

JOBS AND GROWTH: THE EVOLUTION IN IMF THOUGHT

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Views expressed are those of the presenter and must not be attributed to the IMF or considered to be IMF policy.

I thank Zidong An and Jun Ge for putting together this presentation.

ETUI/ETUC conference, June 2016

Structure of talk

- A. Evolution in IMF thought on employment issues

- B. Implications of this evolution
for the theme of this conference and panel

Part A:

*EVOLUTION IN IMF THOUGHT
ON EMPLOYMENT ISSUES*

Evolution in IMF thought on employment issues

- A1) Greater attention to distributional consequences of economic developments and policies.
- A2) Increased recognition that labor market policies need to strike a balance between promoting efficiency and protecting the basic needs of workers.
- A3) Increased importance on unemployment in policy discussions.
Plus: 'Two-handed' approach to tackling unemployment: recognize importance of both aggregate demand and aggregate supply and advocates

A1) Greater attention to inequality

- Work of Jonathan Ostry and co-authors:
 - Inequality lowers the durability of growth (Berg & Ostry)
 - Redistribution, unless extreme, does not lower growth (Ostry et al)
- Drivers of increased inequality:
 - Declines in unionization (Jaumotte & Osorio-Buitron)
 - Capital account liberalization (Furceri & Loungani)
 - Fiscal consolidation (Ball, Furceri, Leigh and Loungani)

A2) Role of labor market institutions

Blanchard, Jaumotte and Loungani:

- Role of labor market institutions is to promote efficiency while providing adequate protection to workers
- For micro flexibility (ability of economy to match workers to jobs):
 - Generous unemployment insurance combined with employment protection that is not excessive
- For macro flexibility (ability of economy to make large changes in response to economy-wide shocks)
 - Collective bargaining institutions are critical
 - Trust among social partners

A3) Taking unemployment seriously

- Elevating importance of unemployment in policy discussions
 - Landmark 2011 ILO-IMF Oslo conference on unemployment
 - IMF paper on human costs of unemployment (Dao & Loungani)
- Promotion of full employment requires a 'two-handed approach': need to boost aggregate demand as much as aggregate supply.
 - Very supportive of the actions taken by the major central banks during the Great Recession to stimulate aggregate demand.
 - Supported coordinated global fiscal stimulus given at the onset of the Great Recession; advocated a phased rather than abrupt withdrawal
 - Called for an increase in public investment

Part B:

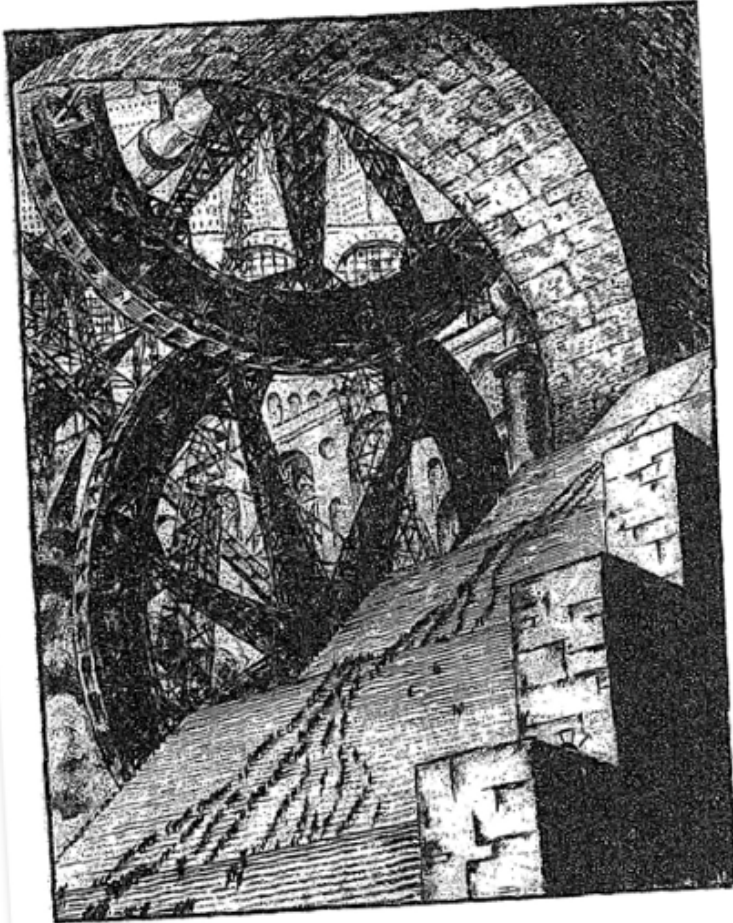
*IMPLICATION OF EVOLUTION IN IMF
THOUGHT FOR THE THEME OF THIS
CONFERENCE AND PANEL*

