

Policy Brief



When Work Disappears: Planning the Post-COVID Economy



FIU

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On GDP – It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile.

Bobby Kennedy, March 18, 1968

When Work Disappears: Planning the Post-COVID Economy

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Overview

As South Florida and the nation anxiously await signs of an economic recovery in the post-COVID reality, it is important for local leaders to pause and reflect on how a re-emerging economy should be constituted. Do we attempt to emulate, as much as possible, the pre-COVID economy or do we seize this opportunity amidst the calamity of the current economic shock to correct longstanding inequities and commit to building more inclusive and resilient local economies? On the surface, the low unemployment rate and high total employment numbers in the pre-COVID economy were the types of glowing indicators most economists and elected leaders would relish. Certainly, against the backdrop of South Florida's current 11.3 percent unemployment rate and loss of nearly 450,000 jobs in the last five months the pre-COVID economy would seem quite appealing, and justifiably so. However, the rapidity in which the United States lost 35 million jobs following the economic shock induced by the COVID-19 pandemic was not only staggering but bewildering to many experts. How could the U.S. economy with such strong economic indicators not serve as a firewall or at least minimize the negative impacts on major industry sectors and workers?

Regrettably, we now know the economies of the United States and South Florida were not impervious to a severe economic shock. There is also the growing realization COVID-19 impacts will ripple through the economy well into the future. In fact, economic nuances brought about by consumer demand and behavior in the wake of the pandemic have already become the new norm as the health and safety of consumers will always take precedence. The pandemic has accelerated a number of consumer trends such as remote working, online learning, streaming services, video communication and consumer goods and service deliveries in what is being called the "shut-in economy." In fact, the notion of a return to a pre-COVID economy is unlikely as many experts believe a high percentage of the jobs that have been lost may have disappeared for good. A recent University of Chicago study estimated 42 percent of COVID-19 induced layoffs will result in permanent job loss. In another study, the St. Louis Federal Reserve Bank identified "high risk" occupations for job loss including Accommodation and Food Services and Retail. According to the study, high risk occupations comprise 48 percent of occupations or 1.3 million jobs in the Miami MSA economy. It is difficult to envision South Florida recovering a significant percentage of these jobs over the next several years.

Sadly, in the months ahead many unemployed workers will be left to wonder where the next paycheck will come from and how they will make the next rent or mortgage payment. The devastating impacts of COVID-19 on working families and local businesses will require local

leaders to focus their efforts on devising rapid response strategies that will uplift workers and local businesses in the immediate future.

Given the severity of the economic fallout, the challenge going forward is to establish a fresh outlook with new determinants of economic growth and opportunity in a post-COVID environment where supply and demand factors and conditions have been significantly altered. These supply and demand factors and conditions focused on the health and safety of consumers will be the drivers of innovation in products and services. This will necessitate the development of “reindustrialization” policies to address both the short- and long-term future of economic growth and work amidst the challenges of an unstable post-COVID economy. As such, local governments and organizations must begin by establishing policies and direct financial assistance to mitigate the devastating impacts of COVID-19 on working families and households. Special attention must be given to long-term reindustrialization policies in a post-COVID economy fraught with uncertainty and trepidation. Having been given a preview of the devastating impacts of a post-COVID economy, local governments and institutions will need to focus on the future of work and what constitutes resilient economies.

The Pre-COVID Economy

The economic recovery following the Great Recession of the last decade masked disturbing trends in both the United States and South Florida economies. Despite healthy job numbers, the pre-COVID economic recovery was marked by wage stagnation, an increasing number of working poor and growing levels of housing distress. With the rapid growth of unstable, low-paying jobs and the failure of even full-time work to pay family-supporting wages, the pre-COVID economy was already at a tipping point. After adjusting for inflation, today's average hourly wage has the same purchasing power it did in the early 1970s. In fact, in real terms average hourly earnings peaked more than 45 years ago. According to the Pew Research Center, the \$4.03 hourly rate recorded in January 1973 had the same purchasing power that \$23.68 would today. And what wage gains have been made have mostly flowed to the highest-paid tier of workers.

We have also learned many of the new jobs created in the past decade following the Great Recession have been “alternative work” which includes temp, on call, contract and freelance or “gig” work. According to a NPR/Marist poll conducted in 2018, contractors now make up 20 percent of the labor market with a prediction that contract workers could make up half of the American workforce within a decade. Coincidentally, the labor force participation rate fell sharply during the Great Recession and remained at around 62 percent during pre-COVID 2020.

