

Government Leaders Forum

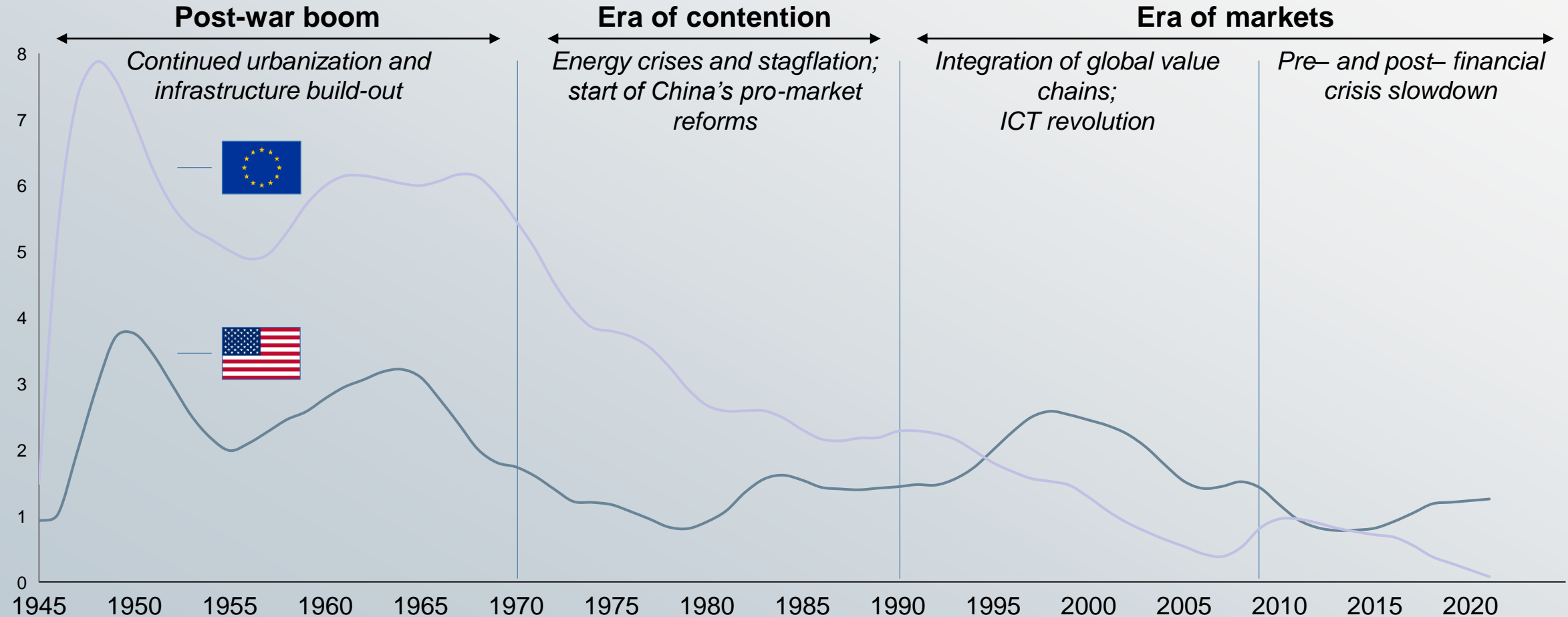
The New Industrial Policy and Building a Resilient US Workforce

