

Economist: 'We're not all experiencing the same pandemic'

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directed the center until 2014 and has won the Texas Exes Teaching Award. We spoke to him on April 21, 2020.

In February, the unemployment rate was 3.5%. Even if most businesses were to reopen by June 1, how long do you think it would likely take before we could get back to anything like that?

That was an incredible low point for unemployment, and I think it's going to take years. I don't think there is any rapid return to normal. There is going to be a new normal that won't look anything like the world we've been living in for the past decade with year-over-year increases in employment. I just don't foresee that happening. We've gone through a big wave—22 million people now out of work. I think that's Wave 1, and as people run out their string, I fully expect we're going to see another round of layoffs and unemployment applications.

Look at the local restaurants closing. I'm sad to see the original Magnolia Cafe and Threadgill's and the rest of them going under, but it was bound to happen. Pick any sector, and you are likely to see a growing concentration of those with deep pockets come out of this on the other side and probably consolidate market share, and you're going to see the local stores really struggling to stay alive.

We read that the unemployment rate is basically meaningless right now because there are so many people out of work who are not looking.

Right. You actually have to have done something in the last 30 days to actively look for work to be counted, and you've got to be available. For better and for worse, we have a federal system that has just bumped up the amount of unemployment insurance you can collect, so there are

probably some distortions in labor market participation because of that. If I were a low-wage worker, I'd certainly take the increased unemployment insurance over going back to a low-wage job and putting myself at risk. We're looking at something like a quarter of the labor force out of work at this point. It's going to be like the Great Depression. I've never seen anything like this in my 73 years.

Our unemployment infrastructure has been completely overwhelmed by applications. Do you think this crisis will change those systems, and if so, how?

I think this is going to renew attention to the importance of all of those systems that we turn to in troubled times. The employment service and the unemployment insurance systems are closely linked. We started those in the late 1930s as a federal-state system to help workers find jobs and to support them as part of the automatic stabilizers when unemployment went soaring, but they were built for temporary unemployment. These systems are going to have to be reinvested in, which we've not done for decades. The appropriation for Employment Services that comes from the federal government is about the same in nominal terms as it was 30 years ago. Imagine that! So it's a fraction of what's needed. If you control for inflation, increasing wages and the aging of workers who are in one-stop career centers for the most part, they can't possibly keep up with this. At the state level, the Texas Workforce Commission, which is in charge of unemployment insurance and employment services in Texas, went to basically call centers and online applications. Well, we know what's been happening with that—they're overwhelmed, absolutely overwhelmed. We are going to have to reinvest in this part of our safety net.

This was Wave 1. What's going to come next is another surge but

nothing, I think, quite like the volume we've had over the last month that just swamped the system. They couldn't possibly handle that. Most of these states' systems rely on COBOL-based programming. They're legacy systems from the '60s and '70s. The people I do research with have joked that it's going to create a senior employment system—bringing back COBOL programmers from the '70s! For the last five decades, states have literally been patchworking these systems to keep them functioning. It wasn't since the Great Recession in 2008-09 that we had to deal with huge surges, but we've had a decade of very low volume—a couple of hundred thousand claims a year nationwide—during which we could have updated them. And now we're dealing with 20 million in a month? Oops! No way.

Brick-and-mortar retail seemed on thin ice even before the pandemic. If this keeps up for three more months, do you think this could mark the end of an era for traditional retail?

I think for a lot of them this was finishing off an era that was already closing. We travel a lot around the country and world and see a lot of malls that are half full, and traffic is pretty low, particularly if you discount the ones walking in the mall for exercise. Unless you are one of the big retailers with very deep pockets I think this is pretty much going to put an end to that.

There's at least one upside, an opportunity for postsecondary institutions to pick up cheap infrastructure and retool it to meet the needs of a lot of young adults who need retraining and retooling. Austin Community College took over Highland Mall because it was folding, and it's created a model institution for the country. In education, you're going to see more online learning. You're going to see a change in the model for delivering everything from public and higher ed to workforce training

and other services.

Even before COVID, people were asking fundamental questions about the future of work, especially with increased automation, for instance, the ideas Andrew Yang was putting forth on the campaign trail about universal basic income. How has this affected those discussions?

We've got to see what emerges on the other side in terms of the kinds of work that is out there and also how it gets done. Last year, in good times, the estimate was that one-third of shopping malls were going to be bankrupt and closed. Jeff Bezos and his crew are working hard to take advantage of what's going on right now, and they're booming. I expect we'll see more automation as a response. They don't want to have workers who might be exposed to viruses doing their logistics and shipping. That's an industry that lends itself to that sort of thing. I expect to see an uptick in robotization and automation.

On the other hand, there are some countertrends. We've discovered that supply chains are fragile when they're spread globally. That's a threat to public health and national security at its most basic. So you might see some jobs brought home or at least brought closer so that we have some downside insurance if things go cockamamie again.

It's going to take a long time for the public to go back out to places like shops and restaurants despite the current protests of stay-at-home orders. I think most people are leery of that and for good reasons. We are ignorant. We don't really know anything about this virus to speak of at this point. We don't know how many people are infected, because even the best tests that give us quick results have only an 85% accuracy rate.

Well, that's not going to work—15% false negatives puts a lot of infected people out there.

The other thing that's happening—and we see this in almost every aspect of the pandemic—is huge inequities. This is exposing weaknesses in our broadband. We deal with connectivity mostly as a private matter in this country, but connectivity is not good in big parts of the country. Outside of the major urban areas, even in wealthy communities, they have pretty slow connections to the internet. My oldest daughter and some of my grandkids are public school teachers on the East Coast. They can't make assignments right now because not every kid in their class has access 1) to a device and 2) to broadband connectivity. There are major systems deficiencies we're going to have to deal with.

Is health care among those deficiencies, and how do you see this affecting the debate over universal health care?

This is going to shift us, call it left, call it whatever you want. I think we are going to be more collective and progressive in our approach to public policy, and I think the whole discussion about health care as a basic right needs to move front and center. When we look at nursing homes that are hot spots versus nursing homes that aren't, what differentiates them isn't staffing levels or size; it's basically race and ethnicity, both of the workers and residents. It's the cumulative effects of poverty and lack of access to health care that can tell you who is going to be at risk from this virus. Many of the residents have had lives of obesity and lack of access to health care. They've got diabetes, heart and lung conditions that when you get the virus put you at severe risk.

What has this done to the balance of power between the states and the federal government?

We can go back to Louis Brandeis writing in the 1930s that states are the "laboratories of democracy," and there is this counterplay in the federal system where, when one level of government doesn't respond to the challenge, the other levels do. It's also true of branches of government. But governors are closer to the problem. Mayors are closer to the problem. And they are pretty quick to shelve ideology, because they have people showing up on their doorstep, and they know they've got to respond. So you see this as a bipartisan response across the country. Ideology takes a backseat when it comes to this kind of stuff.

As an economist and a human, what else are you thinking about as this unfolds?

The big thing on my mind is, we're not experiencing this pandemic the same way. My wife and I are semi-retired. We're comfortable. We have enough money. We can go to the store periodically or have things dropped off at our home. This is not causing us a lot of pain.

But you look at the front-line workers who are expected to show up—they are disproportionately people of color, people of low means, people without health insurance. Those are inequities we just can't abide going forward. We've got to respond to that. Again, we're not all experiencing the same pandemic. There's a lot of pain visited on those who don't have means, and that has to be fixed. I do think this offers us an opportunity if we'll take it. We know where some of those gaps in our systems are. We know who's suffering more. The choice is whether to address those or not.

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