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World Employment Report 2001 – Key findings

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Introduction

1. The *World Employment Report 2001* examines the impact of the new information and communication technologies on life at work at a time when the global employment situation still remains of considerable concern. While there have been some significant, positive developments, especially in the United States and some industrialized countries, in most parts of the world the growth of new employment opportunities still remains insufficient to employ productively those who have lost jobs due to restructuring and the new entrants into the labour force.

2. The report's first section on global employment trends estimates that at the end of 2000 some 160 million workers are unemployed, most of them first-time jobseekers. Unemployment rates among young workers are almost everywhere at least twice as high as the average. Of these 160 million unemployed workers, about 50 million are in the industrialized countries, including Central and Eastern Europe.

3. In addition, about 500 million workers are unable to earn enough to keep their families above the $1 a day poverty line. These are almost entirely in the developing world. And of the workers who are not among the poor, many lack basic job and income security. There is reason to believe that the numbers in this group are growing in many parts of the world.

4. Over the next ten years, although the growth rate of the world's labour force will slow down, there will still be some 460 million new young jobseekers. Only 3 per cent of them will be in all parts of Europe and North America. Two-thirds will be in Asia. Fewer than earlier projected will be in Africa because the HIV/AIDS epidemic is having a disastrous impact on the economy and the labour market. To halve the existing levels of unemployment, the required number of new jobs will rise to over 500 million over the next decade.

5. The prospects for an improving global employment situation will depend mainly on whether the current expansion of the world economy can be expected to continue. There are many uncertainties, including the trajectory of the United States economy (towards a "hard" or "soft" landing), the possibility of Europe taking over as the global economy's dynamo, the sustainability of Russia's upturn and India's ability to translate its high economic growth momentum into more productive and better remunerated levels of employment.

6. On balance, while there are many uncertainties, if current economic expansion continues, this will present a favourable set of prospects for the world economy. But growth cannot in itself be expected to ensure that the needed 500 million jobs are of sufficient quality to bring all the world's workers closer to the enjoyment of decent work. To achieve this requires much greater attention to core labour market issues, including investments in human capital, overcoming discrimination and making employment a central goal of economic policy.

Information and communication technologies are changing the world of work

7. The report's second section explores how the convergence of information and communication technologies (ICT) is diminishing the significance of two traditional barriers to communication – delay and distance. In so doing, ICT is allowing more people to have access to more information whenever and wherever they need it – and this is

changing established economic relations, the structure of markets and organizations. The true portent of ICT is how it will transform the "old economy".

8. Changes in the economy will transform the world of work. The creation and loss of jobs, the content and quality of work, the location of work, including the rising independence of some work from where it is performed, the nature of the employment contract, the skills required and how often they need renewal, the organization of work and the functioning and effectiveness of employers' and workers' organizations – all are affected by the emerging era of digital globalization.

9. Technological change always favours the prepared: the world's different speeds of change and different stages of preparedness mean that the existing "digital divides" are certain to widen. Within countries, the digital divide often has common characteristics. Use of the Internet, for example, is more common among younger than older people, men than women, the more rather than the less educated, urban rather than rural dwellers, and those with higher incomes. One, if not the most significant, factor is the level of education, as education itself is related to income, the gender divide and often location.

10. Between countries, the divide's features also have common characteristics. Barely 6 per cent of the world's people have ever logged onto the Internet – and 90 per cent of them are in the industrialized countries. The level of national income is strongly related to ICT diffusion and is clearly the distinguishing feature of the divide between industrialized and developing countries. The cost and availability of telecommunications determines the extent to which the Internet is used, and per capita access costs are most often higher in poorer countries. Evidence also shows a higher level of Internet usage where political and civil freedoms exist.

Guarded optimism on job creation

11. Macro policies and features of the regulatory environment have a determining influence on the degree to which enterprises will adopt new technologies, how they will use them and whether new enterprises will be created. In general terms, however, it is how enterprises adjust under the strong pressure of competition that will directly determine the employment effects of ICT.

12. Using ICT lowers costs and can increase productivity in "old economy" industries. Evidence is meagre to date, but does show that electronic markets are more transparent and, through lower transaction costs, appear to result in substantial changes in established price relations. For example, some evidence shows that electronic markets can result in up to 15 per cent lower costs for consumers. It is far more significant that lower costs are also apparent in inter-enterprise transactions. Although the ICT sector usually does not account for much more than 5 per cent of the workforce in any OECD country, the sector's contribution to GDP growth is disproportionately great.

