Whose job is it to create the new jobs for the tech era?

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In a world of rapid technological advancement and automation, what responsibility or role, if any, does the private sector have in job creation? The prevailing wisdom is that technology will materially disrupt global employment — a recent Oxford Martin School study estimates that 47 per cent of jobs in the US will be lost to automation in less than 20 years. Such gloomy forecasts are a far cry from the expectations of the Washington consensus (and Reganomics and Thatcherism, for that matter) just 30 years ago when the private sector was cast as the primary engine of job creation and economic growth.

In the narrow focus of business, technological shifts hold the promise significantly to reduce the costs of labour (and thus increase margins and returns); enhance efficiencies that enable companies to process data and information faster and more cheaply; and deliver their products to their customers more quickly.

Yet these seemingly unambiguous benefits to financial shareholders could engender significant costs for society by reducing employment. Technological advances present a rapidly growing social and public policy challenge in rising unemployment that has dire consequences for growth. In particular, but not exclusively, those lower on the skills ladder will have more limited job opportunities, be employable at lower pay due to downward pressure on mean wages for work bound by routine and contribute to a widening income gap between poor and rich economies — and also to a worsening income gap within countries between those who have capital for investment (where returns are higher) and those who can only supply relatively lower yielding labour.

By operating at the frontier of innovation and global trends, the private sector can continue to contribute to the creation of new industries and opportunities that should boost employment. For example, more mature companies can support entrepreneurs in the small and medium-sized enterprises sector, which will be crucial in future tech-based, automated industries where traditional institutions will employ fewer people.

However, the fundamental challenge is to shift the scope of concern of the 21st-century company; from a narrow utility function (focused only on financial rewards), to one that incorporates broader societal benefits, including creating jobs; and from a myopic focus on quarterly corporate performance, to a vision that places a premium on longer-term horizons.

Much work over the last decade, for example the 2011 UN Guiding Principles on Business and Human Rights, has focused on the need to broaden corporate social responsibility. A compelling case has been made that there exists an enlightened self-interest for global business to consider the needs of not only company shareholders, but also the well-being of stakeholders including individuals, government and civil society. Thus companies can be "doing well, by doing good".

In contrast, there has been relatively little attention (by policymakers and companies themselves) given to the need for a shift away from the myopic quarter-to-quarter mind-set that has pervaded corporate culture. This needs to be addressed — after all, viewed over a longer period, the impact of technology on business is not unambiguously positive. In the context of unemployment resulting from technology, for instance, companies know that their ability to grow their top-line revenue rests crucially on there being employed and reasonably well-paid people to buy the goods and services that the private sector produces, but this has not yet fully translated into an adjustment of strategy.

From a corporate standpoint, therefore, the delicate balance must be struck between the advantages of cost reduction on the one hand and the erosion of customers and risk of shrinking revenues from rising technological unemployment on the other.

In arguments in Silicon Valley over the role of technology in job destruction, there are some who believe claims that it will harm long-term employment are misplaced and even exaggerated. They argue that — much like the wrongheaded clarion calls of the earlier Luddites, the Wobblies of the US Industrial Workers of the World and those who bemoaned the digital divide — technology will prove to be an impetus, not a detractor, of economic prosperity. But even this more sanguine view relies crucially on other factors such as an educated and skilled populous.

The management of, transition to and adoption of the digital age will no doubt contribute to some technological unemployment as the traditional private sector becomes less of an engine of job creation.

Nevertheless, like most challenges faced by the global economy, the onus to address the impact of technology, and in particular to pick up the slack, retool, re-skill and find new uses for labour, rests with combined efforts and active co-operation between governments and the private sector.

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