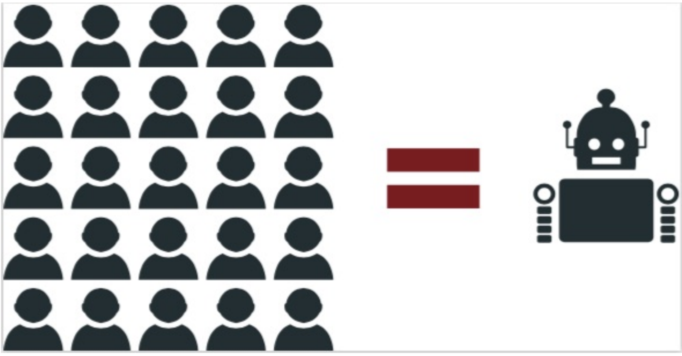
Time to Care About Machines Displacing Workers

By Jan Alexander

The environmental, social and governance movement is adding a “T” for technology.



While at board meetings, Elaine Eisenman makes a point of having conversations with fellow directors about how to meet future human capital needs as technology changes and displaces jobs.

“Massive layoffs are the board’s responsibility because they present an issue of crisis management and reputational risk for the company, as well as social justice,” says Eisenman, the managing director of Saeje Advisors who serves on the boards of DSW, Inc., the publicly traded shoe retail chain, and the privately held consumer products company Miravan, “Putting people in a warehouse filling out resumes and learning computer skills won’t do it.”

Businesses across the board, she explains, are going through an increasingly common challenge: how to ensure they have the tech-savvy workforce they need while also being good corporate citizens when that workforce turns out to be leaner than in the past.

Winning at talent acquisition and retention is one important incentive for companies and their boards to consider investments in training, but at the same time a much bigger question looms: as artificial intelligence, automation, robotics and algorithms begin to disrupt the very nature of work and income distribution, what role should corporations play in helping society adapt?

Boards have to answer to demands from the investor community and other stakeholders for more disclosure of human capital management practices, including such issues as widening income inequality, the digital skills gap, and how companies handle massive layoffs due to changing technology needs.

“I’ve heard a new acronym lately — ESGT, meaning environmental, social, governance and technology,” says Robin Ferracone, the founder and CEO of the compensation consulting firm Farient Advisors, and a director of the publicly traded pet insurance Trupanion and the privately held locator platform Gimbal. “I’ve seen the discussions of technology rise to a whole new level in the boardroom.”

Part of the discussions her boards are having revolve around cybersecurity, but she says they must also address “how technology can enhance the product and workforce.”

And there’s an urgent need for boards to be better prepared. The Human Capital Management Coalition, comprised of 26 institutional investors with assets of more than $3 trillion, has petitioned the Securities and Exchange Commission to require disclosure of all human capital data and risks, in a document that notes “access to training” as an important measurement of corporate performance as well as sustainability.

Yet in the National Association of Corporate Directors 2018–2019 NACD Public Company Governance Survey, directors ranked the “pace of technology disruption” and “key talent deficits” in the top half of trends likely to impact their organizations but expressed low confidence in management’s ability to address these trends.

Technology disruption can change the nature of almost every job.

A Pew Research Center report in 2017 pointed out that technology has, in certain cases, shown that it can “do equal or sometimes even better work than humans who are dermatologists, insurance claims adjusters, lawyers, seismic testers in oil fields, sports journalists and financial reporters, crew members on guided-missile destroyers, hiring managers, psychological testers, retail salespeople and border patrol agents.” In the near future, the Pew report says, it could crush the jobs of car and truck drivers, medical analysts, stock traders, middle management, and even software programmers themselves.

At the same time, the World Economic Forum’s current research finds that some 96% of workers displaced by technology could actually find a good fit in a new job, often by reskilling into an entirely new field. If that’s the case, a corporation can ill afford to sit by while competitors train people, gaining an edge not just at talent but also at adherence to ESG principles.

“The question then becomes ‘how do you retrain displaced employees and give them the opportunity for higher impact and more relevant jobs?’” says Eisenman.

Re-skilling for jobs of the future is more of a natural fit for tech companies, and most of the largest tech players are sponsoring tech education programs.

• Google offers an IT Support Professional Certificate on the online learning platform Coursera, with a service that allows newly-trained students to submit their resumes to potential employers including Google itself.

• Microsoft funds Skillful, a nonprofit that helps connect people with tech jobs.

• And Amazon offers its warehouse employees 95% tuition reimbursement to train for careers in a variety of fields, even if the careers are not going to be at Amazon.

Someday when self-driving vehicles are a standard mode of transportation, Uber will no longer need human drivers, but the ride-hailing pioneer has been trying to train some of its employees to be operators behind the wheel of autonomous cars. Although Uber shut down its self-driving operations and laid off 100 operators after one of the vehicles it was testing killed a pedestrian in March 2018, in November the company announced they would need operators with more technical training and expertise.

In the more distant future, cars might become fully autonomous and ride-hailing companies might have to consider training operators in more advanced skills — perhaps programming the cars. Whether the companies address that disruption pro-actively is something their directors should start thinking about in the decade ahead, maintains Farient’s Ferracone.

But the outlook so far isn’t optimistic; outside the tech industry itself, technology training is a mixed bag.

The 2018 Deloitte Global Human Capital Trends report finds that while most companies it surveyed are struggling to recruit and develop the human expertise they’ll need as AI and robotics are integrated into the workforce — with technical skills and complex problem solving skills at the top of the list — 49% of the respondents said they did not have a plan in place to cultivate those skills.

All of this means that directors everywhere should take the lead in making sure the companies they serve have a coherent policy for addressing not just how they’ll meet their future tech needs, but also how they’ll meet ESG metrics when it comes to the role of technology in society and the workforce.

“Every board should have a technology committee comprised of people who understand the impact of changing technologies and can educate the board,” advises Eisenman. At the same time, she says, technological change is also an issue for the compensation committee because it requires understanding the implications for the workforce, and an audit committee issue around budgeting for re-skilling the workforce.

The board should make it a priority to ask senior managers and HR officers the right questions. Those questions, recommends Eisenman, include:

• What are the requirements we’ll need to succeed in in the future?

• How are we planning to meet those requirements?

• Do we have the right workforce in place?

• How are we planning to close the skill gap?

• What is the voluntary vs. involuntary turnover rate?

• When we’ve downsized, what is the difference in the demographic of the people we’re bringing in as opposed to the people who are leaving? Is there a possibility of a talent-management crisis ahead?

Planning a long-term strategy for training and retaining technology talent is not always going to please investors, Eisenman warns.

“On the one hand, it’s the right thing to do,” she says. “On the other, you may get dinged because it costs a few pennies. But the board has a role in deciding how to communicate the strategy, and whether it will be seen as a force for good.”

Jan Alexander *is a writer who specializes in corporate thought leadership and investor activism. Her articles have appeared in Institutional Investor, Strategy+Business, and Forbes.*