The Big Picture

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By Jaime Caliendo

Daily life around the world has been deeply impacted by the Covid-19 pandemic, from how we communicate, work, spend, and engage with healthcare, to our consumption of food, education, and the availability of goods and services. In a look at The Big Picture, faculty from the Huntsman School provide their thoughts on some of the fundamental changes in business, propose solutions to tough problems, and raise concerns that emphasize the need for ethical leadership especially in times of change and turmoil.

Numerous commentators believe the pandemic will forever change the nature of market exchange in America. What can you tell us about e-commerce and online communication as drivers of growth?

Brian Dunn: Assistant Professor, Department of Data Analytics & Information System

The trend for the last several years was already heading toward e-commerce—for instance, year-over-year growth in the e-commerce space over the 2019 holiday season was about four times what was seen in physical retail. That said,

consumers' experiences during COVID will likely accelerate the effect by broadening the types of shopping that they conduct online. For instance, people who had never before grocery shopped online may realize that doing so and picking up their orders at Wal-Mart, which they might not have ever done were it not for the quarantine, was actually a pretty convenient experience and worth having again once the retail world goes back to normal. However, products that require more interaction (e.g., clothing, cars) probably won't see retail behaviors change due to the epidemic.

It will be interesting to see how people's shifting from in-person to online behavior affects us culturally. For instance, it's long been held that Gen Z, which has grown up communicating through online means, lacks face-to-face interpersonal skills. Does this shift, where work is being done remotely and the boss is more likely to text an employee than stop by a cubicle, mean that this group now has some job-related advantages from its more-native use of text and social communications?

It is well-known that online communication facilitates greater media selection bias—online, people can find the media messages that already confirm what they believe, which seems to push individuals further into already-established belief silos and makes them less open-minded about contradicting opinions. Relatedly, in recent years, as more and more people are getting their information from social media, we've seen an apparently deepening political divide among Americans and related concerns emerging regarding new-found viability of more-radical political messages. With people more likely to work from home and avoid the social spaces, some of these issues are likely becoming even more salient. If quarantine-style behaviors have a lasting effect and people continue their online behaviors in lieu of what they used to do face-to-face, these negative outcomes may possibly escalate. This could eventually cause some concerns for companies—not just from an HR perspective, but we've also seen a tendency of consumers to express concerns about what they perceive as the political views (or lack thereof) held by companies.

What will employee selection, development, and performance management look like in an era of remote work?

Chris Hartwell: Assistant Professor, Department of Management

In the area of employee selection, Covid-19 is turbocharging an already evolving interview process. More and more, employers are opting for virtual interviews instead of in-person interviews. These can be done synchronously through technology like Zoom or Google Meet, where the applicant and interviewer(s) can hear each other and see each other on their computer screens. But asynchronous video interviews are also gaining popularity. Utah-based HireVue is one of the companies many firms are using as a video interview platform for the initial interview filter. The hiring manager is

recorded asking the video question (or the question is simply shown on the applicant's screen) and then the applicant records their response to the interview question. This is a very appealing option for companies because those involved in hiring can watch and rate the applicant on their own schedule, instead of having to be there at the same time as the applicant. However, applicants tend to have a negative reaction to these kinds of interviews (when compared to in-person interviews) because there is no two-way communication and they are unable to ask their own questions.

Social media is another platform that employers use to source and recruit prospective employees. Survey responses estimate that more than 80% of employers use social media in employee recruitment and selection. Social media is especially important for finding passive job candidates - those not currently looking for a job, but who would be open to opportunities matching their skills and experience. Employers may also turn to personal social media sites such as

Facebook or Instagram to market open jobs. Users should be wary of what they post on these sites (and who has access to view their information), as employers tend to view personal social media profiles looking for any red flags that might indicate that a person should not be hired.

Employee onboarding, or the process of training and orienting a new employee in the organization, has been deeply impacted by the pandemic. Since many jobs are now remote, much (if not all) of the onboarding is also remote, making it more difficult for new employees to establish relationships with their supervisor or other employees, or to be immersed in the company culture. Some companies are providing virtual trainings, sending swag in the mail, and even setting up virtual lunches or other opportunities for employees to interact.

Performance management is also made more difficult when employees are working remotely. Supervisors are forced to give up some control because they can't judge an employee's contribution by whether or not they are working at their desk all day. Instead, the new norm is quickly becoming management by objective, or focusing on the objectives of the job (what value does the job bring to the company?), the outputs delivered, and measuring an employee's contribution by the work they do and how well they meet the job objectives.

With an increasing number of people working remotely, how can employers keep their teams engaged and productive?

