



Reinventing work

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Labour markets in Europe and around the globe face a triple transition triggered by three interlinked factors. First, labour markets will still need some time to recover from and adapt to the sudden and deep recession caused by the COVID-19 pandemic and the restrictive public health measures to contain the virus.

This has disrupted global value chains, put a halt on the structural increase in tourism and travel, and accelerated the move towards online-based services, particularly in retail, and remote work.

Second, the COVID-19 shock has accelerated the ongoing digital change in many areas. One of the most obvious applications is digital technology that facilitates personal interaction and service delivery during the pandemic.

But the general shift away from routine work that tends to be increasingly automatable to non-routine work that is creative, analytical, interactive or manual, will continue to shape the face of human labour ever more in the future.

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Given continuous progress in automation technology or so-called artificial intelligence, the frontier where human labour can be substituted by machines will move. This will continue to affect the way we work in the years to come.

Third, the post-COVID labour market will also be characterised by a move away from carbon-heavy production and business models in industry and services as we face the challenge of climate change.

Taken together, these three main factors will reshuffle employment fundamentally. For example, in terms of economic sectors, the most likely medium-term scenario would imply a further decline of local retail, a fundamental change in the automotive sector, including suppliers, but also in the wider energy and mobility sectors, business and air travel, as well as conferencing.

While high-skilled workers and professionals will generally tend to be less at risk, automation and artificial intelligence will also threaten some white-collar jobs. Many clerical workers, and even jobs at higher educational levels, will be forced to adapt to the new environment.

In some sectors a full recovery from the pandemic back to the 'old normal' cannot be taken for granted. A return to pre-crisis employment structures may not even be desirable in sectors that are, under current conditions, carbon-intensive and not environmentally sustainable.

Furthermore, there is the existence of highly vulnerable and precarious types of work and calls for efforts to make workers less exploitable and less dependent on such jobs by enabling transition to better jobs.

Where the disruptive effect of the pandemic has been very strong, however, governments have tried to stabilise as many jobs as possible using subsidised short-time work or job retention subsidies. Yet, a marginal adjustment will not be sufficient as some firms will only survive if they reinvent their business and employment models.

In some sectors, recovery will only mean that employment will somewhat stabilise again, but not return to pre-crisis levels.

On the other hand, transitions and crises are also characterised by the emergence of new jobs and accelerated growth in some sectors such as health and care, renewable energy production and equipment, online retail and delivery, digital collaboration, and the like.

In fact, governmental recovery programs also tend to accelerate the green transition which has already begun. This is a critical departure from supporting traditional industries such as conventional car making.

We will likely see a deeper structural change in employment, exacerbated by the effects of the pandemic, which will put existing firms, jobs and employment models under pressure. This was shown in a recent study by the McKinsey Global Institute (2021).

It will therefore become increasingly important to help workers make successful transitions, either within firms – as firms reorient and reorganise their business – or by changing their employer, sector or occupation if their existing job does not survive.

Facilitating the emergence of future-proof jobs becomes a main societal and economic priority. Supporting workers to get access to such jobs and fully reap the benefits of new employment opportunities is essential for individual wellbeing, economic productivity and the sustainability of public finances. Yet, the reality of skill formation in adult life is not up to this challenge.

First, we have to acknowledge that short-time work is hardly connected to job search and reskilling. This has not been the case in the past, and despite some attempts to create incentives to provide training during phases with reduced working hours, training of short-time workers remains very limited even in the current crisis.

Further, maintaining the existing employment relationship during short-time work limits investment in training that would facilitate a transition to a new job.

Second, training funded and initiated by employers tends to be driven by current and expected skill demand identified by the firms. In many cases, this is effective in maintaining a productive and competitive workforce that adapts to changing work and production models within a firm.

However, if a firm or an established sector is affected by a massive decline or restructuring, this type of training may not

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be sufficient to develop individuals’ broader employability that allows for mobility on the labour market when moves to new employers or to a different occupation are inevitable.