Concern that ‘others’ will take away ‘our’ jobs is not new:

“...the time is not far 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 Atlantic, volume 44, 1879

1920s



A Vision of the Machine Age.
A drawing by M. V. Gorkovskiy.



"Will Machines
Devour
Man?" (Right)

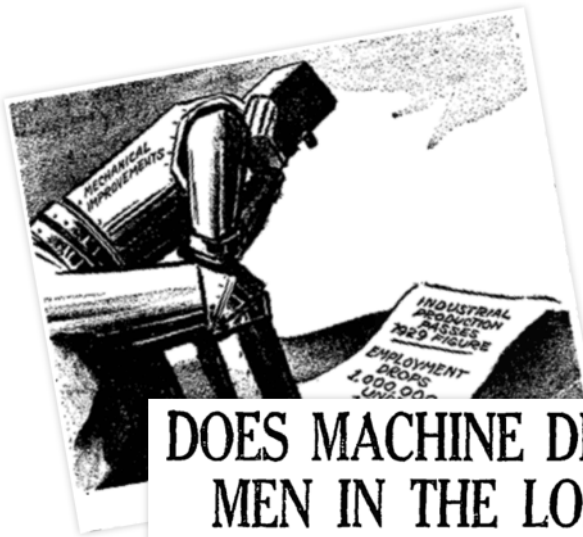
"A Vision of the
Machine
Age" (Left)

1930s

MACHINES AS MINISTERS TO MAN

By HENRY FORD
Founder of the Ford Motor Company

***World Ills Laid to Machine
By Einstein in Berlin Speech***



**DOES MACHINE DISPLACE
MEN IN THE LONG RUN?**

"We are being afflicted with a new disease...technological unemployment."
– John Maynard Keynes (1930)

1940s

— Hal Boyle —
Machines Are Laughing at Men

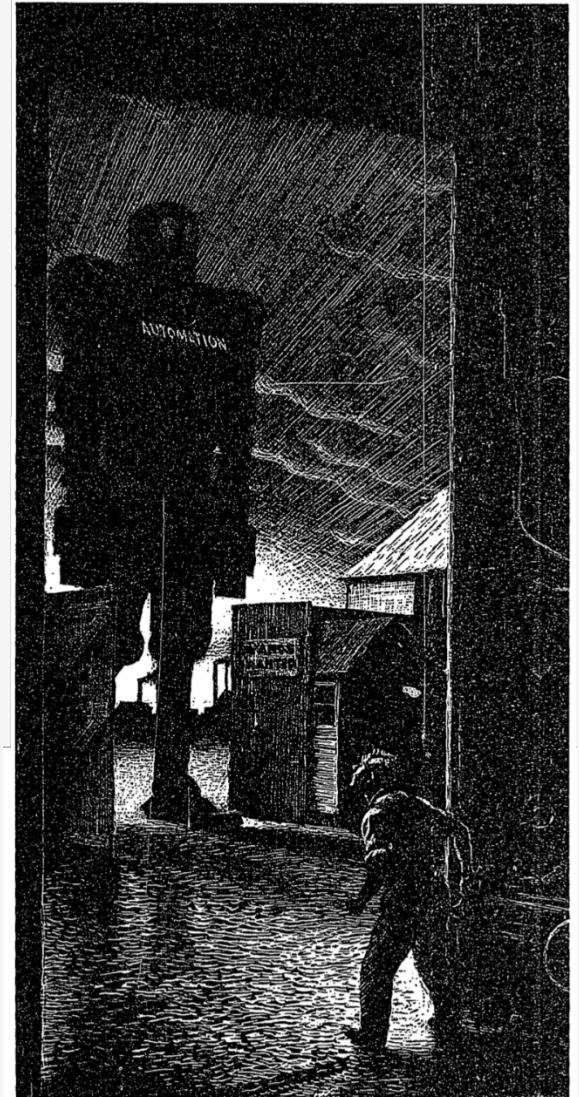
1950s

AUTOMATION IN BRITAIN STIRS UNREST IN LABOR

Workers See 'Robot Revolution'
Depriving Them of Jobs



PRESIDENT DEPLORES FEAR OF AUTOMATION



"Promise and Peril of
Automation" (1957)

