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The Future of Jobs in America

IN THIS WEBINAR Nicole Gelinas, Michael Mandel, and moderator Peter Coy discussed what the future job market will look like.

MICHAEL MANDEL

- Where the economy is headed and what jobs will grow following the pandemic recession can be determined by looking at the jobs that managed to do well during the recession.
- As we slowly come out of the COVID-19 pandemic, where have jobs been created?
 - The technology and e-commerce industries, including local delivery and warehousing, have had enormous job growth.
 - Following a period of very little job growth in the biotech, pharmaceutical, and manufacturing sectors, we may be seeing the beginning of a biotech revolution. There may be more jobs in the biotech and pharmaceutical industries over the next 10 years.
 - We are also seeing job growth in finance and insurance. Banking and securities industry jobs were cut after the 2008–2009 financial crisis, but they seem to be slowly coming back again.
- Where have jobs not been created?
 - Over the last 20 years, the healthcare industry has been a steady source of job growth and creation. The number of healthcare jobs went down during the pandemic. Although some of these jobs have come back, the long boom in healthcare jobs may be over with people discovering that not quite as many healthcare jobs are needed as was thought.
- There has been a lot of investment in technology in the e-commerce, financial, and biotech sectors. These investments are creating new jobs.
- Over the next few years, the industries that do well will be those that invest in technology, job creation, and raising wages. These industries, rather than push people out with technology, will create better jobs for people to work with technology.

- There is no evidence that automation destroys jobs. The best example is Amazon's fulfillment centers, which are heavily roboticized, but also employ hundreds of thousands of workers worldwide. This is because robots lower the cost of services.
- Manufacturers have been lagging in making investments in technology. If they invested more, they could potentially lower costs, reduce prices, increase jobs, and compete against China.
- We are not going to run out of jobs. There has been a sharp drop in the amount of time people spend shopping. Amazon and e-commerce have moved unpaid household shopping hours into the market sector. We create jobs by applying technology and improving productivity to things that are too expensive, done badly, or done by unpaid labor.
- Manufacturing was replaced by finance. When the finance sector declined, it made room for tech and startups. In an era when tech jobs and startups are growing, like new growth after a forest fire, new startups can emerge and fill empty office spaces.

NICOLE GELINAS

THE GEOGRAPHY OF JOBS

- The COVID-19 pandemic is unusual and unprecedented in many ways. The job losses and future job creation are not falling evenly across the nation—whether it is a dense urban city, a suburb built around a dense urban city, or a more rural area.
- Cities like New York, San Francisco, and Boston have seen wrenching change before. Between 1950 and 1970, New York lost 19 percent of its peak jobs, which included nearly half of the city's manufacturing jobs. The city also lost 10 percent of its population.
- Starting in the early 1960s, cities entered a long period of distress. Dense cities started losing middle-class residents and manufacturing jobs. Facilitated by federal subsidies of highways and single-family homes, middle-class people had the option to live in the suburbs.

CITIES STRUGGLE AND COMEBACK: 1960s–1980s

- Cities converted from being a manufacturing jobs base and a corporate headquarters jobs base into being essentially a white-collar jobs hub and a tourism hub.
- Starting under Mayor Robert Wagner in the mid-1960s and continuing with Mayor John Lindsey in the early 1970s, New York's economic development strategy included the construction of office buildings all along the Midtown spine of Manhattan, rebuilding the public transit system, as well as supporting the arts and entertainment.
- By the 1980s, cities such as New York, San Francisco, Boston, and New Orleans, began to recover and turn around their population losses. White collar office-based workers replaced the lost manufacturing jobs and population base. The young baby boomers wanted to work in finance, advertising, and, later, in technology. They had to be in dense cities to efficiently meet in person with colleagues, clients, vendors, and competitors. With tourism and higher education opportunities, cities became places where people wanted to be to do their white-collar business.
- Successful cities became fun cities. By contrast, cities like Detroit never made the jump between the industrial/manufacturing era and the post-industrial/FinTech era because, in part, they did not have entertainment, tourism, and white-collar jobs.

NEW YORK CITY PRE-COVID

- Just prior to the pandemic, New York had a record 4 million jobs. When Mayor Bill de Blasio took office in 2014, it was feared that businesses would flee because he wanted to raise taxes. However, the benefits outweighed the costs. The financial, advertising, and tech industries still wanted to be in major cities like New York.

