

Will the COVID-19 pandemic accelerate or slow global job displacement?

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Following up on McKinley (2019), this One Pager focuses on the likely global job repercussions of the COVID-19 pandemic within the context of already expanding digitalisation, as well as automation and robotics, focusing on the implications of a recent thought-provoking report by the McKinsey Global Institute: "The Future of Work after COVID-19" (Lund et al. 2021). A central point that it addresses is whether the pandemic has slowed technological change or accelerated it.

To answer this question, the report highlights projected trends for 2030 in eight major economies: six developed economies (France, Germany, Japan, Spain, the UK, and the US) and two large developing economies (China and India).

About 70 per cent of the workforce in the six developed economies are likely to be impacted in some manner, while 60 per cent of the workforce in China and 40 per cent in India will also likely be affected. More importantly, the report projects an actual loss of **860 million jobs** across all eight economies by 2030.

The report focuses on the projected substantial losses in employment across four broad economic sectors: 1) on-site customer interaction (retails stores, banks) 2) leisure and travel (restaurants and hotels), 3) indoor production and warehousing (factories and warehouses) and 4) computer-based office work (offices, corporate headquarters).

Table 1 illustrates the projected impacts of the COVID-19 pandemic on these four economic sectors, in conjunction with increasing digitalisation (the spread of the third industrial revolution), as well as the accompanying intensification of automation and robotics (the onset of the fourth industrial revolution).

Table 1
Physical proximity scores across economic sectors

Economic sector	Physical proximity score
On-site customer interaction (retail stores, banks)	76
Leisure and travel (restaurants, hotels)	75
Indoor production and warehousing (factories, warehouses)	70
Computer-based office work (offices, corporate headquarters)	68

Source: Author's elaboration based on MGI (2021).

In projecting job losses, the McKinsey report focuses on its calculation of what it calls a 'physical proximity score'. The higher the score, the more likely that workers' employment will be adversely affected because

of the projected adverse health consequences of close interaction between workers and customers, as well as among workers themselves. The scores are relatively high across all four economic sectors.

McKinsey projects that by 2030, e-commerce will likely have risen rapidly in importance, along with greater reliance on delivery services. Thus, 'main street' retail stores would likely suffer severe economic shocks. In addition, the retail and office centres of large cities could well be hollowed out, as both customers and workers would shun the associated close human interaction involved in such settings.

It is already obvious that digitalisation has progressively taken over in-person meetings in many businesses, as well as in schools and universities. Less widely known is that a significant number of companies have **already** proactively adopted automation and artificial intelligence to cope with the disruption of their workforces due to the COVID-19 pandemic.

These technological innovations are bound to rise in importance, especially because they are not adversely affected by epidemics. The workers most likely to be adversely affected are those without a college education or technical training, especially women, ethnic minorities, and young people.

Hence, projected trends in inequality are likely to worsen substantially in the future. Low-wage jobs will decline over time, while high-skill, high-wage jobs such as those in STEM (science, technology, engineering, and mathematics) will expand and prosper.

Priority policy responses to these developments must include broad and ambitious initiatives to scale up and expand skills development and training programmes. The sooner, the better.

Passive labour market programmes—such as unemployment benefits—will not solve these issues. Only *ambitiously* active labour market programmes, designed to proactively retrain and upskill workers, could respond adequately to such a daunting global challenge.

References:

- McKinley, T. 2019. "Worried about the fourth industrial revolution's impact on jobs? Scale up skills development and training!" IPC-IG One Pager, No. 425. Brasília: International Policy Centre for Inclusive Growth. <https://ipcig.org/sites/default/files/pub/en/OP425_Worried_about_the_fourth_industrial_revolution_s_impact_on_jobs_scale_up_skills_development_and_training.pdf>. Accessed 10 May 2021.
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