

**Dani Rodrik, Carlota Perez, Anastasia Nesvetailova,
Donald J Harris, Laurie Macfarlane and [Diane Perrons](#)
Searching for an alternative economic
model**

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Work and Social Justice. Searching for an alternative economic model. A Comment on the IPPR Commission on Economic Justice to be Published in IPPR Progressive Review 25 (2) 2018

The IPPR Commission highlights how the UK's economic policies have generated a host of economic and social problems resulting in low productivity, regional imbalances, stagnating incomes and increasing numbers of people, especially women and BME groups, on poverty wages. These problems have been intensified as a consequence of the pursuit of austerity policies in the aftermath of the 2008 financial crisis, which as the Commission points out, are counter-productive in both economic and social terms. Like Keynes they recognise that the 'boom, not the slump is the right time for austerity at the Treasury'¹ and like the OECD (2016) also recognise that the prevailing low interest rates make this an ideal moment for the state to invest in physical and social infrastructure in order to boost employment and raise the long term productive potential of the economy. This commentary focuses on the problems of the labour market and the Commission's recommendations to resolve these problems in the context of their industrial strategy and broader recommendations to create a more sustainable and inclusive economy.

In common with many countries the Commission points out that labour's share of value added has been falling since the 1970s, a situation likely to deteriorate further with increasing automation. Moreover, real wages have fallen since the crisis making people worse than they were in 2008 not only making life extremely precarious for people on low incomes but also having a negative impact on economic growth owing to the lack of effective demand.

Work has become increasingly 'flexible' and insecure with increases in temporary work and zero hours contracts, such that even with the 'new living wage' introduced in 2016 (significantly less than the level recommended by the Living Wage Foundation), people will not necessarily get a living income as their working hours are too short. This applies especially to women who continue to do the major share of unpaid care and domestic work. Employers are in effect passing on risks to workers and in turn to the state, the only other source of funding. Yet with the austerity policies and especially with the introduction of Universal Credit, the degree of state support has fallen and people are finding it much harder to claim the benefits to which they are entitled.² In the 6th largest economy in the world working people have had to turn to food banks for survival.³

The new employment conditions are in turn linked to globalisation, technological change, outsourcing and the restructuring of the UK economy away from manufacturing, where relatively low qualified people were able to earn good and, most importantly, regular and reliable, wages in what were generally unionised work places, towards services where wages are polarised and work more fragmented. As the Commission highlights people increasingly work from home and via digital

¹ Keynes J M (1937) *The Collected Writing Volume XXI. Activities 1931-39. World Crises and Politics in Britain and America* p. (edited Donald Moggridge). Cambridge: Macmillan and Cambridge University Press.

² National Audit Commission (2018) *Rolling out Universal Credit*, Available at: <https://www.nao.org.uk/report/rolling-out-universal-credit/>

³ The Trussell Trust (2018) reported a 52% increase in the use of food banks in areas where Universal Credit had been introduced – one of the main reasons being the decline in the real value of benefits. See Trussell Trust (2018) *Left Behind. Is Universal credit truly universal?*, Available at: <https://s3-eu-west-1.amazonaws.com/trusselltrust-documents/Trussell-Trust-Left-Behind-2018.pdf>

platforms yet, labour markets are more concentrated (characterised by monopsony) and employers often have multiple sources of supply which limits the bargaining power of workers. The current situation is very different from 1968 when by striking, a small number of women in Dagenham were able to bring Ford's car production to a standstill. Even in relatively large workplaces such as the growing number of warehouses unionisation has proved to be difficult owing to the temporary or self-employed contracts on which many people are employed, though the GMB has been trying to do so.⁴

To redress this situation the Commission makes 5 recommendations. First: 'Labour market regulation,' including raising the minimum wage to a real living level, improving workers' rights and ensuring that workplace laws are implemented with the help of proactive labour inspectorates. Second: strengthening 'Trade Unions and Collective Bargaining' which includes support for union recruitment and organisation via the use of social media. Third: 'Widening work opportunities by gender, region, class, disability, and ethnicity', including extending gender pay gap reporting to ethnicity and disability and requiring pay to be made transparent within organisations. Fourth: 'Transforming work and time' by enhancing employee led flexible working and enhancing paternity pay and provision along Scandinavian lines to allow men to participate in caring. And, finally 'Changing the clock' which relates to introducing policies to reduce overall working time and to share work more evenly to offset the anticipated impact of digitalisation on the economy. One way of joining some of these ideas together would be to highlight the potential of social infrastructure, where employment is intrinsically and for good reasons labour intensive, so investment would boost employment overall, narrow the gender employment gap and contribute to economic growth as highlighted in the 2016 ITUC report.⁵

The IPPR Commission, together with a wide range of Institutions and organisations at different levels ranging from international organisations such as the United Nations Trade and Development Organisation (2017) to the UK's Women's Budget Group are advocating a radical shift in economic policy in order to move towards a more inclusive and sustainable society – to make the economy work for people rather than have people working for the economy and effectively the interests of a small elite.

The case is made on sound economic reasoning backed by evidence. The critical problem is to bring about the political will and support for change. To do so is very difficult. As the Commission points out Trade Unions are no longer as powerful as they once were and the high level of inequality in society means that while real wages have fallen for the majority of working people many people, depending on social identity and geography, still have secure, comparatively well-paid jobs they enjoy and with the increasingly fragmented world of the media are perhaps unaware of the extreme suffering experienced by others.⁶ Moreover, most of the progressive changes identified by the Commission relating to labour market regulation, trade unions, working time, widening opportunities and the gender pay gap have come as a result of belonging to the European Union. Likewise the proposals for greater cooperation between the social partners reflect the European

⁴ See GMB (2018) 'Amazon Firms Face Legal Action'. Available at: <http://www.gmb.org.uk/newsroom/amazon-firms-legal-action>

⁵ ITUC (2016) *Investing in Social care*. Available at: <https://www.ituc-csi.org/investing-in-the-care-economy?lang=fr>

⁶ The BBC Play for Today Cathy Come Home in 1966 seen by a large TV audience had a profound impact on the way homelessness was understood. The contemporary parallel is perhaps Daniel Blake but would have been seen by a much smaller audience.

Social Model which has been resisted in the UK. By contrast, the free market utopia promised by the hard line Brexiters promises to be a very stark one in which the implementation of the IPPR's transformative recommendations sadly seems highly unlikely.

Diane Perrons is Professor Emerita in Feminist Political Economy at London School of Economics and Political Science. She co-directed the LSE Commission on Gender, Inequality and Power and is on the Policy Advisory Group of the UK's Women's Budget Group.