

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

The unprecedented economic downturn and protracted closures to stem the COVID-19 pandemic will have long-lasting consequences for the U.S. economy. As businesses and households adapt to working during the pandemic, these consequences will ultimately reshape the future of business and work. The pandemic also presents several complex policy challenges, including widespread business failures, which will leave some sectors with greater concentration and some firms with greater market power. It will also create persistent changes in the labor force, due to stark reductions in employment and labor force participation among already underrepresented demographics.

PAPER

The Nature of Work after the COVID Crisis: Too Few Low-Wage Jobs

David Autor (MIT Task Force on the Work of the Future) and Elisabeth Reynolds (MIT Task Force on the Work of the Future)

David Autor and Elisabeth Reynolds ask whether the COVID-19 pandemic has changed the conventional wisdom about automation and inequality in the United States over the past four decades. They make four projections about a rapidly automating post-COVID-19 economy: increasing telework, city de-densification, large-firm consolidation, and forced automation, all of which have significant, negative consequences for low-wage workers and economic equality. They conclude that rising inequality is not the only possible path forward, with the substantial government investment of the past months suggesting the possibility of large-scale interventions to alleviate the costs of automation.

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Will Competition Be Another COVID-19 Casualty?

Nancy Rose (MIT Department of Economics)

The economic crisis in the wake of the pandemic is changing the business landscape, exacerbating concerns about the state of competition in the U.S. economy. Nancy Rose documents how some large, well-positioned firms have dramatically increased their market share, accelerating trends seen prior to the pandemic. Rose predicts that with more firm exits and fewer new businesses entrants today, tomorrow's product and labor markets may be less competitive and productive. Antitrust enforcers will be pressured to approve acquisitions of weaker competitors, and not to look too closely at cooperative solutions to market challenges. Rose argues that preserving competitive markets will require renewed commitment by policymakers to assert antitrust enforcement.

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COVID-19 and Attachment to the Labor Market

Betsey Stevenson (University of Michigan)

The economic damages of the COVID-19 pandemic are not being well captured by current labor market statistics that show both permanent damage to employment relationships and labor force attachment and the surge of workers who have experienced a temporary loss of work and income. The challenge is assessing the permanent damage that will persist well after the pandemic is behind us as a country. While the unemployment rate declined in May and June, permanent job loss accelerated over this period. Reversing this trend and getting these folks back to work is the difficult task that lies ahead of us. Just as the Great Recession disrupted the labor market attachment of millions of workers, a similar phenomenon will likely occur as a result of this recession. In this essay, Betsey Stevenson of the University of Michigan explores the many ways the COVID-19 recession has affected the labor market. Stevenson shows that the labor market effects have not been evenly borne across workers of different genders, race, and educational attainment. The scarring effects of the recession will likely lead to high long-term unemployment and weakened labor market attachment for years to come.