

DECENT WORK

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Jobs Drivers of Change

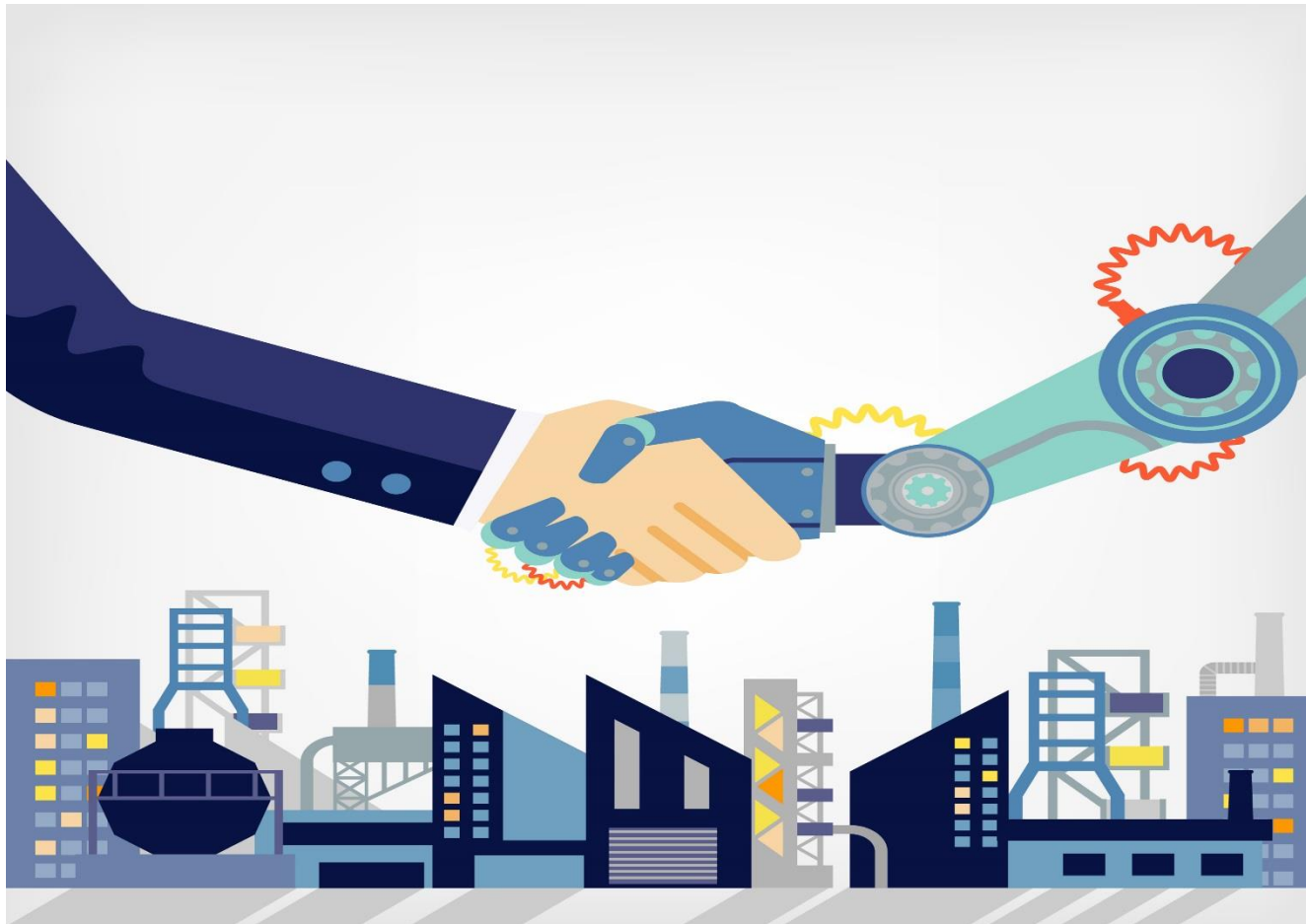
Owais Parray
ILO, Jakarta

National Dialogue: Future of Work
April 17, 2017

Outline

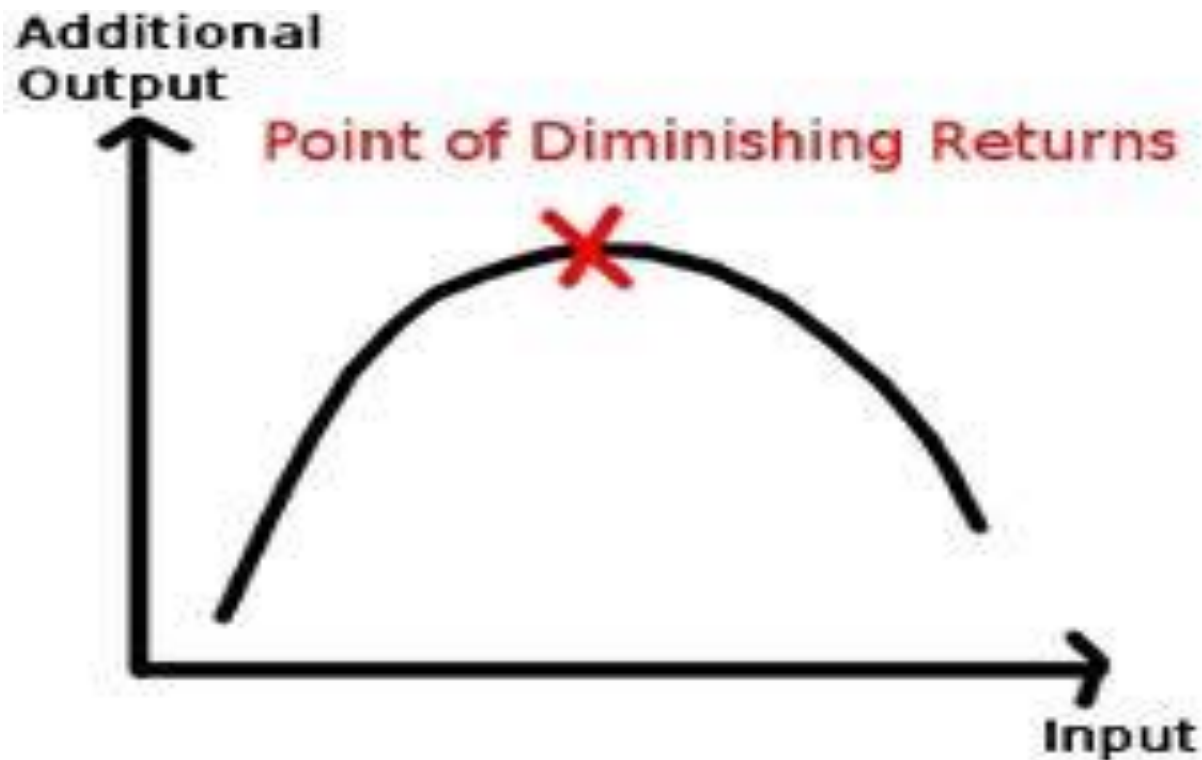
1. Drivers of economic growth & employment
2. New wave of creative destruction/ fourth industrial revolution
3. Impact in developed and developing countries
4. Looking at Indonesia
5. Way forward

Why are we talking about Future of Work?