Julena Bonner: Assistant Professor, Department of Marketing and Strategy

HSB Researcher of the YearPrior to Covid-19, approximately 50-60% of the world's largest companies used some form of monitoring to track their employees' actions. As the pandemic unfolded and millions of employees were sent home to work remotely, sales of monitoring technologies used to collect and record data about employees' on-the-job behaviors surged.

Monitoring technologies allow employers to electronically monitor employees using email scanning, telephone recording, or  keystroke tracking software. Technology also enables employers to randomly capture screenshots or video shots of employees throughout the day to assess whether at-home workers are working or using work time for personal pursuits.

However, monitoring may paradoxically facilitate the very behaviors such practices are intended to inhibit. Higher levels of performance monitoring may have unanticipated consequences for employees by making them feel that they are not truly the initiator of their actions. Rather, the over-monitored employee sees their supervisor or boss as being responsible for the employee's actions, allowing the employee to more easily rationalize bad behavior. This may facilitate increased deviant behaviors in the workplace.

This is not to say employers should not monitor employees. There are some benefits to monitoring, including using surveillance cameras as a protective measure for employees or using information gathered from monitoring to provide

constructive feedback to employees on how to improve. However, it is also critical that employers are aware of potential unintended consequences of monitoring when considering whether and how to implement such systems.

How does work from home impact the work-family interface?

Merideth Thompson: Professor, Department of Management

The biggest challenge with remote work (more so when that remote work is from home) is the blurring of lines between our work and non-work lives, time, and attention. This is even more true during the pandemic because that remote work is not only being done from home, but kids may also be at home and trying to do schoolwork, etc. Thus, you'll see a lot more

work-to-family conflict (work interfering with family) and family-to-work conflict (family interfering with work).

Research indicates that broadly speaking, most people are not good at being in two roles at once. It's very difficult—some argue, impossible—to be both in our parent or partner role and in our worker role simultaneously. Mindfulness is key here, and in the pandemic, it is relentless because the entire family may be home all day, every day.

There are also significant "switching or transition costs" from having to mentally switch back and forth between our role as a professional and our role as a parent or significant other. Those transition costs deplete our mental, emotional and physical resources. So, we need to ask ourselves, "What role am I in right now?" and just be in THAT role. Don't try to

occupy two roles in the same moment. That may mean turning away from your computer when a child comes in needing help with homework. Or putting a sign on your home office door that says, “Mom is in a meeting from 1-2:30. If you need something during that time, ask Dad/Mom or big brother/sister.”

While the Covid-19 pandemic has negatively impacted jobs and spending in numerous sectors of the economy, we have seen a dramatic recovery in stock prices. What might explain this?

Briggs Depew: Associate Professor, Department of Economics and Finance

COVID-19 has had an unprecedented impact on society. Each person’s daily life has significantly been turned upside down over the last six months. One indicator of the rollercoaster ride that we have been on the last six months is the stock

market. The volatility in the stock market (over a 10-day period) in March, 2020, surpassed the volatility from the Global Financial Crisis (December 2008) and was similar to what was observed in the Great Crash (1929) and lasting Great Depression.

However, if we gauged whether our lives were getting back to a sense of normalcy from the stock market alone, we would be in error. In March, we observed a stock market that was down over 33% from its previous highs a month prior. Nevertheless, as of August 26, and just five months after the S&P 500 low, the market had rebounded to an all-time high. Many of us are left bewildered by a stock market that seems to be defying economic reality. It took about five years to recover from the Global Financial Crisis. What is causing this quick rebound?

There are many factors at work, but there are three factors that are really pushing the market forward:

The anticipation of a vaccine. The market is sensitive to the news of a vaccine. Analysts at the financial firm UBS studied positive and negative vaccine related news and how it impacts the market. They found that positive news for a vaccine accounts for 6.5 percentage points of the S&P 500's growth since May. In effect, the market has priced-in the expectation of the development of the vaccine.

The growth of large tech companies. Indexes such as the S&P 500 are weighted by the market cap of the firms included in the index. Although Alphabet, Amazon, Apple, Facebook, and Microsoft only account for 1% of the firms in the S&P 500, their value accounts for over 20% of the S&P 500's market value. These five firms have grown approximately 40% this year and have had 100% growth since their low in March.

The Federal Reserve printing money. Congress has authorized over $3 trillion in spending since March and additional stimulus packages are currently being discussed. To a great extent, stimulus packages are performed by the Federal Reserve printing money. In February, the total assets of the Federal Reserve were around $4 trillion. By August, total assets were approximately $7 trillion. In less than six months, the Fed has printed roughly $3 trillion. In comparison, during the peak of the Global Financial Crisis, the Fed printed $1.3 trillion from September 2008 through January 2009. Such stimulus programs under COVID-19 have effectively propped up the stock market.

