

# Will globalisation take away your job?

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Protests against globalisation have become increasingly common

**Millions around the globe may have taken to the streets in recent years to protest against the impact of globalisation on their jobs and communities - but this backlash is only likely to grow as globalisation itself becomes more disruptive.**

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## Global Trade

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**Will Trump mean the end of global trade?**

**Is free trade good or bad?**

The stark warning comes from Richard Baldwin, president of the Centre for Economic Policy Research think-tank, who has been studying global trade for the past 30 years.

**All aboard the China-to-London freight train**

**The steel box that changed global trade**

Technological advances could now mean white-collar, office-based workers and professionals are at risk of losing their jobs, Prof Baldwin argues.

In the US, voter anger with globalisation may have led to Donald Trump's election victory, but those who voted for him could be disappointed as his aim of bringing back jobs is unlikely to work, says Prof Baldwin, who also worked as an economist under President George HW Bush.



Robots are now increasingly used in surgery; the first transatlantic operation - with the patient in France and surgeons in the US - was carried out in 2001

Protectionist trade barriers won't work in the 21st Century, he says. "Knowledge crossing borders in massive amounts [is the] big new disruptive thing."

It's going to help people in Africa and Asia compete more effectively with people in the West, as communication advances mean workers in the developing world will be able to control robots to do jobs in Europe and the US at lower cost, he says.

Virtual migration

Developing world labour costs can be a tenth of what they are in the West, says Prof Baldwin.

"They can't get here to take the jobs but technology will soon allow virtual migration, thanks to telerobotics and telepresence."



Some of the first post-war Jamaican migrants to the UK - future migration could well be virtual

Ever-faster internet speeds becoming globally more widely available, coupled with the rapidly falling prices of robots will allow workers, for example in the Philippines or China, to remotely provide services to a country like the UK - where the sector accounts for about 80% of the economy.

"What it will do is unbundle our jobs and change the nature of our occupation. Some of the things you do absolutely require your judgement - but parts of your job could be off-shored, just as some stages in a factory can be off-shored.

"All you need is more computing power, more transmitting power and cheaper robots - and all that is happening."

Could 'virtual migration' hit middle class jobs?

Security guards in US shopping malls could be replaced by robots controlled by security personnel based in Peru, and hotel cleaners in Europe could be replaced by robots driven by staff based in the Philippines, he argues in his book *The Great Convergence*.

## Robots rise

The use of robots has grown exponentially since the mid-20th Century.



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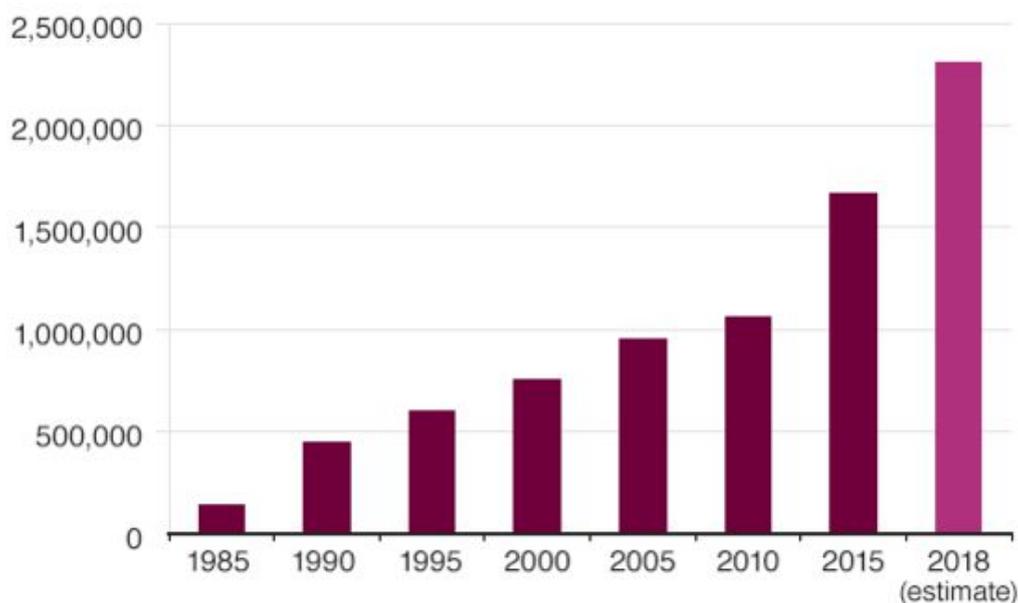
A Ford factory in 1914; the development of robots has radically altered such production lines...



