



What can governments do to be ready for the future of work? With OECD's Stefano Scarpetta

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future of work? With OECD's Stefano
Scarpetta**

Intro [00:00:05] Welcome to OECD Podcasts, where policy meets people.

Kate Lancaster [00:00:11] Work plays a central role in all our lives, whether we're looking for a first job, aiming for a promotion, changing careers or coming to terms with retirement or with being laid off, and work seems to be changing so fast these days as automation, artificial intelligence, globalisation and demographic shifts transform how, when and where we do our jobs. For some of us, these changes may be making our jobs safer or more interesting. They may offer the chance to gain new skills or perhaps to work more flexibly, better balancing our personal and professional lives. But such changes are also bringing challenges such as growing inequality in wages or more opportunities for some, yet more risks for others. No wonder people around the world are concerned and are wondering how we can build a future of work that works for all. To help me pick through these issues, I'm delighted to be joined by Stefano Scarpetta, Director of Employment, Labour and Social Affairs at the OECD. Welcome, Stefano.

Stefano Scarpetta [00:01:11] Thank you.

Kate Lancaster [00:01:12] So let's start right away with the question of what's new here? Some people might say that, in fact, these problems, these challenges aren't new. There's no future of work, but rather the same issues that have always been there, ones about skills, job stability, job quality, about pay and social protection. Would you agree or is it different this time?

Stefano Scarpetta [00:01:31] Well, you see, our economies, our societies have gone through major technological transformations over the past years or actually centuries. Each and every one of these transformations destroy a number of jobs. Many more were actually created, and at the end we got more jobs. So better quality, higher level of income and actually higher living standards. So I think the question as to whether this digital transformation is different, I think is crucial. The evidence we have so far suggests that this is going to be - is already - a very deep and rapid transformation. Deep because basically it is affecting each and every job. There's no one single job that is not going to be impacted by the digital transformation. And also very rapid because artificial intelligence, machine learning, data processing are evolving very rapidly. So each and every job is already impacted and is going to be impacted also going forward.

Kate Lancaster [00:02:25] So, I just want to jump in there. I mean, in a way, you're saying jobs are going to be destroyed and everything is changing. That does sound a little scary. So talk us through the opportunities inherent in that.

Stefano Scarpetta [00:02:35] There is a lot of concern that this may lead to what John Maynard Keynes in the '30s said was the high level of technological unemployment. When we look at the data, there's actually no evidence about that. If you look at the employment, we have more jobs now than ever before. The employment rate, the number of people of working age who have a job is actually at a record high level, on average in the OECD countries. Are all the jobs good? No. We have seen a lot of reduction in jobs, in employment, for example, in manufacturing, a significant creation in jobs in the service sector. We are creating a lot of high-skilled jobs which are good, offer very good pay and career progression. But also we are generating a number of very low-paid jobs, some precarious jobs. And actually we see a hollowing out of the middle. A number of intermediate skilled jobs are actually declining.

Kate Lancaster [00:03:22] So tell me, what is a middle skill job that's disappearing

Stefano Scarpetta [00:03:24] Jobs in manufacturing, in the service sector - these are the jobs held by those with the intermediate level of skills. These were pretty good paid jobs, not high-paid jobs, and actually jobs with some significant degree of stability. They have been declining across all of the OECD countries. So yes, indeed, some workers are concerned. Will my job be there? Do I risk sliding to a lower paid job. All these concerns are actually reasonable, important. So there is a risk, not in my view of massive technological unemployment going forward, but actually more about growing inequalities between high good and high quality, well-paid jobs and other which will be low-paid, more precarious type of jobs. So we need more policy responses to help those actually move into the good jobs that are there and will be actually increasing going forward.

Kate Lancaster [00:04:13] And are these changes affecting everyone in the same way?

Stefano Scarpetta [00:04:16] Well, interestingly enough, when we look at the, again, some of the intermediate jobs are declining and we have done work looking at which are the jobs at risk of being automated? First of all, how many of them there are? Our analysis now suggests that what has been put forward by some researchers that many, many jobs - 47%, half of the jobs - can be automated. Our analysis suggests maybe 14% of the jobs are at a really high risk of being automated, because most of the tasks in these jobs could - not tomorrow, but in the medium term - actually be performed by machine, by algorithm, by artificial intelligence and machine learning. However, there is another 32% on top of these 14% of jobs that will stay, but in which 50 to 70% of the tasks could be performed by the machine, by the algorithm. So the workers would have to acquire new skills, perform new tasks to remain highly complementary to what the machine could be doing going forward. So a lot of transformation, a lot of need to adapt skills and competencies to perform new tasks. But actually workers have always done that, right? None of the jobs that we have today is the same as the jobs 20 years ago. So workers are used to adapt to new tasks, new functions, new responsibilities, but they need to be accompanied, they need to be supported in this effort.

