

**Report on the meeting of the Digital Lab workshop within the framework of the project
“Industrial relations in Europe facing the challenges of employment” supported by DG EMPL of
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Jobs at the digital age: creative destruction or destructive creation?

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Speakers:

- **Dominique BAILLY**, Chair of the CSR committee, PostEurope and Director of HR Performance and Strategic Planning, La Poste (FR)
- **Anne MEISTER**, Senior Adviser, Confederation of German Employers' Associations (BDA)
- **Laurent ZIBELL**, Policy Adviser, IndustriAll European Trade Union

In a famous article in *Wired*, Kevin Kelly claimed that “before the end of this century, 70 percent of today’s occupations will likewise be replaced by automation. In other words, robot replacement is just a matter of time. This automation is centered on artificial cognition, cheap sensors, machine learning, and distributed smarts”. A Roland Berger’s study estimates that 3 million of jobs will disappear by 2025. Commissioner Oettinger and Vice-President Ansip make no secret that digitization will destroy jobs. However, the digital transformation and new technologies will bring opportunities and create new types of jobs: systems developers, transportation network engineers, medical device consultants, data analysts, electrical engineers for smart grids, customer relations managers and many more that we don’t know yet. McKinsey Global Institute showed that over a 15-year period in France, the internet destroyed 500,000 jobs but created 1.2 million new ones at the same time. The digitalization will touch all jobs, from manual labour to knowledge work. It makes no exception and can be really harmful to businesses that do not adapt to new technologies as shows the example of Kodak which shut down its activities in 2012, leaving 18800 people unemployed. Companies must adapt to new technologies but this will impose a significant reorganization on their businesses from their business model to the HR management. This workshop would be the occasion to discuss the following questions. Where do we stand today in terms of jobs creation/destruction related to the digital revolution? How do companies tackle their digitalization in terms of HR? What strategies do they implement to keep pace with the digital changes and transform their jobs? How do they transform their internal functioning? How do employers and workers’ trade-unions tackle these challenges? How to handle the definition of jobs, the structural organization and the social dialogue being challenged by digital disruption? How can the EU and public bodies accompany this disruption? How can the EU help businesses to adapt to new technologies?

FULL REPORT

Dominique BAILLY, Chair of the CSR committee, PostEurope and Director of HR Performance and Strategic Planning, La Poste (FR)

Dominique Bailly intervened on behalf of PostEurope – the European federation of postal operators– as well as the chair of the Social Dialogue Committee (SCD) for the postal sector. He gave us a comprehensive overview of the postal sector labor market regarding digitalization.

- **What is the impact of digital transformation?**

Digitalization is seen as a **challenge and as an opportunity for postal operators**. On the one hand, there is a huge decrease of the core activity (mail) but, on the other hand, the volume of parcels is increasing due to e-commerce allowed by digitalization. Digitalization is certainly a strong phenomenon but Dominique Bailly did mitigate this analysis, stressing that we will always need actual people (e.g. for the transportation of parcels).

- **A global transformation**

Digitalization leads to a new strategic model which requires postal operators to diversify their activities and innovate. Diversification can be twofold: (i) **classical ways of diversification** are available such as developing parcels, logistics, banking and insurances activities. (ii) **Digitalization also offers new ways to innovate** thanks to the huge customers' data base and the territorial proximity advantage, which allow postal operators to provide personal services and urban logistics.

Dominique Bailly stressed the need to simultaneously **adapt the social model** while performing this diversification. Regarding the evolution of the social model, he stressed the need for more flexibility, to adapt the workers' status, to develop outsourcing possibilities and to take into account the wage component.

He pointed out the main ambivalence regarding this global transformation, stressing that the **business growth leverages are not necessarily employment growth leverages**.

- New digital services have a high potential in terms of revenues' development (high-added value services with higher revenues) but have a limited impact on job creation (it relies on a limited number of high-skilled employees, limited job creation potential in volumes)
- Diversification through financial services represents a potential for job creation. The redeployment consists in increasing employees' skills rather than a classic transfer.

