

## ISSUE BRIEF

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#7

**Cluster 4: Managing change during every phase of education**

# Managing transitions over the life cycle

The establishment of the Global Commission on the Future of Work in August 2017 marked the start of the second phase of ILO's Future of Work Centenary initiative. The six thematic clusters provide a basis for further deliberations of the Global Commission. They focus on the main issues that need to be considered if the future of work is to be one that provides security, equality and prosperity. A series of Issue Briefs are prepared under each of the proposed clusters. These are intended to stimulate discussion on a select number of issues under the different themes. The thematic clusters are not necessarily related to the structure of the final report.

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# Introduction

As the world of work undergoes profound and extensive changes, the effectiveness of future labour market institutions will depend on how they facilitate the myriad transitions and cushion the risks that workers will experience throughout their working lives. These transitions may result from individual choices (such as starting a family or changing careers) or risks (such as falling ill). They can also result from external shocks, such as company relocation, technological unemployment, or the need to reconfigure industries as a result of climate change. In any case, there are consequences not only for individuals, but also for families, communities and larger societies.

While significant progress has been made in developing social security systems that mitigate the risks of illness or disability, coverage is more limited for unemployment, maternity/paternity or elder care responsibilities, and few social security systems accommodate workers' needs for job retraining or lifelong learning. Moreover, changes in labour markets, including not only technological advances but also other developments such as the widespread participation of women in paid employment, merit reflection on whether the institutions created for an industrial age – when lifetime employment with a single employer was the expectation – need to be adapted for the twenty-first century.

## Key findings

### **Why is the capacity to manage transition becoming more critical?**

Current technological changes are advancing at a pace rarely seen in human history. While many jobs lost as a result of technological change may be later replaced by new jobs in unforeseen industries that emerge out of technological advances (Mokyr, Vickers and Ziebarth, 2015), the potential hardship for affected workers, if not anticipated and properly addressed, is significant. This is true for workers whose jobs become obsolete, as well as for those whose occupational tasks are transformed as a result of automation and other new technologies. Given the accelerated pace of change, there is an urgent need to manage this transition.

In addition to the risk of “technological unemployment”, there is likely to be a reconfiguration of many industries and modes of production in order to move to a zero-carbon world. Though this shift is beneficial and can create new employment opportunities, individual workers will nonetheless be affected, and policies are needed to ensure a “just transition”.

While unemployment remains an important and possibly growing risk for workers in light of digitalization, automation and robotisation, and the shift to a zero-carbon world, there is a spectrum of other risks beyond unemployment that workers can expect to face throughout their working lives. Indeed, workers who do not lose their jobs as a result of automation will still need to enhance their skills to adapt to occupational developments.

In addition, there is a need to design labour market systems that can address the diverse personal, individual shocks that workers face throughout their working lives: maternity or paternity, elder care responsibilities, illness or disability, as well as one's own personal need for learning and personal development.

## What are the approaches to managing transition?

Regardless of the nature and origin of the risks, the best tool for smoothing labour market transitions is to have a workforce prepared for a full range of life contingencies. Such workforce readiness requires a comprehensive set of institutional arrangements – which includes training policies (see Issue Brief No. 8) – based on a new policy framework.

One useful proposal is the concept of transitional labour markets (TLM), developed in the 1990s by the German labour sociologist Günther Schmid. TLM conceives of the labour market as a “social institution” whose function is not just to ensure freedom from want, but also to give workers the capability to freely choose and develop a career over their life cycle that can also include unpaid, but socially necessary, phases of work (freedom to act) (Schmid, 2017). It recognizes that over the life cycle, workers will face multiple transitions: from school to work, between jobs, between employment and unemployment, to unpaid household and care work, and to different forms of inactivity such as disability, illness or retirement. Importantly, the term “work” in this policy framework is broadened to include all activities of social obligatory character, whether paid or not. Responding to these transitions requires comprehensive labour market institutions “to prevent, mitigate or to cope with the social risks related to life course transitions” (ibid., p. 2).

