



Future of Work Issue Briefs

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters which are listed below focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the clusters.

Cluster 1: The role of work for individuals and society

- Issue Brief 1: Individuals work and society
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ISSUE BRIEF

Prepared for the
2nd Meeting of the Global Commission on the Future of Work
15–17 February 2018

#1

Cluster 1: The role of work for individuals and society

Individuals, work and society

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

The idea of an “end to work” (Rifkin, 1995) has figured prominently in discussion of the future of work. But work remains a central pillar of our individual lives, our societies, and our politics.

The ILO Constitution addresses the social role of work, emphasizing that “all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity” (Declaration of Philadelphia, Article II (a)). It is a formulation which captures the idea that work serves to meet material needs, but also has to do with the self-realization of the individual. To this may be added the role of work in connecting individuals to each other in cohesive societies: in Sigmund Freud’s formulation, work provides “a secure place in a portion of human reality, in the human community” (Freud, 1930, p. 27).

A clear understanding of the role of work for the individual and society is the necessary starting point for consideration of the future of work we want. That understanding begins by recognizing that, for a large part of humanity, work remains a question of survival, the essential means of ensuring the very basics of existence, and then of lifting people out of poverty. Encouragingly, this is well reflected in the rationale and substantive content of the UN 2030 Agenda for Sustainable Development.

From there, the conditions of work and its content become salient. A minimum requirement is that work should not kill you – although 2.78 million people die each year because of it – nor should it make you ill or disable you. Similarly, work should promote and not violate the labour and other human rights of those who perform it. If work is not simply to be endured as the price for meeting material need but to contribute to the self-realization of the individual, then its content and the way in which it is organized matter too. Purposeful activity is both the distinctive feature and a fundamental need of the human being. That is why access to meaningful work which offers a space for autonomy and creativity is so crucial, while monotonous, repetitive work and drudgery are obstacles to such fulfilment.

The individual’s experience of work further depends on how it allows for connections to others – co-workers, employers, employees – and to society as a whole. The importance of such connection is most vividly illustrated by what happens when it is broken – that is, by the devastating psychosocial impact of unemployment. In fact, work provides a whole network of connections between the individual and society: the formal connections of law and contract; the personal and collaborative connections with those one interacts with at work; the associative and communal connections that are often generated by work; the material and reputational connections which define rank and status; and the connections which define work–life balances and imbalances.

Current focus on “inclusive” and “balanced” growth and development would seem to underline the inherent need of the individual to be a part of, and to contribute to, wider social processes and goals, to do so on terms considered fair and equitable, and to do so through working.

These considerations concerning the instrumental, social and purposive role of work for the individual and society have not changed over time and there is no obvious reason to think that they will change in the future. The question is rather how current processes of change can be shaped so that work is better able to fulfil this role; what opportunities do they bring, and what risks?

This Issue Brief considers how some of the changes are impacting on the temporal and spatial organization of work. When and where we perform our work are two of the most fundamental characteristics of work in general. Historical developments have already caused these dimensions of work to evolve. They are continuing to do so, with profound consequences for the individual and society. Subsequent Issue Briefs elaborate on a number of related questions that might warrant attention to allow us to prepare for and shape the future of work we want.

How is work changing, and what are the implications for the individual and society?

Historically, technological innovation has had a profound impact on workplaces and work schedules, i.e. the temporal and spatial dimensions of work. The first industrial revolution led to the concentration of industrial workers in large units and imposed rigid working time arrangements. The advent of electric light allowed those arrangements to extend beyond daylight hours, with significant implications for individuals and society. This led to new policies, such as on maximum working hours and night work by women.

So what might a fourth industrial revolution bring? The combination of technology and policy decisions in the last decades has already promoted the interdependence of economies and the rapid inclusion of many millions of people in a single global system of production and exchange. Through “time–space compression” (Gregory et al., 2009; Agnew, 2001), this has brought people closer together in their economic interactions, in which obstacles of distance and time seemingly dissolve and give way to the immediate and the virtual.¹

Nevertheless, there is reason to suppose that the very process of this integration of production and services, at times on a global scale, can also lead to the disintegration or dispersal of the temporal and spatial organization of work, with important consequences for the individual and for society. For example, while more people are brought together in the same global production system, this has been accompanied by the vertical disintegration of enterprises as they concentrate on the most profitable core activities and outsource the rest (see Issue Brief No. 10). It has also been accompanied by the breaking up of single jobs into a series of discrete tasks.

¹ Jessop (2000) describes this time–space compression as involving “the intensification of ‘discrete’ events in real time and/or increased velocity of material and immaterial flows over a given distance. This is linked to changing material and social technologies enabling more precise control over ever-shorter periods of action as well as ‘the conquest of space by time’” (p. 70).

Work and time

The ILO's very first Convention in 1919 was on working time and set out the goal of the eight-hour working day and the maximum 48-hour working week.² It was quickly followed by another Convention establishing the principle of the five-day working week with two consecutive days of rest.³ They constitute a succinct statement of what 100 years ago was considered a socially desirable, and economically possible, organization of work. What would a corresponding statement look like today and what are the issues at stake?

A key set of issues addresses the reduction in working hours and the increased flexibility of working time.

The progressive reduction in working time is a long-standing social policy objective in its own right, made possible by improved productivity and living standards and made topical by the prospect of work scarcity foreseen by some future of work commentators. In practice, these reductions tend to be implemented as part of a package to meet the needs of enterprises for internal flexibility in the context of the 24-hour global economy, as well as those of workers to balance work and private life. They can be the subject of complex processes of negotiation and dialogue, as exemplified by the recent collective agreement in the German metal sector and the railways, where flexibility has been combined with the ability of workers to determine their own work-life balance by choosing to reduce their weekly working hours (for example, to 28 hours in the metal sector), and take additional annual leave.⁴

While increased working time flexibility is a response to enterprise needs and to workers' preferences, particularly in the search for better work-life balance, there is no guarantee that the two coincide, raising the concept of "time sovereignty": who ultimately decides and controls the use of time? Furthermore, the possibility to negotiate a reduction in working hours and working time flexibility is likely to be more limited in developing countries with weak collective bargaining institutions (Lee and McCann, 2011). The prevalence of informality and unpaid work in developing economies is also likely to preclude the choices that are increasingly on the horizon for workers in other parts of the world.

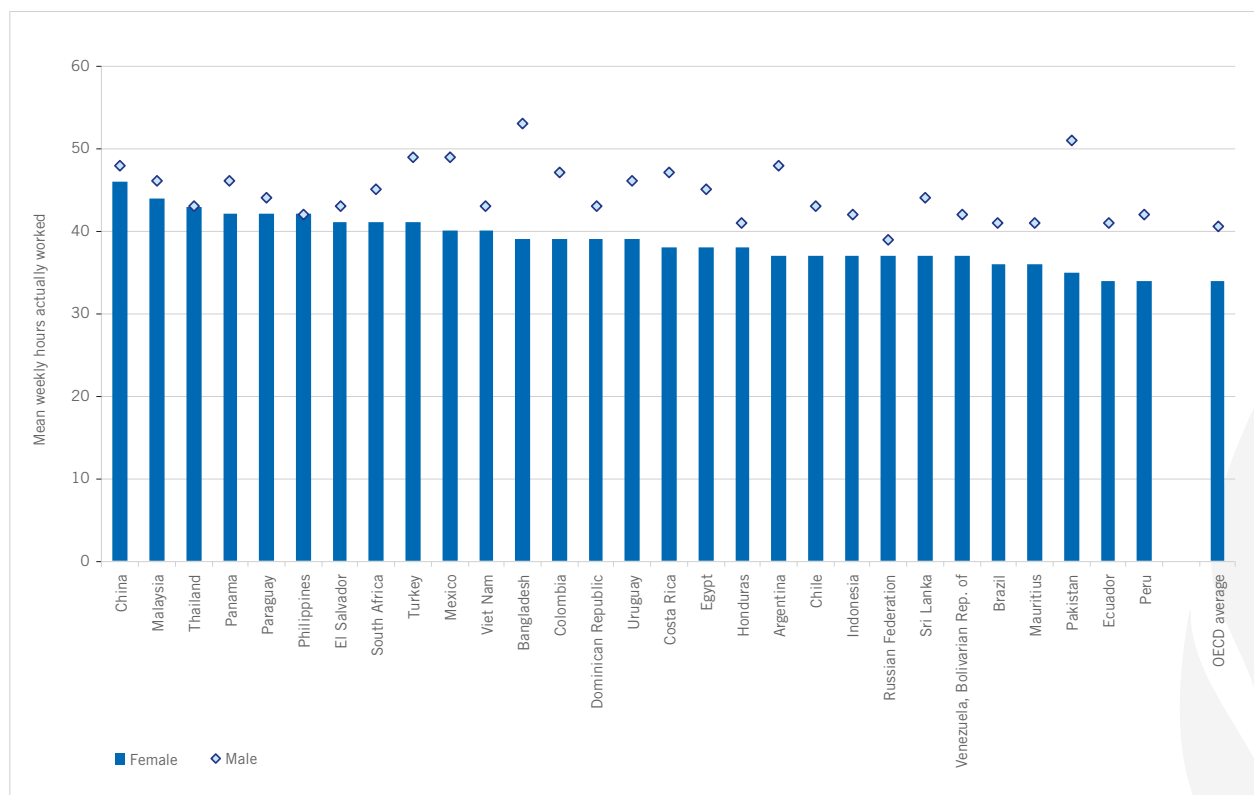
The context in which these debates take place is the very uneven distribution of working time: more than one-third of the global workforce work more than 48 hours a week and nearly one-fifth less than 35. For many in the informal economy in particular, worker preferences for more work are not realized, resulting in chronic time-related underemployment. But there is also evidence of extremely long weekly working hours in low-wage developing countries among both men and women (see figure 1). Women frequently bear the brunt of household and care work (see Issue Briefs Nos 3 and 4); when this is taken together with the uneven distribution of paid working time, the gender dimension of "time poverty" – the lack of desired free time – becomes evident.

² *Hours of Work (Industry) Convention, 1919 (No. 1).*

³ *Weekly Rest (Industry) Convention, 1921 (No. 14).*

⁴ See IG Metall's (2018) press release on the outcomes of the collective agreement signed on 5 February 2018, in force from 1 January 2018 to 31 March 2020.

Figure 1. Weekly hours of work by sex, 2016



Source: ILOSTAT and OECD database.

Note: The mean number of hours of work per week refer to hours worked in all jobs of employed persons and in all types of working time arrangements (e.g. full time and part time).

The other key emerging issue is the blurring of the distinction between working time and free private time. Changes in work organization – homework, telework, the platform economy, self-employment and independent work – give greater scope for the individual to decide when to work, when not, and for how long, the less positive corollary being the absence of some guaranteed or predictable work. And with this, there may be less clarity about when one is at work and when not. There can be advantages in being required to perform rather than be present at work, but they may be offset by a requirement to be available or contactable for work purposes at all hours. In this way the frontier between work and non-work can become more porous and the capacity of the individual to protect genuinely non-work time compromised. Questions about compensation for time spent “at work” (e.g. by checking messages) during personal time also arise. The concept of “the right to disconnect” is one response (ILO and Eurofound, 2017).⁵

⁵ See, for example, in France, LOI n° 2016-1088 du 8 août 2016 relative au travail, à la modernisation du dialogue social et à la sécurisation des parcours professionnels (1), Article 55.

Work, place and space

In the same way that change is increasingly enabling or requiring people to work at any time, it is also opening up new opportunities for people to work anywhere.

The process of globalization has redrawn the international division of labour, which will continue to evolve in response to the various factors which inform decisions about the location of production and the provision of services (see Issue Brief No. 6). Global value chains will be reconfigured (see Issue Brief No. 10), with work, jobs and tasks shifting to different locations as a result.

The fluidity of location will also be experienced by the individual at work. Increasingly, although not universally, it is becoming less necessary or advantageous to group together significant numbers of workers in large production facilities. Formal, physical workplaces and working arrangements are “fissuring” (Weil, 2014), partly as a consequence of new production models based on the increased use of contractors and subcontractors. And the diversification of working arrangements means that workers will move between them routinely rather than staying in any one for a prolonged period.

Moreover, the application of information and communication technologies allows more and more work to be done outside any fixed, collective workplace. That can entail, at one stage, offering individuals the option of working from home or some other remote location, and at another, the definitive abolition of that workplace and consequently the requirement rather than the option of working elsewhere. That is typically the case in the platform economy where, depending on circumstance, work may be done from wherever an Internet connection is available or on an itinerant basis in locations required by the demander of a good or service (see Issue Briefs Nos 5, 6 and 10).

There are evident individual and social benefits associated with such situations. Most obviously, they offer greater choice to the individual on where to live and work; they can reduce congestion and commuting time and pollution too. Additionally, in developed countries – and to some extent in developing economies as well – information technology can connect entrepreneurs to markets, banking facilities and authorities in ways which were not previously conceivable, making viable business models that previously were not (see Issue Briefs Nos 4 and 9). Internet connection equally makes possible the provision and performance of work by people in different countries, in rural and urban settings alike, offering those concerned an alternative to migration for work.

But this spatial dispersal of work, particularly when taken in conjunction with the temporal dispersal considered previously, seems likely also to have major implications for the social role of work. In the simplest terms, if work is not carried out by groups of people at the same time or in the same place, if it is performed remotely or virtually, if it is not the subject of any enduring employment relationship, then it will not likely play the social role it once had, or not do so in the same manner (see, for example, Dudwick, 2013). Work would be less associated with the sense of community, the associative behaviour, and the social interaction that comes from physical proximity and personal relationships of trust and familiarity built up over time.

The effect of this spatial dispersion of work on the social fabric remains an open question (see Issue Brief No. 12). Spatial concerns continue to actively configure labour relations – from the local to the global. It is perhaps no coincidence that we have recently observed the emergence of innovative local, and often community-based,

worker organizing strategies, in both developed and developing parts of the world (Fine, 2015; Webster, 2015; Johnston and Land-Kazlauskas, 2018). The reconfiguration of work is accompanied by changing communication practices (e.g. Facebook, WhatsApp). This virtual connectivity can have important effects on the “logic of collective action” as well as overcome requirements to meet physically. This can enhance the associational opportunities of those who might otherwise struggle to connect, including micro-enterprises, women and those on non-standard contracts (Savage, 2006).

There is much room for subjective assessment of these types of development. Some will see them as responding positively to growing individualism in society, offering new possibilities to meet personal preferences and lifestyle choices (Frayne, 2015). Others may see in them the danger of growing isolation and atomization, and a loss of identity as distances in time, space and income between individuals grow, in sharp counterpoise to the hyperconnectivity of the Internet age (for example, Supiot, 2012).

Valuing and measuring work

The idea that work plays a number of universal roles in the lives of individuals and societies – meeting material need, providing individual self-fulfilment, connecting the individual to society – does not mean that everybody wants, or expects, exactly the same thing from work, or that preferences will not change over time. If they are in a position to do so, different people will make different decisions about the trade-offs between paid work and free time, about the workload or responsibilities they wish to take on, or indeed about whether or not to participate in the workforce at all at any given time.

Therefore, changes in the world of work which offer diversity and flexibility would, a priori, seem to offer important opportunities to respond to different personal preferences. It might not be possible to accommodate those preferences within the parameters set out in ILO Convention No. 1 and the requirement to be present in a given work location for a period not exceeding a set number of hours. But equally there is no arithmetical correspondence between the diverse opportunities on offer in a given situation and the wishes of any particular person. The mechanisms and institutions required to match them up include social dialogue and negotiation, supported by certain minimum guarantees (such as a minimum wage and a social protection floor).

If the design of working life to meet the individual's well-being is accepted as an important aspect of the future of work that we want, it follows that the traditional yardstick of economic and social success, GDP per capita, appears increasingly inadequate in capturing and measuring the material well-being, spiritual development, freedom, dignity, economic security and equal opportunity which it is the role of work to promote. GDP does not measure the value of unpaid work that underpins the well-being of individuals and societies throughout the world and throughout the life cycle, the necessity of which often prevents those who perform it from exercising choice (see Issue Brief No. 3).

Incorporating all types of work, including unpaid work, and reflecting the extent to which work actually fulfils its role in the promotion of individual and social well-being in national accounting systems would therefore be an important foundation to the development of policies for the future of work that we want, as well as a key contribution to the measurement of their success.

Some considerations

The reconfiguration of when, how and where we work holds promise and peril. The implications of these changes for individuals and societies in a future of work will depend on our values and commitment to social justice, and the frameworks we develop to shape that future.

- How do we leverage changes in the future of work to meet the needs of enterprises for flexibility, and workers for work–life balance? How can we harness the productivity benefits of new technologies to progressively reduce working time in both developed and developing countries?
- In the context of the rapid spatial dispersion of work, how do we foster a meaningful role for work in our communities and society? What opportunities do new technologies present for anchoring work at the local level and creating a potentially new sense of community?
- What other measures should we rely on for more accurately measuring and valuing all work? What policies could be adopted to adequately value all work, both paid and unpaid?
- Will existing governance frameworks be adequate for a future of work with security, inclusion and equality?

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ISSUE BRIEF

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#2

Cluster 1: The role of work for individuals and society

Addressing the situation and aspirations of youth

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

Employment is more than just a means to satisfy material needs. It provides individuals with dignity and purpose, and it is ultimately a key to long-term social integration into society. During childhood and early adolescence, socialization takes place in the home and at school. During their transition from school to work, young people¹ become even more integrated into society through their employment.

This Issue Brief provides an insight into the challenges young people face as they enter the labour market, and it summarizes survey findings about the aspirations of youth. It further discusses whether young people are likely to be better off than their parents, with a particular focus on migration and intergenerational (or social) mobility.

Key findings

What challenges and opportunities do young people face as they enter the world of work?

The transition from school to work is increasingly difficult. According to the ILO (2017a), the global youth unemployment rate was 13.1 per cent in 2017. Three out of four of those who are employed work in the informal economy, particularly in the developing part of the world. Informal employment is one of the main reasons behind the high incidence of working poverty among young people (16.7 per cent). A significant number of young people are not in employment, education or training (NEET). According to ILO estimates, more than one-fifth of youth are NEET, three out of four being women.² At the same time, levels of educational attainment are rising. Young people are remaining longer in education and increasingly pursuing a work-study combination in order to gain access to the labour market.

The challenge of labour market inclusion is accompanied by a demographic shift. By 2030, the global proportion of youth is projected to decline to 15.2 per cent, while the proportion of persons aged 65+ will increase to almost 12 per cent. By 2050, it is projected that older people will outnumber the younger population (UNDESA, 2017). The vast majority (86 per cent) of the 25.6 million young people entering the labour market before 2030 will live in emerging and developing countries (ILO, 2017a and 2017b). While this provides a significant opportunity to leverage this new potential, it also intensifies competition amongst youth for the limited jobs available. The situation is different in developed countries, where societies are ageing alongside a shrinking labour force. Although an ageing population might present new employment opportunities in the care economy (see Issue Brief No. 3), it will place an increased strain on the active workforce, who will be expected to sustain social security systems (pension and health-care schemes in particular) upon which the growing number of retired workers rely (see Issue Brief No. 12).

1 This Issue Brief expands the United Nations' standard definition of "youth" (15–24 years) of 1992 and defines young people as those aged 15 to 29 years. This decision has been taken to reflect the fact that today's youth spend more time in education and also face a prolonged transition period into the labour market.

2 NEET estimates are based on a sample of 98 countries. Further information can be found in ILO (2017a).

Over two-thirds of young workers today are wage earners (ILO, 2017a). However, this labour market status does not necessarily imply job security and stability. Young workers, women and migrant workers in particular, show the highest incidence of non-standard forms of employment in both developed and developing countries (ILO, 2016; OECD, 2015; O'Higgins, 2017).³

The high incidence of unemployment and working poverty (push factors), combined with better job prospects, income and educational opportunities, and welfare systems elsewhere (pull factors), often induce young people to look for better employment and education opportunities in other countries (S4YE, 2017; Eurofound, 2016). Youth account for about 21 per cent of the international migrant stock, and 27 per cent of the migrant population of working age (S4YE, 2017). In the developing part of the world – particularly in the least developed countries – many young people are willing to migrate in order to find a job, any job. In contrast, young people in developed countries usually migrate in search of better educational opportunities and/or to find a higher-quality job.

Technology poses both risks and opportunities for youth. Technological advancement is a major driver of new employment opportunities, in particular those connected to digital technologies (e.g. in the platform economy; see Issue Brief No. 5). These advances offer a wide range of new and diverse forms of employment, which allow for greater flexibility, particularly for young people with disabilities or care responsibilities. As they do not depend on location, they provide considerable employment opportunities to youth in both developing and developed countries. At the same time, these jobs may be of poor quality, characterized by a low degree of job and income security, limited access to training and career development, and restricted opportunities for collective representation.

If these labour market challenges are not overcome, it will be difficult to ensure the future inclusion of youth in work and society. This will have serious implications not only for the young persons themselves but also for society, in terms of their prolonged economic dependence and potential isolation. This might also increase public expenditure while decreasing the young persons' engagement in and contribution to society (see Issue Brief No. 1).

What do surveys tell us about the aspirations of youth?

How do youth see the role of work in their lives?

