



Florida TaxWatch

ECONOMIC COMMENTARY

Beyond the Pandemic: Long-Term Changes and Challenges for Florida's Workforce

COVID-19 LEGACY SERIES PT.3

JULY 2021

Note: This economic commentary is one of a multi-part "COVID-19 Legacy Series" discussing the long-term changes brought on by the COVID-19 pandemic and the challenges facing the state of Florida in the years to come. Each installation will examine a particular focus area and describe how the changes will impact the Florida economy.

IN MANY WAYS, FLORIDA'S WORKFORCE LOOKS STARKLY DIFFERENT FROM WHEN IT FIRST ENTERED THE PANDEMIC OVER A YEAR AGO. Challenges with controlling the spread of COVID-19 precipitated the widespread use of remote work and other digital formats across the state. These changes accelerated workforce trends that were present before COVID-19 (such as automation) and now foreshadow a future workforce that will constantly face disruption and displacement. Ultimately, these changes have long-term ramifications for Florida's future economic growth, talent pipeline, workforce development, and fiscal sustainability.

THE FUTURE OF REMOTE WORK

Within the workforce, no change has been as dominant and widespread as the shift to remote work during the pandemic. Before COVID-19, less than six percent of U.S. employees worked primarily from home.¹ Similarly in Florida, from 2010 to 2019, the estimate of remote workers never rose above seven percent of the state's workforce population (See Table 1).² As companies grappled with abrupt workplace closures during the pandemic, remote work began to proliferate, rising to nearly 32 percent of Florida's workforce during the latter half of 2020.³ The same trend occurred across the nation as more than one in three workers transitioned to remote work.

TABLE 1. PERCENTAGE OF POPULATION WORKING REMOTELY

Date	Florida	U.S.
2010	4.4%	4.2%
2011	4.4%	4.2%
2012	4.8%	4.2%
2013	4.9%	4.2%
2014	5.2%	4.3%
2015	5.5%	4.5%
2016	5.9%	5.0%
2017	6.0%	5.1%
2018	6.1%	5.3%
2019	6.9%	5.6%
2020	31.6%	36.9%
2021	30.6%	34.9%

Source: American Community Survey (2010-2019); U.S. Census Bureau Household Pulse Survey Program (2020-2021). Note: Data for years 2020 and 2021 are averages of the weekly results from the Household Pulse Surveys.

1 U.S. Census Bureau, American Community Survey (ACS), Table B08141: "Means of Transportation to Work by Vehicles Available," Accessed July 7, 2021. Note: This statistic incorporates survey questions about transportation to work, making the measure a lower-bound estimate.

2 U.S. Census Bureau, American Community Survey (ACS), Accessed on July 7, 2021.

3 U.S. Census Bureau, Household Pulse Survey, Accessed on July 7, 2021. Note: This statistic references data from August 2020 and onward. The Household Pulse Survey did not include questions about remote work until August.

Even as remote work persists and remains a facet of the future workforce, certain long-term considerations and challenges arise, especially for Florida. First, the continuation of remote work will be most feasible and beneficial for office-oriented and computer-centric jobs. For service-oriented sectors, such as Retail Trade and Leisure and Hospitality, certain job functions cannot be substituted as well for face-to-face interaction. Thus, the economic benefit for these industries going forward may be minimal and may place a premium on developing newer skills for jobs with less physical proximity. Nevertheless, remote work does not nullify the future need for service-oriented jobs in Florida. Jobs in customer-contact sectors will still be needed in the local community to support families and remote workers in other sectors, business travelers, and tourists.

Furthermore, remote work raises a plethora of other issues for employees, namely the incidence of interruptions and implications for long-term productivity. Even though remote work affords some employees a more conducive work environment at home, some other workers must balance childcare responsibilities, virtual meetings, and other time-consuming commitments with work.⁴ To what extent these factors, and others, affect output and productivity across industries warrants deeper analysis, but a recent study found that although remote work yielded longer work hours, workers were not as efficient as in a workplace.⁵

Future remote work will have a significant impact on local economic activity. The pandemic ushered in the common use of videoconferencing and virtual meetings in lieu of traditional conferences. With potentially 20 percent of business travel not returning post-pandemic,⁶ Florida's hotels, restaurants, transit, and other local businesses may take an economic hit as fewer business travelers come to the state. Greater use of remote work may also reduce the amount of commercial and residential property needed for office space, subsequently affecting Florida's real estate sector.

DISPLACEMENT DUE TO AUTOMATION, ARTIFICIAL INTELLIGENCE, AND OTHER TECHNOLOGIES

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"This pandemic has created a very strong incentive to automate the work of human beings. Machines don't fall ill, they don't need to isolate to protect peers, they don't need to take time off work."

