Martin Prosperity Institute

Take Aways from the Innovation for Jobs Summit, 2015

Rotman

Take Aways from the Innovation for Jobs Summit, 2015

The middle class in the United States is no longer the world's wealthiest; its share of national income (US) has fallen and related wages are stagnant. According to the Center for American Progress, the cost of middle class "security"—child care, higher education, health care—is growing. In 12 short years costs increased by $10,000.

This is alarming, as the median household measures to what degree the 51st percentile household is participating in society's economic growth. As fewer participate in economic growth, the risk for political, economic, and social unrest grows. Some argue that America's constitutional democracy is going to collapse, but they focus on the political process, not the underlying principle that a democracy only works if people believe it affords them opportunity to create and capture value.

Add to this the ability of business to replace labor (what Andrew McAfee and Erik Brynjolfsson named the "race against the machine") with machines, and we can all agree that "Houston, we have a problem."

Unfortunately, there's no "Houston" team to call for help. It's up to us to innovate what happens next.

In the past few years a collaborative effort focused on "Innovation for Jobs" has been mulling over this problem. Most recently, a group of about 50 representatives from business, education, and policy, co-hosted by Vint Cerf (father of the Internet), David Nordfors (IIIJ) and Steve Jervetson (Venture Capital) gathered again. Most had been involved before, with about 20% of the group (myself included) new to the deliberations.

81 content-laden emails were shared in advance of the agenda, giving participants lots to chew on.

Everyone agreed on a few core tenents:

- Interconnectivity changes the economy, just as different levels have in the past.
- The innovation economy creates value in the form of products or services, but it is not necessarily tied to jobs. Many of the efficiency advancements the Internet provides do not create net new jobs.
- If we can learn how to harness it, there is enormous untapped potential in global resources.

Key Discussions:

I. The economy is a reflection of the infrastructure.

Currently, the economy built around jobs, reflective of a time when stability ruled, respectability was tied to the caliber of organization you were affiliated with. It was fundamental way in which value was created in the Industrial Era.

In the Social Era, "work" is increasingly separate from jobs. Jobs are a relic of industrial era dynamics workers, where it relied on "qualified" people to perform a specific and named/scoped task. While it's clear there are still many parts of our economy that need defined "jobs", some vast percentage (estimates range from 25% to 40% of the current labor market) is a variable role in the US. "My father had one job in his life," noted Robin Chase. "I'll have six jobs in my life. My children will have six jobs at the same time."

Geoff Moore added some framing:

- *Jobs* are income-producing relationships between an employer and employee where income is exchanged for a characteristic type of work. It's especially an asset in creating stability in an economy.
- *Work* is a value-adding behavior that changes the state of something in the world.
- *Income* is a source of funding for life's needs and wants. While many wanted income to be reliable, it's clear that's a different axis.

Esko Kilpi explained that he and his colleagues define work as an interaction between interdependent people. If one thinks this way, then value creation changes, because it always take place in relationships, and not just in a relationship between an employer and an employee.

Bottom Line: Work ≠ Jobs. Yet we need to find a way to grow work and capture value from working.

II. We actually have a talent shortage.

In a talk at BCG, Rainer Strack's says we have a $10 Trillion talent shortage. David Nordfors notes a $140 trillion untapped market for jobs. The key in taking advantage of this shift is the role of the individual, not the organization. Sandeep Sander suggested the key is to have individuals take responsibility for their own ability to create value; the question is, how to enable this? One ongoing conversation has been about the role of "multiployment"—where one can work for multiple organizations at a time, globally. Note the shift though in frames:

Organization centric ⇨ Customer Centric ⇨ Individual Centric.

III. How will work not be commoditized?

If you accept that disruptions will continue to commoditize work, then, what pattern does that follow? Is it like industry components where something starts as a "premium" and then flows into commodity over item?

Geoffrey Moore (of *Crossing the Chasm* fame) offered a framework for this assumption, suggesting that individuals could also *enter* the market from the "commodity" role and grow. Starting as a freelancer for Uber, for example, they grow their capabilities, and ultimately go upstream to be a private driver. Or, as is possible with 99 designs—start with a logo for a startup, and become their main designer over time.

This is how people go from doing commodity services to "meaningful work", the way you can use judgment and creativity. Doing so makes your work less likely to be replaceable thus, it's an important factor given the prosperity issue the middle class faces. It did not come up in the session that since 1950–2010, the percentage of the workforce that utilizes independent judgment has been left flat. And yet a shift in that percentage (from current 33% to say 50%) would make a significant difference in prosperity.

IV. Organizations used to be central to value creation. Advantages from 1970s–2000's relied on firms having some kind of competitive frame vis-à-vis other players in their marketplace.

Robin Chase suggested that this organizational central model will be displaced by platform-centered models which will be the dominant model of value creation/advantage. But who will benefit? Right now, she argues, some models enable only a few VC firms + entrepreneurs to benefit. Those building value in the network are disproportionally not benefitting from the value creation they created. She sees this as a key tension to discuss/address.

The goal of the discussions was not to get to a single decision, but to turn over the rock of the ideas. I captured my own take of five radical adjustments needed, if there is to be innovation for jobs.

1. Education Reform.

Byron Auguste says that it is ten times as costly as was 20 years ago to get an education. This poses a huge barrier to job mobility. He gave an example of an administrative assistant who is at the top of her game yet cannot get another job today because the minimum requirement now include a Bachelor's degree. She loses her ability to move on. He said examples like this add up, and have caused a 25% reduction in job mobility and thus wage deterioration.

The remedy is not just a post-secondary education reform, but also a three-fold approach to educational reform: primary and secondary education continues to pump out kids ready for the industrial age of work (easily replaced by machines); it is not teaching creativity or independent judgment skills. Post-secondary systems of education are "overcharging" for that value they are delivering; yet they are still necessary because they are the credentialing system that reduces the search cost. He characterized this higher education juggernaut as the "toll charge on our economic growth". (MOOCs, while often hyped, are not the answer. As Esther Wojcicki notes, "You need human interaction to be able to learn anything.")

Learning no longer stops at post-secondary systems; we need to find ways to allow for lifelong learning to take place.

2. Healthcare access needs to be tied to person, not organization.

3. Childcare needs to exist to allow people (not just those who can afford a nanny, etc) to easily re-enter the workforce.

4. Payment systems that allow for micro payments will let peer to peer economies thrive. It's implied in Esko Kilpi and Robin Chase's comments. If peer to peer exchanges need to work, then we need a way to do micro payments.

5. Organizations need to be reinvented to allow all types of talent to be included, not just the credentialed.

Finally Bill Davidow of MDV ended his comments with let's "create as many opportunities for the many as the Internet has created for the few." Now that's something worth considering.