Future of work and present-day social protection
Trends and challenges in the OECD area

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Outline of the talk

Future of work

Present-day social-protection challenges

1. *Redistribution*: Income support that benefits families in need

2. *Social protection and the cycle*: Cushioning income shocks in households and the economy

3. *Activation and employment support*: Responding to people’s employment barriers
Non-standard employment is not marginal, new, or a thing of the future.

**OECD Average**
2015, % of total employment

<table>
<thead>
<tr>
<th>Type of Employment</th>
<th>2015 Percentage</th>
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<tbody>
<tr>
<td>Self-employment</td>
<td>15.6</td>
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<tr>
<td>Part-time employment</td>
<td>16.1</td>
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<tr>
<td>Temporary employment</td>
<td>13.5</td>
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</tbody>
</table>

(% of total employment) (% of dependent employees)
Non-standard employment is not marginal, new, or a thing of the future
The platform economy remains small … but it may be growing fast

New and filled platform vacancies
May 2016 to May 2017
28-day moving average, May 2016=100

Source: Kässi, O. & Lehdonvirta, V. (2016), Online Labor Index.
Workers or widgets? We still know very little about platform work

- Who?
- What?
- How long?
- Primary or supplementary?
- Choice?
- Earnings?
- Job (task?) quality
- “Rank and yank”?
Automation: Les robots arrivent !

Estimated global provision of new industrial robots

Technological progress: a force of nature or reflecting social and economic decisions?

Adoption of new technology is not inevitable: In which areas is the application of robots most/least acceptable?

Source: Eurobarometer.
... but also long-term rise in employment
Fears about massive technological unemployment may be exaggerated.

9% of jobs are at high risk of automation in G20 countries.

However, many jobs will experience significant change!

Source: Arntz, Gregory and Zierahn, 2016.
What policy response?

Skills

Social dialogue

Social protection & employment support
What policy response?

Skills

Social dialogue

Social protection & employment support
Non-standard workers are more likely to slip through the (social safety) net

Self-employed: Statutory access to social protection

<table>
<thead>
<tr>
<th>Country</th>
<th>Old age</th>
<th>Invalidity</th>
<th>Parental benefits</th>
<th>Sickness benefits</th>
<th>Accidents at work</th>
<th>Unempl. benefits</th>
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Sources: EU: Spasova et al. (2017), Canada: OECD (2015), In it together: Why less inequality benefits all.
Options for improving coverage in the new labour market

Fix it?

- Reduce abuse and misclassification of workers
- Adapt access rules to changing work patterns:
  - Statutory access
  - Effective access
- Supplementary measures to limit coverage gaps

Replace it?

- A Basic Income for everyone
  - Simple, no one left behind
  - Less paternalistic, stigma
- Individual insurance / accounts
  - More individual autonomy in how they are used

Is replacing existing social assistance and insurance realistic?

- Costs
- Winners & losers
Replacing social protection as we know it?

Some innovative pilots of different forms of a “basic” income

But, a budget-neutral unconditional BI would likely be well below the poverty line…

...and there would be many gainers and losers (here: UK)

<table>
<thead>
<tr>
<th>Monthly BI</th>
<th>Poverty, UK working-age families</th>
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<tbody>
<tr>
<td>GBP 230</td>
<td>With existing benefits</td>
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<td>With a basic Income</td>
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<td>20%</td>
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<td>10%</td>
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<td>0%</td>
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<tr>
<td>GBP 702</td>
<td>Poverty line for single person</td>
</tr>
</tbody>
</table>

Source: OECD (2017), Basic income as a policy option: Can it add up?
Future of social protection: Lessons from the past?

Long-term rise in inequality (disposable income)

Poverty risks tend to be greatest for children and working-age groups.

Relative poverty rate of the entire population in each year = 100, mid-1980s to 2014 or latest available year.

Note: OECD average: unweighted for 18 OECD countries: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden, Turkey, the United Kingdom, the United States.

