

Preparing for the FUTURE OF WORK

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Institute of
Directors

The world of work is changing and the forces driving this change involve much more than just robots taking jobs. They include a complex shift in the way that technology is being used in the workplace, changing industries and workplace demographics, and the impact of globalisation and climate change.

The Future of Work represents disruption, but also a great opportunity for organisations that are able to harness the capabilities that new technologies and ways of working bring, and develop their people to thrive in the future. The board's role will be critical in navigating the changing landscape and overseeing the transition into new ways of working to maintain long-term business sustainability.

Our first DirectorsBrief for 2019 discusses the Future of Work with a focus on job disruption, skills and demographics, what the Future of Work means for boards, and how directors can prepare for the changes to come. We are also pleased to share insights from Rob Campbell about some of the big challenges with the Future of Work and what boards should be thinking about. Rob is a Chartered Fellow of the IoD and a professional director, who currently chairs several NZX listed companies.

Put the Future of Work on the board agenda

While the term 'Future of Work' has become mainstream over recent years, the key issues it is used to represent are not new. They have been around for years and include consideration of the impact of technology, demographics and other factors on work, workers and the workplace.

What has changed is the speed at which advances in technology are coming to market and the pervasiveness of this. One of the major risks that this rate of change brings is that people won't reskill at the same rate that technology changes the role of human labour in the workplace.

Directors need to be aware of the forces that are shaping the Future of Work and ensure that management have appropriate talent strategies in place to have the right capability to remain competitive and deliver their organisation's future strategies in a tight labour market. This includes a focus on workplace culture and worker wellbeing. Greater business complexity, technology, disruption and uncertainty means that overseeing risk is increasingly challenging and it is essential for boards to ensure they have strong risk management practices in place.

Labour capability

28%



said labour quality and capability is the single biggest risk facing their organisation. For the second year in a row this was the highest rated risk facing organisations

Future of work

66%



of boards have discussed the impact of technology, automation and / or artificial intelligence on their organisation, workforce, and future skills needs

Sourced from IoD/ ASB Director Sentiment Survey 2018



Insights from Rob Campbell

CFInstD

Rob is a Chartered Fellow of the Institute of Directors, and is currently chair of Skycity Entertainment Group Ltd, Summerset, Tourism Holdings and WEL Networks, and a director of Precinct Properties. He is also owner/ director of Tutanekai Investments Ltd (NZ). In 2017 Rob was awarded the NZ Shareholders Association Beacon Award and the Deloitte NZ Chair of the Year Award.

The disruption of New Zealand's workforce/workers

The New Zealand workforce is changing. We have young people from diverse cultures and educational achievement entering the workforce. Many have high expectations about how, where and for what returns they will work. Many have low expectations and capabilities for current jobs. Many older people will be looking to stay engaged in paid employment beyond past retirement age.

Other people in the midst of their working life are affected by the changing location and content of their jobs. As a society we have a huge challenge to match business demand for skills with the supply. Migration and training policies tend to be reactive. On top of this the big technology shifts of automated intelligence and handling will be faced. Given these technologies are often scale enhancing we may find that the main impacts are loss of jobs to other geographies as much as within business locally.

The board's role in responding to these changes

Boards are considering how to prepare for these changes, but largely as impacts are felt. Many of the educational, training and migration issues are beyond individual board influence. On my boards we are undertaking an increasing investment in training internally as one response. I think that we could do more to scope and seek policy changes at national level. We also have to keep our job structure, career and other policies consistent with the market as it is now, and is likely to be, and abandon many past practices. Most remuneration committees are broadening their scope from pay issues and I expect this trend to grow rapidly.

Culture elements in an organisation to aid success

To my mind the critical elements are clarity of definition in the business goals be they financial or otherwise, open communication within the firm and between the firm and its markets, respect for individuality and culture, and flexibility.

Rob's top 3 things boards should consider:

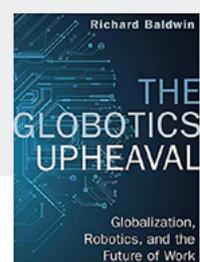
1. Have clarity on what we are trying to do;
2. Be rigorously honest with ourselves about how well we are set with skills at all levels to meet that challenge; and
3. Be resolute but caring in getting to the necessary skill set.

Then doing it again and again.

Rob's thoughts on the book *The Globotics Upheaval*

This book is strong in the way it has linked thinking about the technologies to the global economy and the strength of platform businesses. It is easy for any business, and even small countries, to feel helpless in the face of the scope and scale involved. Many will opt to be a provider to the emergent super-businesses. Others will be prepared to operate in local niche markets. To my mind anything that needs to operate at scale and speed will have to be part of the juggernaut.

