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From the News: “Global Leaders to Reach Agreement on a New Stakeholder Model”

After 10 years of intensive debate, the recently established Group of 40 adopted the Agenda 2040 in its meeting yesterday to promote a new, sustainable way of doing business. Bringing together governments from the richest 40 countries in the world, the G40 sets up several principles initially put forward by the 2019 Business Roundtable of the CEOs of major American companies who led the call for a shift to a stakeholder capitalism model.

A fundamental guiding principle behind Agenda 2040 is the use of legal innovations around blockchain technology that has become a business standard over the last 10 years in many areas. Whether in supply chain management, e-identity, or international payment systems, blockchain has become the industry norm. With Agenda 2040, governments hope to lay the ground for cross-system standards that help regulate existing contractual relationships while at the same time ensure that international legal norms, such as labour rights, are properly protected. The stakeholder business model enshrined in these guidelines adds several important elements that will strengthen business leaders’ incentives to take a more holistic view of their companies and to integrate different interests into their strategic outlook.

Advanced economies among the G40 group hope that with these new principles, a more equitable sharing of gains from technological dividends, especially in the digital economy, can be achieved. Rewarding consumers for their data is expected to be strengthened by the Agenda 2040. Emerging countries, on the other hand, place their hope in stronger...
recognition of the wealth of natural capital they have to offer as well as more substantial incentives to improve working conditions, both of which are highly valued by the guiding principles that make up the Agenda 2040.

Governments in their final statement at the last G40 summit expressed hopes that this new Agenda 2040 will finally produce the shared prosperity for their countries that current technologies have promised for so long.

(From the Global Legal Chronicle, Cancun, 15 May 2030).

2 The Pendulum of Global Wealth Has Swung Back

A decade ago, the global balance of economic power seemed to shift away from advanced economies to emerging ones. Now in 2030, a decade after the COVID-19 pandemic swept the globe, advanced countries, spearheaded by the United States, have once again consolidated their position in the global economy. The health crisis wiped out the development gains that emerging and developing nations had slowly accumulated following a period of economic liberalization and globalization that had started in the late 1990s. Large emerging economies such as India, in particular, saw a significant set-back in their quest to improved living standards. Global income distribution had been dubbed the “global elephant” as a large middle class emerged in less well-off countries in the 2010s. With the changes that occurred over the last ten years, however, income distribution started to resemble the traditional (inverted) income distribution pyramid again, underscoring the idea that the richer you are, the faster you grow (Milanovic 2020).

Yet, it was not so much that economic growth accelerated in the small number of OECD countries. Instead, emerging and developing countries saw their growth rates slow during the crisis, and they were unable to find their way back to precrisis levels. The pandemic erected barriers to growth that stymied a global convergence in living standards. Growth rates did not recover much in advanced economies either, and the impression of accelerating technological progress remained confined to sectors that benefited from investment in information and communication technologies.

From the vantage point of 2030, new technologies neither delivered on their promise to boost aggregate productivity significantly nor did they act as an equalizer. Over the last decade, technology continued to become an integral part of people’s lives, but it did not lead to the massive restructuring that many had expected. Virtual meetings over smartphones or computers have become a standard way of communicating without replacing more traditional meetings and conferences. Tracing apps, from goods to people, have become routine, whether to know where your shipment is or whom you might have been in contact with. Indeed, the pandemic helped establish new standards and protocols that struck a balance between public policy and privacy concerns. Earlier fears of massive rates of unemployment due to technological advances did not materialize but neither did the wave of technological innovation bring substantial productivity gains. Instead, we have found new ways of keeping our workforce relevant, providing it with the necessary skills to use the latest tools and apps. This has helped to keep them in the labour market but did not deliver massive gains in income or living standards.
Some promising trends are emerging but have not yet developed their full potential. For instance, cryptocurrencies and their underlying technology, blockchain, have disrupted supply chain management over the past 10 years. The pandemic in 2020 also helped to promote this trend. Nevertheless, the potential of cryptocurrencies and blockchain to produce a better, more efficient allocation of scarce resources, thanks to digitally defined property rights, remains unrealized. The hype over the potential of artificial intelligence made way for disillusionment as gaps in regulatory governance and legal challenges prevented a more comprehensive adoption of potentially path-breaking technologies. The world in 2030 has turned out to have more gadgets with few gains.