The failings of the pre-COVID economy have been quite evident in South Florida over the past two decades. For example, Miami-Dade County's \$17.61 medium hourly wage corresponds to 29.5 percent of resident workers being classified as “working poor.” Low wages accompanied by a paucity of compatibly priced renter housing resulted in high levels of housing distress in Broward, Miami-Dade, Monroe and Palm Beach counties. Escalating levels of severely distressed renter households in all counties have been further exacerbated by COVID-19. According to recent research from the Jorge M. Pérez FIU Metropolitan Center, the number of severely housing distressed renters could increase to

380,086 households in the coming months. Many of these renters will be vulnerable to evictions and homelessness in the absence of working income and direct rental assistance. With the near collapse of the pre-COVID economy and its inability to bounce back and create long-term economic growth and resiliency, communities must begin designing on an alternative economic growth paradigm.

The post-COVID Economy: Reindustrialization with a Human Face: A Conceptual Framework

Faced with the devastating, long-term economic impacts of the COVID-19 pandemic, local governments, economic organizations, and institutions must be guided by a conceptual framework based on resiliency and opportunity. This will require an industrial re-thinking to make existing core industries less vulnerable to economic shocks, while nurturing industry sectors with economic growth potential in the post-COVID economy. A process of "reindustrialization" would ideally enhance existing competitive advantages and direct new policies for industry sectors poised for innovation and human capital investment in the 2020 decade. Prevailing economic growth paradigms including the knowledge economy, digital economy and the Fourth Industrial Revolution (4IR) provide overlap with reindustrialization thinking regarding job loss, stagnating wages, worker training and low levels of competitiveness. However, they diverge in assigning importance to economic and human elements, and in their decision-making process. Unlike other economic growth paradigms, reindustrialization places more emphasis on the social balance sheet and human considerations including economic opportunity and equity.

Post-COVID local economic development thinking must begin with the understanding that carefully-crafted industrial policies can provide for long-term economic growth, while being more resilient and less prone to cyclical downturns and future economic shocks. Thoughtful and resilient industrial policies can also create economic opportunity in the form of a variety of jobs and occupations paying competitive wages and incomes that increase rapidly with improved skills and experience. Resilient industrial policies can enhance economic mobility so workers and their families can improve their economic conditions, build wealth, and promote economic equity to ensure the benefits of new industrial policies are shared by residents across the income spectrum. Ultimately, resilient industrial policies will not only grow a local economy but raise living standards for all its residents. The mantra of resilient local economies in the post-COVID era should echo and embrace the call for "reindustrialization with a human face."

Reindustrialization Policy Initiatives – Where to Begin?

Applying reindustrialization thought and action in the post-COVID economy introduces a major paradigm shift for local economic development. The development of longer term, reindustrialization policies focused on economic growth, opportunity and resiliency will require a more deliberative process given its transformative potential. However, the development of local reindustrialization policies need not be an overwhelming undertaking. Much of the thinking is already trending, not only globally and nationally, but also



throughout South Florida. These industrial growth trends can serve as a starting point for local policymakers, organizations, and institutions. However, to be successful in developing reindustrialization policies, local governments and organizations will need to build requisite “core competencies” including 1) industrial development planning and management capacity, 2) industry strategy “know-how,” and 3) industry-specific human capital development.

Creating the Planning and Management Capacity for Reindustrialization

Growing local industrial development capacity in the post-COVID economy is the essential first step. Successful cities and counties will need to take a more aggressive role in supporting the ability of local businesses to innovate, adopt new technologies, even in traditional industry sectors, and improve performance and competitiveness. Local awareness and the capacity to adapt and perform will become the essential ingredients of a post-COVID resilient economy. Further, these necessary local government inputs will require continuous investment, attention, and enhancement. The challenge facing local economies recovering from staggering and potentially long-term unemployment is to transition to the decade of 2020s where redeployment had been deemed a post-COVID critical need.

Building the local capacity to reindustrialize will also require elevated standards of professionalism and performance metrics. Adopting and regularly monitoring clear performance metrics is a feature of all good governments. However, adopting new performance metrics within a reindustrialization framework will necessitate shifting local economic development policies away from traditional measures performance, i.e. number of jobs, construction square footage, tax revenues, to measures that stress job quality, innovation, technology transfer and a targeted and formalized accounting of worker re-skilling. With these competencies in place, local governments will have the capacity to create entrepreneurial environments that will support and inspire industrial development.

Strategy “Know-How”

Strategy know-how redirects local governments and organizations away from conventional economic developer practice to more creative and innovative thinking regarding “industrial” development. Strategy formulation within a reindustrialization policy framework involves identifying and implementing industrial policies and programs based on a clear understanding of a locality’s competitive advantages, industrial growth opportunities, and human capital potential. Targeted industries, industry retention, and cluster-based strategies are several of the more common industrial development strategies. Reindustrialization builds on these conventional strategies but directs thinking to a higher level of competitiveness, innovation, and opportunity within a more resilient entrepreneurial and institutional framework. The framework of a competitive entrepreneurial environment provides for the know-how to develop industrial and institutional capacity, and the support for the re-skilling of the workforce. However, for strategy development to be successful,

particularly in knowledge-based industries, there is an expectation that local governments, industries, and institutions will need to find new ways to collaborate effectively.

