



COVID-19 AND THE LABOR MARKET

Jordan Matsudaira

Associate Professor of Economics and Education Policy

Teachers College Columbia University

Twitter @jdmatsudaira

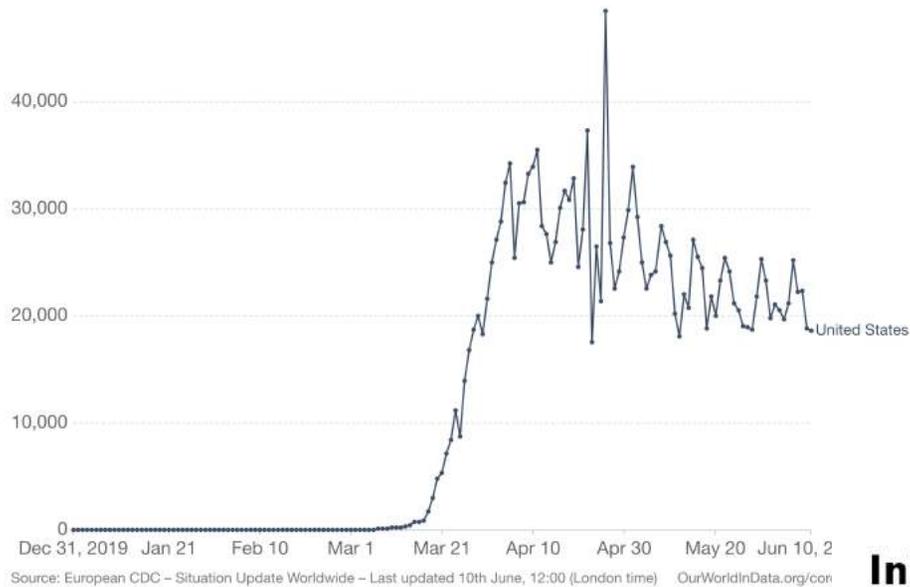
Overview of the Seminar

- A public health crisis turned employment crisis
 - What's happening to employment and why?
- Policy responses, with a focus on unemployment insurance
 - Are they well suited to the challenge?
 - Glimpse into international perspectives
- Predicting the future
- Policy priorities on the macro and micro levels
 - Government policy priorities
 - Advice for job-seekers and their supporters

COVID-19 and the Labor Market

Daily confirmed COVID-19 cases

The number of confirmed cases is lower than the number of total cases. The main reason for this is limited testing.



COVID Cases

After first being detected in U.S. on Feb.22 daily confirmed cases:

- Cross 100 on March 3
- Cross 1000 on March 11
- Cross 10,000 on March 20
- Cross 100,000 on March 28
- Cross 1,000,000 on April 29

CA orders stay at home March 19. 21 states follow in the next week. (Many localities act earlier)

Weekly UI Claims

After averaging 211,900 claims in 2020 through March 7, weekly claims were:

- 282,000 the week ending March 14 (↑33%)
- 3.3 Million(!) “ ” March 21
- 6.9 Million (!!!) “ ” March 28 (↑3040%)
- 1.5 Million (!) Last week

From March 7 to June 6, 44.4 Million claims filed.

12 straight weeks w/more than twice the number of claims as the worst week of the Great Recession (665k).

Initial weekly unemployment claims in 2020

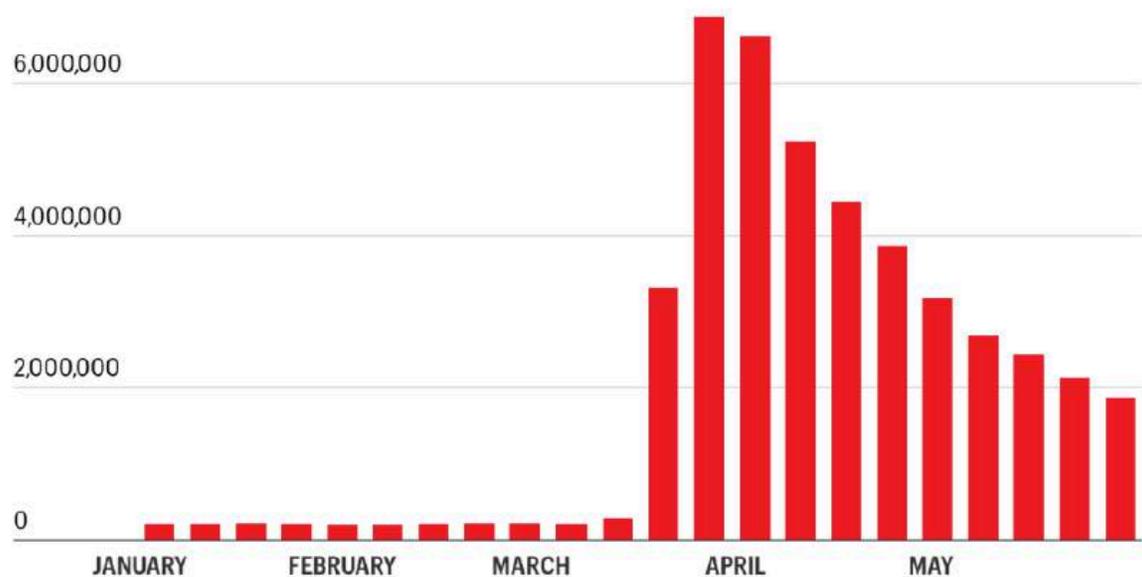


CHART: LANCE LAMBERT • SOURCE: U.S. DEPARTMENT OF LABOR

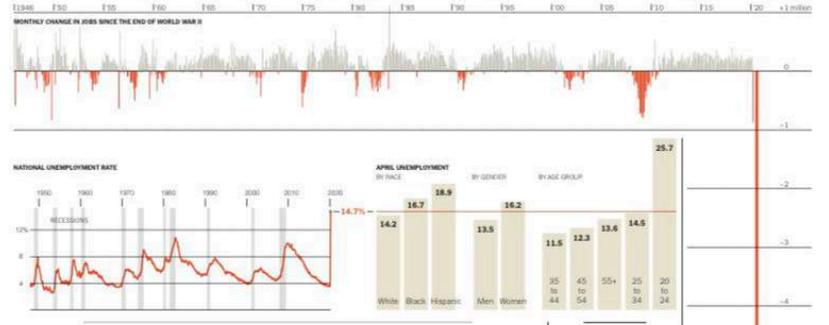
April "Jobs Report"

20.5 million lose their job in April; unemployment to 14.7%

Both are the worst since the Great Depression.

Lots of reasons, and some alternate data sources that suggest the true figures are much worse than official data suggest (no, not bc conspiracy – boring reasons!).

U.S. UNEMPLOYMENT IS WORST SINCE DEPRESSION



Georgia Killing Puts Spotlight on a Police Force's Troubled History

Long Path to Arrests of Ex-Officer and Son in Black Man's Death

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Mr. Carr's office has already determined that George E. Burdick, a district attorney who was assigned the case in February but recused himself late last month, should have never taken it on. Among his many conflicts: His son once worked alongside one of the suspects at the local prosecutor's office.

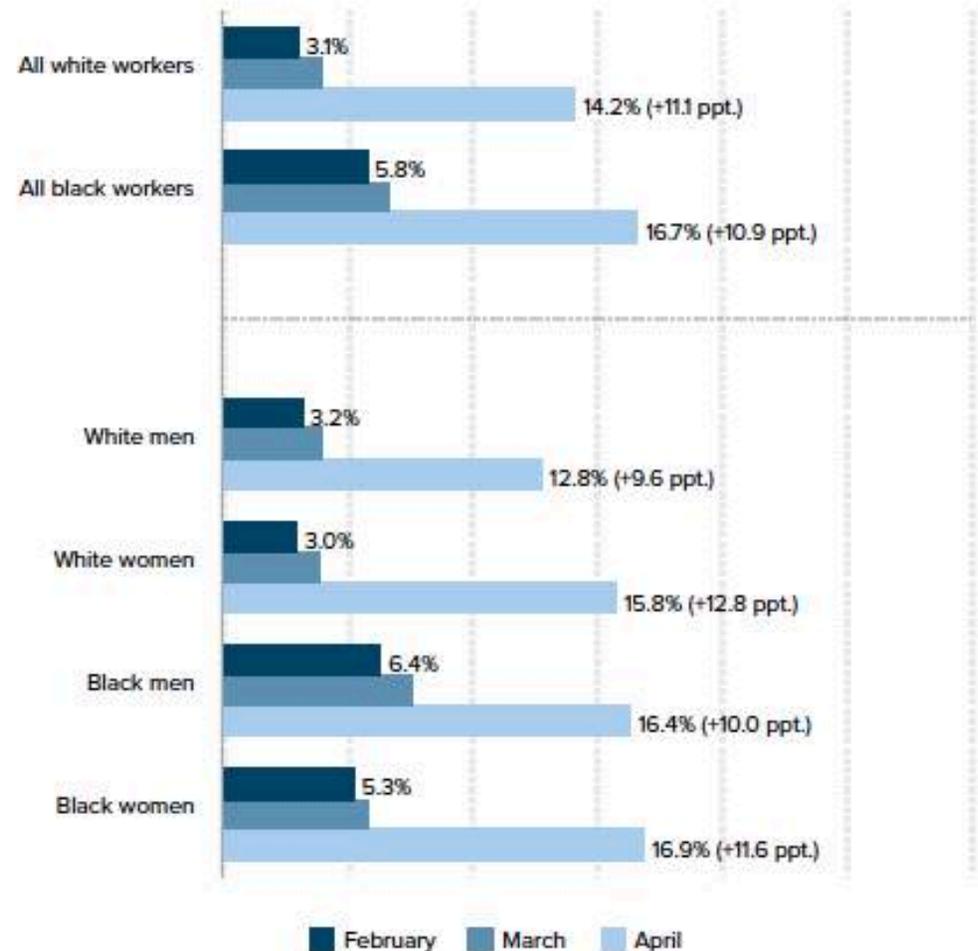
S. Lee Merritt, a lawyer representing Mr. Abbery's family, has called for a federal civil rights investigation focused not only on the men who pursued Mr. Abbery, but the broader justice system. "It's small-town America," Mr. Merritt said in an interview on Friday that he planned to start a review of all of the relevant players in that system.

Differences by Race and Gender

- Unemployment among Black workers soared to above 16%.
- Proportional increases largest for white women
- Unlike typical recessions, increases in unemployment were similar by race (though disparities in savings, health conditions suggest differences in the impact of these changes)
- Latinx unemployment rates increase to similar levels.

While unemployment skyrocketed for black and white workers in the COVID-19 labor market, the unemployment rate is higher for black workers

