



Progressive Governance

Making a progressive future of work

Paul Hofheinz - 22 May 2017

Few things are more fundamental to mankind's rise from the tyranny of nature to the mastery of our planet than work. 'Work' is a broad concept. It describes not only how we spend our day, but also how we support our family. It is also the foundation for the affluence our society enjoys. It's the way we extract value from the activities we engage in, and the basis for the prosperity we share with the communities we serve.

So what, then, is the future of work?

Society is changing, and much faster than people realise.^[1] Everyone knows that sometime around 1830, something very profound happened in what is now called the developed world.^[2] Factory lines were invented. Mass production became the norm (at least in some parts of the world). The countryside was gradually depopulated, pushed, in some places, by advances in technology and in others by the arrival of 'enclosures', or aggressive assertion of private property on lands that had once been considered common. Modern cities began to take shape in a way that it took more than a century of advanced social policy to correct.

Today, a similar shift is underway. Just as the Industrial Age was based on rigid work schedules, hierarchies, repetitive tasks and a distinctly male-dominated family structure, the economy today is moving to a vastly more open, more decentralised lattice of peer-to-peer transactions, flexible work and working arrangements, multiple career changes and a pattern of radically different work-life organisation. It will see the corporation itself evolve, regrouping into something much more amorphous, with groups of people coming together long enough to add value or provide a service – then moving on to the next project, which will likely also be delivered by collaborative teams and teams of collaborators. And 'jobs' themselves will be slowly replaced by 'work', organised around concrete tasks and ready to be performed when the provider is ready to perform it. New technology is what makes this possible. It has given enormous power to individuals to enter the workforce on their own – leading to a surge of freelancers in many places, and especially in economies which are growing the fastest.^[3]

For some, this poses a direct challenge – it's hard to imagine that technically illiterate workers will enjoy a comfortable place in this brave new world. But for others, it's a huge opportunity. It opens doors to many whose access to the labour market depends on flexible schedules – including mothers, artisans, the elderly, even those in part-time work already. But it also mobilises resources and creates opportunity that weren't there before. You can use your car now to make money in your spare time, or, if you don't want to own a car, you can get rid of it

and rely on the shared resources of others. You can rent your home when you are away. And, if you're an artisan, you can sell your wares directly to seven billion potential consumers. If it's research you need, the Internet is there, too – with direct access in your pocket to more information than the famed Library of Alexandria contained.

Increasingly, many people are building their working lives around these new economic opportunities. A recent study from McKinsey Global Institute shows that fully 30% of the workforce in United States and the EU-15, as many as 162 million people, are engaging in 'independent work' of one type or another.^[4] Of that, 70% are 'free agents' or 'casual earners'; the remaining 30% are 'reluctant' or 'financially strapped'. Even more interestingly, of the 70% who do this work enthusiastically, a majority report higher job satisfaction than those working in stable, Industrial-era jobs.

To be sure, the system offers more freedom – and more responsibility – at the same time. It also poses an entirely new set of challenges for corporations. They, too, are affected by new technology. But the trend in the corporate world is not towards greater opportunity but towards higher productivity and more and more rational use of global supply chains, dividing the production line up between high- and low-value added functions, and taking advantage of a truly global economy to be the best, fastest and most reasonably priced. This has important implications for policymakers. Gone are the days when factories could be reliably expected to support entire communities – though high-end manufacturing remains a very important part of the European economy. The future will see greater pressure on manufacturers to compete – regardless of their location. This means they cannot be counted on to serve as steady, local job providers as they did in the past. And it means that, if policymakers are serious about keeping those factories here in Europe, we must supply them with a well-trained workforce – and approach them with leaner expectations and lower frontline responsibilities on the social front.

Some commentators have treated this new reality as a return to barbarism, a collapse of the social values our society holds deep. But the evidence is that there is something more complex than that underway. Put simply, the rules that govern which societies grow rich and which fester are being re-written. As are the relationships of the individual to the state, the careers which individuals pursue, and the ways in which we will enjoy meaningful lives and provide sustenance to our loved ones. In a nutshell, there is more uncertainty now, but also more freedom and a better gender balance.^[5] And while economic inequality is surely rising in many places, it has risen sharpest in places that have turned their backs most aggressively on the digital economy, and the very modern way of living – and working – that it brings with it.^[6]

The question, then, is what do we do about this? Do we fight the new economy, threatening to force it back into the norms and paradigms that dominated the Industrial Age? This is what some would do – arguing that work isn't work unless it is accompanied by a full-time labour contract. Or do we accept the new economy for what it is – among other things, a popular way of engaging with the economy for a fast-rising sector of the workforce and a widely-embraced development for citizens and consumers alike? Surely, our best days lie ahead in the future. But we must quickly develop and deliver policies that protect people from the new and very different challenges that this reality poses – namely, the need for greater workplace flexibility,

for more access to training and for support during transition. We must show that we believe in and embrace the digital future, where the world's most competitive economies will be determined and tomorrow's wealth will be created. And we must deliver on that – in a credible, well-founded, well-formulated fashion.