...now spot the workers; this is a BMW production line in the UK in 2013

A typical industrial robot can cost about £4 an hour to operate, compared to average total European labour costs of about £40 an hour - or £9 an hour in China. And robots are getting cheaper to buy and are increasingly able to do more complex tasks.

### Industrial robots in use



Source: IFR, Macquarie Research



This means the increased use of robots is also threatening millions of jobs in developing countries, says the **United Nations Conference on Trade and Development** (Unctad), as well as in

developed economies.

And it's not just in factories; the worldwide number of domestic household robots will rise to 31 million between 2016 and 2019, says the **International Federation of Robotics** (IFR), with sales of robots for cleaning floors, mowing lawns, and cleaning swimming pools forecast to grow to about \$13bn (£10.3bn) in this period.



Napoleon's defeat in 1815 after almost 25 years of war triggered a growth in world trade

In the 19th Century, the first wave of the industrial revolution triggered an upsurge in global trade. Steam power, the end of the Napoleonic wars and the subsequent era of peace cut the costs of moving goods internationally.

Global wealth became increasingly concentrated among just a few nations; the G7 group - the US, Germany, Japan, France, the UK, Canada and Italy - saw their share of the world's wealth rise significantly.

But from the 1990s a second wave of globalisation kicked in, with the rise of information and communications technology. There's been a dramatic change of gear, and "a century's worth of rich nations' rise has been reversed in just two decades," says Prof Baldwin.

### Growth of G7 nations





Source: World Bank and Richard Baldwin



Old-style globalisation "worked on a calendar that ticked year by year" whereas the current wave of globalisation is being driven by IT which is changing and disrupting economies and societies with increasing rapidity, he says.

### Political backlash

All of this has created a backlash, especially in developed economies, as many voters say they are losing out or seeing little of the benefits that globalisation supposedly brings.



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Globalisation has sparked protests around the world...

Prof Baldwin says protectionist policies, such as those of Donald Trump, are ultimately counterproductive. If firms become inefficient

by being forced to move jobs back to the US, then ultimately they will lose their business to international competitors.

"People are so angry they are doing things that are not in their own interest.

"Cures are being sold which are not related to the problem."



Globalisation has been a factor in the election of Donald Trump in the US...



...and the UK's vote to leave the European Union

He points out that the backlash is not the same in every single country. It often depends on how governments deal with workers

who may be displaced by technology.

"For instance, in Japan they take care of their workers, and there really isn't an anti-globalisation feeling there," he says - unlike in the UK and the US.

As a consequence, even businesses that are benefiting from greater automation are increasingly sensitive about the potentially negative social and political consequences.



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Increasingly sophisticated robots mean many jobs that used to exist are not going to return, says Prof Baldwin

Similarly, in Europe the bosses of both **Deutsche Telekom** and **Siemens** have advocated paying a basic income to workers replaced by technology.

We may see a move to protectionism as countries try to preserve jobs within their economies, but this is unlikely to work in the long term, says Prof Baldwin.

### Balancing act

The trick is to accept "21st Century reality", he says, and the fact that many jobs simply aren't going to come back.



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Protesters in Bordeaux with a banner reading "together against unemployment and social precariousness"

Governments need to pay more attention to social policy, says Prof Baldwin. "In the post-war period of globalisation we liberalised trade but at the same time we expanded social welfare - instituted low-cost education and retraining for workers.

"In essence there was a set of complementary policies that reassured workers that they would have a good chance of taking advantage of globalisation."

The challenges all this is throwing up for governments are many, but Prof Baldwin says it should be possible to develop policies that embrace globalisation - and give workers displaced by it the support they need.

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30 June 2014