13. Productivity growth is greatest in the core ICT sector itself where, in manufacturing, it has resulted in great increases in output, with nevertheless declining employment. But the employment decline in manufacturing has been more than offset by the rapid growth of new markets and new employment in the service sector, with business services and social services claiming the highest share of growth. Work in "intangible" product markets is also characterized by lower barriers to entry than in the previous industrial era, and is associated with a marginal increase in self-employment.

14. Evidence shows that the countries that have had the greatest growth in "total factor productivity" in the 1990s are those where ICT has been used most widely in the economy.

These are also the countries in which employment has increased the most, as in Denmark, Finland and Ireland. There is evidence that employment ratios are highest in those countries where the use of ICT is most widespread. The evidence, far from conclusive, is nonetheless consistent with the view that the technologies can have a net positive employment effect.

15. Use of the technologies is nevertheless associated with new patterns of job creation and job loss. ICT replaces old tasks and occupations since ICT enables routine tasks to be "codified" and automated. But the technologies also create new tasks and occupations, such as Web-page designers or call centre workers. More generally, ICT creates jobs for occupations in rising demand, such as software programmers, while destroying jobs in skills that are in declining demand, such as those associated with analogue technologies.

The independence of work from its location

16. Many jobs in the information economy can be performed independently of any given physical location. This is a feature of teleworking. Such work is a growing share of employment in industrialized countries. For example, almost one-fourth of the workforce in the United Kingdom now carries out at least some of its work at home. By 2003, there will be an estimated 1.3 million employed in call centres in the European Union, up from an estimated 670,000 in 2001.

17. Working from home, for example, can allow a better accommodation of work and family schedules. But isolation and exclusion from career choices can also occur. Women tend less frequently than men to mix telework with stays at the office. Nor is women's telework as mobile as men's, as it tends to be concentrated at home, where women are more likely to combine telework with family responsibilities. Men are more likely to separate the two. Call centres and data processing in developing countries are predominantly female occupations. But data processing, although it may be better than other local labour market alternatives, may not lead to career upgrading. And wages and conditions of work in call centres appear to vary widely. In the best, a new more informal and more appealing work culture may be apparent; but, in the worst instances, call centres have been called the "sweatshops of the digital era".

The chances for development

18. ICT cannot substitute genuine development, but it is a tool that could accelerate it. For example, the independence of work from location also refers to the relocation of jobs from industrialized to developing countries, such as "back-office" staff located in call centres, data entry and processing, or software development. In the Caribbean countries, almost 5,000 women were employed in data-processing activities in the late 1990s. India's software industry employed over 180,000 in the late 1990s, 27 per cent of whom were women, and generated over $4 billion in revenue from exports. The South African software industry employs 54,000. Such jobs can provide developing countries with an important toehold in global export markets, as well as providing direct employment and foreign exchange earnings.

19. Beyond participation in global value chains through the increasing tradability of services, the technologies offer the chance for development to occur through purely domestic activities and associated job growth. Through telecentres, for example, countries such as Bangladesh, India and Senegal have been able to create direct employment for thousands of women and men. Such local entrepreneurial activities are also likely to have positive

externalities on local economies. Evidence shows that women's operation of telecentres increases the participation of women as consumers of these services.

20. Since the principal consequence of ICT is greater access to and use of information, it is precisely those locations that have the least of both where the technologies could have the greatest marginal impact. Telecommunications are positively correlated with economic growth. Even mobile telephony can be a stimulus to local economic development, and some evidence shows that better telecommunications are a source of economic growth. A widening digital divide may be inevitable, but using the technologies can be beneficial at any level of economic development. The potential welfare gains for developing countries are of three major types.

21. First, countries with the right mix of skills, infrastructure and policies could become important locations in global markets for intangible products or ICT products generally. Countries as diverse as Brazil, China, Costa Rica, Israel, Malaysia and Romania have all been able to gain niches in such markets.

22. Second, acceleration of development can occur through the leapfrogging potentials inherent in the technologies, where leapfrogging is defined as the ability to bypass earlier investments in the time or cost of development. Leapfrogging has first of all a technological foundation: through wireless applications, developing countries can bypass more costly and time-consuming investments in fixed-wire telecom infrastructures.

23. In economic terms, leapfrogging can occur through several channels. For example, developing countries have often gained an initial niche in export markets through comparative advantage in cheap, unskilled labour, as is characteristic of the garment industry. Where appropriate skills are available, countries may develop the potential to bypass this earlier, lower value-added entrance into global markets. However, to be sustainable, this will require continued efforts to preserve competitiveness. At present, skill shortages in industrialized countries could draw skilled labour from developing countries. While there are benefits to international labour migration, there are also risks attached, both in receiving countries that need to focus vigorously on the training and retraining of their domestic workforce, and in the migrant workers' countries of origin, through "brain drain".

