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PROCEEDINGS

MS. EDELBERG: Hello. I am Wendy Edelberg, director of The Hamilton Project. Thank you for joining us to discuss how COVID-19 is reshaping the future of business and work. Our lineup today includes David Autor, who is co-chair of the MIT Task Force on the Future of Work and Ford professor of economics at MIT. David Autor will be discussing The Hamilton Project essay he co-authored with Elizabeth Reynolds, who is also at the MIT Task Force on the work of the future.

We also have Nancy Rose, the Charles P. Kindleberger professor of applied economics at MIT, and Betsey Stevenson, professor of public policy and professor of economics at the University of Michigan. Nancy and Betsey also wrote Hamilton Project essays and I hope you will go to The Hamilton Project’s website and read them.

Allow me to offer a few words of introduction. The economic crisis facing U.S. households and businesses is of staggering proportions. GDP in the second quarter is expected to show a historic decline. Through June, the number of people employed was down almost 17 million. But the speed of the crisis has meant that even monthly data isn’t sufficient to measure what is happening. Weekly survey data show that the labor market may have further weakened in recent weeks, and we are left to follow daily news reports showing the tide of bankruptcies.

Policymakers must be vigilant in providing urgent support to households and businesses and to tie that support to the state of the economy rather than calendar dates as projections about the recovery are subject to enormous uncertainty. But policymakers must also be focused on the longer term negative consequences that are in store as a result of the COVID-19 recession.

As Jay Shambaugh and I wrote in an essay we just published, the American economy will change as certain trends regarding firm closures, labor force participating, and what it means to be “at work” continue. We highlight three issues which our panelists will have much to say about.

First, widespread bankruptcies can fundamentally change the business landscape, leaving some sectors with greater concentration. As a result, consumers and workers will face surviving firms that hold greater market power.
Second, changes in how and where people work and an acceleration in automation could mean that the labor market itself will be different.

And third, stark reductions in labor force participation among older people, younger people, and those with young children could also lead to persistent changes in the labor force.

Our panelists are experts in these issues and I am grateful that they have offered their time to explore these topics today. Toward the end of the hour I will have a chance to ask them some questions from you, our audience. We received many questions in advance of today’s event and we encourage you to offer additional questions for our panelists in the chat.

With that, let’s turn to David Autor. So, David, the title of your essay is “The Nature of Work After the COVID Crisis: Too Few Low-Wage Jobs.” Can you tell us how the COVID-19 pandemic is poised to change what kinds of jobs opportunities there will be?

MR. AUTOR: Thank you very much. It’s a pleasure to be here and this is a joint work with Elizabeth Reynolds, who’s one of the co-leaders of the MIT Work of the Future Task Force with me.

And as a starting point context would be the U.S. economy has had robust job growth over the last decade. And a lot of that job growth for people without college degrees has been in traditionally low-paid, in-person service jobs: food service, cleaning, security, entertainment, recreation, personal home healthcare, transportation, repair, and so on. And that rapid growth of low-paid work has an upside and downside. The downside is these are traditionally not highly paid jobs and they don’t have great career mobility. The upside is because they’re growing rapidly and we are in a tight labor market, there’s been a lot of upward weight pressure. And there’s been rapid wage growth among the least paid workers in the U.S. economy.

And there was reason to think that that was going to continue for quite a while because, one, we have very slow labor force growth. The fertility is low, immigration is highly restricted. Two, we have an aging population. And three, we have rising educational attainment, which makes people less interested in doing that type of work.

So, you know, six months ago, I would have confidently predicted and the MIT Work of
the Future Task Force predicted that we would have a high-pressure labor market going forward and that would continue to improve working conditions and pay in this rapidly growing stratum of jobs.

So, now let me talk about how the COVID crisis changes that. And I think there are really four domestic forces that will be deeply reshaped by this crisis.

The first of them is what I’m going to call “telepresence.” And we tend to think of automation as being robots, AI, machines, but telepresence is a form of automation, as my MIT colleague David Mindell pointed out in a book called “Our Robots, Ourselves.” And David came about this insight because he was an early pioneer in undersea exploration and designing autonomous machines to be controlled remotely for undersea exploration.

And telepresence allows us to telecommunicate, without going to offices to hold business meetings, to do telemedicine, to be places without travel. And this has many upsides, but it has many implications for demand for other activities.

A very large proportion of jobs in the U.S. economy and many advanced economies is in support of people’s needs when they’re away from home. So, food preparation and serving occupations comprised 9 percent of employment in 2019. Transportation was another 8-1/2 percent; buildings and grounds cleaning and maintenance 3 percent; protective services almost 5 percent. Personal care and services and retail sales, many of these things are basically services that you use when you’re not in your home, when you’re traveling, when you’re in office, when you’re staying at a hotel.

The rise of telepresence, if it is persistent, will reduce demand for people cleaning buildings, working security, serving lunches. The entire travel sector is supported by business travelers, who, you know, pay $10,000 to cross continents to go to a 90-minute meeting. And they take expensive flights, they use Uber and limousines, they go to hotels, they go out to restaurants on someone else’s dollar, and so on. That’s going -- if that is reduced over the long term, then that will have an inward -- cause a substantial inward contraction in employment in these fast-growing service occupations.

