

Creating meaningful work and driving business success amid technological disruption

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What sort of workplace should we expect in the future? And how can we shape it to produce more satisfying jobs and more healthy and successful companies?

Video transcript

This summer, the UK government published a long-awaited independent review of employment practices in the modern economy, led by Matthew Taylor, chief executive of the London-based Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA). His review and policy recommendations addressed questions about automation in the workplace, the influence of the so-called gig economy, and the need to create better work.

Taylor sat down recently with James Manyika, chairman of the McKinsey Global Institute, whose recent research agenda has tackled many of the same and similar topics (notably independent work, automation, and declining productivity). What follows are edited highlights of their conversation. It begins with Taylor outlining the scope of the UK report.

Matthew Taylor: We've been exploring three questions. One is who's being exploited, how they're being exploited, and what might we do about it. Second, an understanding of the incentives that are driving changes in the labor market. Third, we've addressed the question of work itself. The review stands on the assertion that all work in the British economy should be fair and decent with scope for development and fulfillment.

The UK does very well on quantity of work. There are still too many people unemployed, too many people underemployed, too many people who declare themselves as not being available for work. But actually—when we ask them more deeply—they would be available for work if the right kind of work was there.

Overall, we do very well on quantity of work. We provide a lot more flexibility than other labor markets, but we have a problem about what I would refer to as one-way flexibility. That's flexibility in which, basically, organizations are trying to transfer the whole risk associated with their organization onto the shoulders of the most vulnerable workers.

THE GIG ECONOMY

James Manyika: Even though economies have recovered from the recession, the quantity of work in quite a few places—you could argue Spain, you could argue the United States, and a few others—isn't quite what it needs to be.

I am intrigued, though, on the question of flexibility, because one of the things we've been looking at has to do with the so-called rise of the independent-work or gig economy, which has been a widespread phenomenon. It's been there for a very long time, but I think it's become particularly visible where it's digitally enabled, where people are doing car-ridesharing services or other kinds of things like that form.

Matthew Taylor: You're right about these new forms of gig work [being widespread]. We have seen a steady growth in self-employment, of course, in this country. And when that self-employment growth started after the world economic crisis, there was a sense that this was because people were choosing self-employment because there were no jobs available. It was involuntary self-employment. But, actually, as the economy has improved, self-employment has not fallen. It is continuing to rise, perhaps not at quite the same pace, and so I think we have to recognize that it reflects a number of factors.

So we are seeing more people working past retirement age, and wanting to work in a way which they can control. We are seeing more people who simply want more autonomy and flexibility in their lives, in the way that self-employment can offer. And then these platforms come along and facilitate that; they make it easier for people to work in exactly the way they want to work. Therefore, the challenge is to make sure that we exploit that opportunity to give people the kind of work they want, in the circumstances they want, but to make sure that we do it in a way that is fair and sustainable.

One of the technical questions that we have to address is the divide between people who are self-employed—and therefore don't really have many entitlements to employment-protection rights—and those who are workers. What we try to do in our report is to suggest how you might draw that line in a way which is fairer, but also enable businesses to develop a business model in light of what the regulations are. But in the end, business leaders are realistic. What they really want is a framework which is stable, so that they know when they set their business up, they're not going to have the rug pulled out from under their feet by some regulatory shift halfway through.

James Manyika: I would tend to agree with that. One of the things that's quite interesting to me, and [is supported by] some of the research we've done about independent work and the gig economy, is that if you look at most countries—and we've looked at about five or six countries including the UK and the United States and others—the majority across those countries who do independent work actually do it because they prefer it.

Matthew Taylor: About two-thirds.

James Manyika: Yes, they prefer the flexibility, the independence, and quite often, in some cases, these are people with unique skills, who find that when they can deploy them across a much larger number of users, if you like, or customers, it's actually very helpful.

But it is important to know that there is about one-third of people who are doing this out of necessity, and the necessity comes in a couple of flavors. Either because they can't find traditional employment—and you find that, for example, that proportion has been quite high in some countries, like Spain, for example—or they're doing it because, even though they may have a full-time job, they don't earn enough from that job and are trying to supplement their incomes. So you find that this other third are concerned about income stability and the variability that comes with that. They'll worry about the portability of benefits, although the portability of benefits tends to affect even the ones who prefer it as well as ones who don't, but it becomes very acute for the ones who don't prefer it.

