OECD Centre for Opportunity and Equality

Evidence-based, policy-oriented research on inequalities

Conference of the Danish Economic Society

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THE CONTEXT: HIGH AND/OR GROWING INEQUALITY IN INCOME AND WEALTH IN MANY OECD COUNTRIES

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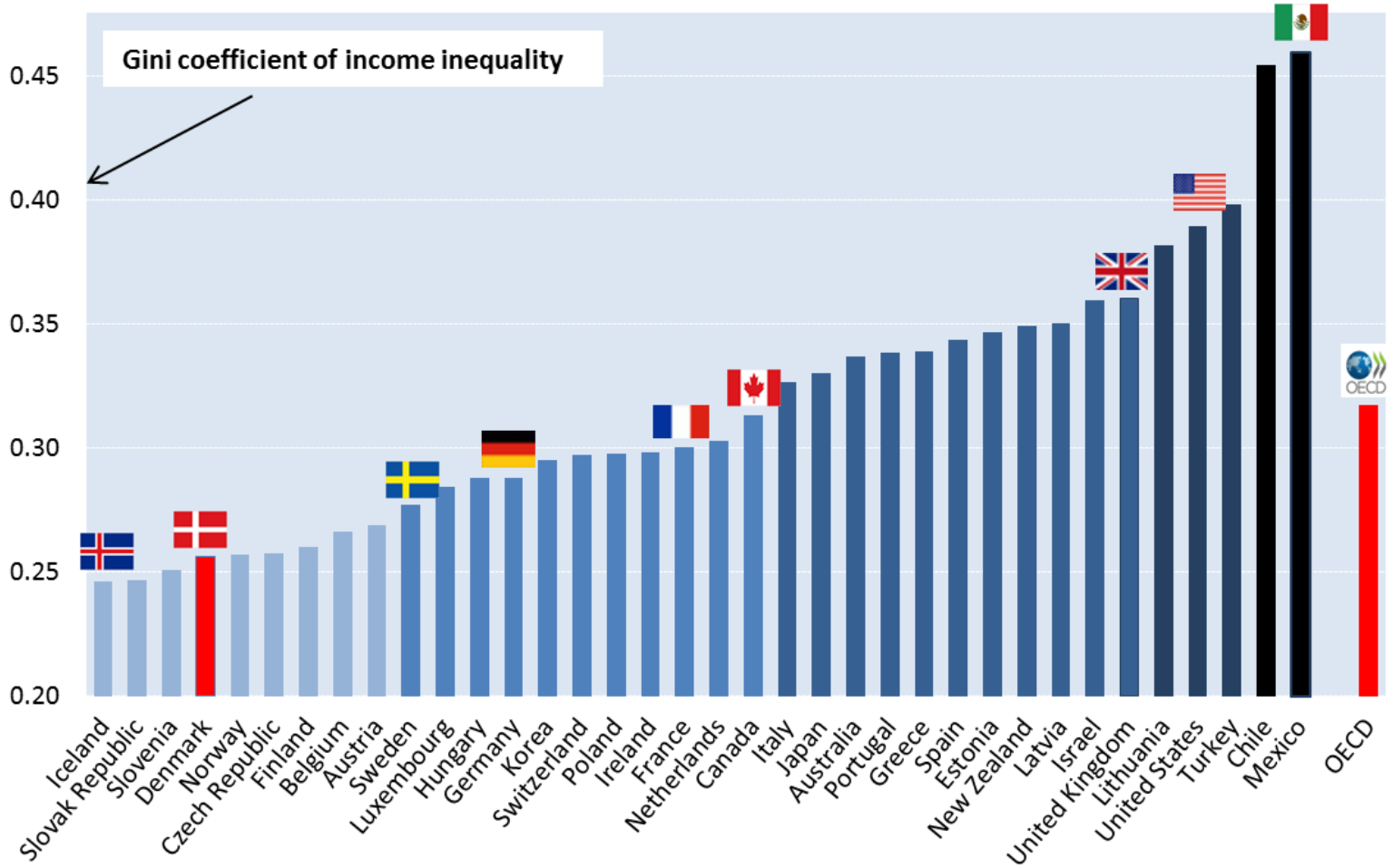
Large country differences in levels of *income* inequality

Gini coefficient on disposable income, 2015 or latest year available



Source: OECD Income Distribution Database (www.oecd.org/social/income-distribution-database.htm), as at 1-Oct-2017

Note: the Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality). Income refers to cash disposable income adjusted for household size. Data refer to 2015 or latest year available.

“Episodes” of inequality increases rather than continuous long-term trends

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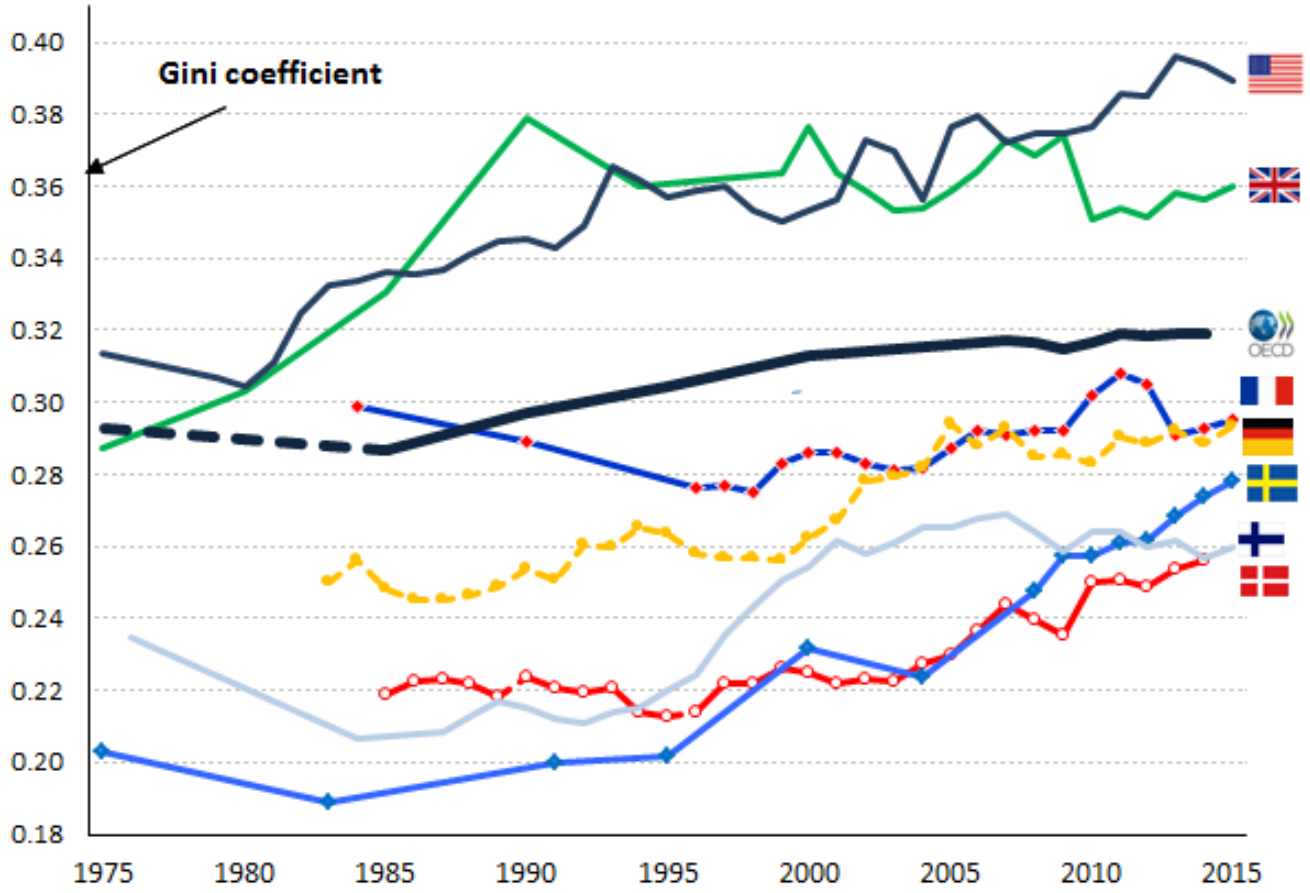
Long-term trends in inequality of disposable income (Gini coefficient)

