

Cook County “Day After” Conversation

Hosted by the Institute for Work & the Economy

April 21, 2020

While we cannot fully know the extent of economic and social devastation that families, communities and industries will experience as a result of the pandemic, we can start building a new beginning by listening to people describe their circumstances before the pandemic hit as well as where they find themselves presently. Employment was already precarious for many. The broad economic upheavals felt in neighborhoods, towns, cities, states and the nation are turning precarity into existential threats. The most effective way for organizations to manage these new realities is to take control of conditions through broad, inclusive coalitions.

We will witness significant changes in jobs and local economic conditions following the pandemic at rates not experienced in our lifetime. While some opportunities may grow for workers who can work remotely, there is good evidence that the preponderance of jobs that are most at risk are those that pay low wages and offer few benefits.

Based on projections by Moody’s¹ and recent polling by Axios,² non-tradable sectors such as hospitality, personal services, much of retail, music and sports, and related warehousing and distribution are feeling the immediate brunt of the pandemic-induced contraction. Unlike the last recession that was driven by the financial sector, this one is driven by a sudden retraction in consumer spending. This will also affect manufacturing and other consumer-dependent industries. In addition, many of the jobs hit the hardest are low-wage, and often low-skilled. Many of these jobs rode out the prior recession, but we believe that they are among the more vulnerable today simply given the mix of industries that are being hit the hardest.

Finally, there is increasing concern that employers may rethink their business models, especially with respect to the use of machines and new technologies as means to reducing wages and future vulnerabilities to possible new pandemics and to disruptions in supply chains. Many restaurants may shift to a delivery and pick-up model, or to an automated dispensary – something that is being foreshadowed by a fast food chain, Wow Bao. Manufacturers and warehouses may accelerate their automation plans to lower costs and to hedge against staffing disruptions. As a recent Brookings Institution analysis noted, “automation happens in bursts, concentrated especially in bad times such as in the wake of economic shocks, when humans become relatively more expensive as firms’ revenues rapidly decline.”³

For workers who are in many of these industries and jobs, their jobs may take a long time to come back, if at all. For example, while there may be an immediate jump in demand for janitorial and cleaning services, this may not translate into sustainable employment as new technologies requiring more advanced skills are introduced to improve productivity and performance. This means that workers who are marginalized already are at an even greater risk of experiencing economic hardship than the general population.

¹ “Daily Economic Roundup, Moody’s Analytics,” March 31, 2020

² “Axios-Ipsos Coronavirus Index: Rich sheltered, poor shafted amid virus,” April 1, 2020

³ Mark Muro, Robert Maxim, and Jacob Whiton, “The robots are ready as the COVID-19 recession spreads,” Brookings Institution, March 24, 2020

On April 21, twenty-four people from community-based organizations, workforce development, local government, philanthropy, social innovation and entrepreneurship, economic policy, and invited observers convened for a two-hour conversation on the state of the economy for working people in Cook County and on the region's economic prospects once the it settles into a new routine following the acute phase of the pandemic-induced crash. They were invited to imagine the challenges on the "day after" and what they and others should be preparing for that time.

Introductory Presentations:

Two presentations set the stage for the group conversation. (Copies of the presentations are attached.)

Hye Jin Rho and her colleague, Hayley Brown, from the Center for Economic and Policy Research (CEPR) in Washington, DC presented their findings on workers employed in frontline industries in Chicago and suburban Cook County. These include specific subindustries in grocery, convenience and drug stores; public transit; trucking, warehousing and postal services; building cleaning services; health care; and child-care and social services. Rho and Brown described the geographic distribution of workers in frontline jobs, their demographic characteristics, educational attainment, income, health insurance status, income, to the extent that they are immigrants, and whether they have family responsibilities for children or for seniors.