The challenge consists in finding a way to diversify the labor intensive activities in order to get more jobs and employees. To tackle this challenge, Dominique Bailly put forward the concept of "**employment driven diversification**", which consists in developing services that allow both new revenues and new jobs. In this regard, personal services could be an answer to the employment driven diversification. For instance, every 77 000 postmen have been equipped with a smartphone. With this device, they can now do basic operations such as online orders but also taking pictures of damaged cars in rural areas to serve as trustable persons in insurance procedures.

Where do postal operators stand today regarding employment? The average decline in employment is around 2.5% but with important differences between postal operators (from 0 to 14%). Most of them have to deal with a decline in employment. This evolution is mainly managed by a natural attrition supported by early retirement and voluntary departure programs. According to the latest figures, the decrease of employment is globally still proportional to the decrease of mail volume. That has been possible through internal (diversification) and external (departure plans) redeployment.

- **Managing redeployment, diversification and modernization while safeguarding employment and social model.**

Regarding the digitalization challenge, national postal operators have no choice but to adapt. To do so, they have to modernize and diversify their activities as well as redeploy the workforce. But all those structural changes raise key social issues which need to be addressed in the meantime. Although digitalization can be an opportunity, it must be carefully handled.

Today, in the postal sector, traditional activities consist in the delivery network and the post offices network. Both networks represent the main parts of the global workforce which needs to be redeployed. **Redeployment should address a series of issues:** How to use these networks more efficiently? How to redeploy people from mail activity to parcels activity? How to develop financial services using the post offices network? A successful internal redeployment must be twofold and should respect the social model which needs to be preserved and adapted. It requires a close look at **social conditions** such as the volume of employment, working conditions, nature and level of competencies... It also requires to look at **the operational conditions** and needs to address the integration of delivery operations, the labor costs and the variability of activities.

In the postal sector, diversification towards the parcels activity is a natural option since it represents a growing part of revenues due to e-commerce development. Yet, this is not an easy task since the parcel market is highly competitive and is subject to a strong variability. In this regard, there is a **structural need for flexibility**, which can be either internal (with the modulation of the working organization and working times) or external (using sub-contracting). At the same time, redeployment towards parcels requires a deep evolution of the social framework in the mail activity. National postal operators have to position themselves on high-value added services such as track and trace, delivery at agreed timeslot, pick-up solutions for easy return.... The evolution of the social framework should rely on a strong social dialogue as it requires a capacity to transform the working organization supported by collective agreements; the ability to support these evolutions by adequate changes in management policies; as well as the implementation of reskilling programs, training mobility, redeployment and reconversion of employees.

Regarding modernization of their activities, national postal operators have implemented a **modernization based on social and economic optimization**. They can use several levers such as mechanization, downsizing post offices, decreasing employment, increasing flexibility, freezing wages. But all those means raise the issues of social regulation and fear of social dumping.

Dominique Bailly emphasised that those three steps of the necessary transformation of postal operators regarding digitalization are also key social issues: modernization (which questions the social regulation), diversification (which implies to adapt the social model) and redeployment (which requires the workforce adaptation).

In the context of a growing digitalization, diversification is key if the national postal operators are set to remain. There are mainly 4 models of diversification adopted by national postal operators to cope with digital transformation:

- **Industrial model** (Post NL, Bpost): postal operators keep focusing on mail activity and try to optimize it.
- **Logistic model** (DHL) which consists in investing in express, parcel and logistics activities with no more post offices.
- **Financial services model** (Post Italia) is a model where the financial services represent the main part of revenues. However, it keeps the postal activity but revenues from mails and parcels drop to 30%.
- **Mixed model** (Swiss post, La Poste) relies on a multifold diversification. National postal operators that adopted this model diversify their activities in several sectors such as banking, insurance, parcel and express, mail or personal transportation system.

