

TAX THE ROBOTS?

AS A SENIOR FIGURE AT THE BANK OF ENGLAND WARNS THAT AUTOMATION WILL HOLLOW OUT THE JOBS MARKET, WHICH SOCIAL-POLICY INITIATIVES COULD MITIGATE THE HUMAN COST?

MATT PACKER FINDS OUT

Those seeking reassurance about humanity's place in the workforce would have had a nasty shock if they had tuned in to BBC Radio 4's *Today Programme* on 20 August. For in that edition, none other than Bank of England chief economist Andy Haldane provided some sobering thoughts on how our species is likely to fare amid the inexorable rise of automation.

Nodding to the First Industrial Revolution, Haldane noted: "Jobs were effectively taken by machines of various types. There was a hollowing out of the jobs market, and that left a lot of people for a lengthy period out of work and struggling to make a living... That hollowing out is going to be potentially on a much greater scale in the future, when we have machines both thinking and doing – replacing the cognitive and technical skills of humans.

"This is the dark side of technological revolutions," he added. "And that dark side has always been there."

STANDARD OF LIVING

US scholar Professor John Russo has seen that dark side up close. For 30 years, he lived and worked in a deindustrialised community, teaching at a largely working-class university and witnessing first-hand the corrosive impact of new industries supplanting the old. Subsequently, in 1995, he and fellow academic Sherry Linkon co-founded the US's

first-ever Center for Working-Class Studies, based at Youngstown State University in Ohio. From 2000 to 2016, Youngstown experienced a population drop of more than 21%, as the US pivoted away from traditional industries – and jobs – in favour of the service economy. In Russo's assessment, "Artificial intelligence [AI] and automation will have a similar impact upon many workplaces, individuals and communities, unless support structures are created to deal with technological unemployment."

That impact, he notes, will be "a steady increase in the downsizing and reorganisation of corporate structures. Employees with valuable skills will benefit, and remain part of the core business. Meanwhile, lower-skilled workers will be displaced and/or become independent contractors, or part of the gig economy." That fragmentation, he warns, could trigger shock waves from sector to sector. "For example, displaced steelworkers from Youngstown and elsewhere who had pickup trucks and toolboxes went to work in construction – and lowered the standard of living among traditional workers in the building trades."

So, just how inevitable is technological attrition in the workplace? Global futurist Rohit Talwar tells *The Treasurer*: "The reality is that we are already seeing many of the tasks people perform, and whole jobs, being automated. And in practice, companies are

choosing to take those efficiency savings in the form of cost reduction, rather than releasing those people into new roles where they can add more value. When a tech company or consultancy goes in and bids for task and process automation work, they rarely pitch on the basis of enhancing human experience. They usually focus on the cost savings. So, I think a gap will open up between jobs lost through technology and any new ones that are created, and it may take some time to close it – if ever."

WINNERS AND LOSERS

For Talwar, Apple's recent watershed of becoming the first-ever company to reach a mind-boggling \$1 trillion market capitalisation vividly heralds the shaping role that tech firms will continue to play in the spread of automation.

"The top five companies in the world by valuation now are all tech companies," he points out. "As well as creating the technologies that everyone else relies on, they're using them well themselves. Tech firms are getting to the point where they could enter almost any sector on the planet, because through their AI tools, they are collecting the required data and understand how those industries work.

"They have insights into the dynamics at play within a range of sectors, and the relevant customer engagement models. And they tend to have much better engagement models themselves. That's why we're seeing them getting into everything from cars to air transport. So, while I think the potential is there for overall economic growth and wealth creation, it will be much more unevenly distributed than it is today."

It is important to note that not every thought leader agrees that destruction will outstrip creation in the jobs market. Indeed, PwC predicted in July that automation would have a broadly neutral effect in the UK, with 'winners' and 'losers' effectively balancing each other out. Speaking to *The Treasurer*, PwC UK AI leader Euan Cameron explains: "Technology is rarely adopted at scale if it does not increase either efficiency or quality, and thereby contribute to economic growth. We expect AI technologies to generate an additional 10% of GDP growth in the UK by 2030 – equivalent to more than £230bn of economic activity.

"As we have seen in previous technology cycles, wealth created in industries that benefit from new technology will generate additional demand and jobs across other areas of the economy. There is likely to be a particular increase in demand for roles that take advantage of human skills, in areas such as education, science and healthcare."

That said, Cameron is hardly convinced it will be plain sailing. "While we expect overall employment levels to remain roughly constant over the next 15 years," he notes, "we should expect plenty of disruption as old roles are displaced and new ones created."

A TAXING QUANDARY

With that disruption in mind, Cameron suggests that a policy programme the government could implement by way of a cushion may involve creating:

1. An educational syllabus built around 'uniquely human skills' – for example, adaptability, creativity and emotional intelligence – together with core science, technology, engineering, and math skills;

"Automation is an investment in firms and, therefore, the wider economy"



2. Effective lifelong-learning and retraining schemes for adults;
3. An attractive business environment for AI enterprise; and potentially...
4. A more robust social safety net, should the pace of change prove particularly rapid.

Talwar favours “investing massively in raising people’s digital literacy, so they understand the technology behind automation and its implications”. He also says that governments “should start to think really deeply about the social policy challenges of people losing their jobs more often, having shorter periods in work and needing to retrain more regularly. This may be a transitional measure for the next five to 10 years, until we’ve seen the true impacts. By then, we may know whether we’re on a path towards a world where full employment is still possible, because we have a lot of new jobs and skills, and therefore

no longer need those social policy instruments; or a world where there are far fewer jobs – and having a job may be the least-common outcome for people.”

But what about a measure that could be seen as the most radical policy of all: levying taxes specifically against organisations that automate? Russo is clear on that point. “Corporations that create negative externalities for individuals, communities and the environment – whether caused by AI or other business activities – should no longer simply pass the costs along to governments and taxpayers,” he says. “Specific taxes on firms is one example of an array of strategies that policymakers could consider, which may also include basic incomes and guaranteed jobs.”

Talwar is of a similar mind. “We need experimentation in things such as guaranteed basic income,” he says. “But we also need guaranteed basic services, plus innovative approaches

to taxation – whether it’s just collecting what corporations owe, or targeted, additional taxes for companies that are replacing humans with technology.”

However, TaxPayers’ Alliance policy analyst Ben Ramanauskas – who takes the view that automation will have a “positive impact” on human beings – says that a targeted ‘robot tax’ would be “not just unnecessary, but economically damaging”. He points out: “Automation is an investment in firms and, therefore, the wider economy. If firms find they can operate more effectively by using automation, but face taxes for doing so, then they are likely to move to a different country where they do not face such a tax. As the UK prepares to leave the EU, we need to ensure that our economy is competitive and seen as an attractive place to invest and do business. As such, we should be thinking of cutting taxes on businesses – not introducing more.”

And what of the growing clamour in the UK for a universal basic income (UBI)? “I have a lot of sympathy for a UBI,” says Ramanauskas, “but not for the reasons articulated by many people who are calling for one, given my views on automation. A UBI could help to simplify the UK welfare system, which is sclerotic and bureaucratic, and is often a dehumanising experience for many claimants, who find themselves falling through the cracks – and into financial difficulty – as a result. It could also enable people to do things that are more economically beneficial and socially useful, such as starting a business, or volunteering or caring for sick and elderly friends and relatives.”

Cameron is similarly intrigued by the potential scope for a UBI, but warns: “It should not be seen as a silver bullet. There are important questions to be answered around the impact on societal incentives, and the valuable role that work can play in providing individuals with a sense of community and purpose, as well as income.”

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