Relevant to technology penetration into economies is the associated transformation in the labor force, namely the decline in middle-skills jobs and greater concentration of employment at the top and bottom ends of the skills distribution.

Digital Integration in Germany are equipping refugees with the necessary education and preparing them for the future of work. Two examples from G20 countries showcase the emerging economies of Turkey and Brazil. The former hosts 3.5 million Syrians [1] and the latter is the country with second highest positive COVID-19 cases in the world: 2.8 million. [2] These factors require financial resilience. The latter is questionable as both economies face increasing difficulties to meet the obligations of maturing debts and deteriorating fiscal deficits [IMF 2020].

Thus, the already rather asymmetric and messy transition to the future of work is becoming more challenging with the virus. The digitalization process, which causes rising competition between natives and immigrants, is being aggravated by contraction in economic activity due to COVID-19.

Hence, the challenge at hand is multifaceted and requires the involvement of different stakeholders at multiple levels. This policy brief examines the impact of technology, immigration, and COVID-19 on the labor markets of developing and emerging economies and sets forth a number of recommendations for the G20 to address them.

Proposal

The rapid development of artificial intelligence (AI), machine learning, and robotics has generated both positive and negative by-products. These new technological advancements are creating new-found capabilities and offering both higher productivity and greater job quality. A leading financial technology company in China, for example, introduced AI to fill the tasks of loan officers. In return, the company hired 3,000 data analysts to look after the algorithms of lending [World Bank 2019]. These results indicate that AI creates jobs. Second, utilization of AI requires skills upgrades for the future of work, namely programming and coding.

There are two sources of competition in the labor markets of the Group of 20 (G20). One is modern technology, which is changing the future of work. The other is relatively older, but has increased in recent years: immigration. The two sources of competition share a denominator, which is the notion of “us vs. them,” and both are amplified by the consequences of COVID-19.

This policy brief scrutinizes the impact of technology, immigration, and COVID-19 on the labor markets of developing economies and sets forth several policy recommendations to bridge the gap between birth rights and human rights.

Challenge

Before the COVID-19 pandemic, the local labor force in immigrant-hosting countries was already under two types of pressure. First, digitization and artificial intelligence (AI) are disrupting the traditional work environment. Commonly refer to “robots replacing humans in the workforce,” the impact on the future of work is gradually becoming more visible.

Since the world is in transition, the impact of new technologies on the economy is asymmetric. Take, for example, online food ordering platforms. The highest level, the collection and transmission of orders is an AI task. The middle level, who are processed and prepared in restaurants, is not yet fully automated, but possesses a high potential for further automation. At the lowest level, order delivery is carried out by low-skilled couriers. Alarmingly, working as a food courier is associated with traffic accidents: 90% of all traffic accidents in Nanjing, China, involved food delivery couriers [China Labour Bulletin 2017]. Moreover, the same urban space attracts immigrants who add to congestion while seeking employment. Thus, migrar urban problem.

Second, immigrants compete with natives in the labor market. The notion of immigrants crowding out locals in destination countries gives rise to “birth rights versus human rights” protests in numerous countries. However, welcoming immig the labor market allows natives to perform jobs demanding a higher set of skills.

The COVID-19 pandemic has changed this situation. Lockdown measures designed to control the spread of the virus have led to a slowdown in economic activity all around the world, especially in developing countries that are hosting the most refugees. Decline in natural resource prices, tourism revenues, remittances, and other export revenues due to slowdown in economic activity is particularly bad for developing economies with savings deficits and/or foreign exchange deficits.

Reliable estimates showed that automation poses a higher risk of large-scale displacement in the labor markets of developing countries since there are abundance low-wage and low-skilled occupations [Bowles 2014]. Recent studies, however, analyzing either tasks (Niederle and Quintini 2018) or work activities (Manylka, Chui, et al. 2017) indicated that the share of jobs at risk of automation may have been significantly overestimated by initial studies. Still, some developing count more predisposed to a greater risk of automation because of two factors: diverse industry and occupational structures, and dissimilarity in job content within the same industries and occupations (Niederle and Quintini 2018).

