

ECONOMIC AND FINANCIAL ETHICS IN THE DIGITAL AGE

– Comments for the Session “Jobs and Wages in the Digital Age” –
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1 Introduction

Digitalisation is sometimes called the 4th industrial revolution and its characteristics and challenges are sold as something totally new. This is not so. Much of what we see today, such as outsourcing, globalisation, zero hours, self-employed and piecework has been around for many years – some techniques are even simply old-fashioned capitalist techniques to exploit workers using new technology. Just one example – the gig economy of today is a cheap copy of London in the 18th century: Jobs as we know them did not exist for most people then. They worked in precarious arrangements and were paid by the “piece” or task. A good illustration was given by Sarah O’Connor in the Financial Times recently, is a scullion of Westminster Abbey, the most menial worker in the kitchen: she submitted a bill in 1703 for sweeping the chimney and weeding the yard and waited six months to be paid. The gig economy today while small is not marginal: first rough estimate suggest around 2.5% of today’s workforce in Europe make more than half of their income from such work. (<http://www.uni-europa.org/2016/12/05/crowd-work-europe-rise-new-report/>).

Digitalisation has become a buzzword and just talking about it leads us astray. It is a catch-all for closely entwined trends that are mutually reinforcing. I will look at a number of those factors that characterise today’s change processes with regard to the accelerating speed of change, labour markets, business models, workplace organisation and people’s dissatisfaction with developments. The perspective here is that of trade unions in the European services sector which also leads to some conclusions on the way forward to meet the challenges of the new digital age. (For a more in-depth view, see a research paper on trends in Europe’s services sector: <http://www.uni-europa.org/2016/06/27/europes-service-sector-key-trends/>)

2 Speed of change

The pace of technological change is accelerating. Already three years ago, I heard a CEO of a major bank saying that the same magnitude of technological change over the last 20 years will be happening in the next 5 years. Think about what technology of today we did not have in 1996 and extrapolate to the difference from today to 2021. Similarly, there are estimates that 40% of jobs or at least of job content changes in the next 5 to 10 years.

Our mind-set still seems to be that we have this rapid revolutionary change now and after a while we have a new equilibrium. This won’t happen. We have exponential

change: it is like compound interest or the old story of putting 1 grain of wheat on the first square of a chess board, double it on the next square and so on.

A few illustrations:

If job content changes so fast, how do we squeeze into such a short period identifying new skill needs, developing a curriculum, training teachers, teaching workers and having workers using their new skills in their jobs before they are outdated. In an age where no qualification or core competencies are lasting, such a linear approach won't work.

Similarly for investment decisions: if the time horizon is 5 to 10 years, there is great uncertainty for companies. This is good for start-ups but difficult for established and in particular large companies – where trade unions tend to be stronger.

Finally, how do we as individual plan our lives if we cannot see more than 10 years ahead, especially when social security coverage is being reduced?

We are lacking mechanisms to control such kind of change. We need to “institutionalise” the digital revolution. Insofar the labour market is concerned, social partners, employers and trade unions are best placed to manage such change, because together they are the closest to the workplace. They have the most direct knowledge on what is happening and thus are in the best position to act quickly and continuously.

Some talk about digitalisation changing the rules of the game, but what we rather have is an entire new game in town – with rules that are not even defined.

3 Labour markets

Less and less employment in Europe is stable and lasting.

The OECD estimates that 25-40% of all jobs will have more than 50% of their tasks being replaced by automation in the next 10-15 years. While that does not mean that the individual jobs disappear, overall it still means a reduction of 17%. Major job losses will be in the services sector, in particular in the mid-skilled and mid-salary range (administrative, clerical work, transport and logistics but also technical, professional and managerial jobs). This enhances a trend to a polarisation of the labour market. While low quality jobs remain more numerous than high quality jobs, the ratio of mid-quality jobs will fall to about 50%+ of the workforce by 2025.

Digitalisation facilitates global sourcing of work, often going hand-in-hand with standardisation (commodity trap). It puts services workers, the majority of the workforce, from across the globe in competition to each other and increases downward pressure on wages, in particular in developed countries.

We already see that productivity increases are mostly shared between business and consumers while the share of workers is declining. Indeed, cost pressure on labour seems to come from both competition between companies and customers' demands for cheaper services. Workers must compete with customers doing the job themselves via the web, robots and artificial intelligence.

4 Business model

The structure and business strategies of companies are changing.

Within a company itself, operations are organised transnationally, functions are centralised serving several countries. We also see a “fine-slicing” of the value chain: due to outsourcing, franchising and crowdsourcing necessary core tasks are reduced resulting in a diminishing core workforce with a stable employment relationship.

Within an industry, we further see a trend to a “winner-takes-all” model at the top of the value chain, e.g. Amazon. Profits trickle, if not rush upwards putting wages under pressure further down the value chain.

One could argue that due to continuous change it does not make sense to develop core competencies, since companies cannot see beyond the 5-10 year time horizon. Rather, successful business is about sourcing competencies from other players and discarding them if no longer up-to-date.