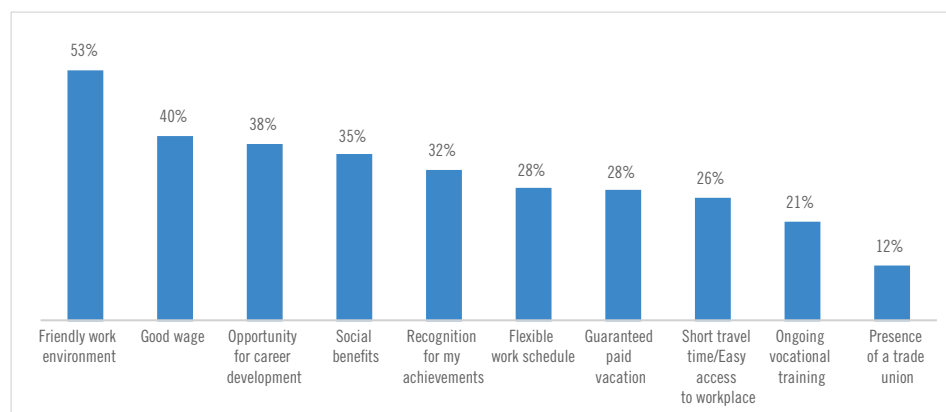
The ILO's Youth and the Future of Work Survey (YFoW)⁴ shows that over half of the young people in developed countries – and about one-third in emerging and developing countries – view their future working life with fear or uncertainty (ILO, forthcoming). Most of them live in regions with the highest rate of technological diffusion and automation (see Issue Brief No. 6). In the Arab States, youth appear more confident that technological change will create jobs, while the youth in Europe and Central Asia expect more jobs to be lost. Moreover, young people expect to have improved ways of communicating and connecting with co-workers, and to be able to continually reskill in the technological aspects of their work.

³ The ILO classifies non-standard forms of employment in the following four categories: (i) temporary employment; (ii) part-time work; (iii) temporary agency work and other forms of employment involving multiple parties; and (iv) disguised employment relationships and dependent self-employment (ILO, 2016).

⁴ The ILO's Youth and the Future of Work Survey was conducted in 2017 and collected responses from 2,300 young people aged 15 to 29 years in 187 countries. The survey is based on 45 questions and investigates young people's aspirations and perceptions on the future world of work. Despite a slight gender bias (60 per cent of the respondents were women), the survey findings roughly represent the youth population size at the regional level. The data collection efforts were complemented by a series of youth focus group discussions. Further information can be found in ILO (2017a, Annex G).

Many young people are starting their working lives in less secure and stable forms of employment. Although more than a quarter of the young respondents consider flexible work schedules to be important, they attach an even greater value to characteristics associated with more traditional forms of employment, such as good wages, opportunities for career development and social benefits (figure 1).

Figure 1. Young people's ideal job, 2017



Note: The figure reports the percentage of replies to the question, "What characteristics would your ideal job have?". Respondents could list a maximum of three characteristics.

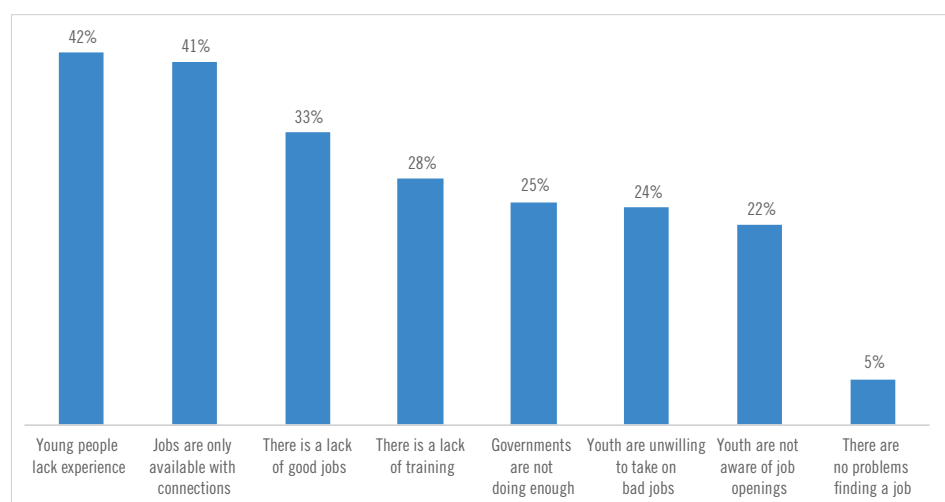
Source: ILO, forthcoming. Calculations based on the ILO Youth and the Future of Work Survey, 2017.

In terms of job security, fewer young women (12 per cent) describe their current employment as stable compared to young men (16 per cent), but they are more optimistic about obtaining a more secure job in the next ten years (women 28 per cent, men 25 per cent). The aspiration for stable employment appears as strong in the developing countries as in the developed countries (Deloitte, 2017). National surveys report somewhat contradictory results. In the Republic of Korea, for instance, almost two-thirds of youth list their top three employment options as being the government, public enterprises and large enterprise – all of which are associated with more stable employment prospects (Statistics Korea, 2015), while in Peru 86 per cent of young people report that they prefer autonomy in order to start their own business, often a start-up in the digital economy, over job security (ILO, 2017c). The quality of employment remains a major concern for youth across all regions. They are prepared to migrate permanently for decent employment, as shown by the ILO's YFoW survey and the latest Gallup World Poll (Gallup, 2016).

What do young people see as the biggest obstacle to finding work?

When young people were asked about the main obstacles to finding a job, they cited most frequently: lack of relevant work experience (42 per cent), lack of good business connections (41 per cent) and lack of availability of good jobs (33 per cent) (figure 2). Only 5 per cent stated that they had no problems in finding a job (ILO, forthcoming).

Figure 2. Main obstacles to finding a job



Note: Respondents could give multiple answers.

Source: ILO, forthcoming. Calculations based on the ILO Youth and the Future of Work Survey, 2017.

These findings are in line with those collected in other country surveys, e.g. the UNDP 2012 research report for Armenia (UNDP, 2012).

Are youth likely to be better off than their parents?

Whether young people believe that they will be better off than their parents largely depends on where they live. Surveys show that most young people in developed countries believe that they will be worse off than their parents in terms of future income prospects, while the majority in developing countries expect that they will be better off (Pew Research Center, 2017; Deloitte, 2017). In general, this optimism is driven by the expectation of life satisfaction and financial and job security, in particular in emerging economies, such as China, India and Brazil. Developed countries, such as Belgium, France and Spain, are at the other end of the spectrum (Ipsos, 2016).

Reality might differ from these expectations. Previous generations of young labour market entrants might realistically have aspired to having a “job for life”, i.e. being employed with the same employer over their entire working life. Today’s youth find themselves increasingly engaged in multiple non-standard jobs, often part time, and with more than one employer simultaneously (ILO, 2016; OECD, 2015; O’Higgins, 2017). In this context, the question arises whether young people will still be able to “move beyond their social origins and obtain a status not dictated by that of their parents” (Fox, Torche and Waldfogel, 2016, p. 1).

This intergenerational (or social) mobility varies greatly between countries (Clark, 2014). Parental employment status during adolescence is important. Where one parent is employed, the probability of unemployment drops, and it decreases further when both parents are employed, as compared to families where both parents are unemployed. While education is key to social mobility, youths do not necessarily achieve higher levels of education than their parents. A country-level analysis (32 countries) in the ILO’s School-to-Work Transition Survey (SWTS) showed that only 37 per cent of young workers obtained a higher level of education than their fathers, while some 48 per cent reached the same level (OECD, 2017).

Migration also influences intergenerational mobility by providing opportunities for future generations to achieve a higher standard of living. However, this aspiration often only materializes for the second generation of immigrants. Dustmann (2007) shows that migrant parents are more likely to invest in their children's education, which then reflects positively on their future income. Young people migrating without their parents are often also constrained in their social mobility, since they use their surplus income to support their families at home (remittances).

Some considerations

Despite economic growth, higher levels of educational attainment for some and the narrowing of gender participation gaps, young people are still facing significant challenges in the labour market. Persistently high unemployment rates, emerging non-standard forms of employment, pervasive informal employment and high rates of working poverty, all give cause for concern. The transition from school into the labour market is critical in a young person's life and the inability to do so may have long-term socio-economic effects.

- How can educational institutions work more closely with labour market intermediaries and enterprises to facilitate a young person's smooth transition from school to work?
- Which policies are needed to harness the benefits of demographic change in emerging and developing countries (demographic dividend)?
- What are the key policies necessary to facilitate intergenerational mobility?
- How can the aspirations of youth for a better future be realized in order to ensure greater inclusion?

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ISSUE BRIEF

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15–17 February 2018

#3

Cluster 2: Bringing an end to pervasive global women's inequality in the workplace

Addressing care for inclusive labour markets and gender equality

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

The quality of care work, both paid and unpaid, is a central issue for the future of work. Care work is essential for the reproduction of the future workforce, for the health and education of the current workforce, and for caring for the growing numbers of people in old age.

Care work is also at the core of ensuring a future of work with gender equality. Most of the unpaid care and household work the world over is provided by women, but care provision determines whether women can enter and stay in employment and the quality of jobs they perform. The majority of paid care workers are women, frequently working in the informal economy, in very poor conditions and receiving low pay. Yet, in spite of women significantly shouldering the costs of care, care deficits persist.

Who will provide for the increasing care needs in the future? Under what conditions will such care be provided? What policies can be put in place to contribute to inclusive labour markets and advance gender equality? Our capacity to address these questions will be essential to deliver a future of work with gender equality.

This Issue Brief examines the centrality of care work in labour markets and society. It considers the contribution of care work to advancing gender equality and points to the importance of promoting transformative care policies.

Key findings

Why does care work matter for achieving gender equality in the future of work?

Care work consists of the activities that meet the physical and emotional needs of adults and children, old and young, frail and able-bodied. It includes direct personal care as well as household maintenance tasks that are a precondition for care. Women, particularly poor women, provide most of the unpaid care and household work (ILO, 2016a; UN, 2016). While estimates vary, studies find that when all work is accounted for, both paid and unpaid, women work much longer hours than men (UN Women, 2015; Samman, Presler-Marshall and Jones, 2016). Women devote an estimated one to three hours more a day to housework than men; two to ten times the amount of time a day to care (for children, the elderly and the sick), and one to four hours less a day to market activities (World Bank, 2012). This can make women time-poor, further reinforcing trajectories of impoverishment (Zacharias, Antonopoulos and Masterson, 2012).

Unpaid care provision shapes the ability, duration and types of work opportunities which women are able to take advantage of, reinforcing gender gaps in occupations, pay and career development. These barriers further constrain women's bargaining power within households, and can limit their enjoyment of the right to education, health and social protection (including pensions) and to participation in all spheres of life (Sepúlveda

Carmona, 2013). Women, particularly in low-income countries, still spend long hours providing care due to the lack of basic infrastructure (e.g. carrying water). This has an impact on the well-being of care recipients, undermining children's development and a dignified end of life for the elderly.

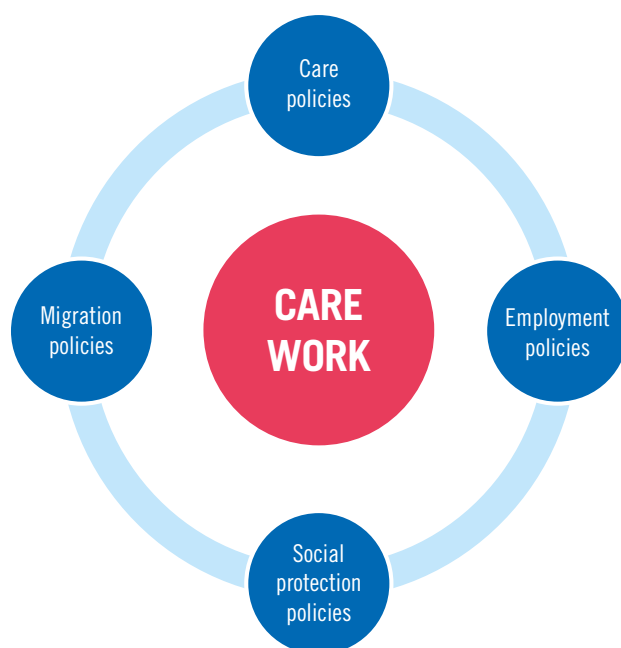
The association of care with women's "natural" inclinations and abilities, rather than the skills acquired through formal education or training (see Issue Brief No. 8), is behind the feminization of paid care work. Sixty-five per cent of all paid care workers worldwide are women; globally they make up 60 per cent of workers in education, 70 per cent of workers in health and social work, and over 80 per cent in domestic work in most regions of the world. In health and social work, women are concentrated in lower-skilled jobs, with less pay and at the bottom end of the professional hierarchies (ILO, 2017). Domestic workers around the world often work for low pay and under poor and exploitative conditions, without contracts or access to social benefits (Otoabe, 2017). Migrant care workers, particularly those providing home-based care services, are even more vulnerable to exploitation.

Female paid care workers represent almost one-fifth of all women in employment. Their poor pay and working conditions thus contribute directly to gender inequalities in the labour market. In turn, dire employment conditions (high turnover, low qualifications, fragmentation of the working process, exposure to workplace violence, and high ratios of care recipients to paid carers, for example) affect the quality of care provided and hence the well-being of care recipients. In addition, care service provision, quality and affordability affect the supply of labour, particularly women's. Care work is thus a key dimension of achieving equality in the world of work.

What are transformative care policies?

Care policies are public policies that allocate resources in the form of money (including income), services or time to caregivers or people who need care. They include leave policies (e.g. parental leave), care services (e.g. early childhood development and care (ECD)), social protection and cash transfers (e.g. childcare grants), work arrangements (e.g. teleworking and flexitime), and infrastructure (e.g. sanitation and delivery of water to homes). Recognition that the equal distribution of unpaid care work and the professionalization of care provision can be powerful drivers of gender equality has made care policies figure prominently in public policy debates. This is because care policies *redistribute* care provision between women and men and between households and the society at large and *reduce* the drudgery of certain forms of unpaid care work. Care policies ensure the well-being of societies. They also create opportunities for employment and can enhance labour market inclusion of all groups in society. Transformative care policies guarantee the rights of caregivers and care recipients, as well as their agency, autonomy and, ultimately, their well-being (UNRISD, 2016). They include attention to *who* provides care, the quality of care provision, and the working conditions of paid care workers, as well as the financing and distribution of care and care work. Transformative care policies combine employment policies, social protection policies and migration policies, to achieve inclusive labour markets and gender equality in the future (see figure 1).

Figure 1. Policies that affect the provision of paid and unpaid care work



In Sweden and Norway, for example, good quality gender-neutral parental leave (13 months), followed by children's universal entitlement to ECDC (12 months), has resulted in high levels of women's labour force participation. In many Latin American and several African countries, the absence of care service provision coupled with wage inequality has led to a relatively high proportion of women in domestic work (most of them informally employed) and high labour force participation of educated women. In some high-income countries, it is women's part-time work that makes up for the absence of affordable childcare, at the cost of losing income. The persistent gap between adequately paid care leave entitlements – which should be equally accessible to both women and men – and the availability of affordable care services, have implications for both overall inequality and gender inequality.

Migration policies can also shape the opportunities for, and the quality of employment of, migrant care workers, who make up a growing proportion of care workers in private households as personal carers, childminders or domestic workers. Au pairs, who are not in employment, are also increasingly a source of relatively cheap childcare services (Adamson and Brennan, 2016). Several countries have traditionally relied on immigrant medical doctors and nurses, not always guaranteeing their fair treatment (see, for example, Gammage and Stevanovic, 2016; Meghani, 2016; ITUC, 2014). Good practices on ethical recruitment have improved the situation of Filipino and Indian nurses in the United Kingdom (Calenda, 2016), while bilateral agreements between countries of origin and destination can contribute to guaranteeing domestic workers' access to social protection (ILO, 2016a).

Social protection policies can also enable transformative care policies, in which good working conditions for care workers are the flipside of quality care, both paid and unpaid (Folbre, 2006). These policies can be adjusted to accommodate the needs of workers with family responsibilities, with the explicit goal of reducing unpaid care

work. For instance, in South Africa, the country's "Expanded Public Works Programme" involves employment creation (although jobs are often temporary), training and job accreditation in early childhood development and home and community-based care services (Parenzee and Budlender, 2016). In the north-eastern regions of Brazil, microcredit and skills training for women are supplemented by publicly funded childcare services for children under the age of six under "Brasil Carinhoso" ("Caring Brazil"), a sub-component of the cash transfer programme "Bolsa Familia". Carefully designed cash-for-care schemes, combined with the fact that beneficiaries need to justify their expenses, as in the Netherlands, have discouraged recourse to a low-paid, unregulated (and typically migrant) care workforce (ILO, 2016b). Care policies are also increasingly becoming part of social protection systems. The Uruguayan National Integrated Care System was created to implement and coordinate care policies for adults with specific care needs, including persons with disabilities, and for young children. The system's objectives include respect for caregivers' rights, both paid and unpaid (Esquivel, 2017).

Employment policies can also help to both improve the quality of care and ensure that care work enhances labour market inclusion and equality. Care service provision is labour intensive, but it is precisely for this reason that the expansion of care services has the potential to generate large-scale job creation in both higher- and lower-income countries. Ageing societies in some countries are likely to both increase the demand for care provision and provide employment opportunities (see Issue Brief No. 2). While technology can certainly complement human care interventions in a positive way (e.g. hydraulic powered robotic arms, robotic vacuum cleaners), this is one of the sectors with relatively low potential for complete automation (see Issue Brief No. 6). Recent estimates show that investment in the care economy of 2 per cent of GDP in just seven high-income countries would create over 21 million jobs, 75–85 per cent of them going to women, given current patterns of employment segregation. For emerging economies, a similar investment would potentially create 24 million new jobs in China, 11 million in India, nearly 2.8 million in Indonesia, 4.2 million in Brazil, and just over 400,000 in South Africa, of which 43–74 per cent would go to women (De Henau, Himmelweit and Perrons, 2017). Public investment in the care economy would also lead to the creation of comparatively better-quality jobs (with social security benefits) (De Henau and Perrons, 2016).

How can care policies be financed?

The financing of transformative care policies raises important questions. Pressure on public financing and costs has led to the privatization of sections of care provision. There is concern that this could lead to the segmentation of the care labour force, the deskilling of labour processes and downward pressure on wages, ultimately eroding the quality of care provision. In the United Kingdom, for example, care workers caring for children aged 0–3 years earn substantially less in the private sector than in the public sector (Gambaro, 2017). Cash-for-care schemes in elder care and for persons with disabilities have led to the expansion of self-employed home-care workers whose working conditions are poor, whose jobs tend to be unprotected and who have difficulties unionizing, as has been reported in the United States (Martin et al., 2009). This has fuelled debates on the types of policies that might fund care provision as well as facilitate better quality care work.¹ A related question is how all forms of paid and unpaid work are measured, so that they can be adequately reflected in decision-making and macroeconomic policy formulation (see Annex).

¹ In 2017, the proposed care funding plan in the United Kingdom proved highly controversial and became known as a "dementia tax" that was ultimately set aside.

Some considerations

Transformative care policies hold opportunities for securing the enjoyment of human rights for those who provide care and for those who need care, creating employment and contributing to labour market inclusion and gender equality in the world of work. This raises some important questions:

- How can employment and labour market policies, grounded on a bundle of care-related international labour standards, contribute to the redistribution of unpaid care work? How can we ensure that care jobs are decent jobs, with adequate remuneration, working conditions and representation?
- How can social protection systems guarantee that all persons in need can access quality care services and cash benefits that simultaneously address unpaid care work and the need to access quality employment?
- How can macroeconomic policies ensure the fiscal space for investment in the care economy, with quality jobs for both women and men? How can the implementation of the new labour statistics standards adopted at the 19th International Conference of Labour Statisticians (see Annex) guarantee the adequate measurement and value of all forms of unpaid and paid care work?

Annex: Measuring unpaid care and household work in labour statistics

The United Nations System of National Accounts (United Nations et al., 2009) establishes the criteria for compiling economic information that feeds into the calculation of gross domestic product (GDP) and other macroeconomic aggregates. However, as the Commission on the Measurement of Economic Performance and Social Progress notes: “GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental, and social dimensions” – among other reasons because it excludes the services produced by unpaid care and household work.

The System of National Accounts (SNA) 2008 lists as reasons not to include unpaid care and household work within the SNA production boundary:

The relative isolation and independence of these activities from markets, the extreme difficulty of making economically meaningful estimates of their values, and the adverse effects it would have on the usefulness of the accounts for policy purposes and the analysis of markets and market disequilibria (United Nations et al., 2009).

Progress in time-use data collection and in valuation methods now provide the information base to calculate Household Sector Satellite Accounts, to measure unpaid and household work (or household production) outside GDP but within the SNA general production boundary.²

Current measures in the SNA 2008 provide an unbalanced view of the contribution and cost of care work in society. When women enter the labour force, GDP by definition goes up. However, the concomitant reduction in unpaid care and household work is not accounted for. Similarly, when cutbacks in government funding of public services increase the demands on unpaid care and household work, the cost of that additional work also goes unaccounted for. Instead, what is observed is an artificial increase in “efficiency” that can have important effects on society if that care is not provided, if it is replaced by inferior quality care, and/or if carers have to take time off from paid work in order to provide care. Moreover, in not recognizing that unpaid care and household work is an investment in future generations, total investment is underestimated (UN Women, 2015). The measurement of unpaid care work is not intended to justify or prevent women from entering the labour force. Instead, it is an acknowledgement that to keep total well-being unaffected, such work has to be replaced – a dimension currently not captured in economic aggregates.

