This project receives funding from the European Union's Horizon 2020 Research and Innovation Programme under Grant Agreement No. 101004703.

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Technology-enabled job creation effect may enhance short-term inclusion of vulnerable groups on the labour market, but rarely results in their long-term inclusion

In general, automation technologies increase productivity/efficiency and profitability of organisations/industries, thereby raising their competitiveness and resulting in growth. Meanwhile, the growth of organisations/industries, in most cases, leads to the creation of new jobs. Thus, there is a relatively clear pathway to innovative job creation, illustrated in a model below:

The interviewed stakeholders recognise that adoption of automation technologies may increase the number of job opportunities for individuals with different skills levels. Hence, innovative job creation does not imply only high-skilled jobs and therefore, it is argued, it encourages inclusion of vulnerable groups on the labour market, characterised by lower skills levels. Despite that, the evidence across the case studies and the academic literature points to the fact that automation technologies are gradually replacing routine, manual tasks, leading to the decline in demand of low and middle-skilled workers.

If more low/middle-skilled jobs are created by organisations following technology adoption, it is generally appreciated and does not raise concerns. However, a few consulted stakeholders see danger in the creation of more low/middle-skilled jobs, especially if such jobs dominate the labour market. They argue that such jobs may lock the potential of individuals, discouraging skills development and decrease their future employability. To illustrate, the economy of the Central Transdanubia region of Hungary has been driven by foreign manufacturing companies that are engaged in assembly and other operational activities in the region. In recent years, their investments in R&D&I led to the expansion of some of their operations and to the creation of new jobs, predominantly low and middle-skilled jobs. In view of limited job opportunities in the region, individuals are not motivated to invest in skills development.

The discussions with the regional experts on whether automation technologies may stimulate job creation specifically for the vulnerable groups (namely, the inclusive job creation effect) revealed that it is uncommon. The technology-enabled transformation of workplaces and remote work may increase employability among individuals with disabilities, women, older workers and workers in rural areas on the labour market. It has been assumed that the ALMP

(active labour market policies) instruments that focus on technology-enabled self-employment/entrepreneurship support for the unemployed may lead to the inclusive and innovative job creation effect. The consultations with the PES representatives in several regions revealed that such ALMP instruments are rarely effective, and the creation of an innovative, technology-powered start-up as a result of these instruments is, indeed, exceptional. The reason for this lies in the fact that most unemployed, especially long-term unemployed, lack relevant skills, including digital skills. Thus, it is unlikely that a low-skilled individual will have skills and competences to establish an innovative start-up. One of the exceptionally successful ALMP instruments of this type is the business start-up programme for the unemployed in Latvia. Although, it is important to stress that the programme targeted individuals with education background in business or those that could demonstrate that they possess entrepreneurial skills.

The business start-up programme for unemployed is organised and promoted by the Latvian State Employment Agency since 2008. The aim of the programme is to provide advisory services and financial support to unemployed persons to launch a business and sustain it for at least 2 years. The unemployed individuals that have a relevant education background in business or demonstrate that they possess entrepreneurial skills and are willing to start own business are pre-selected for participation in the programme. Following that, participants attend a series of consultations that provide individual assistance to support the preparation and development of a business plan. This assistance is provided by external experts, business consultancies that have been contracted through the open tendering procedure. Once the plan has been developed, a business competition is launched. Based on results of the competition, participants with most innovative and feasible business plans receive a financial grant of up to 5000 EUR.

To support the implementation of a business plan, participants receive additional individual business consultations and a supervisor that supports and monitors progress for the next 2 years. If the grant has not been utilised or misused, the participant should return it. However, if a participant managed to develop own company, grant should not be returned and a participant is offered support by the local start-up business ecosystem.

The start-up programmes are often criticised by the PES. They are considered very costly, due to extensive support of a participant, and not effective, as very few unemployed individuals manage to build a start-up. However, the programme that has been developed in Latvia is successful, due to careful pre-selection of participants, assessment of business ideas and a high-quality of advisory support. Due to careful pre-selection of participants

and a relatively small budget, the programme has a small scale, but a higher effectiveness rate.

Another possible channel through which inclusive and innovative job creation effects may follow technological change relates to social entrepreneurship and social innovation. Throughout the case studies, the project team came across a few social entrepreneurial projects. Most of them are engaged in both commercial and non-profit activities, acting as NGOs and providing various support services to the vulnerable groups. The discussions with the stakeholders highlighted the importance of such organisations but indicated that they rarely provide employment for vulnerable groups. Instead, their education/training or other services (e.g., childcare services) encourage and facilitate (re)employment.

Thus, in view of consulted experts, technology-enabled job creation effect may enhance inclusion of vulnerable groups, as it provides new job opportunities, but rarely leads to their long-term inclusion on the labour market, unless it is closely related to upskilling/reskilling. At the same time, the decline in demand of low-skilled workers, following technology adoption, may serve as an incentive to undertake education/training by vulnerable groups, which will ultimately lead to their empowerment/long-term inclusion on the labour market.