*Government Leaders Forum Plenary Session
Thursday, September 5*

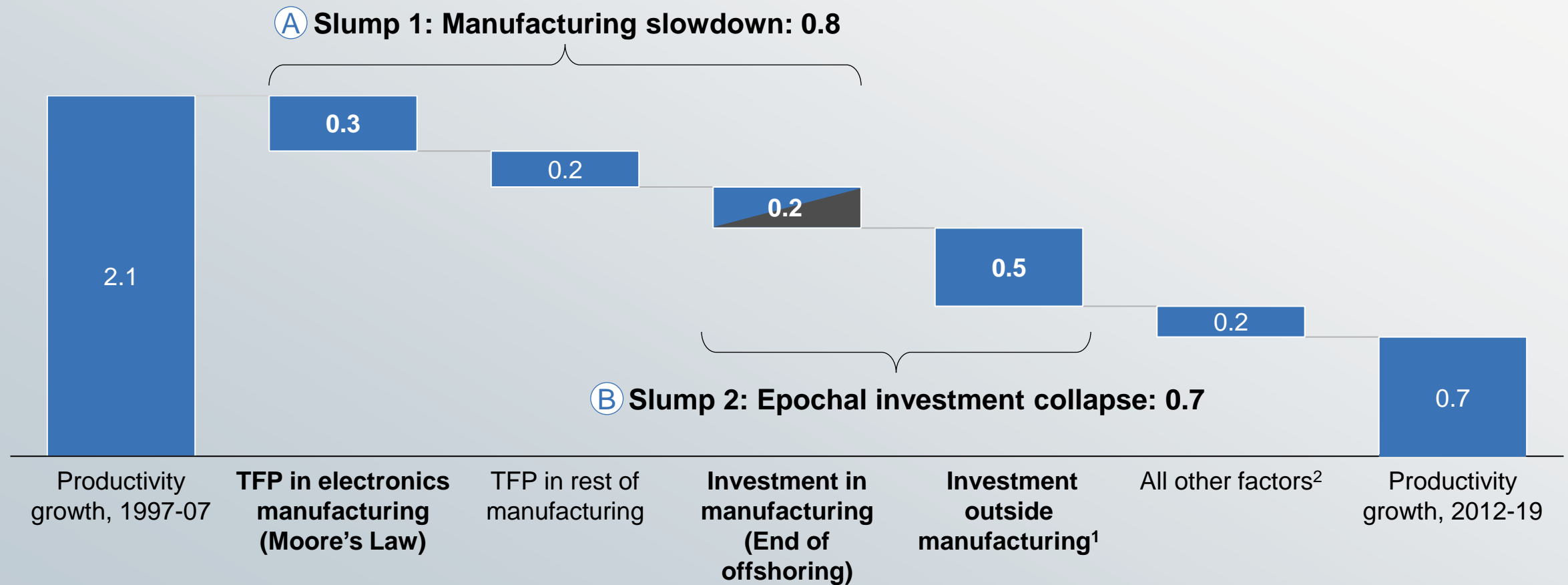


The United States is in the midst of a long-term slowdown in productivity growth

Labor productivity growth (GDP per hour worked increase), % year on year



At the heart of the productivity growth slowdown is the decline in manufacturing and investment growth



Note: Differences due to rounding

1. In the US, Wholesale and retail was the only sector where investment increased (+0.1pp)

2. Heterogeneous performance (ups and downs) across sectors in terms of TFP and labor quality. For instance in US: decrease in half of the sectors (-0.5pp), mostly driven by retail and financial services and partially offset by increase in other sectors (+0.3pp). e.g., professional services and construction