Kate Lancaster [00:05:28] So let's talk about that support. What can countries do to accomplish successful policies to take the future of work forward in a way that's helpful for everyone?

Stefano Scarpetta [00:05:37] First of all, I think the technological revolution offers many opportunities. We have to actually create a condition whereby countries, economies, individual workers can grasp these opportunities. In order for the workers to do that, they have to have the right skills. Now that the changes are so rapid that we have to train or retrain the workers already into the labour market to acquire the skills that are needed in order to perform well with digital tools. By all means, I think we have to move away from the notion that you build your human capital in school and then you use this human capital in the labour market, to a system in which you keep on learning throughout your working life. That's essential. It seems to be easy to say, much more difficult to put in place. In fact, one of the risks that is actually behind this increased potential risk of inequality is that the jobs most at risk of automation are the ones held by the low-skilled, are the ones held by older workers, are the ones actually in small and medium-sized enterprises. So there is a risk that some of the vulnerable workers already, may face actually most of the challenges of the technology revolution.

Kate Lancaster [00:06:40] And so what other policies might countries consider?

Stefano Scarpetta [00:06:42] So again, build the right skills through education, and adapt the skills through life-long learning. I think the other big area is that we think in the OECD countries that we have a very well-developed social protection system, right? A safety net for everyone.

Kate Lancaster [00:06:57] Retirement, health care and unemployment insurance.

Stefano Scarpetta [00:07:00] Which is essential.

Kate Lancaster [00:07:03] Absolutely.

Stefano Scarpetta [00:07:05] However, if you look at some of the non-standard forms of employment - a fixed-term contract, a part-time contract, or self-employed - there you see that, that our social protection system in most, if not all, of the OECD countries have significant gaps. So our social protection system in most of the OECD countries are geared around a stable, full-time open-ended contract.

Kate Lancaster [00:07:23] The kind of job you would get after having built your human capital in school and going straight to work.

Stefano Scarpetta [00:07:28] And now we have to move into a system in which the social protection actually works for all. We have to close these gaps, gaps that affect some of the young people, those in more precarious, unstable jobs, those in the new form of work, for example, platform workers, right? They are dependent contractors. They actually are considered to be self-employed, and the self-employed are less covered by social protection. Some of that is for good reasons, because some of the self-employed are professionals that earn a significant high level of earnings, they can insure themselves. But actually some of the new forms of self-employment that are actually individually not having a very high level of income, and they need protection. They need some form of social protection, so we have to adapt our social protection system to actually provide the minimum safety net to actually cover everyone, almost regardless of the type of contract they have in the labour market.

Kate Lancaster [00:08:15] OK, and who should be involved in pulling this together? I don't think it's a project that any one government can tackle alone.

Stefano Scarpetta [00:08:23] First, I think it's important for the governments to take a proactive stance, not to wait and see. Of course, there is a lot of uncertainty about how the digital transformation will reshape our economies, our labour markets. But I think if we wait to see exactly how the technology is changing our economies, we are going to be always late. We more or less know how the technology is already shaping and reshaping our labour markets, our jobs, and I think there is a lot - also looking at the outcomes we have in the evidence we have ourselves - to actually adapt in our systems. So proactive policies,

policies that are future-ready, that anticipate the changes, in my view, are essential. Second, however, government - national, local level - are not enough. We need actually to involve in a proactive way the key social partners; employers, companies have to play an important role, whether it's about training or retraining, having a sort of, some forecasting about the skills they might need, and actually work with the workers themselves, work with the training providers, to actually make sure that actually they can get the skills they need with the existing workforce, or with some adaptation of the workforce. Trade unions, of course, have to play a role, not in stopping the changes, not in stopping the technological progress, but actually accommodating the technological progress and how this actually is reflected into the labour market changes.

Kate Lancaster [00:09:38] And accompanying the changes.

Stefano Scarpetta [00:09:39] Absolutely. So we need to, to some extent, more social dialogue, more cooperation between the key stakeholders; government, companies, trade unions and actually civil society. Many of these changes are affecting us as consumers, not only as workers, and therefore listening to people, in my view, becomes more and more important.

Kate Lancaster [00:09:56] Unpack that a little further - what do you mean by affecting us as consumers?