Technology is engine of sustained economic growth

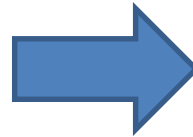
$$\text{Output} = \text{Capital} + \text{Labour}$$



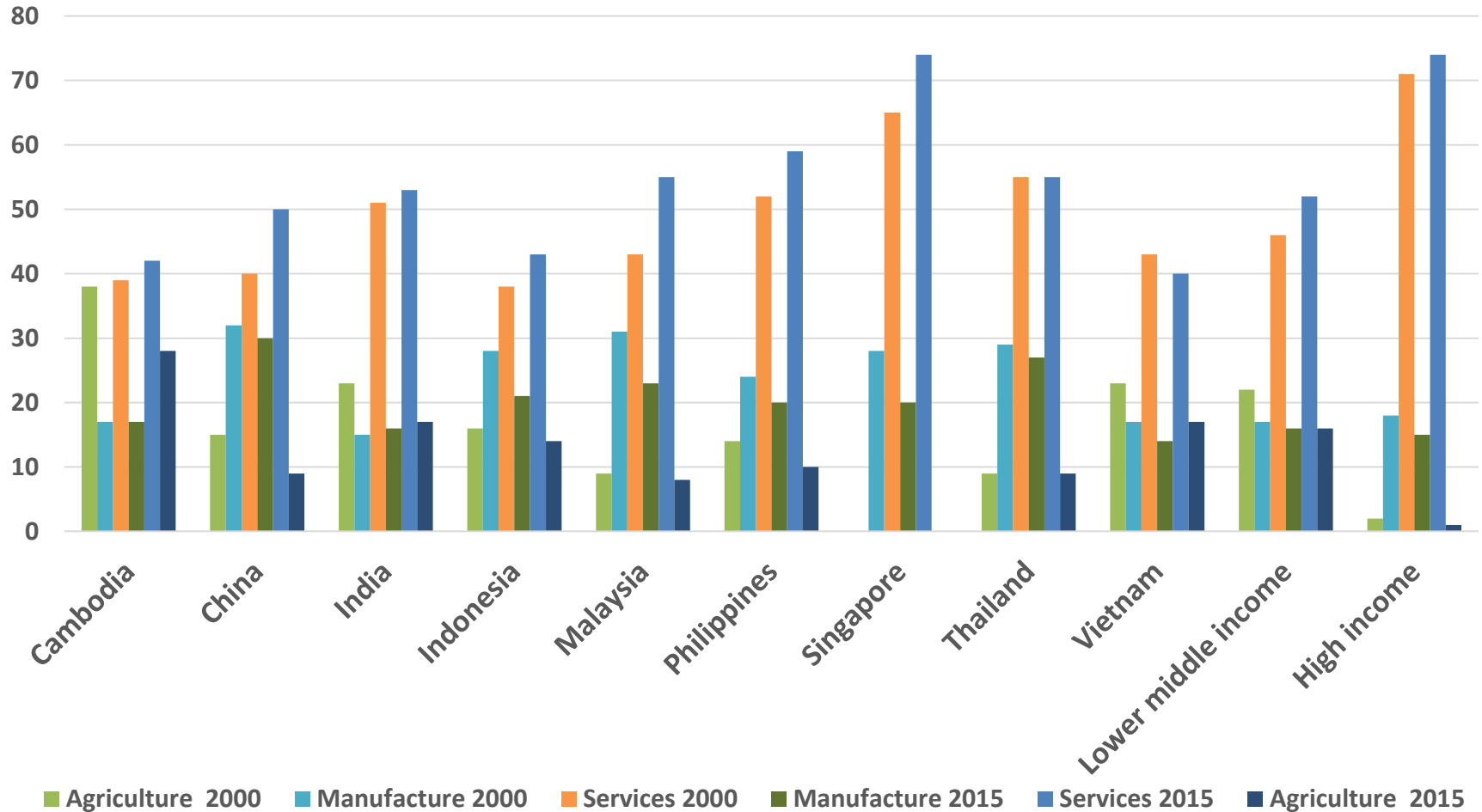


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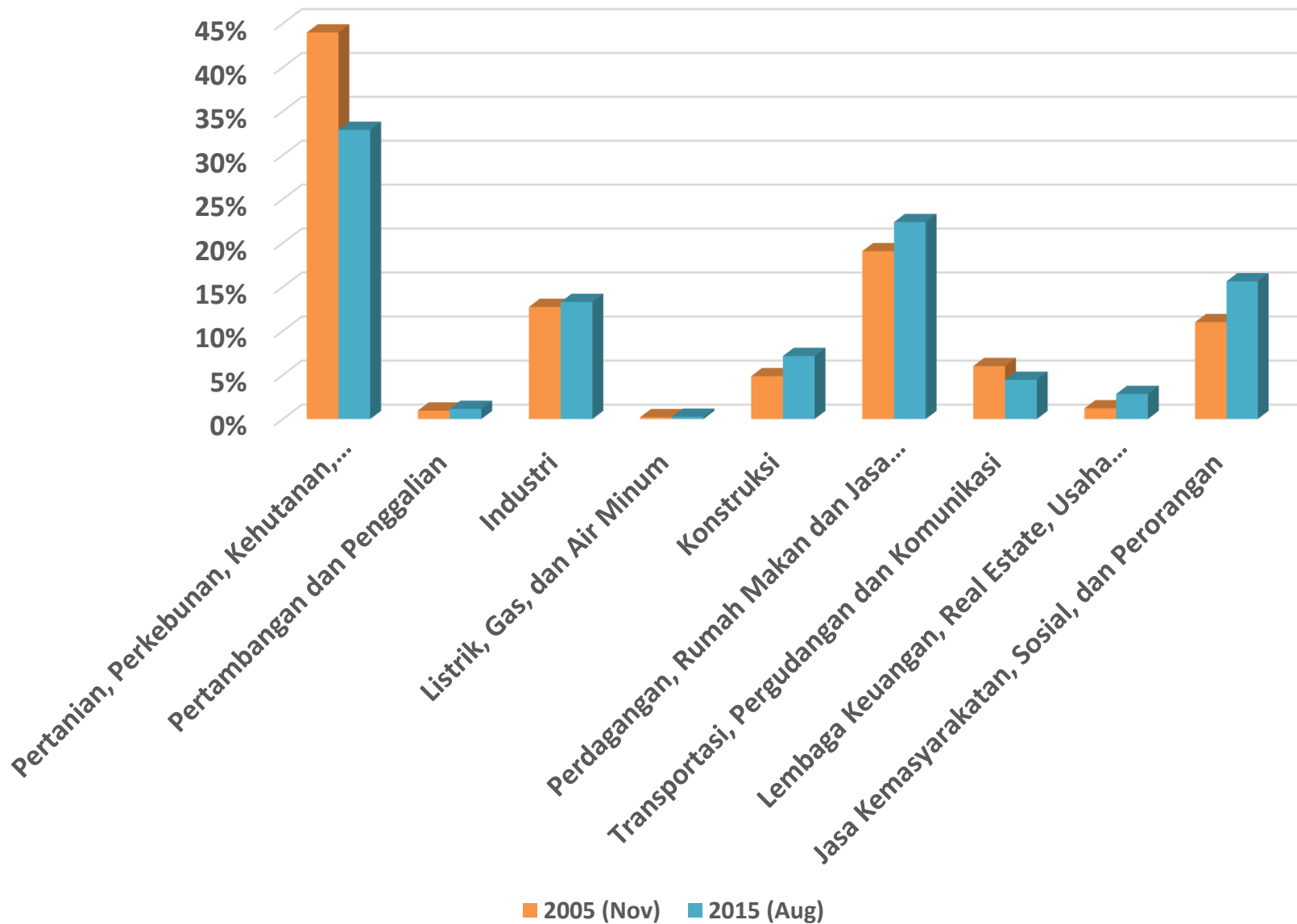
Economic diversification from subsistence agriculture to industry was key



