

# 1 | WHAT'S REALLY HAPPENING IN THE WORLD OF WORK?

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*While record numbers of people are in employment and some good jobs are being created, there are three key trends which define the changing world of work: hollowing out, stagnation and atomisation. It is only by understanding the true nature of these trends that policy makers can begin to formulate solutions to the growing anxiety, stress and insecurity in the UK's workforce today.*

A steady stream of dystopian warnings of a 'rise of the robots' has produced plenty of excitement about an imminent end to work as we know it. It can feel from reading books like Nick Srnicek and Alex Williams' *Inventing the Future* or Martin Ford's *The Rise of the Robots* that paid work will soon be a thing of the past, and depending on who you listen to, we will either be fighting for scraps in a violent and divided society or enjoying the luxuries of a fully automated communism. Yet these visions seem at odds with the monthly labour market figures showing record high employment rates and rising wages. This makes for a confusing picture.

Others in this collection set out why we might be heading for a 'new normal' in the world of work, and many of the things we take for granted – not least a healthy supply of jobs – could be set to change forever. But before we start to

envision these new futures, it is important to get a sense of what has been happening in the world of work up to now. Because while the robots aren't yet at our doors and jobs and wages are on the rise, change is already happening, and these changes are contributing to a growing sense of insecurity and anxiety in Britain today.

Early diagnoses of the motivations behind over 17 million people's decisions to vote leave in the EU referendum paint a picture of unease. There is a growing sense that people lack power and agency to make decisions about the things that affect them. This is in many ways the story of the changing world of work, in which technology and globalisation are not only transforming the shape of labour markets, but transforming labour itself.

This change, therefore, poses a political challenge to leaders in business, politics and society to take action to address increasing levels of anxiety in a labour market that provides security and meaning to fewer and fewer people. But before action is taken, it is important to be clear about what is really happening.

### **Three trends in the world of work**

While record numbers of people are in employment and some good jobs are being created, there are three key trends: hollowing out, stagnation and atomisation.

#### **Trend 1: Hollowing out**

The first key trend over recent years has been the rise of what economists Alan Manning and Maarten Goos call "lovely and lousy" jobs. The increasing impact of technology, and in part globalisation, on the labour market in recent years has led to a decline in 'middle tier' jobs. These are characterised by their ability to be routinised, and therefore automated. The jobs in decline

can overwhelmingly be found in manufacturing, as well as clerical jobs, where new equipment and operating systems have replaced the need for routine manual and cognitive labour.

In the mid-19th century, we really were a nation of makers. Over one third of the UK's workforce was employed in manufacturing. In 2000, it was down to 13 per cent, and in 2014 the jobs which were once the lifeblood of British industry accounted for just 8 per cent of the workforce.

As these middle tier jobs decline, 'lovely and lousy' jobs are springing up in their place. At the top end, we have witnessed strong growth in professional and managerial occupations like business and financial services. In the six years between 2008 and 2014, ONS figures show the number of professional services jobs rose by 15 per cent, now accounting for 2.4 million workers. These jobs tend to be non-routine, highly skilled and extremely well paid.

At the bottom end, however, we're seeing an increase in low-paid, low-skilled, low productivity jobs. The number of hospitality jobs, including bar, hotel and restaurant workers, has increased by 16 per cent since 2000, now accounting for 7 per cent of the workforce.

The 'lovely and lousy' jobs trend appears to contradict George Osborne's 2011 promise for a renewed 'march of the makers'. In fact, the data shows it appears to be the waiters, rather than the makers, who are on the march in modern Britain.

## Trend 2: Stagnation

While wages are beginning to pick up, average earnings remain well below their pre-crisis peak. The stagnation of wages has been a feature of the UK labour market since the financial crash in 2008 and has left many households

struggling to keep up with living costs. The limited (and at times non-existent, or even negative) wage growth over recent years is linked to the UK's stagnant productivity performance, and the spectre of another recession following the UK's decision to leave the EU will do nothing to calm fears over a further squeeze in living standards.

The Nobel Prize winning economist Paul Krugman famously said of the link between productivity and living standards:

*“Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”*

The stories of average wages and productivity in the UK over recent years appear to bear Krugman's theory out. Both productivity and earnings saw steady growth until the financial crash, and following a period of stagnation, both are now on the rise again. However, both productivity and wage growth remain limited and it would be reasonable to question whether or not they will continue as the UK economy continues to reel from the EU referendum outcome.

### Trend 3: Atomisation

The labour market is becoming more atomised with a trend towards microbusinesses and self-employment and away from larger firms. The number of self-employed workers has grown by 38 per cent since the turn of the millennium, with 1.2 million more self-employed workers in 2014 than in 2000. To put this into perspective, this growth in self-employment is greater than the total number of people employed by Tesco, Sainsbury's, Asda, Morrisons and the John Lewis Partnership combined.