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Proposal

The rapid development of artificial intelligence (AI), machine learning, and robotics has generated both positive and negative by-products. These new technological advancements are creating new-found capabilities and offering both higher productivity and greater job quality. A leading financial technology company in China, for example, introduced AI to fill the tasks of loan officers. In return, the company hired 3,000 data analysts to look after the algorithms of lending [World Bank 2019]. These results indicate that AI creates jobs. Second, utilization of AI requires skills upgrades for the future of work, namely programming and coding.

Nevertheless, there are worries and malpractices associated with technological advancements. These include the potential displacement of human labor [Brynjolfsson and McAfee 2011], broadening income inequality [Acemoglu and Autor 2012], the expanding share of informal employment, which affects the quality of jobs created [OECD 2016a].

These worries are present in both developed and developing economies. However, they are more prominent in the latter. The rapid growth of the labor force in relatively young societies of developing economies raises concerns about their ability to accommodate the expanding working-age population due to inadequate job opportunities. Combined with technology that permits developed countries to return production facilities to nearer priority locations, or even back into domestic due to fully automated factories, a process referred to as reshoring [De Bakker et al. 2016], developing economies suffer from premature deindustrialization [Rodrik 2018]. This means that there is less economic convergence and slower urban growth.

Therefore, youth in developing countries will prioritize emigration for better opportunities.

Invest in developing the skills of the youth to prepare for the future of work and reduce polarization in the labor markets.

Organizations and the country at large need to invest in the development of critical skills among the youth. The need for skills is determined by the market demand of jobs. Jobs that are in demand have high skills levels. The youth need to be trained in high-level skills to be competitive in the job market. The government and the private sector need to collaborate to provide the necessary training programs.

Training programs should focus on developing critical skills such as programming, data analysis, and machine learning. These skills are in high demand in the job market and are essential for the future of work.

In addition, the government should invest in education and training programs to improve the quality of education and reduce the skill gap between the labor market and the job market. This will help to reduce polarization in the labor market.

There are several ways to improve the quality of education and training programs. One way is to invest in technology and equipment. This will help to improve the quality of education and training programs and make them more relevant to the job market.

Another way is to collaborate with the private sector to provide the necessary training programs. This will help to ensure that the training programs are relevant to the job market and that the youth are prepared for the future of work.

The government should also invest in the development of critical skills among the youth. This will help to reduce polarization in the labor market and ensure that the youth are prepared for the future of work.
Technology affects polarization in two ways. First, it reduces employment in routine and cognitive tasks. Consequently, displaced workers are pushed into less-routine jobs at the lower end of the skills spectrum. Second, technology increases demand for workers in higher-skilled and, to a lesser extent, lower-skilled occupations. It therefore expands the concentration at the two ends of skills range. This process is called Routine-Based Technological Change (RBTC) (Kutor, Levyn and Munane 2003) and explains the declining demand for middle-skilled jobs and the increasing labor force polarization. The role of technology in polarizing the labor force and in deindustrialization is more evident in developed countries (IEC). Therefore, the share of middle-skilled occupations is declining in all sectors of the economy (OECD 2018b). In a similar context, upskilling and reskilling are necessary interventions to cope with job transitions in the labor market (World Econ Forum 2018). Upskilling refers to “learning new competencies to stay in current role, due to the change in skills required, or adding certain competencies for career progression.” Reskilling refers to “learning new sets of competencies to trans nationally complete new role.”

The driver of polarization in developing countries happens differently. The loss of middle-skilled jobs to high- and low-skilled jobs is mostly due to the decline in specific sectors. Hence, the polarization between industries is more evident in, for example, Indonesia and Turkey, while polarization within industries is more relevant in Brazil and South Africa. Therefore, polarization in developing countries is driven by structural transformation: “realization of employment from less polar sectors (agriculture, but also manufacturing in some countries) to more polarized service sectors,” rather than by technology (Soto 2019). This transformation assisted economic growth in emerging and developing economies (Baymul and Sen 2017). It also resulted in the growth of jobs requiring cognitive tasks (Aedo et al 2013; Apella and Zunino 2017). Nevertheless, a decent share of employment in developing countries consists of occupations with content still based on manual tasks. Consequently, with growth in jobs requiring cognitive tasks, workforce of the developing countries are more vulnerable to worker displacement driven by Routine-Based Technological Change (Soto 2020). As such, imposing severe challenges for workers who are locals or immigrants, to firms, and policymakers.

