Coping with the Labor Market Consequences of the Pandemic

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2. Hiring continued as the pandemic unfolded – from 5.9 million in January and February to a low of 4.0 million in April, jumping to 7.2 million in May and 6.7 million in June.

3. Barrero, Bloom and Davis (2020a) project that one-third or more of layoffs from March to May are permanent in the sense that the job loser will not return to his/her old job.
Many Pandemic-Induced Job Losses Are Permanent

• Employers see 23% of layoffs from March 1 to mid-May as permanent (Atlanta Fed/Chicago Booth/ Stanford Survey of Business Uncertainty).

• 23% of job losers saw their layoffs as permanent in late April/early May (Washington Post/IPSOS Poll).

• 23% of claimants for unemployment benefits in California during March-May 2020 saw their layoffs as permanent at the time of filing (California Policy Lab).

• Many “temporary” layoffs don’t lead to recalls. Based on past conversion rates from temporary layoffs to recalls, BBD (2020a) project that one-third or more of the March-May layoffs will be permanent.

• CA Policy Lab data show a falling share of “temporary” layoffs from 90% in mid March to 60% in early August.
Why Behavioral Shifts Will Stick

Massive, pandemic-induced shifts in consumer spending, working arrangements, and business practices will partly stick:

1. Millions of households tried online shopping and delivery services in recent months. Many will continue to value the convenience and (perceived) safety.

2. After turning to virtual meetings out of necessity, many businesses find they offer an easier, cheaper alternative to travel and in-person meetings. In aggregate, businesses expect to cut travel expenditures by 29% after the pandemic relative to pre-pandemic spending (Altig et al., 2020).

3. 50+% of employees worked from home in May 2020 (Brynjolfsson et al, 2020, and BBD, 2020a) → much learning by doing by individuals and organizations.

4. WFH productivity exceeded expectations of most workers (BBD, 2020b).

5. Spurred by the pandemic, individuals and businesses undertook investments in equipment, infrastructure and platforms that raise employee effectiveness when working remotely or engaging customers virtually (BBD, 2020b).

6. Also spurred by the pandemic, leading technology companies plan to intensify efforts to develop new products that improve remote interactivity.

7. COVID has knocked down regulations that had inhibited a shift from in-person to virtual interactions, especially in the delivery of healthcare services.
Digital transformation is *years* away. I don’t see our company having to change anytime soon.
Survey Evidence on the Post-Pandemic Shift to Working from Home

More than one-tenth of full work days will shift from business premises to home.

Disaggregated results say one-fifth of all office worker days will shift from business premises to home. Since WFH propensity rises sharply with wages, the implied shift in worker spending away from business districts is even greater. From BBD (2020a).
Jobs Are Much More Plentiful Than The Unemployment Numbers Suggest

Job Vacancy Rate, January 2001 to June 2020

- **June 2020**
  - Vacancy Rate = 3.7%
  - Unemployment Rate = 11.1%

- **May 2017**
  - Vacancy Rate = 3.7%
  - Unemployment Rate = 4.4%

- **October 2009**
  - Vacancy Rate = 1.6%
  - Unemployment Rate = 10.0%
Workers Think So, Too

In the Conference Board’s June Consumer Confidence Survey, only 24 percent of respondents said jobs are hard to get.

• That’s much less than in 2008-09, even though unemployment is higher now.

• In fact, the survey results say that finding a job now is about as hard as in 2015, when the unemployment rate averaged 5.3%.

This slide based on Levenson (2020).
Weekly Count of High-Propensity Business Applications in 2020 and % Change Relative to Same Week in 2019

Since early July, U.S. business formation exceeds pre-pandemic pace and is 60-100% above its pace a year earlier.
Notes to Accompany Previous Chart

• Source: Weekly Business Formation Statistics, U.S. Census Bureau

• Notes: Bar heights report the count of “High-Propensity Business Applications” in the week ending on the indicated date. These statistics derive from administrative data on applications for a new Employer Identification Number (EIN) on IRS Form SS-4. “High-propensity” applications are those with a high propensity to hire paid employees based on certain characteristics, including (a) they are from a corporate entity; (b) they indicate they are hiring employees, purchasing a business or changing organizational type; (c) they provide a first wages-paid date (planned wages); or (d) they have a NAICS industry code in manufacturing (31-33), retail stores (44), health care (62), or restaurants/food service (72). The values atop each bar are year-on-year percent changes in the number of high-propensity business applications relative to the same week in 2019. This figure is updated from Barrero, Bloom and Davis (2020a).
References

Altig, David, Barrero, Jose Maria, Nicholas Bloom, Steven J. Davis, Brent Meyer, Emil Mihaylov and Nick Parker, 2020. “Businesses Anticipate Slashing Postpandemic Travel Budgets,” Macroblog, 4 August.