This first chapter sets the stage against which these technological changes have been taking place and discusses some of the other concurrent megatrends. Many of these trends were already visible in 2020. Demographic shifts, accelerating climate change, and a (partial) retreat from globalization were already in the making when we entered the last decade. New challenges emerged as the decade unfolded, but most of them were grounded in these deep-running trends. Disenchantment after the hype over the potential of artificial intelligence arose quickly as new technologies faced significant technical shortcomings and regulatory barriers. And after two global crises, most states lacked the capacity to instigate new, innovative changes. Instead, in many countries, civil society organizations emerged, but their combined ability to act has not increased sufficiently by 2030 to substitute for what state institutions were not able to deliver. Let us explore the path that we have taken over the last 10 years and discuss what obstacles we have faced and how we overcame them. Let us also look at the challenges that we still need to confront. Let us look back at our journey to 2030.

3 Global Growth Has Slowed, Not Least due to Demographic Challenges

Global growth has slowed as major economies drew back from globalization and struggled with their ageing populations. As a result of these developments, the decade between 2020 and 2030 only saw a lacklustre expansion of production and incomes despite an initially rapid recovery from the pandemic-induced recession.

Investment remained flat, mostly owing to high uncertainty and depressed demand in the first half of the decade. Reduced consumption, especially in services, led to a decline in production, which induced further job losses. Firms that survived the COVID-19 crisis took the opportunity to automate their processes, making the recovery job-poor and doing little to stem the unemployment rates in developed countries and informal employment in developing ones.

From the United States to China, from Germany to Japan, most advanced economies, and some emerging ones, started to struggle with ageing populations (see Fig. 1). Most developed countries saw a rise in their silver economy as the rising number of older people expanded their demand for care services. On the other hand, the pandemic had brought significant disruption to other services, wiping out a large
part of job-intensive activities. Moreover, rising dependency ratios continued to strain welfare systems and fiscal budgets as more pensioners demanded health care at the same time as fewer earners paid into the system, further depressing economic growth.

The faltering demographics in these countries did not only affect the growth and composition of consumption. It also had a direct impact on the provision of essential services. As more of the workforce retired, shortages of labour reappeared over the past decade. This shortage is more pronounced in sectors like health care that are seeing growing demand. As the labour force participation rate declined, the burden of performing existing work fell to fewer people intensifying questions about a work-life balance and quality of life. As a consequence, women’s labour force participation rates started to decline again over the past decade as the burden of taking care of elderly relatives fell disproportionately on them.

These labour market shortages were not compensated by a fast-growing youth population in developing economies over the 2020s. The rising population in countries such as Nigeria and India has been straining infrastructure and public services—from utilities to health care and the provision of quality education and skills training—preventing these countries from reaping the full benefit of their demographic dividend. In addition, the pandemic caused significant collateral damage to international migration, preventing labour supply from evolving more in sync

![Fig. 1 Population pyramid—2020 vs 2030. Note: the chart compares the relative size of different age groups for men and women between 2020 and 2030. Age group shares are measured with respect to the total population size for men and women separately. Source: https://www.populationpyramid.net/world/](https://www.populationpyramid.net/world/)
across countries and continents. Overall, even though demographic development in low- and low middle-income countries has been more dynamic than that of advanced economies, it has not provided sufficient stimulus for global growth, having had little impact on the world economy.

The reallocation of jobs across industries and occupations, accelerated by the pandemic, constituted a further drag on economic growth. High value-added services in tourism and transportation have since been replaced by more local, domestic consumption. Protectionism, already a concern before the outbreak of the pandemic, has become more fervent. Global supply chains have become more fragmented and complex as firms attempted to limit their exposure to a single supplier. This trend has, however, reduced efficiency gains from international trade and specialization. Activities that were hitherto offshored to emerging and developing countries in an attempt to save on labour costs have now been brought back, thanks to flexible automation, to protect against disruption in supply chains. Such reshoring, although limited in size, has prevented emerging countries from further technological and capital transfer, which is much needed for their continued development. Even though most economies have since returned to a more stable growth path, productivity gains remained meagre, and global living standards in 2030 barely exceed those of a decade ago.

One important consequence of the continued low growth over the last decade was a further increase in inequality. The labour income share, measuring the sum of all wages and earnings distributed in an economy as a share of national production, continued its downward trend in most major economies as labour markets struggled to recover from the severe hit they took in 2020. Personal income distribution also became increasingly skewed, with a few billionaires reaping large gains from their investment in selected, fast-growing industries, especially around digital technologies.

