



OXFAM

Oxfam Comments

on the

**World Bank's Working Draft of The World Development Report 2019
'Changing Nature of Work'**

June 2018

Thank you for making public the working draft of the World Development Report 2019: The Changing Nature of Work. Oxfam has read this draft and has several comments which we hope you will consider seriously. Given our focus on ending poverty and reducing inequality, where the issue of work and wages is key, we have a keen interest in this WDR. Our comments pertain to the overall framing and narrative of the draft as well as specific recommendations, some of which we find quite alarming. Considering the influence of the World Bank at a global scale and the importance that governments, donors, and private sector actors among others attach to knowledge coming out of the World Bank, the Bank has a unique responsibility to promote messages that are coherent with internationally agreed norms and standards, support the fulfilment of the Sustainable Development Goals, and importantly align with the Bank's own twin goals. This current draft has some very interesting ideas, but it also contains some dangerous proposals and assumptions which, in our opinion, might compromise the Banks' mission of eradicating poverty and achieving shared prosperity. We therefore recommend a revision before final production in the following areas:

RE: over-optimistic thrust on automation in the draft

- The current draft **downplays the forthcoming changes in labour markets due to increasing automation and their critical consequences, especially considering that earned income from work is the most important source of income for most households, in both rich and developing countries.**¹ While it is hard to foresee the overall impact of automation and artificial intelligence (AI), it is clear that workers and labour markets will face dramatic changes which will create winners and losers with significant distributional consequences. They all will be related to human labour being displaced by capital and therefore by a weakening of workers positions with respect to capital's owners. The impact on developing countries is likely to be particularly severe.
- Some of these changes will happen within companies and sectors, but many will occur across sectors and geographies as well as countries. In some cases, automation will prevent poor countries from using their comparative advantage in abundance of low-skilled labour as a path to development, with consequences on the configuration of global supply chains. This might even reverse the trend

¹ ILO. (2015). Global Wage Report 2014/15: Wages and income inequality. Figure 29 and figure 32. <http://www.ilo.org/global/research/global-reports/global-wage-report/2014/lang--en/index.htm>

in poverty reduction and decreasing between-country inequality observed in the past decades.

- The higher productivity gains are likely to be captured by the owners of the new high-technology capital, rather than by workers. This trend will have two potential negative consequences on economic inequality:
 - i) it will further **deepen the process which sees the share of national income accruing to those with wages declining, and that going to the owners of capital, increasing**. Income from wealth – for example interest payments, share dividends or the rising value of property – has increased far faster than wages in the last three decades, creating clear winners and losers from the booming global economy. Automation might reinforce this trend.
 - ii) It will also increase the gap between low and middle-wage jobs on one side, and high-wage jobs on the other, meaning **that low- and middle-skilled labour will continue to bear most of the decline in the global labour share of income.**²

Given the dramatic consequences that automation might have on workers, wage polarisation and overall economic inequality, the WDR warrants a more thorough and comprehensive analysis of these consequences and of the preventive and corrective measures that might be necessary.

RE: the lack of inequality perspective linked to work and wages

- The current draft downplays the recent evolution of inequality within developed and developing countries and its pernicious consequences. **At the national level, most countries have seen an increase in income inequality over the last 30 years.**³ This includes the world’s most populous countries such as China and India.
- Research led by the International Monetary Fund (IMF) has shown that **high levels of inequality make it less likely for a country to sustain economic growth**

² From 1995–2009 their combined labour income share was reduced by more than seven percentage points, while the global high-skilled labour share increased by more than five percentage points. Even in countries in which wages have kept their share of the national income, the share for the low paid has still fallen in favour of high earners. See IMF. (2017). Chapter 3: Understanding the Downward Trend in Labor Income Shares in World Economic Outlook, April 2017: Gaining Momentum? Retrieved 24 August 2017, from <http://www.imf.org/en/Publications/WEO/Issues/2017/04/04/world-economic-outlook-april2017#Chapter%203>

³ 8 IMF. (2017). Fiscal Monitor: Tackling Inequality. <https://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>



OXFAM

over the long term,⁴ and that redistribution is largely benign for growth,⁵ especially for countries which have a Gini coefficient above 0.27⁶– that is for the greatest majority of countries.⁷