And I think, and surveys suggest, that businesses expect telepresence to remain even after the crisis is over with. More people will be spending fewer days a week in the offices and more time
at home. And businesses will pay less, be willing to spend less on sending people on expensive trips when they could telecommute.

A second factor that’s closely related to this is what I’m going to call a “de-densification” or potentially the reduced centrality of cities. You know, many people are aware that, you know, we’re in an era of urban revitalization, superstar cities, a lot of -- a rising share of U.S. GDP is produced in a few very expensive places. As that has occurred, a lot of the growth in urban employment for people without four-year college degrees and above has been in these personal services. Right?

So, the phenomenon I was talking about a moment ago, about the aggregate growth of personal services, has really been heavily concentrated in cities. And, in fact, the urban labor market has hollowed out the share of employment in offices, in production work, and so on. And that kind of middle stratum has really disappeared, or at least contracted heavily, and non-college workers have moved into all these service activities.

So, again, this decline in office use, decline in business travel, and decline in the centrality of going to cities, traveling to cities for work, will again have a concentrated impact on exactly the places where there has been so much growth in that type of job for lower-paid, non-college workers and especially for minority workers. So, that adds to this phenomenon.

The third trend or the third thing I will point out, briefly mention, and my colleague Nancy Rose will have much more to say about this, is the role of large firms in the U.S. economy. So, the U.S. and in other countries we’ve seen a fall in labor share of national income. This is a contentious point, but it’s widely accepted in the U.S. and Canada. And that has been associated with a movement of sales and value-added from smaller firms to larger firms. So, right, from small retailers give away to Walmart and Amazon, you know, lots of consumer electronic stores give away to Apple and so on. And those large firms are less labor-intensive. A smaller share of their income is paid to workers and more gets paid to owners, owners of capital, owners of stock. And that has led to a fall in the labor share of national income as there’s been this reweighting of large relative to small firms in the economy.

Most people expect that the COVID crisis will lead to a substantial thinning out of the
ranks of smaller firms because they just aren’t going to make it through the Valley of Death that we’re in now. They don’t have access to the capital markets. They don’t have the financial resources to survive.

If that is so, we will see an even greater expansion of the role of large firms. That doesn’t imply a fall in national income, but it does imply a fall in the distribution of income between capital and labor. And because ownership of capital is much more concentrated than ownership of labor -- hopefully, everyone owns one labor, but a lot of people -- or small labor people own a lot of capital -- that means this contributes to inequality.

The final point that I’ll make and then I will stop is a generalized result of this sudden scarcity of labor created by the crisis. It’s not that there were no workers. It’s that workers were told not to go to work, which was the correct decision. Has led to kind of what many would call “automation forcing,” companies figuring out how to do things using capital and newer technology that they didn’t figure out how to do when labor was abundantly available and not so expensive.

So, just some examples, drones delivering medical supplies; warehouse disinfecting robots; human temperature-checking drones; meat packing plants trying to adopt robots as fast as they possible can; or even just examples that we’ve heard in the task force of firms saying, well, we’re manufacturing something, we just couldn’t get workers, but we figured out we could do it with fewer workers, we just reorganized. Right? Or, you know, management is a form of technology.

And so, these kind of pull forward in time, you know, labor-saving innovations, that would surely have occurred over the next 5 or 10 years, but now they happen faster. When the crisis is over, firms won’t forget those insights. They will, of course -- you know, labor will be cheap for a while; there’ll be a glut. And so, you know, that will actually cause firms to use workers rather than machines. But when the labor market tightens again, those lessons will be relevant and firms will say, hmm, I see a way to do this with fewer workers.

So, that is -- in some sense, accelerates the rate of technological change, not so on the technology side, but on the adoption side.

So, just to conclude, so the four forces identified were telepresence, de-densification, a
rising concentration of sales and value-added among larger firms, and this generalized automation forcing. And so, going forward I think we’re going to see a change in the demand for services, reduced business travel, decline in the hospitality sector, more telecommuting, potential reduced centrality of cities for knowledge work maybe, reallocation toward large firms, a slack labor market for these traditionally lower-paid services, which I think is bad news. Referring back to the title of our paper, one thing worse than too many low-paid jobs is too few low-paid jobs, and that’s the situation we’re going to be in.

A final wild card, and Wendy referred to this in her introduction, is we might see a substantial rise in early retirement, people who have left the labor market temporarily, but may decide not to return, either because the labor market has changed, the health risks have changed, or their lifestyle has changed. If that’s so, that will also change labor demands for people of other ages.

So, thanks very much and I look forward to the other presentations and the Q&A.

MS. EDELBERG: So, that was terrific, David. Thank you. And certainly the imagery of the Valley of Death captures the gravity of the situation that we’re facing right now.

Nancy, so the title of your essay is “Will Competition Be Another COVID-19 Casualty?” So, can you tell us why you’re concerned that the COVID-19 recession will make product and labor markets less competitive and less productivity?

MS. ROSE: Sure. Thanks, Wendy.

