

# The digital economy: the future of work is now



COFACE Families Europe launched a discussion at the end of 2016 at its Berlin conference on the social impact of digitalisation, looking at six dimensions including smart work, digital literacy, the digital economy, the potential of technology in social/health service provision, connected children and safety online, and the threats and opportunities of Big Data. As a result of the conference, we produced a series of short briefs summarising some of the emerging trends and challenges. **This brief focuses on the digital economy.**



**Technological developments are already disrupting the labour market. It is only a matter of time and scale before these developments affect workers in their specific sector/company. While the European Institutions have been reflecting on the transformative impact that innovation will have on the world of work, concrete policy initiatives are mostly in reaction to current challenges rather than forward looking. And these initiatives are often uncoordinated with national initiatives. One example is the division on regulating Uber, where Member States court rulings are starting to be handed down, all the while the European Commission seems to contradict their decisions.**

## *A multifaceted digital revolution*

The “digital revolution” takes on many different forms: the progress in machine learning and algorithms, the extended collection and analysis of all kinds of data, the emergence of new forms of work such as the “platform economy” or “gig economy” (Uber, AirBNB, TaskRabbit) and even the concept of “digital labour” whereby simply by posting any kind of information online can be considered a “job” since processing that information can generate money (via targeted advertising for instance).

## *Challenges ahead*

Our societies, including the world of work and our social welfare models, are directly affected by advances in technology. While many call for a “laissez-faire” approach and have faith that in the end, the opportunities will naturally compensate the risks, it is important to monitor how these changes are affecting our societies and whether there are reasons for concern.

First, automation and advances in technology carry with them inevitable threats to labour and our current “full employment” model. Successful technological firms like Google or Facebook require less human capital to operate than other firms, thus the labour “created” by such new firms does not always suffice to compensate for job losses in “obsolete” sectors of the economy. Also, while the industrial revolutions saw the reduction in the human capital needed for manual labour in factories and in turn, created white collar jobs which required higher qualifications thus raising the living standards of a significant part of the population, the current automation process targets especially white collar jobs like accountants, lawyers, journalists, on top of some manual labour like waiters, transportation and cashiers.



Far from arguing that automation will fully replace human labour, it might certainly lower the need for human labour. Instead of getting rid of all accountants, you can get rid of most of them and retrain the rest to monitor and operate the automated accountancy process put in place.

Second, the new economic models created and the resulting wealth redistribution undermines our social model. Many of these new companies are based outside Europe and their contributors are not considered, at least "officially" as employees. Thereby, the companies and their contributors pay no or little taxes which should normally cover unemployment benefits, healthcare, pensions...

Finally, there is a clear imbalance between creators of content and owners of infrastructure. Brands like Apple, Amazon, Google or Facebook have skyrocketed in value over the last decade. On the other hand, the "creative industry" has steadily declined.

### ***Managing the change***

Given the disruptive nature of the digital revolution and its impact on the world of work and by extension, our social/welfare model, policy makers need to manage the change and ensure that the benefits outweigh the risks.

- Labour laws need to be reformed to protect individuals and not just "workers" since in many cases, in the "gig economy", the status of the contributors is unclear. Thereby no matter what the official status of anyone working in the digital economy is, he/she will benefit from the same protection as an employee.
- Solutions such as a universal income need to be considered/tested to help our societies pull through the disruptions in the world of work and ensure that no one falls through the net and has a guaranteed access to the basic necessities of life.
- Teaching digital skills alongside emotional and social skills is key to prepare the next generation for the future of work and ensure that they become actors in the new online economy, not just consumers. This means having a deep understanding of what is happening behind the algorithms and technology at a deeper level. New fields of study will have to emerge, such as "psychology of machine learning" to help understand and master the technology enabling computers to learn on their own.
- The Digital Revolution should not detract policy makers from other challenges which are just as disruptive to the future of work, such as the offshoring of jobs, which equally threatens our societies.

**More information**, contact: Senior Policy and Advocacy Officer, Martin Schmalzried : [mschmalzried@coface-eu.org](mailto:mschmalzried@coface-eu.org)

COFACE Families Europe - Rue de Londres 17, 1050 Brussels  
Tel: +32 2 511 41 79 Email: [secretariat@coface-eu.org](mailto:secretariat@coface-eu.org) Website: [www.coface-eu.org](http://www.coface-eu.org)  
Facebook [/COFACE.EU](https://www.facebook.com/COFACE.EU) Twitter [@COFACE\\_EU](https://twitter.com/COFACE_EU)

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