Matthew Taylor: There are two additional concerns that people have about gig work. The first is that we might see the emergence of very, very powerful companies that then have a kind of monopolistic position. Second, what is sometimes called the Uberization of jobs. One of the things we heard in our visit to people around the country was that their business model was being undercut by people moving to this gig-working basis.

So, for example, we were at one hearing where we heard about a removals firm. The guy who ran the removals firm, he employed people—you know, he paid into their pensions. This is what he'd always done. He was now competing with a removals firm down the road that was pretending that the men who worked for him were self-employed. And I would say that that was erroneous self-employment, but he was claiming and getting away with the idea that they were self-employed.

James Manyika: I think it's important to look at the other side of that, too. Which is, with a lot of the independent work and the gig-economy work in its modern forms, there's usually a very large group of happy users and consumers of these services—whether it's car-ridesharing services or any other task-oriented gig-economy work. And quite often, these services fill a need where they were otherwise either too expensive via traditional mechanisms or not provided at all.

So you've seen examples where services now pop up in places where traditional versions didn't, whether it's places where taxis never used to go to before, poor neighborhoods, or places where you couldn't find accommodation.

Matthew Taylor: I think this is exactly the point. These new technologies, sharing, and gig work offer enormous opportunities, not just in terms of improving the quality of service but also in terms of giving people flexibility and potentially dis-intermediating. So that, actually, the people that provide these services can own the platform they use.

We could see, I think, the rise of mutuals and cooperatives, and new business models based on the fact that you don't need a headquarters and all the bureaucracy that goes with it. You can just have a place and an algorithm. And you can start to enjoy the economies at scale that

come with that. But we need to do that in a way which is fair to those workers, fair to the market as a whole, and also sustainable in terms of the fact that governments need taxes.

IMPLICATIONS FOR COMPANIES

James Manyika: The question for employers is how to think about giving their workers the kind of flexibility that they need. Because, in many companies, there's such rigidity. Quite often, the reason people are opting for these independent forms is because they're looking for flexibility—the kinds of choices about working hours, working conditions, and working style.

The other thing that companies need to think about—and this might also even include the companies that are providing these platforms—is how do they provide a mechanism for the ratings or benefits to be able to move around with the workers? And how do they help workers stabilize their incomes? Because we know that when people are on these platforms, one of the biggest concerns is the variability of incomes.

Matthew Taylor: This goes back to the point about two-way flexibility, which these gig platforms often provide; as a worker, you can choose exactly when you want to work. And one-way flexibility, which is typically around forms like zero-hours contracts or lower-hours contracts, where the employer says, "I can only guarantee you two hours a week, but I'll normally want you to work 30 hours a week." But that means, that if there's any downturn, the employer can immediately throw that risk onto the worker. Second, it means that workers have fewer rights, and they feel that if they ever stand up or question decisions, they won't get any hours in the future, because they have no rights, for example, around unfair dismissal.

The opportunities here are huge. There's a major supermarket in Britain that is looking at an app that enables its workers to work overtime in any store they want to. Also, it enables those workers, if they are working in a particular part of the store, to know what other parts of the store they could work in, given the skill set they have. This is opening up to lower-paid retail workers the kind of flexibility that middle-age IT consultants enjoy.

THE IMPORTANCE OF 'GOOD' WORK

James Manyika: I wanted to pick up, Matthew, on the quality question. Is it really about incomes or is it about *other* incomes and *other* things?

Matthew Taylor: It's a great question. What do we mean by good work? We know that wages matter to people, particularly to those who earn less. In a way, people are less concerned with the relationship between their wage and the super-rich than they are between their wage and the person who might be one step above them in the hierarchy, for example. People want to see a decent wage, and they want to see fairness. But once you move beyond that—and indeed, overall surveys show that people are saying that pay is a less important part of what determines whether work is good than it used to be in the past—you come up against the same kinds of things, meaning people want a sense that their work is meaningful and that they are doing something useful, something that they can feel proud of.

Autonomy—people want to feel that they are able to make judgments and make choices at work; they will not simply be a cog in a machine. What might be called mastery: the sense that, “I am getting better at something, and in getting better at something, I am enabling myself to have more choices in life as a consequence of the job that I’m doing.” And then teamwork, camaraderie, and the sense that, “I am part of an organization that is inclusive and fair.”