The inadequate measure of unpaid care work in the SNA compromises the usefulness of this for care and other policies, as well as for inter-temporal and cross-country comparability. Before 2013, comparability was also at stake in labour force statistics. Measurement of employment was intended to include work for pay or profit as well as some forms of unpaid work. However, the unpaid forms of work that were included, such as the production of goods intended for own use (e.g. subsistence farming), could be excluded from measurement if they were not deemed to represent a significant

² Household Sector Satellite Accounts are tools to measure and quantify the value of the output of unpaid care work, including the contribution of the not-for-profit sector, in the System of National Accounts. The construction of satellite accounts, currently available in a broad range of countries, has allowed a better assessment and visibility of the economic value of unpaid care work and its gendered nature, as aggregate macroeconomic variables (see Abraham and Mackie, 2005).

contribution to household consumption. As a result, these activities were poorly captured or not at all measured to estimate employment. Similarly, water and wood fetching have long been considered as production of goods by the System of National Accounts and thus an economic activity within the SNA production boundary. Yet, with a few notable exceptions, labour force surveys did not count them as part of the activities to identify the employed.³ Commonly, countries measured these activities separately from employment or did not measure them at all.

In 2013, the 19th International Conference of Labour Statisticians (ICLS) introduced a “conceptually revolutionary definition” of work which includes, but transcends, work for pay or profit and comprises “any activity performed by persons of any sex and age to produce goods or to provide services for use by others or for own use”. The expression “for use by others or for own use” refers to the production of goods and services provided in the home and the community for other household members and for personal use. Work includes unpaid activities such as own-use production of services and volunteer work in households producing services for other households. The “household” as well as the “community” (for volunteer work) become economic units in which both paid and unpaid work is performed. This concept of work is aligned with the 2008 SNA general production boundary, whilst the activities within the SNA production boundary (own-production of goods for final use; employment; unpaid trainee work and some sections of volunteer work) are clearly defined (table 1).

The new standards for work statistics adopted by the 19th ICLS provide a consistent framework to measure all forms of care work in labour force statistics that is also aligned with the International Classification of Activities for Time Use Statistics 2016 (ICATUS 2016). Care work can be carried out for profit or pay (care employment) or be unpaid (as either unpaid care and household work, volunteer care work, or unpaid trainee care work).

In providing guidance on the measurement of care work, the new ICLS standards emphasize the complementary function of labour force surveys – the best-suited household surveys for collecting statistics of work and the labour force (including own-use production work) – and specialized household instruments, such as time-use surveys. The relevance of unpaid care and household work in the SDG framework, as monitored by the SDG target 5.4, promises to improve the measurement and thus the recognition of unpaid care and household work, through internationally harmonized and comparable statistics in both labour force surveys and time-use surveys.

Table 1 shows (in red) the care economy as the sum of all forms of care work. This conceptualization captures three important ideas about care work:

- the idea that care work produces value and is therefore part of the economy, captured either in the SNA production boundary or in SNA Household Sector Satellite Accounts or other similar instruments;
- the notion that different forms of care work are interrelated, as the conditions in which care is provided for profit or pay, for example, are related to the conditions in which it is provided on an unpaid basis; and
- the fact that the amounts of care work provided and the conditions of that provision affect the economy at large, as reflected in economy-wide indicators such as GDP or total employment as well as in well-being indicators such as measures of poverty and inequality.

³ In a review of country labour force survey (LFS) practices (2000–10), the ILO identified between three and six countries that explicitly measured fetching water and collecting firewood and included it within employment. Another 18 measured participation in these activities, but separately from employment (see ILO, 2013).

The new standards for work statistics adopted by the 19th ICLS present a challenge and an opportunity. Working with constituents and National Statistics Offices (NSOs) to effectively measure the care economy will be crucial for gaining a better understanding of the role of unpaid care and household work in engendering paid employment and in interacting with a broad range of inequalities in the world of work. This knowledge will also help inform a broader approach to economic, social and labour market policies, and will support the SDG implementation process.

Table 1. Care work and its relations to the 19th ICLS Resolution I, ICATUS 2016 and the System of National Accounts 2008

Intended destination of production	For own final use			For use by others							
Forms of work in the 19th ICLS Resolution I	Own-use production work		Employment	Unpaid trainee work	Other work activities	Volunteer work					
	of services	of goods				in market and non-market units		in households producing			
						goods	services				
ICATUS 2016	4. Unpaid caregiving services for household and family members	3. Unpaid domestic services for household and family members	2. Production of goods for own final use	1. Employment and related activities			5. Unpaid volunteer, trainee and other unpaid work				
				11. Employment in corporations, government and non-profit institutions	12. Employment in household enterprises to produce goods	13. Employment in household and households enterprises to provide services	53. Unpaid trainee work and related activities	59. Other unpaid work activities	51. Unpaid direct volunteering for other households 52. Unpaid community- and organizations-based volunteering		
Type of work	Unpaid work			Work for pay or profit			Unpaid work				
Type of care work The care economy	Unpaid care and household work			“Care employment” to provide care services in care occupations or care sectors (as a subset of employment)			“Unpaid trainee care work” to provide care services in care occupations or care sectors (as a subset of unpaid trainee work)		“Volunteer care work” (as a subset of volunteer work)		
							Unpaid community- and organization-based volunteering to provide care services in care occupations or care sectors		Unpaid direct volunteering for other households to provide care services akin to unpaid care and household work		
Relation to 2008 SNA			Activities within the SNA production boundary								
			Activities within the SNA general production boundary								

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#4

Cluster 2: Bringing an end to pervasive global women's inequality in the workplace

Empowering women working in the informal economy

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

Today's world of work is still marked by pervasive gender inequality. Despite their increasing labour force participation rates in many countries, women are still disadvantaged in the labour market in terms of their share in employment, remuneration and working conditions. A significant proportion of the female global workforce earn their livelihood in the informal economy, e.g. as “dependent” wage earners in informal and formal enterprises, and as self-employed or own-account entrepreneurs in a wide range of workplaces (i.e. at home, in shops, on streets). They include, inter alia, domestic workers, construction workers, street vendors, waste pickers, home-based workers and day labourers. While work in the informal economy can take various forms, women tend to be employed in or occupy the most vulnerable and the lowest-paid jobs.

This Issue Brief addresses ways to advance gender equality by empowering women working in the informal economy. It examines how their lives can be transformed from a situation in which their choices are limited, to one in which they are empowered to take decisions within the household and the labour market. The ultimate objective is to facilitate the transition of these workers and economic units from the informal to the formal economy, as set out in the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

Key findings

More than 60 per cent of the world's employed population earn their livelihood working in the informal economy. Informal work exists in all countries, irrespective of the individual country's level of socio-economic development, but it is far more prevalent in developing countries. Globally, informal work is a greater source of employment for men (63 per cent) than for women (58 per cent). Despite this, women are more often to be found in the more vulnerable categories of work, for instance as domestic workers or self-employed home-based workers. In a majority of countries, women in the informal economy tend to live in households that are poor (ILO, forthcoming). The literature shows that empowering women workers in the informal economy is key to expanding their choices, improving their livelihoods and advancing gender equality.

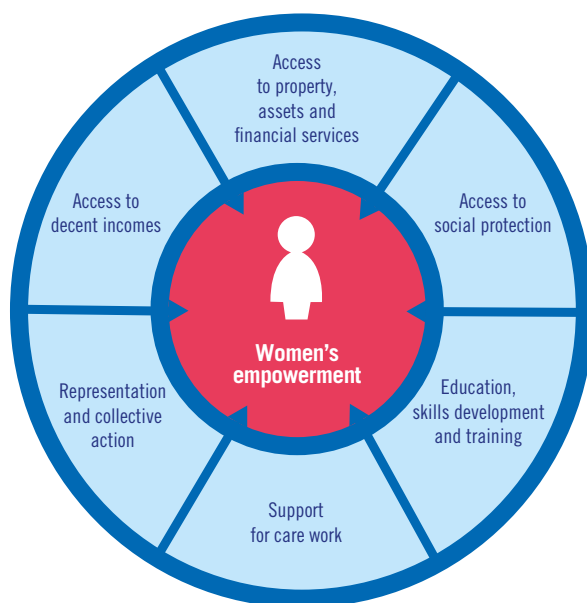
How can we empower women working in the informal economy?

Women working in the informal economy face a number of structural constraints which prevent them from accessing decent paid work. As they often bear the brunt of unpaid childcare and domestic work, they may have little choice but to take on low-quality jobs that allow them to attend to these care responsibilities (see Issue Brief No. 3). A range of discriminatory social norms may limit their access to: property, assets and financial services; opportunities for education and skills development; and social protection (see figure 1).¹ Strong cultural norms may constrain women's mobility outside the home in some regions, restricting them to low-paid home-based jobs. Strategies to empower women in the informal economy address these established norms, structures and imbalances in power and provide women with agency (Hunt and Samman, 2016;

1 All these issues are interrelated and addressed throughout this Issue Brief.

UN Women, 2015). To this end, ILO Recommendation No. 204 envisages the inclusion of an integrated policy framework in national development strategies or plans, as well as in poverty reduction strategies (see also ILO, 2013a).

Figure 1. Factors that enable women's empowerment



Source: Adapted from ILO, 2013a, and Hunt and Samman, 2016.

Access to decent incomes

Macroeconomic policies can be important enablers of gender equality, as they shape the economic environment for women's empowerment. A gender-responsive macroeconomic policy supports: social infrastructure (e.g. childcare and health services); a monetary policy that channels credit to women in agriculture and micro/small enterprises; a fiscal space that provides access to social protection; and the voice of organizations representing women in macroeconomic decision-making (UN Women, 2017). All these factors can improve women's access to decent incomes in the informal sector and facilitate their transition from the informal to the formal economy.

Different regulatory mechanisms can provide women with better working conditions, as well as facilitating their transition from the informal to the formal economy (ILO, 2013a). These measures remove the barriers that women face when they try to access work opportunities and improve their working conditions. For example, public policies and laws often neglect or even penalize the self-employed in the informal economy (e.g. street vendors, home-based workers and waste pickers) and their income-earning activities. These workers face myriad problems – including harassment, abuse and the confiscation of their goods – which lead to instability and insecurity in their income and livelihoods, and loss of property. There are cases in which women street vendors have engaged in initiatives and negotiated with the local government and urban planners

for a range of improvements, including designated workplaces and the provision of licences and identity cards for street vendors (e.g. in India, South Africa, Papua New Guinea). In India, after 15 years of lobbying by woman workers, a Street Vendors Bill was passed, which allows workers the right to a designated space to earn a livelihood, improve their incomes and create a safe working environment (UN Women, 2015; Bhowmik, 2014).

Other measures, such as a minimum wage, can have a particularly important impact on women in informal employment, as it raises the incomes of those engaged in low-paid activities. Employment programmes, which guarantee and provide a legal entitlement to a minimum wage (e.g. rural employment guarantee schemes), have helped to increase women workers' wages and narrow the wage gap. This effect can also spill over into other sectors, as workers collectively bargain for better wages. Domestic workers are amongst the lowest-paid informal wage employees, and a minimum wage can have a significant impact on these workers.² The monitoring and evaluation of these measures can facilitate transition into formal employment.

Access to property, assets and financial services

Globally, women account for 41 per cent of the agricultural labour force (ILO, 2018a), and yet they rarely own the land upon which they work. As a consequence, their decision-making and control over the land use, as well as their access to technology and extension services, are limited. Securing land rights and access to technology, reforming agricultural extension services, and supporting women's organizing in cooperatives, are all vital to empower and sustain women's agricultural self-employment in rural areas (e.g. in Ethiopia, Ghana and Rwanda) (UN Women, 2015). ICT-enabled services such as mobile technology can also help in providing information and advice on agricultural crops that are commercially sustainable, thereby contributing towards improving incomes and productivity. These services can also promote a culture of knowledge-sharing and help women to take decisions about climate-resilient crops or sustainable cropping practices, which can insulate their communities from the recurring shocks that climate change brings in its wake.

Assisting women to gain recognition of their existing property, as well as providing them with the means to formalize property rights and access to land, can ensure that they have the necessary collateral to qualify for regular financial services. The ability to leverage these financial services can help women improve their bargaining power, especially in self-employment (agriculture, street vending, home-based work, etc.).

Women entrepreneurs often find themselves operating micro-enterprises in the informal economy. Women's entrepreneurship and the sustainability of their enterprises can be encouraged through enabling legal frameworks, the provision of business skills development training, and improved access to finance and the ownership of capital equipment (ILO, 2008, 2016c and 2018b). Technological innovations in financial services, such as mobile money-transfer services, can facilitate access to finance at a low cost to women entrepreneurs without any collateral. The financial inclusion of women through macroeconomic tools, such as asset-based reserve requirements, development banking, and loan guarantees, can also help to empower women (ILO, 2013a).

The lack of adequate infrastructure in many rural areas – such as access to water and sanitation services or social and care services – adds a further burden to women's daily responsibilities and constitutes a major obstacle to their economic empowerment. Women's empowerment is also constrained because of their limited

² In this context, ILO Convention No. 189 recognizes the importance of ensuring that domestic workers enjoy minimum wage coverage without gender discrimination.

access to information, especially in rural areas without proper Internet access. Modern development approaches, such as those that facilitate the electrification of off-grid communities can increase the connectivity of villagers and their access to markets, services and know-how, in particular for women (see Issue Briefs Nos 5 and 6). Further, climate change-related impacts increase women's workload, as water scarcity in rural areas forces women to walk long distances in search of water. The provision of basic services and infrastructure enhances their power and agency, reduces their workload, and increases the amount of time they can spend on productive activities (ILO, 2013a; UN Women, 2015). Promoting the equal sharing of unpaid care and domestic work between men and women can also help change social norms and transform labour markets (see Issue Brief No. 3).

Access to social protection

Recent evidence shows that about 55 per cent of the world's population are not covered by social protection, and the coverage of informal workers is particularly inadequate (ILO, 2017). Contributory social security schemes usually benefit women in the informal economy less, as these schemes are linked to formal employment. As women tend to be over-represented in self-employment and toil as contributing family workers, they are less likely to contribute to social insurance schemes – and even if they do, the contributions are low and the benefits derived are minimal (Tessier et al., 2013). Social protection schemes, as well as wider social security systems, can contribute to women's economic empowerment and gender equality.

National social protection floors are an important tool for gender equality and provide an opportunity to improve equal access to social protection for men and women throughout their life cycle.³ Non-contributory benefits can also play a significant role in ensuring that women have some social protection coverage, although the outreach and the level of benefit might be low. A number of countries have implemented non-contributory social protection programmes, such as social pension programmes (e.g. the Plurinational State of Bolivia, Namibia, Nepal, South Africa), conditional or unconditional cash transfers (e.g. Argentina, Brazil, Ecuador, Ghana, Malawi, Mexico, Namibia, South Africa), employment guarantee schemes (e.g. Ethiopia, India), which have provided women with some benefits (ILO, 2011). Some unions, membership-based organizations and microfinance institutions also provide women with social security and pension benefits (e.g. the National Union of the Unions of the Workers of Benin), or health insurance and childcare (The Self-Employed Women's Association (SEWA) in India) (Schurman and Eaton, 2013). Non-contributory cash transfers also facilitate women's access to assets and other resources for entrepreneurial activities. These transfers have helped to promote economic empowerment in agriculture through the acquisition of productive assets such as livestock (e.g. in Kenya and Malawi) or other assets (FAO, 2015). However, there are also concerns that conditional cash transfer programmes might reinforce traditional gender roles (e.g. tending to livestock in rural areas) and hamper women's labour market participation (Holmes et al., 2010).

Education, skills development and training

Education is an important asset for women as it provides them with a range of positive outcomes, including a greater awareness of their rights, a greater participation in decision-making, a reduced probability of early marriage and childbearing, and access to better employment opportunities (UN Women, 2015). Globally, about 91 per cent of women in the informal economy are illiterate or have finished only primary education, while

3 See ILO Social Protection Floors Recommendation, 2012 (No. 202).

women having completed secondary and higher education are less likely to be engaged in this work (ILO, forthcoming). Women with lower levels of education tend to develop and accumulate their skills through “on-the-job” training over time – either at home, through friends and the community, or informal apprenticeships. Many of the membership-based organizations also provide skills training in a range of occupations such as domestic work, child and elder care, cooking, accounting, tailoring and construction work, as well as adult education. This can help women workers develop their skills and obtain a certification that allows them to find gainful employment and negotiate better wages.

Education has the potential of reducing the likelihood that women will work in the informal economy – but this, of course, is also contingent upon the availability and quality of jobs available in the labour market. Evidence suggests that education also helps to improve workers’ earnings: wages tend to increase by 10 per cent for every additional year of primary school, 15–25 per cent for each additional year of secondary school, and nearly 17 per cent for tertiary education (Hunt and Samman, 2016). Proactive policies, which ensure that girls have equal access to educational opportunities from early childhood and place greater value on skills and lifelong learning, might help to change social norms and empower women.

Support for care work

Care work is important for both individual and societal well-being. Women undertake a greater number of hours of unpaid care work than men (e.g. household chores and care provision) (ILO, 2016b). As a result, they may be more likely to take on low-quality jobs in the informal economy that allow them to attend to these care responsibilities. Promoting the equal sharing of unpaid care and domestic work between men and women can help change social norms and transform labour markets. Similarly, the provision of public care services can be an important way of ensuring that women are able to take advantage of job opportunities in the formal economy (see Issue Brief No. 3).

Representation and collective action

Women in the informal economy may face particular obstacles in attempting to organize collectively. They may work in dispersed workplaces (e.g. households), making it difficult to organize. In addition, trade unions may not have the institutional resources to organize this category of workers. There is a need to look for innovative and new ways to overcome these challenges, so that women in the informal economy can be empowered to improve their own livelihoods. New collective solidarities have been emerging between trade unions and other organizations to advance the interests of women in the informal economy. Over the past decades, women in the informal economy have joined unions, formed new community-based organizations, or created cooperatives.⁴

These organizations have advocated for regulatory changes, including a minimum wage and fixed hours of work. They have provided education and other capacity-building services, given legal assistance, and supported women workers to gain access to health care. Some have also provided development services such as credit insurance and other livelihood support programmes. These efforts have gone some way towards restoring dignity and delivering social justice to these economically marginalized workers (Webster, 2015). There has also been an expansion of collective solidarities through alliances between NGOs and trade unions, for example trade unions and organizations

4 According to the WIEGO (Women in Informal Employment: Globalizing and Organizing) Organization and Representation Database (WORD), there are at least 238 informal economy associations in Africa; 248 in Asia-Pacific; 241 in Latin America and the Caribbean, which include membership-based organizations (MBOs), community-based organizations (CBOs), cooperatives, non-governmental Organizations (NGOs) and trade unions (Chen et al., 2015).

supporting domestic workers. The International Domestic Workers Network (IDWN) and the Asian Domestic Workers Network (ADWN) have been strongly supported by International Union of Food and Allied Workers (IUF), especially during the advocacy of the adoption of the ILO Domestic Workers Convention (No. 189), which was adopted in 2011. While there is a clear desire for organization and collective action in this area, these initiatives remain diffuse and limited in scope.

Since the majority of SMEs in the world are informal, their organization and affiliation to employers' organizations is also key. Some informal operators, for example taxi owners in South Africa, have organized themselves into associations and become affiliated to employers' organizations. Employers' organizations can play a pivotal role in helping informal entrepreneurs to access information on regulations and market opportunities, as well as facilitating their access to finance, technology and other resources. They can also provide other services, such as business skills, accounting and occupational safety and health management training, which can help these workers transition from the informal to the formal economy (ILO, 2013b).

Some considerations

While some progress has been made towards empowering women in the informal economy, these workers still face a number of structural constraints. It is clear that increasing levels of economic development do not automatically lead to women's empowerment, and there is a call for concerted and targeted efforts that prioritize their needs (Kabeer and Natali, 2013; ILO, 2016b). There is also a need for an integrated policy approach. This raises a number of questions:

- How can the voices of workers in the informal economy be better reflected in policy-making? When it comes to choosing priorities for public spending, how can we ensure that the interests of women working in the informal economy are represented, so that we can guarantee them an adequate provision of services, infrastructure and social security?
- How can technology be used more effectively to facilitate access to credit?
- How can we extend social protection to all those working in the informal economy, including those who are engaged in unpaid work?

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ISSUE BRIEF

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#5

Cluster 3: Technology for social, environmental and economic development

Job quality in the platform economy

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

The “platform economy” emerged in the early 2000s alongside the growth of the Internet, providing opportunities for the production and delivery of a range of services delivered through online marketplaces (platforms). Digital labour platforms take a variety of forms, although it is useful to distinguish between *crowdwork* and *work on demand via apps* (De Stefano, 2016). *Crowdwork* usually refers to activities or services that are performed online, irrespective of the location. Although some of these jobs entail the movement of work from the offline to the online economy, in other instances they are new tasks that permit the smooth functioning of web-based industries, such as content moderation on social media sites, the cataloguing of online products, and the transcription of YouTube videos. *Work on demand via apps* refers to physical activities or services that are performed locally; typical activities include transportation, delivery and home services. In these cases, an app is used to match labour demand and supply, usually within a geographically defined area.