- On the eve of the pandemic, Midtown Manhattan had some of the densest job concentration in the developed world—150,000 jobs per square mile. This is not just important to Manhattan. This was underpinning the wealth for a large part of three states within a 100-mile radius.
 - More than 40 percent of the nearly 3 million office jobs in the tri-state area were in Manhattan.
 - Office jobs are 30 percent of the region’s jobs, but account for more than half of the wages.
 - Most of the wealth in the tri-state communities is in large part dependent on people going into Manhattan and bringing income back to those local communities outside Manhattan.
- In order to stay in New York and continue to pay high taxes, businesses require competent service delivery, attractive private-sector and non-profit amenities, and little competition from other locales.
- Even before COVID, however, public services were deteriorating. Global capital was pushing real estate prices up. Pressure was increasing from lower-cost locales which have gotten better at offering what used to be unique to big cities. Federal tax-law changes made it more expensive to live in a high-cost city. There was the reversal of favorable population trends. The baby boomers who came to New York City in the 1980s are retiring. These pressures on the city become even greater after COVID.
- Statistically, New York City is still one of the safest cities. Nevertheless, there are perceived long-term security risks in dense cities.
- Before COVID, 3 million people would come into Manhattan daily, and 75 percent of those people used some form of mass transit. The dense urban hub cannot rebuild as a locus of jobs until people feel comfortable on mass transit again.
- Cities do not always bounce back. Many cities in the United States never bounced back in the post-industrial age.
- Converting office buildings into housing may be fine as a last resort, but cities do not work unless they have a hub of office jobs.

HOW CAN CITIES REBUILD?

- Cities must go back to the “fun cities” idea, and do it even better than before the pandemic.
- Transit must be more pleasant than it was before the pandemic because people increasingly have the option of staying home.
- Cities need to be places where people want to be, not where people have to be. Never before in the history of dense cities have people proven that they can stay home for 14 months. Rebuilding and attracting people back to the office is key.

QUESTION AND ANSWER TAKEAWAYS

NEW YORK CITY POST-COVID

- There are worrisome signs pointing to the mobility of high-priced labor, not just of capital. Companies have been looking to move their headquarters from Manhattan. The creation of satellite offices allows employees to avoid paying the city’s higher taxes.
- Amenities, including local theater and art museums, can be replicated elsewhere. There are walkable locales outside of New York City.

One of the big job growth sectors, particularly in New York City, was healthcare. Michael, you said that the rapid growth in healthcare may be tailing off a bit. Why is that?

- Mandel: We had a long period where the number of healthcare jobs has grown faster than the number of patients (even when adjusted for aging). The healthcare system is not only expensive, but people are also unhappy with it. What happens to the healthcare industry will have an enormous effect on what degrees people get, and this is an important question going forward.

Nicole spoke about the decline in manufacturing over many decades in New York City. There now is some growth in manufacturing, even in cities. Can you talk about that?

- Mandel: The growth has been in digital manufacturing. You can have small distribution factories in a way that could not be done before. Space can be used for digital factories related to pharmaceuticals or agriculture, for example. Cities are too dependent on outside supply chains. The pandemic has shown that we need to shorten our supply chains.
- Gelinias: We do have some manufacturing in New York, and Mayor Michael Bloomberg focused on this a bit. At the Brooklyn Navy Yard there is small-scale, high-end furniture making and metal making for clients seeking a custom product. We also have some hydroponics. But manufacturing will never be a large portion of the city's jobs.

What do you think of the concept that we will need to have a universal basic income?

- Gelinias: A truly universal basic income program, given to everyone across the nation, would find its way into higher housing prices. If we ever get to a point when the economy is not creating jobs, we would still need to create good jobs because people need something to do all day. If you do not have a job, what is the point of education? Jobs exercise your brain and are a reason to get up in the morning.

There is a mismatch between the skills that workers have, and the skills employers need. What can be done about this? Can this be solved by the private sector or does the government need to get involved?