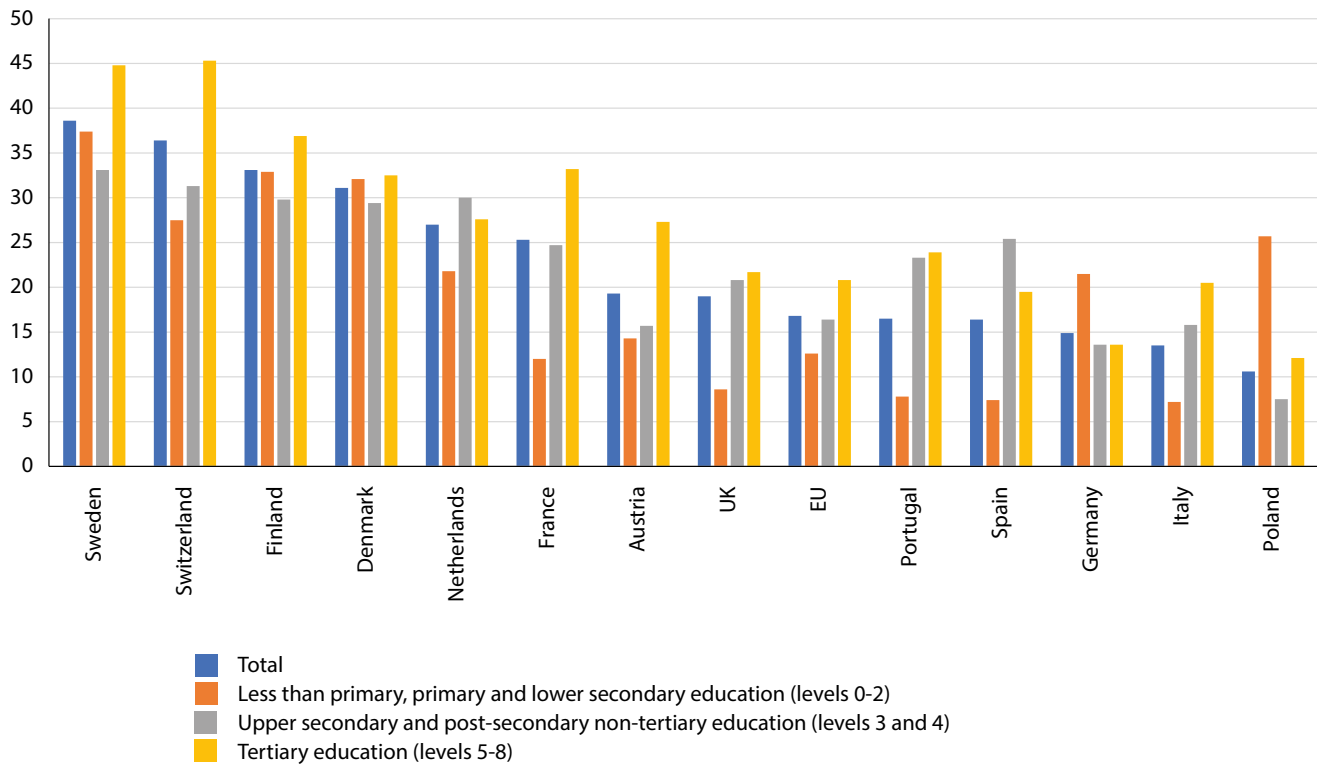
In other words, firm-based training tends to be too narrow and short-term oriented if firms do not or cannot make a transition. Firm-initiated training also tends to neglect those workers that are not key staff as seen from the employer’s perspective.

Third, traditional training provided in the framework of active labour market policies tends to come too late, when individuals are already at risk of unemployment or have become unemployed. In this context, many training measures target a quick reintegration into employment that is readily available rather than invest in more long-term reskilling that would facilitate access to stable and better paid jobs.

Fourth, collective bargaining is more or less restricted to some firms and aligned with sectoral boundaries. Training organised along the lines set in collective agreements can make training less selective and more forward-looking relative to purely employer-initiated training.



Figure 1. Participation rate in education and training (last 4 weeks), 2019



Source: EUROSTAT, Participation rate in education and training (last 4 weeks) by sex, age and educational attainment level [TRNG_LFS_02].

However, examples show shortcomings with respect to the practical take-up of training organised through collective arrangements.

Adult learning has been a recurrent topic, which as a general principle receives a lot of support. But the reality is still patchier and does not seem to rise up to the requirements of today's labour market and business dynamics.