So, you mentioned the wave of business closures and anticipated bankruptcies and exits that are overtaking the economy. They’re particularly likely in sectors that were already under pressure, such as bricks-and-mortar retail or that had been hard-hit by the pandemic and economic shutdowns. As David mentioned, travel and hospitality, we include in that restaurants, gyms, a whole host of businesses.

But I think that there are several competitive threats that are beyond this obvious and immediate decline in the number of viable businesses. And I’d like to take a few minutes to just chat about some of those and to introduce those.

So, first is a concern that David alluded to, which is do the big grow bigger? David and his collaborators have documented the rise of so-called “superstar firms,” firms whose productivity has
enabled them to capture an increasing share of both revenues and profits while, at the same time, reducing labor share of income because they’re not hiring as many workers. And that’s been a trend over a number of decades now.

The tech firms -- Amazon, Facebook, Apple, Google, and the like -- are perhaps the best-known examples of these superstar firms. But Autor and his collaborators show that this phenomenon exists across sectors far beyond tech. And, indeed, into much of the economy.

So, one question of concern is whether the investments of firms like this in information technology, logistics and supply chains, relationships with suppliers and customers might position them not only to better survive the current crisis, but to take even higher share from their rivals. We might worry that their cash reserves and capital market access are going to fund merger sprees that enable them to buy up smaller or weaker competitors. And that the consequences of this type of activity could be an increase in the concentration of economic activity and a reduction in both the number of competitors in the market and potentially the intensity of competition as larger firms kind of move beyond their rivals.

So, I want to be clear that that’s not all negative. In fact, it may not be negative at all in the immediate run. And that’s because outcompeting rivals by delivering greater value to consumers creates economic benefits. And that’s a plus. That’s the benefit of competition, something that we would like to see.

The concern is that if the distance between larger firms and their rivals grows, these firms may be tempted to entrench their market dominance by taking actions that suppress competition. So, rather than outcompeting rivals, they may undertake acquisitions of potential competitors to eliminate a rival or engage in behavior that tilts the competitive playing field in their own favor and raises the cost of their rivals.

Some of that type of conduct has been expressed as a concern in sectors prior to the pandemic. Again, that’s a refrain that we’ve seen increasingly levied against some of the tech firms. But I think it’s perhaps an even greater concern going forward and something that we need to keep our eyes
The second longer-term impact on competition arises from losing the next generation of competitors. Small and midsized companies in many sectors throughout the economy are particularly vulnerable to the current economic downturn, particularly given that the liquidity boost that the Fed has provided to the capital markets often does not trickle down to these firms. And the Main Street Lending Facility that Congress created does not seem to be filling the gap in many cases. That means that bankruptcies, liquidations, and potentially sales to larger competitors are more likely.

Further, we expect that there could be fewer new entrants into markets during the pandemic and its aftermath. And that’s likely going to mean a combination of impact. It’s likely going to mean fewer young firms, and those young firms have been incredibly important for innovation and economic growth over time. So, if we don’t have young firms in the current generation, we don’t have the next generation’s midsized or even larger innovative companies around. That may not have immediate apparent effects on competition, but could have long-term effects.

The final factor I’d like to throw into the discussion is a concern about learning to collude. So, there’s a temptation in crises to replace the messiness of markets with more orderly responses. At present, that’s led to antitrust blessing of cooperative ventures for what seem to be perfectly deserving goals, working collaboratively and with FEMA to increase the availability of PPE or medications or healthcare-related supplies in a couple of these antitrust what are called business review letters, or providing farmers with the means to euthanize hogs that can’t be processed due meat packing plant shutdowns or slowdowns.

In other cases, companies may be tempted to respond to crisis conditions by lessening competition among themselves, even to the point of collusion. And one of the things that we need to concerned about based on history from prior crises or severe downturns is that crises lead to an increase in the temptation to collude or even in this cooperation that’s exempt from antitrust enforcement during the pandemic. But that when the crisis abates or when the reason for that cooperation is lifted, firms may retain the knowledge that they gained from cooperating with rivals and continue to sustain collusive
behavior even after that direct interaction ceases. So, that’s the third area that I would note might have potential long-term implications for competition in our economy.

MS. EDELBerg: Thanks, Nancy. It’s interesting that both you and David are talking about businesses not unlearning lessons that they learn in a crisis.

So, Betsey, the title of your essay is “COVID-19 and Attachment to the Labor Market.” Do you see the potential for permanent damage to employment relationships from the massive and ongoing shock to the labor market?

MS. STEVENSON: Unfortunately, I do. So, you know, if we think about what’s going to happen to the future labor market, the reality is that we’re still learning how much damage has been done and will be done because the damage is ongoing. Every day there are new permanent layoffs that are occurring as businesses realize that they’re likely to have lower revenue for quite some time. So, unlike what we saw in March and April as people sort of scattered and sent workers home, what’s happening right now is companies are thinking through projections for what their revenue’s going to be like over the next year. And I think they’re, euphemistically, the word I think they say is right-sizing given their projections. “Right-sizing” means letting people go that they think they can’t justify keeping on payrolls given where they think the company’s going. These are not the temporary layoffs that we saw in March and April as restaurants and businesses shuttered. These are more likely to be permanent.

