

**Hamilton Project / Brookings Institution
How COVID-19 is Shaping the Future of Business and Work**

David Autor/MIT; Nancy Rose/MIT; Betsey Stevenson/U-Michigan

July 16, 2020

Links to the recording, and research papers released right after the discussion, are shared below.
Summary notes of the recorded presentations begin on the next page.

RECORDED VIDEO EVENT

[How Covid-19 is Shaping the Future of Business and Work](#)

See next page for summary notes

UNDERLYING RESEARCH PAPERS

David Autor and Elisabeth Reynolds: [The Nature of Work After the COVID Crisis—Too Few Low Wage Jobs](#)

Betsey Stevenson: [The Initial Impact of COVID-19 on Labor Market Outcomes Across Groups and the Potential for Permanent Scarring](#)

Nancy Rose: [Will Competition be Another COVID-19 Casualty?](#)

Summary Paper: [How the Pandemic is Changing the Economy](#)

How COVID-19 is Reshaping the Future of Business and Work

July 16, 2020

Summary Notes

Speakers:

Wendy Edelberg - Director of the Hamilton Project
David Autor - MIT
Nancy Rose - MIT
Betsey Stevenson - University of Michigan

Introduction (Wendy Edelberg):

- GDP in the second quarter to show historic decline.
- Monthly data insufficient.
- Policy makers must be vigilant in providing urgent support to communities based on state of economy and not calendar dates.
- Policy makers must also be focused on longer-term negative consequences ahead.

Three Issues:

1. Widespread bankruptcies could fundamentally change the business landscape.
2. Changes in how and where people work + acceleration of automation.
3. Stark reductions in labor force participation among older/younger people and people with new families.

First Speaker (David Autor):

3:45 mark

- Rapid growth of low-paid work over last decade has pros and cons.
 - Cons: Lower paying jobs with little career mobility
 - Pros: Wage growth
- Four domestic forces to be reshaped.
 1. Telepresence is a form of automation
 2. Reduced centrality of cities
 3. Expansion of the role of large firms in the U.S. economy, “substantial thinning out of the ranks of smaller firms”
 4. Automation forcing

-Going forward: change in the demand for services, reduced business travel, decline in the hospitality sector, reallocation towards large firms, more telecommuting, slack labor market for lower-paid services, maybe a rise in early retirement.

Second Speaker (Nancy Rose):

14:35 mark

-“Do the big grow bigger?”

- Superstar firms reduce labor share of income, take higher share from rivals
- Bigger firms better prepared for virus
- Reduction of competition
- “Outcompeting” vs “eliminating”

-Small and midsize companies are vulnerable, the liquidity boost that the Fed provided to capital markets hasn’t trickled down. Nothing is filling the gap.

-Fewer young firms in the current generation means long-term effects for next generation’s mid-sized, large firms.

-Temptation in crisis to collude and lessen competition, bad habits could carry over after crisis.

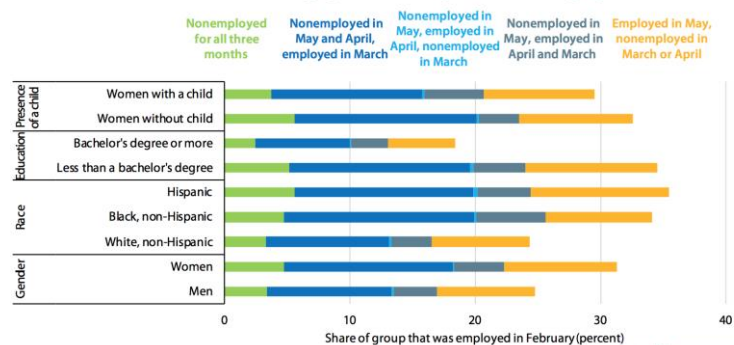
Third Speaker (Betsey Stevenson):

21:40 mark

-We’re still learning how much damage is being done.

-Useful to look at who was employed in February and then ask what happened to them.

FIGURE 2.
Labor Market Transitions for Those Employed in February, Selected Demographic Characteristics



Source: Bureau of Labor Statistics (BLS) 2020; author's calculations.
Note: Data are for 2020. The author analyzes the one-quarter of observations that can be successfully linked through each of the 4 months (February, March, April, and May) in the Current Population Survey. "Not employed" refers to those who are employed but absent from work for other reasons, unemployed, and not in the labor force.



-Some workers will be brought back as we start to lose new workers.

-Discrepancies based on race, gender, and education level.

-Permanent job loss will grow over a much longer period of time than 2008. Rising long-term

unemployment, rising disconnection from the labor force.

-Our labor market is still in a collapse period even if people are returning to temporary jobs, many people are filing for UI.

-Non-employment vs. Unemployment.

Q&A:

33:16 mark

For Nancy Rose

Q: “You described threats to competition arising from the economic crisis; can you say a little more about possible policy actions?”

A:

1. “A commitment to more vigorous antitrust enforcement. Starts with a communication of clear pro-competition standards by the antitrust division at the DOJ and the FTC. Explaining their resistance to anticompetitive mergers, including mergers that firms might bring forward under a failing firm defense.
2. “Increased attention to anticompetitive, exclusionary conduct.”
3. “Congressional restoration of budgets, enhanced congressional oversight.”
4. “Improving access to liquidity could be an important tool to help small businesses weather decline.”

For Betsey Stevenson

Q: “You alluded to steps for policy makers to take to prevent scarring?”

A: “We need childcare businesses to survive because they’re important infrastructure for parents in the job market. Delta Airlines got more money from congress than the entire childcare industry.”

For David Autor

Q: “Are there other actions that you think policy makers should undertake?”

A: “We should recognize the power of our institutions to make change. That would include permanently expanding the UI system, using the tools regarding online learning to invest in upscaling workers, and restructure/continue UI extension.”

General Question

Q: “What should the education and training system be doing now and what should it be doing over the medium term to help with these challenges”

A: “Universities should think about opening up more spots for more students to take online classes. Government should provide more funding to do that.” -Betsey Stevenson

A: “If the government is going to make this large investment they need some way to set quality standards.” -David Autor

For Nancy Rose

Q: “You’re more concerned about how reductions in competition can reduce productivity. Am I right in thinking that’s a concern? And if so, can you say a little more about how competition and productivity go together?”

A: “Competitive pressures help to focus firms on how to do things better. If we reduce those pressures we reduce incentives. It’s important to measure productivity correctly, I think concepts like resiliency of production or resiliency of supply chains haven’t had enough attention.”

For David Autor / Betsey Stevenson

Q: “Is the crisis that we’re currently in going to have an effect on workers bargaining power going forward? Why? What should we do?”

A: “We’ve seen a huge erosion of federal minimum wage, decline in traditional labor unions, reduced enforcing power of the Equal Employment Opportunity Commission, growth of non-compete agreements, forced arbitration.” -David Autor

A: “Workers right now are dealing with safe jobs becoming not safe jobs, but it’s not clear that we’re seeing the workers being able to demand the risk premium.” -Betsey Stevenson