Unemployment rates by race, and by race and gender, February–April 2020



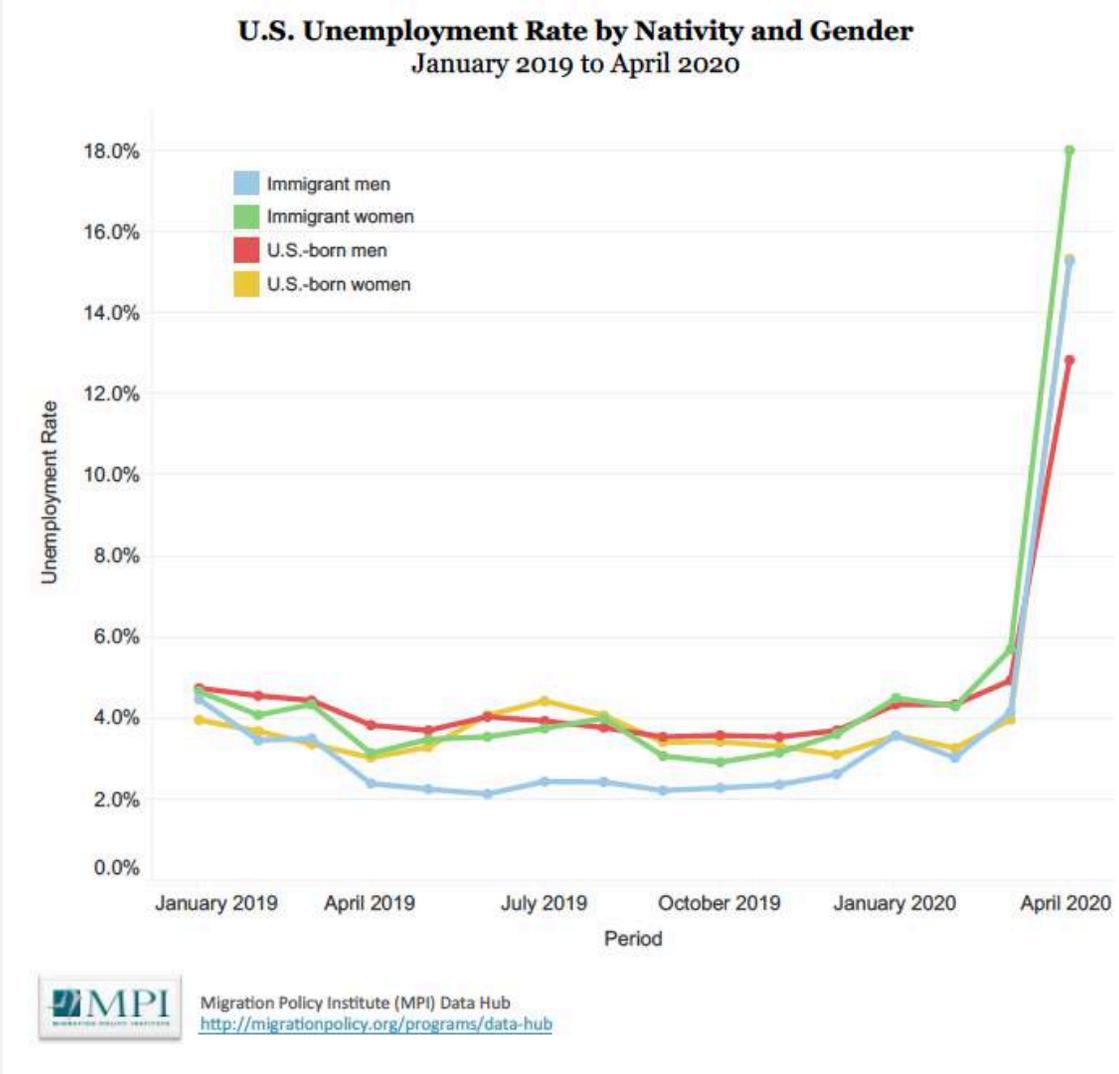
Note: White refers to non-Hispanic whites, black refers to blacks alone.

Source: EPI analysis of Bureau of Labor Statistics' Current Population Survey public data.

Economic Policy Institute

Differences by Nativity and Gender

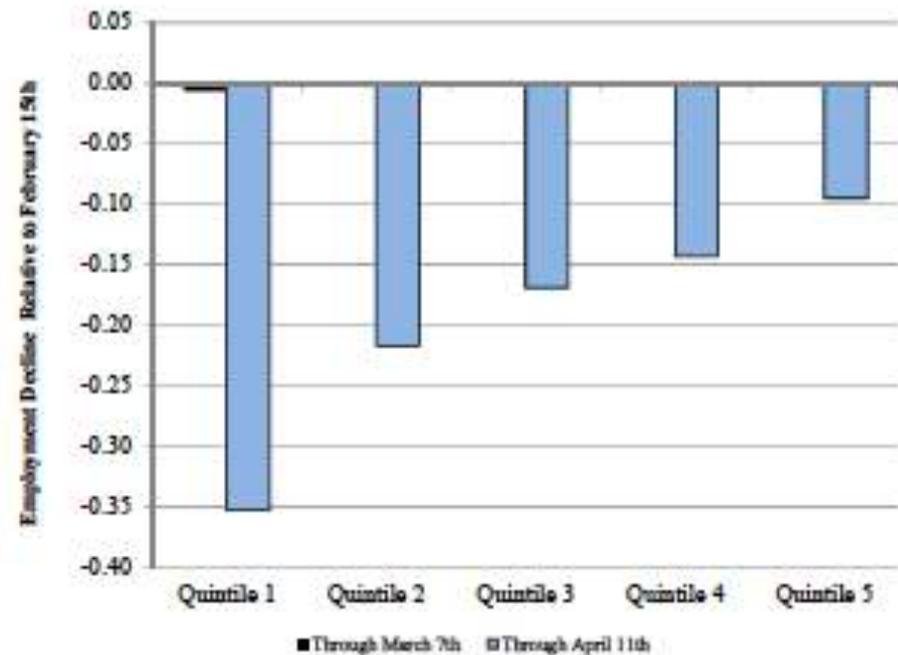
Unemployment among foreign-born workers increased slightly more than for native born workers for both men and women.



Differences by Initial Wage Level

Within these race, gender, and nativity categories, low wage-workers fared worst: workers in the bottom quintile of the wage distribution experienced a 35 percent employment decline while those in the top quintile experienced only a 9 percent decline from mid-February to mid-April.

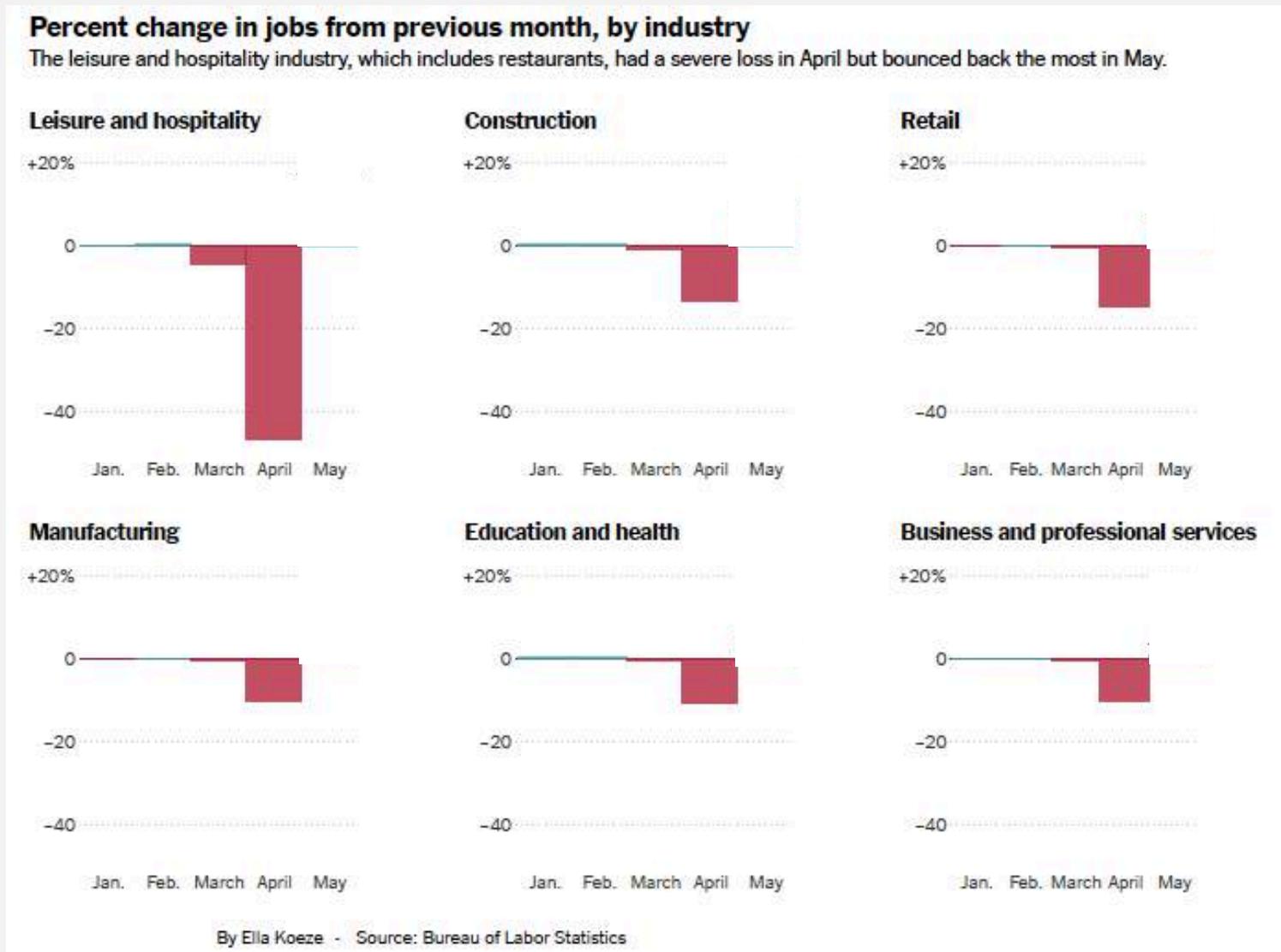
Figure 12: Employment Changes By Initial Wage Quintile



Notes: Figure shows decline in employment for workers in different initial wage quintiles through March 14th, 2020 (dark bars) and through April 11th, 2020 (lighter bars). Employment declines measured relative to February 15th. Data for this figure use the employee sample. All data are weighted such that the sample matches aggregate employment by 2-digit NAICS cross business size.

What explains patterns?

Industry of employment plays a large role. Black, Latinx, and Foreign Born workers (and women) concentrated in service industry where social distancing is hard.



Turned the Corner?

Economic Report

'The biggest payroll surprise in history' — economists react to May jobs report

Published: June 5, 2020 at 9:46 a.m. ET

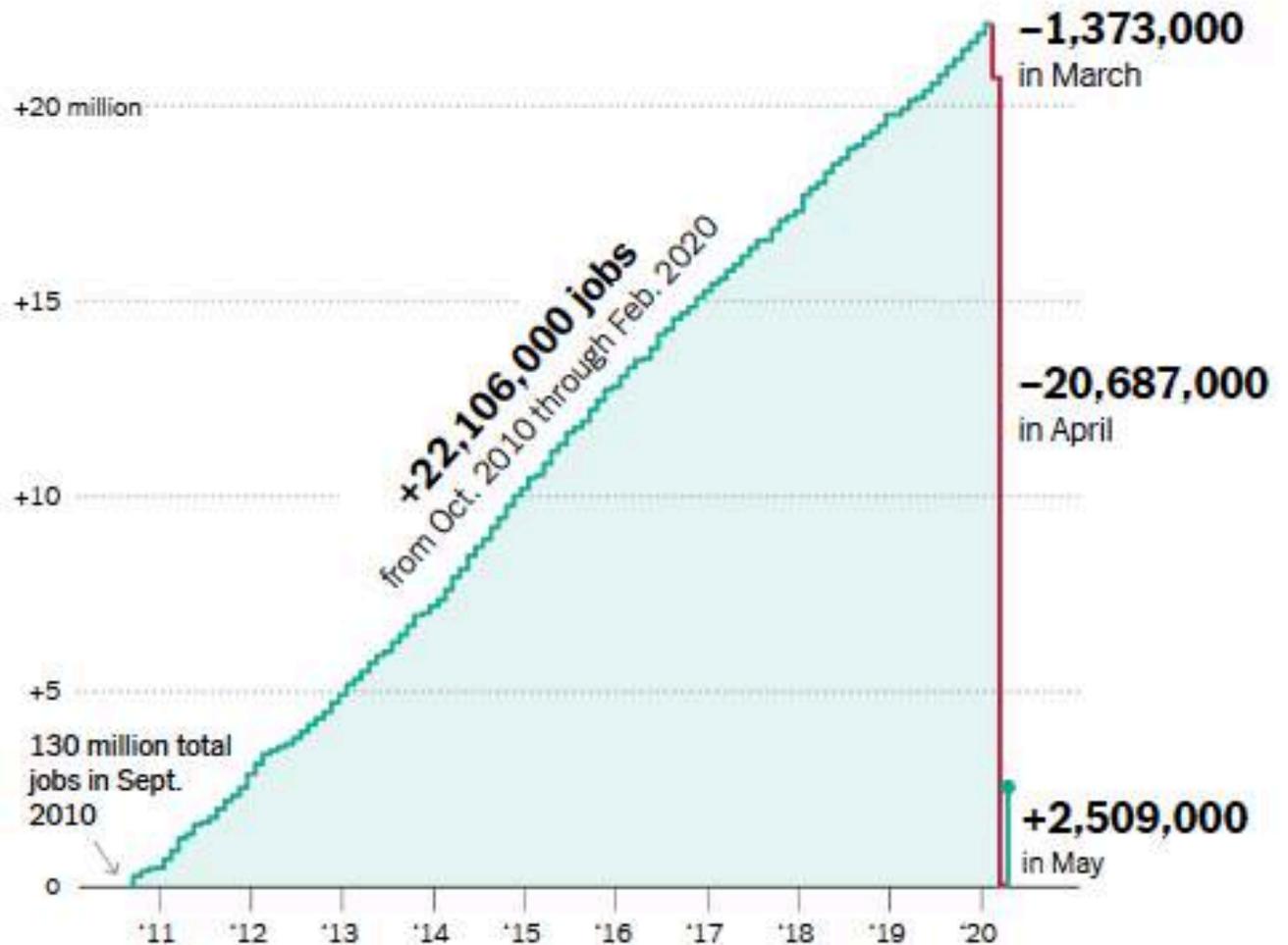
- On June 5, the Bureau of Labor Statistics announced that contrary to expectations the economy added jobs in May: 2.5 million jobs added, and unemployment falls to 13.3%
 - Economists had expected loss of 7.25 million jobs, and unemployment rate to increase to 19.0%
- "WTF." — Kate Bahn, director of labor market policy and economist at the Washington Center for Equitable Growth

We'll need a "rocket ship" to get out of the hole we're in

A historic increase in employment hardly puts a dent in the April job loss.