- To fight against these inequality dynamics, the **creation of decent jobs for ordinary people, and a growing share of the national income going to workers and producers, and especially to women, are indispensable.** This can only be achieved with careful policies around wages, labour regulations and workers' rights and social protection.
- When considering the future of work, it is essential to **frame the discussion acknowledging that behind the increase of inequalities there is a constant reduction of the labour share of total income.** Therefore, in the 'New Deal' the WDR is calling for, **the restitution of a balance among capital, wages and public revenues in GDP must be a clear objective.** Otherwise, the future of work will mean lower wages, more wealth concentration, and more inequality. It is time to define and develop new rules to reward work and not just wealth, and considering the Bank's own mission, the WDR should find ways to promote this objective.

RE: Women workers

- While we welcome the report's recognition of the legal barriers facing women, we are concerned that there is **not a more comprehensive analysis of the factors preventing women from participating as equals in the labour market.**
- Across the world, women consistently earn less than men and are concentrated in the lowest-paid and least secure forms of work. Globally, women's participation in the formal labour force is 26% lower than men's⁸. Legal barriers certainly play a part in this in many countries. However, even with those barriers removed, **women still face social norms, attitudes and beliefs which devalue**

⁴ A. Berg and J. Ostry. (2011). Inequality and Unsustainable Growth: Two Sides of the Same Coin? <https://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>. IMF Staff Discussion Note SDN/11/08.

⁵ J. Ostry, A. Berg and T. Charalambos. (2014). Redistribution, Inequality, and Growth. <https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>. IMF Staff Discussion Note SDN/14/2.

⁷ Only 11 countries have a Gini coefficient below 0.27, according to authors' calculations in Stata using: F. Solt. (2017). Using the Standardized World Income Inequality Database. University of Iowa, 2017. The Gini coefficient was calculated after taxes and transfers. Using the latest data from the Standardized World Income Inequality Database (SWIID – version 6.1), there were 11 countries that had a Gini lower than 0.27 in 2014 (the most recent year that includes a large pool of countries, 93): Belarus, Belgium, Czech Republic, Denmark, Finland, Iceland, the Netherlands, Norway, Slovenia, Sweden and Ukraine

⁸ Gallup and ILO. (2017). Towards a Better Future for Women and Work: Voices of Women and Men.



OXFAM

the status and abilities of women, justify violence and discrimination against them, and dictate which jobs they can and cannot expect to hold. Roles considered to be ‘women’s work’, such as cleaning or nursing, are often valued and paid less. The notion that women should not be the primary breadwinners in their families can result in them being perceived as more suitable for temporary, part-time or non-contracted jobs.

- Women’s choices and decision-making abilities can often be constrained by their unequal responsibility for unpaid care work. This is worryingly overlooked in the report as it stands. The section on women workers does make passing reference in this section to women leaving the workforce due to ‘child rearing responsibilities’, with this noted as a contributory factor to gender pay gaps, but with seemingly no further exploration of why this is or how it could be addressed. **There should be more recognition of the time burden that unpaid care work places on women, and the impact that this has on their ability to participate in education and in paid work.**
- There is **no mention of violence against women and girls, in the workplace but also in the home and the community**, which is a significant barrier to many women participating and thriving in the workplace.

The unequal access that women have to education and to productive resources relative to men is a major contributory factor that the WDR should also acknowledge and address.

RE: policy recommendations

- The draft report uses the concept of “flexicurity” as the desired institutional framework under which the future of work should operate. Certainly, labour markets based on “flexicurity” have been able to offer decent rights and good conditions to workers, while providing the fluidity needed in the new economy. However, flexicurity occurs in very few countries in the world, all of them with high levels of development, with a very specific history, culture as well as institutional arrangements. Flexicurity has only been possible where there is also a large public investment in public services, social protection, highly efficient active labour market policies, a big public sector and publicly owned companies; everything based on very large fiscal space. In fact, labour regulation may be lower but the capacity of the public sector and public policies to influence the labour market is very significant. Therefore, **calling for the deregulation of labour markets in order to achieve flexicurity in contexts and countries where these conditions are not available nor feasible in the near future, means leading the future of work towards “flexi-insecurity”.**
- Calling for a general **deregulation of labour markets when the preconditions for doing so in so many countries are not possible is to open the door to a race to**