1960s

AUTOMATION LOOMING LARGE IN LABOR PICTURE

**Automation[®] Might End Most
Unskilled Jobs In 10 Years**

**Automation Linked
To Jobless Count**

**Automation Is Not
the Villain**

By PETER F. DRUCKER

**LABOR 'SLAG HEAP'
FEARED BY WIRTZ**

1970s

**PM acts to counter
'chips' that kill jobs**

1980s



DETROIT — Technological innovation is widely billed as a miracle cure for the United States' economic doldrums. Its aftereffects, however, may be far from benign. The introduction of revolutionary new technologies such as robots — versatile computer-controlled mechanical arms — raise two painful possibilities: sizeable losses of jobs and a deteriorated quality of working life.

Technology called threat to 5 mln. jobs
Imminent 'Robot Age' Awakens Concern
Computers: Worker Menace?

**Unemployment will end
honeymoon with robots**



**A Robot
Is After
Your Job**

2000s

***Technology Is Heightening
Job Worries, Greenspan Says***

2010s

BROOKINGS

Real Clear Markets

Opinion | July 16, 2013

For the Last Time, Robots Do NOT Cause Unemployment

Harvard
Business
Review

ECONOMICS & SOCIETY

What Happens to Society When Robots Replace Workers?

THE WALL STREET JOURNAL.

REAL TIME ECONOMICS

Be Calm, Robots Aren't About to Take Your Job, MIT Economist Says

the **guardian**

Will automation and the internet of things lead to mass unemployment?

New technologies provide unparalleled opportunities for businesses but they also pose a threat to their employees. Marc Ambasna-Jones asks how automation can be managed so the benefits can be felt by all

Marc Ambasna-Jones

Wednesday 27 May 2015 09:35 EDT



[The last job on Earth: imagining a fully automated world](#)

Impact of digital economy on employment

- A general overview of the various areas of impact would be as follows:
 - job creation: new sectors, new products, new services;
 - job change: digitalization, human/intelligent machine interface, new forms of management;
 - Job destruction: automation, robotization;
 - job shift: digital platforms, crowd sourcing, 'sharing' economy.

Jobs in the digital economy...

Jobs at greatest risk of automation/ digitalisation	Jobs at least risk of automation/ digitalisation	New jobs
Office work and clerical tasks	Education, arts and media	'Top of the scale'
Sales and commerce	Legal services	Data analysts, data miners, data architects
Transport, logistics	Management, human resources management	Software and application developers
Manufacturing industry	Business	Specialists in networking, artificial intelligence, etc.
Construction	Some aspects of financial services	Designers and producers of new intelligent machines, robots and 3D printers
Some aspects of financial services	Health service providers	Digital marketing and e-commerce specialists
Some types of services (translation, tax consultancy, etc.)	Computer workers, engineers and scientists	'Bottom of the scale'
	Some types of services (social work, hairdressing, beauty care, etc.)	Digital 'galley slaves' (data entry or filter workers) and other 'mechanical Turks' working on the digital platforms (see below)
		Uber drivers, casual odd-jobbing (repairs, home improvement, pet care, etc.) in the 'collaborative' economy

Source: Christophe Degryse (ETUI 2016) on the basis of data from Frey & Osborne, Ford, Valsamis, Irani, Head, Babinet

