

Retraining and reskilling to ease the strain of automation

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Economist Michael Spence talks about the role the public and private sectors need to play in helping people prepare for changes in the workforce.

Automation will continue to have an impact on jobs across all industries, and the best way for companies, governments, and individuals to address the challenge, says economist Michael Spence, is for them to work together. In this interview, Spence explains that to reduce the fear and anxiety associated with the specter of jobs going away, concrete steps must be taken to retrain, reskill, and empower employees for the future.

Interview transcript

The Industrial Revolution created a lot of middle-class jobs—with a big lag, a lot of pain and suffering, and a lot of urbanization to go along with it. The transition to the service economy left behind many people, who still feel stranded, because they thought of themselves as contributing productively in the manufacturing sector. But the manufacturing sector, at least in employment terms, has shrunk, probably mostly in the early mid-postwar period, due to globalization and, more recently, due to automation and the power of digital technology. So, is this one different? I think this one looks like it is going to impact jobs everywhere, right across the spectrum. Not just middle-class jobs but also high-paying jobs will be augmented or somehow affected.

Individuals have to take some initiative. They need to have the resources to do it. One of the strongest arguments for redistributing income, in some form or another, may be through high-quality services that people need, which are usually labeled as healthcare and education. But it may be retraining and other things. There are countries moving down this road—some of the Nordic countries, for example.

Government has a role in multiple dimensions. One of them is we can't assume that everybody sitting out there—wondering and anxious about their future and what jobs are going to exist—is going to know the answers to all these questions. They have to make investments in partnership with somebody—the government, for example. So there's an important role for the

public sector and think tanks to try to communicate to people how this evolution is going, even if the forecast isn't perfect, so they can make informed investment decisions.

The other piece that I don't think gets talked about enough is that the business side of this is really important. You can't do this effectively—this is my judgment—if business thinks labor is just another input where the goal is to minimize costs, and you get rid of it when you can. That's not the way it works in the societies and the economies that seem to be succeeding most with this.

I think you need everybody on deck, and you need a set of values underpinning it that say, "On a very short list of the most important things around here, it's people and them succeeding in large numbers—that is, the vast majority." And we all have some role to play.

There's an interesting article, for example, in the *New York Times*. A guy was wondering whether the majority of Swedish citizens are scared about AI [artificial intelligence]. The message that came back is, "Maybe they're a little scared, but they're a lot less scared than a lot of other folks seem to be in other countries." The reason for that seems to be that the majority of people think that their employer, in collaboration with the government, will find a way to help people get through these transitions, and maintain their employment or support them during the retraining period. If you have that in the background, then you can get the job done, and you reduce anxiety on the way through. ▣

Michael Spence is a William R. Berkley professor of economics and business at the New York University Leonard N. Stern School of Business. **Rik Kirkland**, a partner in McKinsey's New York office, conducted this interview.