While employment through digital labour platforms remains small – estimates range from 0.5 per cent of the labour force in the United States (Farrell and Greig, 2016) to 5 per cent in Europe (European Parliament, 2017)¹ – it is expected that digital employment will expand in the future, as more jobs, or tasks, move from the offline to the online economy. In addition, some developing country governments, including Malaysia and Nigeria, have already adopted strategies to encourage their workers to engage in digital labour (Graham et al., 2017). Yet little is known about the quality of jobs being generated in the platform economy.

This Issue Brief summarizes some of the existing empirical literature on job quality in the platform economy, particularly crowdworking platforms, drawing upon ILO surveys of crowdworkers and the existing literature.

Key findings

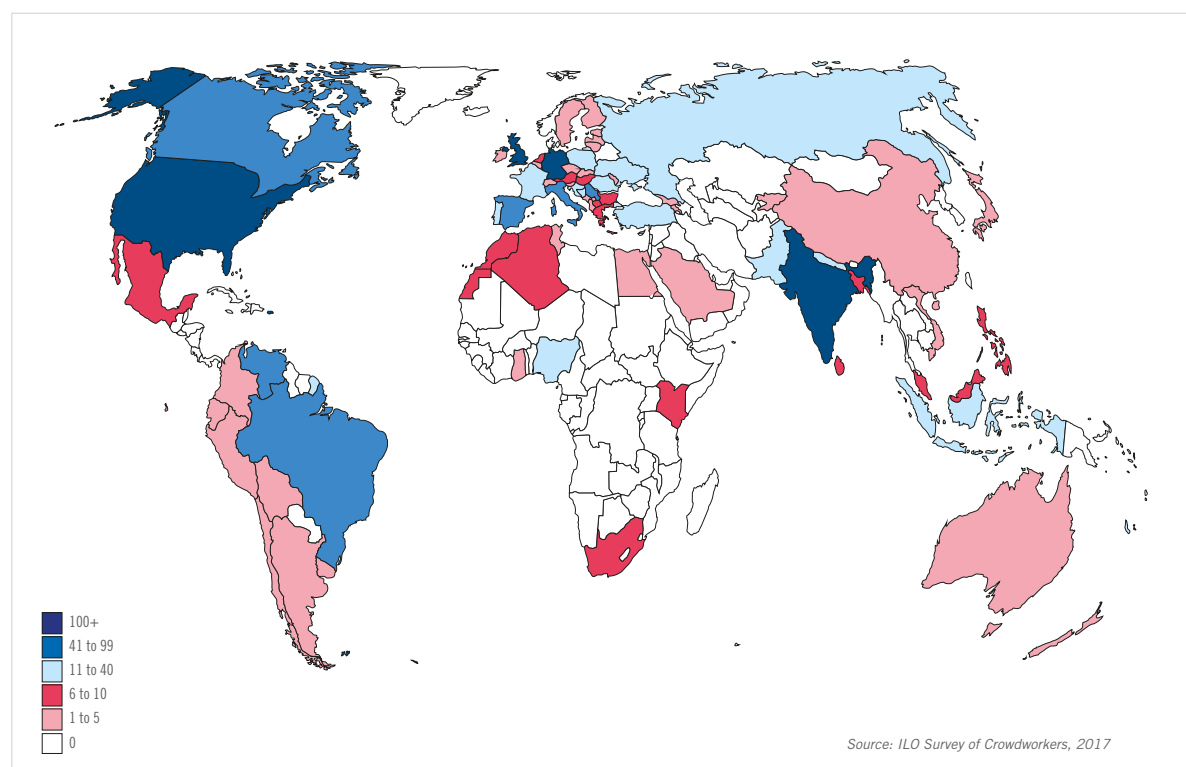
Online digital businesses mediate work or services delivered between service providers and customers. Thus, there are typically three parties in the relationship: the crowdsourcer (often referred to as the client or requester), the intermediary (the platform), and the workers. While digital labour platforms present major differences, all of them perform three specific functions: (1) matching workers with demand; (2) providing a common set of tools and services that enable the delivery of work in exchange for compensation; and (3) setting governance rules whereby good actors are rewarded and poor behaviour is discouraged (Choudary, forthcoming). Digital platforms differ in their architecture, with some offering the exchange of highly substitutable or standardized work (platforms such as Uber or CrowdFlower), while others provide a space for workers to develop more specialized services and build a network (see, for example, Toptal). As a result, the architecture of the platform has important implications for the workers’ autonomy, as well as their working conditions and earnings. As the gatekeepers of demand, platforms may “commodify” workers to differing degrees.

¹ The study by the European Parliament applies a broader definition and found that “between 1 per cent and 5 per cent of the adult population in the EU has participated at some time in paid work in the platform economy” (European Parliament, 2017, p. 38).

A combination of factors determine whether a particular platform can be considered as an enabler of entrepreneurship and a free agency, or as a channel for exploiting workers (Choudary, forthcoming).

Crowdworkers may be found the world over, in both developed and developing countries. Surveys conducted by the ILO on English-language micro-task platforms found a sizeable presence of workers in North and Latin America, Western, Central and Eastern Europe, the Russian Federation, as well as South Asia and parts of Africa (figure 1).²

Figure 1. Countries where micro-task workers live



Source: Rani and Furrer, forthcoming. Calculations based on ILO Survey of Crowdworkers, 2017.

Note: The colour key indicates the (grouped) frequency of survey respondents.

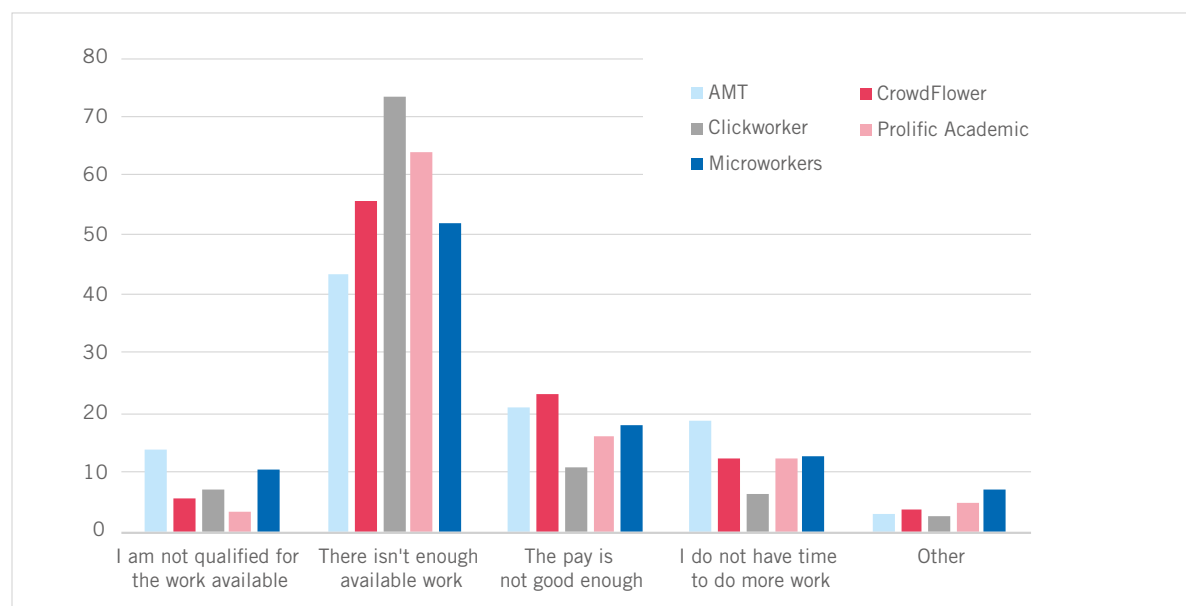
As crowdwork may be easily conducted anywhere in the world as long as there is a reliable Internet connection, many governments and policy-makers in both developed and developing countries have embraced crowdworking as a potential source of good jobs, with beneficial spill-over effects on related sectors (Kuek et al., 2015; Schriener and Oerther, 2014; Nickerson, 2014). Moreover, crowdwork provides flexibility to workers as they can choose when, where, and how they would like to work, as well as decide upon which tasks to perform (Felstiner, 2011; Ipeirotis and Horton, 2011; Barnes et al., 2015). As a result, workers with disabilities or caring responsibilities – as well as residents of rural or economically depressed areas – are highly represented amongst crowdworkers (Zyskowski et al., 2015; Berg, 2016). The platforms are also perceived as an efficient way of doing business, as firms can gain access to a diverse pool of labour at a low cost.

² For details on the ILO survey see Berg (2016), Rani and Furrer (forthcoming) and ILO (forthcoming).

Despite the potential of crowdwork platforms to provide employment opportunities, there are a number of concerns related to the workers' unclear employment status, unfair treatment, low earnings, non-payment, lack of social protection, and lack of voice (Nickerson, 2014; De Stefano, 2016). Most platforms do not apply employee protection under existing labour laws to the work being done, as workers are primarily hired as independent contractors. While some of these workers may be legitimately self-employed, in other instances they may be misclassified to avoid employment law obligations (Rogers, 2016).³

While there is flexibility in work, studies reveal that demand for work outpaces supply (Iperiotis and Horton, 2011). As a result, insufficient work is an important concern, with 89 per cent of crowdworkers surveyed by the ILO reporting that they would like to be doing more crowdwork than they are currently doing, even though 44 per cent of them access more than one platform. When asked why they were currently not doing more crowdwork, most reported that “there isn’t enough available work” (49 per cent), with some indicating that the pay was not good enough (22 per cent) (figure 2).

Figure 2. Reasons for not doing more crowdwork, by platform



Source: Rani and Furrer, forthcoming. Calculations based on ILO Survey of Crowdworkers, 2017.

Low pay: A number of studies show that crowdworkers receive low pay, at least by the standards of industrialized countries (Felstiner, 2011; Bergvall-Kareborn and Howcroft, 2014). The ILO survey found that earnings varied depending on the platform and the country of the worker (Rani and Furrer, forthcoming). CrowdFlower and Microworkers were the lowest-paying platforms, with workers averaging US\$2 per hour. Prolific Academic and Amazon Mechanical Turk (AMT) were the highest-paying platforms, with workers averaging US\$4.4 and US\$3.6 per hour, respectively. However, earnings at AMT varied by country of origin, with Indian workers earning almost US\$4 less per hour

³ Workers have to agree to the terms and conditions set out by the platform with no room for negotiation in order to gain access to work offered on platforms. These terms often contain “independent-contractor clauses” clearly stipulating that the worker is not an employee and that the platform is not obliged to cover any protection or benefits applying to regular employees (De Stefano, 2016).

than their counterparts in the United States.⁴ Moreover, 75 per cent of US crowdworkers earned less than the federal hourly minimum wage. Indeed, the low level of pay may be partially attributed to the significant amount of time that workers spend on unpaid work such as looking for tasks, taking qualification tests, and researching clients to ensure they can be trusted to pay. In a typical week, workers averaged 24.8 hours of work, of which 18.6 hours were for paid work and 6.2 hours for unpaid work. This meant that for every hour of paid work, workers spent 20 minutes performing unpaid work. A recent data-driven analysis, which involved a plug-in that tracked the worker log data of approximately 2,500 workers over two years on AMT, found that when unpaid work was taken into account, the mean wages of workers amounted to US\$3.13 per hour (Hara et al., 2018).

Another issue related to low earnings is that of the failure to pay workers for the tasks they have completed. While the workers are highly flexible to perform their tasks from any location and at any time, and do not have a boss who oversees them, their work is typically controlled by an algorithm – which has been referred to as “algorithmic management” (Lee et al., 2015). ILO survey findings show that workers with more than six months’ experience face a substantial amount of rejections: 43 per cent have had at least 5 per cent of their work rejected, and 32 per cent have had at least 10 per cent of their work rejected (Rani and Furrer, forthcoming). A number of platforms have rejection clauses (e.g. AMT, Clickworker, Microworkers) which allow the clients/requesters to reject received work as unsatisfactory with little or no justification, while still being allowed to keep the work (Felstiner, 2011; Berg, 2016).

Social protection coverage: An important feature of job quality is whether the job provides protections against risks such as illness, disability and unemployment, as well as preparing workers for retirement. As most digital platforms classify the workers as independent contractors, the workers are solely responsible for the payment of social security contributions, in addition to not being afforded other labour protections. As a result, and given the low level of pay, it is not surprising that only a small share of workers report that they contribute to social security or a pension. In the case of the 56 per cent of workers who state that crowdworking is their main job, only 55 per cent of these report that they have access to health coverage – and only 24 per cent make contributions to their health insurance. The proportions are even lower with respect to pensions: only 25 per cent of workers have access to a pension scheme, and only 15 per cent make contributions towards a pension. There are regional variations, with workers from Western Europe having better coverage than those from Eastern Europe, Asia, Africa and Latin America (Rani and Furrer, forthcoming).

⁴ These figures are gross earnings and do not reflect any taxes that may be paid. For example, as independent contractors, US workers are required by law to pay social security taxes as self-employed on their earnings, in addition to income tax.

Some considerations

Platform work provides important income and employment opportunities for a growing number of workers. It enables workers who would normally be excluded from the labour market on account of disability, care responsibilities or illness, to participate. However, concerns remain about the conditions of work. Current arrangements also raise questions as to the necessary levels of protection provided for crowdworkers. Indeed, regulating this form of work poses many challenges.

- The gig economy has received enormous public attention over the past year. Is this attention warranted? Will crowdwork remain a niche form of employment or is it a precursor to wider trends?
- Much of the debate has centred on the employment status of crowdworkers. Do existing legal and institutional frameworks need to be adapted for platform work? Is there a need for an “intermediate category” between employment and self-employment? Should the legal definition of “employee” be expanded?
- How can workers’ fundamental rights be guaranteed? What enforcement mechanisms are needed to ensure those rights?
- How can workers in the platform economy have their interests represented? How can these workers bargain for better pay and working conditions?
- How can minimum conditions of employment, such as the minimum wage, be regulated? How can workers in the platform economy be afforded adequate social protection?
- What are the implications of global crowdwork for efforts to ensure decent work?

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ISSUE BRIEF

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#6

Cluster 3: Technology for social, environmental and economic development

The impact of technology on the quality and quantity of jobs

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

Increased digitalization and automation is expected to significantly affect both the quality and quantity of jobs. New types of jobs and employment are changing the nature and conditions of work by altering skills requirements and replacing traditional patterns of work and sources of income. They open opportunities, especially for developing countries, to enter new, fast-growing sectors and catch up with more advanced economies. At the same time, new technologies are affecting the functioning of labour markets and challenging the effectiveness of existing labour market institutions, with far-reaching consequences for the number of jobs, their quality and the diversity of opportunities they offer.

This Issue Brief discusses the potential of technological change for job creation and destruction and its implications for inequality and job polarization. It also highlights the opportunities for economic development and labour market efficiency and inclusion.

Key findings

Technology and jobs

Current studies emphasize the disruptive nature of technological changes, stressing the potentially wide-ranging implications for job destruction (ILO, 2017). Evaluations of the extent of labour market disruption vary widely and range from a low of less than 10 per cent of all jobs to a high of more than 60 per cent (see Balliester and Elsheikhi, forthcoming, for an overview). Frey and Osborne (2017) estimate that 47 per cent of US jobs are susceptible to potential technological replacement. However, such assessments tend to overestimate the potential adverse effects of automation by focusing exclusively on the technical feasibility of substituting labour by capital. Thus, they ignore economic feasibility, i.e. whether the investment in new technologies is at least as profitable as existing (labour-intensive) alternatives (Kucera, 2017).

Future automation is unlikely to destroy complete occupations but will rather change the types and number of tasks in most occupations. According to the World Bank, less than 20 per cent of jobs are predicted to disappear completely (World Bank, 2016a; see also Autor and Handel, 2013). A recent study by McKinsey Global Institute that looked at both sides of the debate estimated that by 2030, in about 60 per cent of occupations, at least one-third of constituent activities could be automated (MGI, 2017). While this is likely to have a differential impact in different countries, the full-time equivalent of work potentially displaced by automation is estimated at a midpoint of 15 per cent. In addition, between 3 and 14 per cent of the global workforce would need to switch occupational categories (see Issue Brief No. 8). Thus, while there might well be sufficient job creation to compensate for technological unemployment, the realization of these opportunities will depend on ensuring that workers can move to newly created jobs. In short, a bigger challenge may well be how to manage this transition (see Issue Brief No. 7).

History points to similar experiences. An often-cited example is the impact of the introduction of ATMs on jobs for bank tellers in the United States in the 1970s. Instead of – as one might have assumed – bank teller jobs being eliminated, their number rose modestly despite the rapid roll-out of ATMs (Bessen, 2015). In France, the Internet is thought to have destroyed some 500,000 jobs within 15 years after its introduction; at the same time, it has created 1.2 million new jobs (MGI, 2011). One important reason for this is the reduction in operating and transaction costs resulting from these technological innovations, which can indirectly stimulate the demand for labour. Technological change can also create a range of new tasks; for instance, from a bank teller to a financial services advisor. In the United States, for example, 30 per cent of the jobs created since the late 1990s were types that did not exist before, such as IT administration, hardware manufacturing and development of smartphone applications (MGI, 2017).

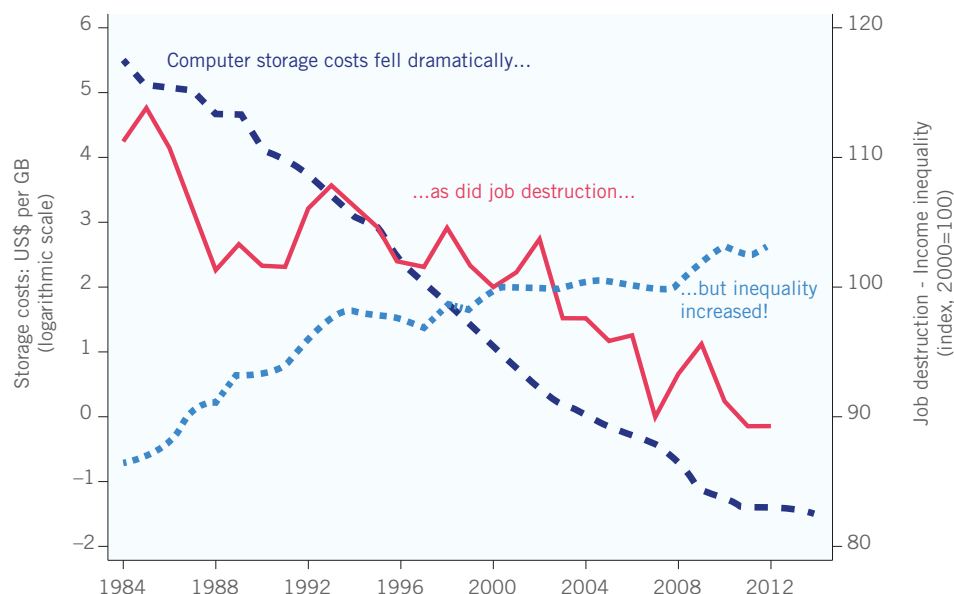
Jobs are typically made up of both readily automatable and not readily automatable tasks. This raises the question of whether the automation of work processes will result in a reduction of the workforce, or whether the remaining tasks might be shared among the existing workforce. The answer to this question depends on how work is organized in a given workplace and on the extent to which tasks that are not readily automatable can be bundled together to create a new job (Kucera, 2017). The automation of work processes need not present an “all or nothing” scenario; different options do exist. As with work-sharing arrangements implemented by some countries in the wake of the global financial crisis, social dialogue can play an important role in exploring the options and mediating the impact of new automation technologies on workers (see Issue Brief No. 7).

In the aggregate, technological change does not seem to have led to a significant increase in joblessness (Atkinson and Wu, 2017). Global employment continues to expand in line with the labour force, bringing global unemployment rates down to 5.6 per cent (ILO, 2018). In advanced economies, the costs of digitalization have declined dramatically, but job destruction rates have actually fallen over the longer term (see figure 1; Davis and Haltiwanger, 2014).

Sharing technological dividends

How to share technological gains (“technological dividends”) broadly in terms of jobs and income has also become a pressing issue. These distributional concerns reflect the experience of the previous wave of technological changes in which technological gains were distributed in favour of capital owners and skilled workers (IMF, 2017). The large economies of scale that exist in digital industries have often led to oligopolistic structures, in which a few emerging players are dominating large shares of the market (Christiaensen, 2017; Parker, Van Alstyne and Choudary, 2017). As it stands now, there is no reason to think that the new wave of technological changes will be different. Income inequality is increasing at the same time as the costs of “big data” storage are falling (see figure 1). While the rise of new “big data” platforms that are able to accumulate ever-increasing information on consumer behaviour and preferences certainly enhances the efficiency of the economy, there is a question as to whether these productivity gains are benefiting societies or being captured by a small number of dominant firms. While it is not yet clear whether the market power these large players enjoy is a temporary or inherent feature of Internet markets (Haucap and Heimeshoff, 2013), this does raise distributional questions. Moreover, the generation of economic value from low-cost unpaid labour each time a user turns on their device and accesses computer-mediated networks raises additional questions about who ultimately benefits from this new form of digital capital (Berg, forthcoming).