OXFAM

the bottom on wages. If that is the future of work, then it will more similarly resemble “the past of work”, in large parts of the world and especially for low-skilled workers: low paid and bad working conditions. There is no evidence to support recommendations like deregulation in every country and referring to every labour regulation. In fact, a recent review of human rights implications of austerity-driven labour policies⁹ found that there is no strong evidence that deregulated labour markets helped European countries to cope with the 2007–11 crisis¹⁰ or that employment protection legislation determines employment levels.¹¹In the absence of any evidence, the impression is given that this is more of an ideological position by the authors, which undermines the credibility of the WDR.

- We celebrate that the draft recognises the need for an effective representation of workers to guarantee their bargaining power. Oxfam is highly concerned about the challenges faced by women, non-formal workers, and non-standard employees in that matter. The governance of labour relationships must guarantee their real and meaningful representation. However, while promoting deregulation, **the draft is not suggesting any way to reinforce workers’ representation. This is problematic because evidence suggests that the decline of workers’ unionization and bargaining power has been a driver of the decline in the labour’s share of income.** Reversing this trend demands active interventions to favour workers’ organisation and collective action, especially the high and raising rates of informal, precarious and casual work the world over.
- **We also strongly disagree with the draft report’s recommendation of eliminating minimum wages; a tool that has demonstrated a great capacity to reduce inequalities, and that has guaranteed in many contexts that the most vulnerable workers have minimum levels of income regardless of their bargaining power.** Safeguarding and guaranteeing wage floors for all workers is particularly important considering that while the value of what workers produce has grown dramatically in recent decades, wages have not kept pace.¹² In general

⁹ UN (2016) *Report of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights*. A report for the UN General Assembly. A/HRC/34/57.

¹⁰ P. Tridico (2013). *The impact of the economic crisis on EU labour markets: a comparative perspective*. *International Labour Review*, Vol. 152 No. 2.

¹¹ International Institute for Labour Studies (IILS)/ILO, *World of Work Report 2012: Better Jobs for a Better Economy*. http://www.ilo.org/global/research/global-reports/world-ofwork/WCMS_179453/lang--en/index.htm

¹² The ILO found that, in 91 of 133 rich and developing countries, wages have not kept pace with increased productivity and economic growth from 1995–2014. See ILO. (2017). *World Employment Social Outlook: Trends 2017*. Since 1999, the growth in labour productivity in this group of countries has exceeded wage growth. Others have shown a similar trend in developing countries, showing that this is something global, affecting both rich and poor countries. For the years 1995–2014, ILO (2017) looked at 133 countries and found that ‘91 experienced a decline, 32 experienced an increase and ten remained stable’.

and on average, wages are the most important source of earned income for households, though income from selling crops or goods in the informal economy is also important.¹³ Therefore, increasing access to decent work boosts equality. The World Bank itself has recently highlighted the important role of labour markets and wages in reducing inequality and poverty.¹⁴

- Although we appreciate the draft's support of big companies' **profit sharing with their own workers, it is not a valid substitute for minimum wages**. This proposal ignores the fact that a large part of these companies' production has been outsourced to smaller businesses and that a significant proportion of workers are employed or self-employed in sectors far away from those large companies.
- Regarding the content on social protection, Oxfam acknowledges the need for stronger social protection systems. We welcome the draft's support of tax-based social protection systems, which shifts the entitlement from workers to citizens. Social protection should be a universal right for all citizens, and divisive targeting of the poorest should be avoided. However, that **future of social protection must come with discussions on how to raise public revenues. To revert the current inequality levels, political decisions needs to be made to increase progressive forms of taxation**. In particular, governments should rely relatively more on taxation of capital and wealth and relatively less on the taxation of labour and consumption. We cannot face the future of the work with social protection systems based on poor people paying for other poor people.
- The transition from contributory schemes to a tax based social protection system is a complex one, and needs to come with appropriate recommendations on progressively and transparently mobilizing domestic resources. The draft does indeed touch on this for example when it discusses corporate tax avoidance and we very much **hope the important endorsement of Country by Country Reporting will remain in the next draft. The draft could likewise urge countries to stop the race to the bottom on corporate income tax**.