Sector Breakdown GDP (2000 & 2015)



Employment share by sectors (2005 & 2015)





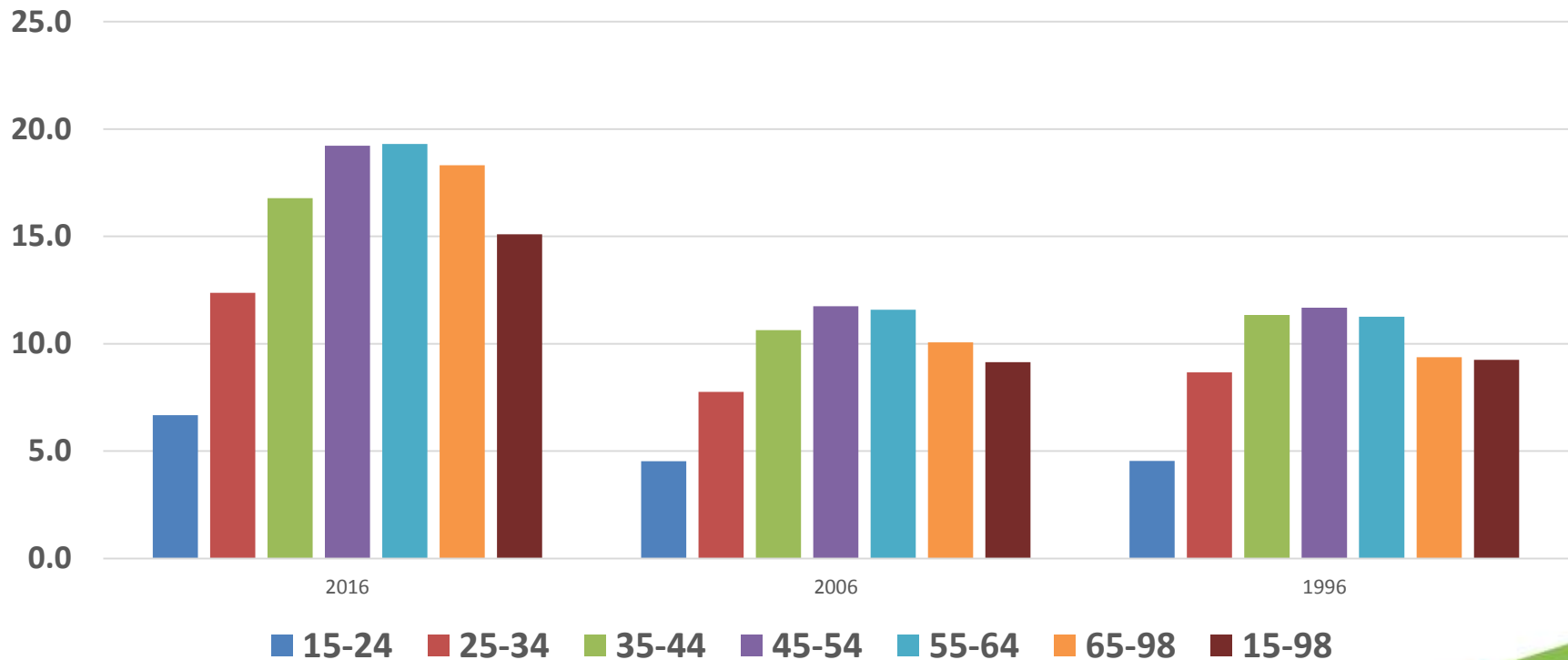
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A large service sector in the economy and concurrent deindustrialization

