



THE FUTURE OF WORK

OECD Employment Outlook 2019

HIGHLIGHTS



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Foreword

The world is changing at lightning speed. Digitalisation, globalisation and demographic changes are having a profound impact on our lives, on our cultures, on our societies. These and other megatrends are constantly (and rapidly) transforming the way we interact with our friends and families; how and where businesses operate; what goods and services we consume; what dreams we dream. Our education and health, the distribution of income and wealth, the jobs we have and how we work are all particularly sensitive to these changes. It is a transformational era. Disruption is the new normal.

As any revolution, this one is charged with opportunities. Multilateral co-operation, regional integration and the complex global interdependence that have developed over the past decades, have multiplied these opportunities. The new technologies are game-changers, but now they are also part of our daily lives. More and more people and devices are connecting to the internet, while artificial intelligence is silently spreading. Blockchain and other technologies are also becoming more prevalent across economies and societies. This is amplifying our capacity to promote higher productivity growth, better services,

improved well-being; it also allows for new business models and innovative ways of working to emerge, providing more flexibility to both employers and workers.

But there are also challenges, especially for labour. Middle-skilled jobs are increasingly exposed to this profound transformation. We estimate that 14% of existing jobs could disappear as a result of automation in the next 15-20 years, and another 32% are likely to change radically as individual tasks are automated. Many people and communities have been left behind by globalisation and a digital divide persists in access to new technologies – resulting in inequalities along age, gender, and socio-economic lines. Not everyone has been able to benefit from the better jobs that have emerged, and many are stuck in precarious working arrangements with little pay and limited or no access to social protection, lifelong learning and collective bargaining. Moreover, there is a very real concern of a “hollowing out” of the middle-class as technological advancements have been accompanied by the emergence of many lower-quality and precarious jobs. In some countries, for example, non-standard workers are 40-50% less likely than standard employees to receive any form of income support when they are out-of-work. And

low-skilled adults across OECD countries, on average, are 40 percentage points less likely than high-skilled adults to participate in training.

Unsurprisingly, these changes result in anxiety about the future. The growth of inequalities of income and opportunities, distortions in cross-border competition, the perception of fiscal unfairness, the risk of climate change and the slowdown of the global economy, are all cause for concern. Disruption also elicits growing discontent about the effectiveness of our systems. A recent OECD survey (*Risks that Matter*, 2019) shows that many people believe public services and social benefits are inadequate and hard to reach. More than half say they do not receive their fair share of benefits given the taxes they pay, and two-thirds believe others get more than they deserve. Nearly three out of four people say they want their government to do more to protect their social and economic security.

In this challenging context, it is crucial to refocus our attention towards people and well-being. In the digital era, it is important that people feel that they will be supported if they lose out, and helped in their search for new and better opportunities. The pace and speed of this change requires swift and decisive policy action inspired by a new type of growth, one that is more inclusive and more sustainable.

To help governments deliver on this objective, the OECD launched the Inclusive Growth initiative and developed a *Framework for Policy Action on Inclusive Growth*. This not only helps us to get answers to many of these questions but it crucially offers governments concrete guidance on how to design and implement policies that will give all people, firms and regions the opportunity to thrive – particularly those who are struggling or have been left behind. Strong labour market performance is crucial in this goal to achieve inclusive growth.

We also launched the OECD's Future of Work Initiative which, over the past few years, has been looking at how globalisation, technological progress and demographic change are impacting OECD labour markets, and what this means for skills and social policies. The present volume is a key milestone in this effort, and provides policy makers with a thorough diagnosis of the challenges, as well as a detailed set of policy directions for maximising opportunities to create better jobs for all.

The key message of this *OECD Employment Outlook* is that the future of work is in our hands and will largely depend on the policy decisions countries make. It will be the nature of such policies, our ability to harness the potential of the unprecedented digital and technological change while coping with the challenges it poses, which will determine whether we succeed or fail.

In some policy areas, however, changes at the margin will not be sufficient and an overhaul of current policies might be necessary. Shaping the future of work calls for a Transition Agenda for a Future that Works for All. In this respect, the report highlights the need to help workers in their job transitions through effective and timely employment services as well as prevention and early intervention measures. Looking ahead, countries should focus on putting in place comprehensive adult learning strategies – in particular for low-skilled adults – to prevent skills depreciation and obsolescence, and facilitate transitions across jobs. Adult learning systems will also need to be strengthened and adapted to provide all workers with adequate opportunities for retraining throughout their careers.

We also argue that social protection provisions should be reshaped to ensure better coverage of workers in non-standard forms of employment and to take into account a reality where jobs are evolving and long-term employment is disappearing.

In this context, policy makers can focus on boosting the portability of entitlements, making means-testing more responsive to people's needs and changing situations, and complementing targeted measures with more universal support. Greater focus must also be placed on collective bargaining and social dialogue, both of which can complement government efforts to make labour markets more adaptable, secure and inclusive. In this respect, the Global Deal is helping us to carry the message that social dialogue has a critical role to play in reducing inequalities and in shaping the Future of Work.

With the right policies and institutions in place and with a whole-of-government approach – as highlighted by the OECD's

Going Digital project, the OECD Jobs Strategy and the OECD Skills Strategy – the opportunities that digitalisation, globalisation and longer lives will bring can be seized, and the risks can be mitigated. Together, we can design, develop and deliver better employment policies for better lives.



Angel Gurría
Secretary-General
OECD

Editorial: A transition agenda for a *Future that Works* for all

The times they are a-changin'. Labour markets are under pressure from the combined effects of several megatrends. Technological progress and greater integration of our economies along global supply chains have been a bonus for many workers equipped with high skills and in expanding occupations, but a challenge for others with low or outdated skills in declining areas of employment. Digitalised business models often employ workers as self-employed rather than as standard employees. People are living and working longer but facing more frequent job changes and the risk of skills obsolescence. Inequalities in earnings and job quality have been widening in many countries. The global financial crisis of 2008-09 led to serious job losses, leaving deep wounds that have not fully healed even a decade after its onset. Turning to the future, the projected slowdown in the global economy over the next two years casts a shadow over short-term job prospects. Beyond that, it is clear that deep and rapid structural changes are on the horizon, bringing with them major new opportunities but also greater uncertainty among those who are not well equipped to grasp them. The pace and depth of the digital transformation is likely to be startling. Orders of industrial robots have increased threefold in just over a decade and are projected to double by 2020, while the amount of private equity invested in artificial intelligence

has doubled over the past year. Connecting those at risk of being left behind with better job prospects should be the policy compass to a more inclusive, fairer and sustainable economy and society.

