



**International  
Labour  
Organization**



## **Podcast: Global challenges – Global solutions**

### **Transcript for:**

***Employment and labour market policies: How can they profit from new technologies?”***

**Interview with ILO Employment Policy Department experts, *Vicky Leung, Technical and Programme Officer in the Transition to Formality Unit and, Michael Mwasikakata, Head of the Labour Market Services for Transitions Unit***

#### **Introduction by host:**

Welcome to the ILO Employment Policy Department’s new podcast series, Global challenges – Global solutions: The future of work.

I’m your host Tom Netter, and today we’ll be discussing the impact of digitalization and technology – before and during the COVID-19 pandemic -- on the future of work in the areas of informal employment and public employment services.

We’ll be looking at how the growing trends of increasing digitalization and use of new technologies have pushed employment policies in new directions worldwide....

Consider the case of workers transitioning from informal to formal employment, and the concept of what’s called e-formality...

And discuss the digital and technical evolution in public employment services that match workers with jobs, help employers find the workers they need, and play a critical role in supporting a post-COVID jobs recovery and other labour market disruptions.

Here with me today to explain the opportunities – and the challenges – that are emerging in this relatively new digital and technical world are two ILO Employment Policy Department experts, Vicky Leung, Technical and Programme Officer in the Transition to Formality Unit and, Michael Mwasikakata, Head of the Labour Market Services for Transitions Unit.

Vicky, Michael, welcome to the program.

**My first question is for Vicky. Can you provide an update on developments in the move to informality and how increases in digitalization of the labour market may challenge the notion of decent work as informal employment increases, and also how many workers are we talking about anyway?**

**Vicky:** Thank you, Tom. We are talking about 2 billion people in the informal economy, representing more than 60% of the world's employed population. These workers face different consequences, including lack of social protection. That means they have no access to pension and are not entitled to paid sick leave. Lack of rights at work, such as freedom of association and right of collective bargaining, and also lack of decent work conditions, including safe workplaces in compliance with occupational safety and health.

And when we talk about e-formality, it refers to applying digital technologies to support policy design and implementation or supporting transition to formality. And technology can support transition to formality through three drivers, including creating formal employment, formalizing informal workers and enterprises in their current situation or we can call it In-situ formalization, and also preventing informalization of the labour market. But on the other hand, this new business model within the digital economy, including platform work, creates new forms of informality when existing labour law and regulations are not able to catch up with the evolving labour market, and also provides guidance for enterprises and workers to follow.

**Okay, Vicky, thank you very much for that answer. In that context, has there been a knock-on effect from the COVID-19 pandemic to the digitalization process impacting**

**informal employment and e-formality and, two years on, are we seeing a recovery in these areas?**

**Vicky:** So, recovery is uneven across the world. For example, 70 per cent of the jobs generated from mid-2020 to the first quarter of 2021 in Latin America are informal employment. On the other hand, the positive effect is seeing the benefits of being formal during the crisis. There is a call for accelerating transition to formality and e-formalization becomes part of the solution. And many governments now accelerate the adoption of digitalization to facilitate the disbursement of cash payments, also health and safety information for informal workers.

**Thanks. Well, that's very interesting. So, what are some of the trends in design and implementation of policies for e-formalization leading to positive outcomes for informal workers, and can digitalization help meet this and other development policy challenges?**

**Vicky:** So, in developed country, the priority is to prevent informalization of the labour market. Digitalization can help support labour inspection through data matching to detect new type of informality and non-compliance issues. For example, companies declared less employees and associated taxation and social security contribution compared to the similar size of their counterparts. And, also we have seen that highly digitalized government shows resilience with strong governance during the crisis because they are less affected as many public services are already online and continue during the crisis. And in developing countries, their priorities are to reach out and formalize informal workers. In terms of policy design, we've seen that governments have used satellite images, big data mining, or machine learning to identify informal sector households in some extremely poor areas for social protection support. And then for implementing those policies, government also can provide a timely transfer of social assistance through digital payment.