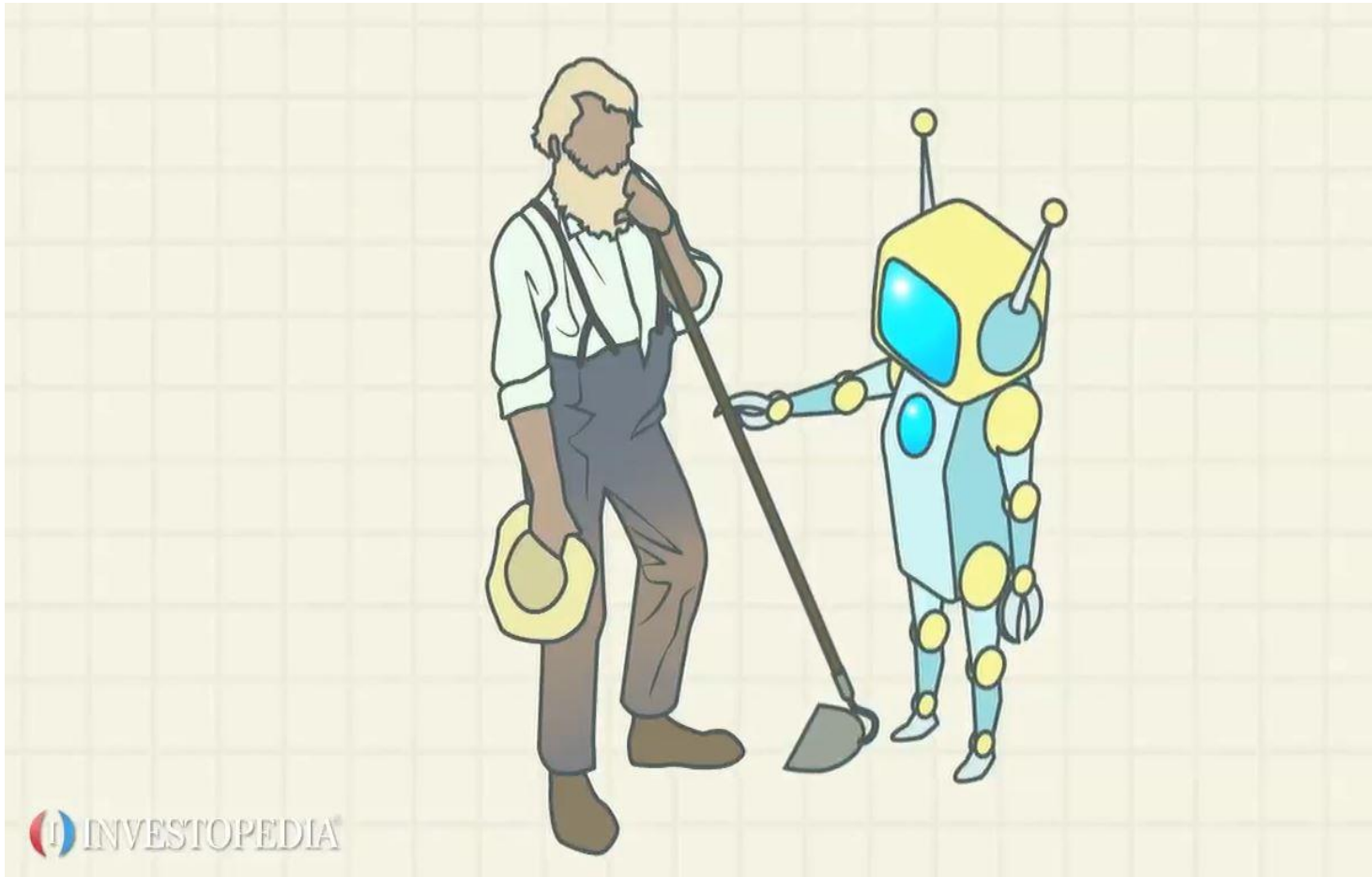




In Indonesia proportion of workers having second job has increased



More and more routine jobs are being replaced by automation



Product fragmentation



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Share of national income for labour is declining



Impact of technology varies from developed to developing countries

Developing Countries

- Some distance from technology frontier so adopting technology can complement labour, but it could possibly lead to diminishing income

Developed Countries

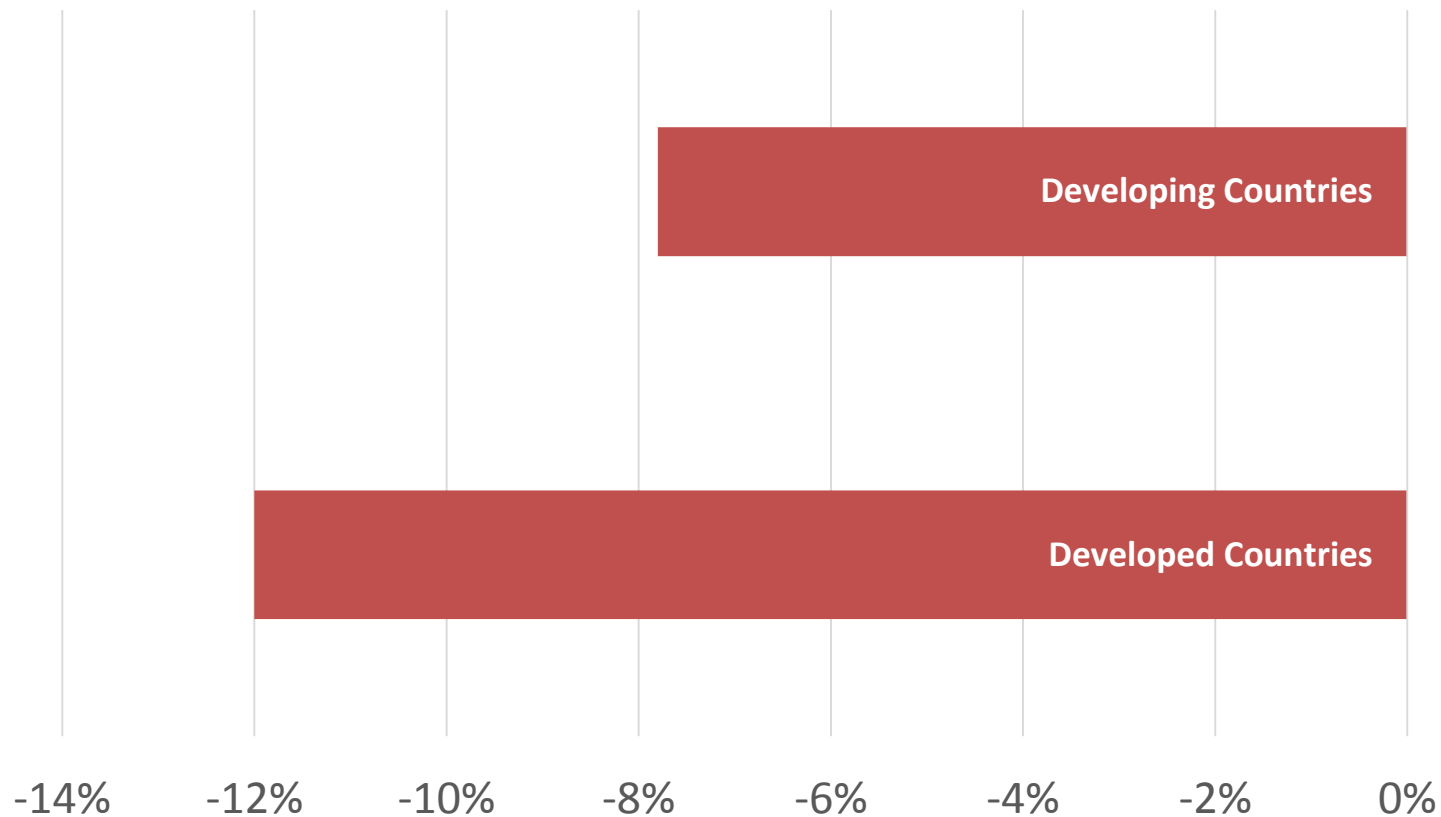
- Already more technologically advanced so any further improvement can potentially lead to job losses

Absorption of technology in Indonesia

- Recently there is more rapid technology uptake in trade & services (banking, logistics, transport etc.)
- Less so in manufacturing and agriculture