More people of working age are at work than in past decades. The good news is that so far the megatrends have not led to structural unemployment – quite the contrary. The overall employment rate has been rising in most OECD countries, driven by a substantial rise in the share of women at work. The employment rate of older men and women has also increased, partly reflecting a rise in effective retirement ages. The quality of jobs has also improved in some aspects. The share of high-skilled jobs has grown by 25% in OECD countries over the past two decades. And several emerging economies have made some progress in reducing informal employment.

Technological change and globalisation hold great promise for further improvements in labour market performance. Looking ahead, new technologies can give people greater freedom to decide where, when and how they work, which can improve work-life balance and create new opportunities for previously under-represented groups to participate in the labour market. Tedious and dangerous tasks can be automated, health and safety can be improved, and productivity boosted. Further globalisation

can also have beneficial effects: it has spurred technological adoption and innovation, and contributed to productivity growth. Greater integration along global supply chains can also boost employment overall by expanding consumer demand. In short, these megatrends could contribute to more and better jobs in the future.

But people should brace for change. A process of creative destruction is under way, whereby certain tasks are either taken over by robots or offshored, and other, new ones, are created. Employment in the manufacturing sector has declined by 20% over the past two decades, while employment in services grew by 27%. This has contributed to labour market polarisation: the shares of low-skilled and (particularly) high-skilled jobs have increased, while there has been a hollowing out of middle-skilled jobs. This trend has also been driven by skill-biased technological change, a process in which technological change mainly benefits workers with higher skills. At the same time, we are observing a widening divide between “super star firms” innovating and adopting digital technologies and those, more numerous, that struggle to keep at pace with digitalisation. This is creating a large divide between those working for super star firms and the others, in terms of employment quality and wages. All this has been a source of widening earnings inequality and put the middle class under pressure. Looking ahead, 14% of existing jobs could disappear as a result of automation in the next 15-20 years, but another 32% are likely to change radically as individual tasks are automated. Together with changes in preferences, business models and contract types, this means that individuals will face deep and rapid changes: many will have to change not only their job but even their occupation, and most will have to modernise their skills and working practices. These transitions towards new jobs and occupations might be difficult and costly for a number of workers. Yet, participation in training by low-skilled adults – those most likely to be affected by the changes ahead – is 40 percentage points below

that of high-skilled adults on average across OECD countries. But even for those who do have access to training, the learning options are often closely linked with their current job and may not prepare them for the transition to a new job, let alone a new career.

A better world of work is not guaranteed – much will depend on having the right policies and institutions in place. Some groups are already falling behind and labour market disparities are increasing in many countries. This has been especially marked for many young people and, particularly, the low-skilled in many countries. They face an increased risk of low-paid employment when in work, and have experienced a rise in underemployment. Their risk of being neither in employment nor in education or training has also risen or remains high. Many of these changes appear structural and go beyond the effects of the recent crisis. And they may well exacerbate already high levels of labour market inequality, fostering further social and economic tensions. They also indicate that existing policies and institutions have been inadequate and need to be overhauled.

One thing is clear: action on the margin will not do. Change is required in the well-ingrained behaviour of individual workers, companies, social partners and, above all, in policies. In line with the recommendations of the new OECD Jobs Strategy and Skills Strategy, we should move away from a model of front-loaded education – whereby recognised skills are mainly developed in schools and universities and subsequently used at work – to a system in which skills are continuously updated during the working life to match changing skills needs. We should revise labour market and social protection systems so that they focus on risk prevention as much as on helping people cope with problems when they materialise. And we need to anticipate changes and adapt policies accordingly, in order to better target disadvantaged groups.

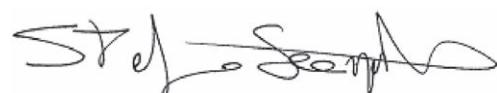
Countries should assess how well current policies match priorities and prevent the most vulnerable workers from being left behind. The

labour market risks faced by different workers – job loss, accidents at work, skills obsolescence etc. – are evolving and so should policies to help prevent and address them. The risks faced by some workers and the lack of support for them are at least partly related to the misclassification of some employment relationships. Some workers who should be entitled to employee rights and protections are falsely labelled as self-employed in an attempt to avoid taxes and regulations. But there is an urgent need to close the significant gaps in social and labour protections more generally, as well as in access to employment services. For example, due to statutory and practical barriers limiting access to social protection, non-standard workers are, in some countries, 40-50% less likely to receive any form of income support during an out-of-work spell than standard employees. Both access to collective bargaining and coverage of many labour law protections are often limited to employees, so they do not cover the self-employed and those in the “grey zone” between dependent and self-employment, who have much less power in the working relationship than their employer. Similarly, training guarantees often apply only to employees and rights depend on job tenure, and therefore exclude many non-standard workers.

Shaping a future of work that is more inclusive and rewarding calls for a Transition Agenda for a Future that Works for All – a whole-of-government approach that targets interventions on those who need it most. Such an agenda would need to adopt a life course approach, covering education and skills, public employment services and social protection, but also labour market regulation, taxation and even housing, transport, competition law and industrial policy. This approach would combine coping mechanisms, on the one hand, with preventive measures on the other. This holistic approach has been the objective of the OECD “Going Digital” project.