Cumulative monthly change in jobs since September 2010

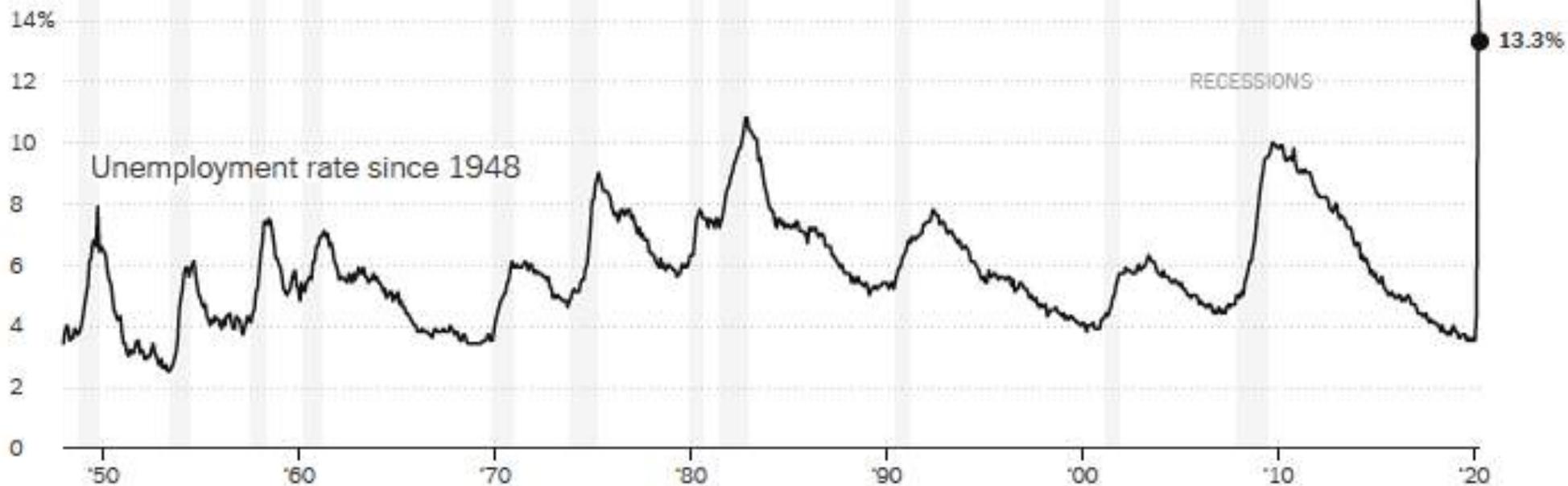
Job losses in March and April nearly wiped out the previous 113 months of job gains, but May showed a partial comeback.



By Ella Koeze - Source: Bureau of Labor Statistics

Months of “Historic Increases” in Employment will be Required to Fully Recover

Unemployment remains higher than any other point since the Depression.
For Blacks, the unemployment rate increased slightly.



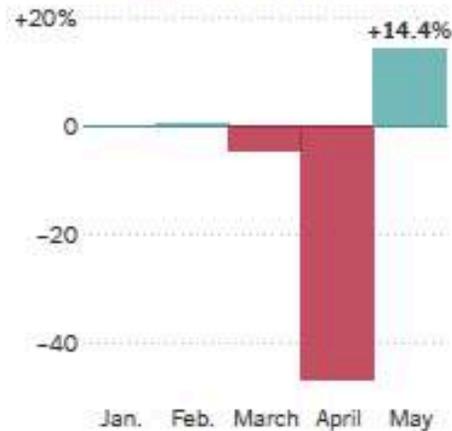
By Ella Koeze - Employment rates are seasonally adjusted. | Source: Bureau of Labor Statistics

The slight rebound was uneven across industry

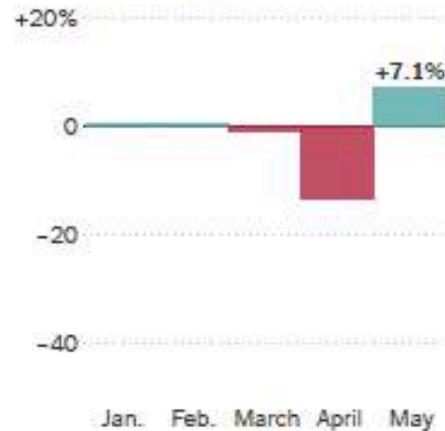
Percent change in jobs from previous month, by industry

The leisure and hospitality industry, which includes restaurants, had a severe loss in April but bounced back the most in May.

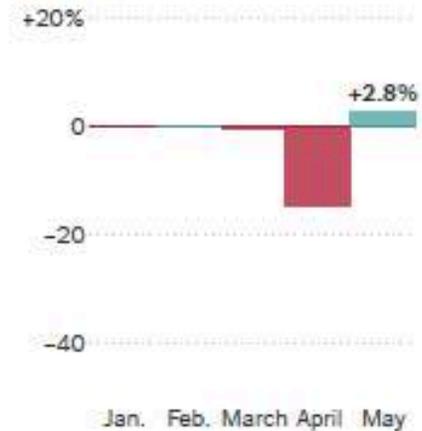
Leisure and hospitality



Construction



Retail



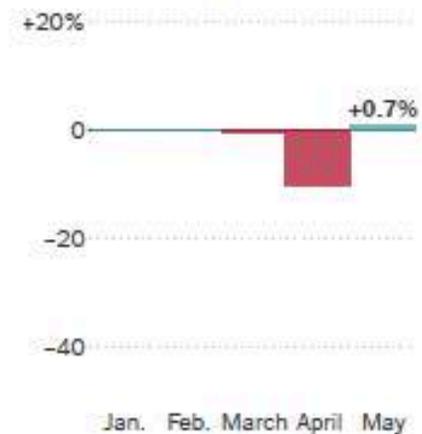
Manufacturing



Education and health



Business and professional services



By Ella Koeze - Source: Bureau of Labor Statistics

Not shown here: state and local government employment fell (the only sector with losses).

Policy Responses, esp. Unemployment

Federal response in 3 rounds of stimulus, most importantly the Coronavirus Aid, Relief, and Economic Security (CARES) Act (\$2 trillion) signed March 27, 2020.

Among other provisions:

- Family income/resource supports
 - Direct payments of \$1,200 per adult and \$500 per child for incomes up to \$75k/\$150k per family.
 - Changes to SNAP, student loan payment pauses, other
- \$349b loans for small business (Paycheck Protection Loans)
 - Businesses w/fewer than 500 employees eligible for up to 8 weeks of payroll loans, forgivable if payroll is maintained over 8 weeks. Reaches ~6% of workforce.
- \$250b large increases to UI eligibility and payments
 - Eligibility expanded to gig workers, contractors normally not covered by UI
 - Duration of benefits extended
 - LARGE increase in weekly benefits

Everyday UI (pre-CARES)

Eligibility Requirements:

1. Earnings requirements: (NYS) You must have been paid wages in “covered employment” in at least 2 quarters, for claims filed in 2020, you must have earned at least \$2,600 in at least one quarter, and total wages must be at least 1.5 times the highest quarter wage.
2. Be able and available for work
3. Be involuntarily unemployed or have reduced hours
4. Be actively searching for work

Benefit Determination:

NYS: UI benefits depend on earnings in a “Base Period (BP)” the first four-quarters of the five quarters *before* a worker applies for UI.

- For workers with 4 quarters of earnings, if the highest quarter wage is
 - Above \$3,575, weekly benefit is highest quarter wage divided by 26 (50% replacement rate)
 - Below \$3,575, weekly benefit is highest quarter wage divided by 25 (52% replacement rate)
 - Cap is \$504/week.
 - Partial Unemployment and shared work: If employer has been approved by NYSDOL, can receive partial (pro-rated) benefits if hours and wages are reduced between 20% and 60% of usual hours.

Duration:

- Limited to 26 weeks (lower in some states).
- NYS has activated “Extended benefits” covering an additional 13 weeks (for 39 total under previously existing law). Federal government often enacts “Emergency Unemp. Comp (EUC)” with more weeks of benefits and (slightly) increased weekly benefits based on states unemployment rates (in Great Recession, added \$25 and up to 78 weeks).

Source: <https://www.labor.ny.gov/formsdocs/factsheets/pdfs/p832.pdf>

NYS benefit calculator: www.labor.ny.gov/benefit-rate-calculator

Changes to UI

CARES dramatically expanded UI, covered by federal government through 3 new federal programs:

- Pandemic Unemployment Assistance (PUA): Expands eligibility to part-time workers, freelancers, independent contractors, and self-employed; and waives work history requirements through December 31, 2020 (some states have restrictive guidance requiring proof that employment is affected by COVID).
- Pandemic Emergency Unemployment Compensation (PEUC): Extends duration by 13 weeks after states exhaust regular state UI benefits.
- Pandemic Unemployment Compensation (PUC): Increases payments by \$600 per week through July 31, 2020 for UI, partial UI, and PUA claimants.
- Allows states to eliminate a 1 week waiting period to receive benefits; incentivizes Short-Time Compensation (work-sharing) programs (federal gov't will reimburse all expenditures).

This is unprecedented support, but highlights long-standing inadequacies of UI that explain why access to UI is unequal, and has disproportionately excluded women and people of color.

Illustration of UI Benefits

In normal times (prior to CARES), UI replaces a portion of worker earnings (~50% in NYS) up to a maximum (\$504 in NYS)



Illustration of UI Benefits

Under CARES, \$600 PUC payments more than replace earnings for unemployed for workers earnings up to about \$1,000 weekly (~\$50k annually)