Re: Education

- It should not be the sole or primary response to growing automation and mechanization of jobs, but there is no doubt that investing in high-quality education, including opportunities for lifelong learning, is crucial. Education alone will not be sufficient to address the significant imbalances of power and income that already exist within the labor market, and which risk being exacerbated by new technologies and increased automation. However, a **holistic, quality education that leads to the development of higher-order skills such as critical thinking and problem-solving – as well as an understanding of**

¹³ ILO. (2015). Global Wage Report 2014/15: Wages and Income Inequality.

¹⁴ World Bank. (2016). Poverty and Shared Prosperity 2016: Taking on Inequality. Retrieved 1 November 2017, from <https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf>



OXFAM

citizenship, the rights of women, environmental and social responsibility and cultural heritage -- will help equip children and young adults with the tools they need to adapt to a changing job market, as well as to shape their own societies and engage in the democratic process. For this reason, we echo the concerns expressed by other education experts, including Education International, about the unintended consequences of standardized testing and the focus on a global testing metric. As EI notes, “shifting focus from teaching and learning to [standardized] assessment is detrimental to inclusive quality education for all as it narrows the curriculum and forces teachers to teach to the test.”

- We cannot achieve high-quality, equitable, universal education without serious public sector investment. It is simply not true that most developing countries are investing adequately in education, and that their failures are caused primarily by inefficiencies or poor policies. Financing alone is not sufficient, but it must be a critical pre-requisite to achieving quality education and learning for all children. UNESCO recently estimated¹⁵ the minimum cost to deliver quality primary education in low-income countries is about \$200 per student. However, on average LICs are spending only \$70 per pupil - less than half this amount. In lower MICs the minimum cost rises to \$510 per student, yet average expenditure is only \$250. How can we expect to achieve good learning outcomes with such low investment? **The WDR should call for robust public investment in education (in line with the SDG target of 4-6% of GDP and 15-20% of budgets), in order to build the human capital necessary to allow all people to benefit from the future economy.**
- Quality education must not only be available to those who can pay school fees; this condemns too many children in lower-income countries to a life of exclusion. The WDR 2018 on education rightly says that “Fees and opportunity costs are still major financial barriers to schooling.” In too many countries, school fees and other out-of-pocket costs are still excluding girls -- as well as other poor and marginalized children – especially at secondary level. New data on household expenditures from UNESCO¹⁶ shows that families’ contributions to education are unsustainably high. For example, in Uganda, more than half of total spending on education is paid by families out-of-pocket. This is an inequitable way to finance education and it is a symptom of underinvestment in the sector. **The WDR should recommend the abolition of fees, especially at secondary level to ensure universal access to the skills and competencies that will be needed in the job markets of the future; it should also ensure scaled up public investment**

¹⁵ UNESCO Education for All Global Monitoring Report (July 2015) Policy Paper 18. “Pricing the right to education: The cost of reaching new targets by 2030.”

<http://unesdoc.unesco.org/images/0023/002321/232197E.pdf>

¹⁶ UNESCO UIS (June 2017) “The World’s Families: Hidden Funders of Education”

<https://sdg.uis.unesco.org/2017/06/02/the-worlds-families-hidden-funders-of-education/>



OXFAM

in early-childhood education to level the playing field for the poorest children.

Governments should also address the practice of charging informal fees and ensure that adequate funding makes it to the school level to compensate. This must go hand-in-hand with system-wide investments to ensure quality is also maintained and improved.

- The shifting nature of work will make the ability to adapt and learn new skills increasingly important. It will be important for both governments and employers to take steps to make this possible. If they are serious about ensuring lifelong learning opportunities for all workers however – and particularly for women workers who shoulder most of the burden of unpaid care work – then **they must address issues of time and income poverty, as well as investing in education provision.**

For more considerations on education policy recommendations, please see Oxfam’s input to the WDR 2018 on Education.¹⁷

¹⁷ Oxfam (April 2017) https://d1tn3vj7xz9fdh.cloudfront.net/s3fs-public/file_attachments/oxfam_response_to_the_wdr_concept_note_april_2017.pdf