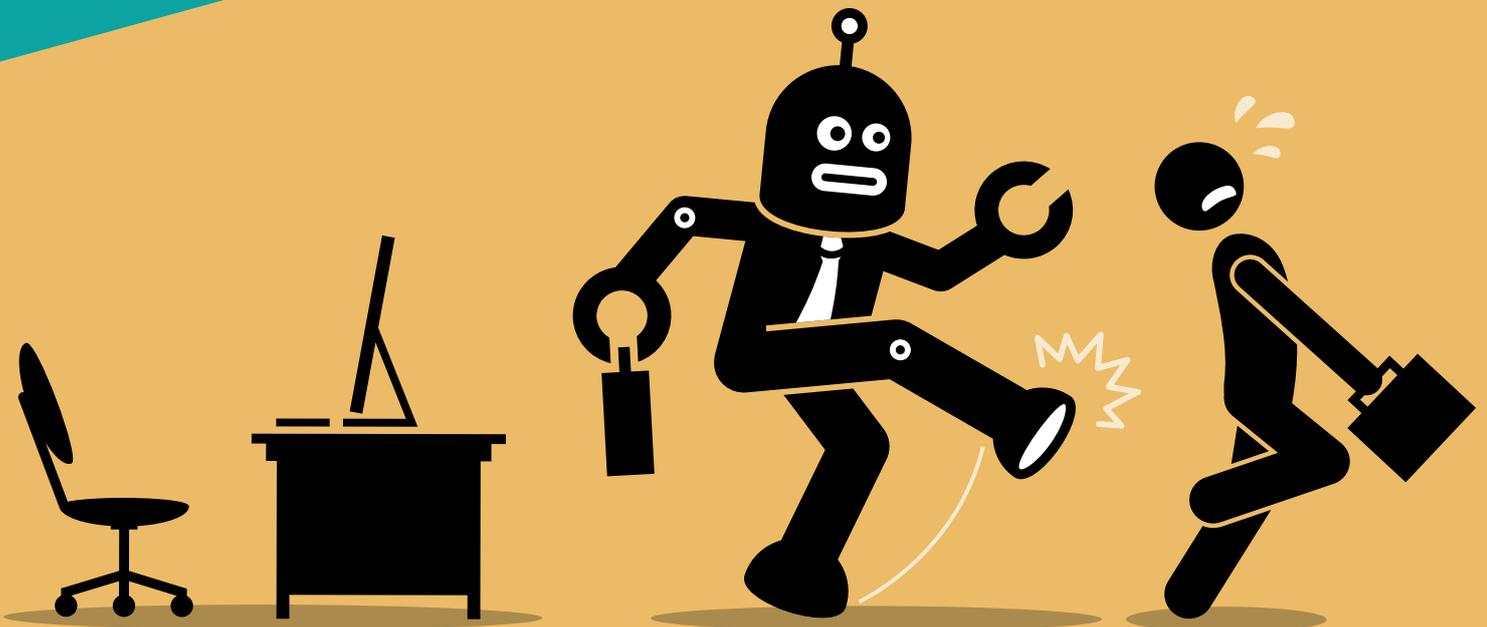
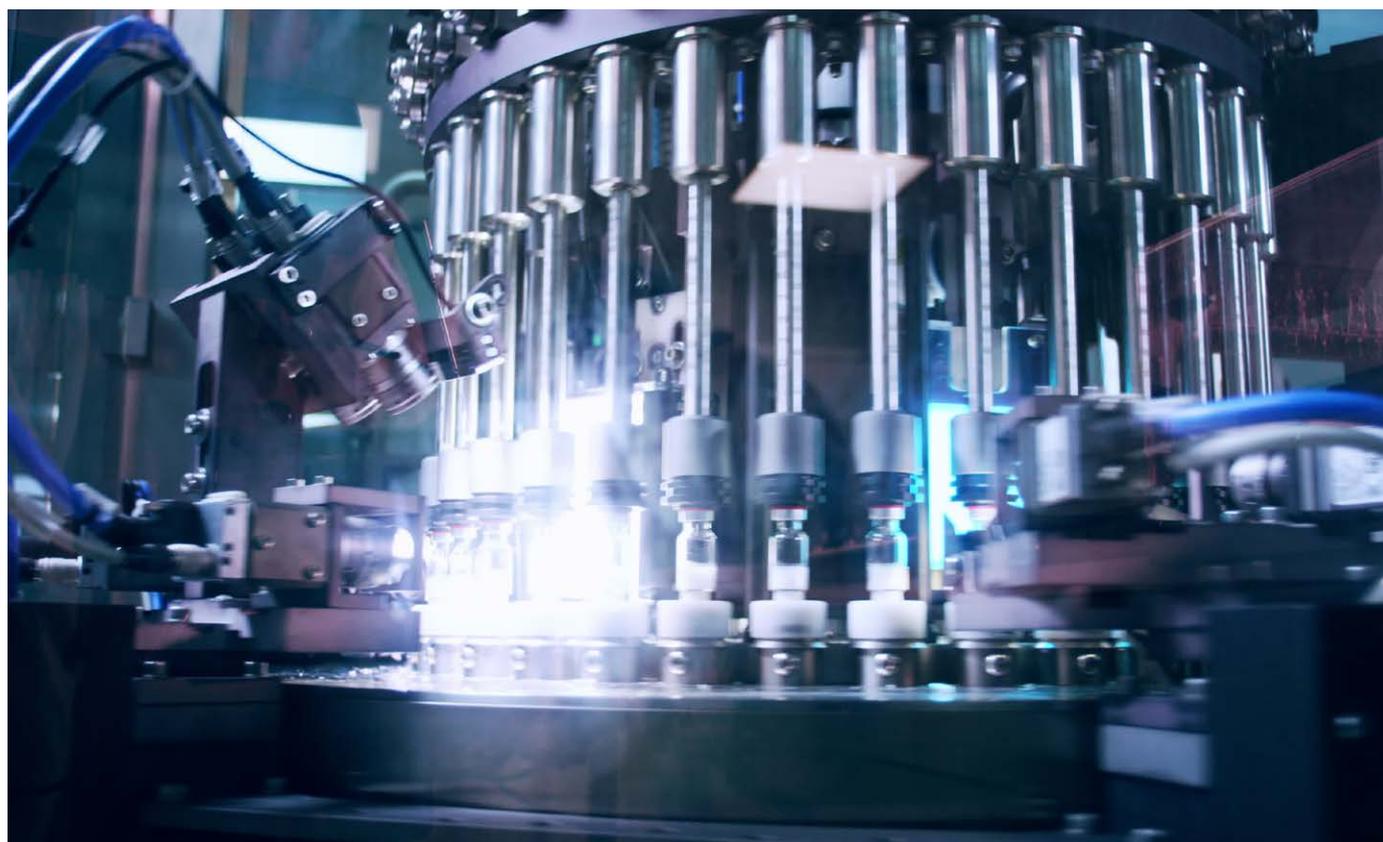