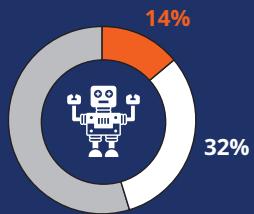
A Transition Agenda for a Future that Works for All requires adequate funding. Scaling up adult learning and extending and improving social protection can be costly, but public

budgets in many countries are already under pressure. Countries should start by assessing how well current policies match priorities and whether the most vulnerable are being left behind. Much can be done to enhance the effectiveness and targeting of key policies – e.g. education, adult learning and social protection – by undertaking a comprehensive spending review and deepening the whole-of-government approach to public policy objectives and solutions. But there may also be a need to improve revenue sources. In the area of taxation, we have seen a number of recent initiatives, such as the adoption of the automatic exchange of taxpayer financial account information (AEOI) to reduce tax evasion; and the OECD/G20 Base Erosion and Profit Shifting (BEPS) project to address the tax avoidance of multinational enterprises. Both of these initiatives have provided governments with the tools necessary to broaden their tax bases and strengthen their tax systems against abuse. In the case of other non-tax revenues, the issuing of permits or certificates for automated production or operations, such as driverless trucks, may open the possibility of creating new sources of government revenue. Additional revenues raised from these initiatives would increase the capacity of governments to support the Transition Agenda for a Future that Works for All and help reconnect the many who feel left behind by the digital transformation and globalisation. But governments’ interventions, while essential, will likely not be enough by themselves. All stakeholders should participate, including businesses who badly need workers with the appropriate skills and a conducive social and economic environment, ushering in the creation of new public-private partnerships to help achieve this goal.



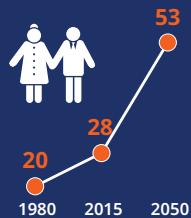
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Risk of job automation is real but varies greatly across countries



14% of jobs are at high risk of automation
32% of jobs could be radically transformed

Populations are ageing fast in OECD countries



Number of **65+ year-olds per 100 people of working age** in 1980, 2015 and 2050

Many adults do not have the right skills for the new jobs



6 out of 10 adults lack basic ICT skills or have no computer experience

(Survey of Adult Skills in 29 OECD countries, 2012/15)

Adult training should better target the disadvantaged



Adults participation in training
by skill level, employment status and risk of automation

Non-standard work is not a marginal phenomenon



1 in 7 workers is self-employed

and

1 in 9 employees is on a temporary contract



Social protection needs to be adapted to the future of work



Non-standard workers

(self-employed, temporary, part-time and platform workers)

are **50% less likely** to be unionised

and are, in some countries,

40-50% less likely to receive income support
when out of work



OVERVIEW: THE FUTURE OF WORK IS IN OUR HANDS

ABSTRACT

Despite the many opportunities, much anxiety surrounds the future of work. Doomsday scenarios are unlikely to materialise, but there are some real risks. Many are worried that the world of work is heading for a dystopian future of massive technological unemployment, precarious work, workers with little or no bargaining power, and important skills gaps as populations age rapidly. But the future of work will largely depend on the policy decisions countries make. With the right policies and institutions in place, the opportunities that digitalisation, globalisation and longer lives will bring can be seized, and the risks mitigated.

The future of work will largely depend on the policy decisions countries make

New technologies and a more integrated, globalised world offer many opportunities for creating new jobs, improving the quality of existing jobs, and bringing previously underrepresented groups into the labour market. Both technological change and globalisation create jobs by lowering the price of goods and services, increasing their quality and, hence, boosting consumer demand. They also create entirely new jobs, like big data managers, robot engineers, social media managers and drone operators – all occupations that did not exist a generation ago. The quality of jobs can be improved: dangerous or boring tasks can be automated; people can choose where and when to work more freely, resulting in a better work-life balance; work environments can be made safer and healthier; and informality could be reduced. By breaking down traditional barriers to labour market participation, previously underrepresented groups can increasingly participate in the labour market, resulting in greater inclusiveness. In a world of rapid population ageing and longer lives, better working conditions will in turn contribute to more opportunities to continue working at an older age.

Despite the many opportunities, much anxiety surrounds the future of work. Doomsday scenarios are unlikely to materialise, but there are some real risks. Many are worried that the world of work is heading for a dystopian future of massive technological unemployment, precarious work, workers with little or no bargaining power, and important skills gaps as populations age rapidly. The key message of the *OECD Employment Outlook 2019* is that **the future of work will largely depend on the policy decisions countries make**. While it is true that the future is already here and labour markets are already changing, with the right policies and institutions in place, the opportunities that digitalisation, globalisation and longer lives will bring can be seized, and the risks mitigated. The remainder of this chapter provides an overview of the *OECD Employment Outlook 2019*. It unpacks some of the key anxieties surrounding the future of work, dispelling myths where necessary, and calling for action where real risks exist.

Should we brace for a jobless future?

Despite significant uncertainty, we are not heading for a jobless future anytime soon. However, we do need to prepare for deep structural changes that appear inevitable. Managing transitions well and avoiding growing disparities can be achieved if effective and adequately resourced policies are put in place.

As robots, artificial intelligence and the digital transformation increasingly permeate the world of work, and economies across the globe become more integrated, many people are worried about the impact of these mega-trends on the number of jobs. Some paint a particularly bleak picture of the future, arguing that automation could destroy nearly half of jobs over the next couple of decades.

However, employment rates in most OECD countries have been on an upward trend. This is because jobs are being created at a faster rate than they are being destroyed and greater opportunities are opening up to participate in the labour market for many people who were formerly excluded. Technological change and globalisation contribute to this – by lowering the costs of production, boosting the quality of products, and opening up new markets – all of which lead to additional demand and boost productivity and, therefore, further job creation.

While the future may be uncertain, massive technological unemployment seems unlikely. The OECD estimates that 14% of jobs are at high risk of automation – significantly fewer than some researchers have argued. Moreover, the fact that a job could potentially be automated does not mean that this will actually happen: automation may not always be cost-effective or desirable, it may raise legal and ethical concerns, and it will be affected by people's preferences and policy decisions.

