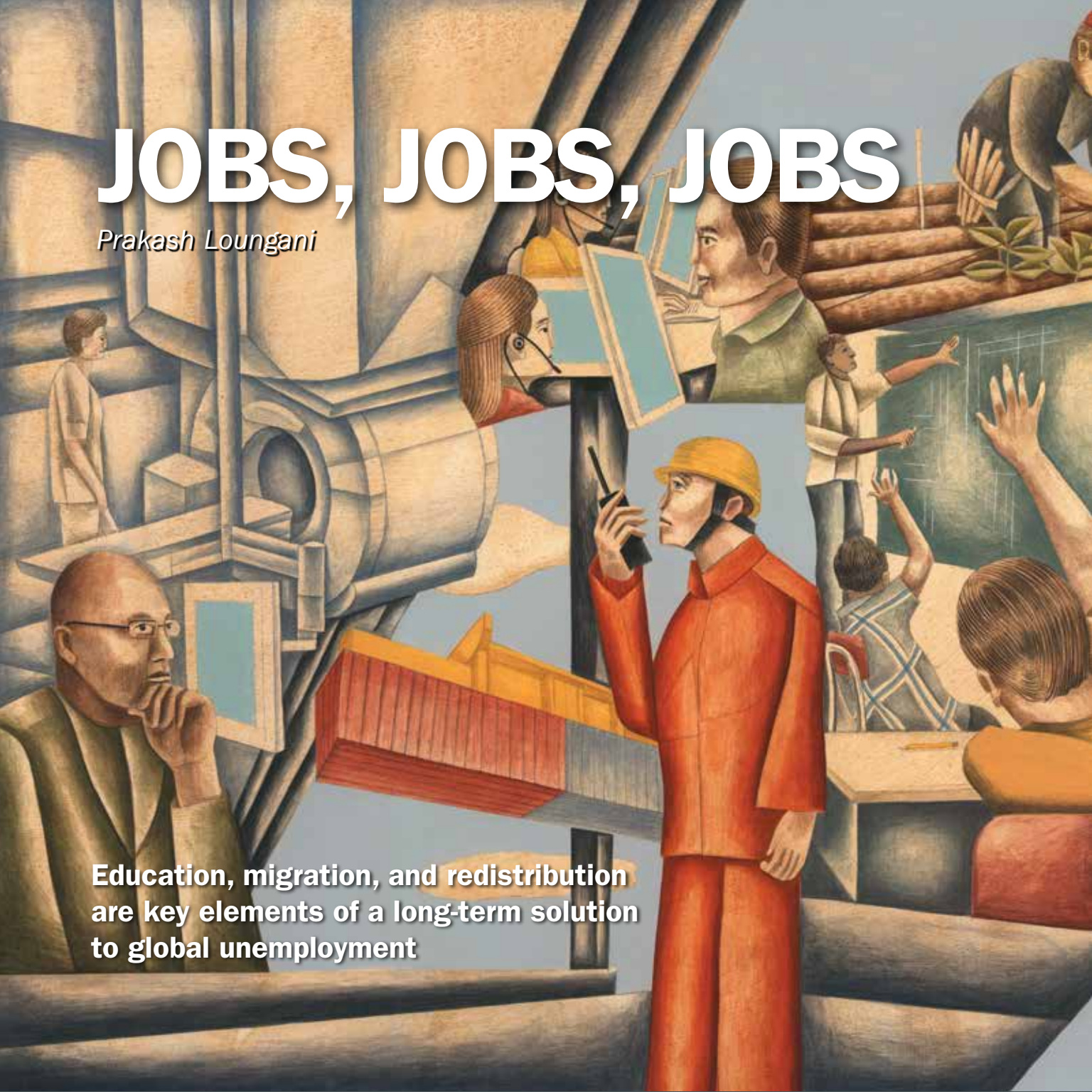


JOBS, JOBS, JOBS

Prakash Loungani



Education, migration, and redistribution are key elements of a long-term solution to global unemployment

OVER 200 million people across the globe are unemployed today. Tackling this high unemployment, particularly among the young, is a pressing challenge, as discussed by me in “Seven Lean Years” and by Angana Banerji in “Jobless in Europe” both in this issue of *F&D*. But the challenge extends beyond the near term. Over the coming decade, an estimated 600 million jobs will be needed in advanced and emerging market economies for those currently unemployed and those expected to enter the global labor force.

The fear that there will not be enough jobs to go around is perennial. Take for example this prediction from the U.S. magazine *The Atlantic* on the threat to the United States from cheap foreign labor:

. . . the time is not distant when everything that machinery and cheap labor can produce will crowd every market. The millions of China, with the millions of India, will offer the cup of cheap machine labor, filled to the brim, to our lips, and force us to drink it to the dregs, if we do not learn wisdom.



The article appeared in 1879, which shows that even though the terms offshoring and outsourcing may be new, the anxiety that underlies them—the fear of trade—is old. Despite the threat from cheap labor in the 1870s—and in every decade since—the average income in the United States has grown steadily and is now about \$50,000 a year, a huge multiple of what the average Chinese or Indian makes.

Along with fear of cheap foreign labor, the concern that technology is a job killer is not new. Today’s headlines proclaim that within a decade “one in three jobs will be replaced by software or robots.” “Toil and Technology,” by Jim Bessen

in this issue, tackles this worry head on. He concludes that “despite fears of widespread technological unemployment,” the evidence shows that “workers are being displaced to jobs requiring new skills rather than being replaced entirely.” The new skills in demand are people skills and those that complement the new technology, which as of now cannot be easily programmed into robots.

The benefits of increased globalization of labor markets and technological change have not accrued equally within advanced economies over the past two decades. There is a striking hollowing out of medium-skill and middle-income jobs, many of which were lost from the manufacturing sector. These trends, and the resulting increase in inequality, are documented in the article by Ekkehard Ernst in this issue (“The Shrinking Middle”). Ernst also looks at how these trends will play out over the coming decades in both advanced economies and emerging markets, concluding that there will be “better working conditions and higher salaries, but probably only for those who possess the right skills.”

Three solutions are commonly advocated for the challenge of finding jobs for all: education, migration, and redistribution. None is easy or offers a full solution, and the last two usually lack political support.

Education would allow the gains from technology to accrue to a broader base of the population. “Toil and Technology” provides concrete examples of the actions that firms, trade associations, and government can take to foster the new skills needed to “participate in the brave new world” of the digital economy. But education and skills cannot be acquired overnight, and people displaced by trade and technology will need some help to get by in the interim.

In principle, migration could function as an important solution to the challenge of global job creation. High-skilled workers from China and India could alleviate shortages in the United States. Nurses from other Asian countries could help take care of Japan’s aging population. As discussed by Çağlar Özden in his article in this issue (“A Long Commute”), migration is still low compared with what is desirable from an economic standpoint. But despite the considerable benefits that immigrants bring to destination countries—documented in extensive detail in Özden’s article—opposition to migration is strong and mounting.

Helping those who could lose out—or not gain as much—from migration, as well as those displaced by trade and technology, calls for a policy response that includes increased redistribution from those who do gain. And for displaced workers near the end of their working lives, redistribution may be a more practical solution than acquisition of new skills. But despite concern about increased inequality, redistribution does not appear to be gaining much political traction.

In short, the global labor market is far from truly global. The world may be flat as far as the movement of capital is concerned but it is full of barriers to the mobility of labor. ■

Prakash Loungani is an Advisor in the IMF’s Research Department and heads the IMF’s Jobs and Growth project.