5 Workplace organisation

Traditional employment falls while hyper-flexible jobs essentially without a permanent employment relationship are increasing (such as contract work, freelancers and crowd-workers). In the extreme, digitalisation might make it possible that the prevalent employment model will be a global virtual labour exchange where people work without having an employer, colleagues, a workplace or a legal framework.

Work units for a larger part of workers become smaller and require fewer skills, not least due to automation and artificial intelligence. As a consequence, performance pressure increases since workers are faced with a constant evaluation and can be replaced by others (globally).

From a managerial perspective, all the factors mentioned lead to managerial overload: work organisation becomes too complex and opaque.

6 People’s dissatisfaction with status quo

Our societies are at a tipping point. An increasing number of people feel that the promise for a better future for them and their children is no longer there. They feel unfairly treated and left behind, whether the Brexit voters in Britain, those who elected Trump in the US or all the other supporters of populism throughout Europe.

Too many ordinary people have no secure jobs or at least no hope for getting one at some stage. There are too many bogus self-employed, temporary agency workers and zero hour contracts. What we miss are safe jobs with a clear career prospect.

As trade unions, we are in favour of freedom of movement for workers in Europe, but what about this story: somewhere in a town in Northern England with high unemployment, before the Brexit decision, a supermarket advertised for jobs – yet, only in Poland. What can we say? Workers in that town feel helpless, ignored and aggravated. For them, society and Europe does not deliver and they blame migrant workers.

Let us take this a step further: with digitalisation, migrant workers do not need to come to that English town to take away local jobs; they just control robots in the supermarket via a joystick through their crowd platform from home. Is it better or worse if you do not see those who take away your job?

In future, will we live in divided cities with high quality service jobs in city centres where well-off customers get excellent individualised advice? Whereas the rest of us lives in rundown communities in the outskirts doing crowd-working on individual low skill gigs, ordering food and goods via the internet and seldom socialising with anyone.

How do we counter the trend of a polarisation of our societies, between countries, geographically across countries, within the workforce?

The middle is evaporating and with it the basic communality and consensus that has been carrying our societies since the Second World War.

7 The way forward

All these factors challenge our societies and, from a trade union perspective, industrial relations. In a “winner-takes-all” virtual and borderless economy, the key question is how we can keep industrial relations fit for purpose when it remains very much based on the nation state and traditional standard employment.

While we might not have the answers yet, we know where to look for them. Here is an outline of things to do:

- 1) Re-value service jobs in care, domestic work, services with direct customer contact in shops and other services. Those jobs need to be increased and better paid. A simple reason why: A Japanese colleague of mine always gets annoyed when Western academics criticise the low productivity of Japanese department stores. His retort is that in US stores a customer always needs to hunt for a shop assistant while in Japan they wait for you. What is more productive, at least for the customer?
- 2) A clear commitment by policymakers, business and unions to strengthen collective bargaining, in particular at national and/or sectoral level. Collective bargaining is a proven tool for combatting inequality. In the context of a digitalised and borderless labour market, this also means developing ways to extend collective bargaining, collective and individual labour rights as well as social security coverage to all types of workers whether offline or online (including free-lancers or people working through crowdsourcing).
- 3) Developing an approach to secure and increase access to skills and lifelong learning in the services industries, with social partners at its core and one that will ensure proper skill development for all services workers, including the self-employed, throughout their career and against the backdrop of rapid changes in services sectors.
- 4) A consistently regulated European internal market for quality services that stops regime shopping and social dumping across borders.
- 5) A substantive EU investment plan, 2% of GDP, with substantially increased means for infrastructure and skill development as well as innovation in services.
- 6) Enhanced cooperation among trade unions throughout Europe and beyond, because the interest of workers is increasingly affected by factors outside the scope of any one country. This includes a strengthened role for joint action of national unions, in particular through their European or international organisations, such as UNI Europa, regarding organising as well as influencing the EU, governments and multinational companies.

To conclude: Let us not talk only about change. Let us talk more about what continues and on which we as trade union can build? In our sectors, we have many experiences with atypical work and unions can be successful in the digital world.

I said earlier on digitalisation is an entire new game, but let us not forget the players remain the same. The last 150 years have shown that our societies do not condone economic “progress” that puts profit before people. Business going too much into such a direction will be forced back onto a course of serving the common good and respecting human dignity.

As trade unions, we have met many challenges before – only think of the start of the trade union movement in the 19th century. Trade unions fought against the odds and won. And trade unions will do so again.

UNI Europa, the European services workers union

As the European trade union federation for 7 million service workers, UNI Europa speaks for the sectors that constitute the backbone of economic and social life in Europe. Headquartered in the heart of Brussels, UNI Europa represents 272 national trade unions in 50 countries, including: Commerce, Banking Insurance and Central Banks, Gaming, Graphical and Packaging, Hair and Beauty, Information and Communication Technology Services, Media, Entertainment and Arts, Postal Services and Logistics, Private Care and Social Insurance, Industrial Cleaning and Private Security, Professional Sport and Leisure, Professionals/Managers and Temporary Agency Workers. UNI Europa represents the largest region in UNI Global Union.

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