Figure 1. Inequality increased as digitalization costs declined in line with job destruction rates

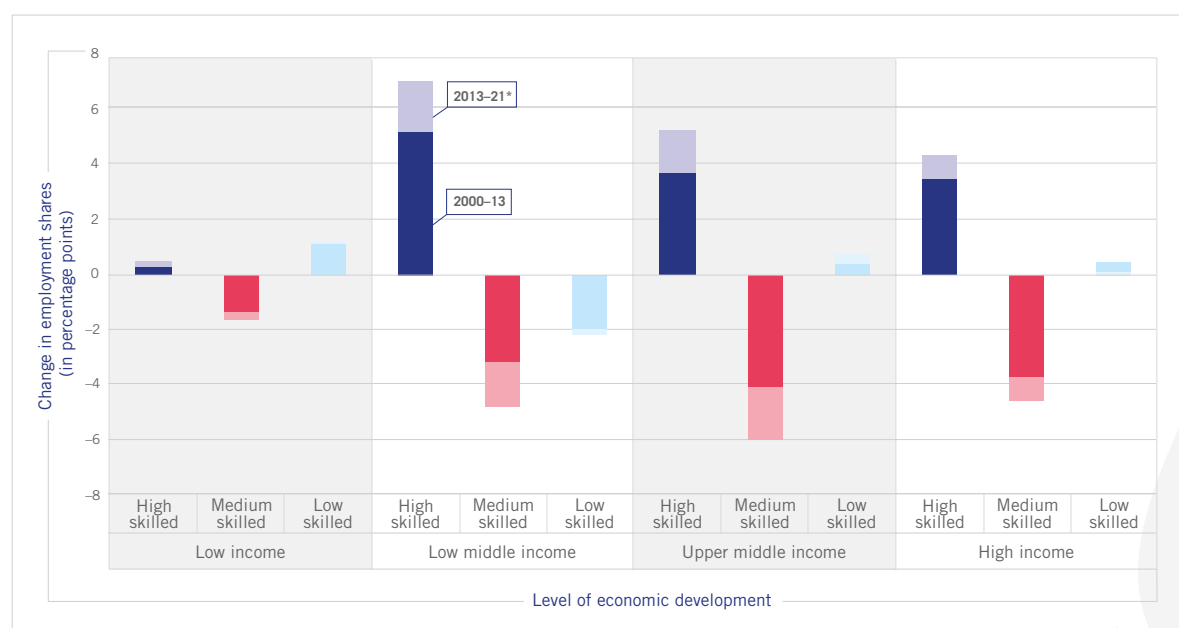


Note: Job destruction rate is a weighted average of Australia, Belgium, Canada, Denmark, France, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, Sweden, United Kingdom and United States.

Sources: ILO, Labour Flows database, 2013; OECD, Labour Force Statistics; Muehlhauser, 2014.

Our baseline projection suggests that there is a risk of further job polarization in the years to come (see figure 2). As jobs are being destroyed in manufacturing and parts of services sectors, employment in both low- and high-skilled occupations has risen. Studies on robotization show that displacement is high for routine tasks (i.e. tasks that can easily be translated into software-driven robots), including in many services sectors where digitalization and artificial intelligence have come to play a bigger role. In the absence of effective transition policies, including adequate opportunities to acquire new relevant skills (see Issue Brief No. 8), many of those who are at risk of job loss may be forced to accept lower-skilled and lower-paying jobs, thus putting further pressure on wages in the low-wage sector (Dauth et al., 2017). Indeed, a majority of middle-skilled routine task jobs that were associated with standard employment contracts with regular working hours have been replaced by non-standard forms of employment in both non-routine cognitive and manual task jobs (OECD, 2015).

Figure 2. Job polarization around the globe



Notes: Change in employment shares, in percentage points. * Forecasts after 2016.

Source: ILO Trends Econometric Models, November 2016.

Technological dividends are being unevenly distributed between firms. A small group of firms are taking advantage of new technology (“frontier firms”), while many others are being left behind. In addition, entrepreneurs and micro-, small and medium-sized enterprises (MSMEs) may face challenges with technology adoption. The gaps between frontier firms and the rest are large and growing in many countries (OECD, 2017). This phenomenon has been accompanied by the rise of highly concentrated product and services markets in which a very limited number of “superstar” firms tend to dominate, as mentioned earlier with respect to “big data” (Autor et al., 2017). Not surprisingly, the rise of such market power is associated with falling labour income share.

Potential for development

Sharing technological dividends is an issue of global scale. How can we ensure that all countries, both developed and developing, benefit from the current technological changes? There are three channels through which new technology may have an impact on the world of work in developing countries: (i) automation and robotization; (ii) connectivity; and (iii) innovation (see Christiaensen, 2017). The degree to which developing countries will be able to take advantage of and benefit from these channels remains an open question.

The automation of production processes and the increased deployment of robots require significant investments. In countries with relatively low labour costs, such investments might still be unprofitable. However, with increasing income, the likelihood of adopting automating technologies and hence replacing humans by machines will increase. From a purely technological standpoint, about two-thirds of jobs could be automated in developing countries over the following decades (World Bank, 2016b). At the same

time, mobile and flexible robots are emerging which are supplied at comparably low prices. They are able to perform a wide range of different tasks and have opened up a window of opportunity to develop new industries and create jobs, in particular in developing countries. Experience from South-East Asia demonstrates that countries which had already developed the collective capabilities to innovate were successful in adopting robot technologies and developing robot-intensive industries. Such capabilities are embodied in the knowledge base of a society, including the composition and diversity of different technical skills and knowledge acquired by the labour force, as well as by the socially shared values and beliefs that shape expectations, choices and behaviour (Nübler, 2017). Nevertheless, developing countries might still experience disruption as a result of automation in more technologically advanced countries, which might result in reshoring of certain tasks and activities (see Issue Brief No. 10). Developing countries also might not have the capabilities needed to take advantage of the potential that new technologies hold for improving processes and products.

The Internet has enhanced connectivity, including to global markets. This has improved the development prospects for countries that are able to take advantage of this increased connectivity and supply their services from anywhere in the world. In contrast to previous waves of development and catching up which relied on a strong and expanding manufacturing base, services sector growth today plays an increasing role in the development process. Emerging and developing economies may well be able to mitigate the adverse effects from the potential reshoring of production by increasing their trade in services (see Issue Brief No. 10) (World Bank, 2016a). There may also be new opportunities for developing countries to become engaged in “remote repairing”. The increasing interconnectedness of physical devices and appliances allows location-independent technicians to support clients with direct troubleshooting via the Internet. In addition, the development of the platform economy allows developing countries to participate in this “trade in tasks” and thus to catch a larger share of global value added in services (see Issue Brief No. 5). However, platforms are mostly developed in advanced economies, and markets can become rapidly dominated by those who entered early in the process. There is thus a risk that developing countries will become increasingly dependent on enterprises located in developed countries.

Digitalization can also have a positive impact on the innovation strength of developing countries. Ecosystems for innovation, such as tech hubs and makerspaces, are accessible online and facilitate the exchange of knowledge and ideas among peers. Smartphone applications enable developers to deploy their ideas at relatively low costs and risks. And e-commerce platforms allow digital start-ups to market their products to a large number of customers worldwide.

Automation and artificial intelligence will also play an important role in agriculture, particularly with growth in the demand for global goods (OECD and FAO, 2016). As shown in a recent study by Jayne, Kwame Yeboah and Henry (2018), “smart farming” increases productivity by using the Internet of things, with sensors to collect real-time data and integrated monitoring systems to create optimal conditions for sowing, watering, fertilizing and harvesting. Unmanned agricultural drones and satellites, self-driving farm equipment, and robot pickers for fruits and vegetables are all expected to reduce the need for human work. At the same time, new technology offers better access to product innovations, new agricultural practices and market developments.

While commercial agriculture will benefit most from such innovations, smaller farmers of traditional food staples and subsistence farmers may also benefit. Innovations in crop

genetics, organic agriculture and irrigation as well as other infrastructure, for example, are credited with productivity improvements among small producers. Smartphone-based renting applications for agricultural machinery (e.g. “Hello Tractor” in Nigeria) enable small farmers to access modern technology at low cost. Apps are also used by small farmers to access agricultural extension services, as well as to improve planting and crop rotation. Research capacity and expertise, complemented by extension and commercialization, will be essential and still remain a big challenge in many developing countries.

A study across 21 emerging and developing countries and 11 developed countries revealed that there is still a large gap in Internet usage across the globe. While a median of 54 per cent of adults in emerging and developing countries reported using the Internet at least occasionally, this rate was 33 percentage points higher in advanced economies (PRC, 2016). Although Internet usage in emerging and developing countries has expanded steadily over the past years, increased efforts are needed to close the digital divide in order to make the benefits of technological advancement more inclusive.

Labour market efficiency and inclusion

As an additional benefit, new technologies are expected to improve the functioning of the labour market, which could help in addressing risks of mismatch and long-term unemployment. The analysis of “big data” can also serve as a forecasting tool. An analysis of social media conversations about work-related anxiety resulted in the prediction of an unemployment spike in Ireland three months before the release of official statistics (United Nations Global Pulse, 2013). Artificial intelligence and big data techniques, for instance, are increasingly being implemented (by large enterprises) to improve recruitment processes, thereby helping to correct skills mismatches. Time saved by automating parts of the hiring process and improved hiring quality from standardized job matching can help enhance labour market efficiency. Digital platforms, such as LinkedIn and Monster.com, are already connecting individuals with work opportunities in both traditional and digital workplaces, as well as in developed and developing countries, thereby taking over tasks traditionally carried out by headhunters. These platforms can bring significant gains at both the micro and macro levels. According to the McKinsey Global Institute, online platforms could match workers and employers, yielding 72 million jobs and spurring global GDP by 2 per cent within the next decade (MGI, 2015). First experiences suggest, however, that such digital hiring methods have the tendency to replicate existing recruitment biases, undermining efforts to promote broader labour market diversity (Mann and O’Neil, 2016).

The unequal impact that digitalization and automation have on sectors and locations runs the risk of worsening existing gender imbalances. Men may face larger job losses than women in certain industries exposed to automation, for instance in the automotive industry (Acemoglu and Restrepo, 2017). According to one study, however, men are expected to recover more from these job losses than women: men will lose about 4 million jobs by 2020 but are expected to gain another 1.4 million, i.e. roughly one job gained for every 2.9 jobs lost. In contrast, women will face 3 million job losses but only 0.6 million gains, or only one job gained for five jobs lost (WEF, 2016). Moreover, these alternative employment opportunities for women are often found in the care sector, which is expected to expand further as a result of population ageing. Jobs in this sector present, however, significant decent work deficits; along with unpaid care work, they prevent the development of a larger, diversified care services market, thereby perpetuating gender inequalities (see Issue Brief No. 3). This trend is not universal, however, and in some Latin American and South-East Asian countries the opposite might be true. In Argentina,

for instance, female jobholders face an automation probability of 61.3 per cent, while for men it stands at 66.1 per cent (MH, 2016). In ASEAN countries, women represent the majority in occupations that are judged as vulnerable to being automated and are thus more likely to become unemployed than men (Chang and Huynh, 2016). However, taking account of economic feasibility and low robot deployment in light manufacturing, such as in apparel where female employment tends to be concentrated, the gender impact of workplace automation could be mitigated.

Some considerations

The overall effects of technological change are likely to be context-specific, differing among countries, sectors and occupations. They will depend on the institutional set-up that influences the opportunity costs of automation and the capacity of the workforce to adjust to the new, robot-based work environment, as well as the potential for worker mobility across sectors and locations. Great potential for economic growth in developing countries exists, although challenges remain to take advantage of those possibilities.

- What policies are critical for sharing technological dividends broadly and avoiding increased labour market polarization and income inequality?
- What policies need to be enacted to enable developing countries to reap the full benefits of the current wave of technological change, including in the services sector?
- How can the current technological revolution be managed to improve the functioning of labour markets and strengthen inclusiveness?
- What measures need to be taken to mitigate the consequences of job destruction?

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#7

Cluster 4: Managing change during every phase of education

Managing transitions over the life cycle

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

As the world of work undergoes profound and extensive changes, the effectiveness of future labour market institutions will depend on how they facilitate the myriad transitions and cushion the risks that workers will experience throughout their working lives. These transitions may result from individual choices (such as starting a family or changing careers) or risks (such as falling ill). They can also result from external shocks, such as company relocation, technological unemployment, or the need to reconfigure industries as a result of climate change. In any case, there are consequences not only for individuals, but also for families, communities and larger societies.

While significant progress has been made in developing social security systems that mitigate the risks of illness or disability, coverage is more limited for unemployment, maternity/paternity or elder care responsibilities, and few social security systems accommodate workers' needs for job retraining or lifelong learning. Moreover, changes in labour markets, including not only technological advances but also other developments such as the widespread participation of women in paid employment, merit reflection on whether the institutions created for an industrial age – when lifetime employment with a single employer was the expectation – need to be adapted for the twenty-first century.

Key findings

Why is the capacity to manage transition becoming more critical?

Current technological changes are advancing at a pace rarely seen in human history. While many jobs lost as a result of technological change may be later replaced by new jobs in unforeseen industries that emerge out of technological advances (Mokyr, Vickers and Ziebarth, 2015), the potential hardship for affected workers, if not anticipated and properly addressed, is significant. This is true for workers whose jobs become obsolete, as well as for those whose occupational tasks are transformed as a result of automation and other new technologies. Given the accelerated pace of change, there is an urgent need to manage this transition.

In addition to the risk of “technological unemployment”, there is likely to be a reconfiguration of many industries and modes of production in order to move to a zero-carbon world. Though this shift is beneficial and can create new employment opportunities, individual workers will nonetheless be affected, and policies are needed to ensure a “just transition”.

While unemployment remains an important and possibly growing risk for workers in light of digitalization, automation and robotisation, and the shift to a zero-carbon world, there is a spectrum of other risks beyond unemployment that workers can expect to face throughout their working lives. Indeed, workers who do not lose their jobs as a result of automation will still need to enhance their skills to adapt to occupational developments.

In addition, there is a need to design labour market systems that can address the diverse personal, individual shocks that workers face throughout their working lives: maternity or paternity, elder care responsibilities, illness or disability, as well as one's own personal need for learning and personal development.

What are the approaches to managing transition?

Regardless of the nature and origin of the risks, the best tool for smoothing labour market transitions is to have a workforce prepared for a full range of life contingencies. Such workforce readiness requires a comprehensive set of institutional arrangements – which includes training policies (see Issue Brief No. 8) – based on a new policy framework.

One useful proposal is the concept of transitional labour markets (TLM), developed in the 1990s by the German labour sociologist Günther Schmid. TLM conceives of the labour market as a “social institution” whose function is not just to ensure freedom from want, but also to give workers the capability to freely choose and develop a career over their life cycle that can also include unpaid, but socially necessary, phases of work (freedom to act) (Schmid, 2017). It recognizes that over the life cycle, workers will face multiple transitions: from school to work, between jobs, between employment and unemployment, to unpaid household and care work, and to different forms of inactivity such as disability, illness or retirement. Importantly, the term “work” in this policy framework is broadened to include all activities of social obligatory character, whether paid or not. Responding to these transitions requires comprehensive labour market institutions “to prevent, mitigate or to cope with the social risks related to life course transitions” (ibid., p. 2).

Reconfiguring unemployment insurance and training programmes as “employment insurance” can aid workers before any job loss occurs. Most existing unemployment insurance systems offer training to workers after they have lost their job, in some instances making the receipt of benefits conditional on participation in the training. Instead, systems should be reconfigured so that workers study and train before any risk of job loss, empowering them to have greater control over their careers and be better prepared to respond to external shocks. A system of entitlements to training, funded through a reconfigured employment insurance system, such as individual training accounts, would also have the benefit of supporting those workers who have the greatest need for continuing education, who often do not have the resources to finance the absence from work and the training on their own, as well as workers in small- and medium-sized enterprises who are less likely to benefit from employer-sponsored training (Schmid, 2015).

Another essential component is to enable workers to more readily access paid leave, so that they can avail themselves of training and lifelong learning opportunities (see Issue Brief No. 8), and also have the time needed to manage parental and elder care responsibilities without compromising their attachment to the labour market (see Issue Brief No. 3). Supporting care responsibilities for both men and women is integral to the policy of accommodating transitions and managing social risk, as it recognizes that providing care is not just the responsibility of one individual (usually female) worker, but a broader societal responsibility. In all countries, whether rich or poor, in ageing societies or young societies, care responsibilities are integral to workers' daily lives.¹ There is thus a need to enact policies that allow workers to accommodate personal and

¹ An important critique of the standard employment relationship is that it was predicated on a male breadwinner, with a female homemaker responsible for care activities, yet not paid for these activities. As a result, women could not dedicate themselves as fully to paid work and often took on secondary jobs at the margins of the labour market (ILO, 2016).

family responsibilities.² Policies to support parental and other care leave, as well as legislation to facilitate the transfer between full-time and part-time work and vice versa, help all workers to address their care responsibilities. A progressive reduction of normal hours of work for all workers would also help in accommodating workers' personal and family responsibilities, by helping to facilitate a more gender-neutral division of labour in the household (ILO, 2016; Coote, Franklin and Simms, 2010).³

Universal social drawing rights that recognize an individual's status as a member of the labour force are instrumental for facilitating such policies. They are based on the idea that current labour law is too narrow in scope and that to manage changes in the world of work it is necessary to have a more encompassing definition of labour force membership that considers "career breaks and changes of occupation" as "a normal part of ongoing labour force status" (Supiot, 2001, p. 221). Labour force membership confers a broader set of legal rights than just employee status, as workers would benefit from social rights that "may be unrelated to employment in the narrow sense", such as time off for union activities, training credits and parental leave (ibid., p. 222). While such a recommendation may seem more difficult to implement in developing countries with underdeveloped social security systems and higher shares of informal employment and self-employment, universal social policies such as old-age pensions, child grants or training grants, which exist today in many developing countries (ILO, 2017), support workers in managing transitions over the life cycle (see Issue Brief No. 12). They thus represent an important first step in creating such a labour market.

While the individual is empowered to manage these transitions, the labour market institutions needed to support the worker are collective. The involvement and commitment of the social partners in the design of laws and policies that can prepare, cushion and ultimately empower workers is therefore essential. As Schmid (2017) explains, "because employers' and employees' interests often do not converge, compromises have to be negotiated and implemented. Collective bargaining and agreements are often how such deals are attained" (p. 12). Beside collective bargaining, there is also a need for tripartite social dialogue, especially in addressing issues of adaptation to external shocks such as technological unemployment or the move to a carbon-free world. This approach is at the heart of the just transition policy framework which provides a deliberate plan of investments in the transition to environmentally and socially sustainable industries and jobs.⁴ This plan is arrived at through social dialogue between all partners – industry, workers and government – at the international, national, regional, sectoral and local levels, and includes social protection, labour force adaptation, community investment and support for innovation (ILO, 2015; Just Transition Centre, 2017).

² The ILO's *Workers with Family Responsibilities Convention, 1981* (No. 156), recognizes in its Preamble that the "problems of workers with family responsibilities are aspects of wider issues regarding the family and society which should be taken into account in national policies", and mandates that ratifying States adopt measures "to enable workers with family responsibilities to exercise their right to free choice of employment" (Art. 4(a)) that can support their needs, including becoming and remaining integrated in the labour force (Art. 7).

³ The literature on shorter working hours calls for a combination of a shorter working week with greater ability for workers to take leave for care responsibilities and lifelong learning activities. This results in combining the shorter working week with fewer annual work hours, implemented gradually over time. See Coote, Franklin and Simms (2010).

⁴ To this end, the ILO adopted a set of *Guidelines for a just transition towards environmentally sustainable economies and societies for all* (ILO, 2015).

Country experiences that support more comprehensive risk management

While the concept of universal social drawing rights has yet to be instituted in any country, regardless of income level, there are nevertheless best-practice examples of policies adopted by countries to help manage transitions and mitigate risks in the labour market.

In 2015, France introduced a “personal training account”, broadening it in 2017 to a “personal activity account”. Workers acquire a number of hours of training rights per year, up to a maximum of 150 hours over a seven-year period. Part-time workers’ rights are calculated on a pro rata basis. Since these rights are attached to the person, not the job, employees can use them with their successive employers, irrespective of their type of employment contract, as well as during periods of unemployment. Singapore has also introduced a programme (called *SkillsFuture*) that provides information on and opportunities for lifelong learning.

Sweden has successfully instituted policies to support temporary work leave. In any given week in Sweden the nominal employment rate is about 76 per cent, but only 65 per cent are at their job (Schmid, 2015). The other 11 per cent are undertaking different forms of leave – for education, training, parental or other care responsibilities, sabbaticals or illness. In Germany, the parental leave allowance (*Elterngeld*) introduced in 2007 insures the income loss due to full-time or part-time leave at 67 per cent of the former net wage income, which is similar to the replacement rate for full-time unemployment. Entitlements are portable from one employer to another and to any location in the country. The policy could be considered as an element of wider employment insurance, although it is not formally included in the unemployment insurance system.

