From ‘Industry 4.0’ to ‘Work 4.0’ - The German experience

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Motivation

- German debate about ‘Industry 4.0’
- Productivity and competitiveness concerns
- Employment restructuring away from medium-skilled manufacturing / polarization
- Linking technological innovation and social innovation (‘technology-centric vs. human-centric scenarios’)
Risk of Automatibility of Jobs

Labor market polarization in Europe, 1995-2015

Source: OECD Employment Outlook 2017, Figure 3.A1.
Labour Market Forecast for 2030: changes in employment in selected sectors, 2014–2030 (in 1,000s)

- Total
- Misc. business services
- Social sector, homes
- Placement and hiring out of workers
- Health sector
- Business, legal and tax advice
- Education and teaching
- Computers, electronic and optical products
- IT services
- Research & development
- Financial services
- Vehicle construction
- Construction
- Telecommunications
- Postal and courier services
- Chemical and oil products
- Energy
- Publishing, film, TV and radio
- Retail
- Manufacture of basic metals
- Hotel, restaurant and catering industry
- Mechanical engineering
- Public administration

Challenges

• Forecasted number of jobs likely to remain roughly similar over the next decade; starting point of debate is a moderate overall impact of the digital transformation on the employment level.

• However, a couple of issues arise:

1. Profound **structural and occupational changes** in supply and demand of labour: stronger demand for highly skilled workers, outlook for medium skilled groups (vocational training) is more ambiguous, risk of job losses and polarization.

2. Relation between Germany’s diversified quality production (manufacturing) with **incremental innovation** and the (rather) disruptive world of digital work and online platforms.

3. **Collective bargaining and co-determination** at firm level might help organize change, but scope of both is declining.

4. Dynamic labour demand meets increasingly **diverse + older workforce**.

5. Focus on potential erosion of **social insurance funding**, in particular if self-employment/platform work grows.
Consultation process on ‘Work 4.0’

• Dialogue initiated by government, with social partners and experts

• Key element: exploring needs and possibilities of renewed labour market, HR and social policies, based on broad stakeholder participation, stimulating an iterative policymaking process.

• Main leitmotives: balanced mix of different forms of flexibility; labour market participation and mobility, including lifelong learning; work-life balance and healthy working conditions; effective social protection...
Structure of the dialogue

• **Timing:**
  - Inaugural conference April 2015: questions raised in a ‘Green Paper’.
  - Mid-term conference March 2016.
  - Closing conference November 2016: draft ‘White Paper’

• Involvement of variety of stakeholders: works councils/trade unions, companies/employers associations, other interest groups, think tanks, experts

• **Two types of formats:**
  1. Expert dialogue: permanent expert group and several expert workshops, specific working time dialogue; consultations with self-employed; commissioned research
  2. Public dialogue: via social media, surveys, film festival

• Final ‘White Paper Work 4.0’ early 2017
Main axes of debate

• **Life long learning**: essential in order to keep up with rapidly evolving technological developments. Additional (digital) qualifications will be compulsory in almost all sectors and occupations. Aspiration for a legal right to continuing vocational education and training.

• **Flexibility at work, working time**: greater self-determination, balance necessary between conflicting interests. Protection from overtime + breakdown of the boundaries on work is essential. Negotiated working time models and flexibility compromises are increasingly important.

• **Health**: health and safety must reflect digital transformation + demographic change, therefore necessary to focus more on psychological strain of work.

• **Social protection, self employment**: lines between employment and self-employed work are blurring, reasonable to include self-employed individuals in the statutory pension insurance system alongside employees. In case of an increase in platform work and ‘new’ self-employment, new protection strategies would have to be developed, tailored in particular to employee-like self-employed workers.
Positions of main actors

• **Trade unions**: Extensive interest in the subject matter and welcome governmental interest. Main focus on a) employment status b) social protection c) earnings d) co-determination and advocacy. Trade unions see strong regulatory needs.

• **Employers**: Recognize the importance and possibilities. Existing regulations are generally deemed sufficient.

• **Government**: Essential to invest in boosting skills and improving individual prospects for advancement at an early stage. Balance must be struck between conflicting interests and goals. To successfully cope with digital structural change, the negotiation processes between the social partners and at firm-level need to be strengthened. Appropriate to include self-employed individuals in the statutory pension insurance system alongside employees.
Some policy ideas – as stated in White Paper

• ‘Employment insurance’ allowing for more preventative use of unemployment insurance in particular for life-long learning – maybe also Personal Activity Account (budget) for young people

• Legislation on right to choose working time and opening clauses in working time law

• Social insurance for the self-employed, in particular old-age pensions

• Stabilization of social partnership, collective bargaining and co-determination; generally binding collective agreement in the social sector

• Regular reporting on changing world of work
Concrete steps undertaken

• Support and exchange on **innovative work practices** at firm level, e.g. mobile working, flexible working time, new organizational models... (‘Experimentierräume’)

• **Coalition agreement 2018** – main points related to Work 4.0 topics:

  1. More systematic continuous training of employed – “Nationale Weiterbildungsstrategie”

  2. Social protection of self-employed – inclusion in public old-age pension insurance

  3. Opening clause in working time legislation
Insights with hindsight

• Main issues debated in the ‘Work 4.0’ context are long-standing topics of labor market and social policy, but new framing, motivated by technological change / automation, and linking to social innovation

• General openness to collect and assess evidence on current developments, allow for experiments and design potentially ‘innovative’ policy solutions

• ‘Flexible’ tripartite approach at different level seems feasible due to shared interest in productivity, innovation and jobs – in some fields more than in others, however

• Important issue: avoid dominance of ‘old interests’ – while finding formats for articulation and negotiation in new, less organized sectors

• Remarkable gap between public attention, discourse and concrete policies – maybe corresponding to incremental changes in the labour market and in policy making
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