It seems that massive corporate bailouts of historic proportions have become the new normal in times of economic turmoil. Do you expect this trend to continue?

Ben Blau: Head - Department of Economics and Finance, George S. Eccles Endowed Chair in Finance

During the 2008-09 financial crisis, the federal government provided an incredibly expensive $840 billion fiscal stimulus package while the U.S. Federal Reserve created a number of new emergency lending facilities to keep banks and other types of firms afloat. The Federal Reserve's monetary stimulus amounted to approximately $1 trillion in emergency lending during the peak of that financial crisis. The mere size of these programs was unheard of at the time. In the current day, however, the policy response to the recent Covid-19 pandemic and the accompanying economic shutdown makes the size of the 2008-09 bailout seem rather small. For instance, the 2020 CARES Act carried a price tag of $2 trillion

while the Federal Reserve introduced a “Main Street Lending Program” that will amount to a reported $2.3 trillion in new borrowing. Will the trend in bailouts continue going forward? Given the two most recent crises, I would think that not only will the number of government bailouts increase, but the size of the bailouts will likely also increase.

How concerned should we be about this phenomenon?

Aside from the contribution to the already-high national debt, I have at least two additional concerns. First, there is some evidence that suggests that those who are insured will typically engage in riskier behavior than those who are uninsured. This is called “moral hazard” and has been found to exist in various types of insurance markets. To the extent that bailouts (and other forms of stimulus) act as a sort of “synthetic insurance” against times of distress, the incentives of businesses and individuals are likely to change, which might result in greater risk taking. Ultimately, the moral hazard associated with bailouts suggests that past bailouts are likely to generate greater risk taking both by firms and individuals, which could lead to more (and larger) bailouts in the future.

Second, I have a more subtle concern. Capitalism has assisted in creating some of the greatest prosperity the world has ever known. Recent data from the World Bank suggests that the percentage of the world’s population living in extreme poverty (less than $2 a day) has recently dropped below 10%. In the year 1820, that number was 94%. I’m afraid that government bailouts might create incentives for firms to become more politically active, through things like lobbying activity or participation in political campaigns, in an attempt to extract subsidies during periods when new bailout policies are being formed. This may be harmful for two reasons. First, instead of innovating and producing goods that society demands, firms might instead use capital on political activities. Any foregone innovation is likely to have negative economic effects. Second, this type of “cronyism” might become confused with capitalism and could eventually lead to the possible demise of capitalism and the incredible prosperity that goes with it.

Which jobs and industries were most affected by COVID-19?

Katarzyna Anna Bilicka: Assistant Professor, Department of Economics and Finance and
Sepideh Mohammad: Assistant Professor, Department of Economics and Finance

The COVID-19 pandemic created an unprecedented effect on the economy, increasing unemployment to levels not seen even during the Great Depression. Many jobs have been lost, and claims for unemployment insurance have surpassed by far the all-time high. In light of this crisis, Congress quickly stepped in with support, spending nearly $3 trillion on a host of

programs to provide public health and economic support at the onset of the pandemic.

As public officials debate the need for additional government support, it is necessary to first understand which groups of the population are most vulnerable to this pandemic. We investigated four sets of characteristics that can shed light on the groups of jobs and workers that have been most adversely affected by COVID-19, including the contributing share and employment share of sectors and industries to a state's GDP, and the demographic characteristics of a state's employed and unemployed populations.

After analyzing a set of characteristics which have the potential to provide insight into vulnerability of states to COVID-19, we found that unlike what we usually hear in the media about the impacts of large sectors being affected by the pandemic, having a larger GDP-share or employment-share in a vulnerable sector, like retail, does not necessarily mean that the state is more vulnerable compared to others.

In a nutshell, we found that the variables that seem to best predict the vulnerability of states are demographic characteristics of the population, as opposed to specific industries. More precisely, we found that minority groups, young workers, and those without private insurance and college education are more vulnerable to the adverse economic effects of the COVID-19 pandemic. Further, states with a large percentage of already unemployed female workers, people below age 35, and minority groups have also seen larger increases in new unemployment claims.

Based on our results, a set of demographic characteristics that identify a subpopulation offers more predictive power regarding the vulnerability of a state to COVID-19-related job losses. Our research indicated that states in which female, young, and minority workers make up a larger share of the unemployed population experienced a larger increase in initial unemployment claims and are more vulnerable to the adverse effects of the COVID-19 pandemic.

These results suggest that certain population groups are more likely to be adversely affected by the economic effects of the crisis. The subpopulation that is defined based on these demographic characteristics is more likely to earn a lower income. We often think of low paid jobs as being associated with non-college educated, young, minority uninsured workers. These characteristics are not necessarily related to a type of occupation but are likely more prevalent in retail jobs.