4 Job Market Challenges Prevail... Amidst Some Green Sprouts

The pandemic undid most of the meagre gains in jobs and earnings that had been hard-won prior to 2020. Since then, several forces that accelerated the destruction and reallocation of jobs continue to weigh on a full labour market recovery, not least the fallout from the pandemic, automation, and climate change. A key barrier to a successful transition is the lack of sufficient public resources to address and accompany these shifts.

With slow growth and strained fiscal budgets, governments across the world have struggled to provide their populations with sufficient public services necessary to assist them in their labour market transitions, a trend already visible before the crisis (Alvaredo et al. 2018). Workers who lost their jobs due to accelerating automation in the aftermath of the pandemic could not rely on sufficient support to transit to new occupations through education and reskilling programmes. The transition to clean energy sources or simply anaemic growth further limited their success in finding
alternative job opportunities. Certain occupations were particularly hard hit, as were people who lacked the right competencies to shift out of their previous job profiles. In particular, many medium-skilled occupations proved to be dead-ends, out of which a career switch proved exceedingly difficult (Del Rio-Chanona et al. 2020).

Skills gaps widened further as young people struggled to enter or complete education, partly as a consequence of school closures during the pandemic. Even after the immediate health crisis had been overcome, governments struggled to provide education and skills to the growing number of job seekers. Private sector initiatives that promised to fill the gap mostly targeted the lucrative high-skilled workers transiting between jobs. This exacerbated the mismatch between the requirements of existing jobs and the labour supply, even as the economy struggles to generate enough employment for the growing cohort of labour market drop-outs. In developed nations, a shortage of labour resulting from an ageing population was compounded by insufficient reskilling and upskilling of prime-age workers despite increasing attempts to find innovative solutions for lifelong learning. In developing countries and despite their growing populations, insufficient investment in education and training continued to exacerbate a lack of skilled personnel to supply talent for higher value-added sectors. In addition, these countries faced severe brain drains as “qualified migrant programmes” invited skilled and credentialed workers from developing countries into developed ones, thereby causing the most skilled workers to leave. The compensatory income flows through remittances is an essential source of income for many families in these countries but provide little to support long-term economic prosperity as they are mostly spent on consumption rather than on building assets (Chami et al. 2018).

Climate change caused additional strain on labour markets, especially in many developing countries, where a large percentage of the population still relies on agriculture for employment. Rising surface temperatures meant worsening working conditions, especially for all those who are working outdoors, such as construction, mining, or agricultural workers. The resulting heat stress was particularly severe for workers in countries that could provide little infrastructure to protect against the rise in temperatures (Kjellestorm et al. 2019). Possibilities for workers to move to milder climates were often prevented due to tightening migration laws despite obvious mutual benefits.

The costs of insufficient job creation, however, were shared unequally across different labour market groups. Besides young people, women faced a particularly challenging jobs decade. Partly as a result of the shock brought about by the pandemic, barriers to entry for women to the labour market went up again. The restructuring of global supply chains meant less demand for (female) employment in apparel and footwear in many developing and emerging economies. Moreover, even though the awareness for women’s rights continued to grow over the 2020s, gender norms and biases continue to relegate women into low-level jobs in many parts of the world. As working conditions deteriorated further during the crisis at the beginning of the decade, for many women, the trade-off of working in inferior conditions was no longer worth it, and they decided to drop out of the workforce instead. In addition, those developing countries that saw an increase in their per capita incomes
experienced a particularly sharp decline in the rates of female participation in the labour force. Rising incomes allowed second-income earners (mainly women) to leave the labour market and allowed young women, in particular, to stay longer in education. Other culprits include migration and the nuclearization of families where there are fewer women in the household to contribute to domestic work.

Green sprouts started to appear at the end of the decade. Despite the skills gaps and mismatch, education levels did continue to rise across the board; however, this was simply not fast enough. This increase in education levels has benefited mainly (young) women. In advanced economies, the share of highly educated women has caught up to or even exceeded that of men, and gender pay gaps gradually declined but have not yet disappeared. Educational gaps between men and women continue to be larger in emerging and developing countries but are closing there as well, especially among those countries with ambitions to catch up to advanced economies. Even in countries and regions where traditional role models continue to be prevalent, the rising educational achievement of women has strengthened their role in the labour market. This is exemplified by Saudi Arabia that managed to implement major milestones of its Saudi Vision 2030 enacted back in 2016.