Building Local Human Capital

Human capital, or the collective knowledge and skills of a workforce, will be a distinguishing feature of resilient economies in the post-COVID era. Resilient economies will have the capacity to build a local workforce with the specific knowledge and skills to support globally competitive businesses, obtain higher-wage and high-skilled employment opportunities rather than seeking to import high-skilled workers.

The so-called “Fourth Industrial Revolution” (4IR) is already upon us according to the World Economic Forum. It is characterized by a “fusion of technologies that is blurring the lines between the physical, digital and biological spheres.” While 4IR is often associated with robots and smart algorithms taking over tasks from humans, some have argued the decline will be counterbalanced by an increase of roles in the fields of data analytics, artificial intelligence, software and application development and technologies. The challenge to be overcome by local governments, organizations, and institutions is how to re-skill the existing workforce and the many who have already seen their jobs disappear to be a part of the next industrial revolution.

In the United States, the notion of appropriately trained and upskilled workers raises numerous questions and challenges. However, the 4IR conceptual framework does present a starting point for reindustrialization thinking and the future of work since these re-skilling endeavors are supported by the fact that new technologies are becoming easier to implement. Local industries and institutions will need to play an essential and active role in reskilling the existing workforce, with an emphasis on proactive lifelong learning. Governments should in these efforts to ensure the workforce will benefit from the opportunities introduced by 4IR technological innovation.

A 2018 study by the Manufacturing Institute found as many as 600,000 unfilled manufacturing job openings in the United States. Significantly, most of these jobs are for skilled production workers in roles like machinists, operators, craft workers, distributors, and technicians. These jobs require extensive training and are difficult to fill. The study included a survey of manufacturing executives, who expressed concern about the workforce skills gap. Seventy-four percent of the survey respondents reported that workforce shortages or skills deficiencies in production roles are having a significant impact on their ability to expand operations and improve productivity. Survey respondents ranked access to a highly skilled, flexible workforce as the single most important factor in their effectiveness – ranking it 20 percentage points more important than other factors such as new product innovation or increased market share. There is also an increasing awareness that in order for domestic manufacturing to prosper, a different skills set is necessary to meet the current and future demands of manufacturers.

The local challenge to 4IR implementation will require investing in the technological know-how and the creative potential of the workforce. Technology at scale has the potential to transform the nature of work itself by engaging and improving the skills of human workers with minimal displacement. This will require reindustrialization thinking by institutions of learning that can harness and develop the intellectual capital already in place in urban

and metropolitan locations. If appropriately trained and upskilled, today's workers could play valuable roles as problem-solvers and innovators in a more resilient, post-COVID economy.

Reindustrialization: A Case for Manufacturing

When we think of the deindustrialization of America, the manufacturing sector immediately comes to mind. The United States lost 2 million manufacturing jobs between 1980 and 2000, and another 5.5 million jobs between 2000 and 2017. In fact, there is widespread belief that U.S. manufacturing is disappearing, and the United States does not make things anymore. A combination of automation and U.S. trade policies are commonly viewed as the main culprits.

In recent years, a resurgence in manufacturing has been taking place in both the United States and abroad. According to the U.S. Bureau of Labor Statistics, real manufacturing output hit record highs in recent quarters pre-COVID and is 75 percent higher than it was 25 years ago. U.S. manufacturing output and productivity has been increasing while becoming more capital intensive and much less labor intensive. Small and mid-size manufacturers (SMMs) manufacturing continued to be a critical sector. The potential of smaller, distributed factories with accompanying ecosystems that serve regional markets, compared to a large production center that ships product worldwide, may seem counter to how industry typically thinks of cost efficiency and scale. However, the challenge is to innovate relentlessly and continuously, especially in the post-COVID economy. Manufacturers see it as an imperative to continue digitizing operations to increase output and productivity. Innovations such as AI, cloud computing, advanced analytics and robotics can increase output and productivity, and allow more flexibility to respond to changes in consumer markets.

A number of manufacturing industry groups are expected to grow in the 2020 decade. For example, according to IBISWorld, U.S. Medical Equipment and Supplies manufacturing is expected to see a strong surge in demand from medical care providers and consumers. Flexibility has emerged as a key competitive aspect among today's manufacturers. Manufacturing flexibility is generally construed as the ability of the manufacturers to respond effectively to changes in the environment. Manufacturing flexibility will become a necessity in the post-COVID economy. As opposed to the rigidities of mass manufacturing with dedicated machinery and standardized products, flexible manufacturing will become a key strategy for efficiently improving market responsiveness in the face of uncertain future product demand. Medical and electronic manufacturers are the most active in this area.

