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The “New Economy” challenge: Lessons from Germany and France

We are witnessing a fundamental sectoral shift in employment relations and work patterns away from manufacturing and the public sector – sectors traditionally characterised by standard employment relations, high levels of trade union membership, and larger employment units – towards the more informal, relatively union-free, and smaller employment units of the service sector. This ‘new economy’ is presented as the future of work incorporating innovative forms of business organisation, employment patterns and flexible work. The transition is driven by five key factors that interact with each other and directly affect the world of work: Globalisation, demography, technological innovation, climate change and rising financialisation. Despite progressive global economic integration and technology acting as universal driving forces, sectoral and occupational differences in employment continue to exist. We observe specific patterns of diversity in employment relations, job characteristics and job quality. The distinction between those in permanent, full-time jobs and those in temporary/flexible employment will be one of the major divides in future labour markets. This proposed contribution focuses on low-wage workers in advanced economies and highlights the importance of ‘good’ labour market institutions that allows for the creation of productive, sustainable jobs contributing to positive socio-economic outcomes. It asks the question: *How are changing employment relationships going to affect organisation of employers and workers in the new economy, and what strategies are nations using to respond?* The research reviews the rapidly growing form of non-standard and flexible work (permanent part-time, Mini-jobs, agency/subcontracting, own account, zero-hours contracts etc.) and compare the active employment policies towards low wage, undertaken or planned in Germany and France. The two leading economies are at the cutting edge of innovation and labour market transformation, particularly involved in stimulation programs of “Industry 4.0”. They are also faced with demands of flexibility and structural change arising out of technological progress and the growing forces of international competition in a post-crisis world. The research develops an internationally comparative approach going beyond simple models and captures a broader range of factors that reflect the connections between and within national systems shaping employment relations outcomes. It recognises the policies that need to be designed in order to ensure decent work and help improve the operation of labour markets. To shape tomorrow's world of work it is essential to craft employment policies that can equip the workforce with the tools they need to cope with the changes ahead. This will include aligning skill-learning systems with productive development policies as well as social protection for new forms of work with limited access to employment protection. Given the differences in skills, there is a tendency towards inequality in access to good jobs, with some groups being confined to less attractive types of work regarding lower job stability, low pay or poor social protection. The research identifies the extent to which relevant drivers of future work transition may induce either a worsening or an improvement of structural labour market problems. Drawing on these findings, the research recommends alternative ways of organising work that can improve income security of low-wage workers in the ‘new economy’ and their overall efficiency. The paper will consider if previous shifts towards non-standard work and low-wage employment may probably be reversed or accelerated through spreading digital technologies. The results will contribute to the literature on labour market transition in the twenty-first century. In methodological terms, the research employs socio-economic and interdisciplinary approach with structural analysis. It makes use of institutional economics and applied economics with a comparative approach to study the current relevant trends in Germany and France. The study undertakes empirical tools using panel analysis on the data from the German SOEP and French INSEE.