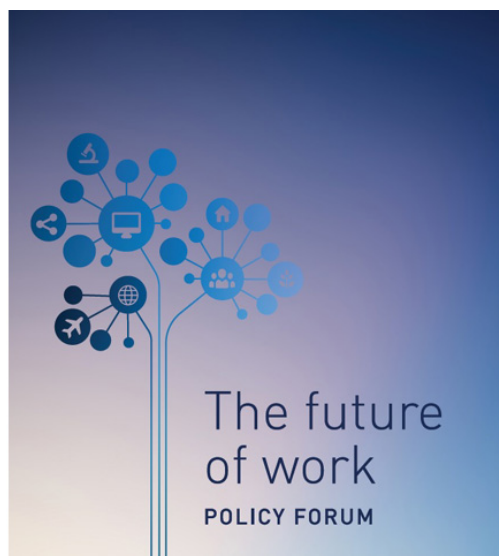


# What future for work?

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**For all the signs of improving labour market conditions in many OECD countries, there is still a substantial way to go to close the jobs gap caused by the Great Recession of 2008-09.**

**Unemployment will continue to fall in most countries, but by the end of 2017, it will still be well above pre-crisis levels in a number of them.**

While dealing with persistent joblessness, policy makers must confront at least three medium and long-term structural forces that are shaping the world of work more than ever: demographic change, globalisation and technology, especially the digital revolution.

Population ageing is gaining momentum in many OECD as well as emerging economies, raising concerns about the affordability of pension and health care systems as well as the prospect for economic growth and the risk of a secular stagnation. By 2050 one adult in three will be over 65 in the OECD, and in Japan, Korea and Spain, which are the most aged countries, the ratio will be nearly one adult in two. In China, the population is now ageing at a very rapid pace. These changes will make it essential to promote active ageing, by strengthening incentives for older workers to stay longer in the labour market, while

encouraging employers to hire and retain them and enhance their employability via well-designed training programmes.

Ageing will be just one of many factors underlying demographic change among countries and regions in the years ahead. These changes will lead to further demographic imbalances across regions of the world, fostering labour mobility. This, in turn, will create challenges and opportunities for sustaining and balancing economic growth and social cohesion through the effective integration of migrants, and the collaboration between sending and receiving countries.

Already, globalisation 2.0—our second factor—has increased the fragmentation of production processes as intermediate stages are performed by different suppliers and link many jobs across borders through so-called global value chains. It has had an effect not only on the types of jobs (the occupational structure), but also the type of tasks that constitute each job. A recent study by Sascha Becker and Marc-Andreas Muendler found that as a result of globalisation, the average German job expanded from entailing fewer than two tasks in 1979 to more than seven in 2006.

The third main factor shaking the world of work is digitisation. Unprecedented and continuously growing computer power, Big Data, the penetration of the internet, artificial intelligence, the internet of things, and collaborative platforms, among other developments, are radically changing the prospects of what work is needed and by whom, and where and how it will be carried out.

Since the industrial revolution, major innovations, such as the steam engine, electricity and the assembly line, have led to the decline of some sectors, with large job losses, but to more productive and (often) rewarding jobs in expanding sectors, with substantial improvements in living standards.

Could it be different this time? Could “the second machine age” (or indeed, fourth industrial revolution) end up displacing not only less-productive jobs, but employment more broadly? Could the world of work be transformed?

According to some experts, such as Andrew McAfee and Erik Brynjolfsson, technological progress in the digital era evolves along a gradual but exponential trajectory with a strengthening tendency to replace human capital even in skilled tasks once considered to be beyond automation. The spectre of technological unemployment first highlighted by John Maynard Keynes in his 1931 essay, “Economic possibilities for our grandchildren”, has re-emerged with force. The evidence on this is mixed, however. Some argue that a large fraction of jobs in OECD countries are at risk of being substituted by computers and machines, but others argue that occupations will adapt to make better use of existing technology. Moreover, new complementary jobs will arise. Indeed, Enrico Moretti suggests that for each job created by the high-tech industry, around five additional, complementary jobs could be created.

One thing is more certain: significant changes in occupational structure. Already in the past two decades, job types have undergone a process of skill or routine-biased technical change. This brought a polarisation of labour demand between high-skilled non-routine jobs, such as those involving interpersonal skills or creativity, and low-skilled non-routine jobs, such as food services and security. Routine jobs (many of which are middle-skilled) are sought less as they are the ones most easily automated.

Digitisation will continue to change how existing jobs are carried out. Information technology tools are already required in all but two occupations in the United States: catering dishwashers and food cooking machine operators and tenders (though robot chefs might soon be in a kitchen near you). Similarly, in most OECD countries, workers in over 95% of large businesses and those in over 85% of medium-sized businesses have access to and use the internet as part of their jobs, and workers in at least 65% of small businesses connect to the internet for work.

The digital revolution will continue to alter how work is performed. The internet has enabled more businesses to hire in competitive suppliers around the global supply chain, and workers to

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enjoy the flexibility and benefits of teleworking and freelancing, not least to top up their incomes. This has led to the flourishing of the “gig”, “on-demand”, “sharing”, “peer-to-peer” or “platform” economy, such as Airbnb, Uber, TaskRabbit and so on. Though still small in scale, the platform economy raises probing questions about wages, labour rights and access to social protection for workers, as well as employers and consumers. It is early to say, but non-standard jobs appear to have risen during the recent recovery, often substituting for more traditional jobs in declining sectors. Some of these jobs may allow for greater flexibility for the workers but they often lack full coverage of social protection, have lower access to training opportunities and provide weaker career progression than those in more traditional, open-ended jobs. Moreover, the fact that under the platform economy workers are more likely to hold jobs and multiple income sources challenges the role of statutory working hours, minimum wages, unemployment insurance and other pillars of our traditional labour market institutions and policies.

Against this backdrop there are also pressures to facilitate greater labour mobility and promote incentives for workers and employers to take advantage of the new job opportunities that open up, wherever they may be. With today’s fiscal constraints, effective and well-targeted labour market programmes are needed more than ever. Comprehensive skills strategies are required, focusing not only on building adequate skills, but promoting skills adaptation to allow workers to evolve with new requirements. Tax and benefits schemes must also evolve to protect those who lose out from change, while social protection schemes need to

reflect new work arrangements, such as consulting, freelance and other contracts that no longer fit into traditional employee-firm relationships.

In January 2016 the OECD hosts a Ministerial Meeting of Labour and Employment Ministers, preceded by a [Policy Forum on the Future of Work](#). The OECD expects a strong mandate from ministers to develop a new and extended OECD Jobs Strategy in which such factors as ageing, globalisation and migration, digitisation, and new work practices will be key. The new Jobs Strategy will not only draw the lessons from the recent crisis, but also look forward at how policy and institutions should evolve to allow workers to grasp the opportunities of the structural changes ahead, while receiving needed protection and support. It will be an important chance for all stakeholders to forge a renewed social dialogue and ensure that, as with previous employment revolutions, the era now unfolding also yields more and better jobs.

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