The COVID-19 Pandemic’s Evolving Impacts on the Labor Market: Who’s Been Hurt and What We Should Do

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Uneven Outcomes in the Labor Market: Understanding Trends and Identifying Solutions
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Introduction

• COVID-19 has decimated the U.S. labor market
  o Economically disadvantaged groups especially hammered, even more than in previous recessions
  o Recovery, as of December 2020, seems to have stalled as cases and mortality continue to rise
The share of 25–54 year-olds employed in December 2020 was 76.3 percent, about what it was in early 2014, and still down more than 4 pp from its pre-COVID peak.
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• But how have these patterns evolved across places? And who has seen improvement?
  o Decline and recovery have not been even across groups, and the employment measure used matters
  o COVID mortality rates hurt recovery more than state economic restrictions, and this accumulates

• Even with expanded stimulus and vaccines, full recovery may take a while
  o Could accelerate recovery through state and local gov’t relief for maintenance of services, national guidance on vaccine distribution, resolving debt overhang for renters and businesses, and enhanced sector-based retraining for permanent job losers and temporary essential workers
“Adjusted” employment rates and total hours worked

Permanent job losers, among the unemployed and population
“Adjusted” employment rates

By Occupational Wage Quartile

By Race/Ethnicity
"Adjusted" employment rates: by race/ethnicity, and importance of controls

No controls, relative to own Jan level

Controlling for wage quartile and education
Conclusions

• Unemployment durations and share of workers with permanent job loss still growing, and elevated mortality rates could continue to suppress recovery months into the future
  o Average cumulative mortality rate growth since October predicts 1.5 pp drop in employment rates

• Last-minute relief bill passed in late December will help, but likely won’t be enough to curtail bankruptcies, evictions, food insecurity, and other problems, especially given slow vaccine rollout

• More targeted relief aid to those hardest hit will be needed, but history also suggests that economic gains of the last decade among the economically fragile will be wiped out
  o Recovery of these gains, not just aggregate economy, can be accelerated through research-backed sectoral training, increased wage supplements, employer hiring credits, and other approaches