Geoffrey J.D. Hewings, Emeritus Director of the Regional Economic Applications Laboratory (REAL) and Emeritus Professor at the University of Illinois presented the results of the econometric input-output model estimate of the economic impact of COVID-19 on the Chicago metro area economy. The REAL model's estimates are annualized and are not designed to forecast business cycles and precipitous changes such as the one prompted by the pandemic. It captures the interdependencies between 45 sectors, state and local governments, and households, and produces estimates of wage rates, population, net migration and Gross Regional Product. Based on assumptions detailed in the presentation, Hewings produced tables showing losses in vulnerable sectors (three sectors that Moody's and the Brookings Institute identified as among those that will suffer the most direct losses) and for all sectors that are affected directly or indirectly by the vulnerable sectors.

Participant Contributions:

Participants were each asked to share their thoughts about existing business and workplace conditions and the circumstances faced by workers. As one participant put it, the window of opportunity to take meaningful action in getting ahead of the consequences of the crisis may be only between one to three months.

Automation:

One participant asked if one consequence of the pandemic is that businesses will accelerate the growth of workplace automation. One conjecture was that the first effects of the pandemic will be on how work is organized. Some employers will conclude that they can downsize central offices and distribute work to employees who are working remotely. This will create uncertainties in commercial real estate. New adoptions of automation are more likely to played out over a longer term and may increase the rate at which they replace workers with machines. Mark Muro at the Brookings Institution was cited for his recent paper that predicted on the basis of prior recessions that there will be an increase in automation since it is the more economically advantageous strategy to improve overall performance. It remains to be seen whether prior recessions are useful guides for predicting the outcomes of the current

downturn. It also will be difficult to disentangle trends in automation that were occurring prior to the downturn from the direct effects of the downturn.

Worker cooperatives/gig work:

Another question is whether businesses will seek to retain and grow their workforces or whether there will be a trend towards using outside contract workers. Increased use of contract and gig workers can have the effect of putting additional downward pressure on worker earnings and increase worker precarity.

Worker cooperatives have served as a means by which people come together to figure out how to make a living so that they may feed and house themselves and their families. It is a form of mutual aid and they operate in what can be called an “alternative economy.” The pandemic is apparently spurring a large jump in interest in cooperatives that will accelerate what has been a ramp up in support services such as in training and finance that ordinarily would have been measured in terms of years and now must be accomplished in a few months. Organizations that support new cooperatives are working with the most vulnerable populations, including immigrant and people of color.

Workforce system:

The workforce system is challenged in two ways. There is a spike in demand for new workers from online retail operations, but also by certain brick-and-mortar retailers such as pharmacies and grocery stores, and by delivery services. On the other hand, there are huge increases in unemployed workers as they are furloughed, or their employers go out of business.

The pandemic is having disproportionate adverse effects on Black and Brown people in the service industries. They are over-represented in high contact positions in the service sector and are suffering the brunt of consequences in terms of illnesses and deaths. Any recovery is likely to perpetuate existing inequities. Therefore, plans and programs put in place for the day after must be constructed with an “equity lens.” They should prepare Black and Brown people for the next wave of new opportunities that offer career pathways that support and sustain families without having to rely on 2nd or 3rd jobs. The best minds need to be brought together – and are being organized – to achieve better futures and that do not perpetuate what existed prior to and during the pandemic.

As people approach the “day after,” many will have burned through their unemployment benefits, stimulus checks and have accumulated more debt. Many people who lost their jobs during the pandemic did not have good paying jobs that required advanced skills. They will require training, especially in digital skills, as well as robust transitional income support and support services.

If we do not take time to plan and institute measures now, the pandemic may erase all of the gains achieved over the last decade by groups who are traditionally under-represented in industries such as construction. The last recession prompted cuts in diversity efforts. The projects that go forward from the “day after” need to prepare now to continue their diversity initiatives.

Mental Health:

The ongoing crisis from the pandemic is prompting a substantial growing demand for mental health services. As people lose their jobs, many also lose their health insurance. COBRA is an important bridge, but only if the insured is able to afford it. Added on top of the stress from the pandemic are domestic and street violence, homelessness, behavioral health issues, and mental health challenges that existed prior to the pandemic. Those who do not have digital access cannot be served by virtual behavioral or

mental health systems. We should be thinking of the emergence of a collective post-pandemic PTSD as characterizing the “day after.”