Reconfiguring unemployment insurance and training programmes as “employment insurance” can aid workers before any job loss occurs. Most existing unemployment insurance systems offer training to workers after they have lost their job, in some instances making the receipt of benefits conditional on participation in the training. Instead, systems should be reconfigured so that workers study and train before any risk of job loss, empowering them to have greater control over their careers and be better prepared to respond to external shocks. A system of entitlements to training, funded through a reconfigured employment insurance system, such as individual training accounts, would also have the benefit of supporting those workers who have the greatest need for continuing education, who often do not have the resources to finance the absence from work and the training on their own, as well as workers in small- and medium-sized enterprises who are less likely to benefit from employer-sponsored training (Schmid, 2015).

Another essential component is to enable workers to more readily access paid leave, so that they can avail themselves of training and lifelong learning opportunities (see Issue Brief No. 8), and also have the time needed to manage parental and elder care responsibilities without compromising their attachment to the labour market (see Issue Brief No. 3). Supporting care responsibilities for both men and women is integral to the policy of accommodating transitions and managing social risk, as it recognizes that providing care is not just the responsibility of one individual (usually female) worker, but a broader societal responsibility. In all countries, whether rich or poor, in ageing societies or young societies, care responsibilities are integral to workers' daily lives.<sup>1</sup> There is thus a need to enact policies that allow workers to accommodate personal and

<sup>1</sup> *An important critique of the standard employment relationship is that it was predicated on a male breadwinner, with a female homemaker responsible for care activities, yet not paid for these activities. As a result, women could not dedicate themselves as fully to paid work and often took on secondary jobs at the margins of the labour market (ILO, 2016).*

family responsibilities.<sup>2</sup> Policies to support parental and other care leave, as well as legislation to facilitate the transfer between full-time and part-time work and vice versa, help all workers to address their care responsibilities. A progressive reduction of normal hours of work for all workers would also help in accommodating workers' personal and family responsibilities, by helping to facilitate a more gender-neutral division of labour in the household (ILO, 2016; Coote, Franklin and Simms, 2010).<sup>3</sup>

Universal social drawing rights that recognize an individual's status as a member of the labour force are instrumental for facilitating such policies. They are based on the idea that current labour law is too narrow in scope and that to manage changes in the world of work it is necessary to have a more encompassing definition of labour force membership that considers "career breaks and changes of occupation" as "a normal part of ongoing labour force status" (Supiot, 2001, p. 221). Labour force membership confers a broader set of legal rights than just employee status, as workers would benefit from social rights that "may be unrelated to employment in the narrow sense", such as time off for union activities, training credits and parental leave (ibid., p. 222). While such a recommendation may seem more difficult to implement in developing countries with underdeveloped social security systems and higher shares of informal employment and self-employment, universal social policies such as old-age pensions, child grants or training grants, which exist today in many developing countries (ILO, 2017), support workers in managing transitions over the life cycle (see Issue Brief No. 12). They thus represent an important first step in creating such a labour market.

While the individual is empowered to manage these transitions, the labour market institutions needed to support the worker are collective. The involvement and commitment of the social partners in the design of laws and policies that can prepare, cushion and ultimately empower workers is therefore essential. As Schmid (2017) explains, "because employers' and employees' interests often do not converge, compromises have to be negotiated and implemented. Collective bargaining and agreements are often how such deals are attained" (p. 12). Beside collective bargaining, there is also a need for tripartite social dialogue, especially in addressing issues of adaptation to external shocks such as technological unemployment or the move to a carbon-free world. This approach is at the heart of the just transition policy framework which provides a deliberate plan of investments in the transition to environmentally and socially sustainable industries and jobs.<sup>4</sup> This plan is arrived at through social dialogue between all partners – industry, workers and government – at the international, national, regional, sectoral and local levels, and includes social protection, labour force adaptation, community investment and support for innovation (ILO, 2015; Just Transition Centre, 2017).

<sup>2</sup> *The ILO's Workers with Family Responsibilities Convention, 1981 (No. 156), recognizes in its Preamble that the "problems of workers with family responsibilities are aspects of wider issues regarding the family and society which should be taken into account in national policies", and mandates that ratifying States adopt measures "to enable workers with family responsibilities to exercise their right to free choice of employment" (Art. 4(a)) that can support their needs, including becoming and remaining integrated in the labour force (Art. 7).*

<sup>3</sup> *The literature on shorter working hours calls for a combination of a shorter working week with greater ability for workers to take leave for care responsibilities and lifelong learning activities. This results in combining the shorter working week with fewer annual work hours, implemented gradually over time. See Coote, Franklin and Simms (2010).*

<sup>4</sup> *To this end, the ILO adopted a set of Guidelines for a just transition towards environmentally sustainable economies and societies for all (ILO, 2015).*

## Country experiences that support more comprehensive risk management

While the concept of universal social drawing rights has yet to be instituted in any country, regardless of income level, there are nevertheless best-practice examples of policies adopted by countries to help manage transitions and mitigate risks in the labour market.