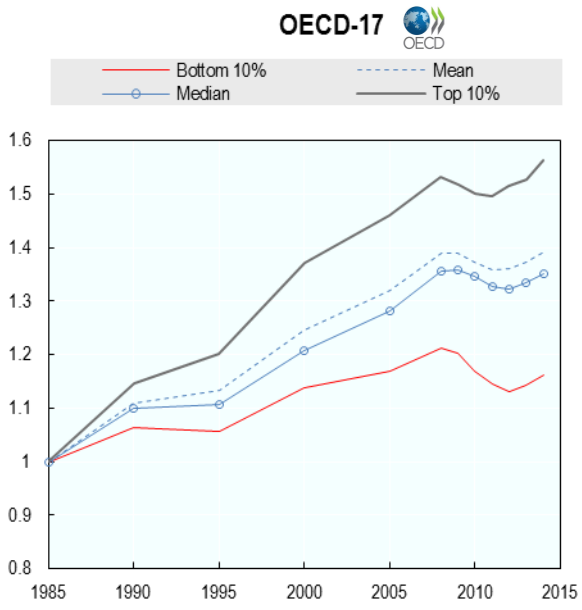


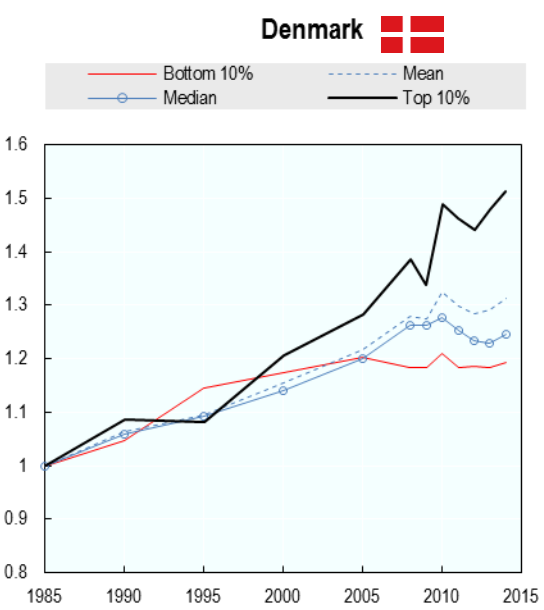
Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm.

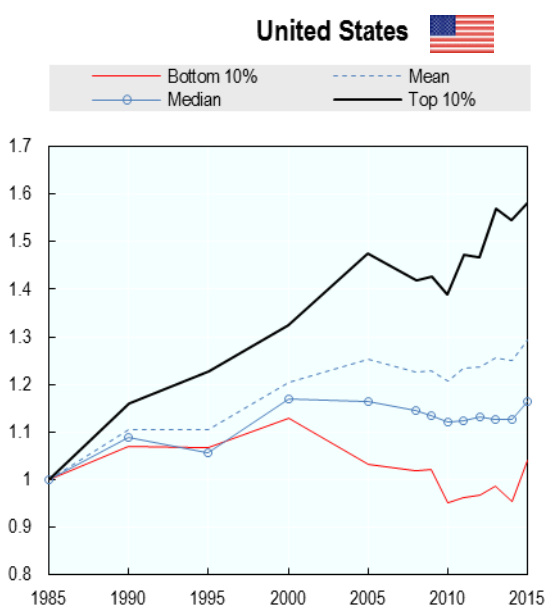
Note: Income refers to disposable income adjusted for household size.

Lower and lowest incomes are increasingly left behind

Trends in real household incomes at the bottom, the middle and the top, OECD average, 1985 = 1







Note: Income refers to disposable household income, corrected for household size. OECD is the un-weighted average of 17 countries (Canada, Germany, Denmark, Finland, France, United Kingdom, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, New Zealand, Sweden and United States).

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

HOW TECHNOLOGY AND GLOBALISATION ARE TRANSFORMING THE LABOUR MARKET

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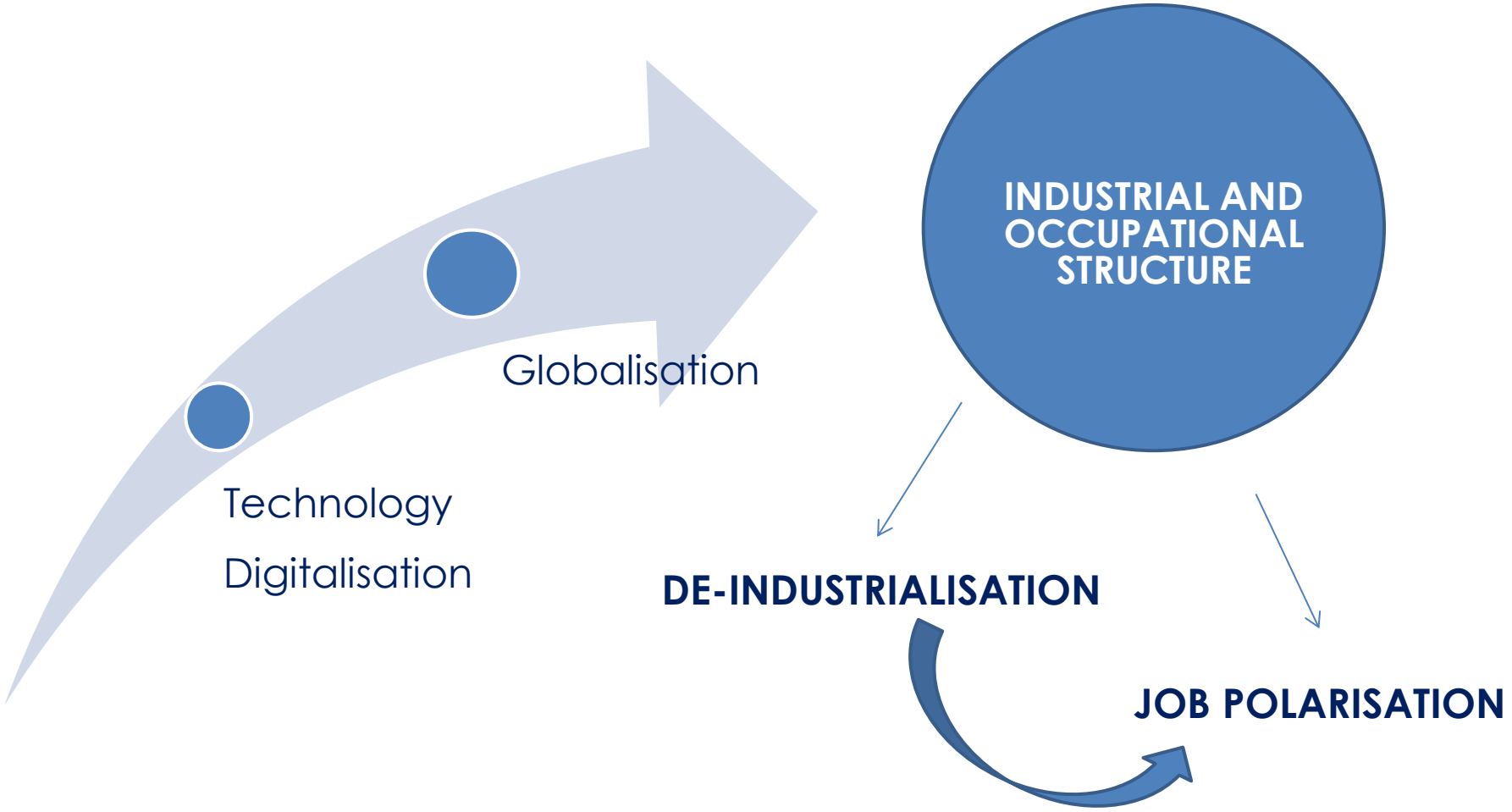
Technology and globalisation are shaping the world of work



