

Global Opportunity or Fake Smiles? Automation and the Fourth Industrial Revolution

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Executive Summary

The G7 presents a strong opportunity for the discussion of how the global community adapts to automation in reference to a number of issues. These include welfare, regulation and taxation. This policy brief will outline how automation has previously been discussed at the G7 as well as explore its discussion at this year's G7 Taormina Leaders' Summit. As will be noted, the G7 Taormina Summit can be seen to progress the policy issue of automation by increasing the level of discussion between seven of the largest economies. However, this discussion remains shallow in nature and does not fully capture the impacts and potentialities of automation. Furthermore, the extent to which automation was overshadowed by other issues on the [G7 Agenda](#), namely terrorism and to a lesser extent climate change, highlights that a topic of importance – for both economic growth and livelihoods of G7 workforces – continues to get side-

lined while the use of automation continues to grow unregulated .

Introduction

Adapting to what is termed the 'The Fourth Industrial Revolution' - the trend towards technologies in robotic and artificial intelligence that enable the automation of a large number of commonly held jobs - will be a key challenge in the 21st century. Whilst the trend is commonly linked to "low-end" jobs, such as taxi drivers being replaced by self-driving vehicles, shifts in automation are manifesting themselves across all pay scales. As use of automation grows, these algorithms outpace the cutting edge of the [legal](#) and [financial](#) fields, creating pressures on employers to downsize workforces.

Automation is a pertinent G7 issue for multiple reasons. It raises a number of concerns relating to international competitiveness and non-tariff barriers to trade, as well as linking with broader themes

such as citizen welfare and economic growth. As a result, without properly assessing and designing policies about automation, the G7 both undervalues its significance and misses a key opportunity to address these challenges.

Background

The “[Rise of the Robots](#)” (a term coined by Martin Ford in a book of the same name) denotes the trends toward a radical shift in the labour market, which makes many professions economically and technologically redundant, and which results in technologies whose primary purpose is to “obviate” jobs. Ford is not alone in noting that while automative technologies have huge potential to improve efficacy and productivity, they are also problematic, due to their ability to rapture societal order by creating long- term unemployment and underemployment, which could threaten to entrench inequality.

The link between employment instability and political instability has already been noted by scholars such as [Guy Standing](#), who interprets increased fluidity in the job market as creating a new precarious class, characterised by fluid employment practices,

which are in part driven by the technologically redundancy of their work. Standing dubs those who are increasingly pushed out of stable work as the “[dangerous class](#)” because of their ‘nothing to lose’ attitude towards radical political change and provocation of [unrest](#). What the insights of Standing – and others like him – teach us, is that the market forces that automation will bring about in turn manifest social problems that will need to be addressed. As this paper will explore, there is currently insufficient attention being paid to these social impacts by the G7 countries, although the 2017 G7 Leader’s Summit in Taormina made a small step towards progress by at least acknowledging that potential problems exist.

Turning to how G7 member states specifically have been impacted by automation, a 2016 [OECD report](#) outlined the scope of these potential rapid job market changes in G7 states.

Amongst the G7, the country with the lowest amount of jobs at “high risk” in the short term is Japan, at 7% of employment. On the other hand, Germany tops the “high risk” category with 12% of its employment at risk.

Additionally, using the same OECD figures, we can calculate that the mean long term automatability of the G7's collective labour markets is 39.6%. Thus, amongst the G7, specifically in the long term, a significant proportion of the job market is under threat. This links not only with the previously mentioned social problems of potential unrest, but also threatens national economic development, [reducing payroll taxation](#) yields and consumer purchasing power.

Past G7 Summits

Turning to past G7 summits, automation has only recently been an object of discussion. Indeed, it was for the first time entered in the official leadership agenda at the German 2015 summit meetings, ending with a signed statement. The agreement emphasised the positive benefits that the international community saw in technological processes, whilst briefly outlining that such technologies brought about a number of challenges. Specifically mentioned was driverless cars, a technology which combines both the massive opportunity for increased economic efficacy, and the challenges of regulation and loss of jobs.

Optimistic rhetoric by the G7 Leaders' continued at the 2016 Ise-Shima Summit in Japan, where further positivity about the benefits of automation was expressed. Furthering this optimism, the Japanese hosts took the opportunity to explicitly promote their automative technologies, offering members of the press free trips in driverless vehicles. As noted by past GLI [reports](#), Japan used the G7 summit to showcase their latest technologies, many of which included automation.

G7 2017

The first indications about the G7 attitudes toward Automation in 2017 came from the Japanese Foreign Ministry's Press Sectary, Norio Maruyama. Here, the sectary repeated the positive tone of previous summits, stating that bilateral conversations between Japanese Prime Minster Abe and US President Trump had framed automation in the context of increasing international productivity. It was also stated that automaton had the capacity to replace current jobs with more "creative" jobs for those being replaced by robots.

This positive tone continued in part within the G7 Leaders' Communiqué, terming

technological change as the “Next Production Revolution (NPR)” and predicting that it will bring about “innovation-driven growth”.

Nevertheless, this positivity was not exclusively shared across all aspects of the Communiqué. In fact, three out of four paragraphs on automation within the Leaders’ Communiqué show an acknowledgment of some of the social challenges that automation poses. This led the G7 to agree that there was a need to ‘rethink the future of work and of education’. While the acceptance of some of the problems that automation could cause is welcome, no solid details on what this “rethink” would entail were laid out. Again, this represents a lost opportunity for the G7 to not only take the lead in automation, but also on how it should benefit society more broadly.

Furthermore, accompanying the leadership communiqué the “[G7 People-Centred Action Plan on Innovation, Skills and Labor](#)” gave a very limited (three pages in total) indication of the policy direction from G7 States. Of particular interest regarding policy approaches towards automation are ‘Key

Policy Priority’ number [8 and 9](#) (out of 9). The former seeks to ensure that automation aids ‘both the quantity and quality of jobs’, while the latter seeks to ‘Design sound policies related to the future of work for inclusive and sustainable innovation-driven growth’.

While the increased inclusion of formal communications on the topic of automation is welcome, there is still a lack of any real clarity or depth of discussion. No solid policies or commitments were laid out beyond optimistic rhetoric, particularly in regards to productivity and vague statements about dealing with challenges raised.

While the constraint of having four new leaders and an abnormally ideologically divided G7 has meant a [shorter than usual communiqué](#), other issues such as terrorism and climate change have very obviously taken primacy over automation. For instance, whilst the two aforementioned issues were commonly addressed in leaders’ press conferences, automation was not explicitly discussed once.

Conclusion

The underlying message stemming from the 2017 G7 Summit is that automation is still yet to be given attention equal to the magnitude of its impact. When compared to headline grabbing areas such as terrorism, automation is failing to cut through. However, there has been some progress in accepting automation and its linked challenges on the agenda, noted in both the 2017 G7 Leaders' Communiqué and the accompanying "G7 People-Centred Action

Plan on Innovation, Skills and Labor". While it is noted that further expansion of policy responses to automation can be expected at September's "G7 Innovation Week", in its current form, the G7's response to automation remains lacking.

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