

Labor Markets During the COVID-19 Crisis: A Preliminary View

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APRIL 2020

III Labor Markets since the Covid-19 Crisis

A second survey was run on households participating in the Nielsen Homescan panel between the afternoon of April 2nd-8th, 2020. The response rate was 18.6% with 9,445 responses. The same labor market questions were asked in both waves of the survey, so we can directly compare the two waves to get a sense of how labor markets have evolved since the onset of the covid-19 virus and the associated policy responses. Table 1 summarizes results from the second wave of the survey. Our main results are as follows.

First, the employment-to-population ratio has declined sharply. Using the adjusted metrics described above, we find that the employment ratio fell from 60% of the population down to 52.2%, a nearly 8% point decline (s.e. 0.7%). As illustrated in Panel C of Figure 1, this decline in employment is enormous by historical standards and is larger than the entire decline in the employment to population ratio experienced during the Great Recession. Given

Why do so many unemployed choose not to look for work? Both surveys included a question asking those who said they were neither working nor looking for a job to select among possible answers why this was the case. The results for both waves are presented in Table 2. Prior to the crisis, most respondents out of the labor force claimed that it was because they were retired, disabled, homemakers, raising children, students, or did not need to work. Only 1.6% of those out of the labor force were claiming that they could not find a job as one of their reasons for not searching. At the height of the covid-19 crisis with a much larger number of people now out of the labor force, we see corresponding declines in the share of homemakers, those raising children and the disabled. However, we see a large increase in those who claim to be retired, going from 53% to 60%.[#] This makes early retirement a major force in accounting for the decline in the labor-force participation. Given that the age distribution of the two

IV Distribution and Drivers of Retirement

To better understand which parts of the age distribution might drive the increase of retirees in our survey and whether economic incentives at least partially play a role, we plot in Panel A of Figure 3 the fraction of those claiming being retired (left scale) both in the pre-crisis wave (black, dashed) and in the crisis wave (red, solid) together with the difference between the two (blue, right scale). The crisis has shifted the whole distribution up, that is, for each part of the age distribution a larger fraction of the survey population now claims being retired. Hence, even for those that are well before retirement age, we see a large increase in early retirement. Moreover, a notable jump in the difference occurs at age 66 which is the first year people can claim retirement benefits without penalty from the social security administration (SSA).