Nevertheless, even those who remain in their current job will experience significant

change. In addition to the 14% of jobs at high risk of automation, the tasks performed and how they are carried out may change substantially in another third of existing jobs. The manufacturing sector is at high risk, but so are many service sectors. And, even though the risk of automation is low in health, education and the public sector – many people will be affected because those sectors employ a large share of the workforce. These changes are therefore likely to affect many workers, regardless of where they work.

OECD estimates that 14% of jobs are at high risk of automation – significantly fewer than some researchers have argued

There will be further churning of jobs – with new, different jobs replacing those that are destroyed – and this will result in structural change and new skills needs. Labour markets in most OECD countries have been polarising with substantial growth in the share of high-skilled occupations and some growth in low-skilled jobs, but a fall in the share of middle-skilled ones. Employment in the manufacturing sector in particular has been on a long-term path of decline (shrinking by 20% over the period 1995-2015), while the share of jobs in the service sector has been steadily rising (growing by 27% over the same period). In emerging economies, there has been a substantial decline in the share of agricultural employment.

A key challenge is to manage successfully the transition towards new opportunities for workers, industries and regions affected by the megatrends of technological change and globalisation. It will also require employers and workers to make on-the-job adjustments, adopting and learning new technologies and ways of working.

These transitions will be difficult for many, and will hit some workers more than others. The labour market experiences of many young people, and in particular those with less than tertiary education, have already worsened in several respects. The risk of non-employment and underemployment has increased over the past decade more for men than for women in most countries but still remains much higher for women. Women are also still more likely than men to be working in low-paid jobs and less likely to be working in high-paid ones. Failing to address these disparities is likely to result in a future of work with deeper social divisions, which could have negative ramifications for productivity, growth, well-being and social cohesion.

Rapid population ageing in many countries will further compound these challenges. In 2015, there were 28 people aged 65 and over for every 100 people of working age. By 2050, this ratio is projected to double. In countries with rapidly ageing populations, shortages of qualified labour may arise as the number of older workers retiring rises relative to the number of young people entering the labour market. These shortages may in turn lead to faster automation or stronger pressures to attract immigrant workers. Ageing will also have a direct impact on skills demands and the types of jobs available as consumption shifts from durable goods (such as cars) towards services (such as health care). In some emerging economies, the challenge is to integrate large numbers of young people into the workforce. They will need to take advantage of this demographic dividend to boost growth and prepare for the transition to a much older population.

Workers who lose their jobs because of technology and globalisation need to be helped to move quickly to new jobs through effective and timely employment services, as well as prevention and early intervention measures. Adequate income support tied to incentives and support for active job search will be critical in reducing

the individual and social costs of these adjustment processes, and can play a key stabilising role in the current context of heightened uncertainties about the future of work. Yet, in many countries, unemployment benefits systems fail to reach a significant share of the unemployed and coverage may shrink further if non-standard work expands.

Collective bargaining and social dialogue can complement government efforts to make labour markets more adaptable and secure. In some OECD countries, social partners play a significant role in providing active support to workers who have lost their jobs and in anticipating skills needs. Collective bargaining and social dialogue can be useful institutions to help companies respond to demographic and technological changes by allowing them to adjust wages, working time, work organisation as well as tasks to new needs in a more flexible and pragmatic manner than through labour regulation (while remaining fair). Yet collective bargaining has been on a declining trend for decades and, in the context of a rapidly evolving world of work, this poses serious challenges for workers' rights, benefits and protections and may sometimes leave employers and employers organisations without a clear counterpart.

Across OECD countries, participation in training by low-skilled adults is 40 percentage points below that of high-skilled adults

Effective skills policies will also be essential if individuals are to minimise the risks and maximise the benefits of changes in the labour market. In a context of changing skills needs, adult learning can help prevent skills depreciation and obsolescence,

and facilitate transitions from declining jobs and sectors to expanding ones.

However, skills policies often fail to reach those adults who are more at risk from the changes that lie ahead. On average across OECD countries, participation in training by low-skilled adults – those who potentially need it the most as their jobs are at highest risk of being automated – is 40 percentage points below that of high-skilled adults. Similarly, workers whose jobs are at high risk of automation are 30 percentage points less likely to engage in adult learning than their peers in jobs with a lower risk. Even when the low-skilled and those in jobs at risk of automation participate in training, its low quality and limited relevance may be letting them down.

Disadvantaged workers face multiple barriers to training. Low-skilled workers, those in jobs at high risk of automation and workers who lose their jobs are often reluctant to train or unable to identify relevant learning activities. Even when they are well informed and motivated, some workers face other barriers, such as a lack of time or money to train. Meanwhile, employers are more likely to invest in training higher-skilled workers where the return to such investment is expected to be higher.

Adult learning systems will need to be strengthened and adapted to provide all workers, and in particular those most vulnerable to the changes that lie ahead, with adequate opportunities for retraining throughout their careers. Awareness of the benefits of training could be raised through information campaigns and career guidance. However, training formats also need to become more modular and flexible to fit around busy work schedules and family responsibilities. Skills acquired through experience should be recognised, and better financial incentives should be designed to reduce the cost of training borne by the most vulnerable groups. Moreover, it is critical to improve the quality of programmes and their alignment with current and future

labour market needs, and to evaluate their effectiveness on a regular basis. Employers can and should play an important role in delivering on this agenda and, with the help of governments, they should be encouraged to train groups at risk.

Is the end nigh for the standard employment relationship?

Many countries have seen growth in “new”, non-standard forms of employment, but full-time, permanent employment is still (and is likely to remain) the most prevalent form of employment across advanced OECD countries. In many cases, these “new” forms of employment are merely shedding new light on old challenges. However, the rights and protections of vulnerable workers falling outside the traditional remit of labour law and social protection should be strengthened.

Standard, full-time, open-ended employment still accounts for the majority of employment across the OECD.

There are several reasons for the continuing appeal of more stable, permanent employment arrangements. From the point of view of workers, such contracts provide more certainty and allow them to plan ahead in both their private and professional lives. From the perspective of employers, permanent contracts allow them to attract and retain talent (which reduces hiring and training costs) and increases the payoff from investing in staff (which raises productivity).