Over the past 15 years, many countries in Latin America and the Caribbean have effectively combined contributory and non-contributory social protection programmes to build a social protection floor that can support workers in their transitions (ILO, 2017). In Argentina, around 85 per cent of all children have effective access to a child allowance, providing a cushion to working families in transitions from paid to unpaid work. Barbados’s unemployment insurance system has broad coverage, with 88 per cent of unemployed persons receiving benefits under the mandatory social insurance scheme, a rate that is higher than in most OECD countries (ibid.). In Brazil, the country’s unemployment insurance system, the *Fundo de Amparo ao Trabalhador* (FAT), goes a step further towards the employment insurance advocated by TLM by permitting workers to take leave from their current employment to pursue a training course, while collecting unemployment insurance benefits.

As part of its efforts to integrate climate change into national and local policy formulation, the Philippines passed a Green Jobs Act in 2016 which benefited from extensive social dialogue with employers’ and workers’ organizations. The Act combines tax incentives for the creation of green jobs with a comprehensive human resource strategy, including setting up a database of “green” careers and instituting training and re-education programmes to ensure the preparedness of workers in 27 industries identified as potentially affected by the transition to a green economy (ILO, 2018).

Social dialogue has also been at the heart at other national efforts to manage the transition to a zero-carbon world. Forums such as the French *Grenelle de l’Environnement* or the round tables of the Kyoto Protocol in Spain have been instrumental in reaching agreement on large integrated policy packages (ILO, 2012). Similarly, the South African Green Economy Accord, signed in 2011, was the result of tripartite social dialogue. It seeks to prepare the country for the green technological revolution while creating 300,000 green jobs by 2020 (Republic of South Africa, 2011).

Some considerations

Most people accept change more easily if risk is shared. By expanding social insurance systems to accommodate life transitions and external shocks, and complementing these policies with comprehensive training and learning institutions, flexible leave, and other measures, workers will be better prepared to face future developments in the world of work. Some countries have taken important steps in this direction, but with the many expected challenges that lie ahead, it is useful to consider how these efforts can be broadened.

- What policies are needed to ensure that the individual has the means to manage transitions throughout working life? What aspects of transitional labour markets and universal social drawing rights are most useful for crafting responses to the future of work? Should societies move forward in integrating universal social drawing rights and, if so, how?
- How should countries with less developed social security systems expand them to accommodate needs for training and lifelong learning (see Issue Brief No. 8)? What aspects of the transitional labour market approach are most relevant for developing countries?
- Given the importance of social dialogue in designing and implementing systems of risk management, what efforts are needed to bring tripartite partners to the table? How can consensus needed for effective risk management systems be developed?

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ISSUE BRIEF

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8

Cluster 4: Managing change during every phase of education

Skills policies and systems for a future workforce

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

Alongside other determining factors, technological, climate and demographic change are thought to have profound and diverse impacts on the demand for skills (see Issue Briefs Nos 2, 6 and 10). The future of work will require a twofold adjustment of the skills development systems. First, these systems will need to deliver the foundational skills that allow people to embrace changing technological opportunities. And second, they will need to facilitate dynamic learning over the life cycle to ensure that people keep pace with digitalization and other factors of change.

This Issue Brief provides an overview of skills requirements for the future of work and considers how skills development systems might be transformed to meet these needs. It also raises questions about the financing of lifelong learning, as well as about the respective responsibilities of governments, enterprises and workers.

Key findings

What skills will the future of work require?

Technological change will affect both the composition of tasks (see Issue Brief No. 6) and the demand for skills (Arntz, Gregory and Zierahn, 2016; Autor and Handel, 2013). It is likely to have effects across all levels of skills and education (MGI, 2017; Freeman, 2014). Automation and robotization will increase the demand for technical skills that can facilitate problem-solving and innovation, particularly in occupations related to science, technology, engineering and mathematics (STEM). In addition to technical skills, specific vocational skills will be required to deploy, operate and maintain new technologies. In order to facilitate resilience to change and the adaptive capacity to continually improve skills over the life cycle, these cognitive skills will need to be complemented by a range of non-cognitive social and behavioural skills, which are often acquired in early childhood and at school (MGI, 2017). The appropriate combination of these technical, vocational and core work skills will be rewarded at a premium and will provide workers with sound future employment prospects, as they will be able to move easily between jobs, occupations and sectors. These trends are likely to exacerbate the disadvantages that low-skilled workers currently face on the labour market.

The transition towards an environmentally sustainable economy will generate new occupations, cause some job losses, and alter the skills composition of most jobs. Skills development strategies will need to both support displaced workers and facilitate the greening of the economy. New job opportunities in the “green economy” will emerge in the areas of renewable energy, energy efficiency, recycling, repair and remanufacturing (ILO, forthcoming (a)). These will require upgrading and making adjustments to existing competencies (for example, by adding training components on green technical solutions and environmental awareness to the curricula of architects, plumbers or electricians), as well as increasing specialization in certain technical skills (for example, STEM skills required for water and waste treatment). Green jobs will also require new skills

for occupations and sectors emerging in the green economy. Targeted training will allow workers to take advantage of these newly emerging green jobs (Strietska-Illina et al., 2011). Raising awareness about the need for environmental sustainability must become an integral part of education and training systems in order to pave the way for the acquisition of new skills.

Demographic change is likely to affect the skills requirements of the ageing labour force, as well as the skills needed to face the growing demand for caring professions (see Issue Brief No. 2). The workforce will be obliged to constantly upgrade its digital and technology-related skills to be able to remain longer in the labour market. At the same time, new opportunities for care work (see Issue Brief No. 3) will increase the demand for skills such as nursing and elderly care, as well as the accompanying soft skills such as communication and empathic listening. Other countries, especially emerging and developing countries, are facing the opposing trend of having an increased number of young people entering the labour market (see Issue Brief No. 2). Given that these highly competitive labour markets have a large number of equally qualified job applicants, soft (in particular interpersonal) skills might even become a decisive factor in an employer's decision to select a specific candidate.

These demographic trends will be accompanied by other changes in labour markets, affecting both the demand for and supply of skills. Between 2010 and 2030, 60 per cent of the increase in the global workforce will occur in developing countries, in particular, Africa and southern Asia – regions where educational attainment is lagging behind (MGI, 2015). In sub-Saharan Africa and South Asia, these demographic changes, combined with unequal access to education, are causing a skills mismatch with a surplus of low-skilled workers and a shortage of medium-skilled workers (MGI, 2015). At the same time, there is an increasing demand for high-skilled workers in developed countries, leading to emigration from and causing a brain drain in developing countries. The difficulties of finding a job in developing countries are likely to increase the pressure to migrate in search of work (see Issue Brief No. 2).

What does this mean for skills development strategies and education systems?

Given the constant and accelerating pace of change, skills development strategies will be obliged to ensure the continual renewal of skills over the life cycle. This will require focusing on ways to manage the different transitions that individuals will face (for example, moving from the informal to the formal economy or from the manufacturing to the services sector), so that they successfully enter the labour market (i.e. the school-to-work transition) and interrupt, reskill and re-engage in employment throughout their careers (see Issue Brief No. 7). The role of basic education in providing the foundational skills needed for dynamic further learning will remain important. This life-cycle approach raises fundamental questions about the respective responsibilities of governments, workers and enterprises in making choices about when and how to reskill and retrain. Moreover, it requires a solid financing concept – and in particular a decision about the sources of the necessary funding. In this context, it is equally relevant to consider the appropriate mix of public and private investment in all phases of delivery.

Basic education remains the foundation for future employability and further learning

Ensuring inclusive and quality education for all, as outlined in Goal 4 of the 2030 Agenda for Sustainable Development, as well as early childhood pre-school education and universal compulsory education, lays the foundation for lifelong learning, social mobility and social inclusiveness. Participation in education and levels of educational attainment have been rising globally, resulting in higher literacy levels and a better-educated workforce. Young people tend to stay longer in initial education. Mean years of schooling have doubled since the early 1980s (UNESCO, 2015), and projections show that the number of people achieving secondary education or higher will increase tenfold by 2100 (Roser and Ortiz-Ospina, 2017). However, low-income economies are still lagging behind, as they continue to face challenges regarding access to and dropout from basic education. The average length of schooling in developing countries, for instance, is only around 7.2 years, compared to 11.3 years in advanced countries (Barro and Lee, 2013). Although gender inequality in education declined considerably over the past decades, the ratio of female to male average length of schooling is still significantly lower in developing countries (85.9 per cent) than in advanced countries (97.8 per cent). Unless these economies make strides in access to universal basic education as well as improve its quality for both women and men, sustainable development will remain out of reach.

Facilitating the school-to-work transition

Having a solid qualification substantially enhances the employability of young people. However, to adjust to changing labour market demands, it will be necessary to strengthen the relevance of technical and vocational education and training (TVET), for instance by broadening the qualification profiles and integrating core work skills into the curricula. Such measures will not only improve the employability of youth (see Issue Brief No. 2), but also increase the potential for further upgrading initial qualifications.

Employers have a key role to play in workplace learning and Quality Apprenticeship training. On-the-job training and experience can help ensure that young people are equipped with the relevant skills and that they are exposed to the use of new technologies (ILO, 2017b). Employers need to be engaged more actively in the provision of training, especially in TVET. Tripartite sectoral skills bodies provide important opportunities for facilitating the school-to-work transition, as well as the delivery of relevant training to the current and future workforce.

Dual apprenticeship systems are another tried and tested way of enabling young people to make the transition from the world of education to the world of work. They play a key role in enhancing youth employability by helping young people acquire the relevant skills while simultaneously having the opportunity to gain work experience and start the process of building a career. The set-up and adjustment of such systems will continue to require effort on the part of governments, employers' associations, trade unions and training providers (ILO, 2017b).

As mentioned above, digital technologies not only change the characteristics of jobs but can also facilitate the access to skills and learning opportunities. For instance, Massive Open Online Courses (MOOCs) and training video resources appear to be well suited to respond to the need of renewing competencies by overcoming time and resource constraints and opening up access to training, including for people in remote areas and people with disabilities. To reach the full potential of e-learning opportunities, access to online courses should be accompanied by certification and linking to other types of training.

The future of work will require lifelong learning and agile, flexible training systems

The frontloading of skills through initial training for a single lifetime qualification will no longer be sufficient or effective. Training systems of the future must be flexible and prepare the workforce to continue learning over the life cycle. They will need to be closely aligned with the labour market in order to forecast future skills demands – including those required by emerging occupations – and to match them with current skills development and training opportunities. Employment services will be obliged to collaborate with employers to provide effective assistance to workers, matching skills and jobs and facilitating job-specific (re)training.

The concept of lifelong learning developed in the 1970s, having originated in the context of the transition to the knowledge economy. At first, flexible modular training programmes, combined with the recognition of training credits, were considered to be an optimal solution. This approach gave way to an even more flexible system of learning outcomes, which defines results (e.g. competency standards) rather than inputs. However, this approach has suffered from lengthy standards elaboration and accreditation procedures, as well as complex quality assurance systems. Striking the balance between flexible training offers and systematic quality assurance with accreditation and testing mechanisms can be a challenge. Meeting this challenge will be even more crucial for a future of work that demands agile and flexible training systems.

The ability to take advantage of the opportunities presented in the future world of work will be contingent upon the effective design of these lifelong learning systems. Governments might consider taking the lead in designing modern lifelong learning systems in close consultation with workers and employers – the actors and key beneficiaries of the system.

Need for increased and diversified funding of lifelong learning

At a time when millions of individuals require new skills to earn a living, there are worrying signs of possible cuts in public spending on workforce training programmes (for the OECD countries, see OECD (2018) and MGI (2017)). Governments play a central part in financing active labour market policies and providing basic skills through initial education. Their role will need to become more pronounced in the context of lifelong learning. At a time when employer–employee contractual relations are evolving and diversifying, and job tenures tend to be shorter, individuals may need additional support to be able to engage in learning. Public funding can support and incentivize access to learning opportunities, through such vehicles as voucher financing models, entitlements, skills guarantees, individual learning accounts, subsidies, grants, credits and tax breaks. However, scarcity of public resources, especially in developing countries, calls for a diversification of funding sources and continued support through development cooperation. Mechanisms that require employers to contribute to workforce training, such as sectoral levies or national tax breaks, are possible channels for engaging the private sector in training provision and participation.

Persons on study leave to upgrade their skills, or workers who are temporarily unemployed and in transition from one job to another, will continue to require financial support (WEF and BCG, 2018). A combination of retraining with passive labour market measures may help to ensure income security for individuals during these periods (see Issue Brief No. 7). Easing the burden on public funding can be achieved by striking a better balance between public and private responsibility for financing training (see Issue Brief No. 9).

Better utilization and recognition of skills for inclusive labour markets

The effective utilization of skills requires well-functioning and accessible systems of recognition of skills, as well as prior learning at national, sectoral and workplace levels. Skills strategies that take account of the private sector's need to remain competitive are likely to garner stronger support from enterprises. National and sectoral tripartite social dialogue on skills policies can be an important way to develop and improve policies, and to enhance their take-up.

Migrant workers find it extremely difficult to have their skills and experience recognized (ILO, 2017a), which results in a significant level of skills-related underemployment and a loss of economic benefits for these workers. A growing emphasis on the validation and recognition of skills has led to an expansion of bilateral and regional mutual recognition arrangements, which are based on learning outcomes and often linked to national and regional qualification frameworks.

Some considerations

As the pace of change accelerates, the capacity of systems to anticipate future skills needs – locally as well as globally – will be placed under considerable pressure, requiring innovative solutions (ILO, 2015b). Skills development can be an important enabler of transition and can help to reduce social costs. Lifelong learning has emerged as an important concept for developing approaches to educational and skills development systems throughout the life cycle. Yet key questions remain about design and delivery.

- How do education and training systems need to be transformed to equip the workforce with the skills and competencies required in the future?
- How do we design and finance lifelong learning systems? What are the respective roles of governments and the social partners?
- How can governments overcome the challenge to increase public expenditure against a background of scarce resources, in particular in developing countries?
- What incentives might be used to encourage the provision of and participation in training opportunities – and who should pay for them?
- What policy measures are needed to enhance links between training institutions and enterprises?
- How do we strike a balance between ensuring quality of training and meeting the demand for more flexible and shorter learning pathways?
- What role can international labour standards play in shaping policies for lifelong learning?

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ISSUE BRIEF

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#9

Cluster 5: New approaches to growth and development

New business models for inclusive growth

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

While business enterprises are the engine of our economies, the generators of prosperity and the creators of jobs, there are growing concerns that the current dominant focus on rewarding investors and creditors comes at the expense of the environment and well-being. This raises the challenge as to how best to utilize the potential of business to contribute to society.

Reflecting on this challenge, this Issue Brief takes stock of the research on new business models in order to better understand how we can harness the productive capacity of business to optimally contribute to inclusive and sustainable growth.

Key findings

Should we be concerned about single stakeholder models of “shareholder primacy”?

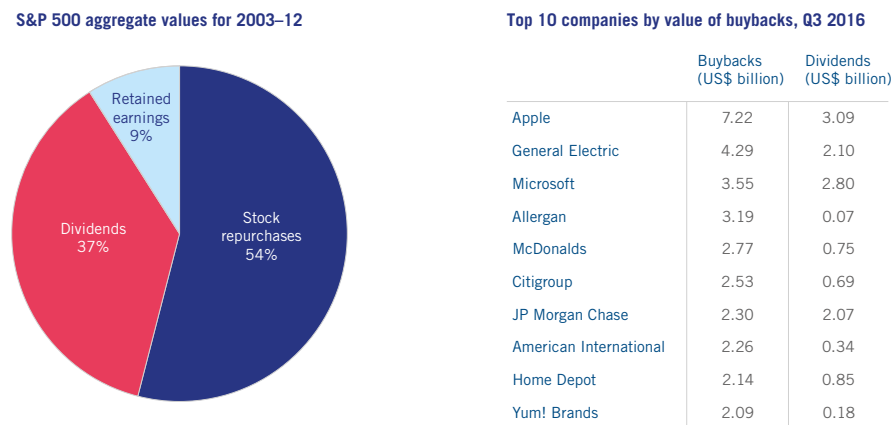
A good deal of research has analysed the consequences of shareholder primacy for income inequalities and employment conditions. Shareholder primacy is the idea that the pursuit of value for a single stakeholder – the shareholder – is the core business function driving production efficiencies. Shareholders have a residual claim on the surplus from production, but they also carry the risk.

Thanks to the liberalization of capital flows across borders and growth in shareholder value financial assets, the shareholder value principle is increasingly taken for granted across countries with different corporate governance traditions (van der Zwan, 2014). The strength of financial incentives – as opposed to other types of incentives that drive shareholder value – has increased with the growth in “financialization”, whereby corporate governance is conditioned by, and more responsive to, financial markets rather than product markets (Fligstein, 1990). Financialization has important implications for processes of value creation and distribution (Appelbaum and Batt, 2014); it means that shareholder value today is more likely to depend, among others, on the creation of wealth through financial engineering (via accountancy and other intermediary organizations). Under this model, value is generated primarily from non-productive resources. This has clear implications for the distribution of efficiency gains. Research has focused on the question of how financialization has changed the scope of shareholder primacy and shaped business strategies and processes. Shareholder primacy exerts pressure on corporate managers to maintain shareholder approval, which in a context of financialization means generating continuously high rates of return on equity. This raises a number of concerns for inequalities and employment conditions faced by a competing but important stakeholder group, namely, workers:

1. Short-time horizons in shareholder systems seem to militate against longer-term employment strategies of investing in training and related forms of human resource development (for the Republic of Korea, see Kim and Kim, 2015).

2. Record high levels of stock buybacks (figure 1) reduce funds available for investment in plant and equipment, research and development, wage increases, and improved health and safety; moreover, buybacks reward shareholder volatility rather than stability (for the United States, see Lazonick, 2014).
3. Workers may face greater risks of downsizing in companies that emphasize shareholder primacy than in those that do not because labour is frequently the target of cost-cutting strategies (Lin, 2016); in practice, effects are contingent upon institutionally conducive factors that lessen workers' capacity to resist layoffs (Goyer, Clark and Bhankaraully, 2016).

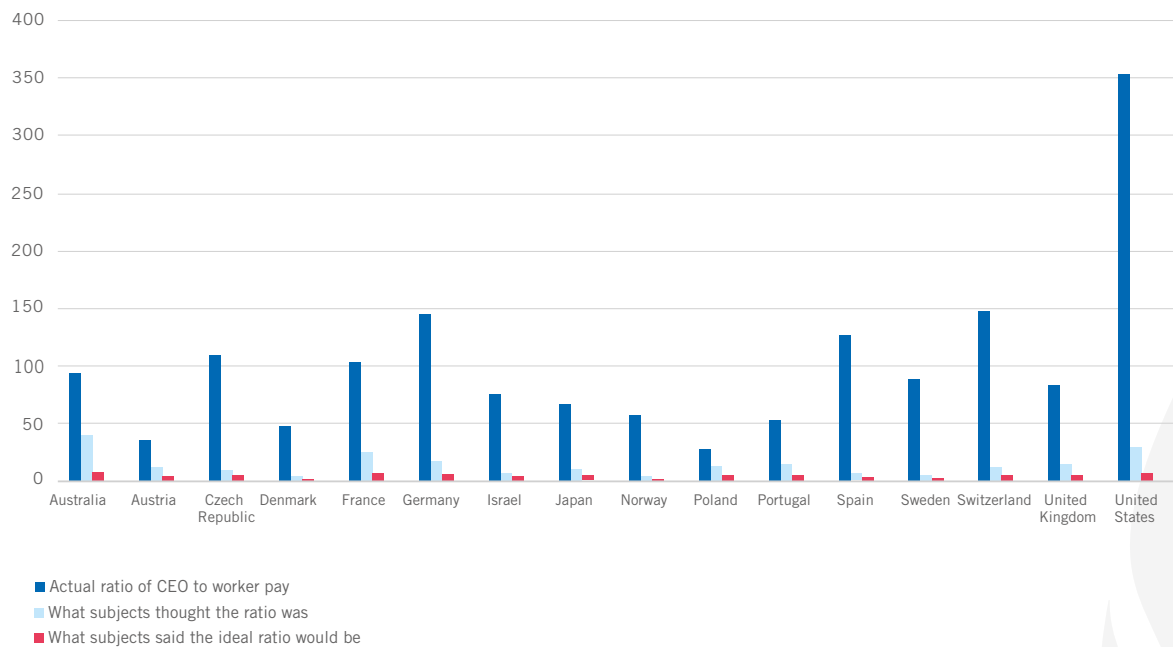
Figure 1. Share buybacks and dividends, United States



Source: Lazonick, 2014.

In a context of increasing inequality and stagnation of real wages faced by workers in many countries, there is growing concern over the rising compensation of corporate executives (Dah and Frye, 2017). An international survey conducted by Kiatpongsan and Norton (2014) asked people what they thought chief executive officers (CEOs) earned and also what they thought CEOs ought to earn. The results demonstrate a significant disconnect between societal norms and executive expectations (figure 2). In the United States, for instance, CEOs made on average 354 times the amount earned by unskilled workers in 2012. This was considerably higher than the ratio that was estimated by survey respondents (30:1) as well as the ratio respondents considered as ideal (7:1).