We need to show a lot more imagination about how it is we can bring those things to lower-paid, lower-skill jobs. Many of us who are middle class and work in great organizations, we’re used to these things. But there’s no reason why jobs—in caring jobs, in retail, jobs in security, transportation—can’t have those qualities, if we’re clever about the way in which we manage our organizations.

James Manyika: We’ve looked at one part of that, the income part. And we know that one of the things that’s changed dramatically in most of these advanced economies is that the rate of income progression has just stalled. Huge chunks of workers in these countries have seen their incomes stagnate and decline. How much do incomes matter versus some of the other things that you mentioned in that bundle that constitutes good work?

Matthew Taylor: Clearly, income matters a great deal. And you’re right, the stagnation, the long-term stagnation of living standards for what I think in America you’d call middle class is a phenomenon. It may well be connected to a broader dissatisfaction with authority, although I would say that the disenchantment and social pessimism seems to have started earlier. It’s less about absolute wages as long as you’re above the bottom. It’s the sense of going forward. It’s the sense that next year might be better than last year.

That flexibility varies, of course, across the age range. Women care more about flexibility and less about income in comparison to men. People past retirement age care more about flexibility and satisfaction from their work, but possibly because they have some pension and they are not so totally dependent on the earnings.

James Manyika: In some of the work we’ve done, if you compare decades previous to 2005 and you ask the question, “What proportion of households in most advanced economies, including the UK and Britain, and the US, have households that have seen their incomes stagnate or decline?,” previous to 2005, those were in the single digits; for the United States, it was less than 2 percent. Whereas if you look at the period from 2005 to 2014, for the US, that number was 81 percent.¹ For the UK, it was 70 percent. So, these are stunning differences in levels of stagnation that we hadn’t seen in previous generations. In previous decades, you’d have said that even though we had waves of inequality, at least most people, the vast majority, were progressively getting better.

¹ In the United States, during the period from 2005 to 2014, government taxes and transfers turned a decline in market incomes for 81 percent of income segments into an increase in disposable income for nearly all households.

Matthew Taylor: In the general election that we’ve recently had here in Britain, the issue of what used to be called the social wage, that is to say public services, had much more prominence than individual incomes. What really took hold in this election was a sense of, “No, don’t promise us individual improvements. What we want to see is improvements in the public sphere, in public services, in the sense that we have a security offered by those collective provisions.”

Maybe it is now that we have a generation of people who have gotten out of the habit of thinking they'll be better off next year than they were last year. We're talking people in Britain in their 30s who really don't expect that. Maybe that's leading to kind of a post-materialism almost, that people are saying, "Well, if I no longer aspire to be individually rich, what matters to me is that at least I can live in a society that looks after people, and where I feel that there is a hospital there when I need it, a school there when I need it."

James Manyika: I'd be curious in this sense, on that particular issue, to what extent, say, the UK is different from the United States, because I know in the case of the United States there's been some sociology research that basically suggests that how people feel about themselves and how well things are going has less to do with what I might call post-distributional income and living standards—so this is when you've taken into account the disposable income after tax and other government transfers and distributions—and it has more to do with what I'm calling market incomes, meaning what they've actually earned by doing something in the marketplace.

I remember when we showed some of this research to sociologists, they basically said, "Of course this makes sense in the context of the United States. People have never voted on the basis of the post-distributional effects but more on the market-income effects, which means, Am I getting better off or not?" So, raising minimum wages, raising incomes, and making sure people are earning more as they work. That's going to have a bigger effect on how people feel about themselves than simply solving the post-distributional standards-of-living questions.

Matthew Taylor: Many voices for some time have argued that we have to get off the growth treadmill, but those have been voices in the wilderness, because as long as it felt as though we could carry on delivering growth, it was just too tempting for people.

We've seen the illnesses of affluence, whether it's obesity or mental health or anxiety. What I find intriguing, and I think the debate about universal basic income comes into this little bit, is this sense that maybe we are at a turn in which people are starting to say to their policy makers—and you're quite right; Britain may be very different from America—"Don't promise us that we're going to be 2 percent better off every year. That's a hollow promise. Promise us that we will live in a society that actually works, where it feels as though it's a good place to live. It feels as though our lives have a quality to them; we have flexibility; we can balance work and family life." After all, we have always known that mature democracies, once they reach a certain level of affluence, the relationship between wealth and well-being becomes very thin.