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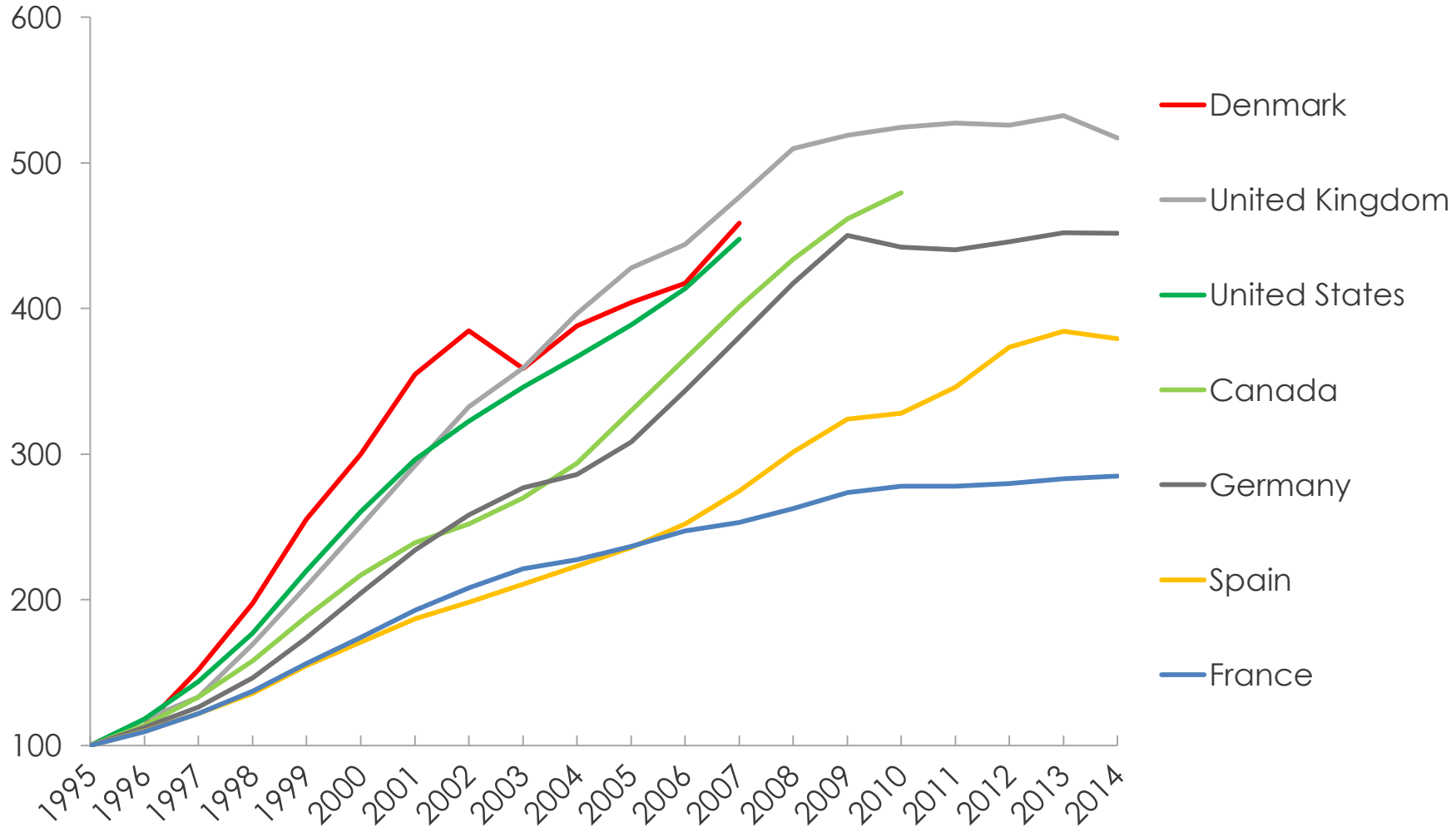
ICT technology has spread fast throughout the world of work

ICT capital services per hour worked, index (1995 = 100), 1995 to 2014



Source: OECD Employment Outlook 2017, Chapter 3.

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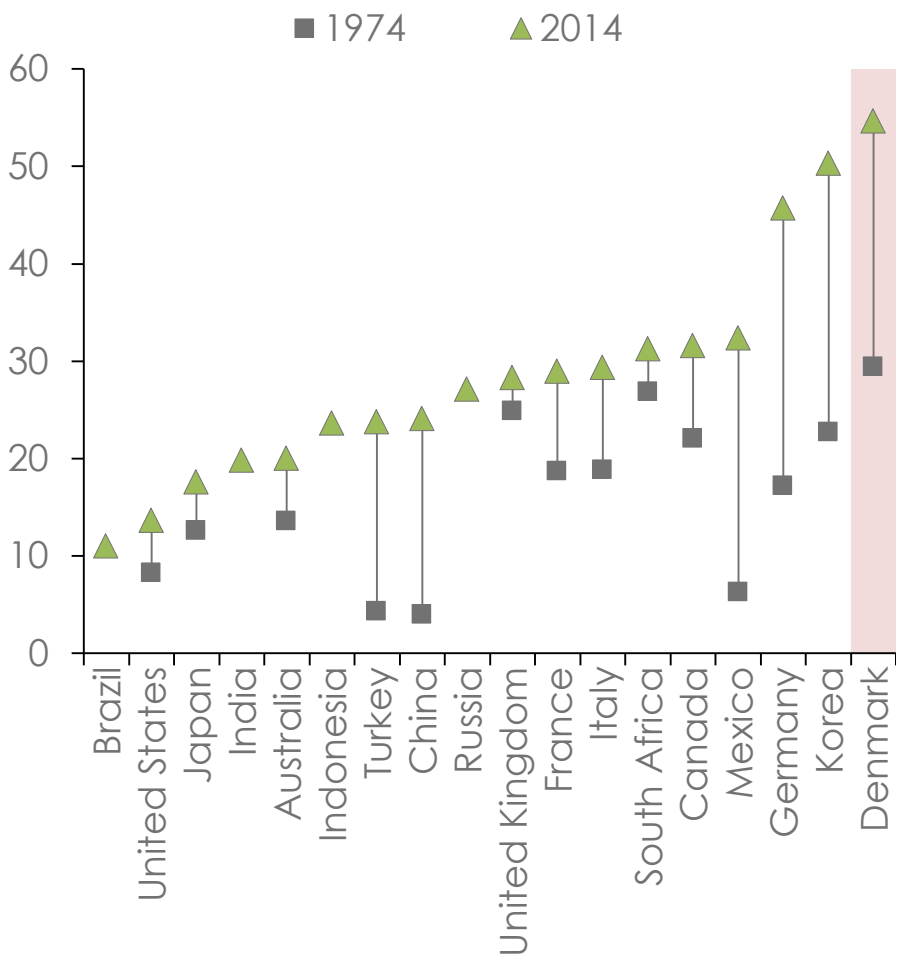
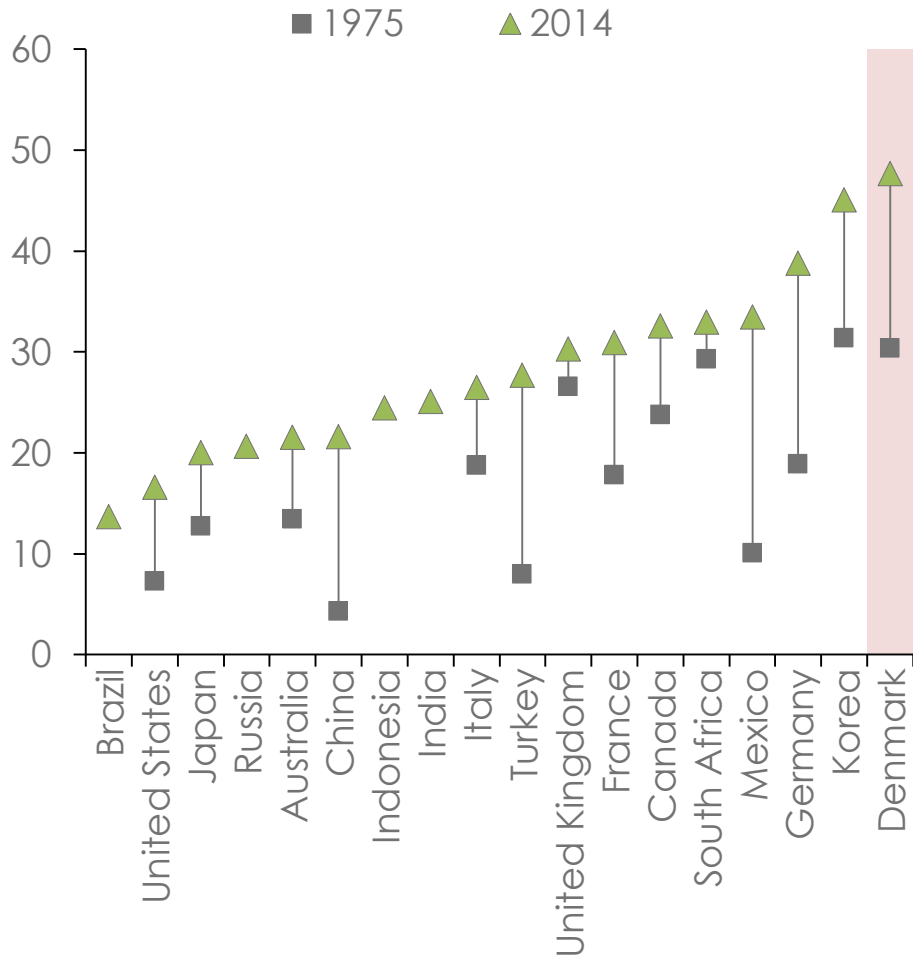
The world has become more integrated through trade