Polarization of the labour market

Decline of “routine/ mid-level” jobs



Broad classification of occupations



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Managers

Professionals

Technicians and associate professionals

Clerical support workers

Service and sales workers

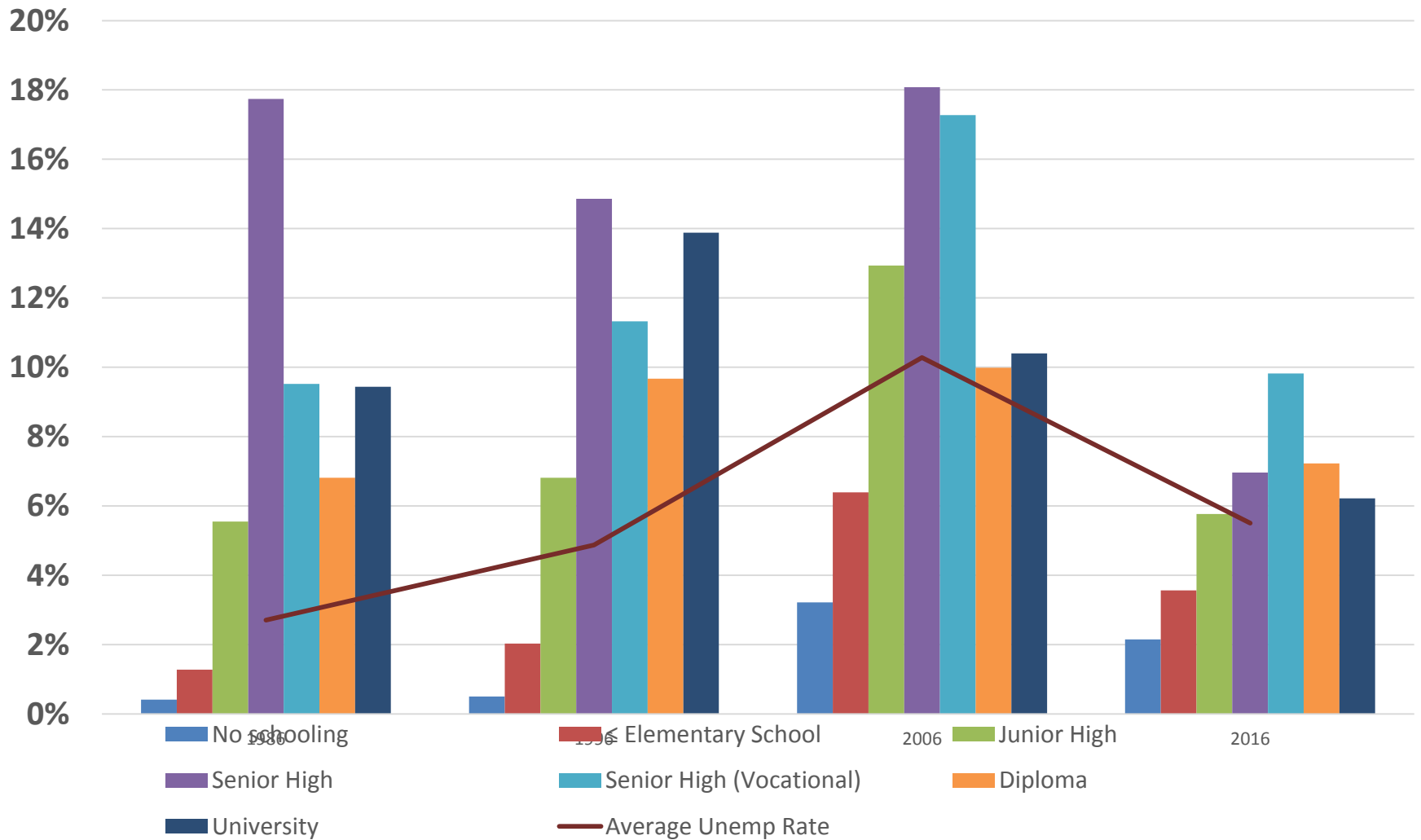
Skilled agricultural, forestry and fishery

Craft and related trades workers

Plant and machine operators, and assemblers

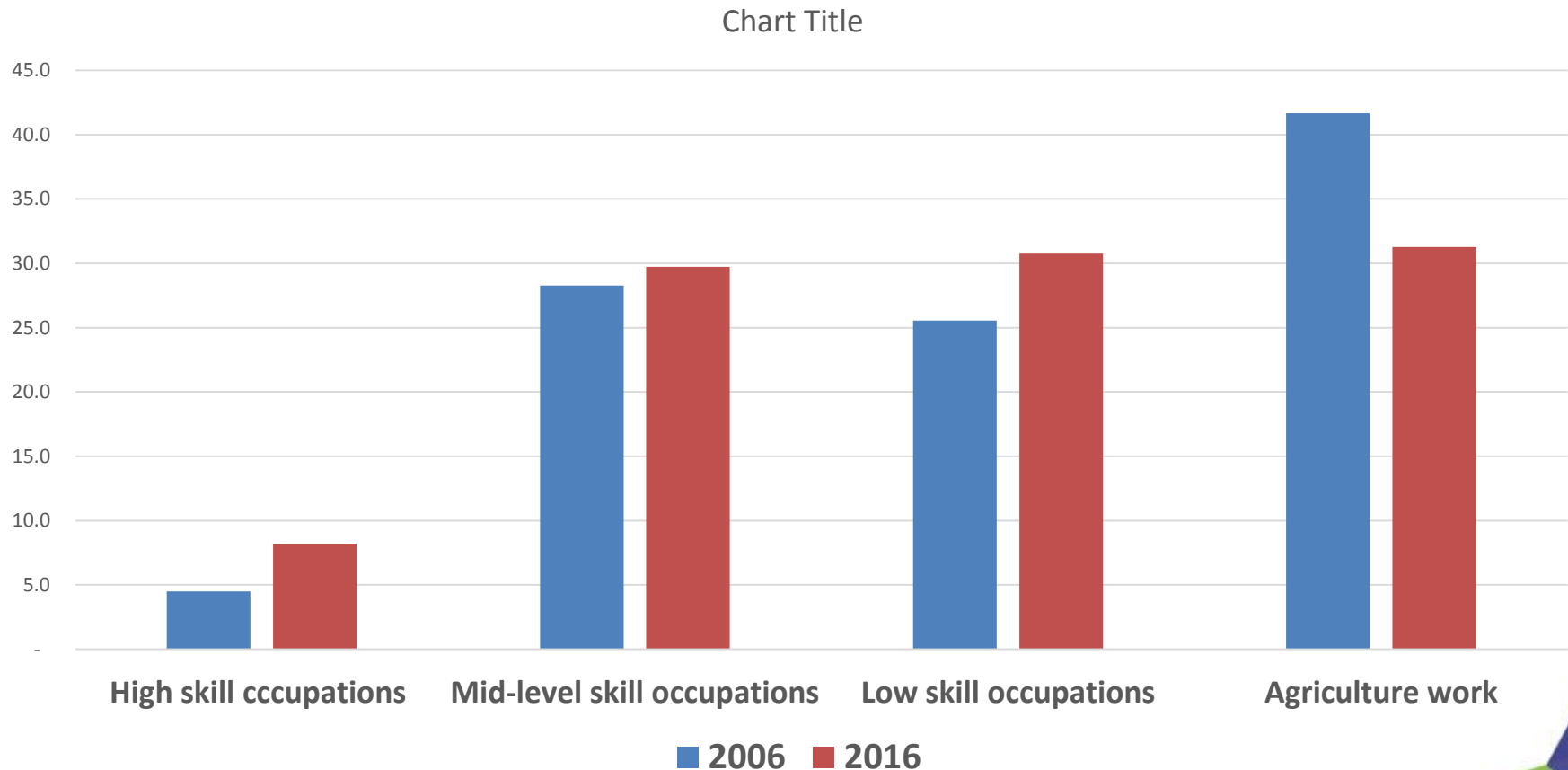
Elementary occupations

Unemployment by education (%)