New forms of work have emerged due to changes in preferences, innovations in business models and work organisation, as well as technological developments (and policy choices). These include the platform economy, in which workers provide services through online platforms. Many countries have also experienced an expansion of other non-standard forms of work, such as on-call or zero-hours contracts, as well as various forms of own-account work. These more flexible working arrangements have often emerged in

response to the real needs of both employers and workers. Companies need some leeway to adjust workforces and working hours to take account of fluctuating and unpredictable demand. Workers may be seeking greater freedom to fit work around caring responsibilities or leisure in order to achieve a better work-life balance. More flexible forms of employment can also offer new opportunities and a stepping-stone to full-time, open-ended employment for some, including young people and many low-skilled workers.

However, false self-employment needs to be tackled. False self-employment refers to situations where working arrangements are essentially the same as those of employees but individuals are hired as self-employed workers in order to avoid regulations, taxes and unionisation. False self-employment not only hurts workers, but also other firms that do comply with regulations. Existing regulations should be clarified and enforced better. It should be made easier for individuals to challenge their employment status. In addition, the penalties for non-compliance should be strengthened. Governments should also ensure that differences in the tax and regulatory treatment of different forms of employment do not further encourage the misclassification of workers. Indeed, in several countries, rapid growth in non-standard forms of work has been driven primarily by fiscal and regulatory differences between employment forms, which have created opportunities for arbitrage.

Some workers will be genuinely difficult to classify and find themselves in the “grey zone” between dependent employment and self-employment. While formally classified as self-employed, some workers share some characteristics of employees (e.g. they cannot set their own rates of pay, have to wear a uniform or cannot send a replacement to execute their tasks). This means that they experience some elements of dependence and/or subordination in their working relationship, and have less bargaining power.

Yet, because they are classified as self-employed, they will generally not benefit from the same labour law protections, collective bargaining rights, social protection, and equal access to training as employees.

In a first instance, the size of the grey zone should be managed and kept to a minimum. In some cases, regulations or guidelines for determining employment status may need to be clarified, revised and/or harmonised, and consistently enforced. This would help reduce uncertainty for both workers and employers, and reduce litigation.

For those workers who remain in the grey zone, policy-makers should consider strengthening their rights and benefits by: *i*) identifying and targeting specific groups of self-employed workers in need of protection (e.g. the financially dependent self-employed or specific occupations); *ii*) deciding which rights and protections to extend to such workers (e.g. unemployment insurance, holiday pay, collective bargaining rights) and how; and *iii*) where necessary, clarifying and assigning employer duties and responsibilities in the case of triangular employment relationships, such as those in the platform economy (e.g. by holding platforms and clients jointly liable, or by imposing liability on platforms and only subsidiary liability clients).

Access to social protection can be difficult for all workers in non-standard employment. The self-employed are usually less well covered by statutory social protection provisions. This is particularly a problem for the self-employed with little control over their remuneration and working conditions and for risks which cannot be deemed to be entrepreneurial in nature. Other forms of non-standard employment (e.g. part-time and temporary work) are in theory well covered, but in practice many workers on such contracts still struggle to gain access, because they fail to meet minimum contribution periods or earnings thresholds. In some countries, non-standard

workers are 40-50% less likely to receive any form of income support during an out-of-work spell than standard employees. For those receiving support, out-of-work income assistance is often significantly less generous than for standard employees.

Social protection provisions should be reshaped to ensure better coverage of workers in non-standard forms of employment. Reform options include: *i*) ensuring a more neutral treatment of different forms of work to prevent arbitrage between them; *ii*) extending the reach of existing social protection systems to new forms of work; *iii*) boosting the portability of entitlements between social insurance programmes that are intended for different labour market groups; *iv*) making means-tests more responsive to people's needs by changing the reference periods for the needs assessment and putting appropriate weight on recent or current incomes of all family members; and *v*) complementing targeted social protection measures with more universal and unconditional support. However, more radical reforms to replace large parts of traditional social protection with a universal basic income would be either very expensive or have unfavourable distributional outcomes at the expense of the most vulnerable groups.

Measures to help and encourage jobseekers find work will need to be adapted. Activation measures, which seek to maximise unemployed people's chances of re-employment and minimise disincentives to work, need to be revised. They have traditionally been set up to help workers in a standard employment relationship who are facing job loss. Consequently, if they lose their job, many non-standard workers have limited access to vocational training, counselling and other employment-oriented programmes for the unemployed. This raises questions as to how activation and employment-oriented social programs can be adapted to meet the needs of non-standard workers.

In some countries, non-standard workers are 40-50% less likely to receive any form of income support during an out-of-work spell than standard employees

Training policies will also need to be modified for workers in non-standard forms of employment. Workers in non-standard forms of employment also have more difficulties accessing job-related training. This is the case for temporary, part-time and, in particular, own-account workers (i.e. self-employed without employees). Even though equal rights clauses have been introduced in most OECD countries, training rights often accrue with job tenure and depend on the numbers of hours worked. So, in practice, temporary and part-time workers may not acquire the right to train. Own-account workers are still very rarely covered in training rights legislation. Options for governments include extending training rights beyond standard employees, target certain adult learning policies to non-standard workers, and making training rights portable between employment statuses, through individual learning accounts – although none of these will, by themselves, offer a panacea.

In emerging economies, new forms of work in the platform economy may offer opportunities for formalisation. In countries with a large incidence of informality, platform work can represent a route to formalisation, since it can reduce its costs and improve monitoring of economic activity through the digitalisation of transactions. However, to capitalise on these opportunities, emerging economies will need to ensure that adequate tax and social protection mechanisms are put in place.



**"The best way to predict the future
is to create it"**

— Alan Kay, 2003 Turing Prize winner



Has the balance of power between bosses and workers tipped too far?

Many workers have few alternative employment options and low bargaining power, particularly non-standard workers. Collective bargaining and trade union coverage has declined in most OECD countries, further weakening workers' bargaining power. Strong power imbalances favouring employers over workers tend to put downward pressure on labour demand and wages, but policies can help restore the balance and improve both equity and efficiency.