5 The Nation-State Returned to the Commanding Heights... Exhausted

The previous decade had started with a novel experience: Concerns about the state of the economy were demoted in favour of public health considerations. More importantly, policymakers had been swift in recognizing the extraordinary challenge the situation represented to maintain existing lifestyles and provide substantial lifelines. This included not only major state guarantees to businesses and monetary and fiscal support measures but also considerations to bring back large parts of the economy under the protection of the (national) state, essentially reverting three decades of neoliberal state disengagement of the economy. In other words, we were observing a return of the state to the commanding heights of the economy, last experienced in the aftermath of the war economy of the 1950s.1

But this return of the state came at a price. Two major socioeconomic crises in less than 15 years left many advanced economies exhausted. Economic resources that were meant to improve infrastructure, education, and health care were diverted to keep the economy afloat. The funds were used to provide minimum income security to those most in need and to pay back the large amounts of debt that had to be piled up to address the previous crises. The situation looked even worse in emerging economies where lack of capacity to respond led to a much deeper crisis, with little room to recover quickly. Ten years after the crisis, most of the countries in the Global South have still not made up for the loss in livelihood and jobs that they

1https://www.pbs.org/wgbh/commandingheights/hi/story/index.html
had lost during the global pandemic. And many only survived, thanks to the support from the international community through debt restructuring and donor aid.

Piling up debt to respond to the crisis was not a free lunch. Indeed, much debate during the previous decade focused on the merit of paying back this debt or trying to grow out of it. As growth did not pick up and inflation did not accelerate, it became increasingly clear that only a conservative management of public finance and hence a continuous reduction in public debt through fiscal savings would allow countries to have sufficient ammunition to address another economic slowdown in the future. Resilience, thus understood, became the mantra of the decade and created a further drag on economic growth. More importantly, choices made on how to repay the debt caused significant spending constraints. Only infrastructure, education, and non-essential health care or innovation spending could be easily cut back but with adverse consequences for growth and productivity potential that would usually have been boosted by such public investment.

The pandemic also accelerated the debate on the right institutional model and on institutional innovation that opened new avenues, albeit often in diverging directions. The return of the state had offered openings for a neo-authoritarian approach. Initial experiences in China, South Korea, and Israel had seemed to suggest that a strict, centralized approach to disease management, together with the detailed tracking of large proportions of the population, offered an efficient way of limiting the outbreak and further spread of the virus. As the crisis unfolded, however, decentralized and democratic approaches demonstrated their strength in finding tailor-made, country-, region-, or even city-specific answers to both the health and the socioeconomic crisis. Both models showing merit in different phases of the crisis, the world came up even more polarized regarding their institutional set-up: Democracy vs command control is no longer only a philosophical question but shapes geopolitics and our multilateral system and depended largely on the conditions found prior to the pandemic.

Another institutional innovation that was born out of the crisis and that has started to develop into a new, powerful instrument of the state is sovereign wealth funds that were set up out of necessity to deal with the crisis. Indeed, one of the key challenges at the beginning of the crisis was to ensure that economic supply would not collapse. Many small- and medium-sized enterprises but also big companies in transportation or tourism would not have survived without the helping hand of the state. To avoid overburdening these companies with debt, many countries resolved to setting up funds similar to the German Stabilization Fund that took equity stakes in companies in exchange for support. As these funds matured and economies recovered, their managing boards decided to enlarge the portfolio of companies in which they invested, mostly to direct their investments towards digital companies, benefiting from the extraordinary capital gains and returns these companies offered. As we enter the fourth decade of the century, these sovereign wealth funds have become an essential tool both for macroeconomic stabilization management and for regulating the microeconomy, notably in digital services.
6 Major Challenges Have Remained Without an Answer

Despite the return of the strong state, whether in its authoritarian or democratic form, major global challenges have remained largely unaddressed. Climate change, ramping urbanization, and the adverse consequences from ever-increasing digitalization have yet to be resolved. Working poverty, informal work, and poor working conditions continue to be widespread and have even increased in many parts of the world. To a large extent, the challenges to the multilateral system that the global polarization over the last 10 years has created prevented political energy being directed towards these challenges.

Take climate change, for example.