Figure 2. International survey results on executive pay



Source: Kiatpongsan and Norton, 2014.

Alongside wage stagnation and global evidence of a falling wage share (ILO, 2016), the share primacy model may also be eroding returns to another key stakeholder: the nation State. There is growing concern in many countries of falling corporate tax revenues associated with a declining average tax rate. For member countries of the Organisation for Economic Co-operation and Development (OECD), for example, the average corporate tax as a share of total tax revenue has fallen from its pre-crisis level of 11.2 per cent in 2007 to just 8.8 per cent in 2014, and in several countries the fall has been dramatic: from 29 to 21 per cent in Chile, from 13 to 6 per cent in Spain, and from 23 to 17 per cent in Australia.¹ States may seek to make up the shortfall by resorting to more regressive forms of tax collection such as consumer taxes, support welfare and infrastructure spending, which are vital for business. Standard VAT rates reached record levels in 2014 at 19 per cent for the OECD average.

The evidence and business debates raise two key questions for the future of work: How can business integrate the views and interests of other stakeholders? How can the short-term economic value of business be complemented by concern for the long term?

¹ See OECD data at <http://www.oecd.org/ctp/tax-policy/table-3-12-taxes-on-corporate-income-1200--total-taxation.htm>.

How can business take account of other stakeholder interests?

Any business model may involve contributions from multiple stakeholders – investors and creditors provide finance and expect dividends and other payments; workers provide effort, commitment and ideas in return for wages; and the State provides infrastructure in return for tax revenue. In light of concerns about rising inequality, a key question is how the *integration of other stakeholder interests* can contribute to strategic business decision-making and, in turn, contribute to inclusive development. It may be time, in other words, to treat all interests of society as valid stakeholders, not only shareholders.

While there is longstanding understanding of the employment and innovation performance of “shareholder” models versus “stakeholder” models, mostly conducted at country level (e.g. Gospel and Pendleton, 2005, for developed countries), new research investigates the performance variation among corporations with high or low levels of “stakeholder salience”, defined as the degree to which managers and the regulatory environment give credence to the views of multiple stakeholders. The following are a selection of new findings:

- Responsiveness to multiple stakeholders can be a positive driver for corporate social responsibility (CSR), increasingly perceived as essential to sustainable business performance (Mason and Simmons, 2014). Stakeholders may derive legitimacy from statutory rights that empower them to hold business to higher labour standards (as in Germany), or from campaigning (at company or industry level) (Young and Makhija, 2014).
- Business CSR agendas can include partnerships with nation (and local) States against poverty, for standard setting and in forming “privatized governance”. While potentially positive for national competitiveness (Boulouta and Pitelis, 2014), research also suggests that there are major limits to business efforts to improve income distribution via payment of corporation tax, suggesting limits to the “stakeholder salience” of government and its citizens (Utting, 2007).
- Multinational corporations (MNCs) may engage with multiple stakeholders in the host countries of subsidiaries because local stakeholders can usefully channel legitimate concerns (and provide expert knowledge) about human rights and social and environmental challenges (Kang, 2013); conversely, non-engagement or absence of locally informed stakeholders can generate conflict and problems with business practices (Bondy and Starkey, 2014).
- Relatedly, the *capabilities* of MNCs to respond to local stakeholders, and thereby avoid conflict and reputational damage, depends in part on positive experience with multiple stakeholders in the home country of operation. Jackson and Rathert (2017) show that MNCs from countries with strongly institutionalized stakeholder rights find it easier to adopt stakeholder-led CSR as a global business strategy.

These new findings add to prior knowledge about the potentially positive effects of a multi-stakeholder business approach. These include the possibility that multiple stakeholders can identify areas of under-used capacity (labour and capital), facilitate trust between staff and management, smooth the employment effects of business cycles (e.g. through work redistribution plans), contribute to innovation via improved information flows, and mitigate against non-compliant management actions (Grimshaw, Koukiadaki and Tavora, 2017).

Facing the challenges and learning the lessons for the long term

As capitalism developed, so did the space for different forms of business organization across all sectors of the economy. There are longstanding models that prioritize the social and environmental needs of society: for example, conventional business models with joint and limited liability, and various new models that pioneer so-called “intangible capitalism”, involving investment in intangible assets such as design, branding, R&D and software. The various models present both challenges, as well as insights into devising imaginative methods for incentivizing business to contribute to sustainable development and inclusive growth.

The giants of “intangible capitalism” either did not exist a generation ago or were small, yet they now include the top four valued companies in the world. These corporations have sparked concerns of a fast-moving, new form of business that is harder to regulate, harder to tax and is generally disruptive of the familiar rules and mechanisms of a market economy (Haskell and Westlake, 2017). The “winners” dominate the market, detach value from tangible content, and agglomerate through a process of monopolizing information (they control the platforms and can harvest big data for commercial exploitation) and splitting jobs into tasks (creating ambiguity over employment status) (see Issue Brief No. 5). While there is concern over the exercise of this corporate and financial power, there are few tools to address the issues. Politicians on both the right and the left now recognize that traditional tax and regulatory policies probably need re-imagining to encourage these businesses to take on greater civic and social responsibilities.

Nevertheless, there are many points for possible interventions: the clustering of these enterprises in some geographic districts has raised incomes and housing costs, creating unaffordable citadels. This could be addressed by an inclusive housing and development strategy that distributes resources more fairly; also, the monopolization of information, such as personal data, has generated new discussions about how to pluralize ownership through new forms of capital sharing, thereby both spreading wealth gains and improving tax revenues (Lawrence, Roberts and King, 2017).

Indeed, there are already signs that more businesses, in both the tangible and intangible economies, are wanting to be more inclusive by strengthening their commitment to workers, localities and society through new associations, charters and licences. Moreover, stock markets have to some extent adapted by incorporating “social indices” to assess the commitment of businesses to social and environmental goals, whether the ethical indices listed on the London Stock Exchange or the S&P 500 Environmental and Socially Responsible Index. For example, a growing list of so-called “B Corporations” are independently certified as creating value for non-shareholding stakeholders, prioritizing social and environmental concerns (often alongside shareholder value), and are interested in “creating a new economy with a new set of rules” (Kim et al., 2016). There is also a wave of interest among businesses in registering for voluntary employment charters (in, say, a city region or across a global value chain), which raise minimum pay and make work more equal and secure (for the United Kingdom, see Hurrell, Hughes and Ball, 2017).

More broadly, the social and solidarity economy (SSE) enterprises encompass a range of business forms, including worker cooperatives, mutual benefit societies and social enterprises, and respond well to the needs of citizen groups and local communities (Borzaga, Salvatori and Bodini, 2017; ILO, 2017). Research points to key lessons for work and employment of these more pluralist models. First, SSE enterprises are less likely to delocalize production activities or offshore them in order to cut labour costs in response to investor pressures. Second, they are often at the forefront of efforts to regenerate local communities and to rescue businesses at risk of bankruptcy, thereby both creating and preserving employment (e.g. see Vieta, Depedri and Carrano, 2017 for Italy; Ruggeri, 2009 for Argentina); observed country variation is shaped by legal frameworks that promote and protect SSE enterprises (CECOP, 2013; ILO, 2014). Third, the SSE business form can prove fruitful for pooling resources for micro-enterprises or independent self-employed workers.

Some considerations

The growing call for more inclusive business models raises distinctive issues for the future of work. The globalization of financial markets presents challenges to efforts to improve employment quality in a business context that prioritizes shareholder value. There is a risk that the current era of financialized and intangible capitalism will exacerbate these trends.

The empirical evidence shows that new business models do contribute to more sustainable social and economic development, but this raises the question of the generally slow pace of diffusion and adaptation among much of traditional business. There are useful efforts to better understand and measure the intangible value of corporate sustainability goals (e.g. for Brazil, see Orsato et al., 2015). This is a potentially important agenda if we want to encourage businesses to shift away from the focus on short-term tangible, financial gains.

- How do we shape incentives so that businesses – while pursuing the legitimate goal of profit maximization – also contribute to sustainable and inclusive growth?
- How can business models adapt to take account of other stakeholder interests?
- What options and tools exist to respond to concerns about the growing concentration of digital platforms?
- How can we harness the potential of the social and solidarity economy?

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ISSUE BRIEF

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#10

Cluster 5: New approaches to growth and development

Global value chains for an inclusive and sustainable future

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

Increasing production in global value chains (GVCs) has transformed the world economy in the last three decades. GVCs have been an engine of growth and a significant driver of job creation, especially in the developing world. At the same time, questions have been raised as to whether participation in GVCs will continue to be a viable development strategy for inclusive growth and decent work in the future.

Production taking place in GVCs is complex and refers both to foreign direct investment by multinational enterprises in their off-shore subsidiaries and, most significantly, to outsourced production where global brands and retailers coordinate production without owning facilities. This is particularly striking in labour-intensive industries, where “manufacturers without factories” are responsible for the high-value activities (conception, design and branding of the product) while outsourcing the low value added manufacturing segments to producers typically based in developing countries. This has created challenges for industrial, employment and development policies.

The 2016 International Labour Conference debated at length the issue of decent work in global supply chains.¹ This Issue Brief focuses on the implications that participation in GVCs holds for prospects of inclusive and sustainable development. It considers future trends, including technological change and shifting consumer demand as these affect the configuration of GVCs. It then examines the types of policies that are needed to ensure that participation in GVCs contributes to economic and social development for workers, enterprises and economies.

Key findings

Technological change is expected to have a large impact on the international division of labour (see Issue Brief No. 6). However, the implications for employment, distribution and inclusion remain an open question. Participation in GVCs can be a driver of industrialization and development, facilitating structural transformation, the transfer of technology and the adoption of new production practices (ILO, 2016a; Lopez-Acevedo and Robertson, 2016).

What impact will technological change have on the international division of labour?

Technological change, including increased digitalization, automation, the use of robotics and 3D printing, poses important questions for future production in GVCs and their role in generating and sustaining employment in both developed and developing countries. There are different accounts of the potential impact that technological change is likely to have on production in GVCs.

¹ <http://www.ilo.org/ilc/ILCSessions/105/committees/supply-chains/lang--en/index.htm>.

With the introduction of new technology, including robotics and automation, labour costs become less relevant to production and offshoring less attractive. This may lead to a possible restructuring of GVCs and a reshoring of global production back towards industrialized economies (De Backer and Flaig, 2017; see also Issue Brief No. 6). This has the potential to displace large number of workers in developing countries, particularly in labour-intensive industries such as apparel and footwear and electronics assembly, industries which have served as important entry points for developing countries into global markets.

The introduction of new technologies in traditionally labour-intensive production may also have a gendered impact on employment. Women workers are typically employed in lower-skilled occupations, and as these become more technology-intensive, they also tend to become less feminized. As a result, potential job losses resulting from technological change may have a disproportionate impact on women (Kucera and Tejani, 2014).

Rising labour costs in producer countries could also drive the reshoring of production to high-income countries. However, initial estimates show that the effect of these rising labour costs is likely to be negligible (De Backer and Flaig, 2017), as wage increases are typically compensated to some extent by productivity increases. Moreover, especially for labour-intensive industries, rising labour costs in one producer location may lead to a geographical shift of production towards a lower labour cost frontier country.

While a large number of jobs, especially in light manufacturing, may feasibly be replaced by machines (Chang, Rynhart and Huynh, 2016), it may not make economic sense to do so, due to the high capital investment needed at the onset, and the continuing comparative advantage in terms of low labour costs of developing countries. Thus, economic factors may prove to be more important for robot deployment than the technical possibilities of automating workers' tasks (UNCTAD, 2017). As a result, the organization of production through offshoring to low labour cost locations is likely to continue. This is particularly relevant in sectors such as apparel, where technology has yet to provide an answer to the specific labour intensity of the production process (Kucera, forthcoming).

Significant technological bottlenecks remain and it will still be necessary to demonstrate that the use of new automation technologies will be as profitable, if not more, than conventional alternatives for production. In business process outsourcing, particularly in the case of call centres, consumers continue to prefer human-to-human interaction over interactive voice response (IVR) technology. Thus in services, consumer preferences and operational costs will continue to determine the degree to which services are automated (ILO, forthcoming).

There is little evidence of significant reshoring of production at present (Cohen et al., 2016; De Backer et al., 2016; UNCTAD, 2016). However, technological change is proceeding apace in both robotics and 3D printing, with significant new developments announced each year. Thus, even though we may not yet have witnessed significant reshoring, the arguments for reshoring are compelling. These include the potential for reduced transport costs and delivery times, less surplus inventory sold at discounts as production becomes more just-in-time, closer proximity to designers, improved product quality, reduced corporate social responsibility risk and improved brand image. The influence of fast-fashion has been important in this regard, with business models, in Europe at least, increasingly being based on production in low-cost regions within the European Union as well as nearby countries like Morocco and Turkey.

Should reshoring become a significant trend, developing countries will be faced with a new set of challenges, including the need to strengthen skills policies so that workers are employable in other activities, and to increase aggregate demand to offset the resultant decline in foreign direct investment. A significant challenge will be whether and how low-income countries will be able to improve their working conditions in the face of competition not just from other low-income countries, but also from robotics in high-income countries. Low-income countries may also need to consider reorienting production towards markets in middle-income countries in their own regions, thus addressing concerns about transport costs and delivery times that motivate reshoring. Some technological advancements may also create new opportunities, by easing communications across locations through email, sensors, electronic data collection, and creating online collaborative spaces (World Bank, 2016).

Will participation in global value chains remain a viable development strategy in the future?

Enterprises, as well as countries, can benefit from participation in GVCs through spill-overs in skills, learning and know-how, and improvements in work processes and technology. Participation in GVCs offers opportunities for developing countries to participate in global markets, enabling them to diversify exports. They can be an important vector for inclusive growth. At the same time, research shows that in GVCs where competition is high and price-driven, returns for suppliers are likely to be low and/or decrease over time. There is a risk that the entry of new low-wage producers will precipitate a downward spiral of competition, in which increases in exports produce ever-diminishing returns (Kaplinsky, 1998; UNCTAD, 2013).² Under this scenario, the potential social gains that arise from an increase in exports will be more than offset by lower prices.

For participation in GVCs to contribute to development and decent work, suppliers need to upgrade and move into higher value added activities, thus increasing the benefits or profits derived from participation in them (Gereffi, 2005). They might do this by shifting into value added manufacturing products that demand a higher price (e.g. moving from agricultural exports into frozen foods and canning in the food industry), or acquiring new functions (e.g. design and marketing competencies). Making this shift may be difficult when markets for higher value added products are dominated by a few large companies (Schmitz and Knorringa, 1999).

From a development policy perspective, efforts to forge an inclusive growth path through participation in the global market are likely to require a mix of national policies aimed at entering GVCs, expanding and strengthening participation by moving into higher value added production, and ensuring that this contributes to sustainable long-term development (Taglioni and Winkler, 2016). This policy mix includes investment promotion measures, strengthened customs, transport and telecommunications infrastructure, focus on skills development including through vocational training, industrial policies aimed at product and task diversification and competition policy (Cattaneo et al., 2013). An effective regulatory framework for labour standards and the monitoring of compliance is also important to ensure that social and economic development go hand in hand (see Issue Brief No. 11). To ensure that producer firms and countries can move up the value chain, a strong link needs to be fostered between enterprises participating in GVCs and the local economy, for example through backward and forward linkages with domestic firms, and through the diffusion of knowledge, technology and know-how from

² Bhagwati (1958) theorized that a rapid increase in exports of labour-intensive products involves a potential risk that the terms of trade decline to such an extent that the benefits of any increased volume of exports may be more than offset by losses due to lower export prices, giving rise to "immiserizing growth".

foreign investors. Local content requirements can also stimulate the use of domestically produced renewable energy and thus domestic job creation in the green economy.

However, conditions that facilitate diffusion, learning and upgrading in GVCs are not always present. For example, upgrading processes present considerable challenges in terms of skills gaps in the domestic economy, intellectual property rights and global brands' concerns that suppliers are encroaching on their core competencies (such as marketing and product development) (Schmitz and Knorringa, 1999).

The degree to which participation in GVCs represents a viable path for sustainable development and the structural transformation of the economy raises the question as to whether there is sufficient international policy space for the adoption of industrial policies that might foster linkages with the local economy. Developed and developing countries deployed a range of industrial policies in the past to accelerate their own industrial development, often with considerable sophistication, as in the case of East Asian economies such as Japan, Republic of Korea, Singapore and Taiwan, China. Local content requirements can stimulate the use of domestically produced renewable energy and thus domestic job creation in the green economy. Today, multilateral trade agreements as well as many bilateral and regional trade and investment agreements might constrain the capacity of developing countries to use these policies in supporting economic development (UNCTAD, 2014).

These complex challenges raise a more fundamental question: what will the future path of industrialization and development be for developing countries? Traditional paths to development which rely heavily on export-oriented manufacturing are being questioned, as developing countries find it increasingly difficult to participate in manufacturing-led development (Hallward-Driemeier and Nayyar, 2017). In addition, the job creation capacity of manufacturing has been weakened in recent years and many developing countries are showing signs of “premature deindustrialization” (Fontagné and Harrison, 2017). The current projection suggests that their manufacturing employment share is unlikely to increase and the development path and process of structural transformation is likely to be very different to that taken by developed countries in the past (ILO, 2018). While some are cautious about this prospect, other experts are calling for new approaches to development which place emphasis on the service sector. For instance, Rodrik (2017) argues that the manufacturing-centred model should be replaced by “massive economy-wide investments in human capital and institutions” with particular focus on comprehensive reforms “targeting productivity growth in all services” (pp. 92–93).

Some considerations

The introduction of new technology will change the configuration of sourcing patterns in GVCs and is expected to have a significant impact on jobs in developed and developing economies alike. Participation in GVCs in the future may not bring the “development dividends” that it has delivered in the past. This poses significant questions:

- What policies are needed so that developing economies can harness the potential brought about by digitalization and technological change?
- What policy mix is needed to ensure that participation in GVCs contributes to sustainable development? What industrial and development policies can be used at the national level to support entrepreneurship and enable technology spill-overs and skill development, strengthening backward linkages to domestic economies in producer countries?
- What can be done to ensure that there is sufficient international policy space for the types of industrial policies that can facilitate sustainable development?

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ISSUE BRIEF

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15–17 February 2018

#11

Cluster 6: The future governance of work

New directions for the governance of work

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

The transformation of the world of work poses unprecedented challenges for established institutions and modes of the governance of work. Many of the challenges are associated with globalization (ILO, 2017a). Global market integration promotes competition between States, including on labour conditions. It also constrains national policy space. Both effects put pressure on established modes of governance of work. At the national level, effective legal regulation of the individual employment relationship is challenged by informality, by labour migration, and by the proliferation of non-standard forms of employment. The collective regulation of work is challenged by stagnant or falling membership of trade unions and, in some cases, weakening policy support for collective bargaining. Effective state regulation is also challenged in many instances by weakening support for labour administration, particularly labour inspection and dispute resolution.

Despite the challenges, the nation State remains a central actor in the governance of work: much remains within national jurisdiction. Thus it is the nation State that has the authority – and the responsibility – to mediate the effects of globalization on workers and enterprises. Yet the capacity of the nation State to discharge this responsibility is under heavy strain. In particular, existing institutions and modes of governance may not be able to cover all those who work.

This Issue Brief explores what the new directions in the governance of work suggest about how governance might be different in the future, so as to address the transformations that are under way. It considers national governance, transnational labour governance, private governance and new governance.

Key findings

National governance

National governance of work is achieved through the interaction of labour market institutions, within an overarching system (Berg, 2015). These include the application of international labour standards in national law, labour administration in all its facets, collective industrial relations, minimum wage setting, and the individual employment relationship.

The employment relationship lies at the intersection of the economic organization and the legal regulation of work. As a means of organization of work, the employment relationship promotes firm productivity through employment stability, and so contributes positively to overall economic performance (ILO, 2016a). Over time, the contract of employment emerged as the primary legal institution to regulate the economic structure of work in an employment relationship. Central to the legal regulation of the employment relationship is the presumption of subordinate work under the control of a single employer.

In a system of national governance, the contract of employment is at the heart of interconnected layers (ILO, 2016b). Public law supplements the contract of employment with legislated minimum conditions and, often, access to social protection systems. Public law usually facilitates collective bargaining as a further layer of governance. Private governance and different forms of transnational governance – that refer to and seek to reinforce the national application of international labour standards – are further layers again that shape the employment relationship. At the same time, each layer depends upon the employment relationship for delivery of its intended benefits.

Even with the proliferation of new working arrangements, and the advent of further layers of governance, the contract of employment remains the *conceptual* touchstone for state action to design measures to ensure legal protection for workers in non-standard forms of employment (Deakin, 2013). These measures include requiring equal treatment for workers in non-standard forms of employment; introducing new regulation of working time; attempting to remedy the misclassification of workers; restricting employers' right to engage workers in non-standard forms of employment; and assigning obligations where multiple parties are involved in an employment relationship (ILO, 2016a). Some labour inspectorates pursue a strategic approach to compliance (Weil, 2008), in order to respond to the challenges posed for the employment relationship by the increasingly fissured workplace (Weil, 2014). For their part, workers' representatives have tried new means of collective organization and action (ILO, 2015).