CHANGING EXPECTATIONS

James Manyika: One of the interesting questions for our societies is, What are people's expectations? For the most part, the last several decades have delivered on the expectation that successive generations will be successively better off than their parents. That was one of the reasons we titled the research we did on this *Poorer than their parents? A new perspective on income inequality*. And so to the extent that people started to think that their own lives, as well as that of their children, aren't going to be better off than theirs was, I think it starts to seed and create a sense of discontent.

I just wonder, What is setting that expectation? Is that measured on incomes? Is that measured on standard of living? Is that measured on flexibility and choice? What is that expectation? And is it changing?

Matthew Taylor: I think it's a fascinating question. Just take one element of this. The Internet has transformed what it is that poorer people are able to access simply by owning a single device. So we talk about living standards, and we simply see it in terms of disposable income with some kind of inflation deflator. But 20 years ago, in order to have access to the world's libraries, in order to have access to the best films, the best shows, in order to be able to communicate with people on that side of the world, you'd have had to be very rich. Now you just need to have a mobile-phone contract. So I think that understanding what people count as being the critical things that they need in life is a really interesting thing.

James Manyika: I tend to agree with you. I think when we look at things like technology and globalization, by and large, they've given us choices and utility and a whole set of things. But as one political scientist reminded me the other day, he said, "Well, you forget one thing, which is that people don't vote as consumers; they vote as workers."

If they voted as consumers, we'd all be fine because we've delivered choice, we've delivered the Internet, and we've given them all these things that have made life infinitely better: access to education, entertainment, all the rest of it. If that was the question, we'd all be fine. The problem is when people express their points of view as voters, by and large, they're voting mostly as workers.

Matthew Taylor: When I worked in government 12 years ago or so, there was a phrase that described the policy, and that phrase was, "Work first." And woe betide you if you were in a seminar or a discussion and you talked about training or the quality of work or anything like that, because a civil servant from the Treasury or the Department of Work and Pensions would say to you, "Forget all of that. Work first." If people don't have a job, they are miserable and they are sick. And the longer they don't have a job, the less likely it is that they will get a job. So just get them a job, any job.

And that was the prevailing view, and there's a lot of strength to that view. It is absolutely true that the number-one antipoverty strategy in any economy is to get people work. But I think that that possibly has now run out of steam and that people are now starting to say that it's not just about everyone having a job, and it's not just about the income, but it is, as I say, about the quality of that work, about whether or not it balances other parts of your life, whether or not you get fulfillment from it. And maybe this does link into the conversation about universal basic income, because it's also about saying perhaps society needs to recognize and acknowledge the nonwage work that we do, the caring work that we do, the volunteering work. And so the idea, part of the idea of universal income, is possibly moving away from the idea that you have to have paid work to be a valid citizen.

James Manyika: Most of the jobs that have been growing since the recovery of the recession look like care work, but often that's work that's unpaid. Back in 1964, President Lyndon

Johnson commissioned a report and a study, the Blue Ribbon National Commission,² to look at automation and technology in work. I remember there's one striking conclusion that was captured in a phrase where they said that technology destroys jobs, but not work. The reason that's interesting is that there's still lots of things to be done.

We don't recognize it as work in the formal sense. We've never had effective income models for that kind of work. Either it goes unpaid or it doesn't get paid very well.

A BASIC INCOME FOR ALL

Matthew Taylor: I'm a big advocate, the RSA is a big advocate, of universal basic income (UBI). We've done a lot of work on it, working on various pilots in Britain and other places. I think there's a big divide in the UBI argument. There's one UBI view, which is captured beautifully in the phrase "the right to be lazy," which is that UBI is an opportunity for us to live in a kind of world that Marx envisaged, or Keynes envisaged, where we only work ten hours a week and the rest of the time we're reading philosophy, writing poetry, and fishing. If we could have such a world, great, but that's not going to happen in my lifetime or even my grandchildren's lifetime.

What I think UBI should really be about is enabling flexibility, enabling choice. It's about saying, How can we make it easier for you to combine work and care and bringing up children, looking after relatives, looking after your neighbor, volunteering, being active in society? How can we make it easier for people, whose work is not fulfilling, to drop out of work? Not to sit on their couch all day watching TV, but to maybe retrain or to set up a business, or to run a business from home. So for me, UBI is about enabling people to have a greater sense of agency in a fast-changing world of work, and to combine work with other things in their life.