— DR. DANIEL SUSSKIND, FELLOW IN ECONOMICS, UNIVERSITY OF OXFORD⁷

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The great experiment with remote work over the past year has illuminated a broader change in the workforce: technological advancement and displacement. Specifically, in addition to remote work, the COVID-19 pandemic has accelerated the adoption of automation and artificial intelligence (AI) among companies in various industries.⁸ As companies sought to limit the risk of infection in workplaces and maintain operations, many businesses deployed automation and AI in various contexts: at grocery stores, restaurants, warehouses, hotels, clinics, and more. Even before the pandemic, job displacement due to automation was estimated to affect some 45 million U.S. workers by 2030.⁹

The rise of automation, AI, and other technological innovations following large-scale recessions is not a new feature of the cyclical economy. In past recessions—most recently the 2008-09 Great Recession—automation followed the economic downturn.¹⁰ What differentiates the COVID-19 recession from previous recessions is the pandemic's universality. Across all sectors, and especially within service-oriented industries, automation was a widespread means of survival—rather than a means of competitive advantage—to continue business operations while also dealing with public health risks.

Looking ahead, companies will increasingly prioritize capital investment in new technologies to adapt to more frequent future disruptions—cyberattacks, natural disasters, supply chain interruptions, trade disputes. In Florida, business owners who will contend with rising costs, such as higher material costs due to inflation or higher labor costs due to a state minimum wage

4 American Enterprise Institute (AEI), "The trade-offs of remote work: Building a more resilient workplace for the post-COVID-19 world," Nov. 16, 2020.

5 The Economist, "Remote workers work longer, not more efficiently: A new study on remote working," Jun. 10, 2021.

6 McKinsey & Company, "The future of work after COVID-19," Feb 18, 2021.

7 TIME, "Millions of Americans Have Lost Jobs in the Pandemic – and Robots and AI Are Replacing Them Faster Than Ever," Aug. 6, 2020.

8 Federal Reserve Bank of Philadelphia, "Forced Automation by COVID-19? Early Trends from Current Population Survey," Sept. 2020.

9 McKinsey & Company, "Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages," Nov. 28, 2017.

10 McKinsey & Company, "Jobs lost, jobs gained: What the future of work will mean for jobs, skills, and wages," Nov. 28, 2017.

increase, may be more inclined to adopt new technologies in the future. Future job displacement, however, will not necessarily lead to mass unemployment; rather, it underscores the need for skills training and human capital development to complement the subsequent rise in technology in the workforce.

FUTURE IMPLICATIONS FOR ECONOMIC DEVELOPMENT AND FISCAL REVENUE

The advent of remote work has important long-term implications for Florida's economic development and fiscal revenue. Through remote work, the pandemic has demonstrated that talent does not have to be place-bound (restricted to a particular location). This in turn creates a future economic benefit for Florida if it attracts workers to relocate to Florida while working remotely for out-of-state companies. According to WalletHub's Best States for Remote Work, Florida ranks 12th on the list for its work and living environment.¹¹ Factors such as broadband access, internet affordability, and cybersecurity all affect a state's ranking, shedding light on what potential issues may boost or diminish a state's lure to out-of-state remote workers.

Remote work will also require policymakers and economic developers to rethink the traditional metrics that have typified economic development, namely job creation and capital investment. For example, it is unclear how job creation would be measured in a situation where a Florida-based company employs remote workers residing in other states. Additionally, by attracting workers from other states, it remains to be seen how this inflow will affect local talent pipelines already present in many communities.

For Florida's future fiscal picture, changes in the post-COVID workforce will inevitably affect how much tax revenue state and local governments collect. As discussed previously, COVID-19 is expected to slow the return of business travel in future years.¹² Fewer business travelers will conceivably reduce spending throughout the Florida economy, lowering sales tax revenue in the process. Moreover, remote work and hybrid arrangements reduce the need for commercial office space. To what extent this will potentially limit construction and commercial property tax revenue in local areas is currently indeterminate but an important consideration going forward.

WHAT REMAINS UNKNOWN

Just as there are questions remaining for Florida's economic development, there are also questions pertaining to individual workers. As of late July 2021, there were roughly 528,300 open jobs in the state of Florida and around 523,000 unemployed individuals looking for work.¹³ The apparent disequilibrium reflects labor challenges observed across the U.S. and raises more questions than answers for Florida's workforce. Additional factors that remain unknown at the moment, yet require continued research, include the impact of childcare responsibilities, unemployment insurance, and workers' desires for higher-skilled jobs.¹⁴ Despite the uncertainty around these areas of interest, one thing does remain clear: Florida's workforce, much like the rest of the world, is undergoing a seismic change that will transform the future of work.

11 WalletHub, "Best States for Working from Home," Apr. 6, 2021.

12 The Wall Street Journal, "The Covid Pandemic Could Cut Business Travel by 36% -- Permanently," Dec. 1, 2020.

13 Florida Chamber of Commerce, The Florida Scorecard: State of Florida Metrics, Accessed on July 20, 2021.

14 Forbes, "What does a Worker Want? What the Labor Shortage Really Tells Us," July 8, 2021.

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