However, state measures built around the established concept of subordinate work under a single employer's control may not be able to respond to all challenges. They may not be able to capture multi-party arrangements. Nor may they be apt to reach those in the informal economy, or to promote transition from informality to formality, accompanied by equal access to rights at work.

These and other challenges to the effectiveness of the established mode of legal regulation of the employment relationship have prompted alternative proposals. These include the provision of "social drawing rights" (Supiot, 2001; see Issue Brief No. 7); recognition that labour markets are "transitional" (Gazier and Gautié, 2011); insistence upon a "single employment contract" rather than a multiplicity of forms of work engagement (Casale and Perulli, 2014); recognition of "personal work relations" as the basis for legal regulation of individual work (Freedland and Kountouris, 2011); allocating the responsibilities of an employer to any party with a "legal right to exercise an employer function, or a legal right to have a decisive role in the exercise of such a function" (Prassl, 2015, p. 165); and the adoption of a "labour constitution" to secure the social rights of those in subordinate work (Dukes, 2014).

Ultimately much will depend on whether States will continue to pursue the economic and social policy goals that have effectively been delivered by the employment relationship. Much will also depend on whether social forces militate toward that end. And much will depend on the impact of other modes of governance on workers in employment relationships.

International labour standards and transnational labour governance

International labour standards provide an essential reference point for the governance of work. The ILO is examining the body of international labour standards in a standards review mechanism to update them and ensure their ongoing relevance in the future. A range of transnational governance mechanisms draw on this body of international labour standards. They include regional arrangements, private governance initiatives and international framework agreements. International labour standards in general, and the fundamental principles and rights in particular, provide a reference point for labour provisions in international trade and investment treaties, and labour clauses in the investment and lending practices of international financial institutions.

A number of regional economic arrangements include frameworks for labour governance, either protecting workers' rights and/or encouraging the application of international labour standards in national laws and the convergence of these legal frameworks. Both the European Union and the Council of Europe protect fundamental labour rights, while the European Commission has direct regulatory authority on some topics (Hendrickz and Giubboni, 2015; Novitz, 2010). Fundamental labour rights are protected in different ways in the inter-American human rights system (Belle Antoine, 2015; Novitz, 2010); the African Union (Novitz, 2010); and the Southern African Development Community (Bamu and Mudarikwa, 2015). The Organization for the Harmonization of Business Law in Africa (OHADA) has promulgated a uniform labour law for its member States in Central and West Africa (Blackett, 2010), while the Caribbean Community has promulgated model labour laws on certain topics (Corthésy and Harris-Roper, 2014).

Labour provisions have become increasingly common in bilateral and multilateral trade and investment agreements, including between developing countries (ILO, 2017a). They vary greatly in their normative content; in the mechanisms for oversight of state practice; and in the structure and the outcomes of dispute settlement processes. Each of these elements has been widely studied, in many agreements (e.g. Compa and Brooks, 2015). Recent analysis suggests that assessing the effects of labour provisions in trade agreements requires attention to the balance of policy measures in any given clause, and the way they may affect the capacity of States, stakeholders, and/or firms (Aissi, Peels and Samaan, forthcoming). An important finding is that labour provisions may be unlikely to mitigate any harmful effects of trade liberalization unless accompanied by other policy measures, especially support for civil society action and participation (Cheong and Ebert, 2016).

For its part, the International Finance Corporation (IFC) began considering social issues in its lending practices during the 1990s (Sims, 2009). Since 2006 it has systematically required compliance with Performance Standards that include labour provisions (Cradden, Graz and Pamingle, 2015). From 2013 the World Bank replaced its former safeguards with the IFC Performance Standards, although from 2018 they will be superseded by a new Environmental and Social Framework that will apply to all new Bank investment projects.¹ The Framework will include performance standards in the four areas of the ILO's core labour standards.

¹ <http://www.worldbank.org/en/programs/environmental-and-social-policies-for-projects/brief/the-environmental-and-social-framework-esf#policies> (last visited 16 January 2018). The Performance Standards have also influenced other international private sector lending, whether by public or private institutions (Ebert, 2014).

As with labour provisions in trade and investment agreements, the IFC Performance Standards give rise to questions about their normative content; the scope of their application; the mechanisms for oversight; and their effects in practice (Ebert, 2014). While they include a complaints mechanism, the evidence is unclear on their usefulness. One study found that these performance standards created a “regulatory space” within which local actors could claim their legal entitlements. However, the study also found that the ability to do so depended on the effectiveness of capacity for collective representation. As many as 95 per cent of workers potentially covered were unaware of the complaints mechanism, or even of the performance standards themselves (Cradden, Graz and Pamingle, 2015).

International framework agreements (IFAs) between global trade union federations and multinational enterprises (MNEs) frequently make reference to the promotion of fundamental principles and rights at work.² These agreements leverage the sound and constructive labour relations that exist between these actors to promote respect for fundamental principles and rights at work in the operations of these MNEs. By entering these agreements, both parties recognize each other as legitimate industrial relations partners at the global level, and cooperate in the application and monitoring of these principles at the country level. Studies show that by encouraging respect for these principles and the resolution of disputes on their non-application by national industrial relations actors, IFAs build and reinforce the capacity of national industrial relations systems and governance systems (ILO, forthcoming).

Private governance

Many firms have adopted corporate social responsibility (CSR) policies to influence labour conditions in their operations. Others participate – sometimes in addition to their CSR policies – in multi-stakeholder efforts to improve labour conditions in production for global value chains (GVCs).³ The ILO’s own Better Work programme, developed with the IFC, incorporates elements of such private governance.⁴

The effects of private regulation in practice have been widely examined. Many studies find that private regulation is more likely to have a positive impact on relatively more simple issues, such as wage violations, than on more complex ones, particularly freedom of association (Barrientos and Smith, 2007). In the long run, a sustainable impact may therefore require the development of durable institutional mechanisms (Rodríguez-Garavito, 2005). Consistent with this, the presence of active civil society can be supportive for the effective operation of private governance (Amengual and Chirot, 2016). Yet the evidence is mixed on the extent to which private governance is itself effective in empowering industrial relations actors, even among studies on the same country (Polaski, 2006; Kolben, 2004). And attention must also be given to the broader governance context, including the extent of press freedom (Amengual and Chirot, 2016; Toffel, Short and Ouellet, 2015).

A wider concern is the interaction of private and public governance. In the abstract, they could operate in parallel; they could complement each other; or private governance could displace/substitute public governance of work. In practice, private governance may be more effective where the State itself is relatively more effective (Locke, Qin and Brause, 2007; Locke, Rissing and Pal, 2013). A study in the sugar sector in Brazil (Coslovsky and Locke, 2013), and another in the apparel sector in the Dominican Republic (Amengual,

² These are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

³ Examples include the Ethical Trading Initiative (www.ethicaltrade.org) and the Fair Labor Association (www.fairlabor.org).

⁴ www.betterwork.org

2010) each found that private regulation could have the positive effect of enabling state institutions to maximize their comparative advantage – and limited resources – even with limited formal interaction with public governance. Ultimately, private and public governance do not operate in isolation from one another (Coslovsky and Locke, 2013). Thus, private governance does not transcend public governance: it adds a further layer (Bartley, 2011). A study of the interaction of Better Work in Indonesia with the national labour inspectorate found that layering may strengthen public governance, if it changes actors' incentives and capabilities to comply, and if it engages directly with public governance (Amengual and Chirot, 2016).

New governance

The interaction of public and private governance of work is characteristic of the “new governance” approach to public policy. Increasingly common in many fields, new governance emphasizes, among other things, the participation of non-state actors, and stakeholder collaboration (Lobel, 2004). In the context of the governance of work, this can be understood as the State, and representatives of employers' and workers' interests, coming together to design and implement policy (World Bank, 2017).

The shift to (new) governance reflects the realization that – while indispensable to guide and legitimize the process – government is not the only means to ensure governance (Ruggie, 2014). The shift also reflects both the increasing complexity of public policy challenges and the ever-present reality of resource limitations that constrain state capacity to ensure compliance with relevant norms. Thus, new governance is a strategic means to draw on private incentives to achieve public ends more effectively (Weil, 2008). New governance offers the opportunity to adapt governance to the institutional context – and its success depends upon it (Dubash and Morgan, 2012).

Tripartism has long relied on approaches typical of new governance. Effective tripartism is only possible with institutional scope for participation by authorized representatives of legitimate employers' and workers' organizations. And while the representative role of employers' and workers' organizations may be narrower than some of the broad concepts used in the new governance literature of “civil society participation” (Novitz and Fenwick, 2010), process of social dialogue involving employers' and workers' organizations can be understood as advancing the goal of deliberation which is at the core of new governance (Bogg, 2009).

Some considerations

States, citizens, employers' and workers' organizations, enterprises and international institutions have all responded to challenges to the governance of work with new institutions and modes of governance. The evidence to date points both to the possibilities and to the potential shortcomings of these new approaches. Enlisting non-state actors to promote and/or to require compliance with labour standards may broaden and reinforce governance. Yet the proliferation of governance regimes may lead to normative inconsistency. New modes of governance may create space for local actors (particularly workers' organizations), but these actors may lack the capacity and knowledge needed to take advantage of that space. National governance through "traditional" labour market institutions remains essential, even if it may have trouble reaching all workers.

Despite the uncertainties, the accretion of layers of governance may be positive. Governance of work need not necessarily be either an overcrowded market, or a zero-sum game: coordination of private and public governance in a form of "social governance" may be possible, and mutually beneficial (ILO, 2016c). Realizing that possibility, and achieving effective governance for the future of work, will require answers to key questions:

- Does the contract of employment remain fit for purpose and, if not, how should the regulatory model be modified?
- How can progress be made toward normative consistency across regimes of governance: international, regional and national; or, private and public?
- What circumstances would create scope for further innovation in the international labour standards system, and what might that innovation be?
- How can private and public governance best be combined so as to reinforce each other?
- What new institutions and modes of governance might be needed?
- Given the fundamental role of employer and worker organizations in the governance of work, for democracy, and in the pursuit of social justice: what will be the forms of employer and worker organization – of collective solidarity – that will insist on accountable governance of work?

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#12

Cluster 6: The future governance of work

Innovative approaches for ensuring universal social protection for the future of work

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

Introduction

Social protection is a defining feature of contemporary economies and societies and an important part of their social fabric, acting as a key means to achieve equity and social justice. However, the growing diversification of working arrangements is likely to have major implications for its future. Some of these changes are associated with the ways in which labour markets and employment patterns are shaped by global trends such as digitalization, automation and globalization, and how they translate into changes in the structure of the labour market, labour market participation, employment relationships, wages, as well as job and employment security (ILO, 2017a). In many cases, new forms of work and employment have emerged, which do not enjoy the same level of social protection as others, namely the model of full-time, indefinite employment relationships (“standard employment relationships”). Many of these “new” forms of employment exist alongside the more traditional categories of workers with a low level of protection, often in non-standard forms of employment (NSE) or the informal economy (ILO, 2016a). More generally, the need for income security is growing in an uncertain world of work, and social protection is one of the policy areas that can help to contain growing inequality (ILO, 2017b).

Social protection systems are understood as being more than a set of fragmented (safety net) programmes. Social protection systems regularly come under attack, most recently in the wake of fiscal consolidation policies with calls for curtailments, stronger targeting to groups perceived as being the most vulnerable, and privatization (ibid.). However, despite such pressures, social protection systems tend to enjoy the broad support of the population and continue to be valued as an important part of the implicit social contract of modern societies (ILO, 2016b).

While social protection systems are well established in most high-income countries, many low- and middle-income countries have recently introduced or expanded social protection programmes and are progressively building up their systems, recognizing the importance of social protection policies as an integral component of their economic and social development strategies (ILO, 2017b). Despite these positive developments, only 45 per cent of the global population are covered in at least one area of social protection, and only 29 per cent enjoy access to comprehensive protection. The large majority of the global population enjoys no, or only limited, social protection (ILO, 2017a). Given these developments, there have been lively debates on the future of social protection.

This Issue Brief provides a review of the challenges and opportunities associated with social protection, in the light of research findings and current policy debates.

Key findings

What is the future of social protection?

The global discussion on the future of work includes much debate about the future of social protection. Some observers argue that significant reductions in the number of available jobs (see Issue Brief No. 6), together with changes in labour market and employment patterns and the ageing of the population, as well as increasing tax competition, will significantly erode current forms of social protection. Some others argue that social protection should be “decoupled” from employment, limited to safety nets for the poor, replaced by a universal basic income (see below) and/or by portable health and pension plans or other individualized arrangements (e.g. World Economic Forum, 2017) (see Issue Brief No. 4).

Still other observers argue that the “decoupling” of employment and social protection would not provide a viable alternative. Every contributory form of social protection (including private arrangements) requires a regular and adequate income stream. Weakening existing forms of coverage may lead to a stronger role for private arrangements, with their limited potential for risk pooling and redistribution – thus potentially exacerbating inequality, including gender gaps (ILO, 2016a). These observers argue that growing social protection needs require fair, inclusive and sustainable systems, including social protection floors, which provide adequate protection to the entire population, and allow for a sufficiently large degree of redistribution. These systems should also be financed in a sustainable and equitable way, usually by a combination of taxes and contributions (ILO, 2017b).

Despite divergent views on future developments and possible policy options, most observers would probably agree that the need for social protection is unlikely to decrease in the future; on the contrary, demands on social protection systems are likely to increase in the light of the disruptions in modern societies, increasing levels of inequality, and the changing role of work in people’s lives.

How can social protection systems adapt to changing work arrangements?

The strong need for social protection does not imply that the current system is optimal. The rise in NSE – and the accompanying lower levels of social protection for many workers in these types of employment, particularly women – has been identified as one of the core challenges for social protection systems. While many countries cover a significant share of such workers in their existing social protection systems, coverage gaps remain. These require a coordinated policy response to ensure that protection mechanisms are better adapted to the circumstances and needs of this growing category of workers. In addition, stubbornly high levels of informal employment persist in many countries (and in some, there has even been an increase in informality). This remains an important challenge for social protection systems, and has led to calls for greater attempts to close coverage gaps and build social protection floors.

In order to address these challenges, some recent policy innovations, in both developing and developed countries, demonstrate the capacity of social protection systems to adapt to changing circumstances. For example, a number of countries have started to introduce adapted mechanisms to ensure social protection for self-employed workers. These include: simplified tax and contribution collection mechanisms;¹ measures to prevent misclassification and curb disguised employment (designed to avoid social insurance contributions), with a view to ensuring the protection of all workers and fair competition for enterprises;² the adjustment of registration, contribution collection and benefit payment mechanisms to the circumstances and needs of specific categories of workers;³ adapted solutions for workers with multiple employers;⁴ and measures to take into account the specific situation of workers on digital platforms, many of whom combine that work with a regular job in which they may enjoy some social protection coverage (Berg, 2016; Forde et al., 2017).⁵

Efforts to improve the design of social protection systems with a view to better responding to the particular circumstances and needs of specific types of workers in NSE or informal employment, not only enhance social protection coverage for those workers but also help to create a level playing field for workers and employers, and support transitions from the informal to the formal economy (see Issue Brief No. 4). The adaption of social protection systems to the requirements of the evolving world of work, as well as to demographic challenges, can also benefit from technological improvements, such as digital communication and automated procedures, in order to ensure that administrative procedures are more effective and efficient.⁶

How will we finance social protection systems in the future?

In view of the expected decline of employment contracts with a clear employment relationship, some observers foresee that there will be an erosion of the social insurance contribution base; at the same time, higher demands will be made on social insurance, on account of the ageing of the population and higher levels of unemployment. Efforts to create a more level playing field between different types of employment, while adapting contributory mechanisms to facilitate coverage of NSE, as discussed above, may assist in halting this erosion, but further measures will be necessary to build up the contribution base in order to meet future needs.

Many observers agree that a greater emphasis on tax financing is necessary to close financing and coverage gaps – yet there is less agreement on how this might be achieved. Some observers argue that taxing robots and other technologies, or capital in general, could provide additional revenue for social protection systems, which would help to share productivity gains more widely among the population. What is less clear, however, is how to enhance the capacity of national governments to tax the highly mobile owners of robots, or capital in general, in a globalized economy with significant tax competition, in a way that it would provide a reliable source of revenue for national social protection systems.

¹ This is for example the case in Argentina, Brazil, France and Uruguay.

² Such measures have been taken, for example, by Germany and Italy (Eichhorst et al., 2013; ILO, 2016a).

³ For instance, Brazil and the Republic of Korea use proxy income measures for the assessment of earned income, while Cabo Verde allows self-employed workers to classify themselves in broad income brackets for the purpose of the calculation of contributions.

⁴ Such measures may include the use of intermediary bodies (such as cooperatives) that assume some of the responsibilities of employers, particularly with respect to aggregating information and contributions across multiple employers and facilitating interactions with social insurance institutions (Degryse, 2016; Hill, 2015).

⁵ For example, Uruguay recently introduced mechanisms to ensure that Uber drivers and others working through digital platforms are covered by social insurance, requiring the registration and payment of social insurance contributions by means of an easy-to-use online application.

⁶ In this respect, the protection of personal data and privacy plays a key role.

Moreover, some observers argue that the challenges that demographic change and weakening employment relationships present for the sustainability of social protection systems could be addressed by providing a larger role for private arrangements, such as private pensions or individual saving arrangements. Others point to the experience with the privatization of pension schemes in the 1980s and 1990s, which did not deliver the expected results in terms of reducing fiscal cost, expanding coverage and increasing efficiency; indeed, after 2008, a number of countries reversed attempts at privatization (ILO, 2017b).⁷ They argue that a strong role for public provision, financed through a combination of taxes and contributions, has a greater potential for ensuring adequate protection for all, in a way which reflects the principles of risk sharing, equity and solidarity – and which is fiscally, economically and socially sustainable.

Is universal basic income a feasible policy solution?

Across the globe, universal basic income (UBI) proposals are discussed as a possible solution to a rise in job and income insecurity associated with changing forms of work. Proponents of a UBI point to the pressing challenges arising not only as the result of the growing informality of employment, but also as the result of the emergence of new forms of employment made possible by digitalization and automation (see Issue Briefs Nos 4, 5 and 6).

Those in favour of a UBI argue that it provides a regular and predictable income as a universal and unconditional entitlement, thereby reducing poverty and inequality more effectively than means-tested schemes and buffering the possible displacement of jobs by technology (e.g. Van Parijs and Vanderborght, 2017). UBI would promote individuals' dignity and human rights by giving them the ability to engage in different forms of work that are not rewarded by the market, such as unpaid care work and volunteering. Moreover, some argue that UBI increases the incentive to work by reducing the risk of losing benefit entitlements upon entering paid employment, whilst reducing the administrative cost and complexity of existing social protection systems. Some proponents also state that a decent UBI strengthens the bargaining power of individual workers by providing an exit option and by increasing the reservation wage.

Critics of a UBI approach question its economic, political and social feasibility and its capacity to reduce poverty and inequality (e.g. OECD, 2017). They emphasize that it is too costly to provide everyone, including high-income earners, with a basic income at an adequate level (e.g. Piachaud, 2016). Moreover, its high cost might come at the expense of other protections. Furthermore, opponents consider that the potential of a UBI to provide a steady stream of income is less efficient in terms of macroeconomic stabilization than unemployment insurance (Vandenbroucke, 2017). They also fear that a UBI might introduce work disincentives by delinking income from labour market participation, and they stress that its potential links to broader employment and labour market policies remain vague. Some are concerned – particularly with regard to UBI proposals that aim at abolishing the welfare state – that employers might respond by reducing wages or disengaging from collective agreements. Critics also contend that a uniform amount of a basic income cannot adequately respond to specific needs, such as those of persons with disabilities and older persons.

⁷ Countries that reversed the privatization of pensions after 2008 include Argentina, Chile, the Czech Republic, Hungary, Kazakhstan and Poland.

This vibrant debate on UBI strikes a chord with many who are concerned about increased economic and social insecurity, growing inequalities and the huge gaps in social protection coverage for the majority of the world's population (ILO, 2014 and 2017b). The positive effects attributed to a UBI reflect some of the very principles of social security: providing at least a basic level of income security for all, in a way that protects and promotes human dignity and allows people the breathing space to engage in meaningful and decent work and to care for their families.

Existing universal benefit schemes for certain subgroups of the population, such as universal child benefits or pensions, in both developed and developing countries, already play a key role in filling coverage gaps and ensuring at least a basic level of income security for that population as a matter of right, based on clear and transparent eligibility criteria, and at a manageable cost (ILO, 2017b). Benefit levels are rather modest, but they provide a solid basis for adequate levels of protection if combined with other forms of protection, such as social insurance.

Some considerations

The trends described in this Issue Brief are likely to affect the social fabric – or social contract – on which the stability of societies is built, particularly with respect to higher levels of inequality, insecurity, instability and informality.

- What social protection policies are needed for the future? How can social protection systems adapt to the new challenges to deliver inclusive and adequate coverage? How can we ensure at least a basic level of social protection for all – that is, a social protection floor?
- How shall we finance these social protection policies? Is the taxation of gains from technology (e.g. robots, big data, etc.) a realistic option to finance social protection systems?
- Is the introduction of a universal basic income (UBI) a feasible policy solution?
- How do we renew the social contract for the future of work? What roles should the social partners play?
- What is the right balance between individual and collective responsibility? Are we shifting the responsibility too much to the individual?

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