A. Exports (% of GDP)



B. Imports (% of GDP)



Source: OECD Annual National Accounts Database.

Many jobs depend on demand from abroad

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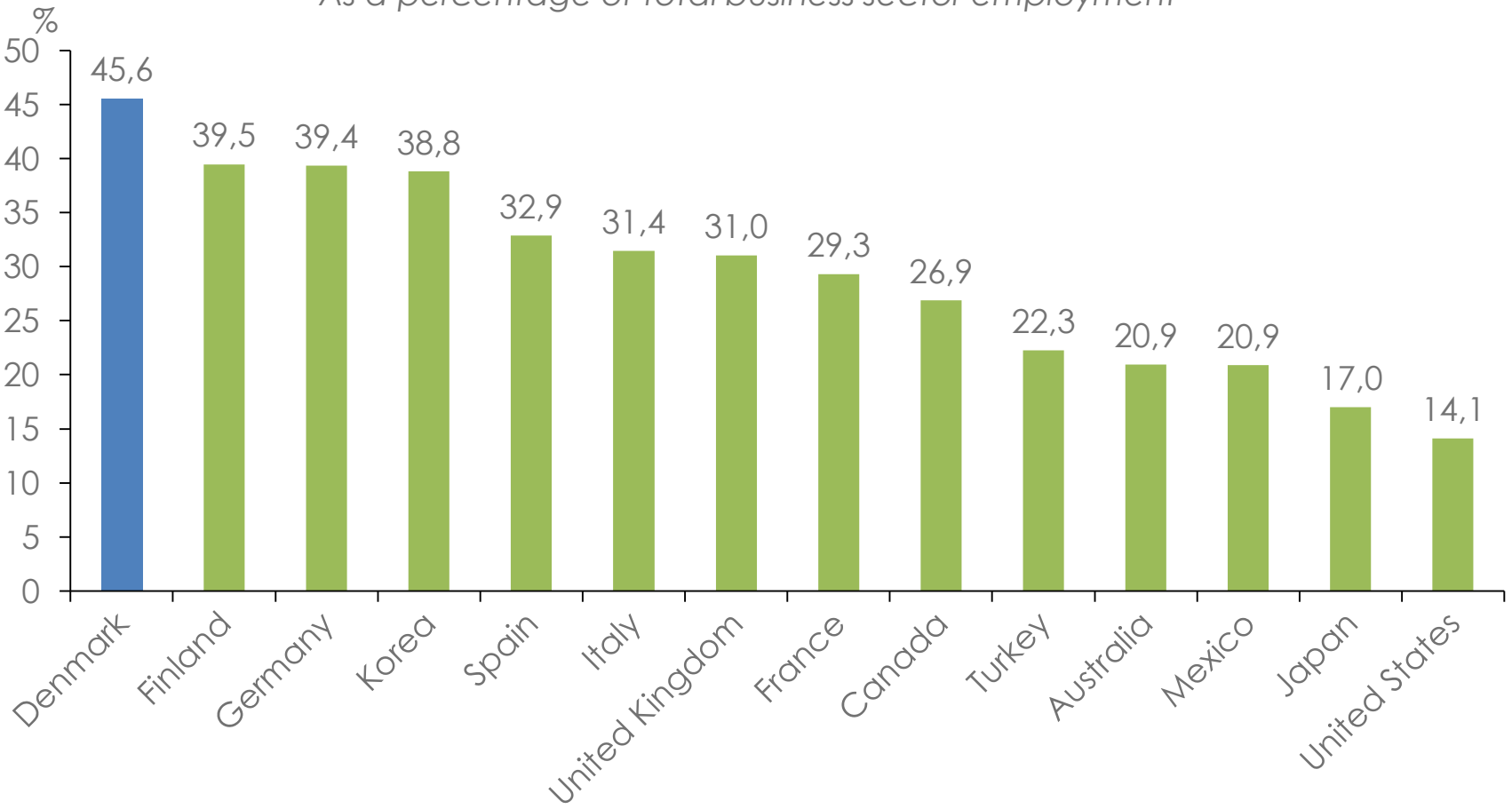
Jobs in the business sector sustained by foreign final demand

As a percentage of total business sector employment



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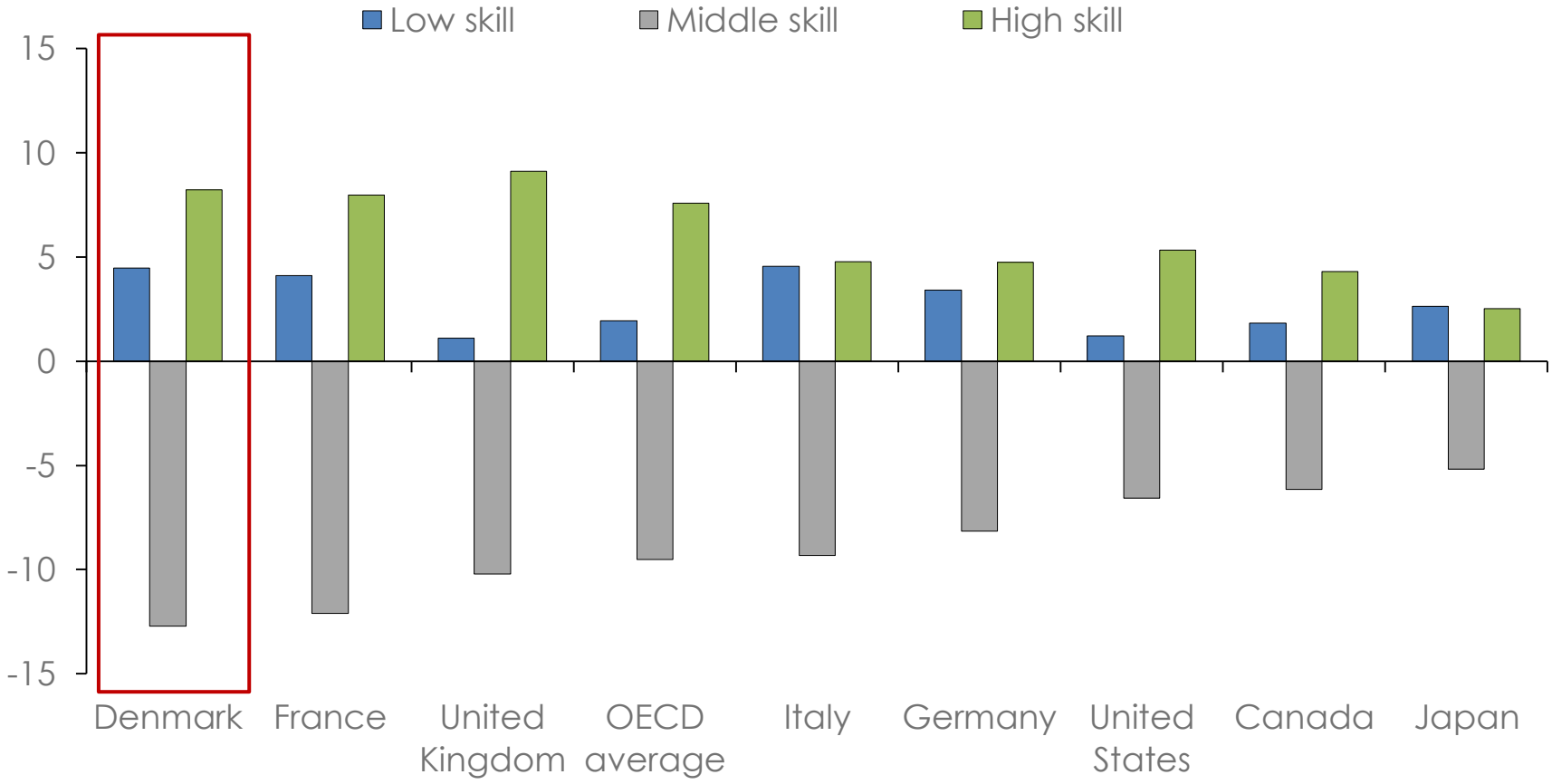
The occupational structure is "polarising"

Labour market polarisation, selected OECD countries, 1995 to 2015

Percentage point change in share of total employment



Source: OECD Employment Outlook 2017, Chapter 3.

