

Interparliamentary Conference on Stability, Economic Coordination and Governance in the EU

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Background Paper

Session 4: Digitalisation and its impact on employment

The number of people in employment has reached new record levels. With almost 238 million people having a job, employment has never been higher in the EU. In 2017 over three and a half million more people were in employment, compared with 2016. However, while the number of hours worked per person employed has grown in recent years, they are still below the 2008 levels. At the same time we witness rising disposable incomes and lower levels of poverty. Severe material deprivation has receded to an all-time low, with 16.1 million fewer people affected, compared with 2012.¹

The Contracting Parties of the Treaty on Stability, Economic Coordination and Governance in the Economic and Monetary Union pursue the aim of fostering competitiveness and employment throughout the EU. One way of achieving this is through the digitalisation of work. Increased productivity, a boost in growth and in the numbers of people employed, more flexibility, better work-life balance or inclusion of people with disabilities and older people are just a few of the advantages frequently put forward in the context of digitalisation.

However, the growing incidence of atypical employment forms also harbours a risk of poorer working conditions, higher income volatility, lower job security and insufficient access to social protection.

In any event, one cannot say with any degree of certainty today what impacts technological developments, digitalisation, automation and new forms of work will have in the future.

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Points for discussion:

- What are the challenges and risks of growing digitalisation?
- What role do digitalisation, use of robots and artificial intelligence play in raising productivity?
- How will new business models impact the labour market?
- Does digitalisation pose a threat to social cohesion or is it an opportunity for integration and inclusion?
- How can educational systems be improved with a view to future qualification requirements?

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Growth, employment, productivity

Technological change comes with a vast potential for driving both growth and employment and increasing overall productivity.

¹2018 Employment and Social Developments Review

New technologies contribute to an increase in atypical employment and self-employment. New forms of work may bring gains for both workers and business, in terms of increased flexibility and improved work-life balance, while also offering new opportunities to people, including people with disabilities and older people, to enter or remain in the labour market. From an employer's point of view, digitalisation requires more flexibility and individuality, in terms of both working hours and place of work.

For businesses, introducing new technologies and adopting innovative business models presents opportunities for generating extra growth and additional jobs.

Technological development, which has become a matter of course for both society and business, has always been at the root of productivity gains, providing a boost to wealth and employment at the same time. Digitalisation is another milestone on the path of technological change, a further step along the way towards automation, which has been ongoing since the first industrial revolution.

We have thus been living this process for generations. Areas that are bound to see profound changes are the public administration and the retail sector. Overall, however, there should be no lasting rise in unemployment, as a study² has shown. Until 2035, digitalisation will have only a minor impact on the total level of employment, but will entail major changes in the way we work.

Risks and challenges

While there is no definite conclusion regarding the possible extent of technology's impact on jobs, studies show that repetitive routine tasks involved in current jobs are the most prone to full or partial automation; according to a study 37% to 69% of jobs could be partly automated in the near future. Better education and life-long learning as well as ensuring that our labour market and social protection institutions are fit for purpose are key to adapt to this changing world of work.

Technological change and digitalisation give rise to a multitude of new forms of work, such as mobile work, virtual collaboration, crowd work, etc., and ever growing flexibilisation.

However, there is also a correlation between the growing incidence of non-standard work and a deterioration of working conditions, with higher income volatility, lower job security and insufficient access to social protection, as observed in the case of persons recruited via online platforms. The Commission is addressing this situation with proposals to modernise labour market legislation and social protection systems to respond to the new world of work. With the proposal for a **Directive on more transparent and predictable working conditions**, new minimum standards are foreseen for all workers, also those in non-standard forms of employment. And with the proposal for a **Recommendation on access to social protection**, Member States are encouraged to provide access to social security coverage to all employees and the self-employed, including transferability of rights between jobs and employment statuses.

Finally, certain structural challenges remain in areas such as income and gender inequality as well as in skills development and education.

² Study conducted in Germany by the German Institute for Employment Research (IAB) in collaboration with the German Federal Institute for Vocational Education and Training (BIBB)

Education and skills

There is a general consensus that education and skills are pivotal in the digitalisation debate. Future quality requirements call for a shift towards a higher and broader skill set as well as interdisciplinary routes of education and training.

With the new **Skills Agenda for Europe** and EU funding, the Commission has prepared the ground to equip people in Europe with better skills at all levels, and in close cooperation with Member States, training providers and companies. Also social partners have an important role in the up-skilling and re-skilling of the labour force and in managing the increased flexibility in the changing world of work. They contribute to the design of training programs and identify opportunities and downsides of the rapid changes affecting labour markets.

Further measures

The European Commission's most recent proposal for the Multiannual Financial Framework provides for increased funding for investments in people, above all through the new **European Social Fund Plus (ESF+)** and an improved **European Globalisation Adjustment Fund (EGF)**. Alongside the Commission proposals on **access to social protection** and **transparent and predictable working conditions**, initiatives and instruments such as the **Youth Guarantee** and the Youth Employment Initiative, the further strengthening of the **Erasmus programme**, and the **European Solidarity Corps** will contribute to meeting these goals.