So, let me actually turn to, so, what did we see at the beginning? So, one thing we saw that was very unusual for a recession is we saw a gendered shut down where it was women who got sent home.

David went through some of the service industries in the U.S. I pay a lot of attention to education and health services. Education and health services has been responsible for 50 percent of the growth in female jobs since 2000, and it’s 20 percent of private sector jobs overall in the economy, but a third of private sector jobs held by women. Women lost the bulk of these jobs and this is why they really got hammered in the beginning.

But I think in some sense, some of these jobs are the ones I’m least worried about.
Right? These are the women who are working in a dentist office, in dermatology offices, in pediatricians’ offices; that a lot of these jobs came back in June. And so, we did see women haven’t been -- you know, we’ve seen some sort of improvement in what is going on for men and women in the June data.

But women also hold the majority of jobs in leisure and hospitality, and that’s where there’s sort of more problematic trends, as David already highlighted. Cuts in that sector made up more than half of the decline in March 2020 non-farm payrolls, with women holding 57 percent of the jobs lost. So, we had this gendered shutdown.

And a lot of people have been really worried about what’s going on with child care? Are the schools going to open? And I think it’s really -- and how that’s impacting women in particular. And I think it’s important to realize when we start thinking about the different between temporary layoffs and permanent layoffs, women got really hit hard by temporary layoffs. And we saw a big increase in female unemployment, a big decrease in female labor force participation. But that didn’t have anything to do with child care. As women are going back to getting called back to some of these service sector jobs is when we’re going to start to see, I think, the repercussions of the childcare crisis.

So, what happens when there’s not available childcare is women start to make different choices. Maybe they change jobs, maybe they leave jobs, maybe they choose not to go back to jobs where they’re recalled. I think if you take a look at the data, you don’t really see much going on for women with kids in terms of the job loss in March or April. But where we have the potential to see women getting hurt is really over the next year as the economy starts to recovery and many women and men are faced with questions about what they’re going to do with their children.

One of the things that I wanted to point out, and Melanie is going to, I think, put a graph for me, is the ways in which the data somewhat hide, again, sort of how people were impacted overall. So, I think it’s really useful to take a look at people who were employed in February and then ask what happened to them.

And you can see that very few of them were not employed for all three months. But I think the most startling thing for me is, you know, more -- particularly if we’re looking at people with less
than a college degree, that less than a bachelor’s degree, we see that as we went into May, we still had one in four who had been employed in February who were still not employed.

And part of where that’s coming from is the fact that if we look overall at the people who were employed in February, for every two that were brought back to work by May, for every two that had been laid off and were brought back in May, a new person was laid off for the first time in May. So, what we’re going to see in the trends in the labor force is we’re going to bring some workers back as we start to lose new workers. And it’s that permanent job loss.

And again, if you look at the June report where we saw what is positive news, many people highlighted it as positive news, net job growth reflect -- you know, showed nearly 5 million people returning to jobs. But the total number of permanent job losers rose to 2.9 million.

So, let me say that that is not anywhere near as high as the permanent job loss we saw in the 2008 recession yet. So, when we say how much damage is going to happen to the economy and how long will it take us to recover from it, I think that’s the real question is how much bigger is that 2.9 million number going to get?

We got some new data today that I think is pointing to really continuing pain, which is a new 1.5 million people filed for unemployment insurance last week. That was 200,000 more than had done so in the same week the previous year, so like an excess of 1.3 million people a week filing for UI suggests that we have a labor market that is really still in the collapse period, not the recovery period, even if we’re seeing some people going back to those temporary jobs.

So, one thing I really want to highlight is just how much low-wage workers got really hammered in this particular -- in the shutdown and in this recession. Hispanic workers, we saw the unemployment rate of Hispanic workers and Black workers surge compared to White non-Hispanic. And we saw those with less education really have an experience that was twice as bad as what we saw for others.

And what we’re layering that on top of is what’s the jobs they got to stay in? They got to stay in jobs where they had increased exposure to a very serious illness. So, we saw low-wage workers
getting hit on both ends. And, you know, David Autor already pointed out, there’s a lot of reasons to be concerned that these folks aren’t necessarily going to get their old jobs back.

And so the permanent -- you know, typically, people who lose their jobs, become long-term unemployed, have long-term repercussions in the labor market. So, we can take a look at how has been laid off, who’s had a bad outcome so far, and say these are the people who are likely still going to be struggling a few years down the road from a scarring experience from this particular event.

So, you know, again, I want to sort of hammer this idea of permanent job loss because every day that we fail to implement an effective strategy to combat the virus and return to semi-normal, I think that permanent job loss increases. And it is -- and if we think about what happens in a normal recession, so in a normal recession it takes employers a really long time to realize what’s happening, to lay people off. And if you think about the 2008 recession, we saw layoffs that continued over a two-year period before we really started to recover. I think that it’s quite likely that we’re going to see permanent job loss continue to grow over a much longer period of time. And as a result, with that increase in permanent job loss, we’re going to see rising long-term unemployment and we’re going to see rising disconnection from the labor force.

So, let me end by just commenting on labor force participation. We saw labor force participation rate drop to modern lows, something we hadn’t seen since really before women left -- before women really started to rapidly enter the labor force, much lower than anything we saw in 2008.

