

11 | THE ROLE OF THE STATE IN THE UBER ECONOMY

Anna Turley

The pressures of a global economy have brought with them huge opportunities but also great disruption. As a result, people feel insecure and bereft. The state should take a pro-active, empowering role and form an industrial strategy that can harness the potential of the digital revolution in the towns and cities that have lost out by supporting new growth industries and programmes of education and skills.

The technology-driven change that is reforming the world we live in opens up exciting possibilities to improve the way we live and work – creating new industries, new kinds of work, and bringing down social barriers. However, it also poses real challenges, particularly in the transition period as the status quo in many areas of our society is swept away. The ‘job for life’ is now rare, replaced with less secure work and more self-employment. The next generation of automation could soon see more jobs replaced by robots. For policymakers this means grasping for new means to manage the resulting economic and social change and smooth out the process. For those of us on the centre left of politics, this task is even greater as our commitment to working for an equal and just world faces new frontiers. The need for progressive policies, which ensure the gains from the technology revolution are

shared and those who lose out protected, is greater than ever before.

It is often said that globalisation diminishes the power of the state and renders the traditional levers available to governments less effective. For the political right, this conforms with a deeply held belief that markets work best without state intervention. My constituency, Redcar, was at the sharp end of this attitude to government intervention when our steelworks closed in 2015 under pressure from cheap Chinese imports flooding the market. The Conservative government opted for a hard closure instead of helping the business weather the storm. This outlook will serve our economy poorly in the coming years. Instead we need to see an 'empowering state' which supports people through technological upheaval and ensures the many, not just the few, benefit from the rewards of the second machine age.

What does this technological change mean for industrial towns?

In the past half century, the shape of the economy has changed immensely, with huge consequences for the industrial fabric of Britain. Redcar and the wider sub region of Teesside were built to supply labour to our major industries – the steelworks, the port, and the chemical plant at Wilton. In its heyday the steelworks would have employed 40,000, Smiths Dock would have hosted 5,000 men building ships, and the ICI site 30,000. The chemical site is now a quarter of its size, the docks built their last ship in 1987, and the steelworks closed for good last year with a loss of 3,000 jobs. Globalisation has made its mark on northern industrial towns like Redcar, as the drivers of Britain's economy have become the service sector and financial services. For people in Teesside, this has meant many of the new jobs created are less secure and lower

paid, in sectors like retail, hospitality, and customer service. Industry and manufacturing enterprises continue to grow but on a much smaller scale than in the past.

As technological innovation brings about a new wave of change, our labour market will look very different again. In the budget this year the chancellor set the wheels in motion for driverless cars and lorries. It's now conceivable that the coming years could see transport and haulage gradually replaced by automated vehicles, which, whilst potentially improving road safety, would also mean a significant reduction in jobs. Drones too could deliver our internet orders quickly and cheaply, reducing the need for postal workers.

The consultancy firm Deloitte has estimated that within the next decade as many as 11 million jobs could be automated, a phenomenon that Richard and Daniel Susskind suggest will affect the professions as much as skilled and unskilled work. Some tasks in the realm of finance and legal industries are already being computerised and further technological development could see more jobs in these areas disappear.

In the digital sector, iTunes and Spotify have changed the music business whilst apps like Whatsapp and Skype have transformed the telecommunications market. New start-ups like Uber and Airbnb are changing the way their own established markets work. Innovations like these are breaking down barriers and creating more flexible services for public benefit, but at the same time they pose new challenges, especially for those whose livelihoods depend on the status quo.

The state's response

The challenge for progressives is ensuring the state protects those who are vulnerable to this change and to empower them so that they too can benefit. Social protections need

to be adaptive enough to suit the flexibility of the modern labour market; and public services, particularly education, need to be forward looking to meet the new needs of the economy. For towns like Redcar, it also means government needs to play an active role supporting and investing in high growth industries to replace the jobs we have lost.

Social protection

In his essay, Anthony Painter has made a persuasive case for new forms of social protection to give more security to workers in an insecure world. With the prospect of more low paid and insecure work, there is a clear need for intervention to ensure living standards are maintained for those at the bottom end of the labour market. Self-employment in particular has seen an unprecedented increase to 15 per cent of the total workforce. Whilst pay is one of the challenges for these workers, it is not the whole story – the absence of employment rights and HR support must also be addressed.