AI, Automation, and Corporate Reputation

Henry Archer | Rebecca Writer-Davies | Mark McGeoghegan





Introduction

As the fourth industrial age matures, the adoption of artificial intelligence (AI) and automation becomes a major focus for business. For some, the technological advances we are seeing may be “more profound for humanity than electricity or fire.”¹ With the potential to improve productivity and save costs, the benefits for businesses are clear – but at what cost to the labour market and society?

It is the social impact of automation that makes it a crucial reputational issue for businesses considering developing and using automating technologies.

The received corporate wisdom when it comes to automation and jobs is that the nature of work will change

and some jobs will disappear, in some cases technology will help people accomplish their roles more productively, and in others new types of jobs or industries will emerge to soak up labour. What these new jobs and industries are, it is assumed, will become clearer as we go.

There is a body of evidence, however, that suggests the application of automating technologies far from guarantees positive outcomes for either white or blue collar workers.

In this paper, we assess the attitudes of government and the general public towards AI, automation and the labour market. In light of these attitudes, we assess the reputational risks for businesses that choose to automate.

Policymakers are automation optimists

Recent speeches and policy announcements suggest the UK government’s backing for automation in principle. UK Chancellor of the Exchequer Philip Hammond’s 2017 Autumn Statement set aside £75 million to support the development of AI in Britain, and Prime Minister Theresa May dedicated her most recent speech at the World Economic Forum to the impact of automation on society:

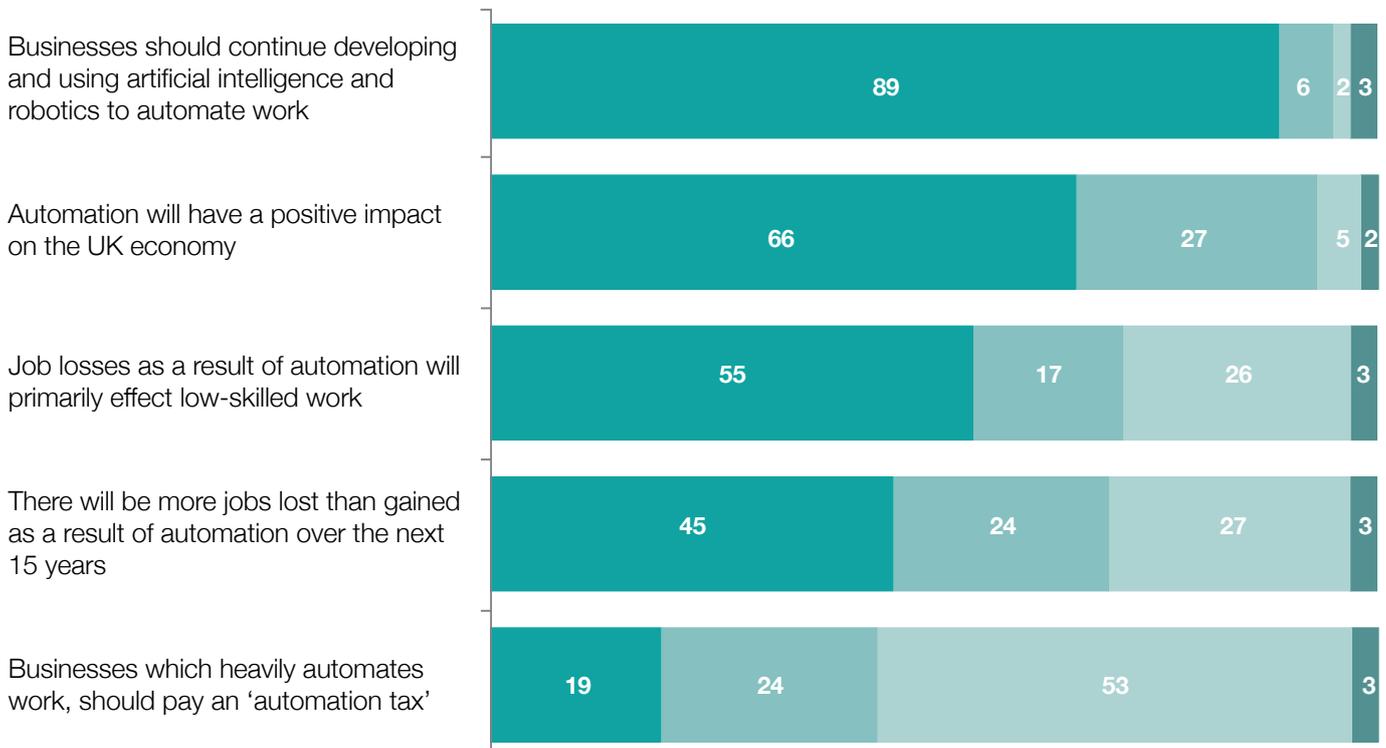
“We are absolutely determined to make our country the place to come and set up to seize the opportunities of Artificial Intelligence for the future.”²