So, part of that, when you take a look at the data and you look at what happened to all of the people who were employed in February and what happened to them in March and April and May? You realize that it was just -- it was like a pandemic hit, which it did, and people scattered. But they didn’t know the answers to questions when the interviewers called them and said, you know, what’s happening? They’re like, am I still employed and just got sent home? Is my boss going to call me back to work? Should I continue searching for a new -- should I start searching for a new job?

Because they didn’t know the answers to those questions, we saw people show up in all sorts of categories: not in the labor force, employed but absent from work. And so, a lot of that drop in
labor force participation, this wasn’t like everybody woke up and was like, ah, I don’t really want to be in the labor force anymore. It was really they don’t know the answer to the question of how do I search for work? Do I have a job to go back to?

So, I think it’s really useful right now to be thinking about non-employment rather than just thinking about unemployment, but asking who’s left the labor force? Who doesn’t have work? And how are we going to get them back into work? And for that, we’re going to really need a strong policy response.

So, I’ll end there. Thank you.

MS. EDELBERG: Thanks, Betsey. That was terrific. Incredibly sobering, but terrific.

So, we’ll now have -- we have an opportunity to ask our panel some questions, so I’m going to ask you all to unmute yourselves. And my first question’s for Nancy.

So, Nancy, you described for us the threats to competition arising from the economic crisis. Can you say a little more about policy actions that would help to mitigate those risks?

MS. STEVENSON: Sure. So I think probably the first, maybe second and third, policy action that we need to be focused on to preserve competition, both today and moving forward, is a commitment to more vigorous antitrust enforcement. I think that starts with the communication of clear pro-competition standards by the Antitrust Division at DOJ and the Federal Trade Commission, explaining their resistance to anti-competitive mergers, including mergers that firms may bring forward under what’s called a “failing firm defense.” I’m acquiring this firm that would go out of business even if I didn’t acquire it, so you shouldn’t worry that it’s one of my main competitors and I’m buying it.

In past crises those defenses have been invoked and the enforcement agencies have been appropriately highly skeptical of them. And I think it’s important to communicate that they will continue to be skeptical of that, so to preserve some independence when a failing firm, even if it is truly failing, is acquired by another.

Second is increased attention to anti-competitive, particularly exclusionary, conduct. We’ve seen relatively little enforcement by the government in that space during recent years. And I think
that may give some companies the sense that they can get away with things that they shouldn’t be undertaking, so I think it’s important for the agencies to think hard about how to actually go after anti-competitive conduct.

And then thirdly, as I mentioned, my concern about the potential for collusion goes in the present time, but even as we begin to emerge from the pandemic and the crisis. So, increased vigor of criminal enforcement against cartels and collusion, particularly in sectors that have been granted limited immunity for cooperative action. And that has to focus on actions that harm suppliers and workers, as well as actions that harm consumers by raising prices.

There’s a lot to do in this last area because criminal enforcement has been down since 2016. So, at the same time when we’ve seen less enforcement action by DOJ in this space, the risks are rising. So, I think that’s very important.

And I would go along with this -- two things, the policy responses that go along with vigorous antitrust enforcement. The first would be congressional restoration of budgets. The real enforcement resources of both agencies have been declining over time and we need to substantially increase the budgets and resources to give them the tools they need to enforce the antitrust laws. And then I think enhanced congressional oversight that ensure that agencies deliver on this enforcement vigor.

Something that’s not related to antitrust that I think has been alluded to by David and Betsey to some extent is, you know, we’re seeing a lot of businesses at the threat of permanent closures and exits. And I think improving access to liquidity, particularly for smaller and midsized businesses they can’t tap into public capital markets, could be an important tool to help them weather the decline and preserve jobs, as well as competition.

And let me stop there.

MS. EDELBERG: Thanks, Nancy.

So, Betsey, at the end of your presentation you briefly alluded to steps that you think policymakers should take to prevent scarring. Can you describe some of those steps for us?
MS. STEVENSON: Yeah. So, I totally agree with Nancy that we have to keep preserving businesses. Letting businesses fail means that those businesses, you know, permanently erode the relationship between workers and their employers. And so, and a lot of companies, particularly smaller companies, just can’t weather the storm that might be the next six months to the next year.

So, trying to help liquidity, as well as I think putting, again, income into households, I think we’ve learned that just really the massive amount of stimulus that we did -- and I should really commend Congress for acting so quickly, getting money into people’s hands, getting money into businesses’ hands -- it’s worked. Things would be much, much worse if they hadn’t done that.

We’ve seen retail sales just really recover. It’s not recovery because people are back at work. There are 32 million people on Unemployment Insurance right now. If they weren’t getting that Unemployment Insurance, they wouldn’t be spending and we wouldn’t have retail sales where they are.

So, we have a need to continue to support households and businesses. But, look, I just have to call out, Congress, though, for -- you know, they’re scrambling to save the airlines on the belief that air travel is essential for a well-functioning, modern economy. Do you know what I think is essential for a well-functioning, modern economy? Childcare, education, something that happened to our children. That’s the 60 million probably we have, almost 60 million kids who need to be in K through 12 education and they’ve all got parents. We’ve got to figure out what to do with them.