The second source of competition within labor markets relates to human mobility. The International Organization of Migration (IOM) indicated that the total number of international migrants in 2019 was 272 million, including 25.9 million net. While 68% of international migrants are in high income countries, refugees are in different situations. The overwhelming number of refugees are located in developing countries, namely: Turkey, Pakistan, Uganda, and Sudan (McKeeffe and I 2020).

Developing countries should utilize the benefits of hosting forced migrants who expand the labor market for locals. Its lessens the transition to the future of work. One example of a developing country with a large number of forcibly displaced migrants is Turkey. The arrival of Syrians was relatively sudden and not motivated by the availability of jobs in the Turkish labor market. Therefore, the impact of Syrians’ influx is expected to be, at least in the short-term, negative in the form of displacing locals from the labor market. There are signs that this displacement is already occurring in the informal economy. The most affected groups being the less educated and women who experienced net displacement from the Turkish market. On the other hand, the penetration of Syrians into the informal economy triggered occupational upgrading in the form of increased employment for locals in the formal economy, particularly for men without high school degrees (De and Wagner 2018).

The occupational upgrading of Turks in the aftermath of influx of Syrians can be also seen with the entry of firms. There were increases in firm entries in provinces hosting refugees and no increases in firm exits (Akgündüz et al 2019). Thus, findings suggest refugees encourage the generation of formal jobs. Furthermore, and in line with occupational upgrading, the increase in low skilled Syrian workers in Turkey helped increase the complexity of tasks performed by locals (fr) manual tasks to more abstract ones (Akgündüz and Torun 2019).

The global slowdown in the economy is taking its toll on a critical instrument for developing countries and immigrants: remittance. International remittance has been negatively affected by the consequences of COVID-19. It has aggravated situations of families left behind and unfavorably impacted activity in the real economy of developing countries. For the former, remittance impacts development along different lines, including alleviation of poverty, investment in human capital, entrepreneurial activities, etc. For the latter, received remittance as a percentage of Gross Domestic Product (GDP) is integral to many economies, especially those poorer ones: 6.5% in low-income economies, 4.5% in lower-middle-income economies: 1.2% in middle-income economies, 0.7% in upper-middle-income economies, and 0.2% in high-income economies. However, the economic aftermath of COVID-19 suggests different decreases in remittance sent to all regions (World Bank 2020). Therefore, there is an urgent need to readjust the costs of sending remittance. This is associated with finding cheaper methods of transferring money. Here, FinTech companies stand out as the solution: TransferWise, WorldRemit, and Insta few examples of players reshaping the dynamics of sending remittance.

Notwithstanding the strains of COVID-19 on the emerging and developing economies, local leadership is playing a decisive role in assisting immigrants in alleviating the consequences of the virus. The International Monetary Fund estimates the overall budget deficits of the emerging and developing economies will almost double in 2020, from 4.8% in 2019 to 9.1%. This will be partially due to loosening fiscal policy interventions due to COVID-19 pandemic. Coupled with decline growth rate of GDP per capita since 2013, and with risks of increased spread of the virus, the financial safety net of emerging and developing economies is waning and requires international support (IMF 2020).

Moreover, the same economies are home to the largest populations of refugees in the world: Istanbul, for example, is home to one million immigrants including 500,000 Syrians. The metropolitan municipality launched a social assistance program to provide for anyone of the 50 million Turks and one million immigrants who could be affected by consequences of the virus (Eureval 2020). In Medellin, Colombia, the municipality is working with an NGO so that Venezuelans receive psychosocial support and navigate bureaucracy to access health services (Humanity b Inclusion 2020).