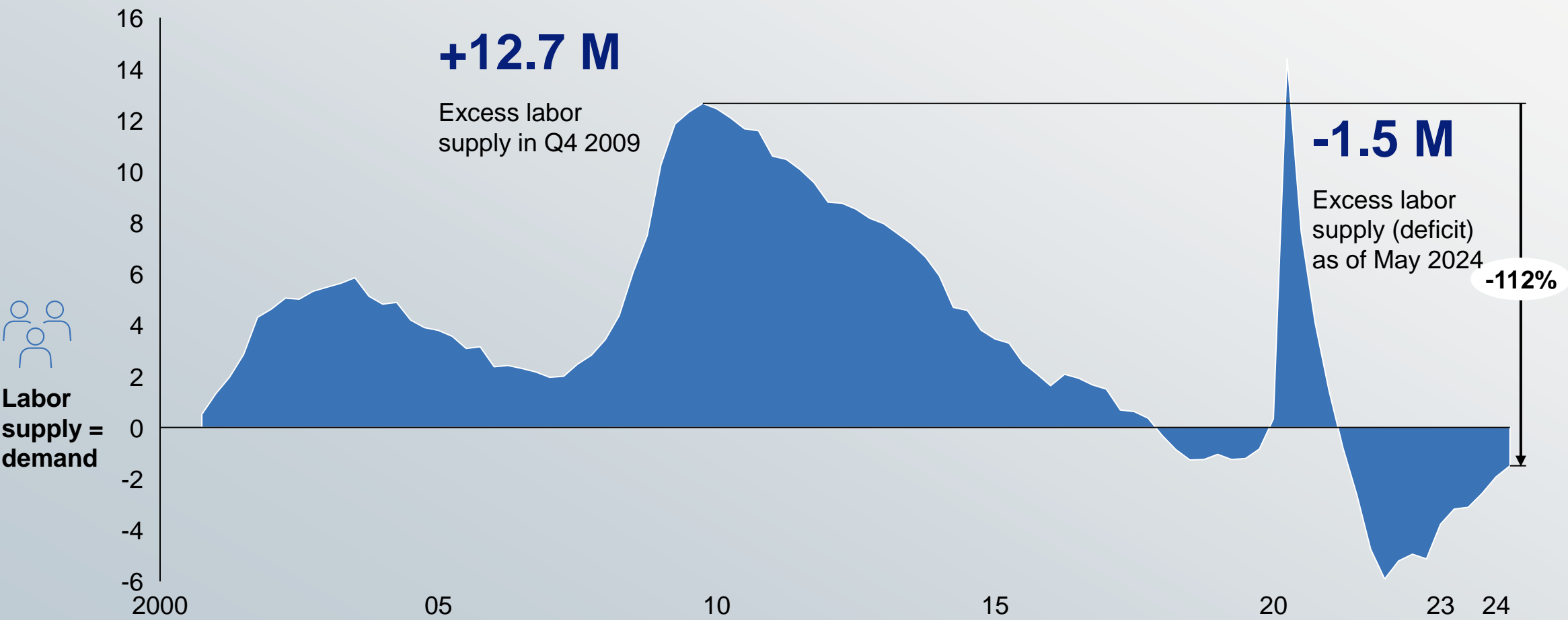
Source: EU KLEMS (2023 Release) – National and growth accounts


Government Leaders Forum

UVA Miller Center | McKinsey & Company

Past economic growth was largely fuelled by rising employment, but the excess supply of labor has dwindled