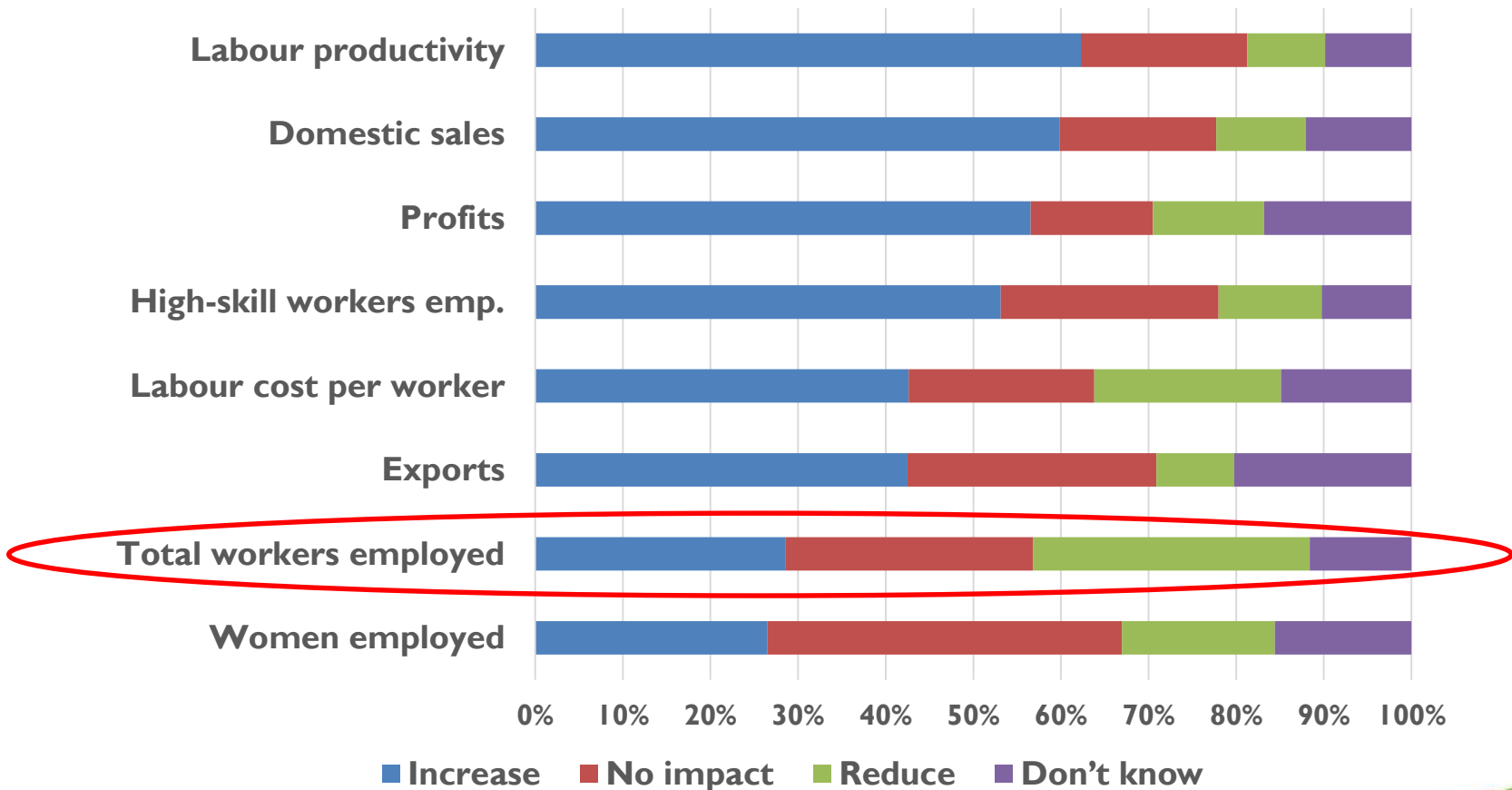
Trend in share of employment in Indonesia

Are “routine/ mid-level” jobs growing slowly?

