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A BLEAK LANDSCAPE FOR LOWEST PAID WORKERS

Unskilled jobs protected from automation are at risk in wake of coronavirus pandemic

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In recent years, the only jobs many unskilled workers could find that weren't vulnerable to automation and outsourcing involved manual labor, personal contact and low pay.

Now, even those havens are being blown apart.

Of the 20.5 million jobs lost in April, the hardest hit occupations and sectors were the ones most exposed to sweeping social-distancing measures, both government-ordered and personally adopted. They also pay less than average.

Leisure and hospitality, where the hourly wage averages $18, lost 7.7 million jobs. Retail trade, which pays $21.20, lost 2.1 million. Because the losses were concentrated in the lowest-paying occupations, average hourly earnings got an artificial boost: up 4.7 percent from March to $30.01 for all private-sector employees.

This is an epic reversal of fortune for those at the bottom of the income ladder. They took a beating during the 2007-09 recession and its aftermath. That began to change in 2016 as unemployment marched toward its lowest level since the 1960s. Between 2010 and February, the unemployment rate of those with just a high school diploma fell from over 10 percent to under 4 percent, twice the drop for those with at least a bachelor's degree. Employers, desperate for workers, boosted starting pay and hired long-shunned candidates such as those with criminal records.

This boom succeeded, for a while, at halting some of the polarization of the labor market of the preceding decades.

Technology and globalization have been a boon for people whose work is mostly cognitive, creative and problem-solving, such as engineers, managers, designers and scientists. They have been hardest on those who perform routine tasks that can be done by robots, artificial intelligence or low-paid foreign workers – factory employees and office assistants.

Still, many occupations have been largely impervious to offshoring or automation, because they require physical presence, manual tasks that can't be automated or personal contact. Some pay well, such as construction, but most don't. They include home health-care aides, fast-food cooks and retail sales people.

This division between high and low skills also happens to closely match the extent to which a job can be done remotely. Because high-skilled workers mostly produce knowledge, words and ideas, their work can in theory be delivered from any location with a high-speed internet connection. Jonathan Dingel and Brent Neiman of the University of Chicago estimated the share of workers in 22 occupational groups who could work from home. More than 80 percent of computer, mathematical, legal and managerial occupations, where median hourly pay topped $38 in 2018, qualify.

Just a quarter of sales and personal-care jobs can be done from home, and virtually none in health-care support and food services. Median pay in all those jobs was below $15. These workers aren't just poorly paid. They are also less likely to have a college degree, cash reserves or employer-provided health insurance, or own their home, according to a recent paper by Simon Mongey at the University of Chicago and two co-authors. They are less likely to be white and more likely to work for a small business, precisely the type now at greatest risk of failure.

If the economic shock from Covid-19 is brief, like previous natural disasters, many of these sectors and companies will bounce back and the jobs they offer will be much the same. But the longer it lasts, the more likely low-wage workers will suffer from permanent shifts in consumer preferences – from products and services delivered in person to those delivered in digital form or without human interaction, which are inherently less labor-intensive.

Even before the pandemic, shopping was shifting online from brick and mortar stores because of selection, cost and convenience. To that, now add safety. Shares of Amazon.com Inc. are up 28 percent this year through Thursday, while those of J.C. Penney Co. are down 83 percent.

Digital businesses are generally more productive, achieving higher sales per employee, which enables them to pay better. The median employee earned $29,000 at Amazon.com last year, 29 percent more than at Macy's Inc. and 151 percent more than at J.C. Penney.

Or consider entertainment: streaming video was already absorbing more of households' viewing time when the pandemic scared them away from the theater. As a result, shares of Netflix Inc., whose median employee earns about $200,000 a year, are up 35 percent through Thursday. Shares are down 45 percent for AMC Entertainment Holding Inc., which operates 1,000 theaters world-wide and whose median employee (a part-timer) earns about $9,000.

In recent years there have been predictions that jobs long resistant to automation, such as fast-food cook or truck driver, would soon be displaced by increasingly sophisticated robots and artificial intelligence. To date, robots have proven more expensive and less adaptable than the humans they were meant to replace.

Now, though, they have another appeal: they won't infect customers and other workers. Hotels, already economizing on front-desk staff with check-in kiosks and digital keys, are exploring the use of robots to disinfect rooms and deliver room service.

Of course, this won't happen if the technology isn't up to the task or the recession-hit companies lack the money to invest in it. Car manufacturers are slowing investment in autonomous driving technology despite its appeal in a socially distanced world. Moreover, demand for some low-skilled jobs may go up. Even as ride-sharing collapses, food delivery has shot up.

History shows that when changes in consumer demand or technology displace workers from one job, new and better-paying jobs are created elsewhere, and so over time both the number of jobs and pay go up. The brick and mortar retail sales jobs lost to online retailing had, until recently, been offset by new jobs in warehousing and delivery, which often paid better.

Yet the speed of that transition depends crucially on the state of the economy. In a tight labor market, like the one that prevailed in February, workers let go from a shrinking industry can quickly move to a growing one.

But today, with unemployment in double digits, virtually every industry is shedding workers. Those who until recently made their living at the bottom of the income ladder face the very real prospect of spending a long time not on the ladder at all.