Those diversification choices have a direct impact on the national postal operators' social models.

Logistic and parcel diversification is more an industrial approach where **productivity is the key competitive advantage**. There is no need for large offices network and it relies on a strong operational optimization which requires low labor costs.

Financial services diversification is more a services approach where the **quality of relationship is the key competitive advantage**, hence the importance of a large post offices' network. It is a progressive operational optimization.

A performance overview made by Swiss economics shows that diversification in banking activities or mixed activities seem to be the most successful model.

To conclude, Dominique Bailly delivered an optimistic message regarding jobs at the digital age. He strongly believes that it is **possible to safeguard employment through diversification, mainly in the parcel activity or in the banking sector**. However, he noted that postal operators should always **keep in mind both the business and the social dimensions while they are adapting to digitalization**. The transition to digitalization will be successful provided there are good synergies between those two.

Anne MEISTER, Senior Adviser, Confederation of German Employers' Associations (BDA)

As preliminary comments to give us a bit of context, Anne Meister underlined three trends regarding digitalization nowadays.

- The **emergence of new technologies**
- An **increased demand for more customized products** and globalized value chains, which means the industry is becoming more and more flexible and, in consequence, so are the employees.
- The **demographic change** taking place in Europe which means fewer employees and older employees.

Given this situation, this is legitimate to wonder whether or not the employee is an endangered species. According to the BDA, employees are not endangered but the digitalization does require structural and broad changes at different levels.

- **Education & training**

On the one hand, Anne Meister stressed the need **to strengthen digital skills from an early stage** meaning in schools. To her, it is a means to create curiosity and encourage innovative thinking. On the other hand, she also argued that pupils should be able to **technically and critically use technology** and media tools. Young people are not the so-called "digital natives", they do not get the digital literacy just by living in a digitalized world. It represents a big challenge for society as a whole. To tackle this challenge, she underlined the **need to include new technologies into daily teaching routines** in education institutions but she also called for opening educational resources to develop the learning on the internet.

In the same perspective, Anne Meister emphasised the need for **apprenticeship schemes (and their content) to be adaptable towards the demand of the economy** and the change of products and services.

She also favored a more interdisciplinary approach regarding teaching, meaning **teaching a common knowledge** regarding digital work and economical processes, IT skills and project management so that everyone would be on a same level and would understand each other. As future jobs will be more and more intertwined, a basic IT-knowledge is a necessary requirement for a common understanding.

Also, she mentioned the **need to enhance and ease the links between universities and the labor market**. This should be addressed in order to allow pupils to get into the labor market with an educational background, which would match with the demand of the economic sector.

In general, training is key for employers and employees will benefit. As the level of qualification is very likely to rise, education is central. In this regard, she stressed the need to innovate more, adapt business models and enhance the content of our education in order to have the ability to innovate with no one left apart.

- **Safety and inclusion**

From an employer's point of view, Anne Meister argued that safety at work is already sufficient. She also added that there will be more and more automation, which also means that there is going to **be less dangerous work** so fewer accidents.

Anne Meister also pointed out that digitalization will increase the time expenditure for evaluation of work risks in companies because work descriptions will become more specific

She also argued that thanks to digitalization there is going to be **more ergonomically correct tools available to support employees**. According to her, machines will somehow free a workforce that is getting older from a quite high physical work. In this regard, digitalization could also be seen as an opportunity to include more disadvantaged or disabled employees.

Anne Meister also emphasised the **increased flexibility allowed by digitalization**. Some sectors and jobs see variable working times due to globalization as well as an increased on-demand economy and, at the same time, the work-life balance is getting more and more important (e.g. what about leaving earlier to picking up your kids or do some voluntary work). Therefore, there is an increased wish for more flexibility. She mentioned the working-time accounts as a solution to help to balance out times with increased labor demand. She also underlined that smartphones are not a burden for employees. According to a study, 89% of workers are never or very rarely contacted in their free time. Anne Meister stressed **the importance of having a framework with the appropriate level of flexibility needed to adapt to different needs**.

