

The new economics of robots are here — and escalating

By Don Cunningham, July 18, 2016

You know that feeling when you've learned to use a program on your laptop or an app on your smartphone and the new version comes out and you have to relearn it? Multiply that feeling times 100 and you'll get a sense of the economic change taking place.

Please don't stop reading. This is not a column about the future that only your children's children will need to worry about it. Unless you're signing your retirement papers now, this is for you.

Technology has slowly changed the way we live and work. Robotics and artificial intelligence will rapidly change the jobs in our economy and where they are located. It will change the type of jobs we have in the Lehigh Valley, the skills we need here and how we educate our kids and re-educate ourselves.

And, it is happening now.

We can't plan for tomorrow anymore based on yesterday. In order to catch the ball, you need to run to where it's going to be – not where it is.

“The inevitable pink slip is coming for almost any job that is routine, easily replicable or low-skilled,” writes Ron Starnier, executive vice president of Conway Inc., in this month's Site Selection magazine, the foremost publication for business location advisers. “And the color of your collar won't matter.”

The displacement is because of robotics and automation.

Software entrepreneur Martin Ford, author of The New York Times bestseller “Rise of the Robots: Technology and the Threat of a Jobless Future,” says the development of robotics is moving much faster than predicted and has begun to replace workers in large numbers.

“Foxconn has already automated an entire factory in China and eliminated 60,000 jobs,” Ford recently told Site Selection magazine. “There is not really a discernible endpoint to this. It will just keep going. Technology will just keep getting better and better.”

The translation is that yesterday's science fiction is quickly becoming reality. If a job doesn't take a whole lot of brain power, chances are good in the near future it will be done by a machine.

That means that a lot of jobs that exist today in warehouses, e-commerce fulfillment centers, call centers and other back offices will be gone.

There will be new jobs for those who are developing, designing and maintaining the machines and facilities that replace the people, but there's a good chance that won't be a one-to-one match or the same people.

Geoffrey Kasselmann, executive managing director of Newmark Grubb Knight Frank, an international commercial and industrial real estate company, recently told a national real estate association meeting, "Predictions are that 80 million U.S. jobs will be replaced by robots in the next 10 years, and today there are only about 140 million nonfarm jobs in the U.S.

"Chasing labor is a short-lived phenomenon," Kasselmann said. "If you have robotics and autonomous vehicles, you don't need to be close to a labor force."

This is a scary wake-up call for areas such as the Lehigh Valley that have grown during the last decade in the areas of e-commerce, small manufacturing and back offices in insurance and finance.

Worldwide sale of industrial robots hit a new peak in 2015 with the sale of 248,000 units, a 12 percent increase from 2014, according to the International Federation of Robotics. It represents a four-fold increase since 2009.

Projections are for 2.3 million units to be in place on industrial floors by 2018.

John Boyd, founder and principal of The Boyd Co. Inc., a Princeton, N.J., consulting firm, who often works in the Lehigh Valley market, told Site Selector that highly paid professionals will not be immune from the changes.

"The adoption of robotics in the white-collar workplace is definitely something that is impacting our clients," Boyd told Site Selection. "The epicenter of this growing, white-collar job-shedding phenomenon is ... namely the banking and financial services industry with clients like JP Morgan Chase, BNP Paribas, PNC Bank, TD Bank, Sun Life Financial, Visa International, Progressive Insurance and others.

"Looking ahead, our firm is projecting that a full third of all banking jobs will be eliminated over the next decade due to advances in technology and robotics applications. Most of these will be white-collar support jobs in back-office settings and at the retail branch level."

We can all hope that these projections are exaggerated and wrong. But, there are a lot of smart people and a lot of statistics pointing toward an upcoming tsunami of change to the world of work and economic growth.

And, hope is not a strategy, so every city, region and state needs to begin to prepare its workforce, its education system and its economic development strategies for a new world.

As any wide receiver coach knows, we need to run to where the ball is going to be.