Importantly, the progressive left has a distinct advantage here. The new economy plays to our strengths as modernisers, as people who embrace the future, are sincere about social change, imaginative in policymaking, and capable of using the trust we earn to deliver effective programmes of economic reform and social renewal.^[7] But to get there we must do more than we are doing now. For starters, we should quit fighting the new economy and pandering to parts of our base. And we should develop better, more grounded rhetoric and thinking about modernisation and the effects it will have – coming forward with social policies that meet the needs of the time, offering more assistance to people in transition and using the power of the state to make an economy based on flexible work a happier, safer place in which to live.

And the good news is, these kinds of policies are exactly what we do best – where we have left our greatest mark and what we can reach when we are at our most thoughtful and audacious. Here are three examples:

1. **Flexicurity. In many ways, this 1994-1999 reform remains the European centre left's flagship achievement, put forward by Poul Nyrup Rasmussen, a two-term Danish social democrat politician.**^[8] Often misinterpreted as an effort to cut benefits to the needy, in fact it raised benefits on offer for many – extending the period of unemployment eligibility to many beneficiaries by a full year. But it did radically raise the requirements for receiving benefits: recipients have to be in training or prove they are actively seeking work. And it also extended the number of training options on offer. The results were spectacular: Danish unemployment fell to 2.4% in 2007, down from 12.4% at the start of the Rasmussen administration.^[9] Companies faced fewer burdens on hiring and firing, and workers themselves had a better friend in time of transition.
2. **Obamacare. In the U.S., republicans have made repeal of Obama's signature legislative act their calling card.** But look at the problem they are having. Faced with extermination by Republican majority, the legislation, which makes fewer people dependent on their employer for health insurance, has suddenly become immensely popular. Its restoration can and should become a calling card for Democrats – as well as its future reform. Obamacare is a classic piece of far-sighted centre-left policymaking, tailor made for the flexible, knowledge-based economy. It insures more and more people, and it makes it easier for them to switch jobs and work independently – without losing health insurance.
3. ***Le compte personnel d'activité*** A broadly popular reform introduced while Emmanuel

Macron was economy minister and Myriam El Khomri was labour minister, this relatively new initiative sets up individual activity “accounts” for French workers. They pay into the account through their working life; but they can draw down on it at moments of transition. It can be used, for example, to secure re-training in the event of job loss. Or in some cases to serve as startup capital for an innovative business idea. Its successful testing in France could lead to a broader roll out in other European countries.

With policies like these, the progressive left is well positioned to deliver the change society needs. But we need to understand those changes ourselves first. As an urgent matter, we need to stop running down the new economy with alarmist rhetoric and archaic policies – proposals which everyone, except perhaps our most ardent supporters, see as old fashioned and fear will be ineffective. In their place, we need to develop policies which embrace the new economy that has brought so much opportunity to so many. This will require more than empty promises of a better future based on a return to the past. It will take much more than just better talking points or improved communication.^[10] We need actual policies that will make people’s lives better in a time of flexibility and change – and a simple, direct and unambiguous way of showing that we get it and we’re ready for it. These policies must be based on a vision of the future, not a stubborn embrace of a past that is no longer there. This will be the challenge of the next decade – for progressive politics and for the European demos as well.

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[1] European Political Strategy Centre, “The Future of Work: Resilience for a World of Change” EPSC Strategic Note 13, 2016.

[2] Jeffrey D. Sachs, *The End of Poverty: How We Can Make It Happen in Our Lifetime* (New York: Penguin, 2005).

[3] France has also seen a surge in freelancers – mostly thanks to recent labour-market reforms which made it easier to start small, one-person companies. See OECD, “Self-Employment” in *Entrepreneurship at a Glance 2016* (Paris: OECD, 2016).

[4] James Manyika, Susan Lund, Jacques Bughin, Kelsey Robinson, Jan Mischke and Deepa Mahajan, “Independent Work: Choice, Necessity and the Gig Economy,” *McKinsey Global Institute*, 2016.

[5] In 2016, the overall employment rate in Europe (20-64 year olds) was 70.1%. Of that, the employment rate was 75.9% for men and for 64.3% for women. There is still some room to go to achieve full gender equality in the workforce. See Eurostat, *Main Tables and Database*, November 2016 update.

- [6] OECD, *The Productivity-Inclusiveness Nexus* (Paris: OECD, 2016).
- [7] Paul Hofheinz, “The Digital Economy: A Platform for Centre-Left Revival” in Florian Ranft (ed.), *Aiming High: Progressive Politics in a High-Risk, High-Opportunity Era* (London: Policy Network, 2016).
- [8] Martin Neil Baily and Jacob Funk Kirkegaard, *Transforming the European Economy* (Washington: Peterson Institution, 2004).
- [9] Jan Hendeliowitz, *Danish Employment Policy: National Target Setting, Regional Performance Management and Local Delivery* (Copenhagen: Danish National Labour Market Authority, 2008).
- [10] For a cautionary tale, see Matthew Engel, “Are We Witnessing the Strange, Lingering Death of Labour England?” *Financial Times*, 10 February 2017.