- **Organizational structures are changing**

Organizational structures are changing along with digitalization. The tasks are going to be shared more and more and there is going to be an increase in specialization and more project-based work. Regarding those evolutions, the leadership will become more transparent and will require more communication. In order to be efficient, communication will need to be more transparent and less hierarchical. Therefore, **new organizational structures require quicker decision-making and implementation processes**. However, it does not necessarily mean that workers' participation will be decreased but the most efficient balanced approach should be struck, for example through works agreements

To conclude, Anne Meister argued that digitalization is an evolution not a revolution. She acknowledged that jobs will be lost but new jobs will be created. Concerning employers' expectations regarding public bodies, she mentioned the need to have **enough room for flexibility and the need to simplify access to education & training**.

Laurent ZIBELL, Policy Adviser, IndustriAll European Trade Union

Laurent Zibell started by explaining the current state of play of IndustriAll's internal reflection on digitalization. What is digitalization about?

- **Phenomenon of networking objects/people**

Everything becomes more and more connected to everything and leads to what he called a "phenomenon of percolation". This phenomenon could explain why we feel brutally a digital revolution even though it has been ongoing for decades.

- **Technological and political aspects behind digitalization**

Obviously technology is behind digitalization but so is politics. When it comes to networking and communications, it implies human interactions which require a common language such as protocol, data formats and data semantics. This common language is not something natural but is being defined by standardization bodies (legal regimes of those standards). The technical, legal and normative background will define where the value added will be and to whom it will shift to. Political action is therefore needed since politics is about defining law and rights.

At this point in time, Laurent Zibell foresees two main consequences regarding digitalization: on the one hand, digitalization of everything leads to **a massive improvement in quality, speed, liability of processes**. This represents an enormous advantage in terms of non-cost competitiveness, which IndustriAll

strongly favours. On the other hand, there is an **enormous increase in productivity and a massive reduction in working hours**, which needs to be addressed. As it cannot be compensated with higher volumes, the reflection should focus on the way to handle this loss.

Laurent Zibell carried on with the specific effects of this evolution which need to be addressed:

- **Concentration of power.** The bigger is the network, the bigger value you bring to customers. The concentration of power leads to monopolies that keep all the value for themselves, which is not an optimal situation for society.
- **Dissolution of the employment relationship.** The contract is a central institution of our society which provides stability and reliability as it defines very precisely what the employee has to do and how to control it. The *raison d'être* of a contract – as defined more than a century ago – is an exchange between security of employment and subordination. Yet, this relationship is completely changing since it's now possible to define the tasks, associate tasks with people, sign the contract, control how the work is being performed and control the person, completely remotely and automatically. The underlying reasons for building contracts are therefore dissolving, putting it into question.
- **"New forms of employments"** are therefore developing. Laurent Zibell is sceptical regarding new forms of employments such as free-lancers or self-employed people, which he doesn't see as an improvement. To him, contracts bring stability and offer the capacity to anticipate and to invest. If those requirements are not met, it leads to a short-termism vision and instability.
- **Technical ambivalences.** Laurent Zibell stressed that, on the one hand, technology could allow automatic surveillance of our society at a minimum cost (e.g. Big Brother, 1984). On the other hand, he argued that digital technologies also enable cooperative and democratic networks to cooperate and to work better on an equal footing. Laurent Zibell argued that there is no technological determinism so it's up to our society to decide which direction it will head.

