a 2016 survey, Brunswick Insight found that 66 percent of respondents thought it was likely their job would exist in a similar form 20 years from now; only 17 percent thought it was unlikely (see Page 17 for full survey results). These looming changes, and the disconnect between perception and the soon-to-be reality, mean companies need to re-evaluate their strategies for employee engagement and stakeholder communications.

Some industries are likely to see disruptive change soon. By 2021, according to Forrester Research, robots will have eliminated 6 percent of all jobs in the US, hitting drivers of trucks and taxis especially hard. Singapore launched the world's first self-driving taxis earlier in 2016, while Google, Uber and Tesla are racing to roll out driverless cars on a larger scale. According to a Morgan Stanley study, the US freight transportation industry could save as much as $168 billion annually through lowered labor costs, greater fuel efficiency and productivity, and fewer accidents. Otto, a company launched by former Google employees, says the cost of driverless vehicles is now as low as $30,000 – an average trucker's wage is around $40,000 per year.

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PERCENT
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Source: Brunswick Insight

That of course means lost jobs for the people whose positions are automated – and the effects will be felt far beyond the transportation sector. In agriculture, the world's first robot-run farm was opened in Japan in 2016. In retail, Wal-Mart announced plans to eliminate 7,000 back-office positions and automate tasks. Even in banking, the growing role of artificial intelligence and online and mobile transactions has prompted banks to employ fewer people in customer-facing positions.

"It's an early warning sign and I think it just portends a massive wind of change in the future," says Andy Stern, the former president of the US Service Employees International Union.

Implementing such big changes is delicate. Without thinking through how to ease existing workers into this new world, companies risk creating a disruptive labor environment. Earlier this year, tens of thousands of Verizon union workers declined to report to work as Verizon announced more automation. Australia saw a 48-hour strike across the country's major ports over job cuts that resulted from increased automation. UK employees at Fujitsu have mentioned striking after the company announced 1,800 job cuts across the country despite healthy profits.

Those looking for an example to emulate should consider the Chinese government. When it announced plans in 2016 to cut steel and coal production that would affect 1.8 million workers, the government also unveiled a $15.3 billion plan to retrain and relocate those laid off, moving them into booming sectors such as e-commerce.

Most companies, of course, aren't in the same position as China's government; they don't have billions to spend on retraining their workforce. The main lesson, however, is that being prepared and proactive can save considerable angst.

Automation may be largely inevitable, but demonstrating concern – rather than indifference – can certainly smooth the transition. Labor disputes are often caused by the absence of communication rather than the communication itself.

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