Results from Ipsos MORI’s bi-annual survey of Members of Parliament (MPs)³ gives us a window into the minds of UK parliamentarians on this subject for the first time.

It found MPs are largely pro-automation: the majority believe automation will have a positive impact on society, the economy, and quality of life. They want businesses to continue to develop and use automation technologies, and just under half think government policy should specifically encourage the use of AI and robotics going forward.

MPs are largely pro-automation, and oppose curbs on it, but do acknowledge its potential to negatively impact society – especially the poorest

Agree Neither agree nor disagree Disagree Don't know



Base: MPs (94)

Source: Ipsos MORI Members of Parliament Survey, Summer 2017

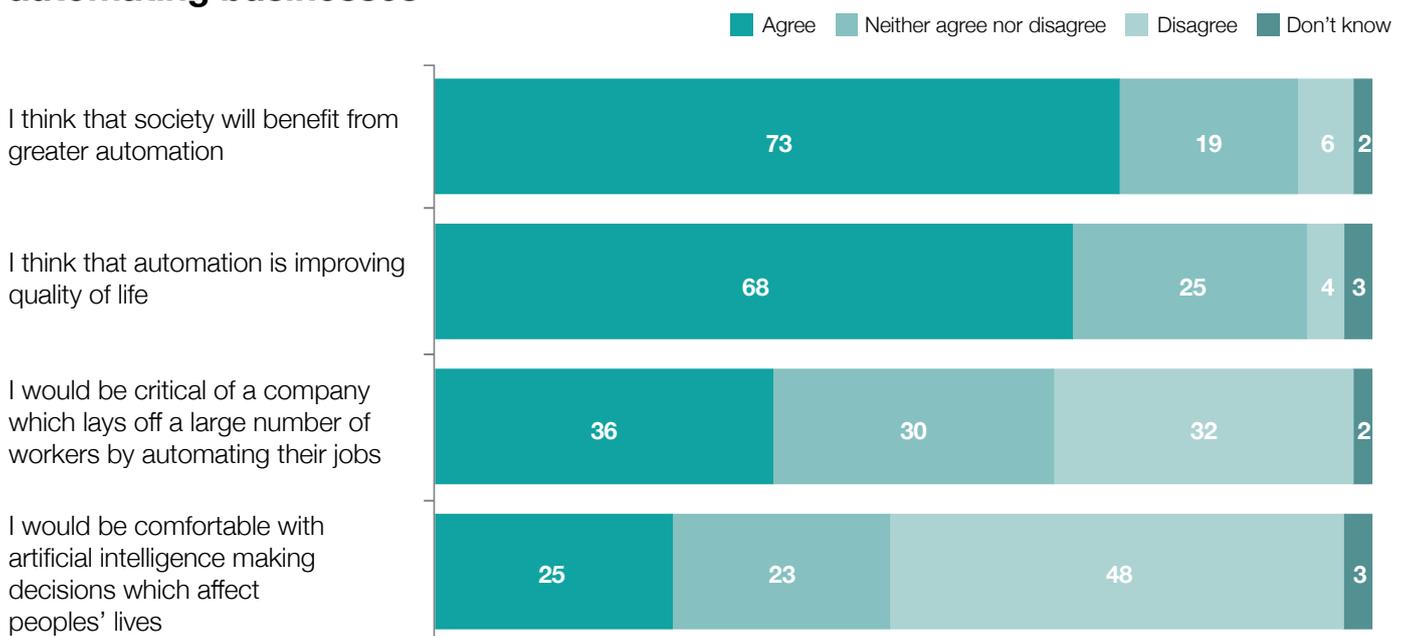
This said, MPs are not blind to the potential negative impact of automation on society.

“We absolutely have to start planning for this now... This is the fourth wave of the industrial revolution that is going to change communities out of sight.” – Labour MP

Their primary concern is of job losses; almost half think more jobs will be lost than gained in the next 15 years because of automation. Labour are most worried about job losses: six in ten (61%) think more jobs will be lost than gained. In contrast, just three in ten (31%) Conservative MPs expect this. Where they do agree is in the expectation that job losses will fall primarily among low-skilled workers (55% of Conservatives and 60% of Labour agree this will be the case).

The UK employment rate has been a key metric by which government has been judged in recent years, and the disproportionate impact on low-skilled workers is likely to be particularly negatively perceived by parliamentarians. Current assumptions that job losses will hit the manufacturing and packaging industries the hardest are also likely to hit a raw nerve with MPs; these industries are often located in ex-steel and coal heartlands, areas already hit hard by job losses within the last century. Images of people being automated out of work in areas already struggling with high social and economic deprivation will not sit well with parliamentarians.