Membership of unions and overall coverage of collective agreements have declined in many countries, weakening workers' bargaining power. The proportion of workers in the OECD who are covered by collective agreements has steadily declined over the last three decades, falling from 45% in 1985 to 32% in 2016. This has weakened workers' bargaining power in many countries and contributed a decline in the share of national income that goes to workers.

Union membership and collective bargaining coverage is even lower among non-standard workers. Non-standard workers are 50% less likely to be unionised, on average, than standard workers. Lower unionisation among non-standard workers reflects the practical and legal difficulties of organising them. It may also be the result of unions historically focusing on standard workers' needs, rather than those of non-standard ones.

Many workers in the grey zone between dependent and self-employment have little scope to organise and bargain collectively. Traditionally, only workers in a subordinate employment relationship (i.e. salaried employment) have had an undisputed legal right to collective bargaining. Workers usually classified as self-employed are generally excluded due to competition laws prohibiting cartels, which tend to regard them as business undertakings. This may be fine for many self-employed workers who earn

good incomes or are in a position to bargain with their clients over their rates. However, it poses efficiency and fairness problems in the case of self-employed workers who share some characteristics and vulnerabilities with dependent employees and therefore face a power imbalance vis-à-vis their employer or client.

There is a strong argument for extending collective bargaining rights to workers in the grey zone between dependent employment and self-employment, and some countries have already done so – but the challenge is to ensure that labour market and competition policy remain aligned. Enforcing the correct classification of workers and fighting misclassification should be the first step in extending collective bargaining rights to as many workers as possible. In addition, some countries have already extended collective bargaining rights to (or sought explicit exemptions to the cartel prohibition for) some workers in the grey zone or specific groups of self-employed – e.g. the dependent self-employed or workers in certain sectors or occupations (such as voice-over actors, session musicians and freelance journalists) where they are most likely to be exposed to strong power imbalances.

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Countries should also consider facilitating the emergence of new forms of social dialogue and accompanying the efforts of unions and employer organisations to expand their membership to non-standard forms of work and business. The contribution of social dialogue and collective bargaining to shaping the future of work crucially depends on workers and firms being able and willing to associate and negotiate mutually satisfying and binding

agreements. The examples of successful collective agreements in the temporary work agency sector and the cultural and creative industries, even in countries where unions are weak, show that collective bargaining, if sufficiently flexible, can adjust to different and new types of employment relationships.

An absence of collective bargaining rights can accentuate power imbalances that are inherent in the employment relationship, and could lead to a degree of monopsony in the labour market.

Employers (or clients in the case of certain self-employed people) often have a higher degree of control over the relationship than workers, who may have few or no outside options. This can lead to an unbalanced power relationship between the parties, with stronger bargaining power in the hands of employers, which may imply that they can impose lower wages by inefficiently reducing labour demand – a situation usually referred to as labour market monopsony. The consequences of these imbalances on pay and employment tend to be stronger when workers are unable to organise and bargain collectively. When workers negotiate pay and working conditions individually, employers' buyer power is usually not compensated by sufficient bargaining power on the side of workers.

Labour market monopsony also has negative consequences for businesses. Abuses of monopsony power in the labour market can be a source of concern for companies too. On the one hand, lack of competition in the labour market – for example because certain companies collude among themselves or resort to restrictive covenants to reduce workers' mobility and bargaining power – may mean that innovative companies are prevented from exploiting new opportunities and recruiting the best people. On the other hand, insufficient enforcement of competition law disadvantages firms that abide by the rules.

Beyond extending collective bargaining coverage, the sources of monopsony power and its abuse can also be

addressed by better regulation and more effective enforcement. Regulatory actions to tackle labour market monopsony include: *i)* more aggressively enforcing rules against employers colluding in the labour market; *ii)* limiting the scope of restrictive covenants such as non-compete clauses; *iii)* extending coverage of labour market regulations to address the effects of monopsony on workers' well-being (for example by enhancing occupational health and safety standards); and *vi)* amending existing labour market regulations to redress inequalities of information available to employers and workers (e.g. by ensuring that contract obligations are drafted in simple, understandable language). A balanced approach is, however, necessary to avoid that excessively burdensome regulations end up unduly curbing entrepreneurial activity and innovation. In addition, a comprehensive policy strategy to reduce labour market frictions and enhance job mobility would also help address monopsony power.

A Future that Works for All – can we afford it?

Policies to build a more rewarding and inclusive world of work will require adequate financial resources – in particular for strengthening adult learning and social protection. Given the constraints on public finances, new thinking is needed on how to find the necessary resources. At the same time, some policy options involve barely any costs for the public finances and may even increase tax revenues.

A number of policy interventions under consideration entail little or no cost to the public purse. Reforms such as improving and enforcing labour market regulations, strengthening collective bargaining, and making training provision more flexible do not have to be costly for the public finances. Similarly, stepping up antitrust action to curb monopsony power would require limited additional resources.

Some policies may even lead to lower public spending and higher tax revenues. For instance, well-functioning public employment services and effective and timely activation policies that help workers return quickly to work reduce costs for unemployment benefit systems and can improve productivity by raising the quality of job matches. Some reforms can also directly increase tax revenues by widening the tax base (e.g. by bringing the platform economy into the tax system). Removing unintended fiscal incentives for self-employment and combating false self-employment would also boost revenues.

However, strengthening social protection and adult learning will require significant additional resources, especially to close existing coverage gaps – and this calls for a review by countries of their spending priorities as well as a reflection on their tax systems. Although some policy actions pay for themselves, many of the suggested interventions, and notably in the areas of social protection and adult learning, require more resources. In many OECD and emerging economies, the lack of training opportunities and adequate social protection systems will require significant investments. Some of the required resources may be found by increasing the efficiency of current spending and undertaking a spending review to decide – through a whole-of-government approach – where spending priorities lie. But increasing the efficiency of current spending may not suffice. Governments should expect to confront decisions about how new or expanded initiatives will be paid for and who should pay. This is likely to include political discussion about what is fair, what is cost effective, and a variety of views on how the allocation of costs and access to the expanded programmes will affect the performance of the broader economy, including outcomes for business, workers,

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consumers, and citizens more generally. Finally, finding the right financing solutions is also likely to require some global thinking and action.