The Globotics Upheaval focuses on the future of globalisation and how the meaning of globalisation will change in coming years; from being about things we produce to things that we do. See Richard Baldwin's TED Talk [here](#).



Job disruption, and a skills crisis?

While each sector will be affected differently, over the next four years, globally, the World Economic Forum predicts that 75 million job roles will become technologically obsolescent, while 133 million new jobs may emerge. Despite this, overall it predicts a net positive outlook for jobs.

Technology is enabling task automation across industries, powering digital labour and driving changes to traditional work practices, including through automation. In the **Rise of the Humans 2**, KPMG International highlights that “the key dilemma for organizations is reconciling human, digital and gig economy labour.”

A quick glance at the technologies shaping the Future of Work

Blockchain, robotic process automation (RPA), artificial intelligence, machine learning, digital platforms, and augmented reality are some of the main technology trends shaping the Future of Work and driving job distribution today.

As the operating environment becomes more complex, it is increasingly important for directors to ensure they understand the changing landscape and look outside their organisations and sectors/industries to understand what the future could look like. Boards need to be aware of both the opportunities and potential risks of using technology such as artificial intelligence to replace human intelligence e.g. when approving capital investment.

THOUGHT POINT

As organisations engage more with emerging technologies in a bid to remain competitive, boards will be making significant strategic decisions that may receive heightened investor and public scrutiny – from replacing workers with humanoid robots through to deciding to rely more on flexible workers or offshore talent instead of employing local talent as permanent employees. These decisions will not only have the potential to impact on the achievement of strategic objectives but also an organisation's local reputation.

A look at RPA and how technology is changing the finance profession

Advances in technology are offering the finance profession a route to achieve significant productivity gains and free workers up to focus on more challenging and value-add work. One of the key types of technology being used is robotic process automation (RPA). Cloud-based RPA systems are used to automate tasks that are manual and repetitive such as data entry and processing invoices.

In December 2018, the Chartered Accountants Australia and New Zealand's magazine, Acuity, discussed how accountants can benefit from RPA and the extent to which this capability is transforming the finance functions of companies in their article **Could RPA be the tool you really need?**

The article highlights Volvo's results from using an RPA robot in their accounts payable team to take over a number of processes, including the ability to cut hours spent on manual work by 65-75% which in turn freed up time to focus on more value-add tasks.

The use of RPA is widespread and it is also being used in other industries such as healthcare, IT, telecommunications, media and entertainment.

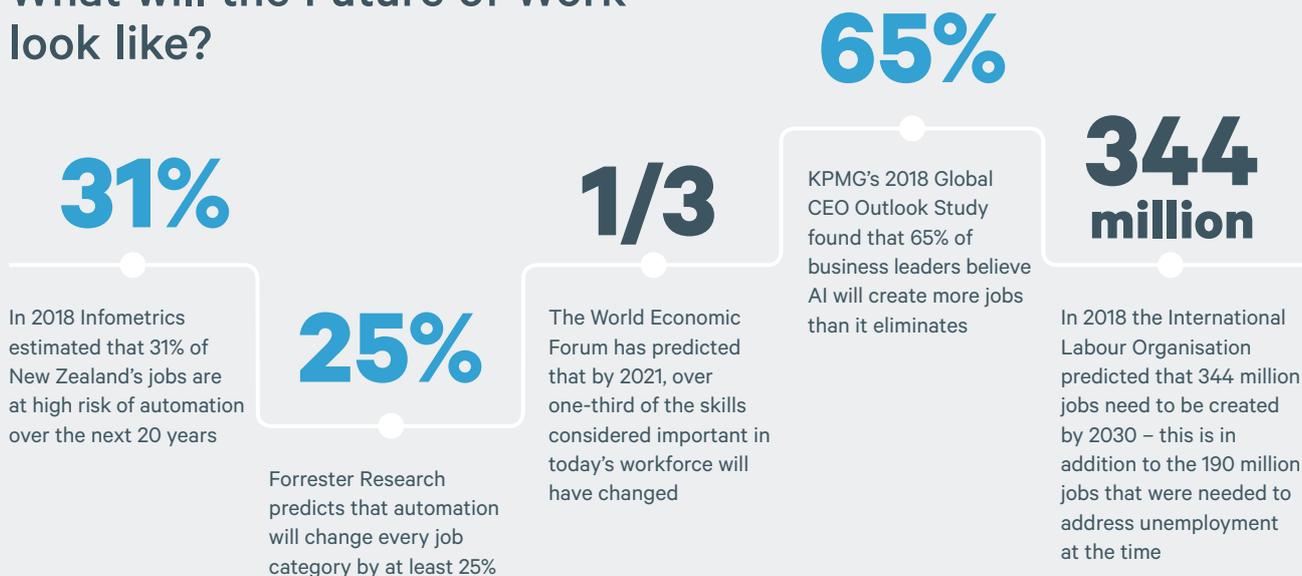
Read more about how RPA is being used in:

- Oliver Wyman's **report** on Emerging Technologies and the Finance Function: Prepare for Disruption
- KPMG, ACCA and CA ANZ's **report** on Embracing robotic automation during the evolution of finance



For more about the digital technologies shaping the future, see the World Economic Forum's *Responsible Digital Transformation - Board Briefing* **here**.

What will the Future of Work look like?



A skills crisis?

As the nature of work changes, skills needs are changing too. There will be more diversity of tasks associated with specific roles in some sectors, requiring workers to possess a broader range of skills and capabilities. Workers may also need to develop new skills as organisations become more digitally dependent and operating models change. This is leading to a rising concern globally that there will be a skills crisis.

In the **2018 Global Talent Trend Study**, Mercer highlights that “Organisations need their employees to be lifelong learners who grow with the business, embrace continuous change, master new technologies, and build skills for the future.”

The **IoD/ASB Director Sentiment Survey 2018** found that a tight labour market remains a top barrier to national performance in New Zealand with 61% of directors identifying it so. In addition to this, concerns about workforce skills and capability featured strongly in the survey with the largest proportion of directors (28%) identifying it as the biggest risk facing their organisation.

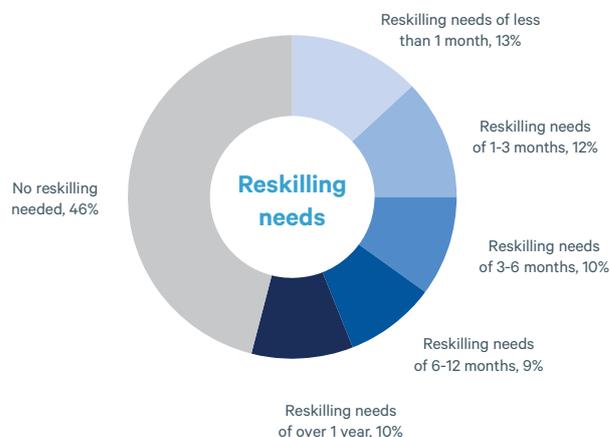
In an operating environment characterised by a tight labour market, concerns about access to talent are expected to remain high as the Future of Work continues to change and an organisation's ability to remain competitive can be hindered.

Boards need to ensure that management are engaging in proactive workforce planning to ensure they have the labour capability to deliver their organisation's future strategy.

“There won't be a shortage of jobs but – if we don't take the right steps – a shortage of skilled talent to fill those jobs”

- Stephane Kasriel, *CEO Upwork and Co-Chair of World Economic Forum Global Future Council on the New Social Contract*

Figure 7: Expected average reskilling needs across companies, by share of employees, 2018-2022



Sourced from Future of Jobs Report 2018, World Economic Forum

Leadership in Singapore

The Singaporean Government has taken a leading role in helping to develop the nation's future workforce. This includes promoting lifelong learning (e.g. through skilled based modular courses). It has also established a government committee focused on the future economy.

THOUGHT POINT

Boards need to ensure they have the technology and digital capability to oversee and monitor digital strategies including the integration of new technologies into the workplace. This includes regular board reviews and thoughtful succession planning to ensure the board has the right mix and balance of skills and experience to meet future needs. It may mean appointing members with technology, digital or other relevant skills and experience. It also means ensuring there are appropriate governance mechanisms in place which may include establishing a specialised committee or seeking expert advice.

Shifting demographics

Demographic trends are impacting what the future workforce will look like globally, and in New Zealand. Our population is aging, people are working for longer, millennials make up a large percentage of the workforce and immigration continues to change the cultural diversity of our workforce.

Statistics New Zealand's national labour force projections highlight that New Zealand's labour force will age in the future, noting that by 2038, up to 379,000 people in the 65+ category will be working (compared to only 171,000 in 2017). This means that the proportion of the labour force that is 65 or older would increase from 6% to 8-11%. There is also increasing generational diversity in the workplace, with four generations now working together. For a snapshot of the generations and workforce of the future please see the article **A demographic picture of our future workforce** in the February/March 2019 issue of BoardRoom.