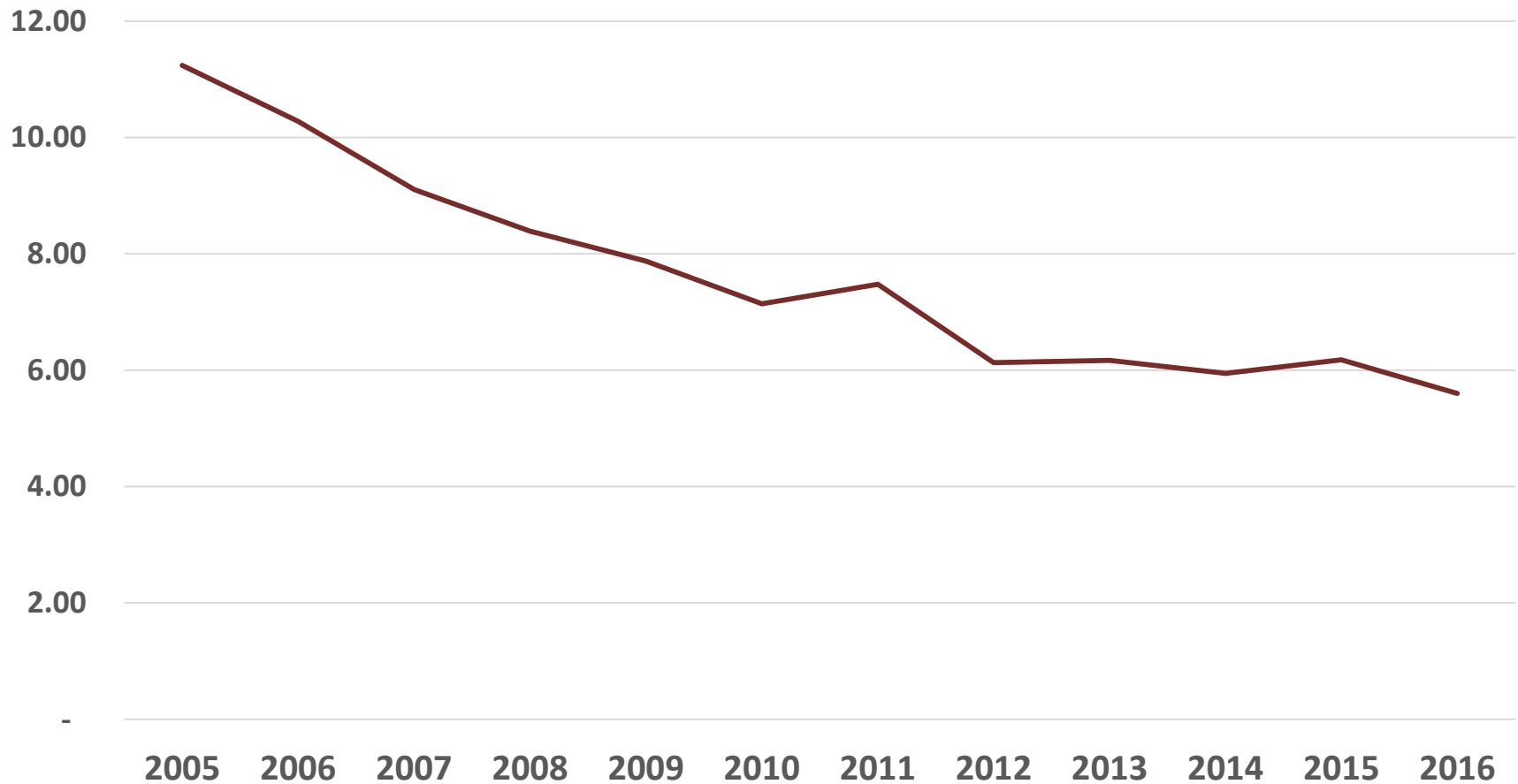


Impact of technology in Indonesia

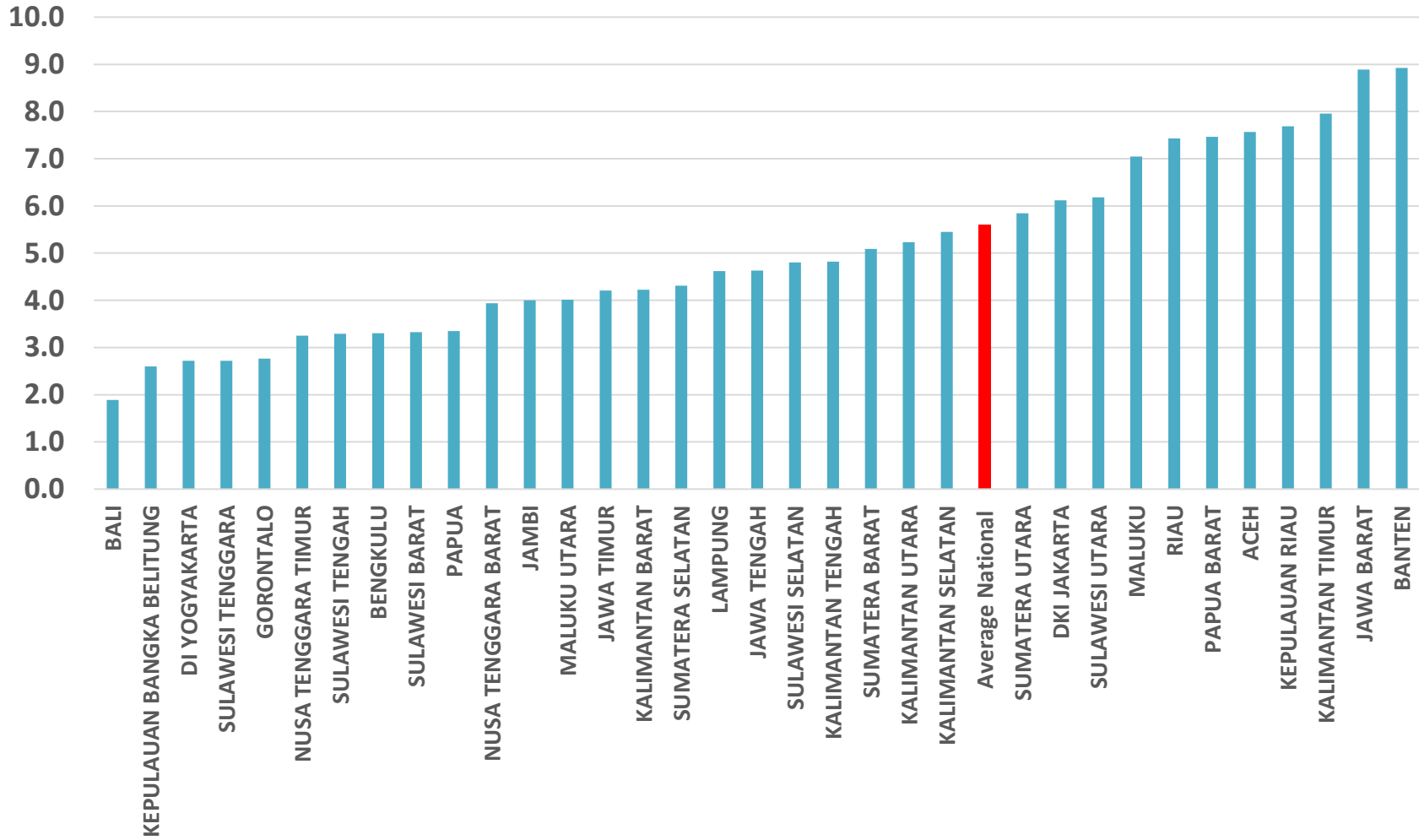
Technology will reduce jobs



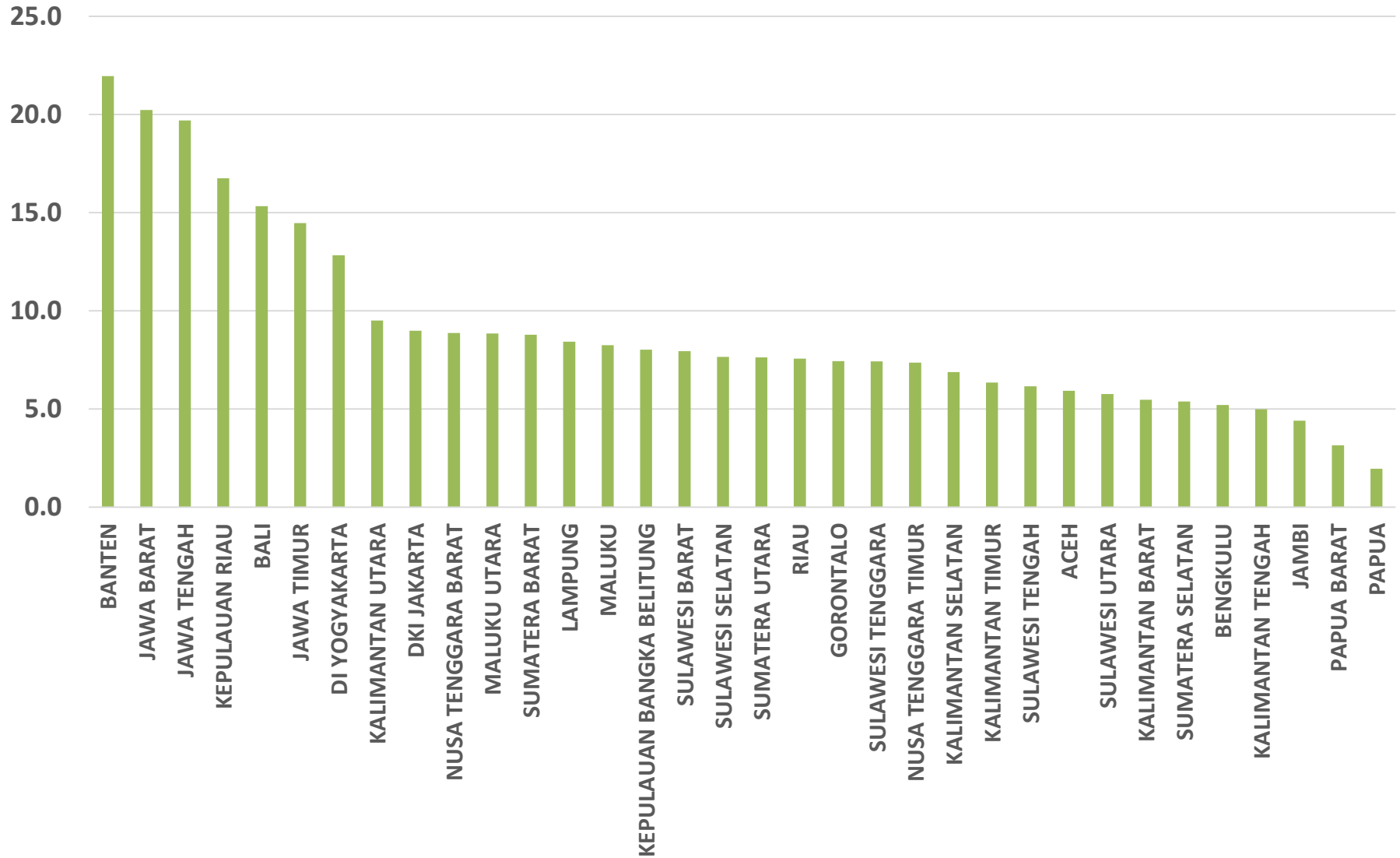
Unemployment rate has continued its downward trend, but that along does not capture the state of the labour market



