

Worried about the fourth industrial revolution's impact on jobs? Scale up skills development and training!

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We have been living through the third industrial revolution—'digitalisation'—since 1980. However, the fourth industrial revolution (driven mainly by robotics and artificial intelligence) already appears to be fast approaching.

What will be its likely impacts on jobs, incomes and economic inequality? And, more importantly, what can be done about them? This One Pager focuses on this revolution's practical implications for social protection programmes.

So far, the dominant response has focused on scaling up income transfers—especially offering a universal basic income. But even if the value of this transfer were set to strictly match a given country's poverty line, it would still be quite expensive. It would also have no redistributive impact: those people who are economically better-off and those in the middle class would benefit from it as much as poor people would.

More importantly, would a universal basic income really solve any long-term problems, such as the widespread joblessness that is currently being projected as a result of the fourth industrial revolution? We do not believe so. We posit that it is necessary to place a higher priority on skills development and training. However, currently this is a woefully neglected dimension of social protection.

Skills development and training in Asia

In 2016 the Asian Development Bank (ADB) commissioned a study covering 25 Asian countries to update the estimates for its Social Protection Indicator (ADB 2016). The ADB aggregate indicator is divided into three major categories: [social insurance](#), [social assistance](#) and [labour market programmes](#).

In that year, social insurance accounted for 73 per cent of all forms of social protection, while social assistance accounted for 24 per cent. Labour market programmes accounted for the remaining 3 per cent; however, they were divided between cash-for-work programmes and skills development and training. Surprisingly, skills development and training accounted for a mere 1 per cent of all forms of social protection.

In other regions, as well as in both developed and developing economies, this pronounced neglect appears to be widespread. Why are skills development and training being so marginalised? When this marked neglect is considered against the backdrop of the job-displacing potential of the fourth industrial revolution, it can become deeply concerning.

Current projections

The McKinsey Global Institute (2017) has recently been doing a lot of work to assess the likely impact of the fourth industrial revolution. Its 'mid-point' scenario to 2030 (which contains neither its most pessimistic nor its most optimistic assumptions) still projects that the jobs of 14 per cent of the global workforce (almost half a billion workers) are likely to be affected. And 2030 is not that far away.

The impact is likely to be stronger in developed economies than in emerging and developing economies. Even so, McKinsey still projects that, for example, the work activities of 13 per cent of the workers in China and 10 per cent of the workers in Mexico would be impacted. These projected percentages rise to about 26 per cent in Japan and 23 per cent in the USA.

Regardless of how much time is devoted to debating issues of scale and timing, these projections nonetheless suggest that many workers worldwide might be searching for new jobs relatively soon, as well as having to develop new skills. Otherwise, they will be out of work—and not just in the short term.

Thus, social protection programmes face a major strategic choice. Do they treat people primarily as rightful—but essentially passive—recipients of income support, such as through a universal basic income? Or do they emphasise helping beneficiaries to actively expand and enhance their human capabilities? We believe that the latter, human development approach is a more viable long-term solution. However, if this option is chosen, various forms of skills development and training would have to be rapidly scaled up.

Table 1

Social protection programmes in Asia (2016)

Programme type	Percentage of total
Social insurance	73%
Social assistance	24%
Labour market programmes	3%
- Cash-for-work	2%
- Skills development and training	1%

References:

ADB. 2016. *The Social Protection Indicator: Assessing Results for Asia*. Manila: Asian Development Bank.
McKinsey Global Institute. 2017. *Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation*. New York: McKinsey & Company.