There are limits to MPs’ positivity about automation – they do not feel comfortable with AI making decisions, and a sizeable minority would criticise automating businesses



Base: MPs (94)

Source: Ipsos MORI Members of Parliament Survey, Summer 2017

This presents a substantial reputational and regulatory risk for businesses who plan to automate work.

A third of MPs (36%) would be critical of a company which lays off many workers as a result of automation.

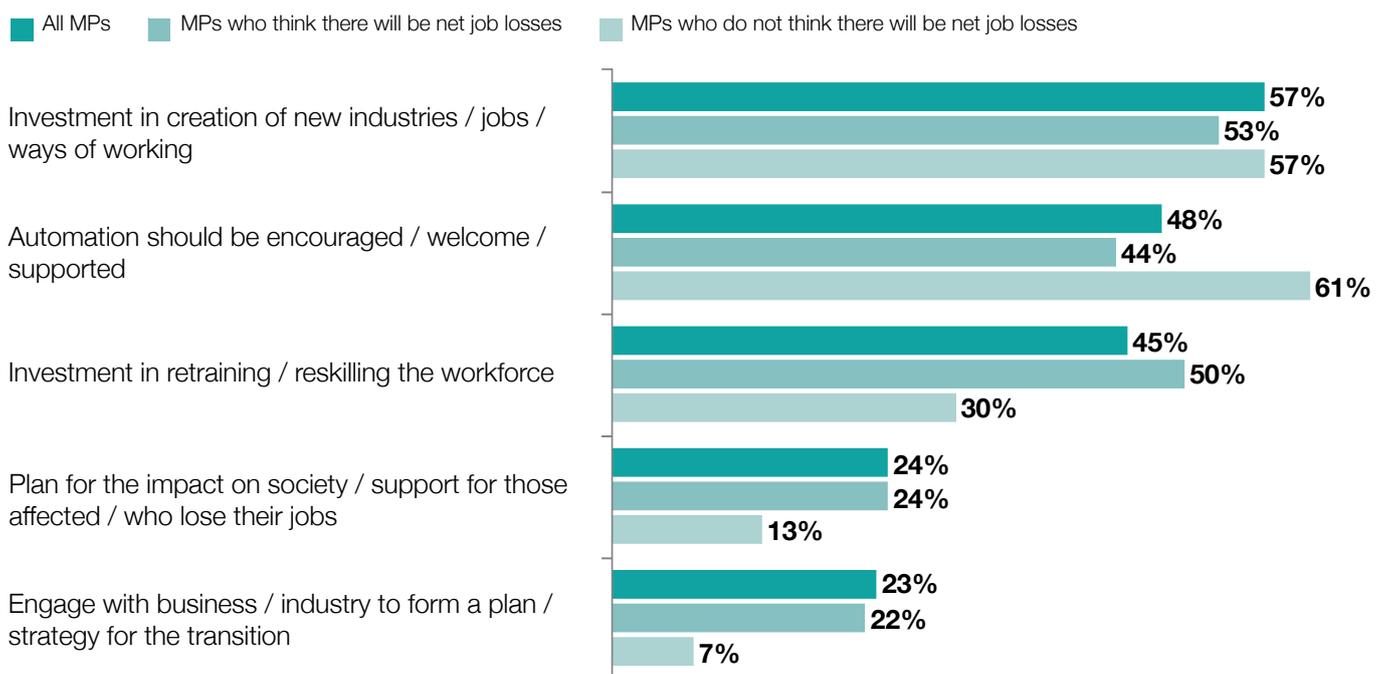
This may well rise as MPs experience upward pressure from constituents who lose out in the workplace through automation.

Various possible interventions have been proposed. One suggested intervention has been an automation tax, levied against businesses who profit from replacing human workers with robots. Support for such an extreme intervention is limited in parliament at present; just a fifth (19%) think that such a tax should be considered.

