The Labor Market After the COVID Crisis: Too Few Low-Paid Jobs

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Co-Chair, MIT Work of the Future Task Force
The Labor Market Impacts of the COVID Crisis
World Bank: 6 July 2020
Where We Were Headed Pre-COVID

1. Polarized occupational growth (‘barbell economy’)
2. Movement into low-paid personal services concentrated among non-college workers
3. Low wages but tightening labor market
   - Rising dependency ratio (Baby Boom retiring)
   - Small cohorts of young workers (low fertility)
   - Curtailed immigration (policy)
   - Rising projected employment in personal services
4. Expectation: Rising wage pressure in low-paid services
'Occupational Polarization'

**High skill jobs**
- Rising employment in professional, technical and managerial work

**Low skill jobs**
- Rising employment in personal services — Cleaning, security, recreation, health aides

**Mid skill jobs**
- Falling employment in production work, office/clerical, and sales
Among College Workers Most Occupational Relocation is *Upward*

But among Non-College Workers, Occupational Mobility is almost Exclusively *Downward*
### Occupations with Most Projected New Jobs, 2018 - 2028

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number of New Jobs (Projected, 2018-28)</th>
<th>2018 Median Pay</th>
</tr>
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<tbody>
<tr>
<td>Personal care aides</td>
<td>881,000</td>
<td>$24,020 per year</td>
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<td>Combined food preparation and serving workers, including fast food</td>
<td>640,100</td>
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<td>Registered nurses</td>
<td>371,500</td>
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<td>241,500</td>
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<td>Waiters and waitresses</td>
<td>170,200</td>
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<td>Construction laborers</td>
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<td>Laborers and freight, stock, and material movers, hand</td>
<td>144,000</td>
<td>$28,260 per year</td>
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<td>Market research analysts and marketing specialists</td>
<td>139,200</td>
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### These 20 jobs
- Account for 4.6M of projected 8.4M net jobs
- That’s 55%

### Concentrated in
- Health aides
- Food and cleaning services
- Laborer occupations

### Mostly
- Non-college
- Below median wage
Old-Age Dependency Ratios Rising Steeply Across the Industrialized World (Ratio Age 65+ to Age 16 – 64)
The Working-Age Share of the U.S. Population is Declining

1. Aging baby boom cohorts
2. Low and falling fertility
3. Declining immigration
4. Rising educational attainment
Cumulative Change in Real Weekly Earnings 1963 - 2017
Working Age Adults, Ages 18 - 64

Starting in 1980s — Remarkable Rise of Wage Inequality by Education

1. Post-college educated
   - 80 to 100% real rise

2. Four-year college
   - 40 to 60% rise

3. High school or less
   - Real wage have fallen among men
   - Have barely budged among women
Four Ways in Which the COVID Crisis is Changing the Labor Market

1. Telepresence
2. De-densification
3. Reallocation of sales + value-added towards large firms
4. Automation forcing
I. Telepresence
A Remotely Operated Underwater Vehicle

Remote Presence is a Form of Automation

- Telecommuting
- Business meetings
- Tele-medicine
A Remotely Operated Underwater Vehicle will indirectly affect many jobs in 2019.

- 9.2%: food prep & serving occupations
- 8.5% transportation
- 3.0% buildings and grounds cleaning and maintenance
- 4.6% protective services
- 4.6% in personal care and services
- 3.4% retail sales
II. De-densification
Movement into Personal Services Has Been the Primary Source of Job Growth Among Non-College workers in U.S. Cities Since 1970
III. Large-Firm Consolidation
COVID Crisis Will Increase Economic Weight of Large Firms

Large Firms Have Lower Labor Shares (i.e. Are More Capital-Intensive) and Account for a Rising Share of Value-Added

• This will further depress labor’s share of national income
• That share has fallen 5% to 7% since 2000

Figure I: The Changing Distributions of Labor Shares and Value Added

Note: The solid black line (right axis) reflects the raw cross-establishment distribution of labor shares, while the distribution of value added is represented by the gray bars (left axis). The labor share on the x-axis is expressed as a decimal.

Kehrig and Vincent, 2020
IV. Automation Forcing
Many Examples of Automation-Forcing

1. Drones delivering medical supplies
2. Warehouse disinfecting robots
3. Human temperature checking drones
4. Meat-packing
5. Labor-saving reorganization

MIT Warehouse Disinfecting Robot
Why the Post-COVID Labor Market Will Look Different

1. Telepresence
2. De-densification
3. Reallocation of sales + value-added towards large firms
4. Automation forcing
The Post-COVID Labor Market: Too Few Low-Paid Jobs

1. Likely change in demand for services
   1. Reduced business travel (decline in hospitality sector)
   2. More telecommuting (reduced cleaning, security, food service)
   3. Shrunken retail sector

2. Reduced centrality of cities for ‘knowledge’ work (?)

3. Reallocation of sales + value-added towards large firms

4. Slack job market: ↓ wage pressure in low-paid services

5. One wildcard? A rise in early retirement
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