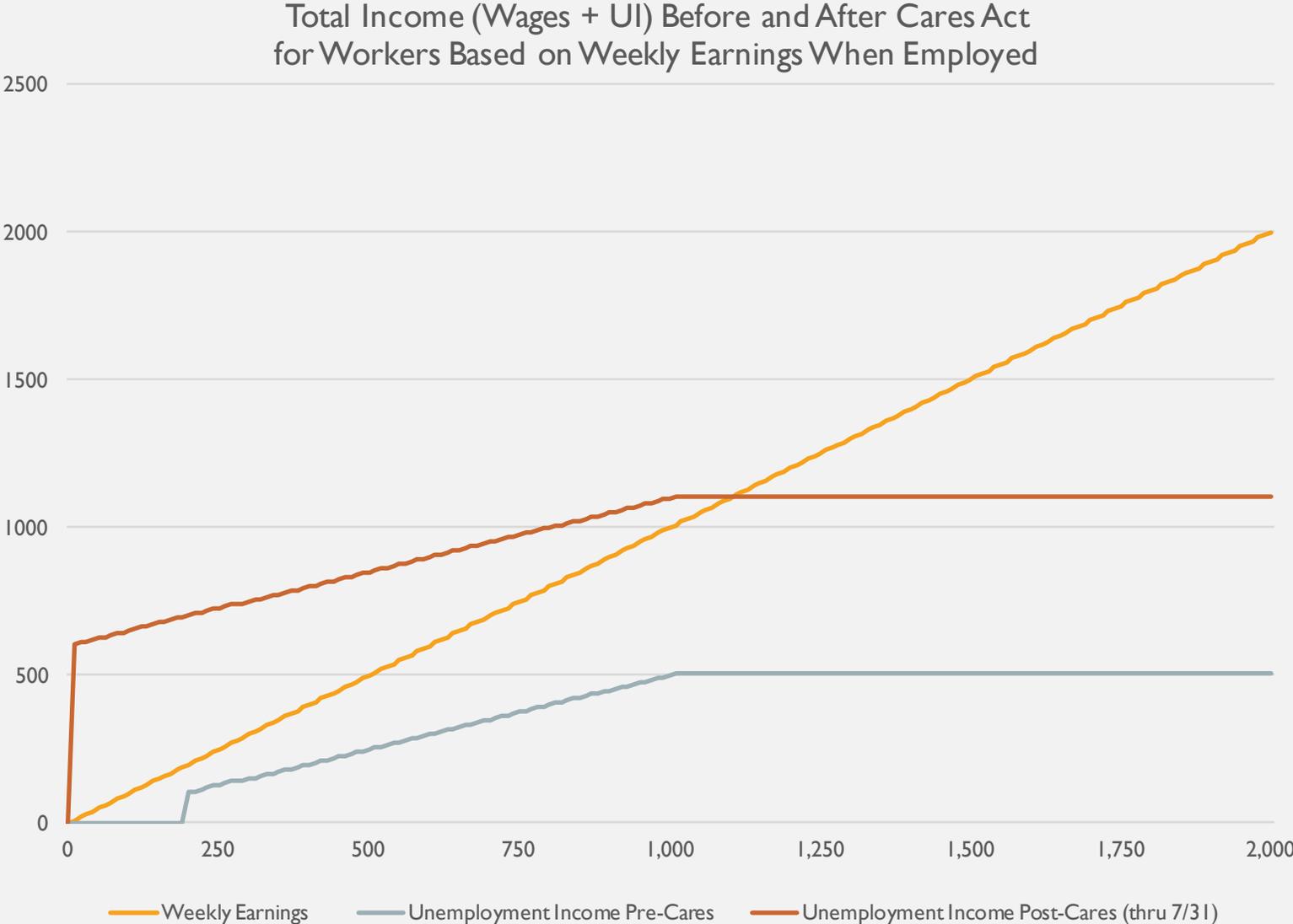
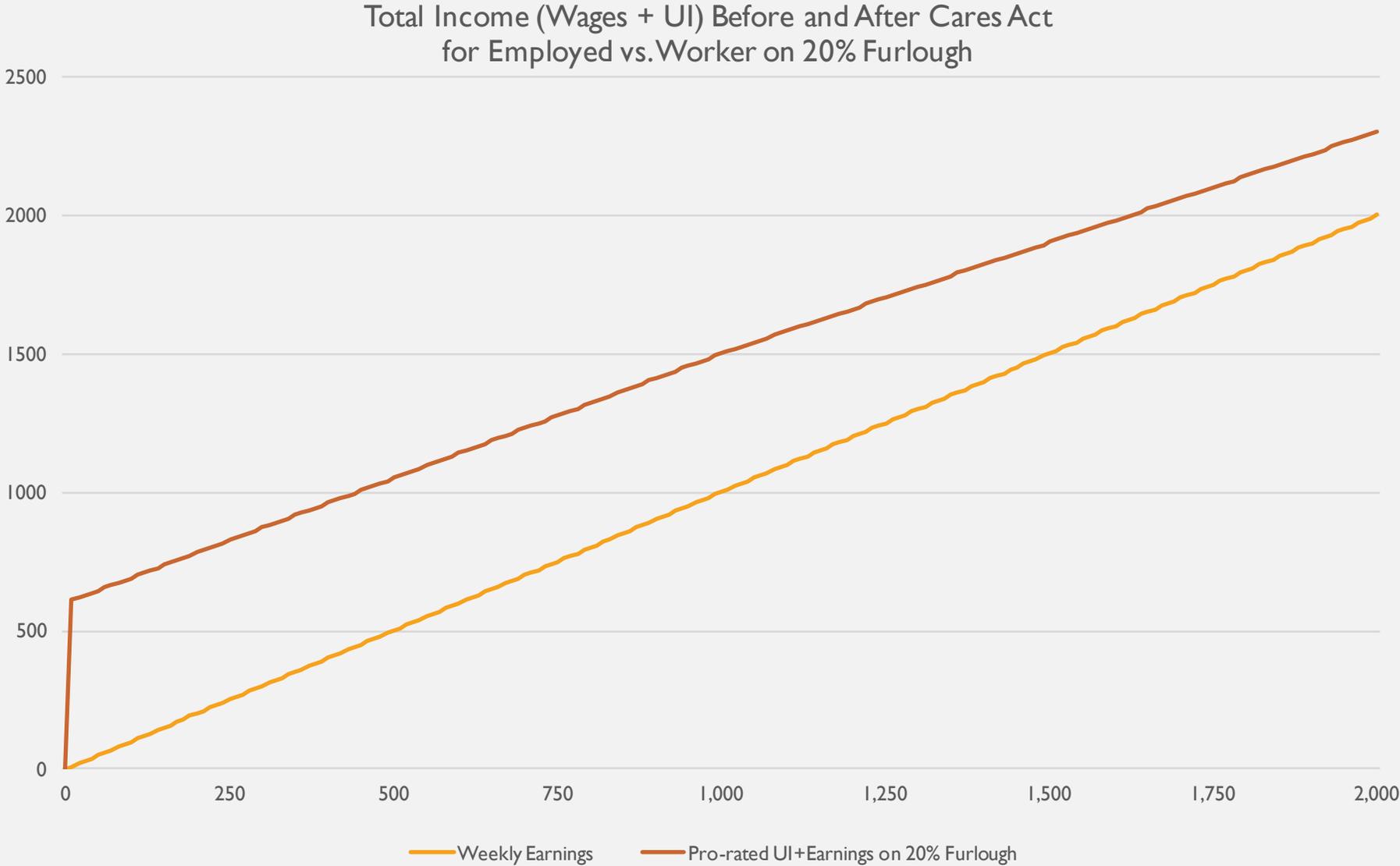


Illustration of UI Benefits: Shared Work

Under CARES, workers earning up to very high salaries (over \$150k) can earn more under a 1 day per week furlough since they are eligible for full \$600 PUC payment.

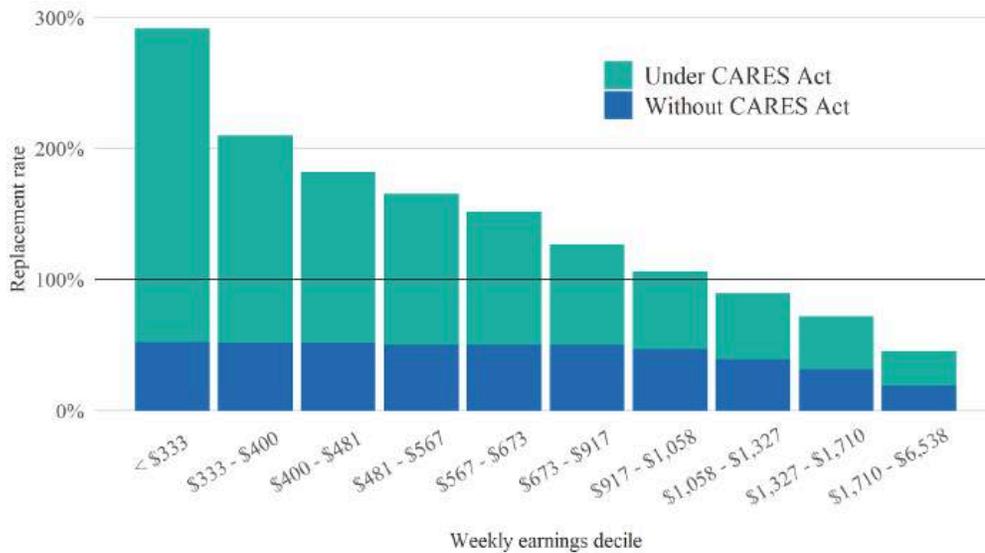


Impact of UI

A recent study expands these simulations and shows that nationally among UI recipients:

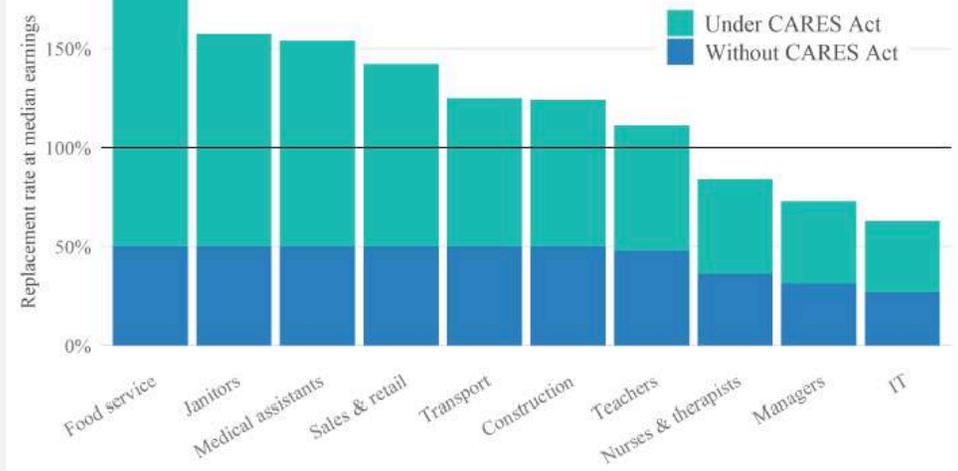
- 2/3rds see total income rise.
- Median increase is about 33% (i.e., unemployed workers make 33% *MORE* than when unemployed)
- In most occupations, median worker stands to gain income from unemployment.

Figure 3 -- Benefit Replacement Rates Across the Earnings Distribution



Notes: This figure shows the fraction of earnings that are replaced by unemployment benefits for workers at deciles of the weekly earnings distribution. The horizontal line shows a replacement rate of 100%, which is where benefits are equal to earnings.

Figure 4 -- Benefit Replacement Rates for Common Occupations



Notes: This figure shows the fraction of earnings that are replaced by unemployment benefits for workers in ten of the most common occupations. Specifically, the figure shows the fraction of earnings that are replaced by unemployment benefits for a worker whose earnings are at the national median of each occupation. For each occupation, we calculate the UI replacement rate in every state and then define the national replacement rate as the population-weighted average of the state-level replacement rates. We compute this statistic for ten of the most common occupations. The horizontal line shows a replacement rate of 100%, which is where benefits are equal to earnings.

Impact of UI: real data

Month to month change in personal income



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

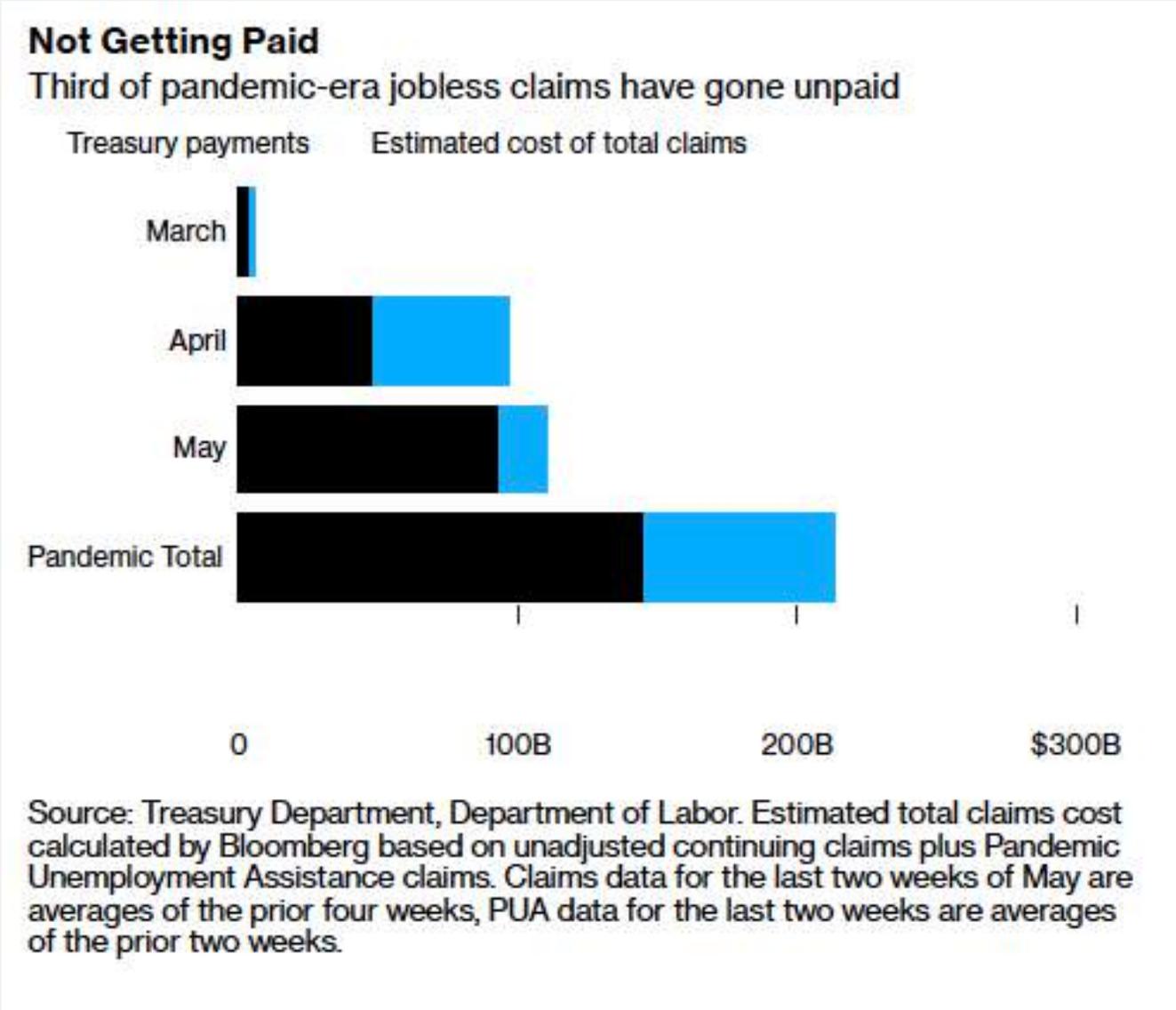
Perhaps surprisingly, April data show that increases in benefits are sufficient to increase average personal income by 10.5%, the largest monthly increase on record (forecast was for a 6.5% decline). Note at the same time, consumption fell by 13.6% (also a record).