COVID-19 has also resulted in many people having to stay at home to take care of their children. Low-cost childcare

options are no longer available to large groups of the population in many areas. This is because schools, kindergartens, and nurseries have been forced to shut down by government mandates. This has resulted in some low-income workers not being able to afford childcare. We identified that states with a large portion of female, young, and minority workers who are already unemployed are more vulnerable to the adverse effects of COVID-19. These people may also be providing childcare in their households. This makes them even more vulnerable to the effects of COVID-19, especially in terms of their future labor market outcomes.

All of this suggests that policymakers should, in fact, structure future aid packages to be more directed towards this subpopulation. One potential way to do this is to make the next round of the stimulus checks more progressive. Instead of defining a cutoff at $75,000 annual income for an individual or $150,000 for a couple as the eligibility threshold for

receiving the federal transfer, policymakers could offer a larger amount, but only to lower-income groups who are more likely to have lost their jobs, and also more likely to be short on savings. They could then decrease the transfer value as income level increases. Making future aid packages more targeted based on demographics rather than industry will help get aid to those who need it most.

We've seen a number of global trade agreements and alliances dissolve in the last few years. What opportunities and challenges do you see on the horizon, especially as the global economy attempts to rebound from the pandemic?

John Gilbert: Professor, Department of Economics and Finance

While there have been some high-profile cases such as Brexit, overall the trend of liberalizing international trade through global trade agreements has accelerated over the last few years. For example, in 2019 the European Union signed two new free trade agreements, with Japan and the Southern Common Market (MERCOSUR), thereby linking Europe with East Asia and South America. In terms of the 'mega-regional' agreements in Asia, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) negotiations were concluded and signed in 2018, and the members of the Regional Comprehensive Economic Partnership (RCEP) have also completed negotiations. The current anti-

trade stance of the United States,

exemplified by the withdrawal from the Trans-Pacific Partnership and on-going trade disputes with China, Canada and the EU, is an exception to global trends, an exception with serious consequences for the US and global economies. The US, traditionally a leader in the push for more open trade, has been left largely on the sidelines as China and Europe have greatly expanded their influence. This represents both an opportunity lost and a challenge for the US to regain its former authority.

Covid-19 has exacerbated an already precarious position. We don't yet know how much impact the pandemic will have on trade, but it will be substantial. The closest point of comparison we have is the recession of 2007-2009 that came in the wake of the financial crisis. US trade fell by more than 25 percent, with almost all industries impacted, and it took nearly three years to recover to pre-crisis levels. The WTO has projected that global trade will decline by up to 32 percent as a result of Covid-19, and even that may be optimistic. Early US figures are not encouraging. US merchandise exports, already down in 2019 due to rising trade tensions, fell 10 percent for the first four months of 2020, and 30 percent in April (year on year). Services exports were down eight percent and 23 percent over the same periods. We have a long and difficult road ahead.

At first it was toilet paper, then, as we moved to Summer, it was outdoor products, like tents and kayaks. Stores seem to have less of everything, and we see more items listed as out of stock. The pandemic has created unprecedented disruption to supply chains, from raw materials to final products on the shelf. How can companies prepare today to better mitigate the complexities of supply chain risk during such catastrophic occurrences?

Vijay Kannan: Head - Department of Management, Vernon and MaRee Buehler Endowed Professor, Executive Director of International Programs

Most supply chain disruptions result from either a supply shock such as a strike or natural disaster, or a demand shock such as a new product entry or change in economic conditions. Typically they are also geographically localized.

The current situation is unique and responses to it challenging because of the simultaneous and global supply and demand shocks. So how to do better next time?

The difficulties with PPE availability and COVID testing are a microcosm of the challenge to the entire spectrum of products and supply chains. Seemingly inadequate advance planning and pre-positioning of resources, and inherent supply constraints once the global scale of the crisis was clear, quickly led to material and product shortages. Disruptions are a fact of life for supply chain professionals, and while Covid-19 is unprecedented, it can be a wake-up call in planning for future disruptions.

Geographically diversifying supply chains, reducing dependence on a small number of global manufacturing centers, and de-emphasizing cost reduction and efficiency in favor of responsiveness can position supply chains to respond more effectively to sudden change. We were already seeing a move away from manufacturing dependence on China due to cost, and the pandemic may increase that movement. Better mapping, understanding, and availability of the dynamics of the entire supply chain, not just immediate customers and suppliers, will provide greater visibility of potential pinch points throughout the supply chain, and could create opportunities for more effective supply chains.