The greater incidence of natural disasters, changing weather patterns, and fluctuations in temperature are not one-off events, but unmistakably the effects of intensifying climate change. Restrictions following the pandemic that struck the world in 2020 led to a sharp decline in economic activity, trade, air, and other forms of travel. This made a significant dent in carbon emissions, but as the crisis subsided, these activities resumed. The pandemic reinforced the belief that coordinated action across countries, to counter global challenges such as pandemics and climate change, is both possible and necessary.

Nevertheless, attention to climate change remains fickle at best and varies across countries depending heavily on the nation’s respective level of development. In developed economies, public awareness has fuelled a decline in consumption-based emissions, but the outsourcing of emission-intensive production to developing and emerging economies offsets these gains (Jiborn et al. 2020). Production and growing populations in developing countries demand more energy. In many of these countries, renewables such as solar and biofuel expanded, but dirty coal continues to be a key source of energy. Managing the transition from carbon-based fuels to clean fuels, particularly in terms of the associated employment shifts, has proved to be challenging in both the developed and developing worlds.

The consequences of this slow transition towards a low carbon emission economy are increasingly visible. Over the last decade, climate change has increasingly disrupted economic activity. It has had an adverse impact on infrastructure and logistics, upsetting tight production and delivery schedules in value chains. This, in turn, prompted a quest for flexibility on the part of suppliers to be able to adjust their workforces and inventories to climate shocks.

From rising sea levels and floods to draughts, fluctuations in climate are also making agriculture untenable. Water, in particular, has become a scarce and precious commodity, even more than in the past. Animal husbandry has become more challenging as feed and water for animals are limited. In the developing world, this has had an adverse impact on the economic participation of women as they tend to be the caregivers for animals. Against this backdrop, more people are in search of nonagricultural livelihoods, mostly in urban areas, adding to labour market challenges there.

In response, policymakers have placed greater emphasis on cultivating nonagricultural rural livelihoods in recent years. One way is to capture more of the
processing end of the value chain rather than focusing on cultivation. This effort to spur economic activity outside land-strapped metro areas is also accelerating urbanization in an attempt to limit land flight by transforming rural areas to become more urban (Mukhopadhyay et al. 2020). Nevertheless, with agriculture becoming more challenging, the search for different livelihood options continues to fuel migration into urban and peri-urban geographies, intensifying urban sprawl. The two trends together, morphing places and migration-induced urban sprawl, mean that urbanization has proceeded at breakneck speed, albeit without creating jobs at the same pace.

Technological shifts also impacted working conditions.

At the start of the last decade, many had hoped that the digital revolution would facilitate structural transformation and bring substantial improvements in aggregate economic productivity by moving employees into high-skilled, well-paying occupations. Yet, digital tools did not bring the expected productivity gains. First, shortfalls in complementary public infrastructure investments in (city) transportation, communication, and waste management stymied the scaling up of private sector development, especially but not exclusively in emerging economies as demonstrated by ongoing infrastructure shortcomings in Germany, Italy, or the United States. Second, machine learning applications that focused on improving productivity in routine and repetitive tasks saw gains quickly eroded by an increasing amount of red tape and compliance-related activities. Third, over the course of the last decade, digital-only innovation ran into sustainability concerns as the energy hunger of digital devices quickly outstripped the available energy from renewable sources.

Automation helped manufacturers by offering higher rates and volumes of production. At the same time, it also disrupted the developing world’s traditional advantage in labour-intensive manufacturing. A few developing countries are still trying to fend off automation in manufacturing by exerting downward pressure on wages and working conditions, but this also bears an adverse impact on aggregate demand. Moreover, trade protectionism, compounded by the lasting effects of the trade shocks emanating from the global pandemic in 2020, has made it impossible for other parts of the world to emulate the success of the Asian export-led growth model. Notably, countries in sub-Saharan Africa, already excluded from many processed goods industries at the beginning of the decade, have continued to face challenges in moving up the economic value chain.

In the absence of the conventional trajectory of leveraging labour-intensive production for economic growth, some nations tried to cultivate a technology-enabled knowledge economy focused on the tradable service sector to yield new jobs, for instance, in business process outsourcing, that are offshored from the Global North (Galperin and Greppi 2019). However, the lack of sufficient investment in building human capital to support the growth of the knowledge economy prevented many developing countries from benefiting from such jobs. Instead, location-based services in the gig economy have seen much faster growth in the developing world than the knowledge economy.