Source: OECD Income Distribution Database (via www.oecd.org/social/income-distribution-database.htm)

* Information on data for Israel: http://dx.doi.org/10.1787/888932315602.
Present-day challenge #1: Cash support can be patchy, weakly targeted to the poor

Transfers received by working-age individuals in low and high-income households
2013 or latest year available

% of average transfer

Poorest 20%  Richest 20%

Notes: Age group 18-65, 18-62 in France. Public social cash transfers at the household level, adjusted for household size. Income groups refer to disposable incomes. Additional data provided by France show that, without counting old-age and disability pensions, the bottom 20% in France receive about three times as much as the top 20%.

Source: OECD (2017), *Basic income as a policy option: Can it add up?*, using OECD Income Distribution Database.
Present-day challenge #1: Cash support can be patchy, weakly targeted to the poor

“Pseudo” coverage rates: Benefit recipients relative to no. of unemployed
2014 or latest year available

Present-day challenge #2: Crisis proofing

Large parts of SP are designed to be responsive to changing social and economic conditions…

Change in employment and “working-age” social spending: boom and recession

- "Post-crisis" change 2007/08 to 2011/12

Public social spending excluding health, old-age and survivors pensions.

Present-day challenge #2: Crisis proofing

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Change in employment and “working-age” social spending: boom and recession

- "Post-crisis" change 2007/08 to 2011/12
- "Pre-crisis" change 2003/04 to 2007/08

Public social spending excluding health, old-age and survivors pensions.

Present-day challenge #2: Crisis proofing

...yet spending is frequently *pro-cyclical* or does too little to stabilise household incomes or the economy.

**Change in employment and “working-age” social spending: boom and recession**

- "Post-crisis" change 2007/08 to 2011/12
- "Pre-crisis" change 2003/04 to 2007/08

Public social spending excluding health, old-age and survivors pensions.

Present-day challenge #2: Crisis proofing

Weak support following downturns may be one factor behind growing inequalities

Longer-term trends at different points in the income spectrum

Market incomes, working-age households, constant prices, 1979=100

Present-day challenge #3: Employment support. Tailor measures to individual barriers

A typology of employment barriers

**Work-related capabilities**
- Education / skills;
- Work experience
- Health problems
- Care responsibilities

**Incentives**
- Earnings replacements: out-of-work benefits
- Tax burdens on in-work earnings
- Non-labour incomes
- Incomes of other household members

**Opportunities**
- Cyclical labour-market weakness
- Limited hiring in relevant labour-market segment (eg, region, education)

Present-day challenge #3: Employment support. Coordinate support within and across institutions.

Most jobless people face several simultaneous employment barriers.

Thank you

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www.oecd.org/employment/jobs-strategy/

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What policy response?

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In most advanced countries, the occupational structure is “polarising”

Labour market polarisation, selected OECD countries, 1995 to 2015

*Percentage point change in share of total employment*
ICT experts continue to account for relatively small shares of the workforce

ICT specialists in OECD economist, share of total employment

- Electronics and telecom installers and repairers
- ICT technicians
- Electrotechnology engineers
- ICT professionals
- ICT service managers

Source: OECD Digital Economy Outlook, 2015
Many workers do not have the right skills for the new jobs

Problem-solving skills in Technology-Rich Environments
Percentage of the working-age population (aged 15/16-64)

- Failed ICT core or had no computer experience
- Lacks basic skills to fulfill simple tasks (Level 1 or below)

Source: OECD Survey of Adult Skills (PIAAC)
The least skilled benefit less from training

Percentage of adults who participated in adult education and training during year prior to the survey, by level of literacy proficiency

Source: OECD Survey of Adult Skills (PIAAC)
High inequality hinders skills investment by the lower middle class

Average years of schooling by parental educational background (PEB) and inequality

Average PIAAC numeracy score by parental educational background (PEB) and inequality

Source: OECD (2015), “In It Together”

Note: Low PEB: neither parent has attained upper secondary education; Medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; High PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals.
What policy response?

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Giving a voice to workers?

Trends in union density, % of employees, 1985-2015

A. English-speaking and "firm-level bargaining" countries

B. Nordic and "Ghent system" countries

C. Northern and central European countries

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