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PRIORITISING SKILL DEVELOPMENT AND TRAINING TO PROMOTE INCLUSIVE DEVELOPMENT

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SUMMARY

This ESRC GPID Brief considers recent projections of the job-displacing potential of rapid technological change. The brief argues that the 'Fourth Industrial Revolution' and its possible impact on labour markets necessitate much greater attention to skill development and training, which at present constitute only a small component of many social protection systems in developing countries.

About the GPID research network:

The ESRC Global Poverty and Inequality Dynamics (GPID) research network is an international network of academics, civil society organisations, and policymakers. It was launched in 2017 and is funded by the ESRC's Global Challenges Research Fund.

The objective of the ESRC GPID Research Network is to build a new research programme that focuses on the relationship between structural change and inclusive growth.

See: www.gpidnetwork.org

THE DEVELOPER'S DILEMMA

The ESRC Global Poverty and Inequality Dynamics (GPID) research network is concerned with what we have called 'the developer's dilemma'.

This dilemma is a trade-off between two objectives that developing countries are pursuing. Specifically:

1. Economic development via structural transformation and productivity growth based on the intra- and inter-sectoral reallocation of economic activity.
2. Inclusive growth which is typically defined as broad-based economic growth benefiting the poorer in society in particular.

Structural transformation, the former has been thought to push up inequality. Whereas the latter, inclusive growth implies a need for steady or even falling inequality to spread the benefits of growth widely. The 'developer's dilemma' is thus a distribution tension at the heart of economic development.

Introduction

Active Labour Market Programmes (ALMPs) constitute only a small proportion of all forms of social protection. For example, ALMPs account for just 3% in the Asia Pacific region (McKinley 2018).

There are, of course, various forms of Active Labour Market Programmes. They include, for example, India's well-known Mahatma Gandhi National Rural Employment Guarantee Scheme. It is the largest public works programme in the world, providing temporary unskilled manual labour to millions of poor rural workers.

However, this programme is not designed to develop workers' skills in order to secure higher-paying and more sustainable employment.

In fact, it is noteworthy that across Asia as a whole, the focussed efforts at skill development and training—which is one component of Active Labour Market Programmes—have represented a mere 1% of all forms of social protection.

Why is Skill Development and Training such a minuscule component of many systems of social protection—elsewhere as well as in Asia? Such a situation is particularly worrying in light of recent widespread warnings about the job-displacing potential of increasingly rapid technological change.

This growing trend is often labelled the 'Fourth Industrial Revolution' and it has massive implications for achieving inclusive development.

This general technological trend includes various components, including especially the spread of artificial intelligence and robotics. If warnings about technological change are taken seriously, skill development and training will have to rapidly rise in

importance. Otherwise, the prospects for achieving any form of future inclusive development will be severely impaired. Inequality is likely to rise sharply between those who have modern technological skills and those who do not.

McKinsey Projections

Recently, the literature on the 'Fourth Industrial Revolution' has been growing rapidly. The World Bank has addressed this problem (e.g., World Bank, 2016), as have other major organisations, such as the OECD, the World Economic Forum, the ILO and UNCTAD.

Particularly noteworthy have been recent publications generated by CityGroup and the University of Oxford (e.g., Frey et al. 2016) and the McKinsey Global Institute (MGI, 2017a; 2017b).

The findings of the MGI (2017a) report seek to make global projections of the impact of automation on work and employment through to 2030. Its analysis covers 46 economies that account for almost 90% of global GDP.

Particularly interesting are its focussed projections for six major economies: three large Developed Economies (Germany, Japan and the United States) and three large Emerging Economies (China, India and Mexico).

While the McKinsey report experiments with various scenarios, it focuses on its 'mid-point' scenario, which projects that by 2030 Automation will have impacted on the employment of 14% of the global workforce, or 2.6 billion workers.

For example, it projects that up to 13% of workers in China might have to switch occupations, up to 10% of workers in Mexico might also have to change jobs and up to 6%

of workers in India might be similarly affected.

Prioritising Skill Development and Training

How are such displaced workers going to develop the upgraded skills that would enable them to transition to new jobs? Of course, this question assumes that enhanced economic growth in these Emerging Economies will be able to generate these new jobs.

Even under such a potentially optimistic assumption, the critical importance of placing an increased emphasis on skill development and training should be obvious. Yet in current discussions of social protection, such programmes are widely ignored. Instead, social transfers of various kinds, including cash transfers and universal guaranteed income, receive most of the attention.

Such a response appears to be based on a misguided conception of human development. Instead of treating human beings primarily as rightful but essentially passive recipients of benefits, the emphasis should be centred on helping them to actively expand and enhance their human capabilities.

Basic health and education are now widely accepted as bedrocks for human development. However, if the projected impacts of automation (such as those by McKinsey) are plausible, even the nature of education at the primary, secondary and tertiary level will have to undergo substantial revamping.

Just as important—if not more so—will likely be ‘mid-career’ skill development and training because of the substantial number of workers who are likely to be displaced from their current employment. As the McKinsey Report itself states (p. 1), “midcareer job training will be essential, as will enhancing

labour market dynamism and enabling worker redeployment” (p. 1).

Further and more in-depth research on the likely effects of rapid technological change on employment in major Emerging Economies is needed.

This effort should prioritise the role of skill development and training as a critical—though woefully neglected—component of social protection.

In addition, greater attention should be devoted to linking this research work more explicitly to the prospects for inequality, namely, the inclusivity of future economic development.

References

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