It’s not enough to say let’s pretend there’s no COVID and order all the schools to open. Most parents don’t feel comfortable and safe sending their kids back to school in the fall. Most teachers don’t feel comfortable going back to school in the fall. And we’re going to have a problem with essential workers, with people who absolutely have to work in person, who have nowhere to send their children, and we’re not addressing the problem because we’re just doing it in a fantasyland way of thinking that somehow COVID will disappear and we can just open the schools and everything will be right again.

You know, it’s absolutely the case that we have to ensure that those child care centers survive the storm. We gave more money to Delta Airlines than we gave to the entire child care industry. That’s bananas. We need the child care businesses to survive as much as we need the other kinds of
businesses to survive. Because when we do put all our kids back in, we need there to be a spots. If we destroy that infrastructure, we’re going to have really permanent scarring for a large number of parents who can’t get their kids back into care; and to new women who have children over the next year and find there’s no slots left when things do open up.

So, I think that it’s really essential. The pandemic highlighted the child care -- it’s not a women’s issue. It’s not a personal issue. It’s an economic issue. And Congress has to solve the at problem.

MS. EDELBERG: Thanks, Betsey.

So, David, with the policy actions that Nancy and Betsey have described, would they help workers adapt to the changing work environment or at least buffer the consequences or are there other actions that you think policymakers should undertake?

MR. AUTOR: I do. I agree with what they’ve said and want to add on, but let me first kind of reinforce a point that Betsey made and I so strongly agree with, which is the -- it’s remarkable what Congress accomplished.

You know, we often think of our institutions as, oh, they’re slow-moving. The government can’t do anything in a hurry. You know, leave it to the private sector. Leave it to foundations.

No corporation, no foundation could have said, hey, let’s take 10 percent of GDP and redistribute it to households, to workers, and businesses. And let’s expand the Unemployment Insurance system, so it covers people who were not even previously considered employees from the point of view of UI.

So, that’s remarkable. And, of course, there are many flaws you can find, but it has prevented us from going into a depression. It’s prevented an incredible, you know, what would have been an explosion of poverty and dire need. And, in fact, has, by a number of metrics, seemingly, you know, potentially reduce poverty during the pandemic. So, that’s remarkable and we should build on that and recognize the power of our institutions to make change and do good things.

So, that would include permanently expanding the Unemployment Insurance system, so
that we now have a modernized safety net. Using the tools that we’ve gotten better at regarding online
with learning; to, you know, invest in upscaling workers. And I can give a number of examples.

But in the interest of time, let me focus on one thing which I think is really important, which is the Unemployment Insurance extension, which was part of the CARES program, which is supplementing UI benefits by $600 a week for everyone who gets UI is going to expire at the end of this month. Now, that’s a very, very big benefit. It may not be optimally structured, but it would be tragic to just shut that off. And if Congress were to do so and not to renew it in any form, that’s going to create a lot of hardship really quickly.

Now, there’s a lot of discussion about does the UI, you know, that very big bonus, if you leave work, how that has entered properties. The truth is there’s no, yet, reliable evidence on whether that is doing -- having adverse effects or not. But there are many ways you could restructure it that would achieve good things without that risk.

One thing is you could turn that more into an employment bonus, so people could keep their UI extension temporarily if they go into employment. In fact, already at present if you use what’s called short-time work in the U.S., meaning you go back to work half-time, you can continue to get the other half at 50 percent replacement rate through standard UI, Unemployment Insurance, plus the $600 a month. So, Maryland is doing this, for example.

So, already there’s a built-in system to reward people, but you could limit the replacement rate to, if you don’t want it to be, you know, 150 or 200 percent, you could cap it. At the same time, turning it into a reemployment bonus that would create, you know, additional incentive for workers to return to jobs and for firms to hire them because, obviously, if you were incentivizing workers, they have a way of providing incentive to firms. Maybe they’ll say, well, I’ll take a lower wage temporarily to do this work.

So, just to end my comments, I really feel like this example shows us much as we denigrate government and think of it as, you know, kind of outdated and ineffective, how central it is, how important our institutions are to how we respond to a national crisis and that we should build on that
example to invest in ourselves and essentially engage in a domestic Marshall Plan.

We can borrow money for nothing right now. We should be using that to invest in our people, to invest in our infrastructure, to stimulate demand over the longer term in a way that both creates a better functioning country and a better skilled workforce, and that’s something that we will benefit for over a much longer time, hopefully well after the pandemic has ended.

MS. EDELBERG: So, keying off that, I want to ask all three of you a question. So, we’ve gotten a bunch of questions from our audience around these issues around upscaling, I think is the phrase that David used. So, how we can use government policy, particularly federal policy, to help improve the skills of our workforce, partly to help them handle the consequences of the kind of challenges that David’s mentioned.

What ideas do the three of you have for what our education system should be doing now, putting aside the very important issues that Betsey raised around getting kids back into school safely? What should the education system and the training system be doing now? And what should it be doing more over the medium term to help with these challenges? Any one of you.