Meanwhile, the developed world has also seen growth in location-based service provision in the gig economy. It also dominated high-end trade in sophisticated knowledge products that demanded a high degree of innovation, education, and
skills. Growth in many advanced economies has continued to decline, in large part due to declining demographics but also because the promises of new technologies have not manifested themselves as expected.

New technologies have continued to enter the market, with a strong focus on surveillance technologies, be it in public spaces or at the workplace. This was particularly evident when teleworking became more widespread as a result of the pandemic. To ensure close monitoring of performance while not sitting at a traditional workplace, managers started to use more and more remote control technologies, especially in advanced economies where digital devices have fully invaded both public and private spaces. To a certain extent, this created a sense of semiautonomy for workers as their compliance would be monitored by machines rather than through managerial oversight. This allowed for a more flexible set-up of work organization and production but did not raise individual productivity, as true autonomy was not granted. On the contrary, surveillance backlash led many individual initiatives to restore privacy by manipulating the system and limiting the intrusion of these tools in their private lives. A new leadership style, commensurate with the digital technologies that have matured over the last decade, is yet to diffuse more widely, even though some of the contours of what such “digital leadership” could look like have already emerged.

Sustainability increasingly became a concern with digital transformation. At the start of the previous decade, the electricity bill of all connected devices in some (advanced) countries already stood at more than 6 per cent of the total electricity consumption. As smartphones also became a common good in developing countries, a parallel development was observed there as well. Cloud providers and high-speed computing centres further added to the energy bill over the past 10 years, quickly outstripping the amount of renewable energy that was deployed over the same period. Significant improvements have been made in coding and software development, which helped limit the increase in energy costs. But the hunger for data has increased unabatedly, leaving countries to face an “AI trilemma” between sustainability, productivity, and inequality (Ernst 2020a).

7 Resilience: A New Policy Consensus

Against this background of broken dreams that the last decade brought, a new policy consensus has started to emerge: shared prosperity instead of winner takes all, social resilience instead of hyperefficiency, and sustainability instead of short-term gains. Debates that had already started at the beginning of the decade under the heading of a “Great Reset” eventually led to a general recognition that economic efficiency alone is insufficient for countries to enter a sustainable and inclusive path. Societies need to be able to cope quickly and effectively with emerging threats and to reap unexpected opportunities. As some observers have aptly put it, one needs to leave money on the table to survive.

Rather than trying to optimize individual social systems, whether it is health care, education, transportation, supply chains, financial markets, etc., business leaders and
policymakers have started to recognize the importance of seeing these systems as interconnected. Optimal policies and strategies have been replaced by robust ones: Policies and business strategies need to internalize the risk of potential systemic failures (Ernst 2020b).

The experience of the global financial crisis (2008/2009) and the resulting instruments to deal with it proved to be useful in this context. Systematic stress testing, scenario analysis, and the investment in surplus capacity, such as additional hospital beds, medical equipment, or a decentralized system of suppliers, became common practice in many areas. The complexity of managing these systems would not have been possible, however, without the technological improvements that we had seen earlier in this century. Providing the right balance between resilience and efficiency has remained a challenge that needs constant readjustment.

Revamping global supply chains constitutes a telling example in this respect and has occupied business leaders over the past decade (McKinsey 2020). The experience of a sudden breakdown of the supply of essential parts made many realize how vulnerable their supply chains were even to local shocks. Businesses reacted in two ways to this challenge: New technologies were introduced to bring some production home, a trend that accelerated from the previous wave of reshoring. Smart, localized production accelerated, and 3D printing was no longer confined only to top-end products but deployed to a wider range of goods.

At the same time, reshoring happened at a much smaller scale than initially feared, as many companies opted for a diverse network of suppliers. New network management tools blossomed, thanks to the ingenious use of AI-powered algorithms that helped to manage such a complex network and anticipate potential risks to disruption. Additionally, it provided opportunities for new players to enter the system, especially from those countries that were previously less connected to global trade. China no longer dominated the production of rare earth metals, and basic manufacturing could now also be shipped from Nigeria, where wage costs remained significantly lower than in emerging Vietnam or other East Asian countries. Being able to organize and coordinate a decentralized network of production sites rather than a linear supply chain was the key breakthrough of the 2020s, of which we are reaping the full benefits only now.