Stefano Scarpetta [00:10:00] Well, again, some of the benefits of the digital transformation are for us as consumers, right? We all now have a smartphone that performs tasks that were inconceivable only five years ago. We only benefit from that, right? At the same time, we as workers might face different challenges, right? So I think in the full, in going forward, we need also to reconsider some form of tax and benefits system, of creating a better, more solid buffer for people who might be more affected by the changes, to be able to have the tools, the means to actually overcome some of these challenges and actually participate like everybody else, in the many benefits that the digital transformation would bring about.

Kate Lancaster [00:10:39] Well, it's interesting what you say about tax and benefits, because I also wanted to ask who should bear the burden of funding the future of work?

Stefano Scarpetta [00:10:45] Well, first of all, proactive policy. Second, in each and every area, we can do things better if we do understand exactly the nature of the challenges. I think we can refine our programmes in a way that can make them more effective. Let's focus public policies on the most vulnerable ones, the ones that for different reasons, may not be able to fully benefit from the transformation, the many opportunities. That's number one. This might not be enough. So then we have to reconsider and we have to identify the role of the private sector, the role of companies. Companies in the past were sort of waiting and seeing: I need this worker with these types of skills and then waiting for the training or the education system to provide these skills. Now, I think what we need is more proactive activity from the businesses. Businesses have to be able to invest not only in the existing workforce, but actually maybe invest in the new workforce, the new workers that may not have exactly the right skills they need, but they have all the potential to perform well in the company. So more proactive, more engagement also on the side of the private sector, I think is absolutely essential. But I think, and this is part of the overall reflection at the OECD about the digital transformation, there are a number of initiatives and the OECD has been putting forward

a lot of initiatives on how to manage with digital transformation. One of these is the effort we have made on the base erosion profit shifting, a global effort to make sure that all companies, including the big digital companies, pay a fair share of taxes. This has all the potential to generate significant additional resources - revenue for the governments - and part of these resources can be channeled through a transition fund or transition agenda that will help the workers, for example, to manage this transformation, to invest in skill and reskilling, to invest in expanding social protection and different programmes that can help, again, those most vulnerable to navigate the changes in a successful way.

Kate Lancaster [00:12:30] To build an inclusive world of work.

Stefano Scarpetta [00:12:33] Absolutely

Kate Lancaster [00:12:34] You're talking about being proactive and about needing to get out there and get ahead of things. Can you give us a few examples of programmes or policies that are already taking place that stand out as good first steps or even as success stories?

Stefano Scarpetta [00:12:45] That's interesting, because actually there's a lot of actions and there is a collection of good practices, so governments are actually very active on that. Let me give you a few examples. We were talking about life-long learning and the need to skill and reskill many workers, actually all workers, including the low-skilled, the ones who received less training and retraining compared to the high-skilled. In France, there's been a significant reform in what they call the Individual Training Accounts. So before, training was provided by the companies depending on the needs of the companies, and now actually each and every worker, including the self-employed, receive a certain amount of money and a fund to be invested in training or retraining. So now it's the worker at the centre of the decision process about which type of training he or she should get. And then, of course, the worker will work with the public employment service and with the employer to identify what is the training or retraining strategy for itself or for himself. That's a major transformation of what was already there, so a training programme for life. Another example; Sweden is a country that has already in place what they call the Job Security Council (it's actually managed by the social partners - or the employer and the trade unions) in which if a company has to undergo a transformation, right?

Kate Lancaster [00:13:54] A restructuring, even closing down?

Stefano Scarpetta [00:13:57] Exactly. Then, way before that, six to eight months before, there is actually a plan that is set up to actually help the workers, right, move into the next job. Not all of them could be retained after transformation, but instead of waiting for the dismissal to take place, there is, for example, a lot of effort, a lot of support, a lot of guidance and training to actually help the workers move into the new jobs. This will not prevent some jobs to be lost and some workers to be dismissed, but actually reduces dramatically the time that takes for these workers to find a new job. And other countries are, for example, considering extending some element of social protection to the new forms of work, including these dependent contractors or those independent workers who actually depend on one single platform by providing them a form of social protection, but actually the possibility to bargain their fees, their pay with the companies. That's again, something which is new, but extremely important because not all of the platform workers are really independent workers. They might depend, from an economic point of view, for

one single large company, one single platform, so giving them the right to bargain, but also provide them social protection, is very important.

Kate Lancaster [00:15:08] Well, thank you so much for joining us. I'm Kate Lancaster. Thank you for listening to OECD Podcasts. You'll find much more about the issues we've been discussing today at [OECD.org](https://www.oecd.org).

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