

Seven Forces Reshaping the Economy Amid and Beyond COVID-19

September 2020 | kenaninstitute.unc.edu/insights

During the last six months, the COVID-19 pandemic has turned how we live upside down — driving fundamental shifts in how and where we work, learn, shop and even seek medical care. It feels deeply personal, yet we are continually reminded that “we are in this together.”

But as many headlines have noted, we have not all been affected in the same ways nor to the same degree. With voters citing the economy as their top concern heading into the historic U.S. presidential election, now’s the time to take stock of where we are — and to consider what we should be asking of our policy-makers and business leaders in charting a path forward.

The national unemployment rate remains near a 75-year high, but there are significant differences across demographic groups. People of color, women, younger workers and those with lower educational attainment have all been harder hit by the economic downturn — facing higher levels of unemployment, greater food and housing insecurity, and more. In addition, data from the U.S. Census Pulse Survey shows that those in poor health, divorced or separated and in lower-income households are much more likely not to have worked in recent weeks.¹

The next generation is being profoundly affected, too. As a new school year starts, the experience for students is quite different from previous years, with nearly two-thirds of students beginning their year in virtual classrooms.² For the nearly 12 million children without at-home broadband, access to quality education is more challenging than ever, potentially leading to larger achievement gaps.³

¹ Data from week of July 16-21, see U.S. Census Bureau, (2020)

² North Carolina School Board Association. (2020, August 7). Tracking NC school district reopening plans. EdNC. Retrieved from <https://www.ednc.org/resource-tracking-nc-school-district-reopening-plans/>

³ U.S. Congress Joint Economic Committee. (2017). America’s Digital Divide. Retrieved from https://www.jec.senate.gov/public/_cache/files/ff7b3d0b-bc00-4498-9f9d-3e56ef95088f/the-digital-divide-.pdf

Table 1. National Employment Statistics (Condensed)

(Current as of August 2020. Source: U.S. Bureau of Labor Statistics)

	Aug. 2020	Change from Aug. 2019
Unemployed		
Total, 16 years and over	13,742	7,539
Unemployment rates		
Total, 16 years and over	8.5%	4.7%
Adult men (20 years and over)	7.7%	4.5%
Adult women (20 years and over)	8.9%	5.1%
Teenagers (16 to 19 years)	15.8%	3.7%
White	7.5%	4.0%
Black or African American	13.1%	7.6%
Asian	10.7%	7.8%
Hispanic or Latino	10.5%	6.3%
Less than a high school diploma	11.8%	7.1%
High school graduate, no college	9.8%	6.2%
Some college or associate degree	8.3%	5.1%
Bachelor’s degree or higher	5.6%	3.2%

And while the pandemic continues, the nation is also reckoning with its racist past (and present) as protestors fight for social justice and to eradicate systemic racism.

The state of the world feels heavy.

But from the turmoil comes opportunity. The pandemic’s impact on how the U.S. (and global) economy operates is due to both an acceleration of existing trends (e.g., the demise of brick-and-mortar retail) and the emergence of new ones (e.g., remote work and onshoring). Additionally, the pandemic has elevated the pressure of systems that were already under significant stress, such as health care access and payment; public transit and city design; and childcare and funding for public schools.

With these changes come winners and losers, and it is increasingly important for business and government leaders to understand this economic transformation in order to take advantage of new opportunities and assist those who have been, and will continue to be, economically dislocated through no fault of their own.

To help understand the opportunities for long-term change that will bring better economic outcomes for more people, the Kenan Institute, in collaboration with the North Carolina CEO Leadership Forum, has identified seven forces reshaping the U.S. economy:

1. Changes in work, travel and migration patterns: By far the biggest impact of the pandemic has been on where people go — to work, to play and to live. This has had not only an immediate economic impact, but will also have long-term effects, such as driving shifts in business travel activity, “decoupling” work from physical location and influencing where people prefer to buy homes.

2. Accelerating shifts toward on-demand and at-home retail: Retail has long been experiencing a move from brick-and-mortar stores to online retailing, and the pandemic has only served to accelerate this trend. This shift will have major implications for the workforce, given the substantial number of lower-income retail workers.

3. Onshoring and widening of supply chains: In recent years, the trend in supply chains has shifted from greater efficiency to resiliency and robustness. Across most industries, multinational firms will increasingly develop strategies to onshore more production, diversify supplier relationships, invest in inventories and materials, and bring certain operations in house.