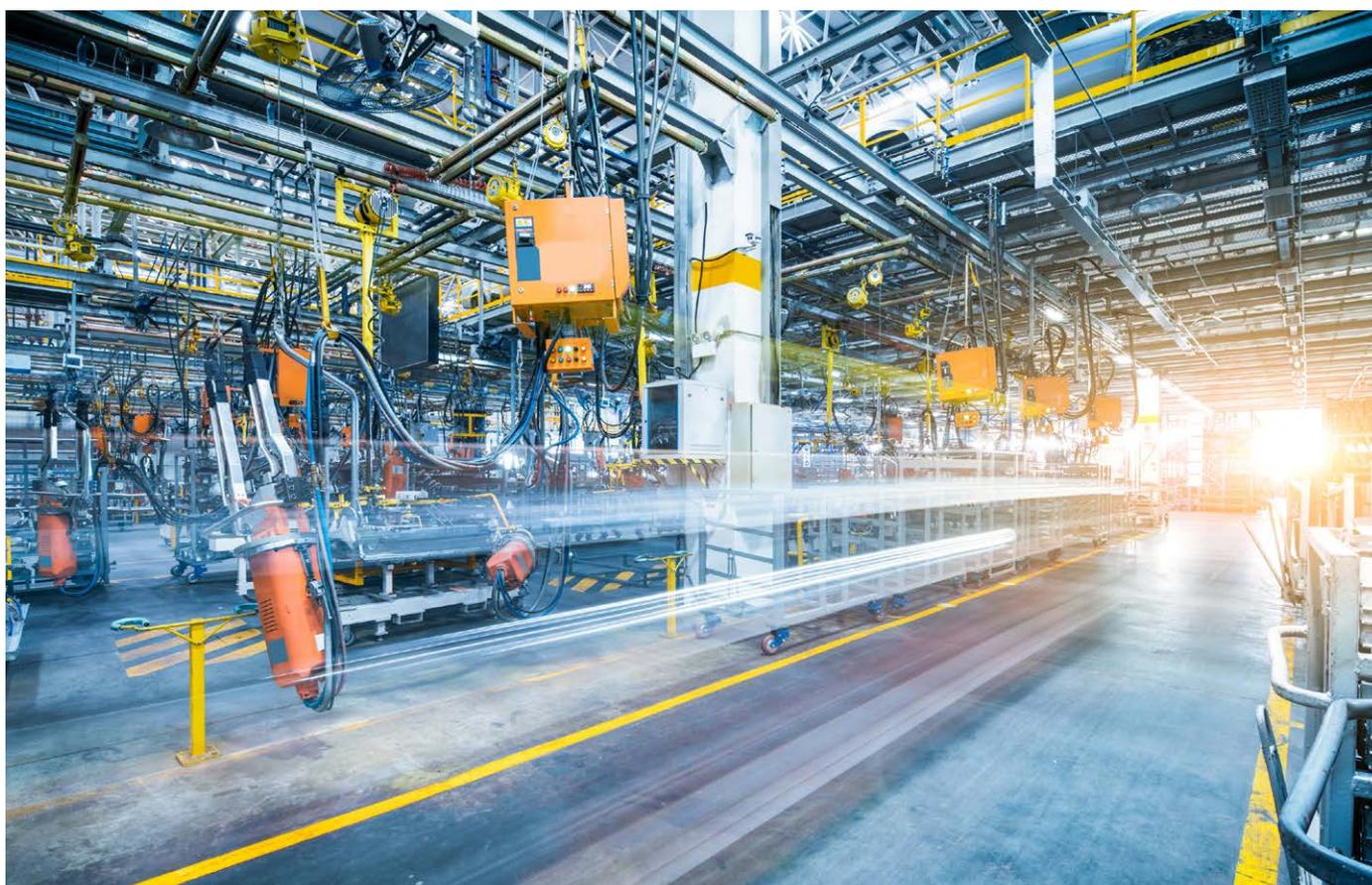
Unsurprisingly, opinion splits by party, with Conservative MPs more likely to be against such an intervention (79%) and Labour MPs more in favour (34%). This said, not all Labour MPs follow party leader Jeremy Corbyn’s lead on this issue; a quarter (27%) say they would be against such a measure. Indeed, having included a call for an automation tax in his draft 2017 conference speech, the reference was not included on the day.

Parliamentarians would prefer a response focused on investment in retraining displaced workers and support for new industries, the assumption being new industries will generate new jobs. MPs have clearly bought the logic that, while jobs will be lost, if investment is targeted to those most at risk, the negative impacts will be mitigated in the long-term by equivalent increases in demand for labour elsewhere.

MPs want policy which encourages automation, and think addressing the impact on the labour market is a matter of investing in re-skilling workers



Base: MPs (90), who think there will be net job losses (39), who do not think there will be net job losses (28)
 Source: Ipsos MORI Members of Parliament Survey, Summer 2017



“We have to embrace it, we have to provide for the longer term and upskill our workforce sufficiently to survive the onslaught.” – Conservative MP

“When you take people out you have to find them alternative work streams and that is the biggest challenge for the government going forward.” – Conservative MP

“We need to go back to training and development and educational opportunities so that people who are in sectors that are likely to be vulnerable to increased automation can move into other sectors...You can’t really stop automation so you need to think about how you diversify people’s skills and take charge of these technologies.” – SNP MP

MPs’ thinking on how to respond to the negative externalities of automation is worryingly naïve. In previous waves of automation, work has been redistributed horizontally across the economy – there has been no need for workers to enormously upskill to stay in work. The Fourth Industrial Revolution is likely to be characterised by the elimination of work across an entire skill-level, and there is no evidence to suggest that it is possible to upskill millions of workers to the degree MPs seem to want, nor that there would be enough work anyway.

While parliamentarians currently support the continued automation of work, their thinking around policy responses to its negative impacts is decidedly vague; even worse, as we see below, they are at odds with their constituents in their optimism.

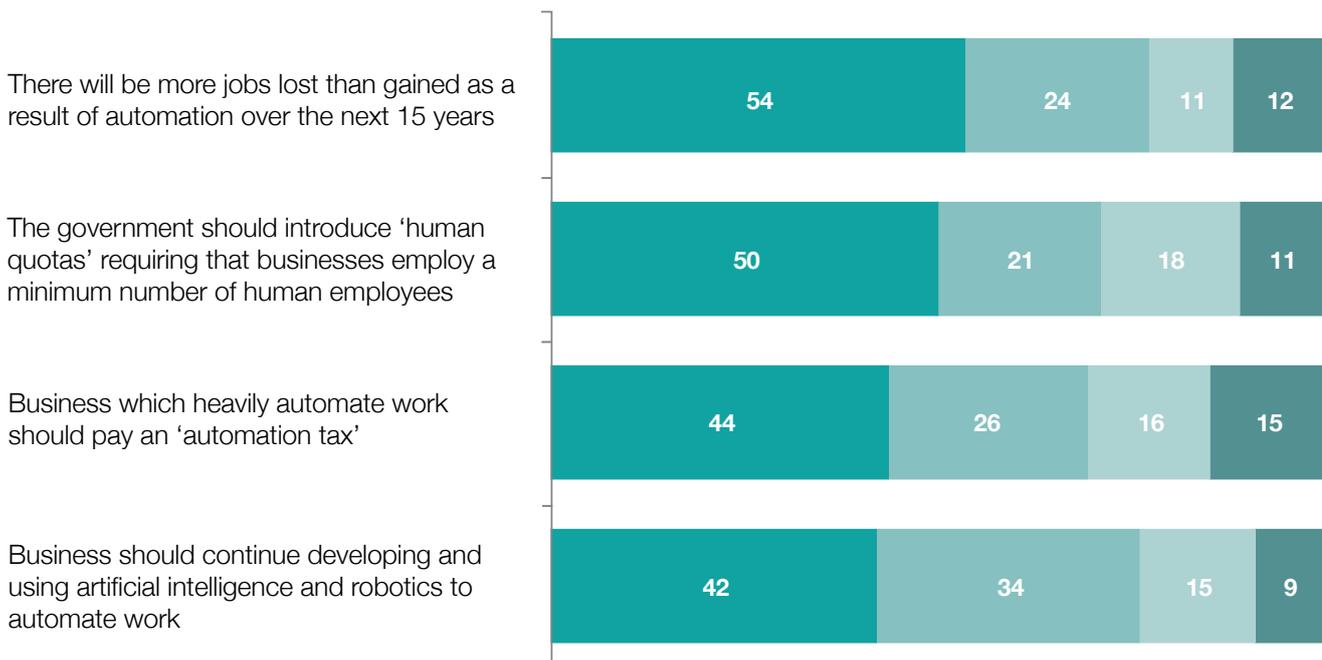
The public are disengaged - but suspicious