Countries should continue to assess the labour market impact of technological progress, globalisation and population ageing and to explore how to facilitate positive change with respect to the adaptation of labour market, social and training policies. Government interventions, while essential, will likely not be enough by themselves. All stakeholders should participate, including businesses who badly need workers with the appropriate skills and a conducive social and economic environment. New public-private partnerships will need to be created to provide adequate responses to the changing world of work. The OECD will continue to support countries by acting as a forum in which governments and other stakeholders can work together to share experiences and seek solutions. It will continue to assess the impact of the mega-trends on job quantity, quality and inclusiveness, and what countries should do to strengthen the resilience and adaptability of labour markets so that workers and businesses can manage the transition with the least possible disruption, while maximising the potential benefits.

POLICY DIRECTIONS

Making the most of the opportunities that lie ahead and ensuring that they lead to better jobs for all will require concerted policy efforts across a number of areas. This will require future proofing across the spectrum of labour market policies and institutions, covering social protection, skills and collective bargaining, as well as appropriate regulation of the labour market. While the precise action required will depend on each country's specific characteristics in terms of its institutional set-up, social preferences, administrative capacity and social capital, policy makers should consider the following policy directions:

Regulation of the labour market

Governments should ensure that all workers in the labour market have access to an adequate set of rights and protections, regardless of their employment status or contract type, and guarantee a level playing field among firms by preventing some from gaining a competitive advantage by avoiding their obligations and responsibilities.

In the area of labour market regulation, countries should:

- Tackle false self-employment by:
 - ◆ Ensuring that employers and workers are aware of, and understand, existing regulations;
 - ◆ Making it easier and less costly for workers to challenge their employment status;
 - ◆ Strengthening the penalties for firms misclassifying workers;
 - ◆ Strengthening the capacity of labour inspectorates to monitor and detect breaches;
 - ◆ Reducing incentives for firms and workers to misclassify employment relationships as self-employment in order to avoid/reduce taxes and regulations.
- Reduce the size of the “grey zone” between self- and dependent employment by revising, updating and/or harmonising definitions of what it means to be an employee and/or a self-employed person – in order to make these definitions as clear as possible and reduce uncertainty for both workers and employers.
- Extend rights and protections to those workers left in the “grey zone” (i.e. where genuine ambiguity in employment status exists) by a combination of:
 - ◆ Identifying and targeting specific groups of workers to which certain labour rights and protections could be extended;
 - ◆ Deciding which labour rights and protections to (at least partially) extend (e.g.: fair pay, working time protections, occupational health and safety, anti-discrimination and employment protection) and whether and how they should be adapted;
 - ◆ Where necessary, clarifying and/or assigning employer duties and responsibilities in the case of triangular employment relationships (including platform work), which may require spreading such responsibilities across multiple legal entities.
- At the international level, build on the recent G20 commitment to promote decent work in the platform economy and consider ways of improving the working conditions of workers with little say over their remuneration and working conditions who provide services globally – including best practice principles or guidelines, which countries and/or platforms could sign up to.

Addressing power imbalances between employers/clients and workers also requires enhancing collective bargaining and social dialogue (see below) and tackling labour market monopsony. Options to fight against abuses of monopsony power include:

- Fighting labour market collusion, for example by providing explicit guidance on illicit behaviours, setting priorities for enforcement agencies and ensuring adequate whistle-blower protection;

- Limiting the scope of non-compete covenants, including in contracts for services – particularly for certain types of jobs, pay levels or skill requirements, where they are most likely to be used to reduce competition in the labour market;
- Reducing the incentives for broad or unlawful non-compete agreements, by banning court redrafting of unreasonable covenants to make them enforceable, and by appropriately sanctioning the abuse of illicit clauses;
- Favouring the development of new tools and instruments to better analyse the effects of mergers and anti-competitive conduct in the labour market;
- Redressing inequalities in the information available to employers and workers by ensuring that workers are fully aware of their rights and responsibilities, improving pay transparency in the labour market and enhancing symmetry of treatment of workers and requesters on online platforms, including as regards mutual evaluations.

Labour relations, social dialogue and collective bargaining

While each country's situation and traditions are different, a well-functioning system of labour relations can contribute to shaping a more rewarding and inclusive future of work. Depending on the national context, policy makers should consider:

- Promoting national consultations and discussions on the future of work with both social partners and other organisations representing workers and employers to establish a joint diagnosis about challenges, and share practices among actors on new initiatives and technological innovation through common knowledge platforms.
- Leaving scope for collective bargaining and incentivising self-regulation among actors on these issues by making a limited but strategic use of legislative interventions (as exemplified in the case of the temporary work agencies sector in several countries).
- Ensuring broad-based access to training and lifelong learning by promoting collective bargaining over these issues.
- Accompanying the efforts of unions and employers organisations to expand their membership to non-standard forms of work and new forms of business without discouraging the emergence of other forms of organisation.

Enforcing the correct classification of workers' employment status and fighting misclassification is the first step in ensuring that workers have access to collective bargaining. Yet, there would still be scope for potential adaptation of existing regulations to allow collective bargaining for workers in the grey zone and for the self-employed who have little influence on the content of their contractual conditions. Options to be considered include:

- Enlarging the definition of "employee" in labour law, as far as labour relations legislation is concerned, to specific groups of workers in the grey zone; and
- Introducing exemptions to the prohibition of bargaining collectively for specific groups of workers or occupations, in case where power imbalances are likely to be more important.

Adult learning

A comprehensive adult learning strategy is needed to face the challenges of a changing world of work and to ensure that all workers, particularly the most vulnerable, have adequate opportunities for retraining throughout their careers. As part of this strategy, countries should consider the following policy directions:

- Foster a mind-set for learning among both firms and individuals. This could be done by strengthening career guidance for all adults; putting in place public information campaigns to raise awareness of the benefits of learning; and ensuring that wages reflect more closely the productivity gains resulting from training participation.
- Lower barriers to training by:
 - ◆ Tackling time constraints through modular training options, training delivered outside of working hours or online courses, as well as by providing workers with education and training leave.