In order to tackle those challenges, Laurent Zibell put forward the type of actions IndustriAll is pushing for:

- Regarding the productivity question, Laurent Zibell mentioned the **set of tools already available** such as the anticipation of change, social dialogue, education & training and adaption of working time (i.e. reduction in the number of working hours)
- Digitalization can be used for **responsible innovation**
- **Standards for digital integration** need to be implemented in order to regulate the sharing of the added-value in the digital industrial supply chain.
- **Work has to be done on industrial data.** Data are produced on workers by machines but it is also produced by machines over machines. Zibell stressed the need to define what rights are attached to data itself. He does not favour the concept of ownership of data because you can sell your ownership and then you have no control over it.
- **Issues for social dialogue.** He raised some issues which are worth discussing within the social dialogue framework such as (i) having a specific space for workers in a proper intranet, (ii) having working conditions which can be monitored, (iii) what liability in case of accident (thanks to the Internet of Things), (iv) privacy at work

Discussion

- **Social dialogue: where does it stand regarding digitalization? Is it properly handled? How can we explain that trade unions are only starting in 2015 to tackle those issues? What can we concretely expect?**

In **IndustriAll**, they are starting a brainstorming on digitalization. They are discussing about it but it is a difficult challenge. Yet, they want to put forward very concrete proposals.

Anne Meister indicated that at European level, they have only started recently to discuss these issues. But she mentioned that in Germany, there are discussions underway on Labour 4.0. She mentioned that

companies have been adapting their business models and work organisation for years. Regarding concrete actions, she stressed that, since it's a cross-sector issue, the topic will most probably be tackled in various legislative dossiers.

Dominique Bailly indicated that PostEurope is focusing on making its members more aware of the challenges regarding digitalization.

- **New forms of employment and new statuses**

One representative from the smart industries sector, raised some questions regarding new forms of employment. She argued that outsourcing changes the relation to work and to the classical contract; she argued that people no longer want to be subordinated. Therefore, she stressed the **need to think about workers more globally** regardless of their social status and social protection. She also called on thinking differently regarding revenues and working time. For instance, to have a strong labor market, she proposed to link social protection to work not to social status. She also emphasized the need to enhance the reflection on the digitalization which will bring more wealth and less distribution. She argued that we are running late on this debate, mentioning that the situation is not new but just getting worse. How are we going to achieve the way we address the question?

Another question from **a representative of Business Europe** referred to the rise of **sharing economy**. Those new forms of employment are not really jobs, yet people are definitely working. How to handle this? Carole Ulmer, asked if the new status of workers is to be "*intermittent du spectacle*" (according to Jacques Attali's comments)?

Laurent Zibell doubts that those new forms of employment are a chosen situation. To him, the real challenge is how to reach a decent level of social protection not only for those who have the desirable type of contracts but for all workers. He argued that precarious work is seen as negative for society in general because it is a factor of instability and inequality. Politically speaking, a society of precarious work leads to a society of fear and opens the highway for an individualistic society.

Regarding different types of work and types of employment **Anne Meister** mentioned that the majority of employees are working on a contract with a mandatory social security contributions. Other forms of employment, like part-time or project-based are simply different, but not inferior. Self-employment is a choice for more self-responsibility and should therefore be respected. In the BDA, the so called "crowd-working" is considered as a niche phenomenon, which cannot be considered as an employment and mostly serves for an additional income, e.g. for students.. She argued that employers prefer to think in long term perspective, as they are interested in building reliable relationships with their employees

- **Polarization of the labour market and consequences**

A representative of DG EMPL made a comment regarding the study about the disappearing of middle-class jobs and raised the issue of **workers mobility in Europe**. He argued that the polarization of the society will lead to highly and lowly qualified people. People losing their job would be able to upskill and look for other jobs but it implies they are ready to move where the jobs are. Yet, in Europe, workers mobility is really low compared to the USA.

A representative of UniEuropa made few comments on **casualization and polarization of the labor market**. From a personal point of view, he mentioned that in the services sector, there won't be enough jobs created to outweigh the job destruction that digitalization will entail. He also added that there aren't any economic studies that prove there would be more jobs created in ten years than lost jobs. Through the polarization of labor market, he underlined the increase of Individualization of tasks. While employers' federations speak of increased flexibility, UniEuropa does not see self-employment as an increased of flexibility but as a negation of working relations. The debate should be focusing on which social contract we are seeking. Are we seeking a minimum social protection floor to avoid precarious condition and low wages?