→ economy (employment) will not improve if people don't feel safe spending money

But averages mask important differences: some are being left behind.

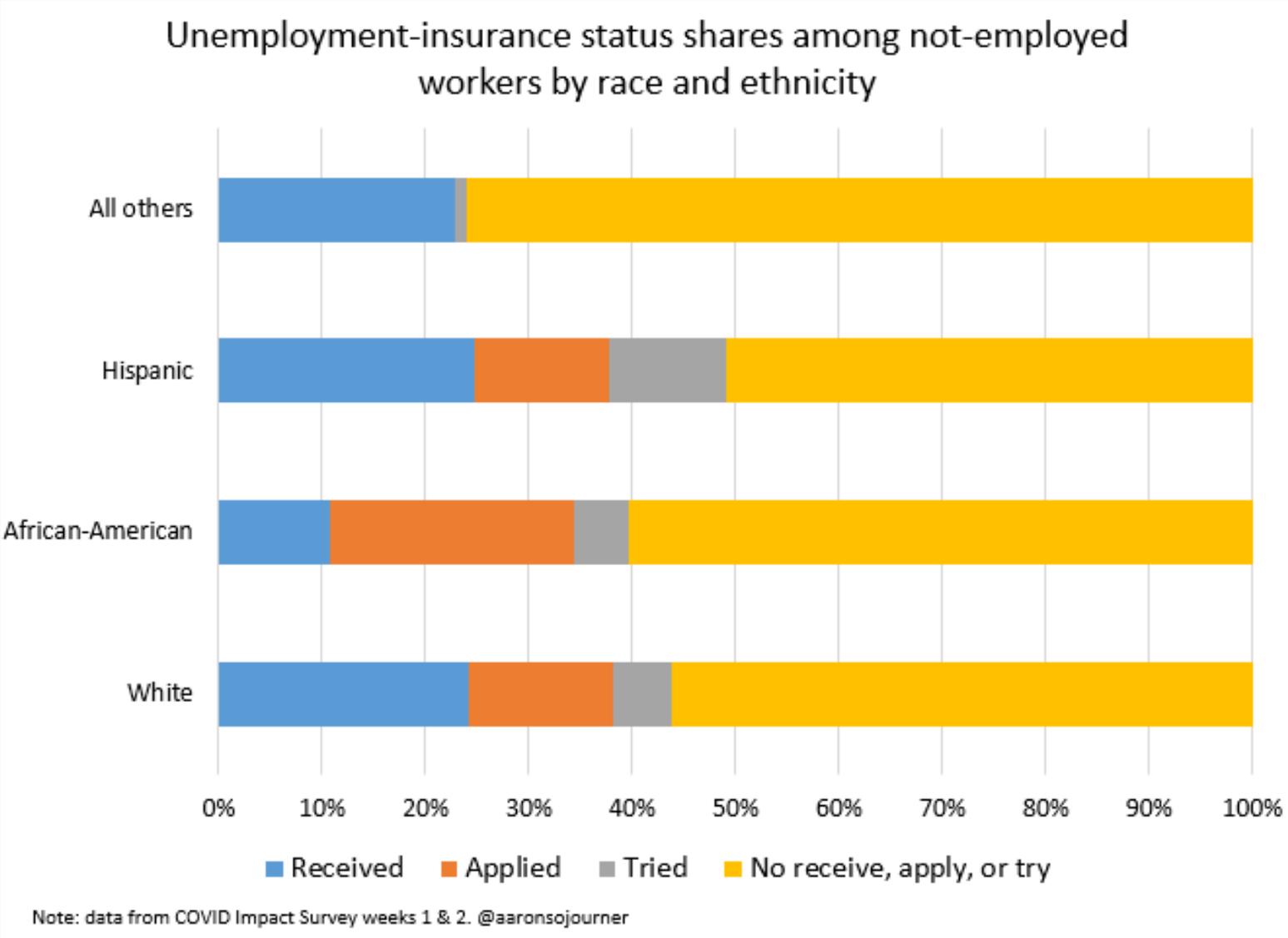
Impact of UI

...Not all workers who file are receiving their UI benefits



Impact of UI

And most unemployed workers never receive UI benefits. Some never apply – some try but don't receive benefits.

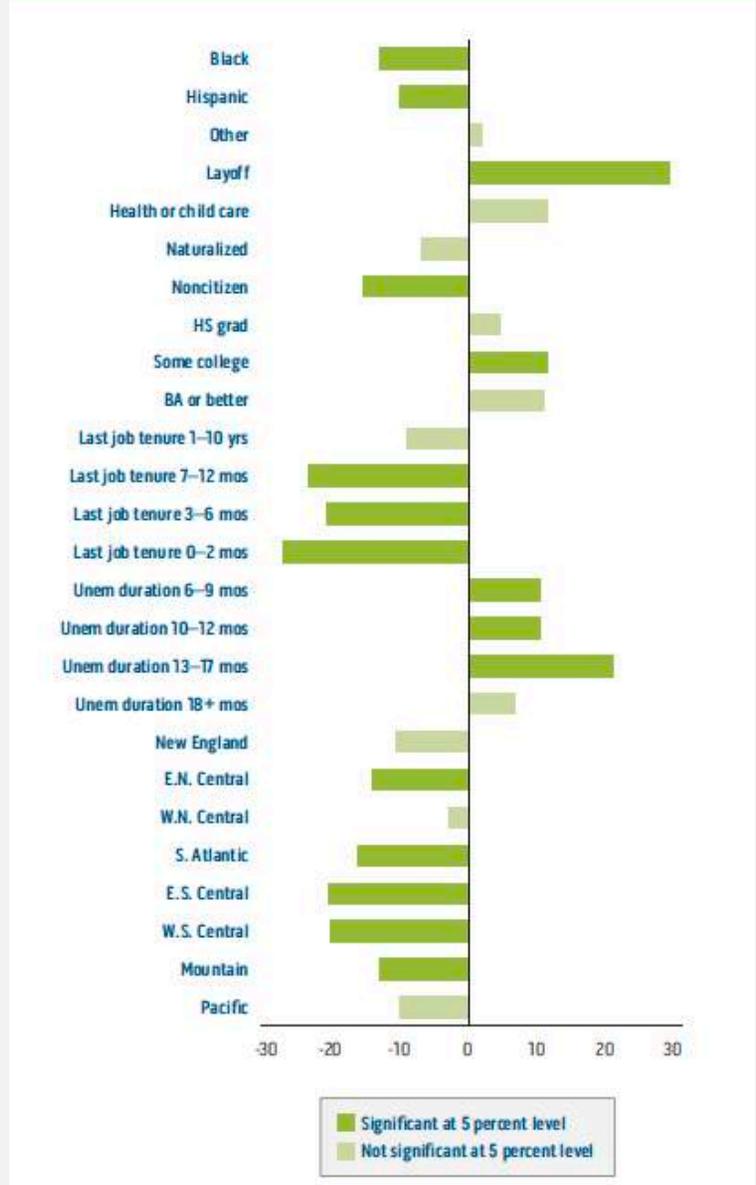


Impact of UI

These disparities reflect mirror longstanding patterns in who benefits from UI.

This figure shows how various unemployed worker characteristics were related to the probability of receiving UI during the Great Recession.

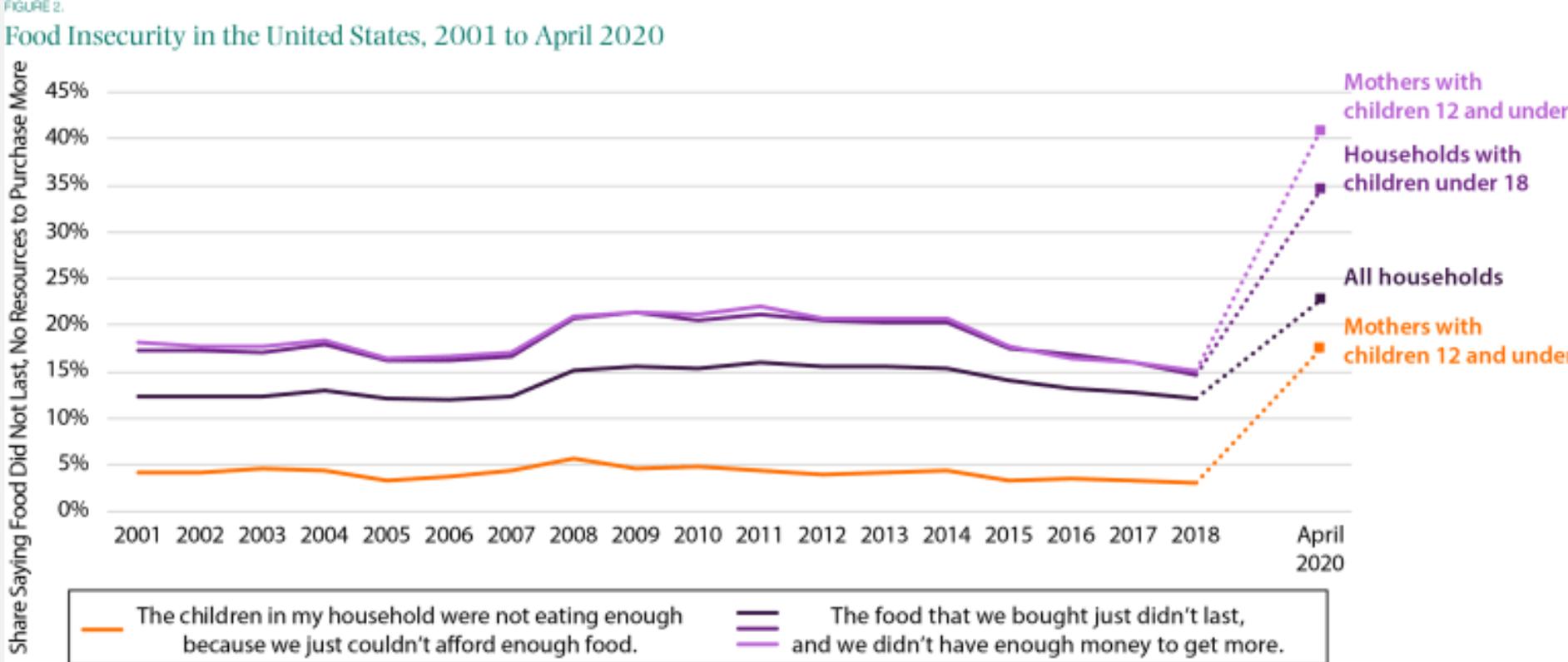
Figure 3. Effects of Characteristics on Likelihood of Receiving UI Benefits, 2010



Source: U.S. Census Bureau, Survey of Income and Program Participation, 2010 (wave 6, May-August).
Note: Marginal effects from logit regression run on selected coefficients.

Impact of UI

Data on material hardships make it clear that average increases in personal income mask a substantial number of households that are being missed by UI and other CARES benefits.