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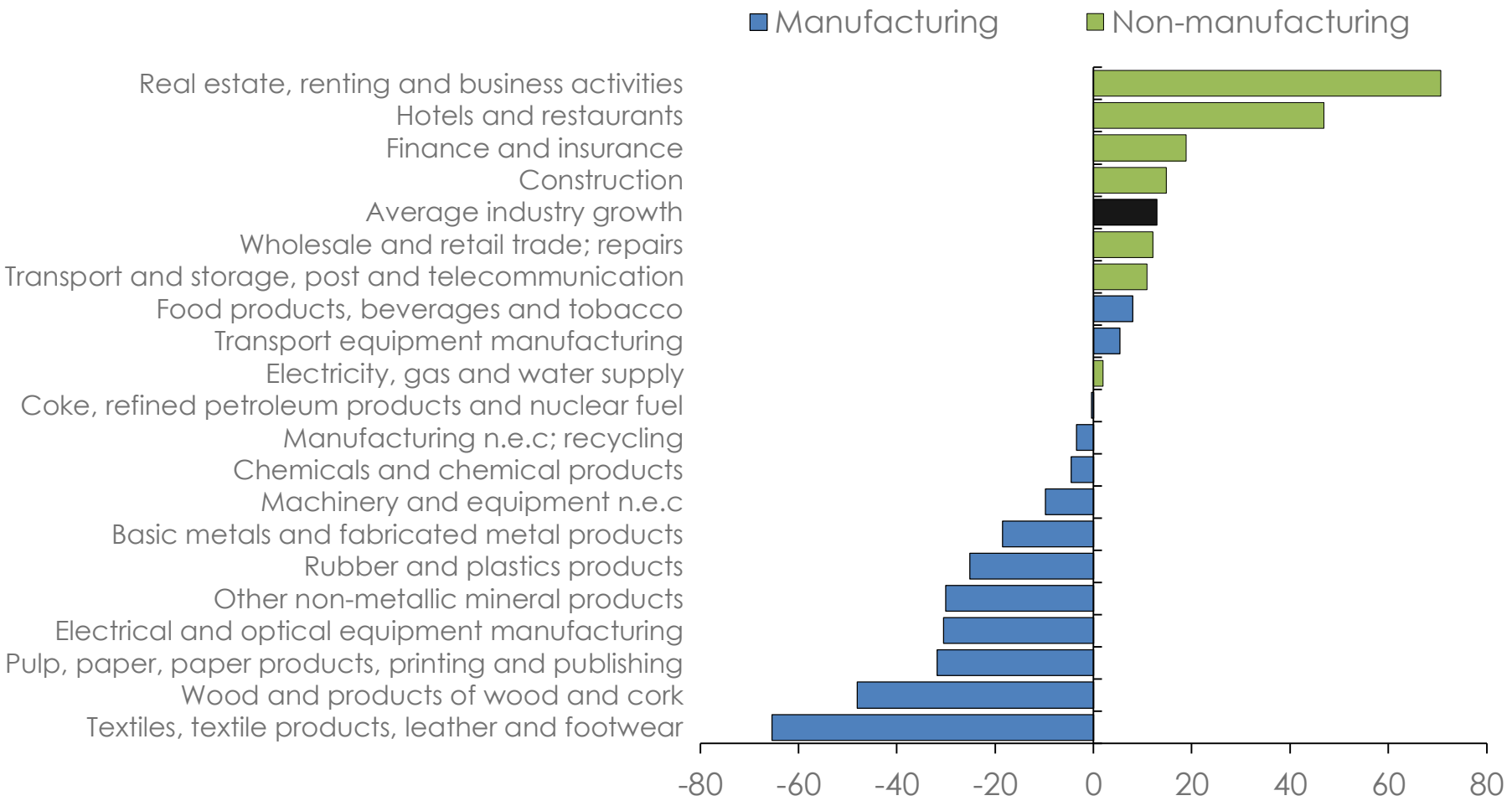
The decline of manufacturing

Percentage change in total employment within industry, 1995 to 2015



Note: The figure includes Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, the United Kingdom and the United States.

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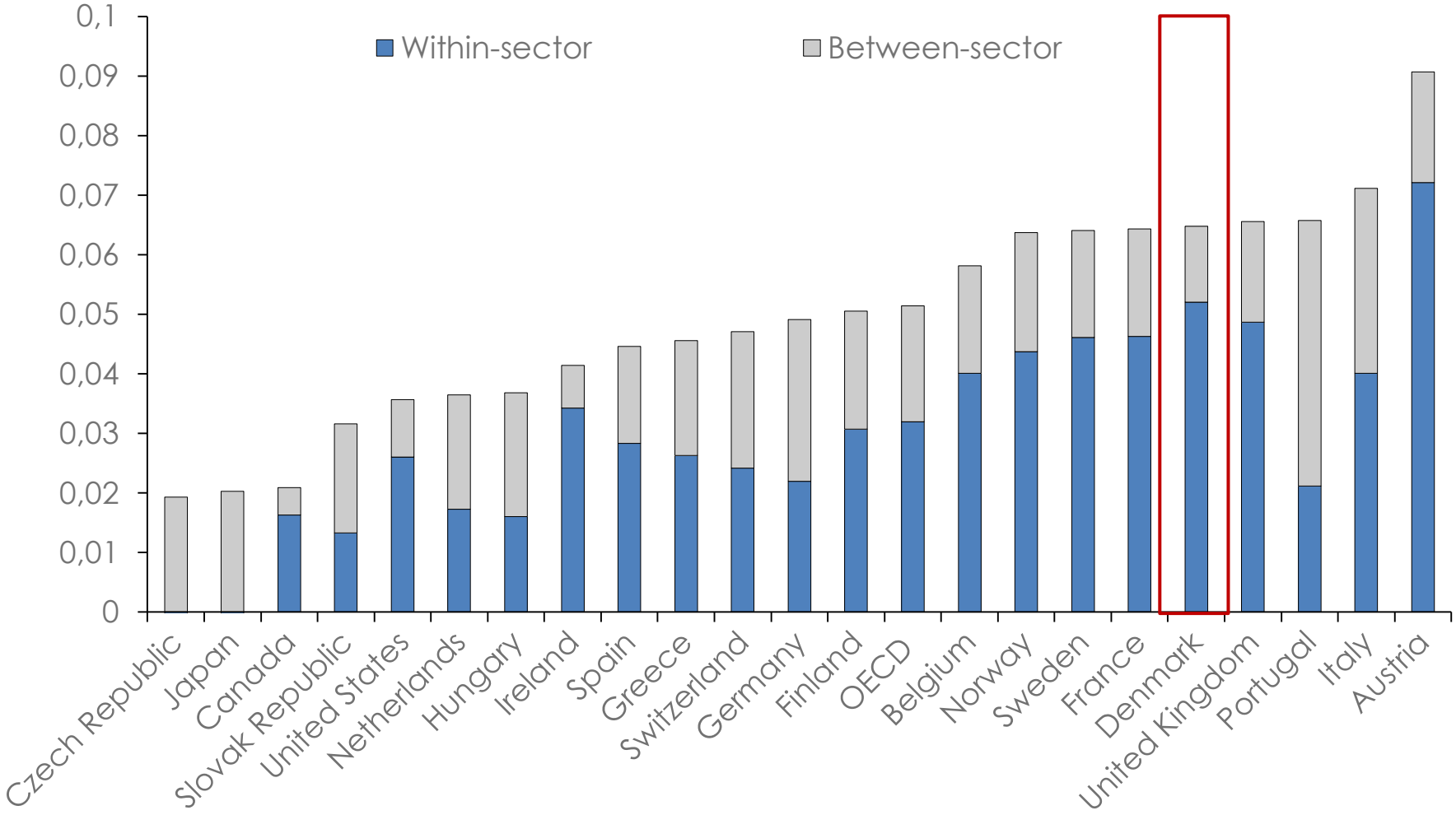
Most polarisation in the OECD comes from within-sector shifts rather than changing industrial structure

Percentage-point change in polarisation between 1997 and 2007



Source: OECD Employment Outlook 2017, Chapter 3.