Then in terms of digitalization to overcome development policy challenges, there are three main issues we have to keep in mind. First, digitalization needs to be managed and guided with the objective that e-formalization considers transition to formality as the means to provide decent work for workers in the informal economy, and also transition to formality needs to be an integral goal of the COVID-19 crisis recovery efforts. And second to maximize the benefit of e-formalization, we have to develop coordinated strategies with the right mix of economic and institutional policies, which are appropriate to each national

context. And, also local authorities can play a role in implementing those policies. And then lastly, we have to engage government representatives, employers, and workers in the tripartite social dialogue, especially those informal workers because they know their own problems and concerns the best. Their voice needs to be heard. So, thank you.

**Vicky, thank you for sharing those insights with us. Now, I'd like to ask Michael to talk about digitalization technology and public employment services. Michael, how are public employment services adopting technology in the delivery of services in both developed and developing countries and what are some of the benefits as well as challenges that are emerging?**

**Michael:** Thanks, Tom. As you're aware, digitalization is one of the mega trends that drive the future of work and is characterized by a pace of change and technology adoption much faster than ever before. Digitalization can be both a threat to public employment services or PES and private employment agencies, or it can also be an opportunity for improved service delivery. And therefore, if public employment services do not adapt, chances are that they may become redundant. Nevertheless, they serve a particular function in the labour market, that of ensuring inclusive labour market policies and services PES and other traditional employment service providers needed to adapt to serve their clients better and help them navigate the ever-changing labour market. In this respect, technology is an invaluable tool that public employment services will have to adopt and to use, but I'll come back to this later.

The fear that PES and other traditional employment services would be overtaken by digital labour platforms and intermediation have largely been alleviated, though still on the cards. Although these platforms are gaining ground, public and private employment services have adapted quickly by embracing digitalization in the design and delivery of services, but also as they serve a particular niche of labour market clients. In 2020, the ILO conducted a global survey in a collaboration with partners, such as the World Association of Public Employment Services, covering 69 public employment services in 64 countries.

The main finding of the survey was that all public employment services are adopting digital service delivery, although at very different levels and pace, according to their level of development, the cultural norms of societies, and capabilities of PES and other institutions. Second, public employment services in advanced countries that tend to be more mature have better capacity and digital

infrastructure, have adopted more complete digital service provision, including use of artificial intelligence and competency-based matching. This has been accelerated by the imperatives of the COVID-19 pandemic. Third and contrary to expectations is an interesting finding, which shows that face-to-face delivery of employment services is not going away, certainly not any time soon. The reason is that employment services are supposed to respond to the needs of clients, and there will always be clients that are behind in terms of access to digital technology or the skills to effectively use it.

Indeed, the survey found that when 28 per cent of PES had adopted predominantly technology-based service delivery, 52 per cent had a varied mixture of both traditional and tech based while a significant 20 per cent had been predominantly face-to-face delivery models. This included highly developed countries, such as Australia.

The ILO's policy message to all public employment services and policy-makers in this respect is that while technology is a great, and probably inevitable, asset for improving service delivery and that it can also help developing countries to leap frog their services, it is always important to be realistic in choosing a digital strategy and technology level that match with the level of digital infrastructure. Also, it is important to understand the capabilities of the public employment services and also the population in terms of access and also the digital infrastructure that is available to them. A clear and effective strategy therefore needs to be put in place to help those that either do not have access to services or lack the necessary skills. As we have seen already, a mixture of service delivery channels is always recommended.

We have published recently a report on this survey, which is called the [Technology Adoption in Public Employment Services: Catching Up with the Future](#), which can be found on our website.

