Job Losses To Automation Needn't Be Disaster – But They Could Be

Saturday's With Jim

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Dear Friends,

Job churn based on population movement and technology has been with us at an increasingly fast pace since the industrial revolution a couple of hundred years ago. A recent study by the McKinsey Global Institute, a think tank, estimates job churn from 2017-2030 in their July 2019 report, "The future of work in America: People and places, today and tomorrow."

Trends we've seen for the last 20-30 years will continue, they say, with rural areas and small towns losing jobs and cities gaining them. Rural areas and small towns, they say, are ill equipped to attract businesses that will grow, but even more, they don't have the workforce with education and skill levels to compete in tomorrow's world. McKinsey thinks that job declines will be greatest in office support, production (manufacturing), food service, retail, customer service, property maintenance, mechanical installation, transportation and agricultural services while growth is expected in health care professional services, health aides and technicians, creative arts management, business and professional services and STEM occupations (science, technology, engineering and mathematics). McKinsey's forecast, should it prove to be accurate, is a wakeup call for the nation's politicians to incorporate job churn into their action plans. If the job churn is as large as McKinsey predicts and happens over a short period of time and if the government does not get out in front of the issue, then financial markets would likely be impacted by the social upheaval we would see.

The demographics of job loss are nuanced, according to Laura Tyson and Susan Lund, from their Sept. 3, 2019 writing in *Project Syndicate*, "America's Uneven Future of Work." They project that the bulk of the job losses will be borne by those with a high school diploma or less. Those with college or advanced degrees will be less prone to layoff, but even they will face employment challenges in the years ahead as artificial intelligence advances. However, those with postsecondary education will be able to leverage their education into finding more job prospects than those with less educational attainment and adaptability.

Automation will have disparate effects across race and gender. A lower proportion of African Americans and Hispanic workers have college education than whites or Asian- Americans, for example. Perhaps one in four Hispanic workers may face job cuts as Hispanics form a large proportion of food service workers. Males form a large proportion of workers who are likely to be displaced by automation while a higher proportion of females are in service jobs that are likely to face less disruption by automation.

It's not hard to deduce that American society could face continued employment change which will ripple through politics and threaten social stability outside of the major cities. The outlook is not dire yet, but politicians need to step up with workable plans to keep the likely upcoming job churn from worsening already stressed American society.

Cheers,

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McKinsey Global Institute, July 2019 report, "The future of work in America: People and places, today and tomorrow."   https://www.mckinsey.com/featured-insights/future-of-work/americas-future-of-work]

Laura Tyson and Susan Lund, from their Sept. 3, 2019 writing in *Project Syndicate*, "America's Uneven Future of Work." https://www.project-syndicate.org/commentary/occupational-demographic-and-geographic-disparities-in-job-displacement-by-laura-tyson-and-susan-lund-2019-09