Vulnerable Populations:

Latinos and African Americans have been disproportionately harmed by the pandemic. The rates for infections and deaths far outstrip the relative sizes of their populations. Now is the time for the issue of equity to drive thinking in economic and workforce development. Some companies are committed strongly to diversifying their workforces. Government can further this by putting its weight behind revisions in project labor agreements that require greater diversity in hiring and in the composition of project subcontractors.

Immigrant communities are especially vulnerable. Many are deemed essential workers and have to work. Many are not able to receive paid sick leave when they do get sick. Still others within these communities have lost their jobs, do not know where to find help or are afraid to seek assistance because it leaves them exposed to actions by immigration authorities. Financial help such as that offered through stimulus checks are unavailable to many migrants, particularly those who are not authorized to be in the U.S. Many immigrant workers may be locked out when work starts to become available. Society is as weak as the weakest or sickest person. So, this is a time to take on these social challenges.

Food systems:

Many parts of the food system have been hit hard by the pandemic. There has been great increase in demand for emergency food services. At the same time, nearly all restaurant workers have been laid off – and that occurred within a very short time. Businesses that sold food directly to institutions, caterers, and businesses that prepared meals, such as those that served charter schools have shut operations. This has adversely affected their suppliers and producers. Some businesses have been able to pivot to new markets, such as home-based deliveries. Others have simply closed.

Food needs to be seen as part of the recovery. It is an employment opportunity, an investment opportunity, and must be part of the larger strategy of improving people’s health and wellness. Consequently, food policy goes beyond a response to the pandemic; it is a critical element in addressing the health of the people of Cook County and in lowering the costs of health care. Delivery systems need to be changed as well, such as extending the use of online purchasing systems by people who are on SNAP.

Return to work:

Manufacturing jobs will return slowly. There will be layoffs, some permanent, in the near term. Overall, the sector will be strong, but may appear somewhat different when compared to today. There will be increases in automation, but it will be hard to know whether an increase is due to the pandemic or is going to happen anyway. There may also be a move towards onshoring jobs, but this will take six to eight quarters before there will be real observable changes.

Workers’ fears of contracting COVID-19 on the job and bringing it home to their families will dampen the return to business. These fears may be ameliorated with additional pay or benefits. But many workers will think twice about returning to work.

Passenger drives the aviation industry and the economics for a vast array of other businesses that depend on the airlines, airports and air transportation services. Aviation-related losses go far beyond the direct job cuts imposed by the airlines. They extend beyond the boundaries of the airports to include

the businesses that service the planes, that serve airline and airport workers, that handle the cargo carried on passenger and cargo aircraft, and the businesses that rely on air cargo resources to get their goods to customers and markets.

Public transportation:

Although ridership has plummeted in recent weeks, thereby putting significant strain on the operating budgets of public transportation systems, job losses in the sector may be mitigated somewhat by an infusion of capital funds as a result of the recently enacted federal transportation bill and changes in state law that directed new funds towards capital project. At the same time, it will take time to restore public confidence in public transit. Government leaders will have to carry some of the burden in restoring that confidence.

Shaken confidence:

Many young adults on the cusps of their careers are unable to come up with clear pictures of their futures. Will millennials who have been mostly renters than buyers in the economy change their ways in the next ten years or so and behave economically like their parents? Will the Chicago region begin to look like Japan as the area's population shrinks and the average and median ages of residents grow older? There is growing distrust of government and in our traditional institutions. One-third of the companies listed recently by Forbes as America's most promising businesses were given birth during the financial crisis that began in 2008. The optimism that prompted this surge on innovation does not seem to exist now. It is now time to revisit and reform the social contract now seems inadequate for today's circumstances and the "day after" needs.