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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?

- 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	Total Pay	2020	Average monthly number of employees
Pay data	Salary and Benefits	£m	UK stores
CEO remuneration	828,000	1,211,000	- management and supervisory categories
UK colleague 25th percentile	18,000	19,000	- other
UK colleague 50th percentile	19,000	21,000	UK head office
UK colleague 75th percentile	22,000	24,000	- management and supervisory categories
			- other
			UK operations
			- management and supervisory categories
			- other
			Overseas
			Total average number of employees

Gender pay gap: 4%

- 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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