**Okay, Michael, thank you very much for that. Now, how can the growing application of digital technologies better diagnose and service the specific needs of certain groups, such as young people, ethnic minorities, people with disabilities and others that need it most, and how can we address the barriers they face and ensure that they aren't left behind by the side effects of adopting new technologies?**

**Michael:** Tom, this is a very important question. Public employment services exist to ensure labour market equity and inclusiveness. New technologies provide an opportunity to improve efficiency and effectiveness of services, customizing

services to the needs of the clients, improving outreach to un- or underserved groups and geographic regions, enhance collaboration with other providers as well as ensure better and more accessible labour market information, including the capacity to analyze huge amounts of data.

Now, the relevance of employment services institutions in this fast-changing world of work is measured and also lies in ensuring that clients are at the center of any service design and delivery mechanism. Employment services need effective tools for diagnosing the needs, aspirations, and barriers to employment integration, which may go beyond skills-related challenges to include social barriers. In the context of shrinking budgets and government policies to reduce spending, it is important that PES are able to profile their clients as accurately as possible and segment their service delivery in such a way that more resources are provided to those that need them most.

Digitalization improves the design and application of profiling and segmentation tools, so that job seekers can be segmented into those who are job ready and therefore can use self-service facilities or those who have minor barriers and therefore can use assisted services, and those with complicated barriers that may need intensive support, including collaboration with social service providers. In the same vein, the ease of connection and generation and use of labour market information, digitalization improves program monitoring and coordination with other service providers, as well as delivery of services, such as training, for example, online training, which improves access and outreach to people that would not otherwise be able to commute to PES centers. Nevertheless, as mentioned before, care must be taken to ensure that technology does not increase inequality in access and use of services for these groups. In general, disadvantaged groups are the ones with poor access to digital facilities and infrastructure, and they have low digital skills.

**Thanks, Michael. So how can we make sure we have the normative framework to make employment services and agencies more efficient and consistent? Michael, you're launching a new campaign to promote the ratification of the ILO Employment Service Convention number 88 and the Private Employment Agency's Convention number 181. Why is it important that these conventions be ratified?**

**Michael:** Employment services have proved their value around the world in connecting job seekers with employers, retaining jobs, supporting enterprises, facilitating recruitment, growing the workforce, and strengthening national

economies. And today they can help countries respond to economic crisis and adopt a human-centered job reach recovery from the COVID-19 pandemic.

Today, employment services are provided by a mixed system of actors involving public employment services and private employment agencies, both for profit and not-for-profit. This state of affairs is a result of a steady evolution in thinking and policy at the global level with a view to balancing government's role in serving those in most need and vulnerable and hence susceptible to abuse in the labour market on the one hand, and the need for a well-functioning labour market that is agile and responsive to the fast changes in business demands. Convention 88 provides a framework for provision of public employment services in collaboration with other actors while Convention number 181 recognizes the role of private employment agencies in the provision of labour market services, promotes cooperation and collaboration with public employment services, and delineates the necessary steps and measures to ensure that workers are protected from exploitation and abuse.

It also levels the playing field for private employment agencies by preventing or minimizing the proliferation of rogue, private agencies that undercut ethical businesses. Together, the two conventions provide the normative framework and a powerful base for an ecosystem of private services provision, including publicly funded employment services that is customized to the needs of clients in varying situations as they navigate and adapt to the fast-paced changes in labour markets.

**Michael, Vicky, many thanks to both of you for offering your expertise on this issue.**

**From better use of data to more effective service design and accessibility, digitalization and the introduction of new technologies have had a huge impact on employment policies, and in the process economic and social development. What's more these trends have been important to forging a recovery from the devastating impact of the COVID pandemic on the world of work.**

**Tech has ushered in many new developments that can be beneficial, but sometimes challenging and our experts have made clear that despite its positive effects, many barriers remain to be overcome.**

**We've seen the trends, and our increasingly digital world is evolving fast. Let's see if we can really catch up with the future.**

I'm Tom Netter and you've been listening to the new ILO podcast series Global challenges, Global solutions: The future of work. For more information go to [www.ilo.org/employment](http://www.ilo.org/employment), but for now thank you for your time.