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Measuring the impacts of technology and globalisation on the labour market

- Increased technology adoption displays the strongest association with labour market polarisation.
  - A 10% increase in ICT use is associated with a 1.5% increase in high-skill relative to middle-skill employment within manufacturing.
- Technology adoption displays a clear association with the progressive shift of employment from manufacturing to services.
  - A 10% increase in ICT correlates with a fall of 0.5% in manufacturing employment.
  - Overall, ICT use does not display negative effects on employment across the economy.

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Measuring the impacts of technology and globalisation on the labour market (2)

- No clear relationship between involvement in global value chains (or the penetration of Chinese imports), and changing occupational patterns…

  …but some evidence that growing import penetration from China has contributed to reducing employment in manufacturing.

- Labour market institutions may affect the way trade and globalisation impact the structure of the labour market.

  - Stricter EPL amplifies the effect of both ICT and GVC's on polarisation.
  - Stronger unions reduce the effect of ICT on bottom polarisation.

HOW IS THE LABOUR MARKET LIKELY TO EVOLVE ?

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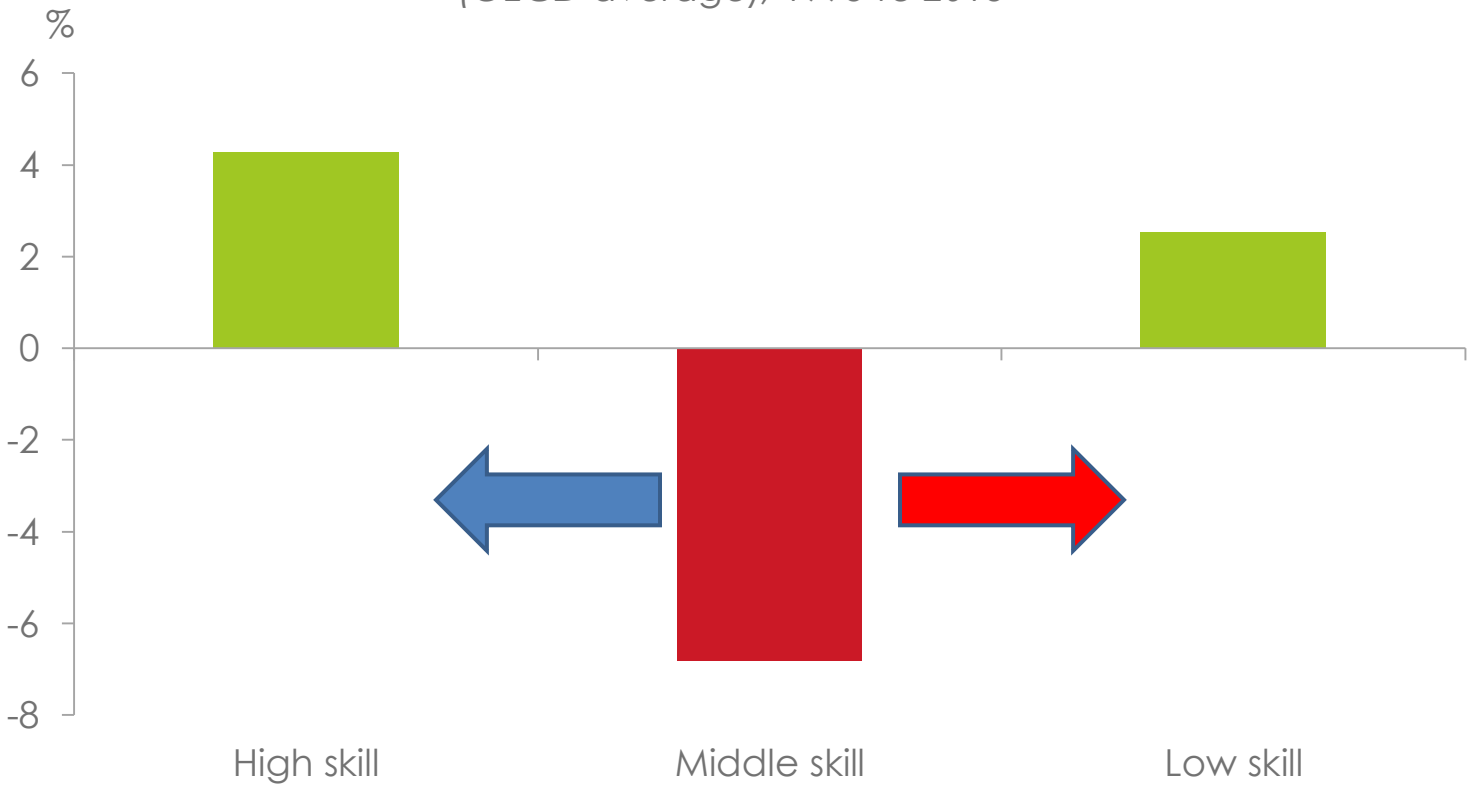
Is there a risk of further polarisation? If so in which direction?

Labour markets are polarising

Percentage point change in share of total employment (OECD average), 1995 to 2015



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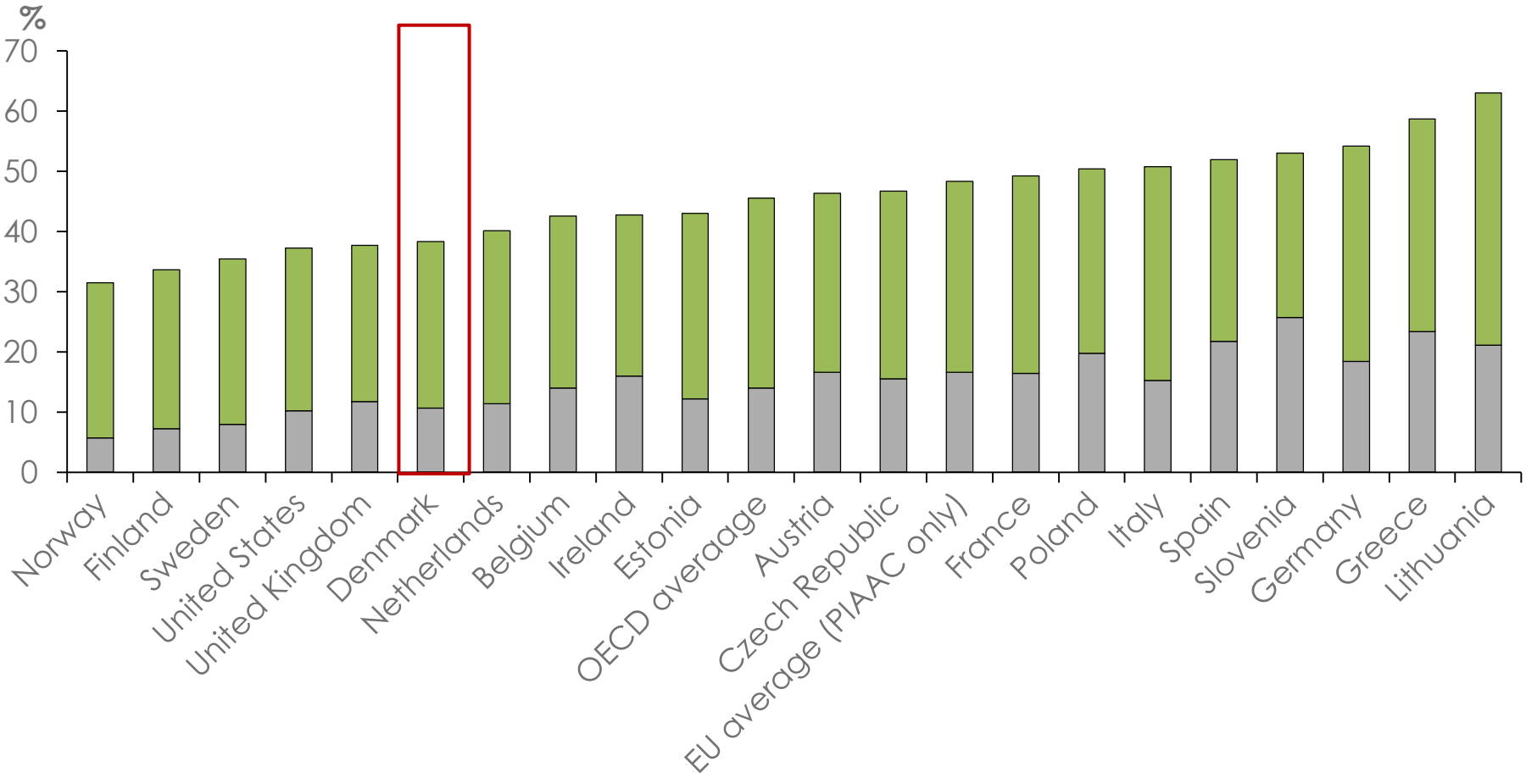
A number of jobs at risk of automation, but fears of mass unemployment are exaggerated