In 2015, France introduced a “personal training account”, broadening it in 2017 to a “personal activity account”. Workers acquire a number of hours of training rights per year, up to a maximum of 150 hours over a seven-year period. Part-time workers’ rights are calculated on a pro rata basis. Since these rights are attached to the person, not the job, employees can use them with their successive employers, irrespective of their type of employment contract, as well as during periods of unemployment. Singapore has also introduced a programme (called *SkillsFuture*) that provides information on and opportunities for lifelong learning.

Sweden has successfully instituted policies to support temporary work leave. In any given week in Sweden the nominal employment rate is about 76 per cent, but only 65 per cent are at their job (Schmid, 2015). The other 11 per cent are undertaking different forms of leave – for education, training, parental or other care responsibilities, sabbaticals or illness. In Germany, the parental leave allowance (*Elterngeld*) introduced in 2007 insures the income loss due to full-time or part-time leave at 67 per cent of the former net wage income, which is similar to the replacement rate for full-time unemployment. Entitlements are portable from one employer to another and to any location in the country. The policy could be considered as an element of wider employment insurance, although it is not formally included in the unemployment insurance system.

Over the past 15 years, many countries in Latin America and the Caribbean have effectively combined contributory and non-contributory social protection programmes to build a social protection floor that can support workers in their transitions (ILO, 2017). In Argentina, around 85 per cent of all children have effective access to a child allowance, providing a cushion to working families in transitions from paid to unpaid work. Barbados’s unemployment insurance system has broad coverage, with 88 per cent of unemployed persons receiving benefits under the mandatory social insurance scheme, a rate that is higher than in most OECD countries (ibid.). In Brazil, the country’s unemployment insurance system, the *Fundo de Amparo ao Trabalhador* (FAT), goes a step further towards the employment insurance advocated by TLM by permitting workers to take leave from their current employment to pursue a training course, while collecting unemployment insurance benefits.

As part of its efforts to integrate climate change into national and local policy formulation, the Philippines passed a Green Jobs Act in 2016 which benefited from extensive social dialogue with employers’ and workers’ organizations. The Act combines tax incentives for the creation of green jobs with a comprehensive human resource strategy, including setting up a database of “green” careers and instituting training and re-education programmes to ensure the preparedness of workers in 27 industries identified as potentially affected by the transition to a green economy (ILO, 2018).

Social dialogue has also been at the heart at other national efforts to manage the transition to a zero-carbon world. Forums such as the French *Grenelle de l’Environnement* or the round tables of the Kyoto Protocol in Spain have been instrumental in reaching agreement on large integrated policy packages (ILO, 2012). Similarly, the South African Green Economy Accord, signed in 2011, was the result of tripartite social dialogue. It seeks to prepare the country for the green technological revolution while creating 300,000 green jobs by 2020 (Republic of South Africa, 2011).

# Some considerations

Most people accept change more easily if risk is shared. By expanding social insurance systems to accommodate life transitions and external shocks, and complementing these policies with comprehensive training and learning institutions, flexible leave, and other measures, workers will be better prepared to face future developments in the world of work. Some countries have taken important steps in this direction, but with the many expected challenges that lie ahead, it is useful to consider how these efforts can be broadened.

- What policies are needed to ensure that the individual has the means to manage transitions throughout working life? What aspects of transitional labour markets and universal social drawing rights are most useful for crafting responses to the future of work? Should societies move forward in integrating universal social drawing rights and, if so, how?
- How should countries with less developed social security systems expand them to accommodate needs for training and lifelong learning (see Issue Brief No. 8)? What aspects of the transitional labour market approach are most relevant for developing countries?
- Given the importance of social dialogue in designing and implementing systems of risk management, what efforts are needed to bring tripartite partners to the table? How can consensus needed for effective risk management systems be developed?



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