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

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).
Struggle for context. This recession is unique:
• Unprecedented magnitude (total #s of job losers rival Great Depression)
• Unprecedented speed in drop in economic activity.
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!).
• 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.
Unemployment among foreign-born workers increased slightly more than for native born workers for both men and women.
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.
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.
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.
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.

![Unemployment rate since 1948 graph](image)
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: +14.4%
- Construction: +7.1%
- Retail: +2.8%
- Manufacturing: +2%
- Education and health: +1.9%
- Business and professional services: +0.7%

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
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
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.
In normal times (prior to CARES), UI replaces a portion of worker earnings (~50% in NYS) up to a maximum ($504 in NYS).
Under CARES, $600 PUC payments more than replace earnings for unemployed for workers earnings up to about $1,000 weekly (~$50k annually)
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.
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.

Impact of UI: real data

Month to month change in personal income

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

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

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.

Based on about 30,000 businesses and 3.2 million employees.

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?"

<table>
<thead>
<tr>
<th>Week of</th>
<th>Yes, fully</th>
<th>Yes, partially</th>
<th>Not paying any staff</th>
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<tr>
<td>March 23</td>
<td>27%</td>
<td>45%</td>
<td>28%</td>
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<td>April 6</td>
<td>11%</td>
<td>45%</td>
<td>44%</td>
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<tr>
<td>April 20</td>
<td>13%</td>
<td>42%</td>
<td>45%</td>
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<tr>
<td>May 4</td>
<td>33%</td>
<td>36%</td>
<td>32%</td>
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<tr>
<td>May 18</td>
<td>58%</td>
<td>27%</td>
<td>15%</td>
</tr>
<tr>
<td>June 1</td>
<td>77%</td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>

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

Based on about 30,000 businesses and 3.2 million employees.
Unemployment is Likely to be Longer than Workers Expect

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.

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.

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**Percent Change in Employment Since Most Recent Peak**

- The graph shows the employment changes from 1 to 77 months after the most recent employment peak.
- The line with an arrow labeled "Where we are now" indicates the current state of employment recovery.

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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.

Source: https://www.nytimes.com/interactive/2020/05/06/opinion/coronavirus-us-reopen.html
Recovery is Likely to Be Uneven

Gyms have fewer visitors per square foot, but visitors linger, increasing the chance they’ll interact and spread the virus.
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.
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.