The local response, however, needs international support to address a critical subject: difficulties facing refugee children’s accessibility to education during the pandemic. The breakout of the pandemic necessitated social distancing as the control variable for protection. While physical distancing is a protective measure, distance learning can be an unaffordable luxury for refugee students. The policy of suspending schools as a temporary containment measure turned into a common practice in numerous countries. As an alternative, ministries of education resorted to piloting e-learning or broadcasting lessons on national TV channels. This type of learning requires access to internet and the possession of technological devices, computers, tablets, and/or television. The lack of these necessities prevented refugee children from participating in distance learning (USAID 2020; ESOS 2020). The situation is equally difficult in other locations. Syrians in Jordan, for have the same educational barriers as only 25% of households own computers (Títimes, Zhang and Pederson 2020).

Immigrants are urban dwellers and local leadership is key to fostering immigrants’ integration and innovation. Immigrant entrepreneurs are tech savvy and possess the potential to ride the wave of the future of work by engaging in the gig economy. The megacity of Istanbul is witnessing the birth of new gig platforms established by immigrants. For example, one immigrant entrepreneur developed a mobile application for online shopping. The app chiefly targets Arab customer allows them to shop on a platform with 1,000 different products. The second example comes from the border province of Gaziantep where another immigrant entrepreneur first established a company specialized in the domestic sales of city. Then, the company launched an e-commerce platform with the purpose of exporting goods worldwide. His in-house program in the chamber of commerce in Gaziantep, won the Best Unconventional Project prize for its providing support and guidance for immigrant entrepreneurs. The Chamber of Industry in Gaziantep also won the price for the best education project. The project focused on vocational education that facilitated skill development for Turks and integrating them into the labor market (ICC 2019).

Recommendations for G20:

- The domestic economies of the G20 are showing various degrees of adaptability to new technologies. Hence, the preparation for the future of work will be asymmetric. The COVID-19 pandemic will further skew the classic working environment. Immigration, furthermore, will also be an integral part of the new reality. The solutions are interrelated and are built on foundations of solidarity and sharing responsibility. Therefore, the G20 could consider:

  - Assisting and developing emerging economies to stop further deterioration of their real economic activity due to imminent debt servicing problems, as hard currency earning capacity is declining rapidly in both to global economic crisis. Additionally, currency crisis due to dollar liquidity is a relevant issue and addressing it is important when discussing debt servicing problems. Debt relief for low income countries agreed upon by G20 leaders is only the necessary first step. However, currently impacting developing countries, the number of positive cases is increasing in Brazil, Russia, India, Peru, Pakistan, and Bangladesh. Keeping in mind that developing countries are home to 84% of the world’s forcibly displaced mix 2020 with the growing of job opportunities in the gig economy. The megalopolis of Istanbul is witnessing the birth of a new gig platform established by immigrants. For example, one immigrant entrepreneur developed a mobile application for online shopping. The app chiefly targets Arab customer allows them to shop on a platform with 1,000 different products. The second example comes from the border province of Gaziantep where another immigrant entrepreneur first established a company specialized in the domestic sales of city. Then, the company launched an e-commerce platform with the purpose of exporting goods worldwide. His in-house program in the chamber of commerce in Gaziantep, won the Best Unconventional Project prize for its providing support and guidance for immigrant entrepreneurs. The Chamber of Industry in Gaziantep also won the price for the best education project. The project focused on vocational education that facilitated skill development for Turks and integrating them into the labor market (ICC 2019).

  - Complementing the Global Compact for Safe, Orderly, and Regular Migration, and the Global Compact for Refugees with skills development tools that are necessary for countries of origin and destination. The Compacts are essentially moral. The role of technology in polarizing the labor force and in deindustrialization is more evident in developed countries (OECD 2018a). The role of technology in polarizing the labor force and in deindustrialization is more evident in developed countries (OECD 2018a).
This policy brief was developed and written by the authors and has undergone a peer review process. The views and opinions expressed in this policy brief are those of the authors and do not necessarily reflect the official policy or position of authors' organizations or the T20 Secretariat.

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Existing Initiatives & Analysis