Excess labor supply, millions

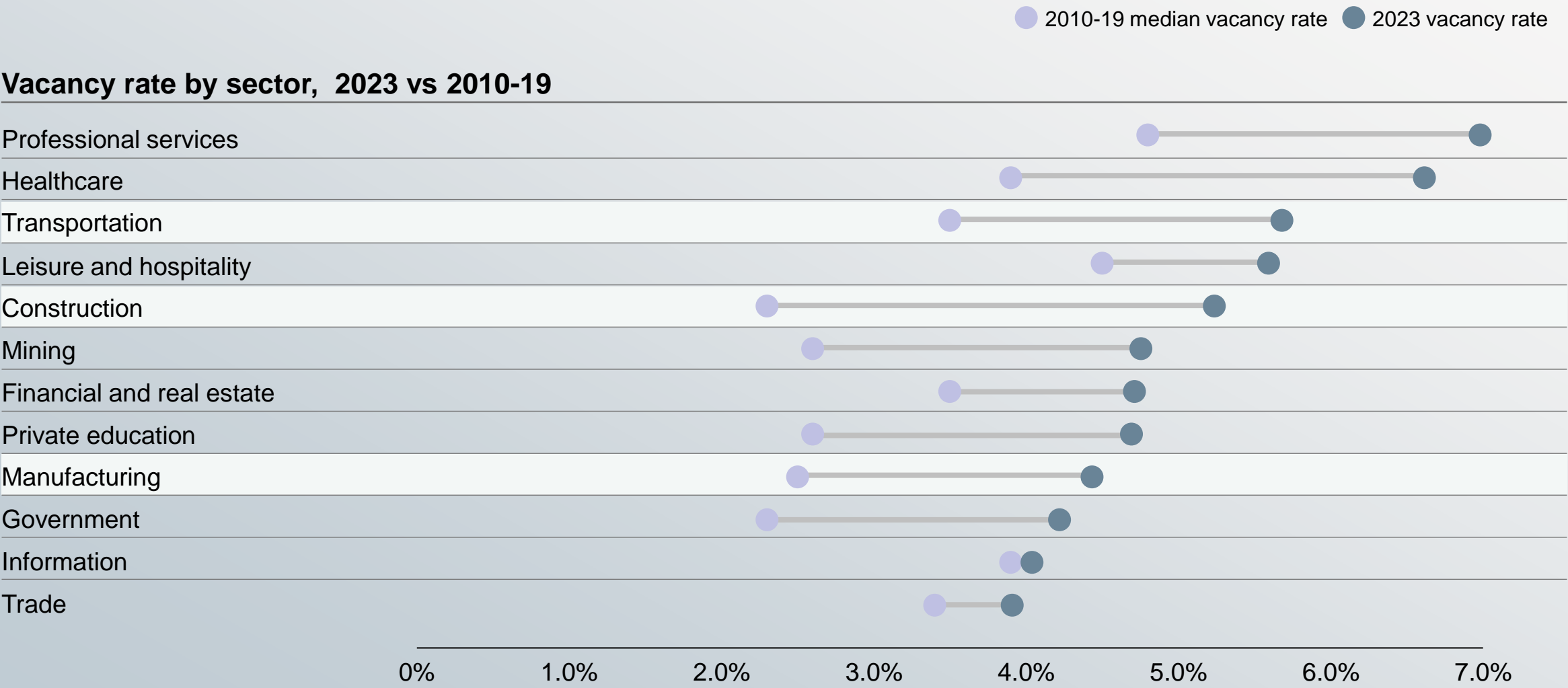



Labor supply = demand

1. Q2 2024 data goes through May

Sources: International Labour Organization; US Bureau of Labor Statistics; McKinsey Global Institute analysis
Note: US data begins Q4 2000

Labor shortages in key sectors will need to be addressed



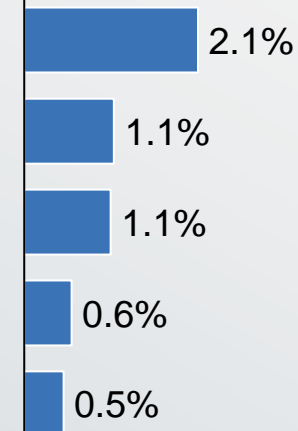
Physical and manual skills have become more scarce

Top half and bottom quartile select major occupation groups by change in vacancy share, 2015-2023, p.p.

Time spent on physical and manual skills¹, 2023

Select occupations from top half

Food preparation and serving related
Installation, maintenance, and repair
Building and grounds cleaning and maintenance
Production
Construction and extraction

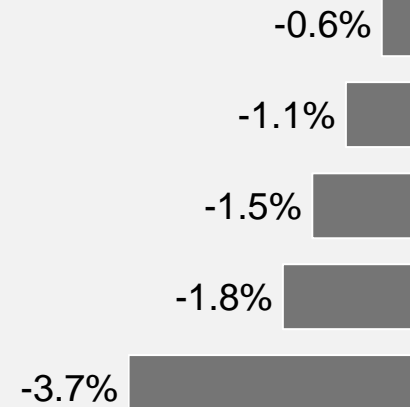


50%

Time spent in top half of occupations

Select occupations from bottom quartile

Office and administrative support
Management
Business and financial operations
Sales and related
Computer and mathematical