- Mandel: There was a mismatch for a period of time. Jobs can be divided into two types—cognitive and cognitive-physical. The last business cycle mostly produced cognitive jobs. E-commerce has produced a lot of jobs for high school educated workers at basically the same entry-level wages as manufacturing.

The 5G telecommunications industry is going to create a lot of cognitive-physical jobs.

- Gelinias: Mismatch solves itself over time, as people learn and evolve on the job. If you started in the nursing profession 25 years ago, it is a very different job today in terms of technology. We can address that with continuing vocational education. Also, a lot of the mismatch is less about skills and more about economics—how much employers are willing or able to pay.

Are there any cities in the Rust Belt that you foresee progressing in an economy where people can work online?

- Gelinias: If people are looking to work from home five days per week, most likely not. However, tech companies are more willing to set up small satellite offices in multiple cities. People who want to be in an urban environment, but maybe not New York or San Francisco, could try living in downtown Detroit or a lower cost city.

Michael, you discussed the possibility of entrepreneurs flourishing like young trees after a forest fire. How do you assess their potential addition to the economy in the short term? How long would it take for them to create jobs equal to those now gone in the city?

- Mandel: Startups need low costs and the space to be together. Before, they could not compete against high-end retail, financial services, and lawyers. In the empty spaces, you will start seeing lower-cost companies moving in. Most of them will fail or stagnate, but a few will prosper and turn into the next wave of big-growth companies.

What do you think the role of labor unions will be in the coming decades?

- Gelinias: We need to differentiate between private sector labor unions and public sector labor unions. Private sector union leaders know that they cannot make demands that are unreasonable. The potential unionization of Amazon employees, and other mass-scale lower-wage service industry jobs, can be a healthy phenomenon. On the public sector side, it is a different situation. If

we were to lose 10 percent of our tax revenue two years from now, unions cannot remain inflexible on healthcare costs and pension age. But there is no indication over the past 40 years that city employees are willing to make those concessions. Union leaders will need to convey to their members that the city will not come back if certain concessions are not made.

Can you speak a bit about outsourcing?

- Mandel: We had very long supply chains that were broken by the pandemic. Countries that produced their own PPE and vaccines did better. The importance of short, resilient, and diversified supply chains cannot be underestimated. It is a question of financing and funding.
- Gelinas: A six-month supply chain does not matter for low-value consumer goods. As you go up the supply chain, people will get upset if they cannot receive something like a washing machine in six weeks. For national security issues, as with semiconductor chips or PPE, we will resource much of that in the United States, or at least closer to us in Canada or Mexico. President Joe Biden's infrastructure plan provides \$50 billion in credits for companies to start rebuilding the supply chains.

What would you advise someone graduating from high school this spring to study in college?

- Mandel: Something in biosciences or technology. These are two growth areas going forward that will provide a good background in key areas. This does not necessarily mean being a scientist. Depending on your own skills, it could mean being a technical writer or salesperson in one of these growing fields. Stay away from vocational healthcare programs. Sometimes, the market does not reward what you are good at or what you ideally want to do.
- Gelinas: Always have a part-time job, even while in school, because it is always good to be working and to have some financial responsibility. Study what you are good at. The best and most

enthusiastic English, marketing, or journalism major will make more money than the bottom tier of computer programmers.

What about tradesmen jobs?

- Mandel: Fields such as construction or plumbing will involve a lot more technology five to 10 years from now. The jobs that were formerly physical will become cognitive-physical—combining handiwork with technology. They will become higher-productivity and higher-pay.
- Gelinas: The trades industry needs new workers to replace the people who are retiring. People will need to start familiarizing themselves with technologies.

How do you assess the quality of the American labor force?

- Gelinas: The labor force is skilled and wants to work, but has been demoralized for 40 years by rhetoric from both parties. The term “unskilled” labor should not be used. Every job is a skilled job. We are moving away from that rhetoric, and away from the casual rhetoric that started in the Reagan era which told workers to “retrain” if a factory job was gone or if employers wanted to pay half the wage for work. We need to treat people with respect.

What is going to be the impact of what we are discussing on colleges and universities?

- Mandel: The business model of many of the colleges and universities today is not a good one. The high-cost ones are going to have problems. Looking at which industries have done well during the downturn and which have not, it is hard to tell with education at this point. Education was hit directly by the pandemic.

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