Source: COVID Impact Survey April 2020; Brookings Institution Hamilton Project and Future of the Middle Class Initiative Survey of Mothers with Young Children April 2020; Current Population Survey Food Security Supplement 2001-18; author's calculations.
 Note: Data for all households and households with children under 18 are from the COVID Impact Survey. Data for mothers with children under 12 are from the Brookings Institution Hamilton Project and Future of the Middle Class Initiative Survey of Mothers with Young Children. Both surveys have been weighted to be nationally representative for the populations that they describe. In the Survey of Mothers with Young Children, respondents were asked: "Below are two statements that people have made about their food situation. How often have these statements been true for your household since the coronavirus pandemic? The food we bought just didn't last, and we didn't have money to get more. The children in my household were not eating enough because we just couldn't afford enough food." In the COVID Impact Survey, respondents were asked: "Please indicate whether the following statements were often true, sometimes true, or never true for you or your household over the past 30 days. We worried our food would run out before we got money to buy more. The food that we bought just didn't last, and we didn't have money to get more." Neither survey administered the complete food insecurity battery as administered in the Current Population Survey Food Security Supplement. The statistics for each of these individual questions were replicated in the Current Population Survey Food Security Supplement for 2018.



International Perspectives on “What Could Be”?

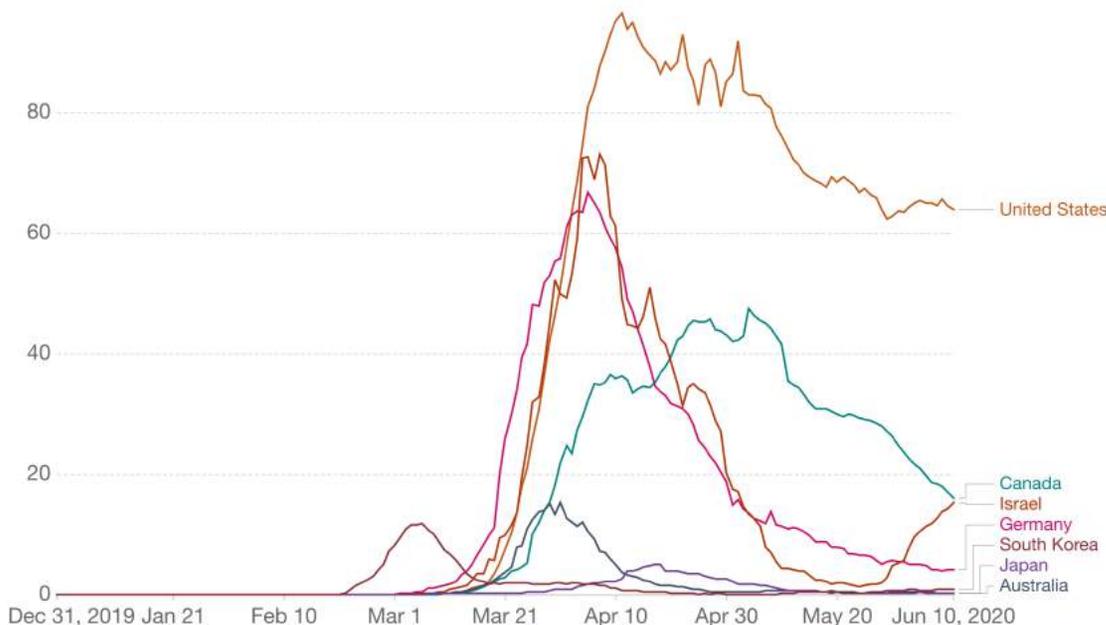
Some economies saw far less unemployment increases in the crisis:

- Better public health response to contain COVID
 - E.g. better test and trace programs.
- Different policies to keep workers attached to employers
 - E.g. Australia, Germany, Israel: more than 20% receive benefits via employer (~6% in US). Germany also uses work-sharing much more intensively.

Daily new confirmed COVID-19 cases per million people

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.

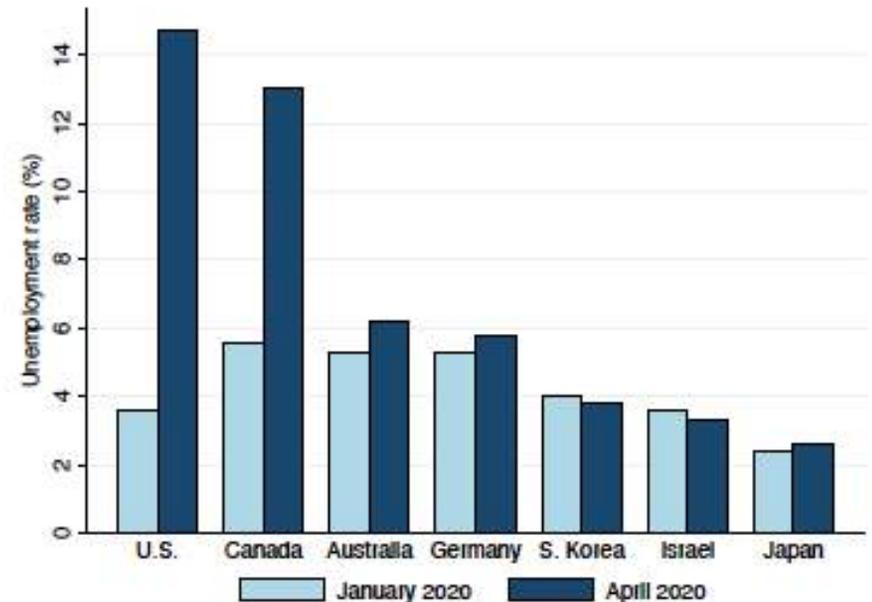
Our World in Data



Source: European CDC – Situation Update Worldwide - Data last updated 10th Jun, 06:53 (GMT-04:00)

CC BY

A. Unemployment Rates



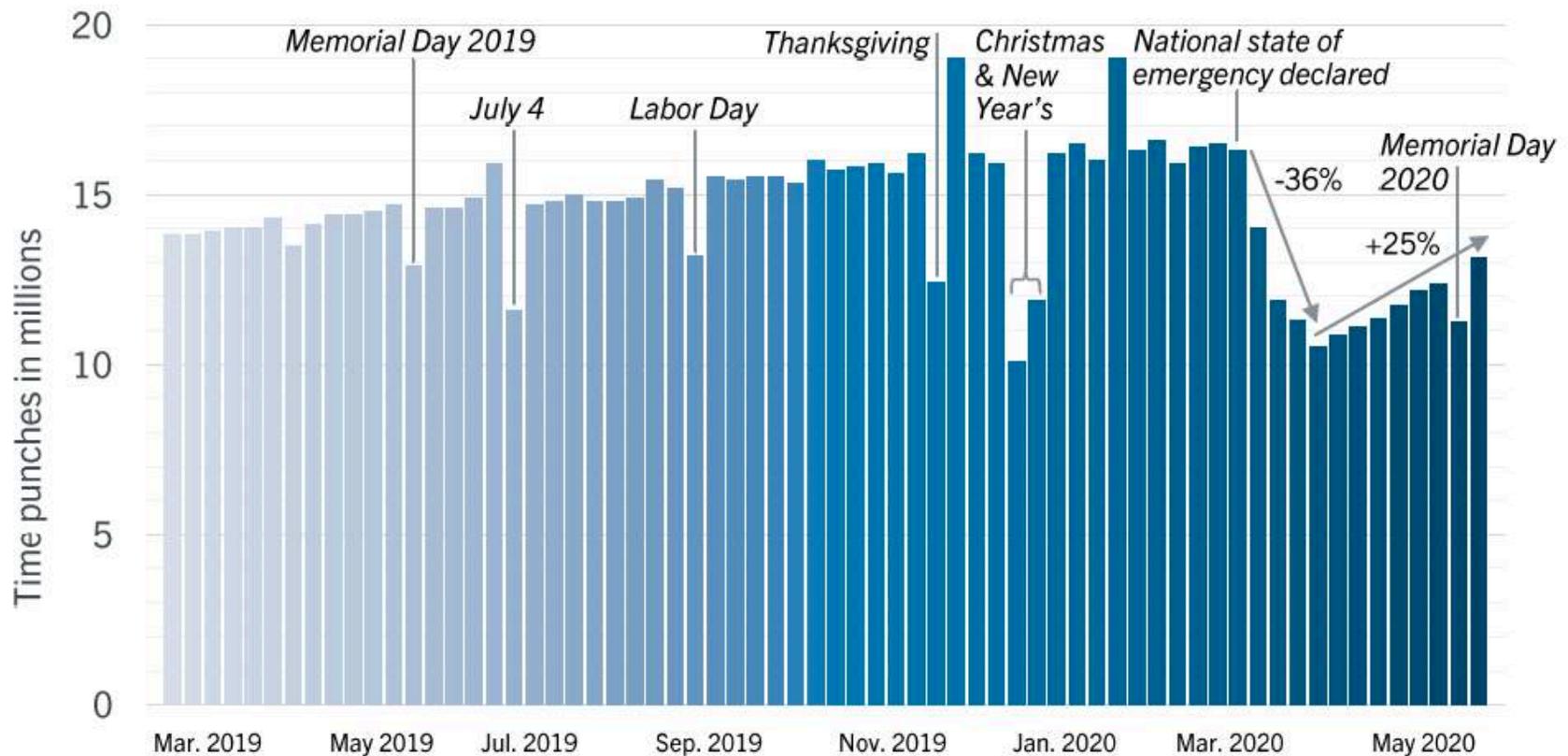
Source: Gimbel, Rothstein, and Yagan (June 4, 2020)

Predicting the Future

- What is likely future path of the economy?

It's Early, but Several Signs Point Tentatively to Continued Recovery (for now)

Kronos (a payroll management company) data suggests recovery continued into first week of June. Keeping COVID in check will be key.



Signs Point Tentatively to Continued Recovery

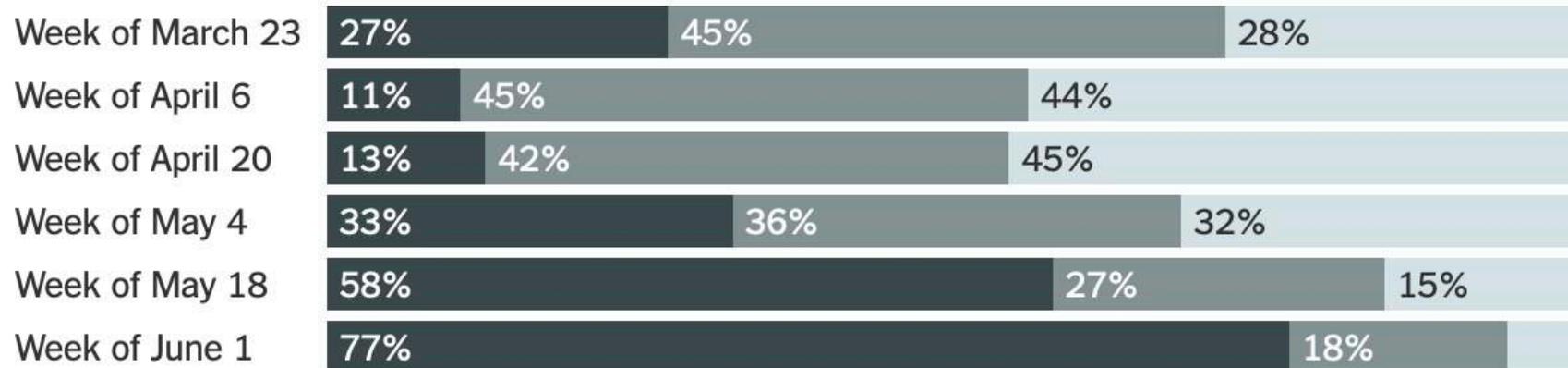
Dentist offices accounted for nearly all the growth in health care jobs in May (250k jobs).

- Potentially a bellwether
- But 37% received PPP loans – might have recalled temporarily at 8 week deadline.

Most Dentist Offices Have Brought Their Staff Back

Results from a survey every two weeks by the American Dental Association that asks, "Is your dental practice paying staff this week?"