Self-employed people bear the full costs of the job including things like office space, employment insurance, pension savings and national insurance admin. They also have a greater burden of risk and do not have the same secure terms and conditions as employees of organisations. As a Labour and Co-operative MP, one response I have been encouraged by is the formation of co-operatives among self-employed workers. For example, the Federation of Entertainment Unions, a network of trade unions for those working in the UK media, has successfully negotiated for their freelance members by securing 'worker status'. In Swindon, 50 music teachers formed a co-op in order to market their services collectively. Meanwhile, in France and Belgium, co-operatives are providing services like affordable workspace and back office support for their members. In an uncertain world, new collaborative institutions will allow people to enjoy the

flexibility of working alone but with greater security. We must do all we can to help promote and develop similar solutions so that people are not prevented from living a fulfilling life.

Education and skills

Education is one of the strongest tools progressives have to tackle inequality and create opportunity. It should play a key role in the state's response to the technological revolution as old skills become obsolete and new ones are needed. Despite governments focusing on investment in education, the existence of a skills gap is a growing problem. The European Commission has estimated that by 2020 there will be 1 million jobs unfilled because we do not have the workers equipped to do them. In Teesside, a focus on reskilling is at the heart of our local response to the challenge of regenerating our local economy. The taskforce set up to respond to the closure of the steelworks has collaborated with local colleges to retrain former steelworkers. Adult retraining opportunities like this need to be available more broadly so that people can make the transition into new work.

We also need to equip our young people who are still in education for the jobs our economy needs. In my area, training providers like NETA and TTE are educating a new wave of electricians, engineers and technicians. We need a national drive to ensure vocational opportunities like these are available to all young people. Equally, as digitisation is giving greater primacy to new computer-based skills, the language of computer programming must become mainstream in our schools. We need to train a new generation of coders to develop the next 'Candy Crush' or marketers to experiment with new media. With the dominance of large employers waning, we also need our schools to encourage entrepreneurialism, to give our young people

the confidence to take a leap and become the next Steve Jobs or James Dyson. The state has an incredibly important role to play in educating our nation for a new era.

Industrial strategy

An active industrial strategy is even more of a necessity to take advantage of further technological development. If the laissez faire attitude of the current government continues, leaving the health of British industry to the whims of the market, the transition will be a difficult one and opportunities for growth will be missed. We need the state to promote innovation and entrepreneurship, invest in infrastructure like high speed broadband, and support the growth of businesses in employment creating sectors. Progressives need to ensure that technological change produces the good jobs that we need.

On the continent, Germany has specialised in high end manufacturing and has adopted a relentless drive to deliver products at the cutting edge of modern engineering. Free market ideology regards the state as an impediment to the market but the German experience shows how a proactive and innovative state can support the advancement of industry within the market structure. Even now Germany is focused on the world of tomorrow with the 'Industrie 4.0' initiative, which is preparing their industry for the digital revolution. They also have constructive trade union relationships and worker representation on boards, giving the workforce a stake in advancing the economy. This contrasts hugely with the UK, where government is still reluctant to take robust action on issues like energy costs and uncompetitive business rates which are holding our industries back. If we do not catch up, the UK will cede further ground to our competitors and miss out on the dividends.

On Teesside we have been calling for government action on two key projects in particular. Tees Collective is

a partnership of a number of our local industrial producers who want to establish Europe's first Carbon Capture and Storage (CCS) equipped industrial zone. This project would put Teesside companies at the forefront of the low carbon economy and continue to build on our strengths. Another initiative is being led by the Teesside-based Materials Processing Institute (MPI) to become an industrial materials 'Catapult' – part of a network of innovation centres, which through research and development, are helping the UK pioneer new industrial technologies. There has already been international interest from Sweden and Germany in MPI's work. On a more micro level, ex-steelworkers have been able to apply for a business support grant of £10,000 through the local LEP to kick-start their own enterprises. Start-up funding and advice need to be much more widespread if we are to empower people to become entrepreneurs. Business finance and taxation in general need improving so that high growth sectors are not held back.

Conclusion

Technological change is already beginning to transform our world, changing the way we live and work. The challenge for progressives is to find ways of managing the disruption so that all parts of our society can benefit. As my colleague Tom Watson MP has argued, the question is how we make this transformative process our friend and not our foe.

In industrial towns like my own of Redcar, the pressures of the global economy have already brought about massive change and it is understandable that people feel insecure and bereft. We need a pro-active, empowering state to ensure places like Teesside can harness the new jobs and services that the digital revolution will bring. An active industrial strategy is more important than ever to

support the new growth industries and bring new jobs to replace the old. Investment in education and skills, both for our young people and adults who need to reskill, is a necessity if we are to fill those new jobs. And new collaborative institutions are needed to provide security for workers in more flexible employment.

The challenges are great but the opportunities are greater. A proactive state can ensure the rewards reach the many, and not just the few.