Building human capacity for e-trade

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Recent WBG analysis
e-trade increasingly provides a pathway to economic growth

Online businesses are natural exporters –especially SMEs

And grow faster

- B2B e-commerce empowers productivity-enhancing management practice
- B2C e-commerce generates employment by substituting market work for household time

Source: WB – Nextrade E-commerce Survey, South Asia
e-trade produces benefits at all development levels

Leveraging e-trade for competitiveness

- Ensure digital connectivity
- Promote essential services
  - logistics
  - payments
- Establish e-trade regulatory framework
  - E-sign / E-doc
  - Consumer protection
- Promote B2B skills

Finding niches for e-trade exports

- Identify high value-added, B2C opportunities in goods
  - handcrafts
  - IT, translation
- Develop entrepreneurship
- Strengthen regulation
  - Privacy and data flows
  - Cybersecurity

Developing high-value added services exports + joining GVCs

- Ensure affordable high-bandwidth connection
- Establish linkages with GVCs
- Guarantee efficient logistics
- Improve data management skills
But e-trade faces a number of challenges...
... while creating challenges for existing firms and business models

- e-trade platforms disrupt existing business models
- New superstar firms: cloud-based digital platforms operate globally
  - Market size and concentration raise public policy concerns

Source: WDR
Digital technologies are re-shaping business and production processes

- New manufacturing process technologies, such as IoT, advanced robotics, and 3D printing are advancing rapidly.
- Services, including cross-border digital services, are essential to support automation in manufacturing. They also increasingly account for much of the value added in a product.
In China, approximately 50,000 migrant workers returned from cities to their villages to engage in e-commerce activities via Pinduoduo.

Over the last decade, jobs created in e-commerce fulfilment centers and e-commerce companies were up to three times greater than the number of jobs lost in brick-and-mortar retail outlets in the OECD area.

US data shows that jobs in e-commerce fulfilment centers pay more than brick-and-mortar retail jobs in the same area (>30% wage premium).
But e-trade changes the way people work…

- short-term work often via online work platforms
- standard long-term contract
These fuel legitimate questions regarding the future of work and of social protection norms (and their funding).

Concerns about the employment dislocating effects of frontier technologies are typically voiced most loudly in developed countries (higher incentive to adopt labor-saving technologies, declining levels of trade union membership).

But developing country efforts at economic diversification can also become more difficult as new technologies allow a reshoring of manufacturing production in advanced economies.

These developments call for a shift in the focus of social policy towards enhancing the supply of skills and protecting people, not jobs (de-risking dislocation).
Key human capital development priorities

- Early childhood education
- Tertiary education

Human Capital and Lifelong Learning

- Universal protection
- Enhanced social assistance and insurance

Social Protection and Labor Policies

- Fiscal space for social inclusion
- Improved tax administration

Revenue Mobilization
Skills needed in the digital era

What are machines really bad at (or really expensive)?

Advanced cognitive skills
- critical thinking
- complex problem-solving
- advanced communication

Socio-behavioral skills
- curiosity, creativity
- managing and recognizing emotions that enhance teamwork.

Adaptability
- Reasoning, self-efficacy
- Transfer knowledge from one job to another
Enhancing *digital* skills is key

**Digital skills pyramid**

**e-Business Skills**
Business skills + technology skills: being able to identify how digital technologies can create new business opportunities, new business models, or new ways of doing existing business.

**Digital Specialist Skills**
Skills required for researching, developing, designing, producing, installing, managing, and maintaining ICT tools and systems.

**Digital User Skills**
Skills required for the effective use of ICT tools, systems, and devices to support non-ICT functions, incl. the use of internet, applications, and software.
Promoting digital entrepreneurship

A global network of mLabs

Activities

- Digital Entrepreneurship Ecosystem Diagnostics
- TA to mLabs in East, West and Southern Africa,
- African Acceleration Program

- Lessons from Venture Acceleration Study
- Do mLabs Still Make a Difference Study
- Digital Entrepreneurship Policy Note
- Enhancing gender dimension
But education and skills must find the right environment: infrastructure matters...

- Plugging-in to the internet is not enough: connection speeds count
- Digital divide keeps widening:
  - in 2017-18 top half countries gained 5.43Mbps
  - bottom half gained only 0.41Mbps.
…as does the quality of governance

- General governance and regulatory environment remains a key constraint for digital adoption

- Improving Doing Business and Investment Climate performance

- Increasing need for capacity for digital-specific governance
  - *Within* borders: protection of consumers and personal information to promote trust in digital markets
    - Need for competition policy disciplines given ‘winner take most’ properties and levels of market concentration in network platforms, of particular importance for MSMEs. This issue has not featured much in e-commerce discussions to date
  - *Across* borders: ability to share data across borders a key component of trade and investment relations
    - GDPR: regulates the data management of EU citizens – a new global norm?
## Summing up

### The nature of work is changing

- Firms can grow more rapidly thanks to digital transformation
- Digital platforms allow traders to reach consumers faster than ever before
- Technology is changing the skills that employers seek: workers need to be good at complex problem-solving, teamwork and adaptability
- Technology is changing how people work: short-term work, often found through online platforms, is posing similar challenges to those faced by the world’s informal workers, calling for a new social contract

### What can governments do?

- Invest in human capital, especially in disadvantaged groups and early childhood education.
- Ensure universal coverage and social protection that does not depend on formal wage employment
- Increase revenue mobilization to provide fiscal space to finance human capital development and social protection
- Promote digital skills and entrepreneurship through formal education, but also via support to IT start-ups
- Adopt whole-of-government policies, including infrastructure and digital governance
Thank you!

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