This new (policy) strategy paradigm has started to look at both efficiency gains and system-wide resilience. Regarding the provision of health care, for instance, policymakers have started to look beyond the ability of their country’s ambulatory and hospital services to deliver on day-to-day operations. Instead, they now also assess the capacity of the medical supply chain to react to situations when unforeseen shocks arrive. Change has occurred in other (policy) areas as well, for instance, as in regard to the design and implementation of labour market policies: Active and passive labour market policies do no longer only integrate the costs and benefits of promoting occupational transitions under normal circumstances. They now also assess the costs to society for lost opportunities due to bottlenecks caused, for instance, by a lack in intergenerational mobility (Aiyar and Ebeke 2020). The opportunity costs of the absence of such transitions add important information to understand the resilience of the network of labour market transitions.
8 What to Expect Beyond 2030?

8.1 Fintech to the Rescue but New Norms and Standards Are Only Slowly Emerging

The return of the strong state triggered resistance from a movement that had already emerged at the start of the previous decade. In particular, the various libertarian traditions that structured around the emerging blockchain technology have gained increasing influence in policy circles with their vision of a “peer-to-peer” economy that would no longer require the presence of the leviathan. Governments have been keen to embrace this movement, in part because of their declining ability to deliver public goods and services. In particular, a rising participation of civil society organizations in the delivery of such goods, whether in education, environmental services, local development, or compliance monitoring, has been met with open arms by policymakers.

Despite the proliferation of such activities and their reliance on the latest technological developments to ensure impact, a lack of coordination and common standards have led to waste from parallel efforts, frictions in the delivery of public goods, and conflictual goal setting. As had already been anticipated at the beginning of the last decade, in the absence of a common regulatory framework, interoperability issues abound, and impact-oriented solutions could not be scaled up sufficiently broadly and quickly to deliver on their objectives (Geneva Macro Labs 2019). By 2025, governments finally started to pay closer attention to this issue and to develop a common understanding of possible guiding principles, which eventually resulted in Agenda 2040, a global standard for tech-based stakeholder capitalism.

8.2 Stakeholder Capitalism and Collective Intelligence

Stakeholder capitalism has become the new horizon for company strategists. Rather than focusing exclusively on a company’s owners, the shareholders, stakeholder capitalism is an attempt to bring closer together a company’s various stakeholders: customers, workers, suppliers, and the local community besides the traditional shareholders. As early as January 2020, the World Economic Forum had released an update of its Davos Manifesto calling for a renewal of stakeholder capitalism, an idea that had already been sprouted in the previous century. Behind the updated manifesto stands the premise that managers’ incentives can be appropriately directed to the common goal. As a consequence, the private sector would align its interest automatically with broader social goals, and no direct state intervention through regulation or taxation would be required. However, a major obstacle to achieve this transition remained that the existing ownership and property rights structure of a

2 https://qz.com/1284178/almost-half-of-cryptocurrency-and-bitcoin-bros-identify-as-libertarian/
3 https://www.weforum.org/the-davos-manifesto
company did not incentivize managers to move beyond the shareholder value principle (Bebchuk and Tallarita 2020).

This is why in Spring 2030, the G40 government group decided to adopt Agenda 2040, a set of principles to change the incentives for managers and adopt a stakeholder view. The time was ripe for such a shift in the policy framework. Indeed, over the past decade, management styles have shifted under the impression of more equitable and broad-based educational achievement and a greater sense of ownership, especially among younger people (Albert et al. 2019). Collective intelligence became a competitive edge for both companies and public sector organizations as the traditional role of experts and intellectuals started to wane. The general move towards more resilient policymaking is a reflection of this shift in how diverging interests and heterogeneous forms of expertise are integrated into collective decision-making, whether in the public or private sphere. As we enter the new decade, this movement has only started and will hopefully deliver its full benefits over the next years.

The new policy paradigm is not without challenges of its own. Key among the principles underlying Agenda 2040 is the idea to leverage technological developments that have taken place over the past decade, including artificial intelligence, internet of things, or blockchain, to value the input of all relevant stakeholders in today’s companies. New rights and obligations linked to valuing data, human, social, or natural capital need to be created, monitored, and sanctioned. Business leaders, customers, workers, and other stakeholders, therefore, need to develop digital awareness to understand the implications of these changes and the significant extensions of their economic and social possibilities and risks that these changes bring. Using the traditional approach, none of these investments by stakeholders were properly valued and remunerated. This caused many of the imbalances that we were faced with at the end of the 2020s. With the new principles, governments finally hope to address these challenges and help to empower their constituents towards a brighter future.

