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The pendulum will swing back

Editor's note: This essay is part of a series being published to help commemorate the Monthly Labor Review's centennial (July 1915–July 2015). The essays—written by eminent authorities and distinguished experts in a broad range of fields—cover a variety of topics pertinent to the Review and the work of the Bureau of Labor Statistics. Each essay is unique and comprises the words and opinion of the author. We've found these essays to be enlightening and inspirational. We hope you do as well.

Katharine G. Abraham

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The recent past has not been good for the typical American worker. While earnings at the top of the income distribution have continued to rise, real hourly earnings for the median male worker were lower in 2014 than in the late 1970s and real hourly earnings for the median female worker have not risen for more than a decade. The share of national income that goes to labor rather than capital—once viewed as an immutable constant—has fallen markedly. Labor force participation among prime-age men has been slipping for decades and, after years of growth, participation among prime-age women has leveled off and may be beginning to fall. Without access to paid family leave or control over increasingly irregular work schedules, many people report that they find it difficult to juggle work and home responsibilities. All of these developments have been amply documented and discussed on the pages of the *Monthly Labor Review* and other Bureau of Labor Statistics publications.

The explanations most commonly offered for these discouraging labor market trends are globalization and technology. Increasing competition from foreign workers and machines, it is argued, has pushed wages in many occupations down and made it less attractive for many Americans to work. Despite the emerging weakness in labor force participation, the argument continues, employers are easily able to fill their lower skill jobs. Given an increasing competitive pressure to hold prices down, firms have chosen to organize work in ways that lower their costs but place increasing stress on workers and their families. And, with the share of private sector workers who are covered by a collective bargaining agreement having fallen into the single digits, workers generally have not been able to negotiate successfully to raise their pay or improve their working conditions.

The big question on the table is whether the future will bring more of the same or a reversal of fortunes. Many seem to believe things will only get worse. While it has begun to close, the gap in wages between the United States and the less developed parts of the world is still large, suggesting that the incentive for companies to offshore where possible may not abate any time soon. In a provocative book titled *The second machine age*, MIT's Erik Brynjolfsson and Andrew McAfee have argued that machines will take over many tasks currently performed by humans, leaving even less for low- and middle-skilled American workers to do. The future of the typical American worker could be bleak indeed.

It is far from clear, however, that the doomsayers are right. There are limits to what can be offshored, and even if this weren't the case, the wage gap between U.S. workers and those in the rest of the world can be expected to narrow as standards of living in developing countries rise. In time, American workers should become more competitive in global markets and should benefit from growing foreign demand for American goods and services. Concerns about technology displacing human workers have been voiced repeatedly since the start of the Industrial Revolution. While technology has often been disruptive, the direst predictions have always been proven wrong, and it is far from obvious why this time should be different. It is hard to predict exactly what sorts of jobs people will be doing 25 years from now, but it seems like a stretch to believe that there will be nothing for most of them to do.

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Demographics actually bode well for American workers over the coming decades. As the baby boomers retire, the share of the population that is economically active is projected to fall. The U.S. Census Bureau has forecast, for example, that the dependency ratio—the ratio of the number of people younger than 18 or older than 64 to the number of people ages 18 to 64—will increase from 59 percent in 2010 to 75 percent in 2030 and remain near that higher level for at least the following two decades, primarily because of growth in the share of the population age 65 and over. Facing a shrinking pool of available workers, employers competing to hire may be forced to raise the wages and improve the working conditions they are offering.

Other changes in the labor market could make a positive difference too. If current efforts to raise educational attainment are successful, the value that workers offer to their employers should rise. And workers flexing their muscles could find a way to recreate the collective bargaining entities of the past, perhaps in some new or modified form, leveling the field with respect to bargaining between employers and their employees.

I do not claim to know how the future will play out. I tend, however, to be an optimist and, if forced to make a prediction, my guess would be that the next 25 years will be better for American workers than the past 25 years have been. I am sure in any case that information and discussion regarding these important issues will continue to interest the readers of the *Monthly Labor Review*.

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