



# Innovative Employment Models for the 21st Century

## Roundtable Discussion Paper

### 1. KEY THEMES

Technological, economic, demographic and social changes are challenging the traditional employer-employee relationship model, with significant impacts for workers and the social protection systems built on conventional employment models. Technological changes drive down transaction costs, and thus the cost of organizing production. Global value chains that outsource a growing range of tasks and jobs replace large, vertically integrated, hierarchical firms, and formal wage job opportunities are on the decline. Automation further changes the content of the available wage jobs from manual and routine, to more non-routine cognitive and interpersonal tasks, raising the importance of on-the-job learning and the premium on skills.

The result to date of these changes is an increase in self-employment, new non-standard forms of employment, such as freelancing on digital platforms, more flexible work arrangements, and more frequent transitions across employment forms, occupations and industries. Self-employment and the notion of a “portfolio of incomes” - already prevalent in low and middle-income countries - rather than just one, formal, full-time job for life, is increasingly becoming the “new normal” for many people in developed countries. Globally divergent demographic shifts — rapidly ageing populations in developed countries and a growing labor glut in youthful developing countries (especially Sub-Saharan Africa) — further challenge the practical and fiscal feasibility and sustainability of social protection systems organized around the traditional employer-employee model. They also increase pressures and opportunities for cross-border migration.

More policy intervention will be required to ensure that work continues to offer a path of advancement. On the one hand, the drivers of disruption are accelerating the pace of change in the labor markets (job creation and destruction), requiring a more flexible and agile labor force that can respond to these changes. On the other hand, the market failures that motivated the need for protecting workers and risk sharing policies, such as uneven market power between those who seek and sell labor, information failures, and incomplete contracts, remain equally pertinent. Concerns are further rising that if

effective responses are not found soon, labor's share of economic activity will continue to decline or decline even faster.

There is consensus already, at least among specialists, on a number of policy actions that will be needed. This includes greater emphasis in primary and secondary school curricula on the development of cognitive skills and early childhood education, when key behaviors are formed. To mitigate losses from greater economic integration, labor market adjustment assistance in the form of retraining, psychological and placement support is advised. To mitigate the impact of demographic change, the focus is on keeping people economically active longer, by eliminating mandatory retirement thresholds and formalizing less-than-full time and other flexible contracting arrangements.

There is also an emerging appreciation that, given the technological, economic and demographic disruptors, the debate about appropriate employment models cannot be decoupled from broader challenges of helping households and individuals manage their risks (from job loss, sickness, old age and otherwise). Some researchers advocate a strategy that moves from an employment-based to a more comprehensive model of risk sharing, for example, a basic guaranteed minimum income could be financed from general expenditures (tax), and used to protect against unemployment and other losses.

This session explores these questions from a range of angles.

## 2. GUIDING QUESTIONS

- What will be the primary drivers of the change in employment relations and models in the twenty first century?
- What policies are available to governments to mitigate the most damaging impacts of the changes we are seeing?
- Are there new employment models that manage to simultaneously balance increased flexibility with continued social cohesion?
- What role can technology play in managing trade-offs between labour market liberalization and the loss of dependable work?