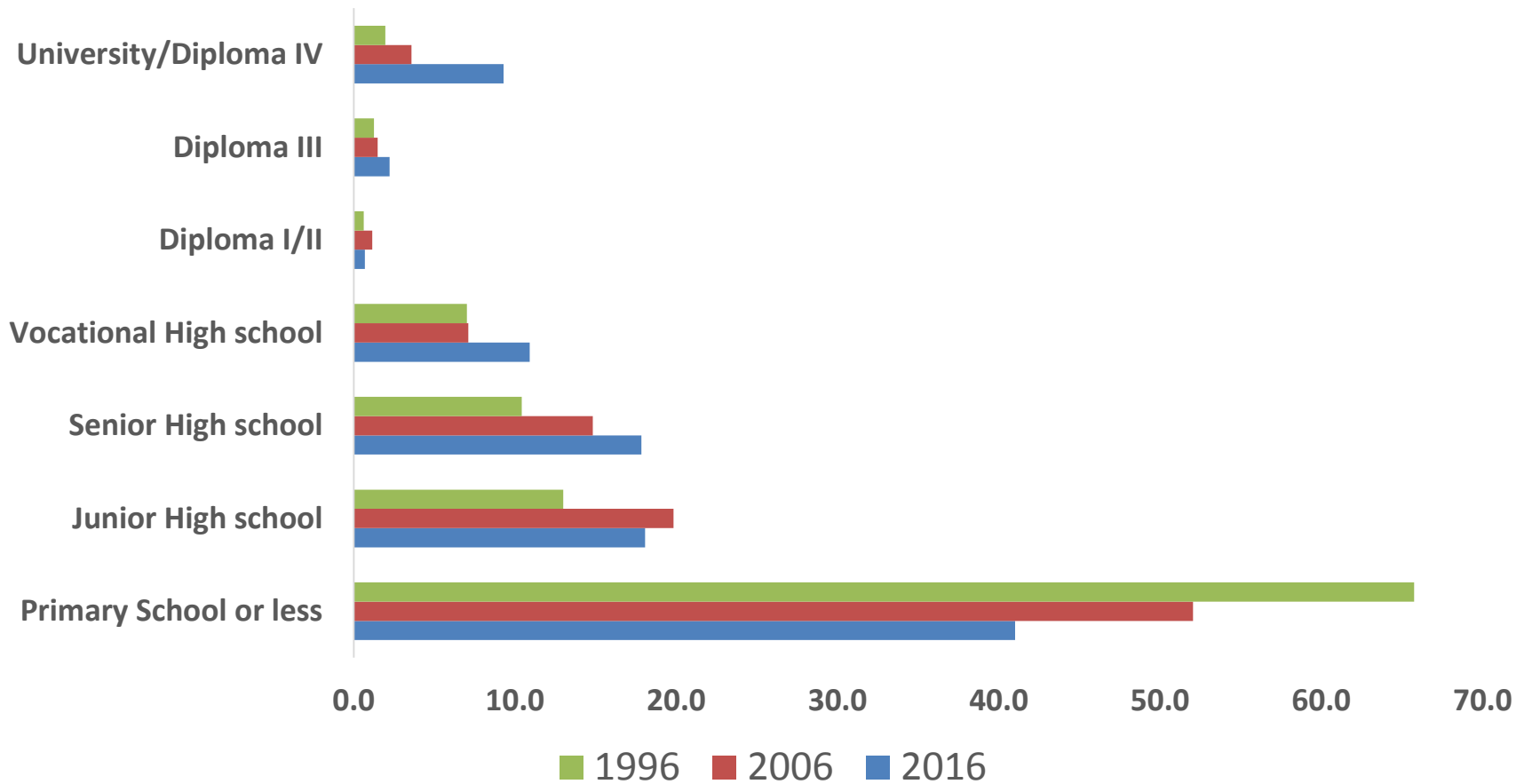
Unemployment Provinces (%)



Employment in manufacturing by provinces (2016)



Labour force by education attainment is showing positive trend



Rethink work and structural transformation

- Traditionally manufacturing was the stepping stone for economic development
- Deindustrialization is a worrying trend, especially developing countries without a mature manufacturing
- Redefine work. Wasn't technology supposed to give us more leisure time
- Surplus from automization use to create more jobs; care, entertainment.

Technology is creating opportunities

- New technologies can be transformative
- Creating new opportunities and reducing costs even in low-income countries
- Made individuals more autonomous and access to learning

Technological advances can be disruptive

- Impact in developing and developed countries different
- Jobs losses- squeezing the mid-skills level occupations



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Steering the economy

- An evidence-based approach should guide how policy-makers guide the economy
- Regular collection and analysis of labour & economic data
- Job matching platforms- there should be good feedback loop

Public investment in education & training

- Positive externalities... and greater spillover effect
- Lifelong learning to keep up with the changes in the labour market
- Soft skills becoming very import

Expanding social safety net

- Disruptions will invariably mean there are losers
- Revisit social protection to ensure that vulnerable are not left behind
- Universal basic income??



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Terima kasih

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