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The future of work

Forty years ago, my then employer, the *Financial Times*, gave me sabbatical leave to research and write a book about the future of work. I'm glad that the project was then and not now because I would have quailed if confronted by today's turmoil. Back in the early 1980s, the twin challenges were rising unemployment and progressively cheaper automation. Four decades on, we are still trying to estimate the likely impacts of digitalisation and artificial intelligence (AI), but against a background of shrinking labour markets, skills shortages, slackening international trade and rising political volatility.

I, together with the experts I interviewed for my book *World Out of Work*, made a fair stab at forecasting how Europe's 'rust bowl' heavy industries would be transformed by new technologies and tougher global competition. That was relatively straightforward when compared to the present array of unknowns and unknowables that will determine Europe's economic performance up to 2050 or so.

There is a lot to be said about the probable impact of technology on the future workplace, and I will come to that presently. I believe, however, that I should preface the digitalisation aspect with a look at the equally important question of demographics. Europe's ageing is set to depress economic growth, increase pressure on the social and healthcare sectors, and polarise the differences between savvy high-tech ITC workers and the growing body of unskilled or less-skilled workers. Worse still will be the imbalance between Europe's active workforces and its inactive pensioners. Europe's post-World War II years enjoyed an average 4:1 ratio between working-age people and the pensioners to be supported. And Europe also saw its population explode between 1960 and 2015 by 25%, peaking at around half a billion.

That was the good news. More people means more economic activity, provided they are workers. But the wage-earner-to-pensioner ratio has now fallen to slightly less than 3:1 and is slated to hit 1.7:1 before mid-century. Europe's over-65s currently account for a fifth of the population, but in two decades this is heading towards a third.

What does all this have to do with the future of work? Rather a lot, as the active working population of Europe will have to become far more productive if it is to support its pensioners and sustain living standards. That will mean harnessing the digital revolution in ways European businesses have so far failed to achieve, and radically overhauling key sectors that range from housing to taxation.

Most people interested in labour market issues will be familiar with ‘Solow’s paradox’, the 1987 observation by MIT economist Robert Solow that “I see the computer age everywhere except in the productivity statistics”. He would probably be horrified to learn that since then the gap between digitalisation and increased productivity has widened, especially in Europe.

It’s hard to get a clear picture of the inroads being made by automation and robotisation into European businesses. The glimpses we get tend to be anecdotal, with occasional in-depth studies disagreeing with each other. We know that manufacturing has shrivelled, but that ‘re-shoring’ based on new technologies is starting to bring work back to Europe and America from China. The pace of automation on both sides of the Atlantic nevertheless seems slow. Estimated manufacturing job losses to digital technologies over the last 20 or so years are remarkably small – less than half a million in Europe and a quarter of a million in the US. So, it is probably in services – including professions like medicine, law and accountancy – that the shake-up will be greatest.

It is clear that Europeans need to take a long, hard look at automating workplaces in ways that are to the advantage of society as a whole, and, most of all, to the younger generations, who will be required to pay for the soaring costs of Europe’s ageing. Far from benefitting from the ‘fourth industrial revolution’, Millennials now in their 30s and the younger ‘Zoomers’ of Generation Z rightly complain about low wages – often in insecure ‘gig’ jobs – and housing so scarce and expensive that they are discouraged from child-rearing.

What is needed is an EU social plan that is distinct from an industrial policy. Adapting social and business structures of the analogue age to a more digital economy will be profoundly disruptive, and made no easier by the generational wealth gap that longevity has greatly widened. Europe’s under 30s own less than a tenth of privately held assets, and the over 65s around four fifths. If younger workers are to pay for pensions and the snowballing healthcare costs of the elderly, a revolution in wages and work practices will be essential.

These are issues that Europe’s national governments must grapple with, and they reach so deeply into sensitive areas of their political economies that, so far, most have assiduously avoided them. The time is ripe, therefore, for an EU ‘blueprint’ that would lay out the parameters for these complex problems and suggest the options available to public and private sector policymakers. The one clear thing in this morass of complex problems is that, this time, Europeans cannot afford to ‘muddle through’.