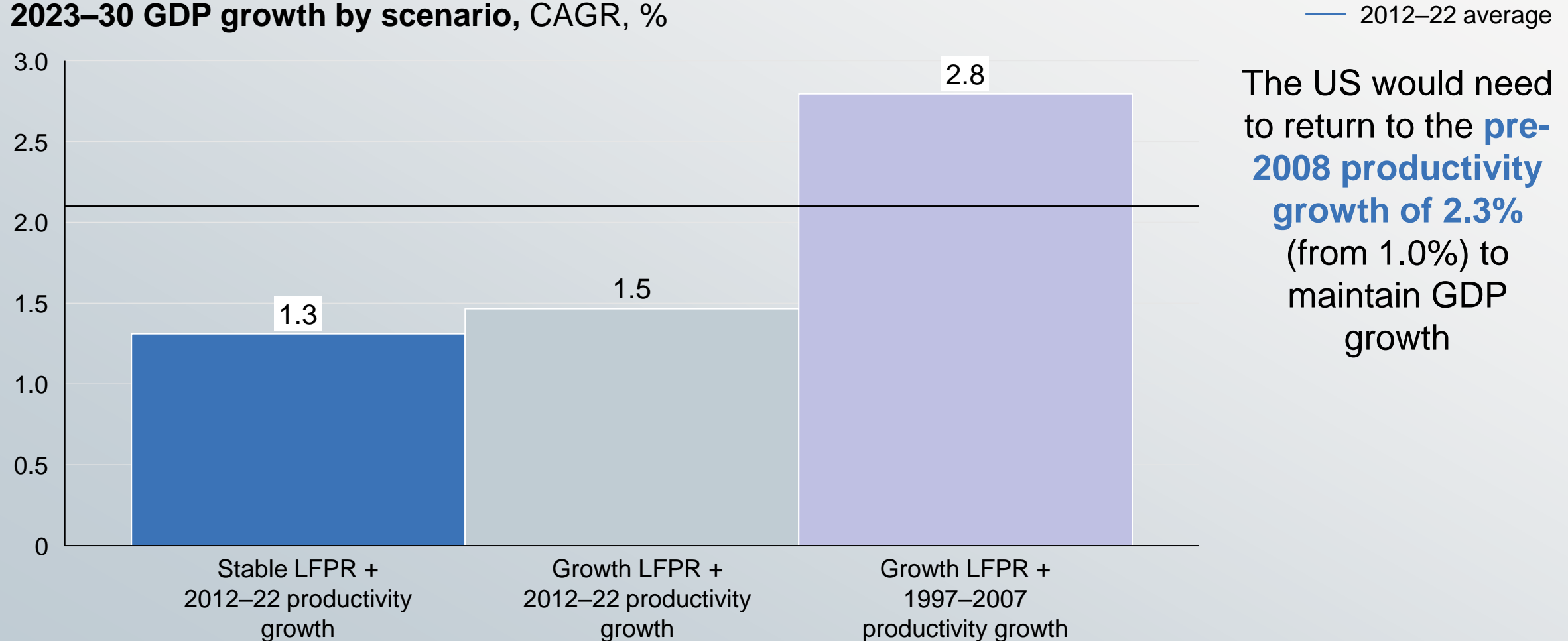
5%

Time spent in bottom quartile of occupations

1. Across all major occupation groups in the top half and bottom quartile by change in vacancy share

Raising labor participation is vital along with achieving greater productivity growth