This calls for a more systematic, integrated strategy to update the way skill formation is organised and delivered for workers at different stages of their working life.

And yet, not all changes are fundamental and disruptive. Jobs do not just disappear overnight. So there is some time to develop more effective skill formation systems. The ultimate task these systems must be able to complete is to identify pathways for individuals to move and be mobile within the labour market.

These pathways should neither be too narrow and constraining, nor too wide and general. But how to select viable pathways for individual skill adjustment or development – and how to tailor them to individuals? This requires a broad initiative of monitoring the supply and demand of skills, and policies to bridge gaps in order to facilitate transitions (cf. WEF 2020).

First, regarding the supply side, we need to get a better grasp of the skills profiles of workers in terms of what they do and can do. A regular monitoring of acquired skills, based on formal and informal learning, certified and non-certified training and day-to-day practices and experiences is important for a reliable and complete assessment of skills.

Of course, many firms do this on a regular basis as it is in their own interest, but skill assessment is not only needed from a firm perspective or in line with collective agreements, but most broadly for all. In terms of skills, this should also include knowledge and experiences from outside the current job, once learned formally, but not used currently, or from private interests and capabilities that could help develop professional alternatives.

As for the demand side, we need an equally reliable overview of skills that are currently in demand and expected to be crucial in the near future. More and better tools are being developed to achieve this, using different data sources such as occupational statistics, employer surveys, forecasting, online job postings or expert assessments, or combinations of the above to cross-check and validate the findings.

Typically, skill demand will be characterised by a combination of overarching, transferable skills and occupation-specific



knowledge. Here, it is important to follow ongoing changes in the structure of skill demand closely and understand, to the best extent possible, the most likely scenarios for the short- and medium-term future in terms of occupational profiles that grow, emerge or change.

But despite all efforts, a full and detailed forecast will not be a realistic target as the situation changes dynamically and humans react to forecasts.

To match workers and jobs now and in the future, viable and desirable pathways need to be identified. This may be done using statistical models of closely related and rather similar job profiles regarding skills and tasks within broader clouds or families of occupations, and by way of an empirical analysis of 'successful' transitions made by workers in the (recent) past.

Here, viable and desirable transitions based on the combination of existing and new skills should lead to stable and decently paid jobs in a growing segment of the labour market, not just to any job that is easily available now.

However, the more rapid or disruptive sectoral and occupational change becomes, the fewer moves within a cluster of adjacent and rather similar jobs will be sufficient, and longer transitional pathways may be needed.

Of course, pathways should not be too rigid but allow for deviations and detours later on, strengthening the capacity of individuals to seize opportunities and choose between different options as they arise.

Ideally, pathways should also open up a general potential for long-term development as we cannot know exactly what the labour market will look like in ten years from now.

Finally, appropriate learning modules will be needed to bridge skill gaps and enable transitions to more sustainable jobs in the nearer and more distant future. We need training that works in practice and is accessible to all, using different

methods, in-person classes, practical applications, and online courses.

Of course, the more existing jobs are at risk and the less current skills match the profiles of potential future jobs, the longer and more cumbersome the individual pathways get, requiring a more intense and comprehensive reskilling.

Regarding governance, a reasonable skill development approach can only work if it is seen as a shared, joint responsibility borne by all, governments, unemployment insurance funds, employers and their associations, workers and unions, to varying degrees. This also implies a sharing of costs that mirrors the benefits of training.

In particular, there is a prominent role of public policies and framework conditions in enabling access to training for those at risk of unemployment and de facto excluded from firm-based or own-initiative training.

A crucial factor is to reach all members of the labour force, not just certain categories of workers that are already in a privileged position and would be even more advantaged by training. Just like with the distribution of a scarce vaccine, those most at risk deserve preferential treatment and quick intervention, ie. efforts should concentrate on people in jobs that are most at risk of extinction.

This requires a provision of appropriate paid training leave schemes and coverage of training costs. Despite all efforts to systematize and mobilize skill adjustment, the whole setup will only work if it is not designed as a technocratic superstructure, but as a flexible and accessible system that is accepted by individuals and employers.

This also means that skill assessment, pathways and training delivery require a meaningful dialogue with the individuals and sufficient leeway in terms of choice and openness. After all, it is about developing individual capabilities that go beyond narrowly defined skill sets. ■

References

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