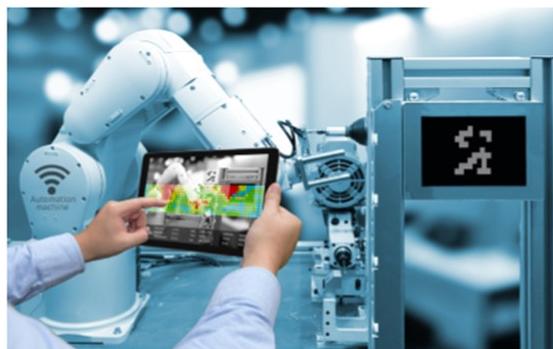


EU and ILO: Shaping the Future of Work

Background

The study marks the 100th anniversary of the International Labour Organization (ILO), as well as 60 years of EU-ILO collaboration, which has played a crucial role in developing a common way of thinking and acting to address and solve social issues and those related to the optimal working of labour markets. The aim is to meet the needs of workers and society, while guaranteeing the conditions for long-term sustainable economic growth.



Focus of the Study

The first part of the study reviews and analyses the historical collaboration between the EU and ILO, the main policy drivers of the joint EU-ILO elaboration on the social pillar, the impact of the key policy guidelines central to most of the policies carried out by the EU.

The second part of the study focuses on the future of work by highlighting the main predictions, their analysis by the EU and ILO, and the main actions taken or proposed to reduce the social costs and increase the quantity and quality of decent work.

The study is based on several sources of information such as the minutes of the High Level Meetings (HLMs), correspondence from the main representatives of the two organisations, the published official documents and reports, complemented by interviews with a small selection of key, high-level representatives of both organisations.

Key Findings

1. The evolution of EU-ILO cooperation and its achievements

- The collaboration begun in the late 1950s can be structured into **three different periods**: (1) 1958 – 1999; (2) 2000 – 2007; and (3) 2008 – present. The first period was one of continuous change: from the idea of full employment and Keynesian policies, to structural unemployment and the social conceptualisation of employment. While in the 1960s unemployment was not a persistent problem, the potential for collaboration between the EC and the ILO emerged. The second period, though short, was very eventful for EU – ILO cooperation. It led to an overall stronger focus on the relationship, as well as the formalisation of cooperation. The third period started after the explosion of the economic and financial crisis. In this context, the



two organisations found new fields of common interest. For instance, the social investment package or **Youth Guarantee**, the idea for which was born in the context of EU-ILO cooperation, became key policies that helped shape the EU labour market.

- Over the past two decades, through the HLMs the EU and ILO have developed a rich and substantial body of knowledge on the world of work across the extensive ILO constituency, but particularly in Europe. Thorough policy analysis has led to the detailed definition of important **policy guidelines** shared not only between the two organisations, but with a much wider audience, setting out best practice for a better society.
- The future of the workforce and the ensuing redefinition of labour relations is a more recent driver and focus of attention for the two organisations. The **Human-Centred Agenda** set out by the ILO gives the general context for action which also applies to the EU, supporting decent work, gender equality, social dialogue, and skills upgrading.

2. Perspectives for the future of work

While the world of work is under constant change, some of the currently observable, technological and societal trends are expected to have a substantial impact on the future of work. There is much debate among international organisations, and in particular the EU and ILO, as to the best way of addressing the ongoing changes to reduce the costs and increase the benefits of what is often perceived as a new industrial revolution.

2.1. Main trends driving the future of work

- **The pace of technological change** is increasing as computers and the software running them offer greater potential in most situations from industry to the home. New ways of harnessing their economic potential are being developed leading to key advancements in machine learning, artificial intelligence and robotics.
- **The pattern of globalisation** is also changing, much of which is facilitated by technological advancements. One of the first major effects of this was the development of offshoring, as lower communications and transportation costs resulted in the relocation of labour-intensive activities to regions with an appropriate infrastructure but, importantly, cheaper labour.
- Another trend that drives the future of work is **demographic change**, as EU countries are facing ageing populations. The population dependency ratio is expected to increase by 25 percentage points in Europe by 2050, compared to a decline of almost 19 percentage points in Africa. An increase in the dependency ratio leads to a decline in the supply of labour which can be countered by labour migration, active ageing and, of course, the use of technology in place of labour.

2.2. Predictions based on available research

- **A declining share of labour in production:** In the most advanced economies, technological innovations are the main drivers of labour productivity. With the increase in the technological intensity of production, labour's share of the production process (and hence contribution to productivity) is declining. This leads to the decoupling of wages from total productivity as labour productivity grows faster than wages. Hence, the gains from technological progress are not divided equally between capital (technology) owners and workers. This represents a challenge for redistributive policies through taxation and social transfers.

Figure 1: Decoupling of wages from total productivity



Source: Schwellnus, Kappeler and Pionnier 2017

- **Working income polarisation** driven by skill-biased change: Inequality among wage earners also increases as new technology tends to be more favourable towards skilled labour, reducing demand for unskilled labour.
- **Job destruction and job creation:** The EU-ILO joint assessment, less pessimistic than some academic research, is one of **evolution, rather than revolution:** No more than approximately one job in ten is expected to disappear outright. Technological change will likely affect the performance of tasks in many other jobs, but also offer potential for increased productivity and work-life balance, as well as new job opportunities.
- Technological change also enables **new forms of work organisation:** teleworking, atypical working contracts, self-employed work and the platform economy. These represent fast-growing opportunities for jobseekers and those looking to work in a more flexible way, while raising issues of access to health and safety protection, social security and collective bargaining.

2.3. Analysis of employment trends and related legislation

The future of work is going to test the traditional employment contract which needs to become more flexible to encompass all the newly emerging types of working engagements. At the same time, assuring decent work is going to be more challenging with growing income inequalities and further worsening of the position of the low-skilled. The ILO responds to this challenge with its Human-Centred Agenda, of which many policy priorities are already present in EU initiatives.

Considering the dynamics of technological innovation, the **growing importance of lifelong learning** policies becomes clear. A complementary policy approach involves the further stimulation of technological innovations, such as in the case of EU, through policies supporting the transition to "Industry 4.0". These policies usually aim to speed up the transition process by shortening the period and ensuring international competitiveness; they are however dependent on the availability of skilled labour.

Policy Recommendations

There remain a few key issues needing further attention and elaboration, principally the growth in precarious forms of work, but especially platform work and teleworking or “smart working”.

Overall, the EU-ILO organisations agree on the need to stimulate smart working for the benefit of workers, firms and society at large. However, attention should be paid to the need to secure decent work for those involved, in terms of occupation health and safety in the workplace, proper working conditions and working time, the possibility to take part in collective agreements and the possibility to benefit from the social security system.

The future of work will also need new investment and reforms of education systems to allow a diffusion of STEM (Science Technology Engineering and Mathematics) skills and the dual principle (combining education and on-the-job training) at all appropriate levels of education and training. There also needs to be incentives for firms to invest in innovation and government support for high levels of R&D to both reduce the social cost of technical change and at the same time maximise its benefits. Innovation accelerates the process of job creation in emerging industries, helping offset the process of job destruction in declining industries thereby helping to reduce the duration of structural change and its economic and social costs.

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