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A New Social Contract for the Digital Age

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ABSTRACT

Digital transformations are rapidly altering the nature of work, models of employment, contracts, regulations and protections. Increasingly, the responsibilities of the state are becoming the obligations of, and a business case for, the private sector. This devolution of ‘governance responsibility’ is happening at a rapid pace. In many locations, this coincides with the decentralization of political power to local administrations. A new social contract between citizens, consumers, employees, the state, and enterprise is needed to delineate a new understanding around rights, responsibilities and entitlements. As a step towards defining such a contract, we set out seven norms for defining these relationships in the digital age.

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CHALLENGE

The disruptive potential of rapid technological change and digitization on employment, job creation and displacement, employment relations, wages and inequality are immense and immeasurable.

Automation is challenging predominant conceptualizations of the workplace and workforce, as tablets and phones replace factories and offices, and gigs replace full-time jobs. There is every reason to suppose that, in a business-as-usual scenario, this trend will not just continue but accelerate.

In this evolving economic structure, an individual is a citizen, but also a consumer, a capital-owner, an entrepreneur, an employer and an employee. The borders between these roles are no longer sharply defined; the traditional relationship between employers and employees has fundamentally changed. The historic model of employer-provided social assistance must be adapted to account for this new dynamic, and a new point of provision of social protection needs to be identified.

Non-Atlantic G20 countries have extensive experience in grappling with the realities of informality and non-standard forms of employment. It is useful therefore to examine the contours of the support that these states are attempting to provide workers as an approximation, however imperfect, of the benefits traditionally provided by formal-sector “regular” employment.

Erstwhile responsibilities of the state are now an obligation of, and business case for, the private sector. The needs of individuals today are disparate and

heterogeneous, and may no longer be met just through large investments in physical or social infrastructure, and are increasingly being addressed through niche solutions best offered by private enterprises. Mediating this new dimension of the relationship between individuals and the private sector will require a clear delineation and devolution of responsibilities and recourse.

At the same time, the atomization of work has constrained the extent to which individuals can organize and make demands. The collectives and unions that traditionally acted as arbiters for the interests of a substantial stakeholder group are increasingly ineffective. Therefore, there is an additional need for a new guarantor of the relationship between individuals and the private sector that provides for purpose, paychecks, and protections.

This new guarantor is unlikely to be any single agent, actor, rights group, government agency, enterprise or regulator as, (a) the highly amorphous emerging work landscape will demand flexibility, institutional innovation and informality, and (b) swiftly-evolving technology will continue to challenge the capacity of legislation and laws to remain meaningful. Therefore elucidation of principles and norms that must govern the new operational relationships becomes compelling. These, in part and whole, must guide the plethora of relationship and laws that are defining the new workspace.

As a starting point, there are seven norms that should be central to governing these new relationships.

PROPOSAL

1. From Job Security to Economic Security: A New ‘Formality’

Digitization is enabling unpredictable transformations in work across G20 countries and beyond. One result of this is that the relationship between employers and employees has fundamentally changed, and so too have the responsibilities borne by employers. While a future social contract may not be able to credibly promise job security, it should be able to guarantee social and economic security. That is, the financial security (paychecks), and social security (protections) that were previously provided by full-time jobs, must now be provided through alternative means.

The experiences of emerging G20 economies in contending with informality and constructing approximate securities for the informal workforce should inform such transformations in more advanced G20 economies.

Norm: A new ‘formality’ must ensure social and economic security.

Corollary: Responsibility for economic and social security must be explicitly assigned.

2. From the Factory to the Cloud: A New Point of Provision

All G20 states have some form of welfare system. The predominant model for providing this is by linking benefits – whether forced saving or access to pensions and healthcare – to employment status. The binary between employment and unemployment is, however, quickly becoming irrelevant.

Indeed, an individual can simultaneously have a low-paying open-ended job with employment protection, a more lucrative part-time job with no employment protection, and an entrepreneurial venture. Welfare systems based on a job/no-job binary and the workplace as the point of provision are too restrictive to account for the variation and variability in employment that are characteristics of work today. Social benefits should no longer be linked to a specific job but available to individuals regardless of their employment status.

In countries such as India, this has long been the subject of government plans – see for example the 2006 Report on Social Security for Unorganized Workers.¹ There was an initial attempt to turn these recommendations into law in 2008, another such effort is currently underway.² These endeavours essentially follow the trail blazed by South Africa, which wrote rights-based social protection for all workers into its constitution in the 1990s.

Moving away from a fixation on employment status and employer-provided assistance would enable a large ‘formalization’ of workers who currently fall through the cracks of a rigid system that does not account for the complexities and dynamic nature of work. This would require a new form and mechanism for the provision of rights, as well as a different, diffuse and accessible point of provision.

Norms: Entitlements must be linked to individuals rather than to jobs.

Corollary: Entitlements, like rights, must be available to individuals regardless of their formal employment status.

3. From Atomization to Solidarity: Constructing Co-operative Networks

Labour unions and other collectives that previously provided platforms for organizing and arbitration for a substantial share of the workforce are becoming less important as the workforce becomes more atomized. Collective organizing, bargaining and mobilization – the mechanisms through which workers has historically made demands – is exceptionally difficult to exercise for fragmented contract workers and the self-employed.