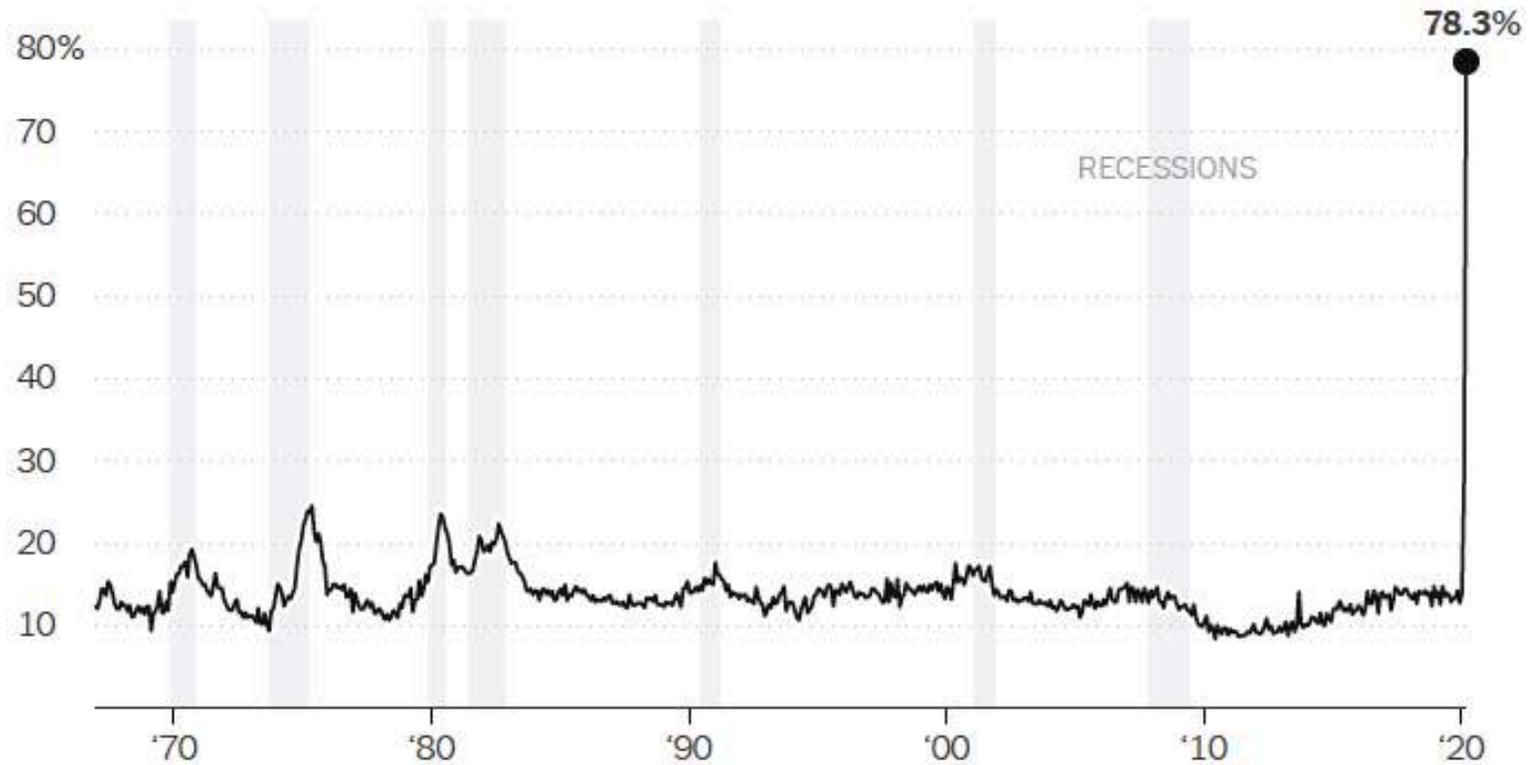
■ Yes, fully ■ Yes, partially ■ Not paying any staff



Source: The American Dental Association • By The New York Times

Unemployment is Likely to be Longer than Workers Expect

Share of unemployed on temporary layoffs



Source: Department of Labor

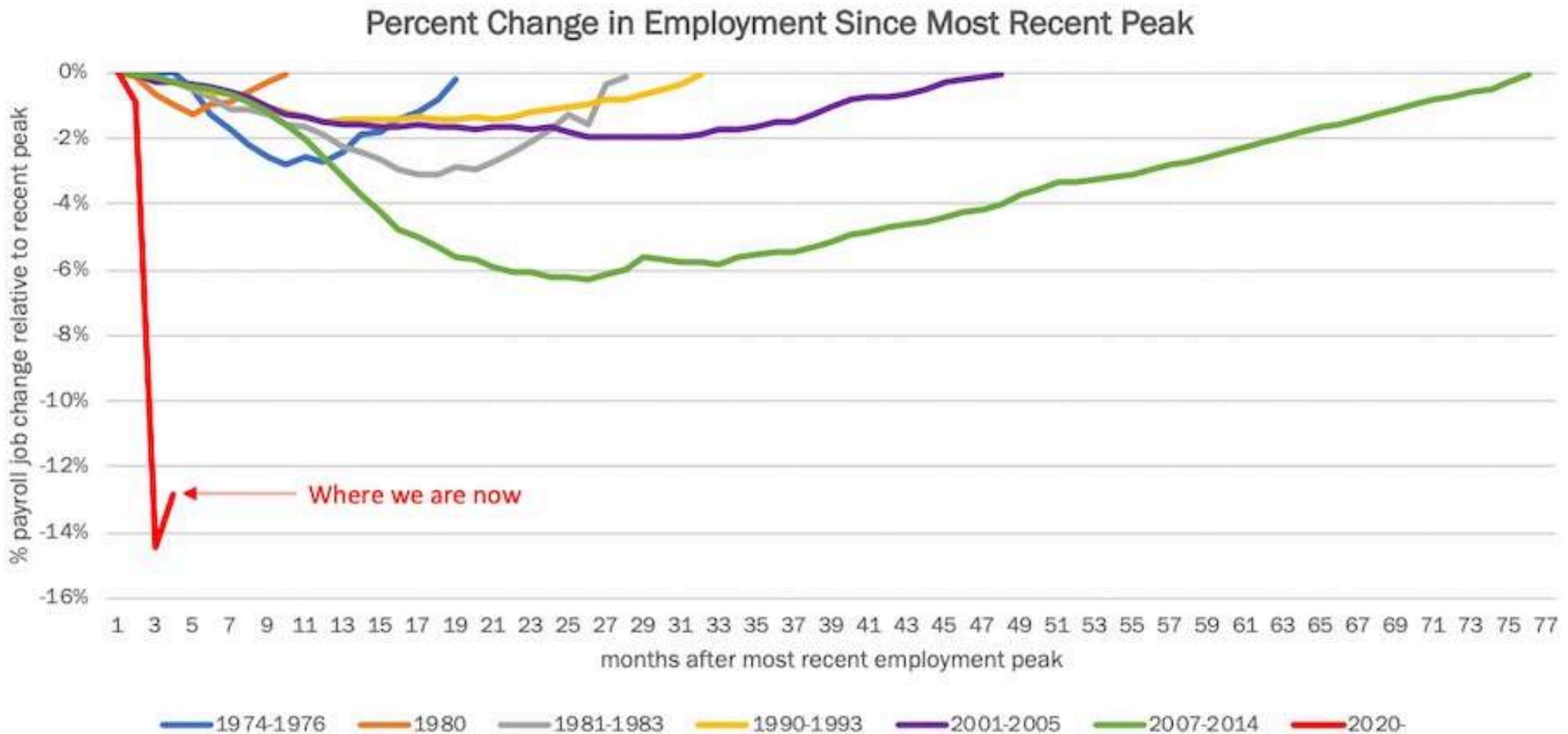
Despite worker's optimism, a recent study suggests that 40 percent of layoffs are likely to be permanent, with the figure increasing the longer the COVID crisis lasts.

Source: <https://www.nytimes.com/interactive/2020/05/08/business/economy/april-jobs-report.html>

Barrerro, Bloom, and Davis (2020). <https://bfi.uchicago.edu/working-paper/covid-19-is-also-a-reallocation-shock/>

Recovery is Likely to be Long

This recession is unique, but history suggests recoveries take a long time. The duration of recessions has been increasing over time: after the Great Recession, it took over 6 years for employment to recover.



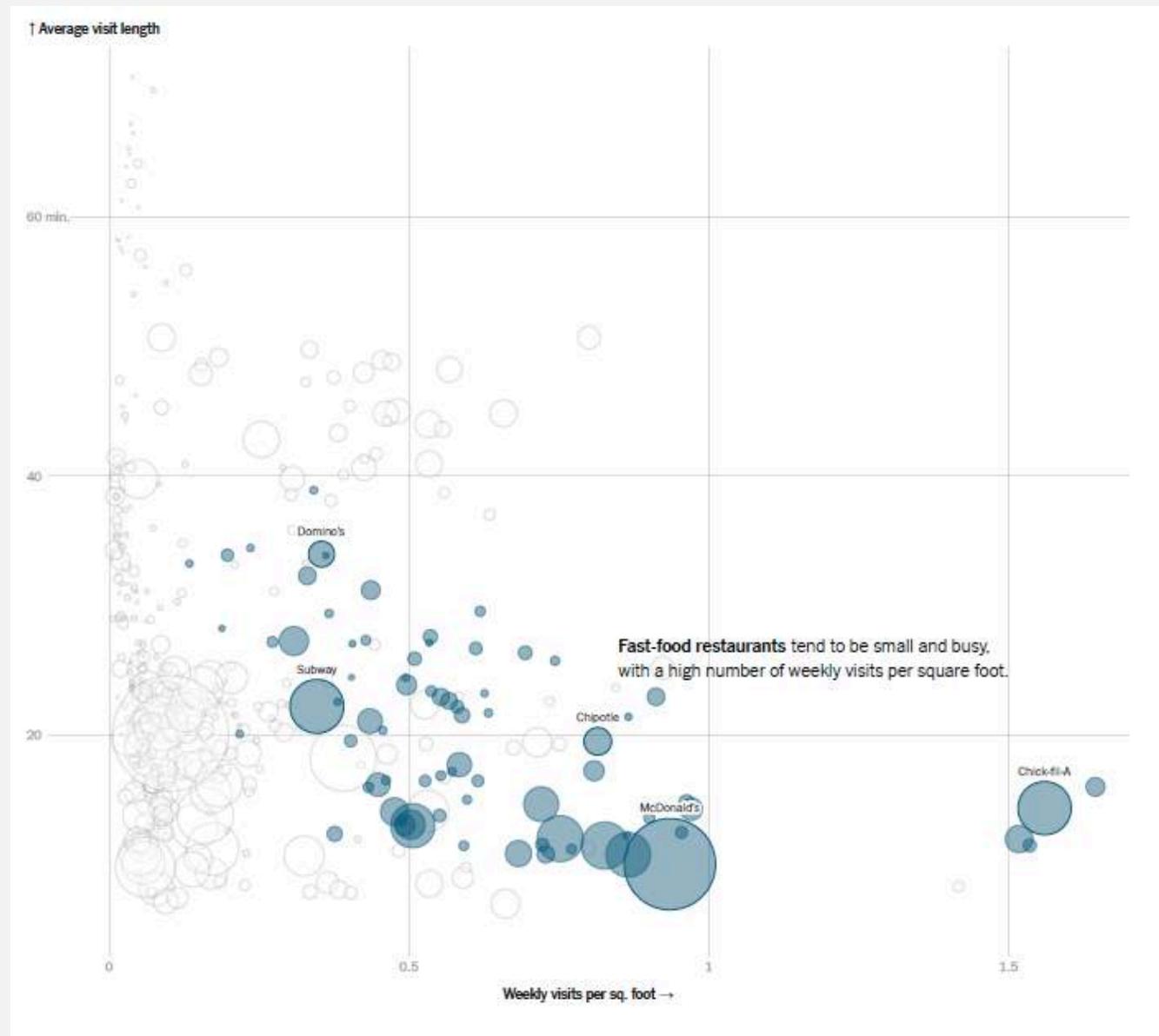
Predicting the Future

- What is likely future path of the economy?
- Which jobs will come back first?
 - When social distancing and remote work are possible, or COVID risk recedes many businesses and jobs will snap back.
 - But a key is maintaining “demand” – fueled by the incomes of consumers. If many firms go bankrupt and jobs disappear different dynamics can take over and lead to a more sustained recession.