Share of jobs at high risk (>70%) of automation and at significant risk (50-70%)



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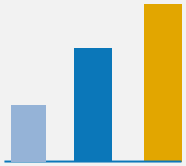
In the era of AI, the risk of automation is highest for low-skilled low-paid workers

Highest risk in **routine jobs** with low skill and education requirement BUT low risk applies to a broad range from **professionals to social workers**

The risk of automation also falls with **educational attainment**

Automation mostly affects **manufacturing industry and agriculture** BUT some service sectors are highly automatable too.

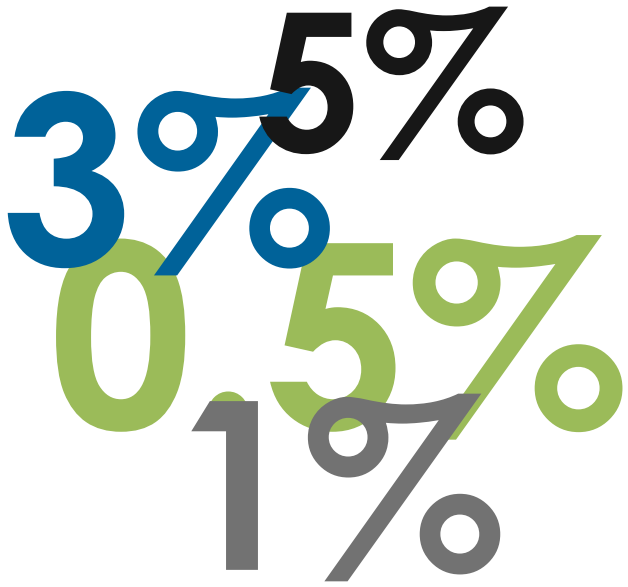


No evidence of **polarisation or rising risk at the high end**: automation risk declines with skills, education and hourly wages

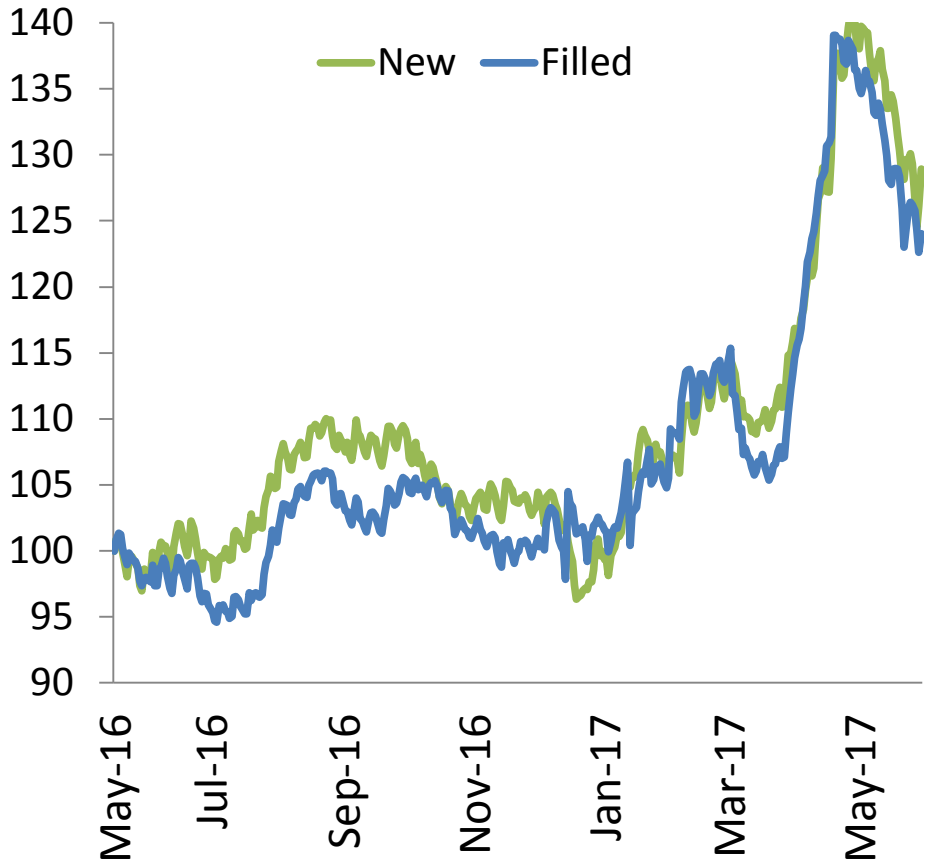
The risk of automation falls monotonically with **hourly wages**

Young people are the most at risk of automation, followed by older workers, with disappearing student jobs and entry positions.

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

DOES POLICY NEEDS A PARADIGM SHIFT?

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Policy challenges

Skills. Lifelong learning: from rhetoric to reality.

Regulation. Balancing flexibility with security.

Social protection. Repairing or replacing the safety net?

Social dialogue. Rebuilding or reinventing?

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Better Skills for the Future

- Better assess and anticipate changing skill needs to adapt curricula and guide students
- Ensure education systems equip students not only with solid literacy, numeracy and problem-solving abilities, but also basic ICT skills and soft skills
- Promote high-performance work practices among employers for better skill use
- Improve the effectiveness of lifelong learning and training for adults, offering better incentives for workers and firms to re-skill and up-skill and providing incentives for innovation in learning methods