MS. STEVENSON: So, I can start. You know, one of the things we’ve learned is that a college education, more highly skilled workers, they do, you know, bear the -- they get through recessions usually with much less pain. They have lower unemployment rates. They have higher labor force participation rates. And employers can, you know, continue to demand workers with more skills.

We have -- we’re going into the fall at a time where it looks like the benefits of university education has gone down because we’re all going to be doing it online, so no more fun parties, no more get-together in the classroom. But the opportunity costs of going to college has also gone down. Because what else are you going to do? You’re not taking a gap year and going to Europe. You’re -- there’s a lot -- a lot of people don’t have jobs. And this is also -- I’m not talking about 18-year-olds. Nontraditional students, as well.

One of the issues is often, particularly with more elite, but even any kind of competitive college, there’s not enough slots. I think that a lot of universities should think about it they’re going to be
online anyhow, increasing the number of slots, making college more accessible to more students who want to use this time period where they’re going to maybe be stuck at home anyhow, to learn some new skills, go back to college, maybe finish that college degree or get one started. And I think that the government needs to provide greater funding for people to do that.

You know, it’s a shame that we’ve never used financing for higher education or for training programs to be an automatic stabilizer. It should be tied to the unemployment rate, so that there’s no more funding for people to be in school when unemployment is high, and this would be a perfect time to do that. Because we’ve got a bunch of people who are not going to have a lot to do and they need to get some skills. And it’s really government who could step in, both helping the university sector, which is struggling and going to struggle next year, and helping people get those skills.

So, I think that’s a starting place for like the immediate what could happen right now.

MR. AUTOR: Can I just add to Betsey’s comment? The one thing we need to be concerned about is whenever the government starts handing out large amounts of money for education, we get a lot of sort of, you know, fly-by-night, not-too-reliable, for-profit providers. And so we want to -- I agree that those investments are worth making, but we want to have a way to control quality.

And so, one very simple stipulation is that these type of investments should all be in service of acquiring a market-recognized credential, so that you’re getting, you know, an R.N. degree or you’re becoming a radiology tech or, you know, apprenticeship in a trade or something. So that at least these investments are towards something that we know is likely to have market value.

The challenge that we face -- and that’s a very crude, rough and ready way to go. I would rather say, you know, hey, here’s a list of 1,000 fabulous training programs that you could sign up for, but we don’t -- we have not done enough evaluation to find such programs. There are excellent examples: Project QUEST, Paraschoolis (phonetic), Jewish Vocational Services, I-UROP, and so on. But a very small number have been evaluated and they’re for a very targeted set of students, targeting a specific set of jobs.

Something we’ve learned in years of public investment in training is that there is not a
one-size-fits-all approach that works. You cannot just take adults and send them back to high school or college and think that’s going to lead to good outcomes. It doesn’t. You have to have a job opportunity you know about, a skillset that can be built upon to get someone ready, and then a training program that can bridge that gap. We don’t have as many certified test examples of that as we should.

This is something that I’m personally working on through the Poverty Action Labs, Work of the Future Initiative as an experimental initiative, running randomized controlled trials. Many people are working on this topic.

So, as a minimum, if the government is going to make this large investment, it needs to have some way of setting quality standards so that the money is well used. And ideally, hopefully, some of it will be used for nontraditional training venues, like online venues and so on.

And they have disadvantages. It’s hard for people -- many people find it hard to concentrate outside of a classroom. Many people find it hard to concentrate inside a classroom. But they also have huge advantages. Adults have complex, busy lives with children and responsibilities. And not having to be in a classroom on a day at an hour, but being able to access that through another modality could be really advantageous. And hopefully, we are getting better at that quickly. I’ll stop there.

MS. EDELBERG: So, keying off this idea of getting better at things, so, Nancy I think this is a question for you. So, both your essay and David’s essay touch on the productivity. I think it’s fair to say that David sees potential gains in productivity from greater automation, although completely appreciating that those gains may not necessarily passed along in an equitable way to workers.

My guess is that you’re more concerned about how reductions in competition can reduce productivity. Am I right in thinking that that’s a concern? And if so, can you say a little bit more about how competition and productivity go together?

MS. ROSE: Sure. So, I think that I guess I should first say the empirical evidence on that linkage is not unambiguous. But in general, I think there’s a fairly rich body of work that suggests that competitive pressures help to focus firms on how to do things better and how to do things more efficiently. And I think that’s in part what David’s superstar firm work suggests is that if there are returns
to being more efficient and doing things better, making you a more viable competitor, you have an
incentive to invest in that and become better in that dimension.

And so, if we reduce competitive pressures, I do worry that we reduce some of those
incentives that the firms -- that firms are inclined to take their foot off the gas and be a little less focused
on how to more efficiently give them their value.

I think the other thing that I would say that’s become more apparent to me in thinking in
particular about how we evaluate, say, firms’ defenses of mergers and acquisition activities being
efficiency enhancing and what the rise in concentration of the economic activity in some sectors has
produced is that it’s important to measure productivity correctly. And I think concepts like resiliency of
production or resiliency of supply chains is something that probably has not had enough attention,
certainly from the academy, but also, I think, in business. And it’s an extremely important and yet, as I
said, underappreciated aspect of productivity that I think has become quite apparent in some sectors with
the response to the pandemic.