As things stand, the general public leans strongly towards regulation to restrict the automation of work. Over two-in-five (44%) support an ‘automation tax’, imposed on companies which automate large proportions of work. Half (50%) support ‘human quotas’, minimum proportions of people which every company would need to employ. Both of these measures would be significant restraints on the ability of business to automate work, and could undermine the fundamental driver of automation – that it boosts productivity – by rebalancing the cost-benefit calculation businesses make back toward human workers.

If the public support such regulation against automation, why have we not seen a groundswell of outrage at the gradual erosion of manual labour over the past half century? In fact, members of the public are more likely to say that businesses should continue developing and using AI and robotics to automate work than they are to think they should cease doing so, despite agreeing that more jobs will be lost than gained as a result of automation over the next 15 years.

The general public tend to believe that businesses should continue to automate, but also think this will lead to net job losses, and that Government should regulate

■ Agree
 ■ Neither agree nor disagree
 ■ Disagree
 ■ Don't know



Base: General Public (1002)

Source: Ipsos MORI Key Influencing Customers Survey, September 2017

The answer may lie in what amounts to public indifference. Right now, the public are simply not that concerned by automation. Just a quarter (24%) say they are concerned that they will lose their job to automation, whereas over two-thirds (66%) say they are not.

When asked how many out of every hundred jobs they think would be lost to automation by 2030, three in ten (30%) say they do not know, and a further three in ten (29%) say less than 30. A majority of the public believe that either a minority of jobs will be lost, or do not know enough to give an answer – they are either unconcerned about or unaware of the impact automation will have on jobs generally, and while they might concede that automation could have negative impact, they do not believe it will have a meaningful negative impact on *them*.

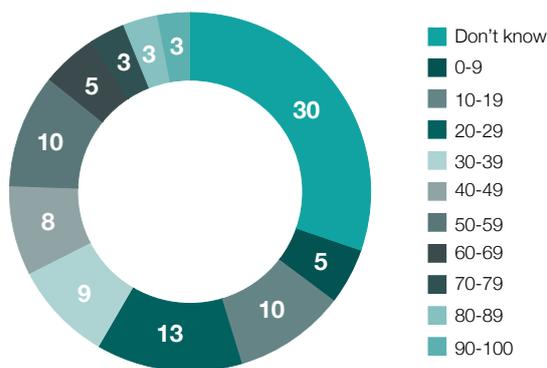
This explanation for a lack of concern about automation – that automation is not a salient issue for the public and therefore there is a knowledge gap – is likely related to the public’s general lack of understanding of the technologies

involved in the current wave of automation. The 2014 Ipsos MORI Public Attitudes to Science survey – carried out for the Department of Business, Innovation and Skills – found that although most of the public are aware of the use of robots across sectors ranging from manufacturing to healthcare, only a minority had heard or read a great deal about them.⁴

Recent qualitative research has reinforced this picture of the public as aware of but poorly informed about the nature and uses of automating technologies. The 2017 Ipsos MORI Public Views of Machine Learning report – based on public engagement work on behalf of the Royal Society – found that most participants knew very little about machine learning before taking part. Their reactions to learning more about machine learning included recognising that it was an important technology which could have an impact on their lives, rejection of the notion that machines could ever really replace human workers, and overall suspicion.⁵

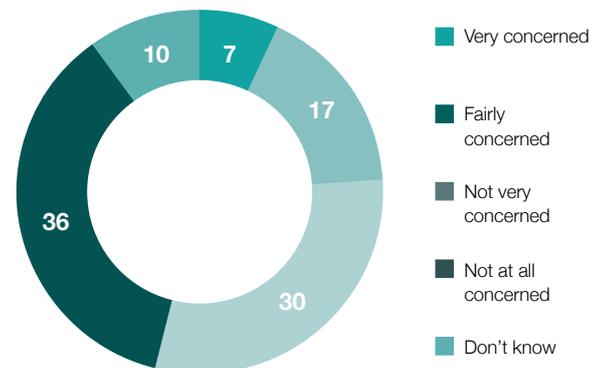
Automation and technology led unemployment are not salient issues for the general public

Out of every hundred jobs that exist in the UK right now, how many do you think will be lost to automation by 2030?