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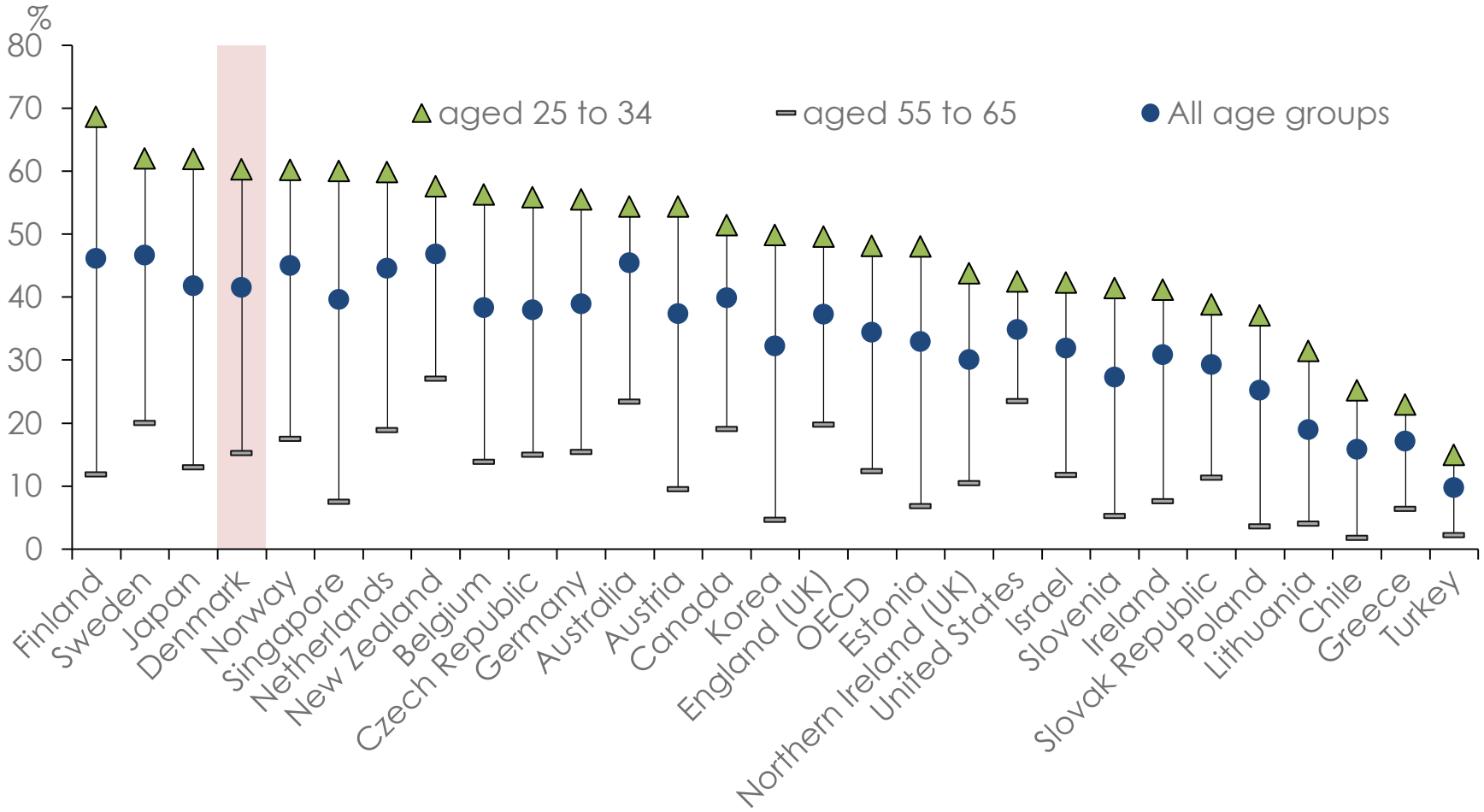
Many workers are not prepared for the new world of work

Share of 25-34 and 55-64 year-olds performing at Level 2 or 3 in problem solving in technology-rich environments



Source: OECD Employment Outlook 2017, Chapter 3.

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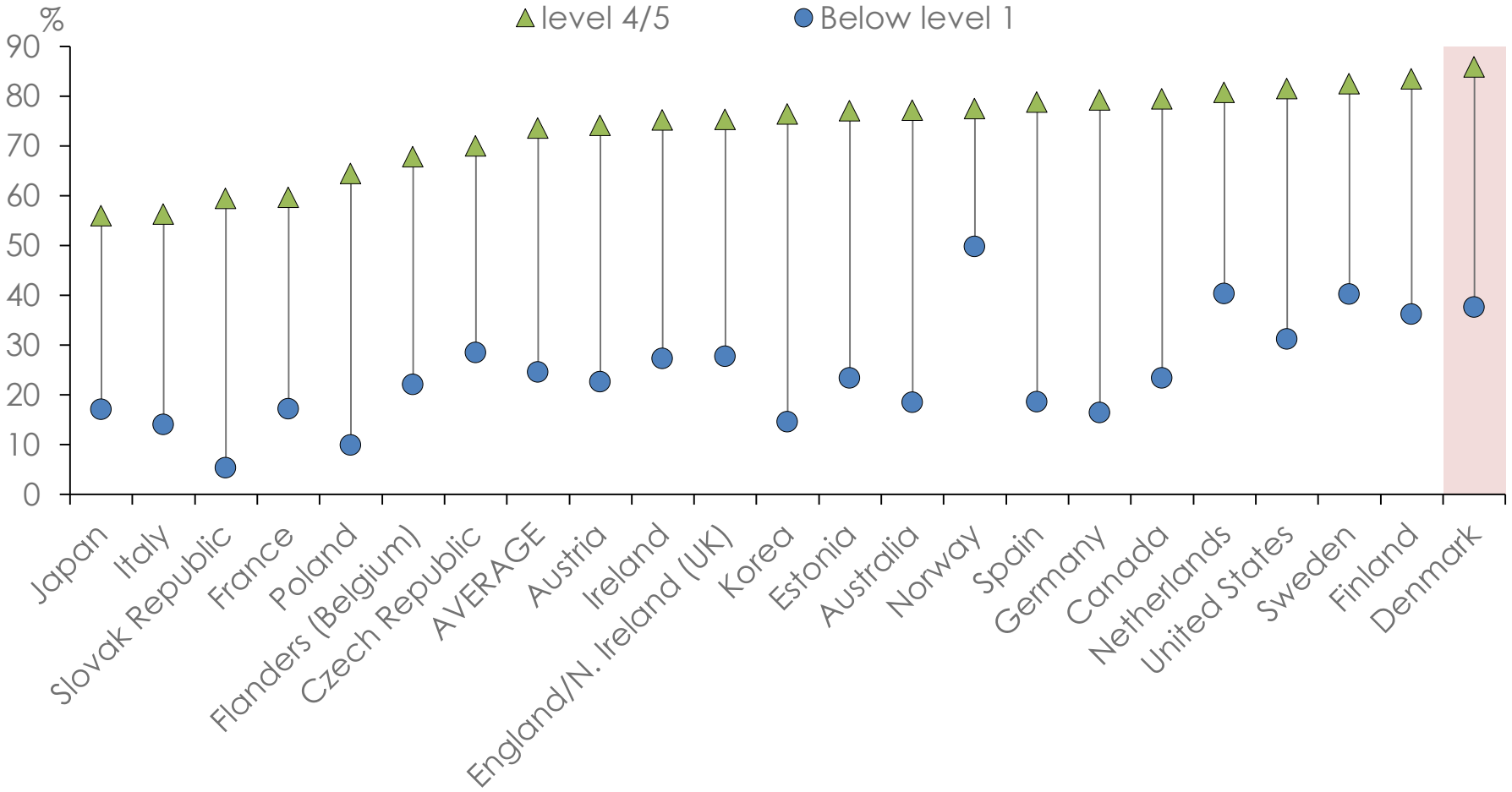
The least skilled benefit less from training

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



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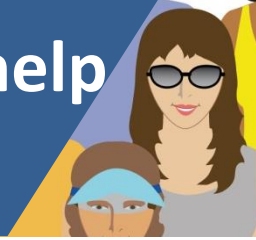
Activation and social protection measures to help people face disruptive changes



- Design welfare benefits in conjunction with activation measures to maximise the chance of re-employment and minimise disincentives to work (including in the difficult case of displaced mid-career workers)
- Ensure that activation measures are sufficiently preventive, taking into account ongoing megatrends and the likely risk of job loss in different sectors
- Provide workers with adequate information and re-employment support ahead of potential job losses
- Adapt social protection systems to the new world of work by linking entitlements to individuals rather than jobs

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The old and new self-employed risk slipping through the net

54.5% The share of self-employed (15-64) in the EU at risk of not being entitled to **unemployment benefits**

37.8% The share of self-employed (15-64) in the EU at risk of not being entitled to **sickness benefits**

46.1% The share of self-employed women (15-49) in the EU at risk of not being entitled to **maternity benefits**

Source: EC (2016): "Non-standard employment and access to social security benefits"

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Social protection for non-standard workers: some policy pointers

- Reduce opportunities/incentives for **misclassifying** workers:
  - Reduce large differences in treatment across different forms of work
  - Remove loopholes and ambiguity in regulation
  - Ensure effective enforcement

- Provide **adequate social protection** for all workers:
  - Adapt existing social insurance schemes to extend them to previously excluded categories of workers
  - Make social protection more portable
  - Complement social insurance with non-contributory schemes

Thank you

Contact: Stefano.Scarpetta@oecd.org

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