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Article

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CESifo Forum

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Suggested Citation: Blinder, Alan S. (2006) : Activities that do not require physical contact or geographical proximity, CESifo Forum, ISSN 2190-717X, ifo Institut für Wirtschaftsforschung an der Universität München, München, Vol. 07, Iss. 2, pp. 39-40

This Version is available at:

<https://hdl.handle.net/10419/166266>

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ACTIVITIES THAT DO NOT REQUIRE PHYSICAL CONTACT OR GEOGRAPHICAL PROXIMITY ARE MOST AT RISK

ALAN S. BLINDER*

I beg to differ, though only modestly, with the Levy-Murnane view that the (mutually reinforcing) combination of globalization and computerization threatens jobs that can be routinized, but not jobs that involve what they call expert thinking and complex communication. To understand the similarities and differences, picture a Venn diagram with two overlapping circles.

Circle C (for *computerization*) encompasses all the jobs that computers either can do now or will be able to do in the future. As Levy and Murnane emphasize, these are largely routine (or routinizable) tasks, whether physical or mental – like assembly line work or rudimentary call center tasks where humans can be replaced by voice recognition systems. The upward march of technology virtually dictates that Circle C will expand year after year.

Circle O (for *offshoring*) encompasses all the jobs that can be done offshore – meaning in a country other than the one in which the good or service is sold – either now or in the future. This set includes the vast majority of manufacturing jobs, even those that involve highly complex thinking and communication, *plus* jobs in *impersonal services* – which I define as services that can be delivered across long distance with little or no diminution in quality. Some obvious examples are call centers and Internet retailing. Improvements in technology *and* the entrance of many developing countries (e.g., India and China) into the modern world virtually guarantee that Circle C will also expand over time.

Levy and Murnane have focused our attention on Circle C; I am trying to call attention to Circle O.

Now, my main point is that these two circles are far from identical. There are jobs that can be computerized but cannot be transferred offshore (e.g., replacing parking lot attendants by machines), and there are jobs that can be done offshore but not computerized (e.g., security analysis and writing legal briefs). That is why I beg to differ with Professors Levy and Murnane.

But my second point is that the two circles do overlap considerably. Any activity that is routinizable *and does not require physical contact and/or geographic proximity* is presumably a candidate for offshoring. It is thus in both Circle C and Circle O. And there are a lot of such jobs, which is why I beg to differ only modestly.

Let's explore the differences briefly, relating them to the question at hand: the link between skills and wages. To begin, Levy and Murnane are almost certainly right that wages will be under pressure in routinizable jobs in which workers can be replaced by computers. Jobs that involve higher-order thinking, judgment, and communication skills are relatively immune from the competition of machines. Hence the view that better-skilled workers will fare better in the job market of the future makes sense, *other things equal*.

But other things will *not* be equal. Let's think now about the jobs that can be offshored but cannot be computerized. Because of advances in telecommunications and the Internet, plus the large number of well-educated, English-speaking people in India and elsewhere, more and more high-skill jobs that require expert thinking and/or complex communication (but not physical presence) will be deliverable remotely in the future. That includes many high-wage jobs that may never be routinized and performed by computers – such as preparing tax returns and writing software. People who perform these tasks in rich countries will find themselves competing with equally-qualified – and numerous – workers in poor countries. At the same time, holders of many low-wage jobs in rich

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countries (such as child care and janitorial services) are immune to foreign competition because what they do requires personal delivery.

This analysis suggests that, in the rich countries, relative wages will *fall* in the impersonally-delivered services and rise in the personally-delivered services – once again, *other things equal*. The important point here is that the personal/impersonal distinction seems largely uncorrelated with the more familiar skilled/unskilled distinction. Just think of cab drivers and surgeons (both personal services) on the one hand versus call center operators and security analysts (both impersonal services) on the other.

Levy and Murnane are not wrong; they are right. If your job can be performed by a computer, your future job market prospects are in peril. But there is also a whole class of jobs – and a big class at that – for which job market competition comes not from computers but from educated workers in poor countries, whose services can be delivered electronically to any market in the world.