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## COVID-19 IS DIVIDING THE AMERICAN WORKER

*The rapid adoption of remote work and automation could accelerate inequalities in place for decades. Economists say the resulting 'K' shaped recovery will be good for professionals—and bad for everyone else.*

By Christopher Mims  
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For many professionals, technology has been a lifeline during the pandemic, enabling them to be productive while stuck at home. For many other workers, it is a new dividing line, corralling them further into the stagnant corners of the economy.

The pandemic has led to unemployment of workers in the service sector, retail and other fields at a scale and with a swiftness unprecedented in the historical record. They are cashiers and janitors, construction laborers and secretaries. For many, their prospects were already diminished by decades of technological progress. They are, disproportionately, women and minorities, precisely the groups that were already saddled with a spectrum of pay and wealth gaps even before Covid-19 hit.

What's making things worse for these workers and their families is that the pandemic is also accelerating the arrival of remote work and automation. It is a turbo boost for adoption of technologies that, according to some economists, could further displace lower-wage workers. It could also help explain the "K" shaped recovery many pundits have observed, in which there are now two Americas: professionals who are largely back to work, with stock portfolios approaching new highs, and everyone else.

Even before the pandemic, "Automation can explain labor share decline, stagnant median wages and declining real wages at the bottom," says Daron Acemoglu, a professor of economics at the Massachusetts Institute of Technology. "It's the bottom that's really getting hammered."

To understand why these workers are so vulnerable, it helps to step back in time. In a string of papers, Dr. Acemoglu and colleagues unpacked decades of data on productivity, employment and the amount of money US employers spend on worker wages vs. capital—that is, the machines, infrastructure and financial dealings required to make businesses happen. As machines and digitization—which weds those machines to computers and data—took over, automation assumed many tasks once performed by humans.

This made individual workers more productive overall, but it also eliminated many jobs. Of course, throughout history automation also created new jobs. (That is why the US was at full employment until the pandemic hit.) But those jobs aren't as numerous as in the past, nor do they pay as well, argues Dr. Acemoglu. Plus, they can be more repetitive, dull and in some cases dangerous than the ones they replaced.

As the pandemic laid bare, the service sector employs an ever-growing number of Americans in the business of feeding, pampering and caring for other Americans, especially wealthier ones. From cleaning staff to security guards to restaurant cooks, entire categories of workers saw their ranks decimated as people ceased to travel, eat out, go to offices and more.

Those workers aren't likely to find any near-term relief. In a recent essay, David Autor, an economist at MIT, and Elisabeth Reynolds, who leads the Task Force on the Work of the Future at MIT, outlined the ways they believe technology-driven trends unique to this pandemic might continue to disrupt the lives of some of America's most vulnerable workers, even once things get back to some semblance of normalcy.

The first is telepresence. By forcing so many professionals to work remotely, all at once, the pandemic may have permanently reduced how often people work from an office. Compounding this is the departure of high-wage earners from America's crowded, expensive cities. Many are already heading for suburbs, towns and even rural areas, where they can have houses big enough to accommodate home offices while also slashing their cost of living and improving their quality of life.

These trends could have a significant impact on spending in urban cores, says Dr. Autor. This could also permanently dent business travel, a huge source of revenue for hotels, restaurants and other businesses that accommodate the travelers most likely to pay full freight, he adds.

Of course, many people can't wait to get back to the office, and those who can afford it will be eager to travel again as soon as they are able, so it is too early to measure the size of these effects.

Another factor that could increase economic inequality is that, as in all recessions, many small businesses will be wiped out. According to Yelp, 73,000 businesses in the US listed on its website have already closed permanently since March, including bars, restaurants, gyms, salons and shops.

The jobs that remain will be at firms big enough to weather this pandemic, so-called "superstar companies" that pay more and are largely responsible for America's existing wage gaps. The most dominant players are tech giants Google, Apple, Amazon and Microsoft, but also giants in industries like health care, insurance and manufacturing.

One more reason the pandemic could further immiserate America's low-wage workers is that it is driving companies to adopt new kinds of intelligent and flexible robots and other forms of automation as they become commercially viable. The typical arguments for adopting automation are increasing productivity or lowering costs (or both). Now, the reasons extend well beyond that to include the need for social distancing, unprecedented demand for e-commerce logistics and fulfillment and a workforce made erratic by lockdowns and school closures.

These workers tend to be more adaptable, jumping from factory job to delivery job to restaurant job as needed. Since 1987, humans whose labor is the most easily replaced by machines—think of workers on assembly lines or in meat packing plants—have lost jobs faster than anyone else in the US economy, says Dr. Acemoglu. In the past ten years especially, the economy is no longer creating steady jobs for low-skilled, low-wage workers as fast as it once was, he adds.

"I believe our field has a mind-set that will lead to a large humans-to-robots replacement for certain types of work," says Odest Chadwicke Jenkins, a roboticist and professor of computer science and engineering at University of Michigan. "My worry is that robotic

technology will be used to simply reduce costs by automating highly populated jobs—for example, vehicle driver, manufacturing, logistics,” he adds.

Companies can choose to pursue automation that is compatible with and actually enhances the lives of workers, while also leveraging the skills that are unique to humans, but he worries they are not doing nearly enough of it.

Some economists say decisions made in Washington, D.C. in recent decades were just as significant as any made on the factory floor. “A big share of the increase in inequality is because of public policy,” says Anna Stansbury, a Ph.D. candidate in economics at Harvard University who has examined the impact of the decadeslong decline in the power of workers. The trends Ms. Stansbury believes have had the biggest impact include a decline in unions and unionization, a culture of managerial ruthlessness at some companies, the rise of private equity and leveraged buyouts, and an excessive focus on shareholder value.

“There is often a tendency to take the world as it is, and take a technological determinism or even fatalism approach to understanding how tech will affect work and inequality,” says Ms. Stansbury. “That’s a very different answer to, given the technological changes that will happen, how could we design work and wages so they don’t have these inequality consequences?”

A fundamental tenet of most economists’ thinking is that in the long run, innovation is a tremendous net benefit to human civilization. As long as we can thread the eye of the needle of environmental catastrophe, increased productivity has the potential to continue to reduce global poverty, quash childhood disease, better the lot of the world’s most vulnerable and expand the global middle class. The challenge, argue Drs. Autor and Acemoglu and many others, including world leaders like Emmanuel Macron, is reducing the short and medium-term harms meted out to those whose lives and livelihoods are being disrupted right now.

Dr. Acemoglu also agrees that policy, which in the US is often crafted by corporations, plays a huge role in how underlying trends in technology, and its ability to give capital the upper hand over labor, play out. In one of his recent papers, he concluded that the current US corporate tax system actually incentivizes companies to replace workers with robots, even when those robots are no more productive than humans.

No one has a crystal ball that can predict exactly how the pandemic will impact the economy, especially considering the complex interactions between technology, policy-making, the outcome of the November election, and whatever black swans appear on the horizon.

But one thing is clear: The pandemic has moved up the adoption of certain technologies by years, especially those supporting automation and remote work. In the short term, this means profound disruption—job loss and the need to move to new roles—for many Americans who have the least wherewithal to cope. In the long term, experts say it may exacerbate trends that US policy makers of every political persuasion have failed to fix for decades.