24. Small enterprises in developing countries have at least potential access to a global market for both tangible and intangible products. For example, pockets of software development are now occurring in the Philippines and in Viet Nam for clients identified through the Internet. For tangible products, provided that the physical infrastructure is adequate for the fulfilment of transactions to occur, countries can find markets for goods, including those in which they have an unassailable competitive advantage.

25. The third welfare gain that could underpin a new development paradigm arises from the possibilities that networking opens up for poverty alleviation. To the extent that ICT can improve aggregate economic growth, this could generate linkages to activities that provide livelihoods for those who are poor. Poor people could also benefit directly through access to the information that the technologies provide – or through the potential they allow for greater collective voice and empowerment. Finally, to the extent that the technologies can make governments more transparent, extend their services more broadly and at lower cost, the poor could benefit from the improved quality and reach of health, education and social services. Access to ICT for poor segments of the population is likeliest to occur at the community level.

26. Commonalities, of which three are most important, underlie those developing countries that have made successful inroads into the information economy. First, successful

countries, such as Malaysia or India, have had a clearly defined and coherent national strategy towards ICT. Second, countries that have been able to attract ICT-related jobs, such as Costa Rica or Barbados, have done so because of the existence of an educated and trained workforce. Third, most successful countries have an efficient telecom infrastructure available at affordable cost. Clearly, a range of other policies are also important, but these three are fundamental.

The quality of work in the information economy: A mixed picture

27. The networking economy offers genuine potential for striking a better balance between work and family responsibilities, or work and leisure. Work itself has become more rewarding for many in its pay and content. The creation and use of knowledge on the job can be inherently more satisfying than the monotony of narrow tasks performed under strict supervision. The independence of work from its location can be liberating not only in spatial terms, but also in the ability to schedule work when desired. The increasing knowledge content of work should favour the equality of women and men in the workforce. Intelligence and creativity are also homogeneously distributed between industrialized and developing countries, or between people with and without physical disabilities. The digital era's potential to improve the quality of work and life is real. But it is not a given.

28. The values, agreements and institutions of an earlier industrial era are often no longer suited to current trends in working conditions. Gaps in social protection are opening up. Some of the self-employed, for example, are in disguised self-employment, dependent on an individual employer, but without the benefits of an employment contract. Also, as stimulating as work can be in fast-paced, semi-autonomous work teams, not all workers are likely to appreciate the greater risks associated with greater responsibility. These risks extend from the need to keep oneself "employable" through continuous learning, to the greater stress of having simultaneously to manage competing demands, cope with information "overload", etc. An irony of the communications revolution, moreover, is that a sharply higher intensity of virtual communications can go hand in hand with increased isolation. The fact that much work in the digital era can be done anywhere, anytime has meant for some that this is precisely what is occurring, with a consequent blurring of hours of work and hours of leisure. Older workers could be excluded from the new careers and opportunities created by the technologies, as well as women, as they lag behind men in scientific and technical training. The report highlights many more risks, ranging from those of health and safety, to invasions of privacy, rising stress and insecurity, and skill polarization.

Managing the technological revolution

29. The report's final chapter identifies a range of policy areas of importance to ensuring that the social and economic gains of ICT outweigh the costs and risks of change. Of these areas, two are most significant. First, the effects of ICT on the quality of life at work have strong potentials in both positive and negative directions. It is clear that the need for worker protection remains and is arguably greater in the context of the disruptive changes that are occurring. This means that social choices on the course that the information economy will take are indispensable. In turn, the institutions through which such choices are made, including employers' and workers' organizations, need to adapt and address the issue of organizing and representing constituents in a new and more diversified labour market. Evidence shows that employers' and workers' organizations have evolved

strategies in this direction and are themselves beginning to use ICT in the delivery of services to members and non-members alike.

30. The second policy area of daunting concern is the need to address the digital divide within countries, and in particular between them. Access to the technologies is essential if their economic and social benefits are not to be foregone and if the digital divide is not to accelerate the existing income divide between industrialized and developing countries. A focus on education and skills is fundamental to a strategy to narrow the divide. Even more fundamental, however, is putting into place a national strategy on ICT: to do nothing is to risk being marginalized from the global trading system and falling further behind the wealthiest countries. For most countries, however, a national strategy alone will not be sufficient. It is incumbent on the wealthiest countries, the United Nations family, including the ILO, and the private sector to assist in narrowing the existing divide.

Geneva, 14 February 2001.