Base: General Public (1002)

To what extent are you concerned, if at all, that you personally will lose your job to automation in the next fifteen years?



Source: Ipsos MORI Key Influencing Customers Survey, September 2017

Right now the public sit somewhere between ignorance and suspicion of automation. A majority (53%) would not feel comfortable with AI making decisions which affect them. This is despite the roles already played by such programmes in, for example, the financial services industry. They simply do not know enough about it to form coherent or consistent views on whether it should matter to them or not, never mind whether they ought to oppose or support it. The result is that their views are driven by their suspicion of automation, and a general sense that peoples' jobs ought to be protected. The reason this does not translate into pressure on governments to regulate automation is a lack of issue salience.

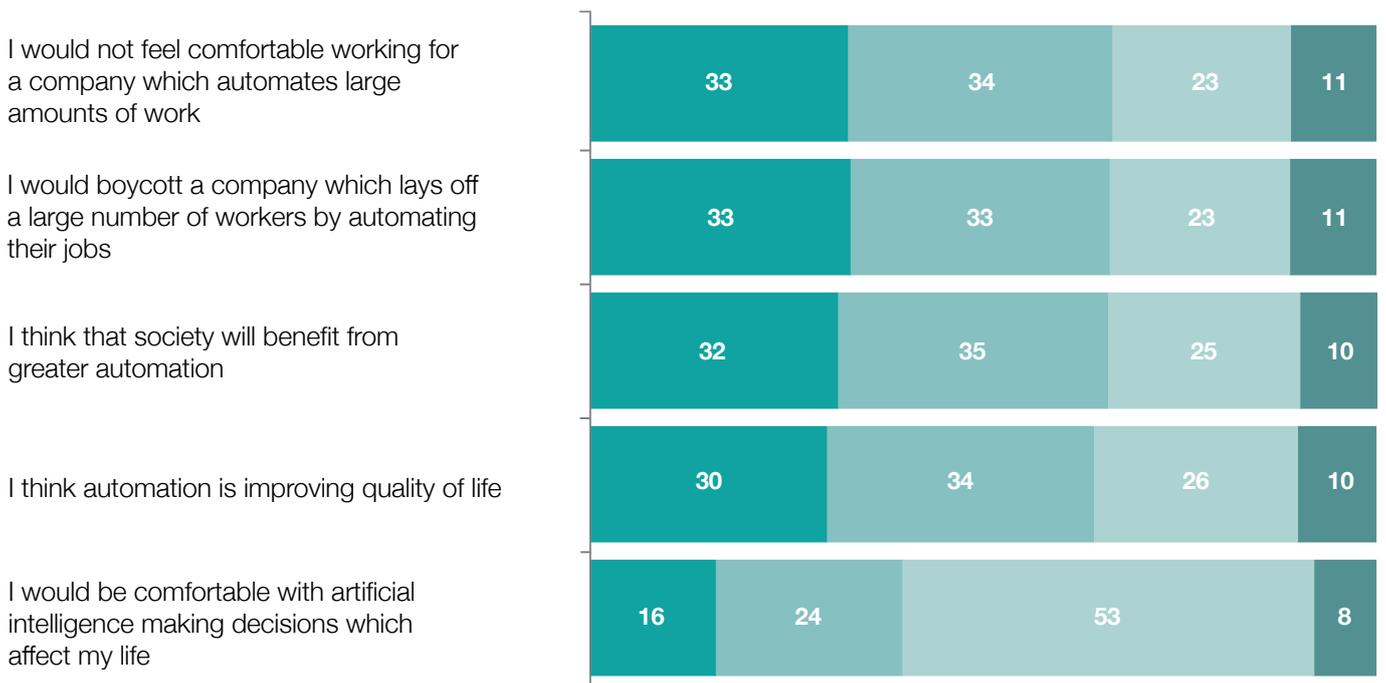
Should automation indeed cause more jobs to be lost than created, growth in unemployment and underemployment is likely to drive an increase in public concern about the

impact of new technologies, pushing negative sentiment about automation to the surface. The same can be said if no jobs are lost but automation exacerbates inequality by disproportionately harming the poorest in society.

Businesses that automate could face a backlash, and upwards pressure on Parliament from the public may lead to more MPs giving in to their constituents' instincts and supporting regulation to curb automation. Some key MPs are particularly susceptible to such upwards pressure – the think-tank Future Advocacy believes that Shadow Chancellor John McDonnell's constituency could see nearly 40% of jobs automated by the 2030s. With MPs failing to articulate clear and realistic policy responses to the negative effects of automation, a scenario in which public suspicion becomes public opposition is a definite possibility – and with it would come the knee-jerk response of an underprepared political class.

The public are divided on the merits of automation, but agree that they do not want AI making decisions which affect their lives

■ Agree
 ■ Neither agree nor disagree
 ■ Disagree
 ■ Don't know



Base: General Public (1002)

Source: Ipsos MORI Key Influencing Customers Survey, September 2017



PATIENT PROFILE
PROGRAM DETAILS
NOTES
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The public sit somewhere between ignorance and suspicion of automation. A majority (53%) would not feel comfortable with AI making decisions which affect them.