So, I take as an example of that the meat packing industry, where what we’ve discovered
is there’s been not just a rise in concentration of a few large firms controlling the production in meat
processing and packing, but also arise in the size of the plants that are processing the animals. And what
we’ve discovered is that while that might drive down costs in normal times because of economies of scale
and throughput, in not so normal times, like the ones we’re facing now, that has very significant potential
costs in terms of the ability to sustain production under adverse conditions and, you know, the loss of a
single plant having huge effects on farmers that supply animals to that plant and, also, non-trivial effects
on the consumers who are purchasing that.

So, I think that what we’ve learned is that competitive markets might not value that
enough and perhaps we and, say, antitrust enforcement have not valued that type of competitive
consequence enough either. So, that’s something where I think the pandemic has highlighted. You
know, as David and Betsey have both mentioned, as well, it’s highlighted for us problems that existed
before, but maybe weren’t as apparent as they’ve become in the last few months.
MS. EDELBERG: So related to this idea of firms getting larger and increasing their market power, we’ve gotten a bunch of audience questions around the idea of workers’ bargaining power and obviously, I would say obviously, thinking about the trends that we’ve seen in worker bargaining power over the last decades. But the questions I think for now are, is the crisis that we’re currently in going to have an effect on workers’ bargaining power going forward and why? And what should we do about that?

And I’m happy to open that up to any of you who want to jump in.

MR. AUTOR: I’m happy to speak or if Betsey would like to speak first. She knows a lot on this topic.

Well, I mean, certainly we’ve seen a huge erosion of worker bargaining power in the United States over the last four decades, you know, both the decline of attritional labor unions; also the erosion of the federal minimum wage; also, you know, the reduced enforcement power of the Equal Employment Opportunity Commission. Under the current administration OSHA has basically gone -- the Occupational Safety and Health Administration has basically gone dormant. And then a growth of noncompete agreements even among low-wage workers, people who work at one sandwich shop can’t work at another one because they’re going to steal trade secrets. You know, forced arbitration as denying people the right to use the court system.

And I think all of these things have led to the U.S. having a much more unequal labor market than other countries, having higher concentrations of poverty, lower economic security, without any obvious benefit. We don’t have faster productivity growth, we don’t have higher employment and population rates. It’s not like we’re getting a huge benefit from this deciding to run this kind of cowboy capitalist labor market.

I think the growth of firm concentration makes -- that’s likely to ensue, as Nancy has argued, is likely to exacerbate that. And at the same time, it also provides leverage points. So, for example, when Amazon responding to public pressure decided to raise its wages to $15 an hour for everyone who’s directly employed by Amazon, which is not the same as everybody who works through
Amazon, not only did this affect workers at Amazon warehouses, but the evidence is, from recent work by Ellora Derenoncourt of Berkeley, for example, and co-authors, that it also raised wages -- caused competitors to increase their wages, as well, because Amazon is big. And so, which suggest that labor markets are imperfectly competitive; that one firm's actions affects other firms' actions. And so, we should be cognizant of that when trying to set standards and recognizing the labor market's actually not functioning like the neoclassical textbook. It's less than perfectly competitive.

So, let me just pause there. But I think there's a lot of policy that can go into this space that can improve what I think is a dire situation or problematic situation.

MS. EDELBERG: Betsey, did you want to weigh in?

MS. STEVENSON: Yeah. Well, you know, I agree with everything that David said. And let me just highlight one set of things he pointed out, which is a lot of what helps workers have a voice and bargaining power is the policy framework that we create and enforce that they operate in. And so, it's really up to policymakers to decide that they're going to do something about this problem or they're not.

You know, workers right now are dealing -- one big shift we just had in the labor market is a bunch of jobs that used to be the safest jobs, so it didn't demand sort of wage premiums for the risk to their lives, are now no longer the safest jobs. But it's not clear that we're seeing those workers able to demand, you know, the risk premium for taking on these new health hazards. Some of that's because there's just so many excess workers with high unemployment and some of that's because there's not enough bargaining power. And that means that we really rely on government to provide the infrastructure in which they can compete effectively with their employers and across employers.

The thing that David highlighted about the noncompete agreements, it's just about one of the most frustrating things in the labor market because you get a bunch of people who argue that they're pro-market, but they're not pro-market. They don't want their workers to be able to leverage a better job opportunity in order to get a higher wage. They want to actually, you know, prevent that from happening. So, that's not pro-market, that's anti-market. And really we need to get rid of those compete agreements if we want to have a strong market-based economy in the labor market.
MS. EDELBERG: So, thanks, Betsey. We are, unfortunately, out of time. There are -- I’m glad that we spent time today talking about both the urgent issues that policymakers need to be addressing right now, as well as the issues that absolutely need to be squarely on their radars that are going to be problems to be dealt with over the next months, quarters, years.

I encourage everyone to go to hamiltonproject.org and look at the excellent essays that our panelists have written. And thank you very much for joining us today.

MR. AUTOR: Thank you very much.

MS. STEVENSON: Thanks.

MS. ROSE: Thank you.

MS. EDELBERG: Thank you.

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