Local industrial policy-making in the post-COVID economy must follow pragmatic and more adaptive pathways to support new and expanding manufacturing potentials. For example, as people have become more educated about the state of our environment, there has been a push to encourage manufacturers to produce green products and modify their production processes. Consumers have demonstrated a huge demand for eco-friendly products, and companies are aware that their bottom line may be affected if they fail to implement more sustainable manufacturing practices. In fact, customer demand is one of the biggest drivers for the introduction of sustainable practices in the composites

manufacturing industry. The sustainability of a supplier's business is very important to customers in markets like wind energy, transportation and building materials.

Manufacturing in South Florida?

The manufacturing sector in South Florida is well established. In the 2019 manufacturing report, [Make It Miami](#), the Florida International University (FIU) Jorge M. Pérez Metropolitan Center and Small Business Development Center (SBDC) at FIU identified 2,847 manufacturing establishments in Miami-Dade County employing 40,893 workers. The research found one-third of Miami's manufacturing firms are in the advanced industries sector, characterized by a deep involvement with technology research and development, and STEM workers. Further research has found the manufacturing sector has a significant presence throughout South Florida and is comprised of a variation of manufacturing industry groups. The following tables list the top ten manufacturing industry groups in Broward, Miami-Dade and Palm Beach counties.

Manufacturing Industry Groups: Broward County

NAICS	Description	Establishments	Employees
3231	Printing and Related Support Activities	208	1,972
3391	Medical Equipment and Supplies Manufacturing	86	1,492
3371	Household and Institutional Furniture and Kitchen Cabinet Manufacturing	83	309
3399	Other Miscellaneous Manufacturing	83	548
3118	Bakeries and Tortilla Manufacturing	58	724
3323	Architectural and Structural Metals Manufacturing	51	1,289
3261	Plastics Product Manufacturing	42	982
3366	Ship and Boat Building	39	336
3327	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	38	498
3219	Other Wood Product Manufacturing	36	493

Manufacturing Industry Groups: Miami-Dade County

NAICS	Description	Establishments	Employees
3231	Printing and Related Support Activities	262	2,715
3118	Bakeries and Tortilla Manufacturing	209	2,541
3399	Other Miscellaneous Manufacturing	127	1,259
3371	Household and Institutional Furniture and Kitchen Cabinet Manufacturing	124	819
3323	Architectural and Structural Metals Manufacturing	108	2,719
3391	Medical Equipment and Supplies Manufacturing	101	745
3219	Other Wood Product Manufacturing	68	341
3261	Plastics Product Manufacturing	55	1,546
3273	Cement and Concrete Product Manufacturing	50	1,922
3152	Cut and Sew Apparel Manufacturing	49	2,160

Manufacturing Industry Groups: Palm Beach County

NAICS	Description	Establishments	Employees
3231	Printing and Related Support Activities	96	788
3399	Other Miscellaneous Manufacturing	79	640
3371	Household and Institutional Furniture and Kitchen Cabinet Manufacturing	71	287
3391	Medical Equipment and Supplies Manufacturing	67	885
3323	Architectural and Structural Metals Manufacturing	51	750
3118	Bakeries and Tortilla Manufacturing	42	359
3219	Other Wood Product Manufacturing	41	284
3273	Cement and Concrete Product Manufacturing	32	572
3149	Other Textile Product Mills	30	184
3327	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	28	151

Source: *County Business Patterns*; tables created by the Jorge M. Pérez FIU Metropolitan Center.

While manufacturing is not one of South Florida's leading export sectors, its presence and growth potential should make it a targeted sector for reindustrialization thinking and strategy know-how in the post-COVID economy. Manufacturing, as a targeted sector, would require a heightened level of local industrial development planning and management. It would also require a far more active role for economic development professionals as successful manufacturing can only be achieved through formalized private-public partnerships that comprehend the many aspects of the organization of production, including supply chains, facility planning, logistics, technologies, capital investment, job training and institutional support.

Technology is reducing the space needs of manufacturers, and impacting supply chains and location choices, empowering the return of manufacturing to urban areas, known as the industrial urbanism movement. Manufacturing processes are lower impact and cleaner than ever before which reduces the need to isolate them in industrial zoning districts. The trend is toward smaller manufacturing facilities in major population centers. Creative land use and zoning, business support tailored to the needs of manufacturers, cluster development, local branding efforts, and apprenticeship programs are some examples of strategies that will support and grow the sector.

Manufacturers, local governments, and institutions can also work in partnership to ensure diffusion of technology and the benefits it can bring. Essential to this effort will be upskilling. With 62 percent of existing occupations automatable, training and preparing workers for these changes will be an essential step in building a resilient post-COVID local economy.