New Markets and New Jobs in the Digital Economy
Objectives

The digital economy has the potential to enhance productivity, income and social well-being. It is creating job opportunities in new markets and increasing employment in some existing occupations. As digital technologies enable the production of more goods and services with less labour, they also expose some workers to the risk of unemployment or lower wages. They also enable changes in the organisation of work, with implications for the capability of existing policies and programmes to ensure labour market inclusion, job quality and skills development.

To reap the benefits of the adoption of digital technologies, governments, businesses, trade unions and academia will need to address new economic and labour market challenges. The panel will focus on policies to foster growth and employment in new economic activities enabled by digital technologies, to accompany workers along the transition to new jobs, and to help ensure job quality in the digital economy.

Key issues

Fostering new economic activities enabled by digital technologies is crucial to create more jobs.

Investment in data and digital infrastructure is essential to support innovation, growth and jobs in the digital economy. However, the share of GDP invested in information and communication technologies (ICTs) has been decreasing in real terms in many OECD countries since 2001. Business adoption of advanced digital technologies remains limited as well. Most firms have a broadband connection and a webpage, but few use advanced ICT applications such as enterprise resource planning software, e-commerce, cloud computing or radio frequency identification.

Public procurement and public-private partnerships can stimulate ICT investments and digital adoption and help new digital markets to emerge. Better access to e-government will also raise uptake of these services among firms and citizens. Policy support is needed for complementary investments in knowledge-based capital, including employee skills, organisational know-how, databases, design, branding and various forms of intellectual property.

Entrepreneurship plays an important part in the development of the digital economy and the creation of new jobs. Policies are needed to build a regulatory environment in which businesses can thrive and fail, with easier access to finance for small innovative firms, lighter procedures for start-ups and lower failure costs. Policies can also help to promote more positive cultural attitudes towards risk.
Q1: What are the roles of governments, businesses, trade unions and academia in promoting ICT investment and digital adoption? What policies can enable innovative young firms to flourish and create new jobs?

The process of structural change fuelled by the digital economy may lead to significant disruption in the labour market.

While it creates new job opportunities, the digital economy also destroys jobs in sectors with more scope for automation and slower growth in demand, such as manufacturing, retail and finance. This process affects both low- and high-skill jobs in routine occupations. Research by the OECD and others has shown that, historically, higher productivity resulting from technological advances progressively translates into lower prices, higher final demand and higher employment, and eventually compensates for the initial job displacement. This is a lengthy process, however, and exposes some workers to the risk of prolonged unemployment and/or income loss.

Policies to promote skills development to retain jobs and to accompany workers along the transition to new jobs would reduce social costs in the short run. In addition to “passive” measures, such as unemployment benefits or income support, workers can benefit from a range of “active” measures, including job search assistance, job matching services, training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives. Use of big data analytics can better inform labour market policies with more timely and precise monitoring of emerging job opportunities. Preparing the workforce for new jobs in the digital economy is an important aspect of the transition period.
**Figure 2.** Estimated changes in labour demand accounted for by ICT investments (1995-2012)

Average yearly rates


Q2: What actions can help workers displaced by increased digitalisation find job and career pathways to meaningful, satisfying and well-paid work?

*New Internet-enabled business models affect the organisation of work and the effectiveness of existing labour market programmes and policies.*

In an increasingly integrated global economy, digital technologies are enabling firms to segment work in new ways and to increase the use of temporary labour. With innovative online platforms, new intermediary firms are connecting individual providers with individual customers, turning some full-time, long-term jobs into an uneven flow of “on-demand” tasks.

The number of users on the two largest job-matching platforms has increased 15 times in ten years, reaching 36 million in 2015, a figure that underestimates the actual number of platform-enabled workers. If it continues, this trend could transform the traditional employer-employee relationship, with significant implications for labour market policy and social dialogue.

For workers, greater flexibility in the choice of working time may come at the cost of lower job quality, higher income volatility, lower access to social protection and more responsibility for skills development. For firms, lower labour costs and wider access to a global pool of virtual workers may erode their human capital assets. To meet these challenges, governments and social partners should improve their ability to
detect emerging labour market trends and explore ways of developing existing labour market programmes and safety nets, in which eligibility is tied to standard employment models, so as to ensure inclusive growth and job quality in the new work organisation enabled by the digital economy.

**Figure 3.** Registered users on selected job-matching platforms (2005-2015)

Source: OECD estimates, based on Upwork and Freelancer data.

**Q3:** What actions are most promising for seizing the employment opportunities created by Internet-enabled businesses while promoting job quality, skill development and labour market security?