- ◆ Lowering the cost of training by providing financial incentives for the most vulnerable groups in the labour market.
- ◆ Reducing entry barriers to training courses for workers with low qualifications by strengthening the recognition of skills acquired through experience.
- Encourage employers to train groups at risk. This could be achieved by lowering the cost to employers of training at-risk workers, for example by means of targeted financial incentives.
- Target adult learning policies such as financial subsidies, and career guidance services on the groups that need them most, including non-standard workers.
- Tackle unequal access to training based on employment status. Equal rights clauses have been introduced in most countries to ensure access to training for employees in some non-standard contracts, such as part-time, fixed-term, and temporary agency workers. In practice, however, these workers may not acquire rights to training, which often accrue with job tenure and depend on the numbers of hours worked. Moreover, self-employed workers are still very rarely covered by training rights legislation.
- Make training rights portable between employment statuses. Individual learning accounts have been proposed and implemented in a few countries as one way for workers to acquire and accumulate training rights irrespective of their employer or whether they change jobs or employment status. However, if vulnerable workers are to benefit fully, such schemes need to be complemented by more personal, face-to-face support delivered by specialised career guidance officers and informed by quality information on labour market needs.
- Ensure that training is of good quality and aligned to labour market needs through: the collection and use of high-quality information on skill needs; accreditation and certification of training providers; and a strong culture of evaluation of the effectiveness of policies and programmes.
- Strengthen the governance of adult learning systems, involving all relevant stakeholders, to ensure coherence and co-ordination of adult learning policies. Adult learning is a shared responsibility that calls for the active involvement of all stakeholders, including all levels of government, the social partners, training providers and adults themselves.
- Share the financial burden of scaling up adult learning systems. Significant financial resources will be required to scale up existing adult learning systems, broaden coverage and increase training quality. This calls for a healthy mix of co-financing by government, employers and individuals that takes account of ability to pay and the benefits obtained.

Social protection

Governments should conduct a thorough review of their social protection systems to examine whether they provide reliable coverage against evolving labour-market and social risks. Most countries mix different social protection design principles, such as means-testing or social insurance, and these provisions shape the ways in which rising non-standard work translates into specific social protection access barriers. Social protection provisions themselves can drive trends towards non-standard employment. Where needed, social protection provisions should be reinforced to ensure effective income and employment support for workers who are ill-equipped to benefit from the opportunities of technological advances and dynamic labour markets.

Preparing social protection for future labour markets requires a pro-active but iterative approach that addresses existing challenges while monitoring and adapting policy approaches as labour markets continue to evolve. Some challenges represent long-standing issues, but they can become more pressing as new technologies provide opportunities for alternative work arrangements. The correct classification of workers' employment status is a prerequisite for ensuring that they receive protection and support that is appropriate for their circumstances and risks (see above).

However, even with well-defined legal categories and suitable enforcement in place, social protection provisions can lead to significant support gaps for standard and, in particular, non-standard workers. In order to ease access barriers to social protection for both standard and non-standard workers policy makers should consider:

- Reviewing social protection entitlement criteria, such as employment requirements, waiting periods and rules for combining or alternating benefit receipt with intermittent and other non-standard forms of work;
- Enabling workers in independent forms of employment to build up rights to out-of-work support;
- Making social protection provisions less rigid by ensuring that built-up entitlements are portable across jobs and forms of employment;
- Maintaining or strengthening risk sharing across all labour market and income groups by tackling financial incentives that favour non-standard work, such as reduced tax/contribution burdens or voluntary membership;
- Making means tests more responsive to people's needs by shortening the reference periods for needs assessments and by putting appropriate weight on recent or current incomes of all family members;
- Subject to budgetary space, strengthening universal and unconditional forms of support, such as universal child benefits, as complements to existing targeted or insurance-based support measures.

Automation will lead to job displacement for many workers, while novel forms of employment are blurring the distinction between in-work and out-of-work categories. This raises new questions about the scope and ambition of activation and employment-oriented social protection. Policy options and priorities include:

- Tackling gaps in income support, which typically serves as the main gateway to labour market reintegration measures. This may require extending support for "part-time unemployed" and other jobseekers with intermittent or low-paid employment;
- Re-assessing the scope of claimants' responsibilities, such as active job search, as a counter-weight to extending benefit rights. Such a review should ensure that the balance between supporting and demanding provisions remains in line with policy objectives regarding job quantity and quality. For instance, governments should consider if and when employment services should actively connect people to potentially precarious forms of work;
- Ensuring that the content of active labour market programmes is well adapted to the needs and circumstances of an evolving client base. A growing share of part-time unemployed may call for shifting resources from work experience programmes or direct job creation towards tailored training and career counselling (see also above).

Adapting social protection to the future of work will create additional financing pressures at a time when social protection budgets are already under pressure in many countries:

- Keeping funding levels in line with evolving needs for support requires a determined and coordinated approach, including cost-effective social protection delivery, better revenue-collection technologies and enforcement and a suitable balance of revenues from labour and non-labour tax bases.
- Ensuring that social protection systems remain fiscally sustainable also calls for tackling unintended incentives that distort employment or hiring decisions or encourage "gaming" of support systems by workers or employers.
- In particular, the rationale for voluntary social protection membership should be reassessed in light of labour-market developments. If new and emerging work patterns widen the scope for opting out of social protection provisions, such opportunities could compromise the risk-sharing function of social protection and erode its resource base.
- Governments should also assess whether existing social protection financing mechanisms achieve a fair balance of burdens between different employers, e.g. between those making little use of automation and those substituting large shares of their workforce with robots or artificial intelligence.

For more information

The digital report is available at <https://oe.cd/employment-outlook>

The full report is available at <https://doi.org/10.1787/9ee00155-en>



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