The above trends bring greater HR challenges due to increased differences in employee needs, expectations, drivers, and styles of working.



See KPMG International's series on the **'Rise of the Humans'** and what the Future of Work means for workforce planning.

Workplace culture and trust

As advances in technology and other forces change workforce environments and practices it is important for boards to focus on culture and trust to help ensure sustainable success. Board's play a key role in setting the tone for organisational values, standards and culture. As organisations navigate the changing landscape, the ability to develop a culture that thrives in a change dominated environment is vital.

Having a strong culture will be a key factor in creating and maintaining a strong work ecosystem and team. For example, some changes may include adopting an agile working model, building a culture that fosters the continuous learning and wellbeing of employees, and building an inclusive culture that fosters the acceptance of different sources of labour including digital, human and gig workers.

While 'Trust at work' was highlighted as a key theme in the **2019 Edelman Trust Barometer**, it found that:

- 59% of employees are worried about job loss due to lack of the necessary training and skills to get a good paying job
- 55% are worried about job loss due to automation and/or other innovations taking their job away

As fears of job losses and unemployment remain high, the board's leadership will be key. The increasing trend for boards to have a broader focus on human capital and talent oversight matters can also be seen in the evolution of HR and people committees with a wider remit than remuneration matters. An organisation's people and remuneration strategies can provide their competitive edge in attracting and retaining talent in a tight labour market.



The **Global Risks Report 2019**

highlights the potential affect that rapid transformations in the workplace could have on emotional and psychological well-being. Boards are tasked with the ultimate responsibility for organisational

performance, culture and wellbeing, and as organisations transition into the Future of Work it is important that boards are considering what management are doing to support employees during this transition and whether adequate mental health and wellness policies are in place.

THOUGHT POINT

Identifying and prioritising the risks associated with the changing world of work, and establishing a risk management plan and monitoring that plan will become increasingly important for boards in the years to come. Boards should ask themselves if they are receiving the right information to adequately assess short and long-term risks and opportunities associated with the trends shaping the Future of Work.



To read more about Remuneration Committee reform, see the CIPD's new **report** *RemCo reform: governing successful organisations that benefit everyone*.

Key initiatives underway in New Zealand

Productivity Commission inquiry

A Productivity Commission inquiry into technological change, disruption and the Future of Work has been announced with the final report expected in March 2020. You can find more information in the **terms of reference**.

The Future of Work Forum

The Forum has been set up to shape the Government's work supporting New Zealand workers and businesses to confidently face the rapidly changing nature of work. It is made up of representatives from government, business and workers, and to date the forum has met twice.

The key areas of focus include:

- "Just transitions" in industries undergoing structural shifts
- Introducing a lifelong learning approach to allow for swift training
- Understanding what new technology will do to work practices
- Lifting labour productivity.

Vocational education system reform

In February, the Education Minister put forward a number of proposals for reforming New Zealand's vocational education system. Some of the key proposals include:

- Creating a new institution called the New Zealand Institute of Skills and Technology, bringing together 16 existing Institutes of Technology and Polytechnics as a single entity.
- Redefining the roles of education providers and industry bodies.
- Introducing a unified vocational education funding system.

The New Zealand Digital Skills Forum

The Digital Skills Forum has been created to focus on identifying digital skills shortages in New Zealand and accelerate policy and investment to reduce these shortages. In March 2019 the Forum will be holding a Digital Skills Hui, more details can be found **here**.

Questions for the board:

- What external trends are likely to impact on work in our industry and organisation?
- Do we have a strategy that will enable us to excel in an era of rapid technological change?
- How are we aligning digital labour and technology with the company's business strategies?
- What will our workforce look like in the future (5, 10, 15 years) and how will we ensure we get there?
- What will our available talent pool look like in the future?
- How are we engaging in and monitoring digital labour and technology risk management strategies and processes?
- What are we doing to retrain, retain and upskill our workers?
- How can we leverage technology and talent for future success?
- What type of environment and culture does our organisation need to thrive in a digital and disruptive world?
- Do we have the right measures in place to monitor organisational health, culture and talent?
- How can technology, or automation of tasks, help improve productivity or address labour challenges?
- How are we measuring digital labour and technology performance?
- What should we be investing in for the future (eg will we need less office space in an age of gig and mobile workers)?
- Do we have the skills needed to lead management in new ways of working?



The February/March 2019 issue of **BoardRoom**, focuses on the Future of Work and includes a feature on *the four day week at Perpetual Guardian*.

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