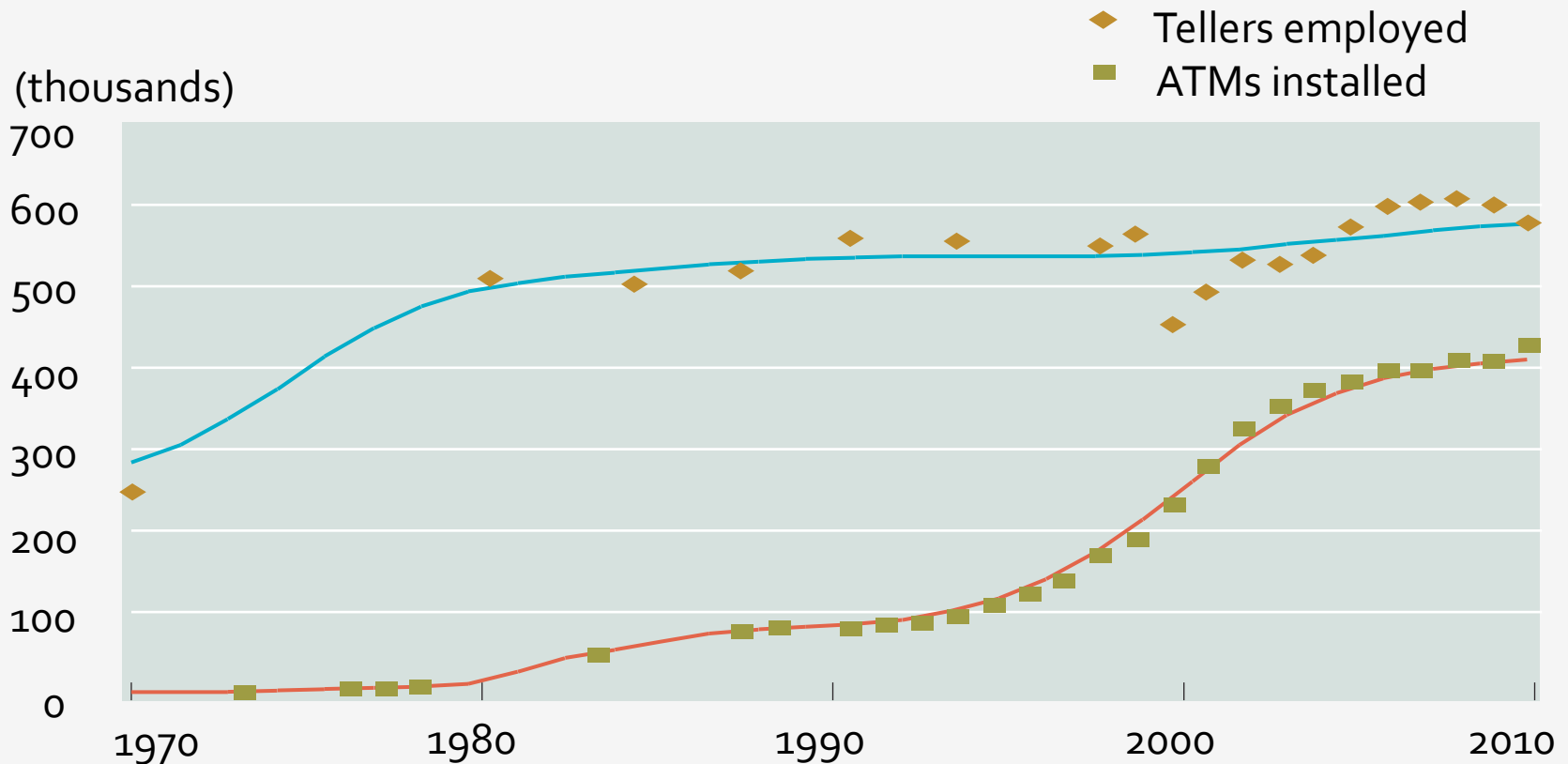
Some people do get hurt by automation...

Cashiers have a
97% chance of
being automated

Economists have a
43% chance of
being automated

Clergy have a
1% chance of being automated

Job destroyer?