James Manyika: Would you condition it any way, or would it be totally unconditional?

Matthew Taylor: I wouldn't make it conditional because that just leads to a huge amount of bureaucracy. And it leads to an adversarial relationship between the government and citizens, which I think is a bad thing. To be honest, I'd just make it quite low. So we're not talking about something on which you can fly around the world and have holidays on. We're talking about something that just enables you to survive and keep going.

The other critical thing about UBI is that, unlike most welfare benefits, you don't lose it when you get a job, so it strengthens work incentives.

IMPACT OF TECHNOLOGY

James Manyika: One thing we haven't touched upon is the impact of technology on all of this. Does that make you more optimistic, or does it make these kinds of challenges worse?

Matthew Taylor: We've done a lot of work at the RSA, and we're precisely at this question of the impact of automation on low-paid, low-skill jobs. I think our argument would be that a lot

² The Blue-Ribbon National Commission on Technology, Automation, and Economic Progress.

of the hype—about 30 or 20 percent of jobs are going to dissipate—isn't particularly helpful. Those predictions have, generally speaking, been wrong in the past. I think you need to look at it in a much more nuanced way. It'll be less about whole jobs going; it'll be more about the nature of the tasks changing.

I'm old enough to have seen it happen before, this kind of idea, "Will the robots take our jobs away, and in 20 years' time inevitably half the population will be unemployed?" I think that's absolute nonsense, but we do need to understand the way in which technology may impact, and the critical thing here is about choices.

What I slightly worry about at the moment is that in our breathless talk about robotics and AI [artificial intelligence], we lapse into a kind of technological determinism that says that human beings must do whatever the robots and the AI makes possible. I want to say, "No, let's start from the notions of good work and good lives, and then see how this amazing stuff can enable [us] to take the drudgery out of work, but leave the stuff that's really interesting."

How can it make public services much more efficient so we can improve people's quality of education and healthcare? We've had a lot of conversations at the RSA, and they've started about numbers and technology and its possibilities. They nearly always end up, within an hour, with people talking about politics and talking about choices.

James Manyika: What do you think are some of the most important choices that we as a society will have to make about these questions?

Matthew Taylor: I think we need to make choices about what we invest in. It is a very big argument, of course, but I think we tend to underplay the role that government has historically played in technological innovation. I think we need public-private partnerships, and I think government plays an important role in issuing and supporting challenges to entrepreneurs and innovators about the kinds of problems we should be solving: green energy, or more efficient forms of care, or better types of healthcare.

I think there's something there about human dignity and saying that whatever we do with machines, we don't want to get to a stage where human beings are slaves to machines.

I think we have to worry about market power. I know that often the people who run these firms, they're young and they're funky and they give lots of money to charity, and they seem well meaning. But let's go back to what we know about what happens to monopolies in the end. This technology needs to be available to lots of organizations, lots of people. It doesn't need to be hoarded by a small number of extremely rich corporations.

James Manyika: When you think about that question of power, do you think it's the same questions about power that we worried about, say, 100 years ago? You'd worry about it translating into pricing, for example. But arguably, in this case, that may not be the question.

Matthew Taylor: I agree with you. I think that some of the critique, the things we would worry about monopolies in the past don't apply in the same way as they do now, but I think there are

new things. So, 100 years ago people were worried about price gouging. Now they're worried about personal information; they're worried about intrusiveness. We've never had corporations that know so much about us. I think we need a conversation about corporate power in the modern world. Not one that is antagonistic to any individual company, but one that asks deep questions about what we should be concerned about.

James Manyika: I certainly think a lot about—when we think about questions of what AI and machine learning and these technologies do—and worry about, things like bias, for example. Quite often there's inherent bias in some of that data. And so you'll then amplify what maybe have been historically human biases into these algorithmic biases, and that has enormous scale effect.

Matthew Taylor: I'd also talk about the power of these corporations to hold nations to ransom, because they are so powerful; they are more powerful than nations. I don't think it's healthy when democratically elected politicians feel that they can't really stand up to corporations at a national level, or even at a European level.

I would also worry about wealth. I would worry about the amount of money these corporations have salted away. I would make a prediction that if we had another global economic downturn, the public's attitude would be, "We're having your money." I think these corporations need to think about whether, if the world was suffering again, the amount of money they're sitting on would be tolerable to people. ▣

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