2023–30 GDP growth by scenario, CAGR, %

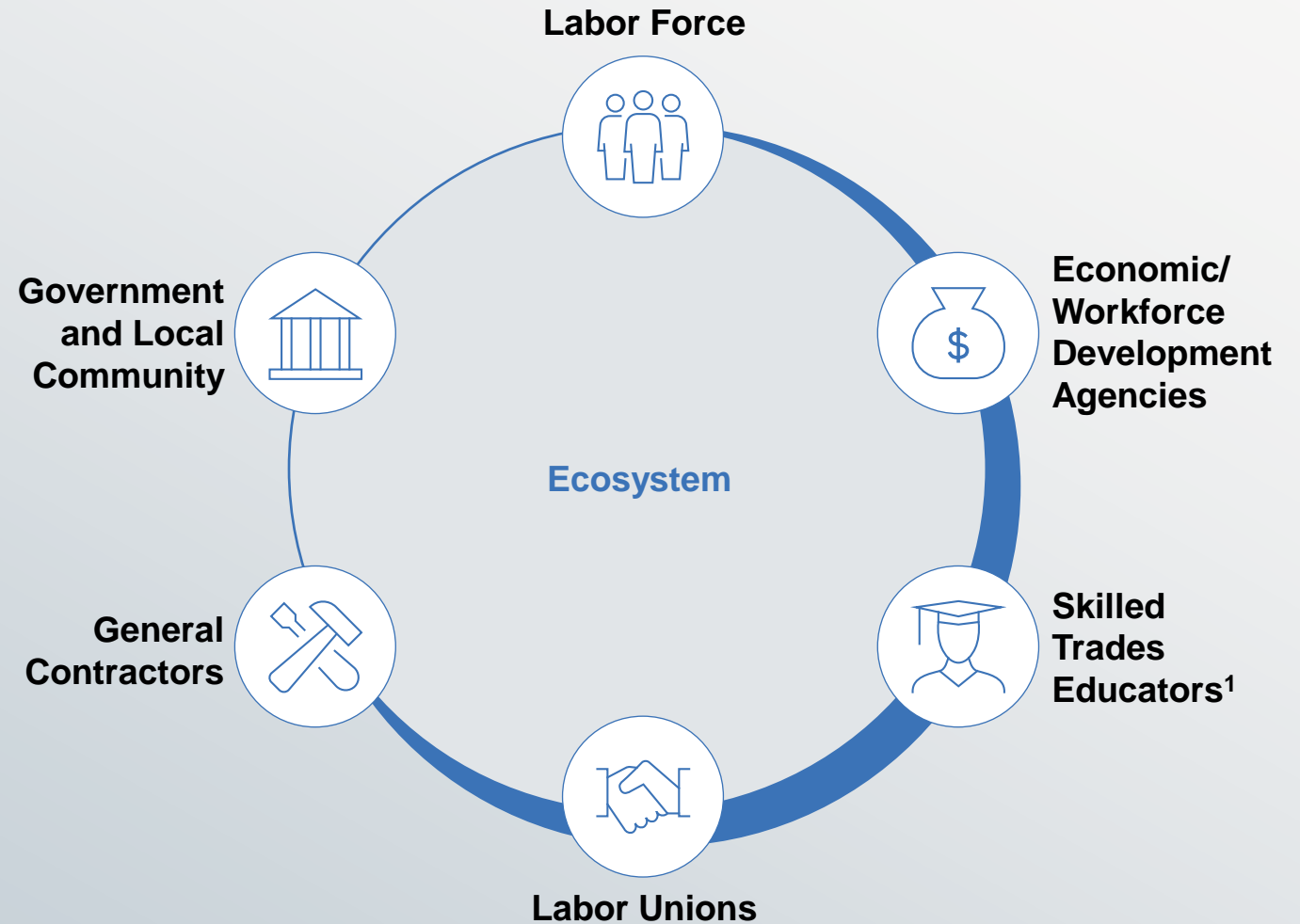


1. Does not include "other services"

Note: Opportunity value is calculated based on average productivity by sector, although productivity from marginal workers may be lower.

Source: US Bureau of Labor Statistics; The Conference Board's Total Economy Database, "Output, Labor, and Labor Productivity"; International Labour Organization; UN Population Prospects; McKinsey Global Institute analysis

Actions are required across the workforce ecosystem



1. E.g., Trade/Vocational/Technical Schools

Employers and policy-makers can take action – and many already have

Not exhaustive

Grow labor supply



Strengthen talent value proposition



Encourage women's labor participation



Boost senior worker participation



Better integrate foreign-born workers



Broaden talent pools

Improve productivity / matching



Invest in technology



Upskill / reskill workers



Facilitate geographic mobility



Enable job transitions



There are good reasons to think the US can tackle its problems

Breakthrough technologies are going mainstream

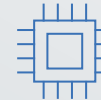


Small modular nuclear reactors



CRISPR and gene editing

Early bright spots show the way



Jump in manufacturing investment



Accelerating growth in solar energy

Recent events prove the world's ability to mobilize



COVID-19 vaccines



Energy infrastructure investment