



Faster Payment Systems and the Impact of the Automated Workplace

by Dennis Cox, CEO, Risk Reward

'The Times They Are A' Changin' wrote Nobel Prize winner Bob Dylan and the speed of change is also increasing. But the consequences of this change may not yet be very well understood. In this short article I consider some particular changes which are linked: the impact of changing faster payment systems, small business innovation, the impact on employment and society in the near - and medium term.

Lately I have been deep-diving into the risks of payments systems, SWIFT, cryptocurrencies and blockchain. At the same time I have been looking back at the then forward-looking 2007 articles in 'The Frontiers of Risk Management' (soon to be updated & issued in two volumes.) The topics represented then in this compilation of essays explored some of the challenges facing the pre-credit crisis banks in their future. As predicted the concerns raised at that time are now coming to fruition. My view today is it's questionable how prepared society is able to provide appropriate solutions to these future/current challenges, mainly, will there be enough entry-level jobs for the upcoming workforce generation.

Faster Payments and Cyber Currency

For the record I am no fan of cybercurrency but I don't have any concerns over blockchain itself or bearer documents. Bank notes are bearer documents and anonymous. They all have registered numbers yet nobody knows who holds them. Any idea of the registration numbers of any bank note in your wallet? If you lose your wallet how could you prove the cash was yours?

This problem is both replicated and multiplied in cybercurrency. The main difference is that there is no attachment to an asset, industry, reserves or economy.

Cybercurrencies only have perceived value and once that perception reduces the cybercurrency collapses. They are also a danger for society in that they can result in tax evasion and the inability of a government to properly manage their economy. I'm not sure how many cybercurrencies currently exist but would estimate about 2,000. Many of these will likely fail but what is clear is that they need to be regulated and this is becoming urgent.

In Europe, the EU regulator, with a minor modification to the Payments Services Directive, could capture this market for supervision now that cybercurrencies are becoming accepted modes of payment by some firms.

Essentially this will result in regulation of the exchanges and also payments in and out of the legitimate banking market resulting in transparency (as required.) Whether many of these currencies will survive the bright light of regulation we will have to see.

What the emergence of cybercurrencies has done, however, is force the payments industry to innovate and different innovations are occurring globally. In the USA bodies such as NACHA are moving to faster payments. Other solutions such as Retail Time Payments (RTP) in the USA are reducing the cost of payments globally. Solution providers such as Visa and Mastercard are also responding with new solutions. Even SWIFT has responded increasing its security in part as a response and also as a consequence of the problems they have faced in practice. Would all of these developments have happened without the development of cybercurrencies? I am sure that they would have but these new developments have been accelerated as a response to the challenges that faster payments demanded.

Faster payments systems will mean job automation. As we move towards real-time payments all controls to identify inappropriate activity and approval processes need to be real-time as well. They need to occur in seconds rather than days which would prohibit investigations. Too many existing controls are detective and lagging. They need to be preventative and leading.

Automation & Job Losses

So the staff that were previously undertaking work in payment processing will have to be automated out of existence. There is no place for people-based reviews in a real-time system. (Perhaps some of the ongoing monitoring will still take place, but little else.)

How fast will this happen? Well, you can watch a video on YouTube of someone paying for a restaurant meal by waving their hand with a datachip embedded subcutaneously across a reader device. No cards. No cash. Now I am not suggesting that we will need embedded datachips – of course not - but combinations of voice, fingerprint, iris and DNA will eventually be the identity, access and payment instruction to transact answer. No cash. No checks. No cards. No bank branches. No ATM machines. No collection boxes. No begging. There will soon be a brave new automated world where everyone will have a spot and credit ledger (or multiples ones) which they will interact with remotely.

Faster payments systems also means the retail economy in particular will find the impact of the online economy even more tough to deal with. Shopping in a store? Look carefully to see other shoppers look at a store item (try it on, sit on it, feel it), get online on their mobile device and then buy it cheaper and delivered to their home or office. Bricks and mortar retail? Use it or lose it. But to be clear: any increase in staff in the online consumer retail logistics industry will not in any way compensate for the loss of these retail jobs as retail stores close their doors.

Faster payment systems are impacting job losses in finance as finance teams are shrinking as straight-through processing reaches the finance industry. Reconciliation jobs? There is auto-reconciliation software already so those staff are no longer required in the same numbers. Call Center jobs? These are also closing quickly being replaced by automated call services (and frustration). Let's not leave out of this discussion consumer-facing online legal and accounting services, or those of primary-care medicine. Faster payment systems will impact loss of jobs to automation solutions impacted by faster payment systems.

And like retail shops bank branches will continue to close and coffee shops open in their place. When will society reach 'caffeine saturation'? At what point will automated coffee kiosks result in a barista-free Main Street? See the trend?

The Loss of Entry-Level Jobs and Small Business

The issue is what will replace these entry-level retail, and back-office processing white-collar service sector job roles that are lost?

What will happen to the commercial property market as the demand for office space starts to reduce? What will college graduates do to repay their loans? How will working mothers find full- and part time white-collar employment near home? Where will retirees put on orange aprons to earn incomes to supplement pensions?

Since my own college days through to my mid-career work with Workplace 2000 I remain concerned about the impact of automation and job losses on society today.

I see the rates achieved by interim managers reducing and utilisation also reducing. I see a disappearance of entry roles into many markets yet demand for experience and knowledge is causing mid- and late-career people to stay in the market for longer who can ride that wave. All of this is a serious concern.

Payment systems automation is changing how we will work and live in the near term. Write large: We need to get used to the idea that it is no longer feasible for the economy to gainfully employ the number of people that wish to participate in the workforce. The days of an individual being defined by their employment is changing. The way we redistribute wealth will change. If we fail to prepare, plan and safeguard certain vulnerable segments of the workforce now we will only store up societal 'ammunition' for social unrest in the future.

Preparing for Imminent Change

The challenges mentioned here are not easy to remedy nor are solutions readily available to implement. But a few core areas seem to require urgent focus:

- Business- and political leaders' strategies will be forced to change as fewer employees are required for newly automated functions. As in the tech industry larger firms will be urged (and incentivized) to partner with government to support smaller companies (subsidize them) to take on new employee incubators to create needed vibrancy, innovation and growth in the larger economy. This will ultimately impact higher education. Existing small businesses will need to see the repeal of legislation to ease up taking on new employees such as the onerous and ill-conceived pensions rules. (In my opinion we should not be forcing poorly designed and low returning products on our employees. We should require firms to introduce employees to advisors and they should then have nothing more to do with the process. Staff should be informed to make their own decisions.
- We need to also massively redistribute wealth from the large profit and cash generating firms to achieve this. Taxation needs to change entirely since most of the tax codes globally are no longer fit for purpose as we can see from the abusive schemes that appear to be promulgated at present. Again I am not saying this with enthusiasm but abolishing inheritance tax up to say £2m and then taxing cash reserves in excess of £100m within companies at perhaps 25% would enforce business activity,

with limited exemptions for longer term capital growth. I have not undertaken the calculations but we do need to find a way to get the 'cash' - however it evolves - moving in society again and a 'big idea' is required.

- We will need to redesign current traditional education and in particular the role of universities to achieve innovation, job creation and economic growth in an increasingly automated workforce economy (did I hear what will be the impact of AI?)

Indeed, the only constant is change but the speed of change is increasing with serious challenges. Perhaps we have no more than three -five years to grapple with these issues or we can reasonably expect greater societal unrest. There might be answers 'blowing in the wind' to allay the anxiety of an increasingly large percentage of the population who no longer feel that they have any stake in the future of society but we have to prepare those answers pretty fast.

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