4. Renewed focus on diversity and dismantling systemic racism: The national dialogue about systemic racism has led businesses to renew their focus on diversity in their workforces, supplier networks and business practices. The breadth and depth of this commitment has been swift, and companies are rapidly expanding internal workforce programs and broader external initiatives around rethinking supplier and community relations.

5. Upending of education and childcare: The pandemic has vastly changed the traditional school format, with nearly two-thirds of students attending school remotely this fall. Hybrid instruction will likely continue until a vaccine is widely distributed — disrupting learning outcomes, widening the achievement gap and putting increased pressure on parents and caregivers. State and local government budget shortfalls may place a burden on school systems, further hampering economic output.

6. Shocks to healthcare and pharmaceutical demand: Financial pressure on already stressed hospital systems will continue throughout the pandemic, and rural hospitals are in an especially precarious financial state. The additional challenges of the pandemic are exacerbating existing health disparities among lower-income individuals, people of color and rural residents. Renewed interest in biopharmaceutical R&D and health teleservices offers opportunities for growth and job creation.

7. Risk reassessment by capital providers: The pandemic has caused a massive change in the risk profile of many businesses, yet private capital providers will be essential for long-term investment in business and the rebound of the economy. A risk reassessment by capital providers will fundamentally change how capital is allocated to private sector businesses.

Why seven forces, and more important, these seven? Our research has identified more than two dozen important economic effects of the pandemic, but additional analysis indicates that many of these are derivative. These seven forces have distinct implications across a broad swath of economic and social systems, and yield specific policy prescriptions that can provide a framework for both short- and long-term solutions.

Over the course of the next seven weeks, we will provide a more in-depth discussion of each force, highlighting specific opportunities for economic growth stemming from the changes brought about by these forces.

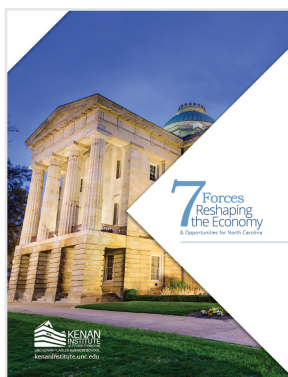
Access the full report as well as an extended version of the report including North Carolina-specific opportunities at kenaninstitute.unc.edu/sevenforces. To schedule an interview with any of the experts involved in the report’s creation, please contact MacKenzie_Babb@kenan-flagler.unc.edu.

7 Forces Reshaping the Economy

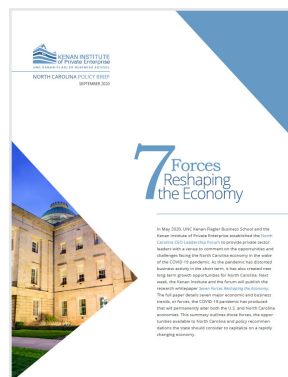
Full Report



Supplemental Report



Policy Brief



More at kenaninstitute.unc.edu/sevenforces

OUR EXPERTS

Kim Allen
Kenan Institute of Private Enterprise
Kim_Allen@kenan-flagler.unc.edu
919.843.3317

Ashley Brown
Kenan Institute of Private Enterprise
Ashley_Brown@kenan-flagler.unc.edu
919.962.1432

Greg Brown
Kenan Institute of Private Enterprise
Gregory_Brown@kenan-flagler.unc.edu
919.962.9250

David Carroll
Carroll Family Holdings

Vinayak Deshpande
UNC Kenan-Flagler Business School
Vinayak_Deshpande@kenan-flagler.unc.edu

Andra Ghent
UNC Kenan-Flagler Business School
andra_ghent@kenan-flagler.unc.edu

Jim Johnson
Kenan Institute of Private Enterprise
Jim_Johnson@unc.edu
919.962.2214

Sarah Kenyon
Kenan Institute of Private Enterprise
Sarah_Kenyon@kenan-flagler.unc.edu

Mark Little
CREATE
Mark_Little@unc.edu
919.962.1041

Christian Lundblad
UNC Kenan-Flagler Business School
Christian_Lundblad@kenan-flagler.unc.edu
919.962.8441

CONTRIBUTING EXPERTS

[North Carolina CEO Leadership Forum](#)

OTHER RESOURCES

[Seven Forces Reshaping the Economy Report](#)

[Economic Growth Initiative Dashboard](#)

[COVID-19 Resources](#)