Employment status shapes the extent to which labour laws are applicable, the access that workers have to labour unions and to each other. The individualization of labour therefore affects the power of workers, by constraining their ability to connect and organize.

State policy and private sector choices should actively aid in the construction of cooperative networks rather than hoping that new technology lets individuals-as-workers create them for themselves. The private sector will have to accept that, while an organized workforce is one better able to bargain, an atomized potential workforce is one that will not be able to innovate or increase productivity through learning by doing.

Norms: Enabling mechanisms of solidarity must be a priority of the public and private sectors.

Corollary: The individualization of labour should not result in the loss of mechanisms for collective bargaining.

4. From Static to Dynamic Careers: Enabling Individual Transitions

New forms of employment may not meet the expectations of aspiring young people or of the existing workforce that is being forced to adapt to changing technology. Young countries such as India, where more than half of the population is below the age of 25, must find ways of employing and protecting its young workers – but will also need to find ways to manage and meet their expectations and ensure purpose. Similarly, advanced G20 economies with ageing populations may need to examine how to meet or moderate the expectations of life-long workers who are being rendered unemployed or unemployable by technological change.

One aspect of this is that the nature of employment as it pertains to the life-cycle has changed. The traditional (and often preferred) model of employment means that we move from education into work, and then into retirement, with few transitions in between. The emerging model looks profoundly different, in which we move in and out of education, and in and out of jobs, with an average tenure of employment of around 4.2 years.³

The job security of the previous model must be replaced by a security infrastructure defined by ample learning and skilling opportunities that can assist individuals in the transitions inherent in the new model. States will have to recognize that youth populations without the purpose provided by occupational choice will seek other and potentially more divisive forms of identity.

Norms: The public and private sectors must play a central role in supporting lifelong learning and career transitions.

Corollary: Skilling, upskilling and reskilling efforts must be both recognized and provided by employers.

5. From the Digital Divide to a Digital World: Universalization of Access

Internet access and use are becoming essential for exercising one's full citizenship, as public goods and services are gradually being provided online; and also for

income generation, as opportunities too are gradually requiring some level of digital fluency. Without the universalization of access to the internet and devices – and the ability to use them – the risks of increasing inequality within and between G20 countries and beyond are stark.

The public and private sectors must therefore ensure the universalization of access to the internet and ensure quality, security and affordability. The provision of access should be seen as a public good, which can be provided in co-operation with the private sector. It is the responsibility of the state to incentivize the private sector, and to develop the necessary regulatory enablers.

Norms: The public and private sectors must ensure the universalization of internet access and digital literacy.

Corollary: Digital divides in quality, affordability, access and security both between advanced and emerging economies and within countries must be addressed.

6. From Subsidies to Opting In: A New Responsibility for Wage Earners

Previously, individuals in many economies relied on services such as health and education being provided or subsidized by their employers. Workers in informal or gig-based sectors now have to make an active choice to access such services. Without effective incentives (as well as affordable access), there is a risk that individuals will increasingly forgo these options.

This is profoundly changing the relationship between wage earners and their dependents, as the option for accessing basic services can now be forgone. The obligation of wage earners has therefore changed: as the ecosystem of support for dependents dissolves, individuals must seek out or opt in to basic services. This will be a challenge both for advanced economies with ageing populations, and young populations alike.

Norms: The state must provide effective incentives to individuals to opt in to increasingly choice-based basic services.

Corollary: Basic services must be accessible, affordable and attractive in terms of quality.

7. From Regulation to Devolution: A New Role for the Local

Increasingly, the private sector is charged with activities in the provision of public goods and services that were previously the domain of the state – especially as the notion of “public good” expands. Simultaneously, the collective organizing potential of an atomized workforce is being constrained, requiring a new guarantor of the relationship between individuals and the private sector. Individuals

themselves will participate in the new economy under many different guises – as entrepreneurs, savers, investors and workers – rendering the management of these economic interactions complex and difficult to manage by detached national regulators working in silos.

At the most basic level, greater responsibility in governing this relationship, which is underwritten by a new dynamic should be given to local government, which is best positioned to arbitrate the above relationships. Within the confines of a national policy framework, local government can ensure compliance, audit, provide licensing and address grievances inherent in the new relations outlined above.

Norms: Local governments must be empowered to mediate the relationship between the private sector, employees and citizens.

Corollary: Local government must ensure accountability of the private sector in its area of operation, and recourse for individuals and employees.

CONCLUSION

Digital transformations are redefining models of employment, employment contracts and relationships, regulations and social protections. Automation is changing both the workplace and work itself, as workplaces shift from factories to phones, and full-time jobs transform into gigs. This necessitates a restructuring of the dominant model of employer-provided social protection, and the definition of a new point of provision. Non-Atlantic experiences in contending with informality should be drawn on in approximating the social security (protections) and economic security (paychecks) normally provided by formal, full-time jobs.

The private sector is taking on a more profound role in the provision of public goods and services, enabled in part by new technology-driven solutions. Simultaneously, the individualization of the labour force is challenging the mechanisms through which individuals can express their needs and demands. These two phenomena demand a new guarantor of the relationship between the private sector and individuals, the devolution of responsibilities, and clear recourse.

No single agent is positioned to provide this role of guarantor, since it requires flexibility and innovation. Thus instead of a structure imposed externally or from precedent, a new normative framework for governing these relationships is needed. The above norms are a starting point in outlining a such a framework. 

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ENDNOTES

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