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BRAIN CHECK-UP

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HEALTH



Facing up to Reality

Time for business to take a stand

Up until recently, it has been rare for CEOs to go on the record about the effects of automation and AI on jobs. As put recently in the New Yorker:

“[a]utomation is a topic that gets treated with enormous diplomacy, both in Europe and in the United States... In the United States... corporate executives are reluctant to be quoted on the subject; when they are, their usual line is that robots aren’t replacing humans but simply helping to make their jobs less taxing.”⁶

In public, business voices are most interested in communicating their excitement about the new technology and its benefits. Jeff Bezos provides just one example when he says,

“we are solving problems with AI that were in the realm of science fiction for the past several decades. Natural language understanding, machine vision. It really is an amazing renaissance.”⁷

Behind the scenes businesses are automating, and the reasons are clear.

“[T]he same factors that make warehouses a draw for labor have made them a tempting target for automation. In 2012, Amazon spent almost eight hundred million dollars to buy a robotics company called Kiva, which makes robots that can zoom around a factory floor



and move tall stacks of shelves of up to seven hundred and fifty pounds in weight. A Deutsche Bank research report estimated that Amazon could save twenty-two million dollars a year by introducing the Kiva machines in a single warehouse; the savings company-wide could reach into the billions.”⁸

The most proactive public commitments from technology companies have been via investments in digital skills training programmes. Grow with Google, Google Digital Garage, Today at Apple, Microsoft Virtual Academy, and Facebook Blueprint are all initiatives that aim to help people equip themselves for work by improving their digital skills. These schemes currently have the backing of governments. The House of Lords Select Committee on Artificial Intelligence, for example, states that:

“[a]s AI decreases demand for some jobs but creates demand for others, retraining will become a lifelong necessity and pilot initiatives, like the Government’s National Retraining Scheme, could become a vital part of our economy.”⁹

These training programmes come with demonstrable benefits for participants, including improved confidence in their digital skills and ability to use technology, both in work and in their personal lives. As the technologies society depends upon become ever more ubiquitous and complex, these initiatives – often freely available to anyone willing to take advantage of them – will continue to fill an important role in preparing people for the future of work.

Yet they are not a panacea, particularly when we take into consideration the uncertain long-term future of the labour market. Governments and businesses are currently of a mind when it comes to preparing workers for the future by helping them re-skill. If governments remain on message and the public relatively disengaged, the current corporate position is tenable. But this permissive consensus will in all likelihood not last, and businesses which value their reputations should take note – in the absence of a realistic public conversation about responding to automation, it will be they who are punished if the consensus dissolves.

...or risk being flattened by the steamroller of public opinion

Our research shows that the public are not especially concerned about losing their job to a robot – even those who think that automation will lead to job losses overall are not particularly likely to think that their own job will be automated. Faced with the prospect of being replaced, most of us can conjure a reason why a robot could not do what we do. Yet the evidence suggests that ever greater proportions of the work humans currently do will be automated over the next ten to fifteen years. The public may be in for a rude awakening.

As work evaporates, concern will grow. A third of the public say that they would boycott a company which lays off many workers by automating their jobs. The same proportion would not feel comfortable working for a company which automates large amounts of work. The risk is clear – automate too much, and you may lose both customers and potential employees to competitors who see hiring human workers as a social responsibility.



When the 1992 Clinton campaign adopted the internal slogan, 'it's the economy, stupid', they weren't talking about abstract measures of economic strength like growth or productivity – they were addressing voters' fundamental need to put food on the table. As well as criticising and potentially boycotting the businesses seen as responsible for automation-related unemployment and underemployment, the public will look to political leaders for answers, and their instinctive preferences will be to regulate and limit automation to protect their jobs.

Politicians, regulators, and businesses have so far focussed their efforts on re-skilling the workforce for the 'jobs of tomorrow'. Quite aside from the cliché retort that you cannot re-train lorry drivers to programme the self-driving lorries that replace them, plenty of evidence demonstrates that skills training does not offer a silver bullet to unemployment or underemployment in the current economy – there is no reason to think this will change.

It would be too far to suggest that policy-makers are suffering from a case of magical thinking, but fair to point out that they do not currently articulate a workable strategy for addressing the potentially transformational impact automation will have on economies and societies around the world. In the absence of such a narrative, the instinct to crack down on businesses which automate work – or create the technology that makes such automation possible – may be impossible to resist.

The reality is that businesses can neither rely on policy-makers to find a solution on their own, nor afford to look like they are overhauling the fabrics of the societies in which they work purely for profit. If they do so, they could be caught between the wrath of public consternation and suffocating regulation. These twin reputational threats are the most significant long-term risks businesses face today.

As Larry Fink points out in his 2018 letter to CEOs¹⁰:

‘We also see many governments failing to prepare for the future, on issues ranging from retirement and infrastructure to automation and worker retraining. As a result, society increasingly is turning to the private sector and asking that companies respond to broader societal challenges [...] Society is demanding that companies, both public and private, serve a social purpose [...] Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.’

Businesses should be getting ahead of the game. In the first instance this means having a coherent view on what



automation means for the individual business and its workforce, and a position on what the impact on the sector will be. Industry bodies should be working to establish viewpoints on the impact automation will have on their members in the long run, and both they and their individual members should be engaging with policy-makers to shape comprehensive policy solutions to the challenges automation poses.

Serious engagement with civil society and the plethora of individuals and bodies with viewpoints on automation and the future of work must be the starting point. Businesses cannot merely make a show of engagement. For it to be productive – both in terms of both finding solutions and in insulating reputations – engagement must be genuine, and business should not shy away from engaging with radical solutions, like a universal basic income, even if such solutions are ultimately unnecessary.

Protecting and strengthening the reputation of a business through the Fourth Industrial Revolution will require the same thoughtful engagement with stakeholders which underpins the reputation management strategy of any business facing a licence-to-operate issue – and automation may end up being the ultimate licence-to-operate issue.

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