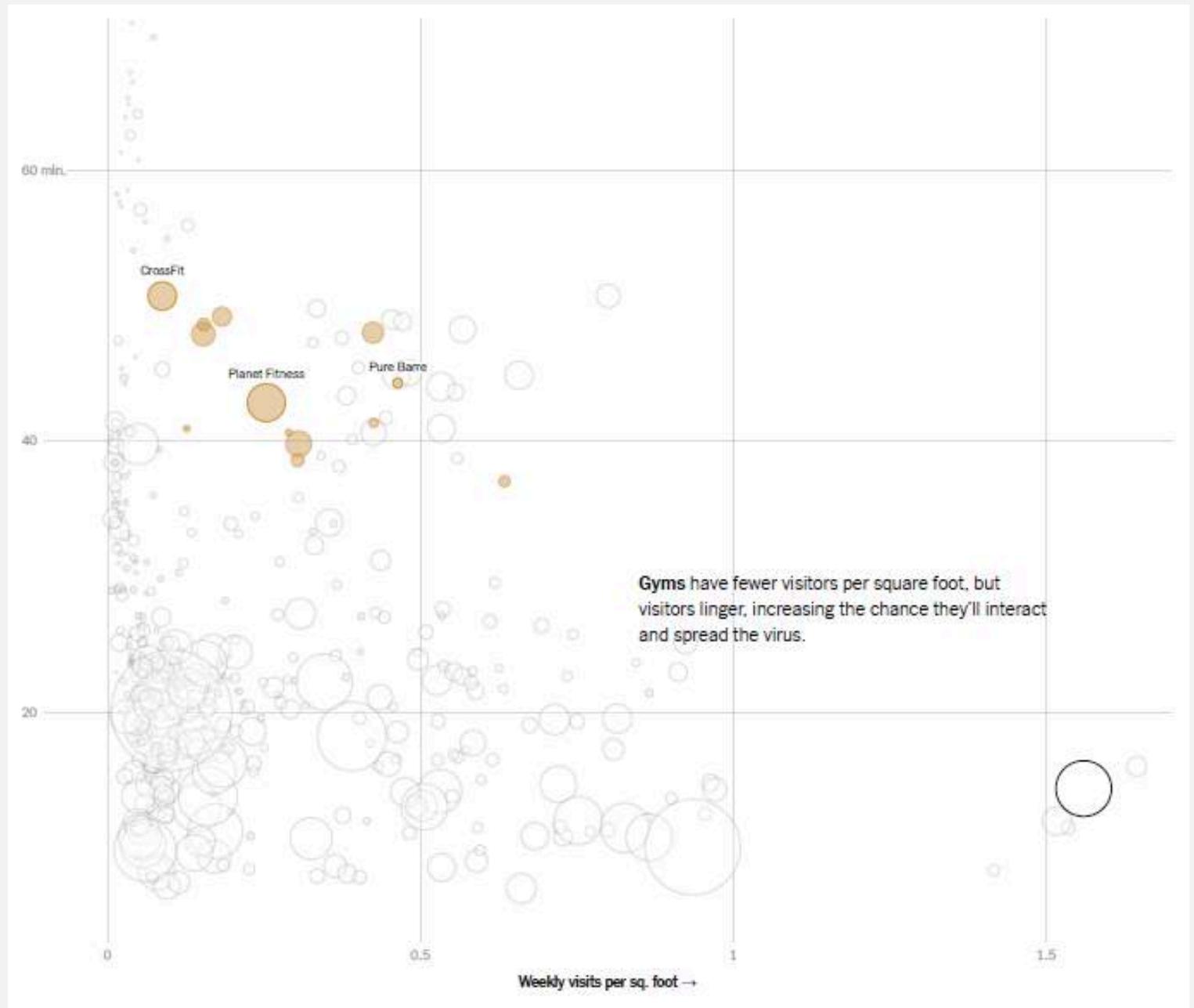
Recovery is Likely to Be Uneven

Recovery will likely start in businesses with less risk to consumers as long as COVID remains prevalent.

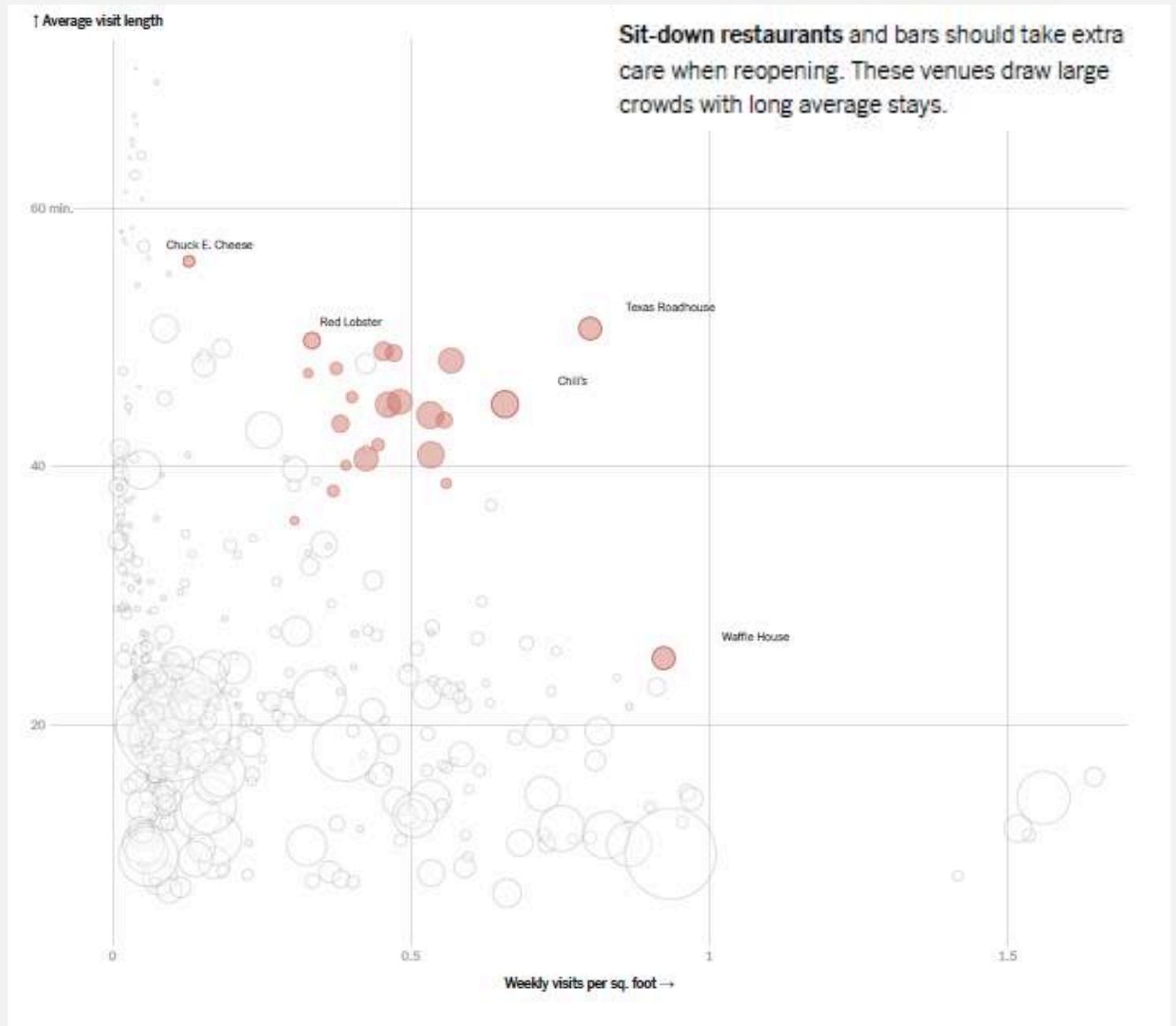
Depends on the nature of the business, but also the actions business owners and customers take to ensure safety.



Recovery is Likely to Be Uneven



Recovery is Likely to Be Uneven

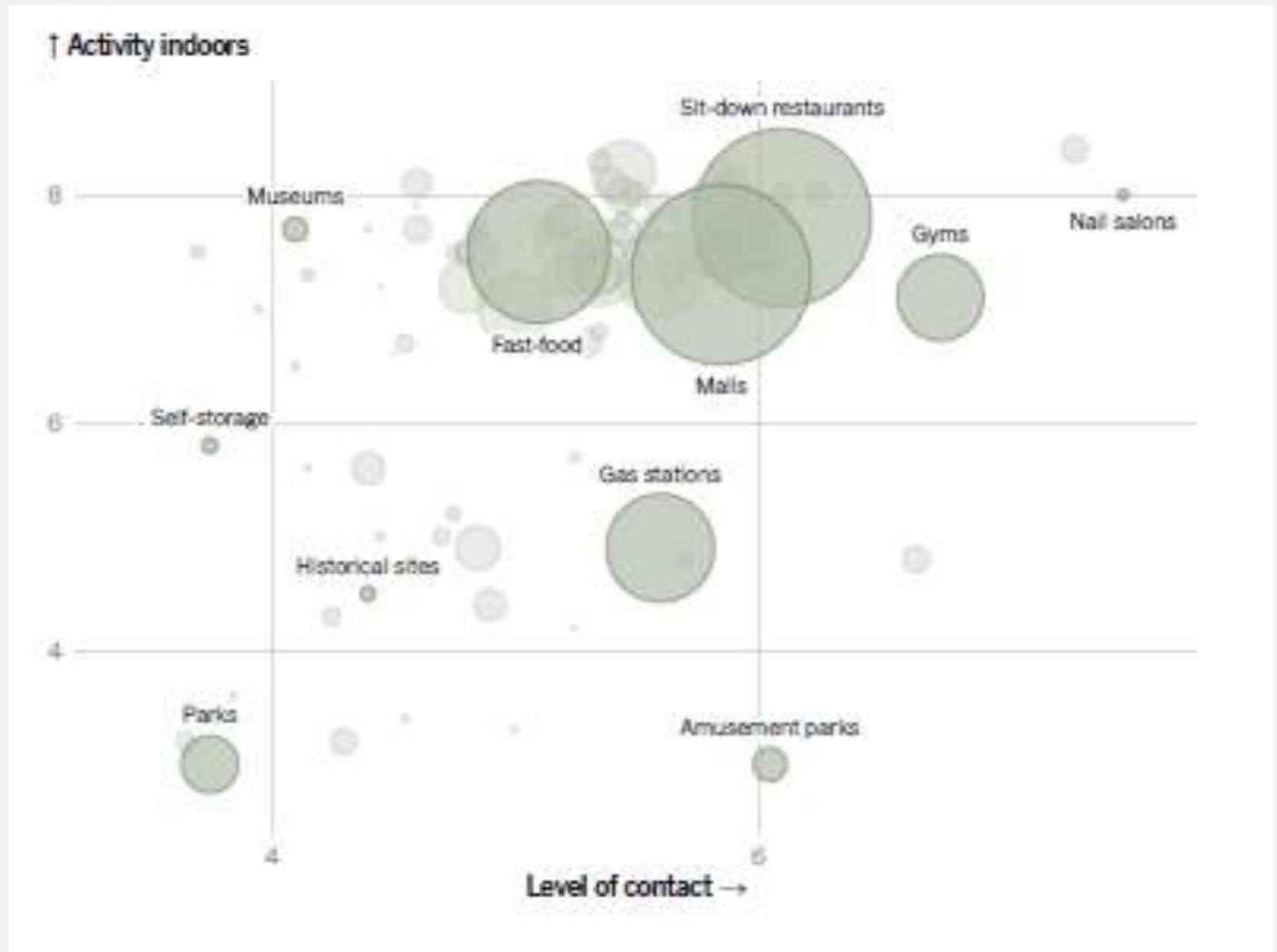


Recovery is Likely to Be Uneven

There are many dimensions that may affect workers' and consumers' comfort level.

While 57 percent of households earning more than \$125,000 per year reported working from home, for households earning less than \$60,000 per year just 19 percent reported working from home (COVID Impact Survey).

Many of the lowest wage industries are likely riskiest so may take longest to recover.



Policy Debates

- Policy concerns
 - Should policy incent workers staying with firms (e.g., PPP loans) - may prevent necessary reallocation. On the other hand, prevents longer unemployment durations.
 - Will generous benefits prevent workers from going back to work?
 - Can generous benefits enhance worker power and lead to a more equitable recovery?
 - With mass unemployment workers likely to have very little leverage to refuse to return to work in unsafe conditions, making them susceptible to exploitation.
 - A healthy unemployment insurance system with generous benefits can give workers better bargaining power – employers need to compete with the system to lure workers back to a safe and remunerative environment.

Policy Priorities

1. Address the public health crisis first.
2. Renew \$600 increase in UI benefits. Enact automatic triggers to phase out benefits based on local economic conditions, and maintain support for workers until conditions improve.
3. Increase “hazard pay” for essential workers (e.g. Mitt Romney’s Patriot Pay bonus), or grant eligibility to PUC payments.
4. Fund state and local government to prevent unemployment of critical workers, investments in school capacity to keep students and workers safe.
5. Need enhanced worker safety monitoring (e.g. via stronger OSHA): huge public health spillovers to unsafe working conditions (e.g. meatpacking plants).
6. Improve UI infrastructure.
 1. Resources for state UI agencies
 2. Ease bottlenecks through “Pay Now, Verify Later” to distribute \$ faster

Advice to job-seekers and their advocates

1. Job training. “Supply-side” is not the problem immediately, but the longer the health crisis lingers, the more likely that some jobs will not come back.
 - Research has shown promising results for sectoral training programs.
 - Finding high quality programs will be a challenge, especially if delivery is online.

2. Make contingency plans: Research shows that workers expecting to be recalled from temporary layoff who are not suffer the worst earnings declines following unemployment spells.
 - Start searching early.