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# Covid 19, Inequalities and The Future of Work

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- Covid crisis has revealed weaknesses of current LM systems, but also generates the **political opportunity** for fixing it
- Government is directly and indirectly **subsidising** precarious employment and its negative externalities, while companies not being held **accountable**
- Definition precarious employment: short-term and temporary contracts, variable hours contracts incl. zero hour contracts, salaried employment as independent contractors.



- Covid exacerbates existing LM inequalities
    - Income inequalities
    - “good/bad” jobs
  - Job losses more likely:
    - in liberal market economies (US/UK) vs corporatist model (Germany)
    - among lower income/less skilled workers who cannot work from home
    - among workers with precarious contracts, and in the non-salaried sector\*
- But these are not new problems



## Will Covid accelerate impact of AI/Tech on employment?

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- Covid will change the way we work and some job losses may be permanent
- Estimates of future job losses are very diverse
  - We seem to be better at forecasting job losses (tasks) than at estimating new job generation
  - LM will be impacted overall, not just an hourglass shaped hollowing out
  - But the more skilled/educated will have better opportunities for adjusting to these changes
- Future job losses will add to current problem of poor quality jobs making current welfare systems **unsustainable**



- The Covid crisis highlights **multiple subsidies** of precarious employment, e.g. Uber:
  - Loss of VAT income from services provided
  - Loss of social insurance contributions
  - Loss of income tax from workers
  - Cost of providing welfare benefits and healthcare to workers, who are not contributing
  - Cost of negative externalities (eg. health risks, climate effects, potential social and political instability)



- Companies are reporting data on remuneration and employee numbers,

2020	Salary	Total Pay and Benefits
CEO remuneration	828,000	1,211,000
UK colleague 25th percentile	18,000	19,000
UK colleague 50th percentile	19,000	21,000
UK colleague 75th percentile	22,000	24,000

Gender pay gap: 4%

2020	£m
Aggregate remuneration	
Wages and salaries	1,263.7
Social security costs	80.0
Pension costs	72.9
Share-based payments	18.5
Employee welfare and other personnel costs	51.8
Capitalised staffing costs	(22.5)
Total aggregate remuneration	1,464.4

Average monthly number of employees	
<b>UK stores</b>	
- management and supervisory categories	5,278
- other	62,027
<b>UK head office</b>	
- management and supervisory categories	2,947
- other	764
<b>UK operations</b>	
- management and supervisory categories	115
- other	1,302
<b>Overseas</b>	5,598
<b>Total average number of employees</b>	<b>78,031</b>

- but there are no consistent accounting standards



- “Convergence” between LMs in developed and developing countries
- Conflicting evidence: new opportunities and new risks
  - Accelerated premature deindustrialisation
  - From offshoring to reshoring
  - “Wild West” of platform economies generating a race to the bottom\*
    - Bidding for lowest wages
    - subcontracting
    - Discriminatory practices
- Platforms **break up concept of national labour markets**
  - Theoretical and empirical models



# Addressing National Risk Inequalities

- **Measure job quality** along with employment rates
- Strengthen Active Labour Market Policies instead of **subsidising** bad jobs
  - Employment dosage/job sharing mechanisms\*
  - Short-time work (“Kurzarbeit”)\*
  - Strengthen retraining programmes, including those that replace salaries to retrain
- Make companies **accountable** for their labour practices, not just court cases
- **Regulation and ethics**: Level the playing field to achieve social contract sustainability
- Take account of other **negative externalities** of poor job quality (e.g. health and social costs)





- Strengthen international **institutions** charged with improving employment conditions
- Accelerate international **measures** for progress in SDGs
- Establish **ethical codes of conduct\*** for platform economies and hold them **accountable**
- **Climate change** (missing link in this debate) will also change our LMs contributing to **political risk**
- As a liberal market economy, the **UK** is in a unique position to influence



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