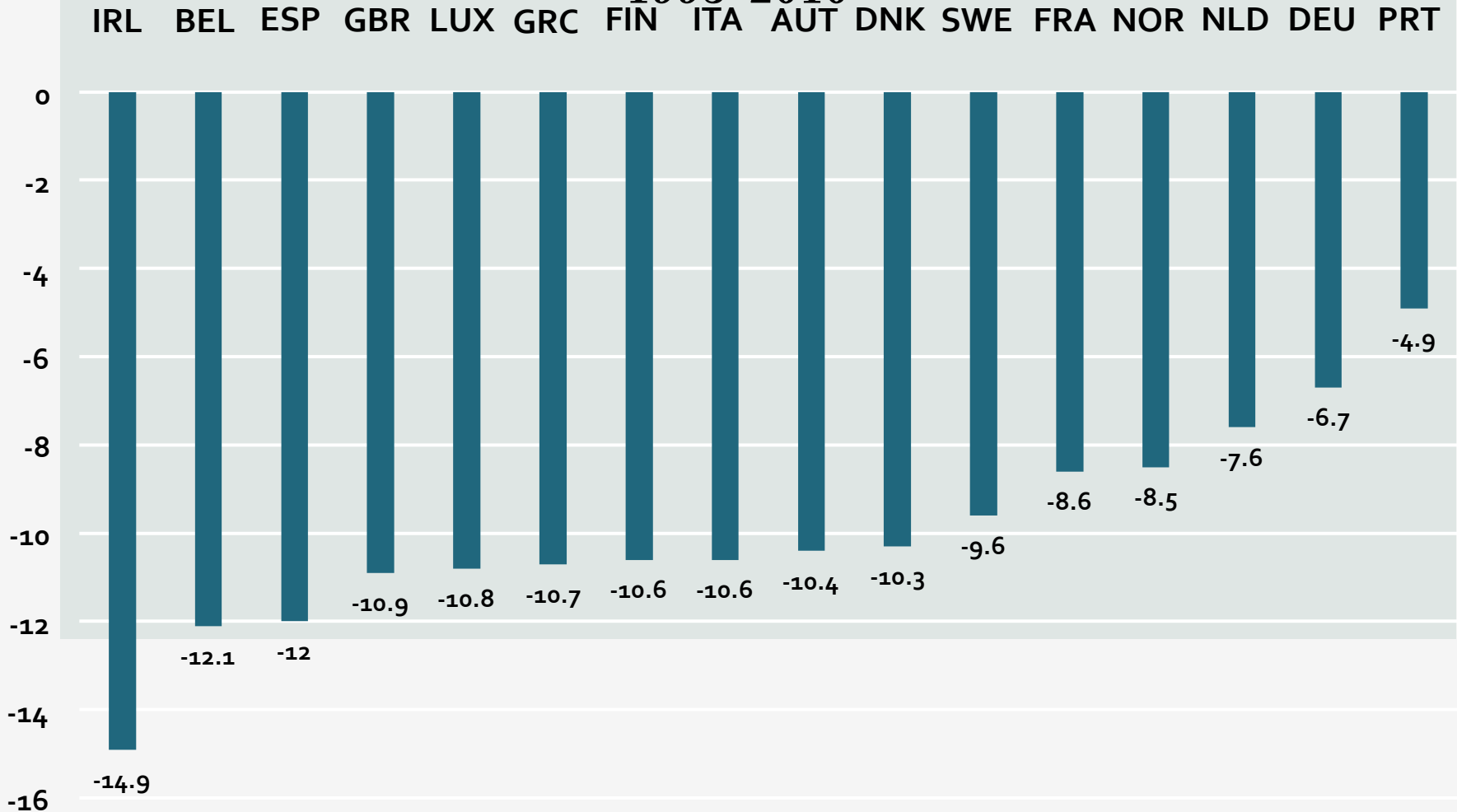
Tellers: probability of computerization = 98%

(Frey & Osborne, 2013)

As more ATMs were installed in the United States, the number of tellers employed did not drop.

