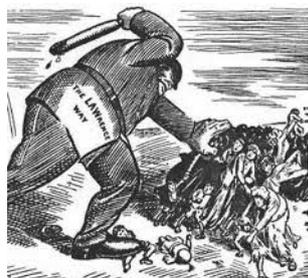


[Apologies Mr. Burnham but this isn't the way that work works](#) [1]

Written by [Tim Worstall](#) [2] | Friday 15 November 2013



It rather worries me when public policy is influenced by those who seem to have no clue. As with Andy Burnham here on the influence of [technology on pay](#) [3].

Employees such as legal clerks and local government administrators will see their wages collapse as new technology makes their skills less valuable, just like manual workers have, Alan Milburn said. Across the United States and Europe jobs working life has polarised into 'lovely jobs' and 'lousy jobs', with the wages at the bottom end of the jobs market falling behind growth in the rest of the economy thanks to advances in technology, Mr Milburn said.

That fate will soon be shared by office workers as their jobs are outsourced to emerging economies and replaced by computers, he warns, 'hollowing out the middle of the labour market'. 'It is likely that as the cost of computing power continues to fall technology will replace many more middle-class jobs that rely on repetitive and routine tasks' or at least make them less valuable in the labour market,' he told the Resolution Foundation. 'In other words, the earnings squeeze already felt by people at the bottom could increasingly spread to those in the middle.'

No, that just isn't what happens when technology is added to labour. Far from wages falling they rise.

At the level of the entire economy average wages will rise. For average wages are determined by the average level of productivity across the economy. This must be so for what we can all consume is determined by what we all produce and if we're all getting more productive then there's more available for us to consume.

For the individual doing a job where technology can add to productivity one of two things can happen. If there were, say, ten bank tellers and the new technology means that only five are now required then five of those tellers will lose their jobs to the new ATMs. But far from the five who retain their jobs getting lower wages they will now get higher ones. For they can now concentrate on those higher value tasks which the machines cannot do.

The addition of technology does not lower wages in the way that Burnham is describing. It raises wages in general and in the specific it either eliminates a job entirely or raises wages.

The comparison is made to manual workers. Think through what actually happened in the move from ten men with shovels to one man with a JCB. Nine lost their jobs and went off to do something else, the remaining digger earns vastly more than any of the ten did with their shovels.

Technology will eliminate jobs, yes, but it will not pauperise the positions that remain. Quite the opposite: wages for those jobs that remain rise with the addition of capital and or technology.

What worries me is that we've got people so misinformed attempting to guide public policy.

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