To illustrate his comments on the new forms of employment and polarization of the labor market, he elaborated on Amazon and the “mechanical Turks” and more broadly on the “click workers” (which is the possibility for a firm to contract a worker through a platform to perform a specific task). Regarding AMZ and the mechanical Turks, he underlined that it could be different from Germany to France. Sometimes it’s a way for young people to complement their revenues. If it is the case, he would favor a transparent declaration *vis-à-vis* tax systems so that everyone would be competing on a level playing field. Therefore, he stressed the need to adapt at European and national levels in order to include those workers who are under precarious working contracts and working times. At European level, the problem is the **representativeness**: who represents AMZ worldwide in the European social dialogue?

Laurent Zibell argued that unequal societies are under performant so we must reconnect everybody in the workforce otherwise we will have failed the digitalization challenge. He underlined that nobody is genetically under qualified so there is no determinism.

Anne Meister insisted on the demographic challenge in Europe, stressing that we cannot afford to lose anyone. She acknowledged that AMZ mechanical Turks are not a favourable development, but in the end a niche phenomenon. She also mentioned that outsourcing is not necessarily suitable for all kind of services.

Dominique Bailly emphasized that at La Poste (FR), they still have a full-time and permanent workers base and they try to combine flexibility, stability and quality of work.

- **Effects of the digitalization on employment**

Wolfgang Greif, member of the EESC is rapporteur of the report on the effects of digitalization on employment to be published in September. He raised a series of questions which will be addressed in his report.

- He questioned the **potential risks regarding jobs and digitalization**, stressing that it’s not the quantity of jobs that matters but the existing jobs and the quality. Will the contract be the key reference point of this relationship?
- He strongly believes that this discussion should take place in the DSM agenda but deplores that the strategy is dominated by DG CONNECT with only the paragraph on e-skills mentioning humans.
- If digitalization boosts the development of non-standard jobs, free-lancers, self-employed people, which might be in favor of young people; the question of **how to deal with sustainability of the financing of the social security system** will remain. Do we use part of the digital dividends to finance it or is all the dividends will end up in few winners’ hands?
- He also raised the questions of **taxation** and existing forms of financing of social security.

He called out to the social partners to tackle those issues and stressed the need for politics not only to see face the risks but also deal with them.

- **Education, digital skills and employment**

A representative from ETUCE, raised the issues of generation gap regarding digital skills. She pointed out the **lack of employment in education**, stressing that there are not enough teachers to teach pupils. She also underlined the **dangers of new technologies** such as social medias (e.g. it’s so easy to end a career of a teacher on the Internet), arguing that young people are not trained enough or aware of those dangers. She called on public bodies to invest in education, especially in teachers’ training.

Representatives from CSR Europe underlined the big need for more digital skills with a lot of jobs not being filled. They asked what could be done to make it more attractive. They also stressed that **new jobs require a new set of skills**, yet, most of the time, old people hold these jobs, and provided the problems regarding retirement programs, employees will have to work longer: how do companies maintain people and skills up to date?

Dominique Bailly indicated that there are training programs in place which are made to cope with this situation. In La Poste, they operate a basic segmentation of the labor market to identify the different kind of profiles to be able to provide their employees with the adequate trainings.

Anne Meister mentioned several initiatives that exist to motivate people to work in the IT sector, regardless their gender. She called on employers and employees to think of possible need for training. She also mentioned a need to change our attitude to allow innovation to thrive.

Laurent Zibell emphasized the need to anticipate changes. The most important thing is to make sure that if you engage in a vocational or education scheme, your skills will be used and re-used. This issue touches upon the need to link the education world with the labor market. He strongly believes that it could be an interesting topic for social dialogue.