Commentators like Mark Holweg have attributed the rise in self-employment to “Britain’s enduring entrepreneurial spirit”. But the data shows this shift should not be characterised by the coffee shop dwelling freelancer or the Silicon Roundabout start-up. In fact, recent research from the Social Market Foundation has shown that self-employed workers are more than twice as likely to be in low pay as people in employment, and 1.7 million self-employed workers are missing out on the ‘national living wage’, as it does not apply to them. In addition, Resolution Foundation research shows that as the numbers of people in self-employment has grown, earnings have fallen – by as much as 20 per cent between 2006 and 2014. This implies that these new self-employed jobs tend not to be as financially rewarding as the old self-employed jobs.

### **The change is real**

The jobs data shows us that there are three key transformations happening that are reshaping the labour market at the macro level that raise important public policy challenges. But the world of work is not just a technocratic issue. The changes that are happening are experienced in different ways by people at work every day. In this sense, the world of work throws up political challenges too. Public attitudes research shows that changes in the world of work are creating higher levels of anxiety, stress and insecurity. Political leaders wishing to repair damaged relationships with leave voters should view the world of work as a great opportunity to rekindle relationships with people at the sharp end of globalisation and technological change. It will be important for policymakers to consider shifts in attitudes to work alongside the macro-level labour market changes.

One key shift in attitudes is in job insecurity. Increasing levels of insecurity can be found right across the UK workforce. The LLAKES Skills and Employment Survey showed that between 2001 and 2012, the proportion of people afraid of losing their job grew from 17 per cent to 25 per cent. Using different methodology, the British Social Attitudes Survey found that in 2015, 35 per cent of workforce did not think they had job security. Based on today's job figures, that means 11 million people feel they lack job security – more than at any point since records began in 1986. The emerging world of work has pushed insecurity up, now affecting more than one in three workers.

As well as feeling insecure, workers are reporting that work is more intense and more stressful. In a major study of job quality in affluent countries, Francis Green found that workers felt that the effort they were required to put in had strongly intensified. This finding is reflected by more recent studies in the UK, including the British Social Attitudes Survey which found that the proportion of people finding their work stressful had steadily risen from 28 per cent in 1989 to 32 per cent in 1997 to 37 per cent in 2015. A 2016 Smith Institute survey also found that 68 per cent of workers feel they are working harder than two years ago, with respondents identifying technological advancements as a key driver of this. One participant in a recent Fabian Society focus group with supermarket workers explained this transformation in their work, saying “we all went into retail, we made friends, it was like a family atmosphere...and you knew your customers...[but] now you have none of that, it's almost like you're a robot.” Set against a stagnation in wage levels, this raises serious questions about reward in the changing world of work: are people being adequately compensated for working harder and the associated stress created by this?

Perhaps more worrying for society as a whole is the finding that many workers feel their work is meaningless today. YouGov found that 37 per cent of British workers – around 11.5 million people – feel their job is not making a meaningful contribution to the world. Similarly, the British Social Attitudes Survey shows that 32 per cent of British workers do not feel that their job is ‘useful to society’. This high level of meaninglessness has been seen by Ruth Yeoman at Oxford University as part of a decline in values of cooperation and solidarity in society. The crisis of social purpose in the changing world of work has also been picked up by leading members of the business community, such as Richard Branson at the Virgin Group, or Tim Brown at IDEO, who have urged the business community to be more ‘purposeful’ to address this increasing detachment between work and society.

## **The challenge**

The signs are that while the prospect of full automation and a jobless world does not seem to be on the cards for some time, change in the world of work is real, and people are already feeling it. For some time labour market economists have been identifying concerning trends in the jobs market, and the three trends set out here – hollowing out, stagnation and atomisation – will be far from revelatory to those close to the data. But the really striking shift is in public attitudes towards work.

The whys and wherefores of the UK's decision to leave the European Union will be analysed and argued about over the coming months and years. But there does appear to be a consensus emerging that many of those that voted to leave the EU did so because they felt an anxiety and insecurity from the pace of change in their lives and in their communities. It is therefore no coincidence that

these same themes can be clearly identified in Britain's workforce.

The changing world of work is certainly not the only reason behind 52 per cent of the UK choosing to opt for Europe's exit door. But in the same way that people's experience at work is linked to the wider economy, it is a part of it. And conversely, while not all the answers to people's sense of anxiety, insecurity and lack of agency can be found in the workplace, many of them can.

It is therefore absolutely essential that if our leaders – in politics, business and society – are able to regain the trust from people that feel 'left behind' by change in their country, they must address their fears and anxieties in the world of work. While it is crucial we anticipate how the world will look in the decades ahead, it is even more important that we properly understand how the world of work is changing right now. Only then can we find the solutions to the growing anxiety in the UK's workforce today.