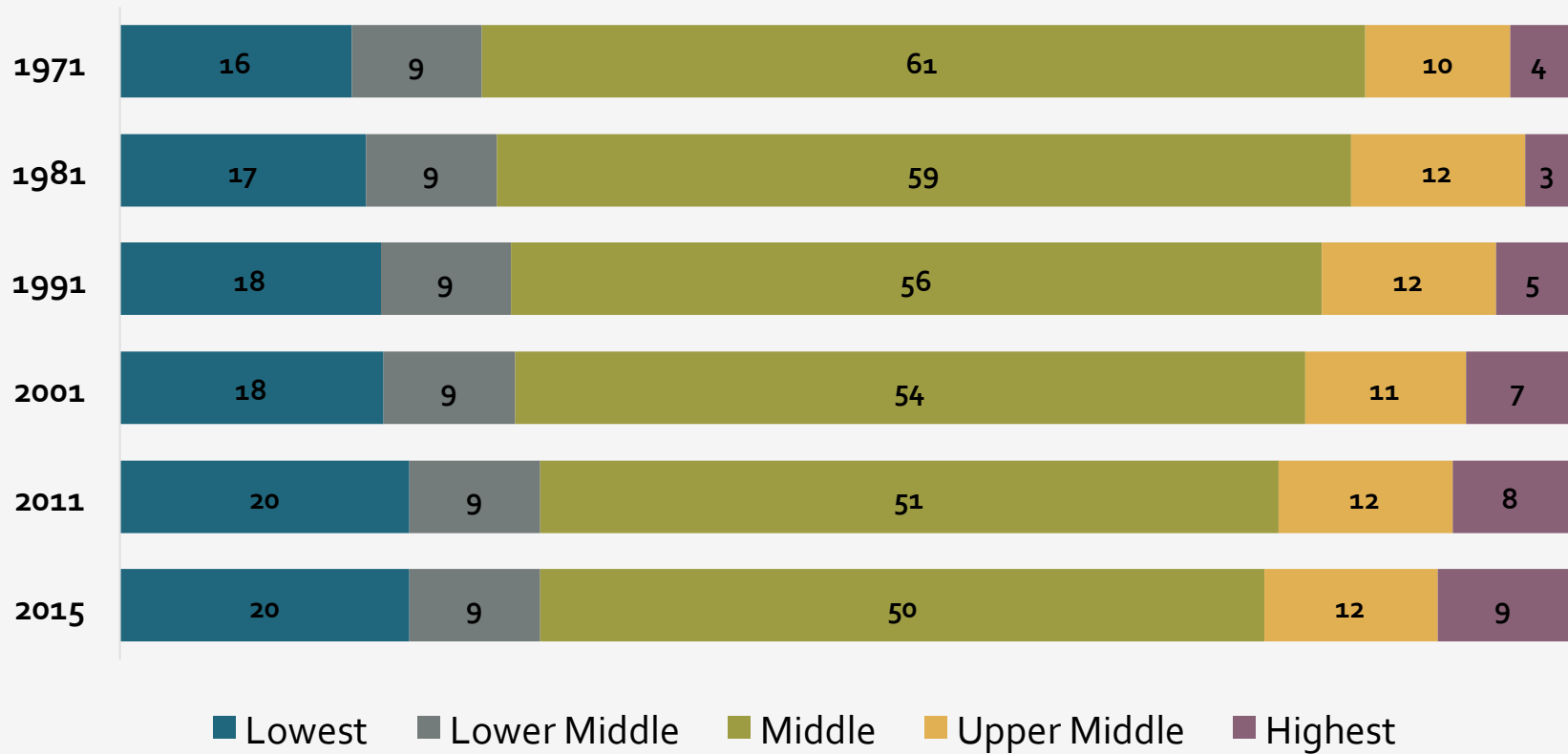
Hollowing out the Middle...

Change in Occupational Employment Shares in Middle-Wage Occupations in 16 EU Countries, 1993–2010



Dwindling Middle Class in the US...

Share of adults living in middle-income households in the United States (%)



Trade and technology: long-run gain vs. short-run pain

- Trade and technology contribute to national and global long-run efficiency and – more arguably – to long-run equity as well, at least at a global level.
- Both forces lead to adverse consequences for a number of people in the short- to medium-run. I think many of us in mainstream economics have been guilty of either ignoring these costs or paying lip-service to the need to redress them.

A 'caring' IMF

Whether the source of loss of jobs for some people is trade or technology -- or indeed some other 'mega trend' :

- ▶ Treat the unemployment that results from displacement due to trade and technology as a serious development that poses grave costs for the individual, his or her family, and for society;
- ▶ Support adequate unemployment benefits or other forms of assistance to replace some of the lost income of those displaced.
- ▶ Recognize that even if supply-side remedies -- such as provision of re-training and skills development -- are the desired solution, these will not work well in an environment of weak aggregate demand
- ▶ Look not just at the aggregate or efficiency effects of the remedies we prescribe but at their distributional or equity effects. Do not be fearful of redistribution as one of the remedies to consider in order to compensate those who lose out.