8.3 Whither Multilateralism: The Example of International Labour Standards

Policy changes also affected the multilateral system, which saw significant shifts over the past 10 years. Heavily under pressure at the beginning of the 2020s, as exemplified by the retreat of the United States from the World Health Organization, international organizations proved resilient and open to change to interpret their mandate in light of the changing conditions under which they operated. In this respect, the evolution that the framework of international labour standards took over the past decade sheds some light on the overall dynamics of the multilateral system and provides some indications as to its likely future (see box below). As we enter the 2030s, the multilateral system is struggling to remain an influential force for change.
Box: International Supervision of Labour Standards in 2030—Managing Expectations
By Eric Gravel

Since 1919, the International Labour Organization (ILO) has been contributing to progress in achieving social justice. With a view to promoting this concept, the ILO was mandated by its Constitution to set minimum international labour standards, through a process of tripartite dialogue during its annual International Labour Conference. These international labour standards were developed to provide a global system of instruments on labour and social policy, backed up by a system of supervision to address all types of problems arising in their application at the national level. Even in 2030, international labour standards remain the legal component of the ILO’s strategy for governing globalization, promoting sustainable development, eradicating poverty, and ensuring that everyone can work in dignity and safety.

Today, the ILO can no longer claim exclusivity with regard to its standard-setting functions. Nevertheless, it has retained primacy over the formulation, interpretation, and application of labour standards, not just because it can legitimately do so, an important argument in the political construction of globalization, but also because it possesses experience and expertise in this field—a crucial argument in the technocratic construction of globalization. To be effective, however, it relies on a multidimensional supervisory system that is anchored in the Organization’s standards and principles. The specific system established by the ILO to promote compliance with labour standards continues to be considered as one of the most developed and effective and is often regarded as quite unique on the international stage.4

Despite its high esteem, the number of new international labour standards has continued to decline over the past decade, as has the rate at which existing ones were ratified. At the same time, the Organization keeps addressing new challenges and adopts, when necessary, new instruments, in particular regarding labour issues linked to the digital economy. Is this lack of commitment for legally binding instruments at the international level a trend that is likely to continue? Looking at similar difficulties in other international fora, in particular on environmental issues, the answer could easily be yes. The willingness to ratify has declined for reasons which appear to often have less to do with ideology or the small number of topics proposed for the adoption of new standards that have a rallying effect, than with practical considerations linked to the absorption capacity of administrations, in both developing and

(continued)

4This argument was already put forward in the early years of hyper-globalization (see, for instance, Frison-Roche (2002)).
developed countries, making them less willing to shoulder the workload connected with the supervisory system and in particular the submission of periodical reports.\(^5\) In this regard, it seems clear that embracing new technologies and the use of IT tools to streamline such reporting burden will be crucial in the coming years.

At the same time, a debate has intensified as to whether the model of the ILO as a global lawmaker that imposes, through hard international legislation, a consensus reached by delegates in Geneva, should be replaced by soft law, self-regulation, and codes of practice.\(^6\) This debate over hard vs soft law at the international level is not new and had started long before 2020. But over and above the controversy between these different approaches in terms of ensuring compliance with international obligations, the past decade has shown that it is no longer enough for a rule to be legitimate and fair, nor for it to have been adopted in the legal form required by the national competent authorities following tripartite consensus through the ILO framework. It also has to be effective, which means in particular that it is correctly and effectively applied by those to whom it is addressed; for that purpose, the latter have to have judged it acceptable.

In this context, for several observers, the distinction between soft and hard law or the existence of a supervisory mechanism rather than informal monitoring should not be the key issue, as long as the various approaches have a real impact on compliance with the standards and principles laid down in international instruments. As the debate has evolved in this direction over the past 10 years, the key challenge in 2030 has become to ensure that the voluntary, reasoned agreements secured in the ILO can continue to be “its centre of legal gravity, meaning its influence on domestic laws in its member states”.\(^7\)

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\(^5\)Former ILO Legal Adviser, Francis Maupain, had already pointed out this problem some years ago (Maupain 2004).

\(^6\)See already Langille (2019).

\(^7\)See Langille (2019, p. 518); see more generally the analysis of Maupain (2013) on a certain misconception of the ILO’s role in this regard.
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