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24<sup>th</sup> FMM Conference, 29 October, 2020

▶ **Employment  
Inequality in the  
COVID-19 Crisis:  
The U.S. Case**

# Historic Economic & Employment Collapse

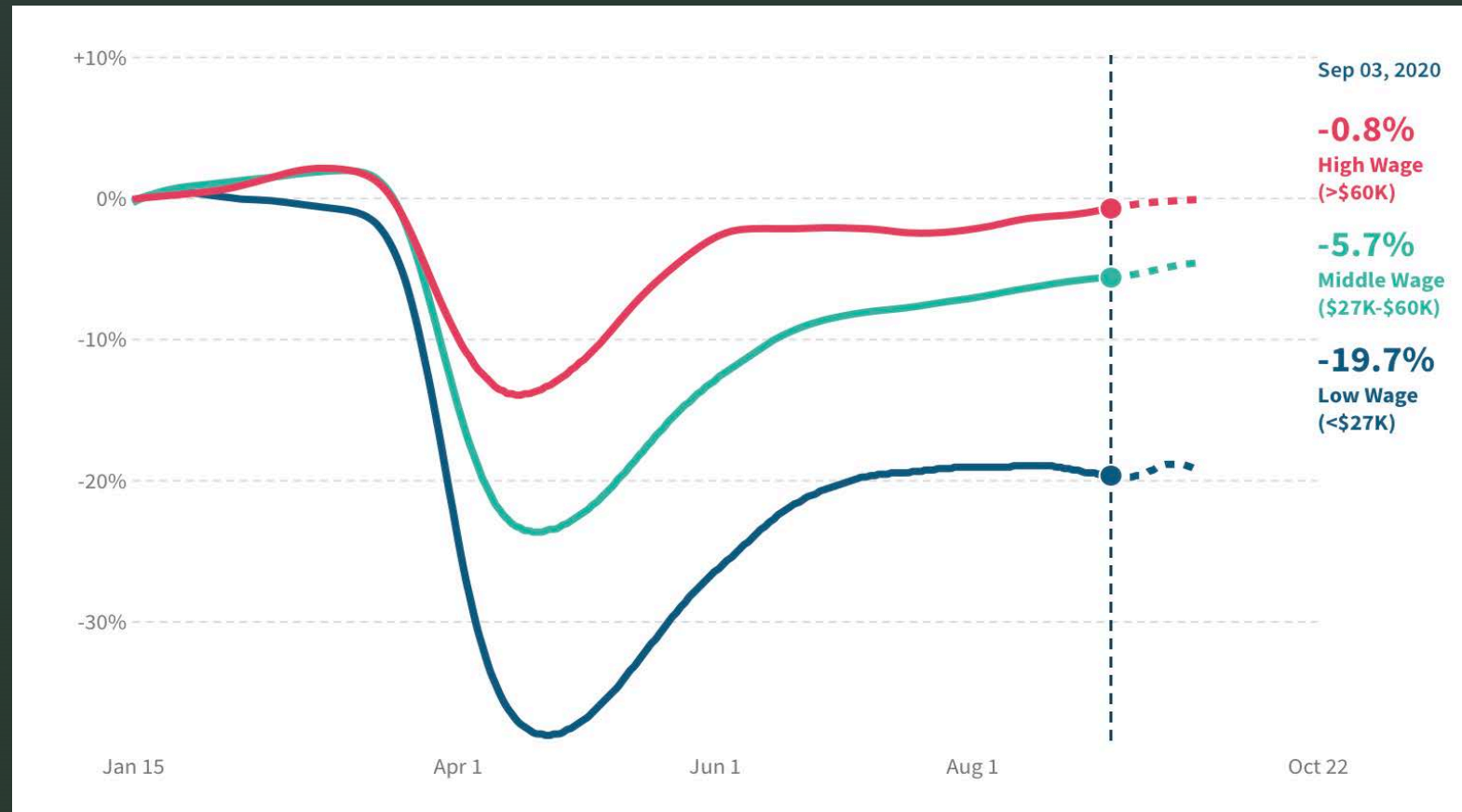
- First U.S. Covid-19 diagnosis on 20 January
- Preceded by several years of steady employment gains
  - Averaging about 200,000 jobs per month before March, 2020
- Employment collapse:
  - March: -1.4 million
  - April: -20.8 million (!!!)
  - Compare total job loss in Great Recession: -8.7 million; worst month -0.8 million (March, 2008)

## Initial Bounce Back Quick—Big Gap Remains

- Huge gain of 7.5 million jobs in May and June
  - Surprising? Probably shouldn't have been
- Job growth slows July through September, employment remains 10.7 million below February peak
  - Rise in longer-term unemployment; permanent layoffs
  - Remaining job losses appear more persistent
- Still in a very severe situation

# Huge Employment Decline—Huge Inequality

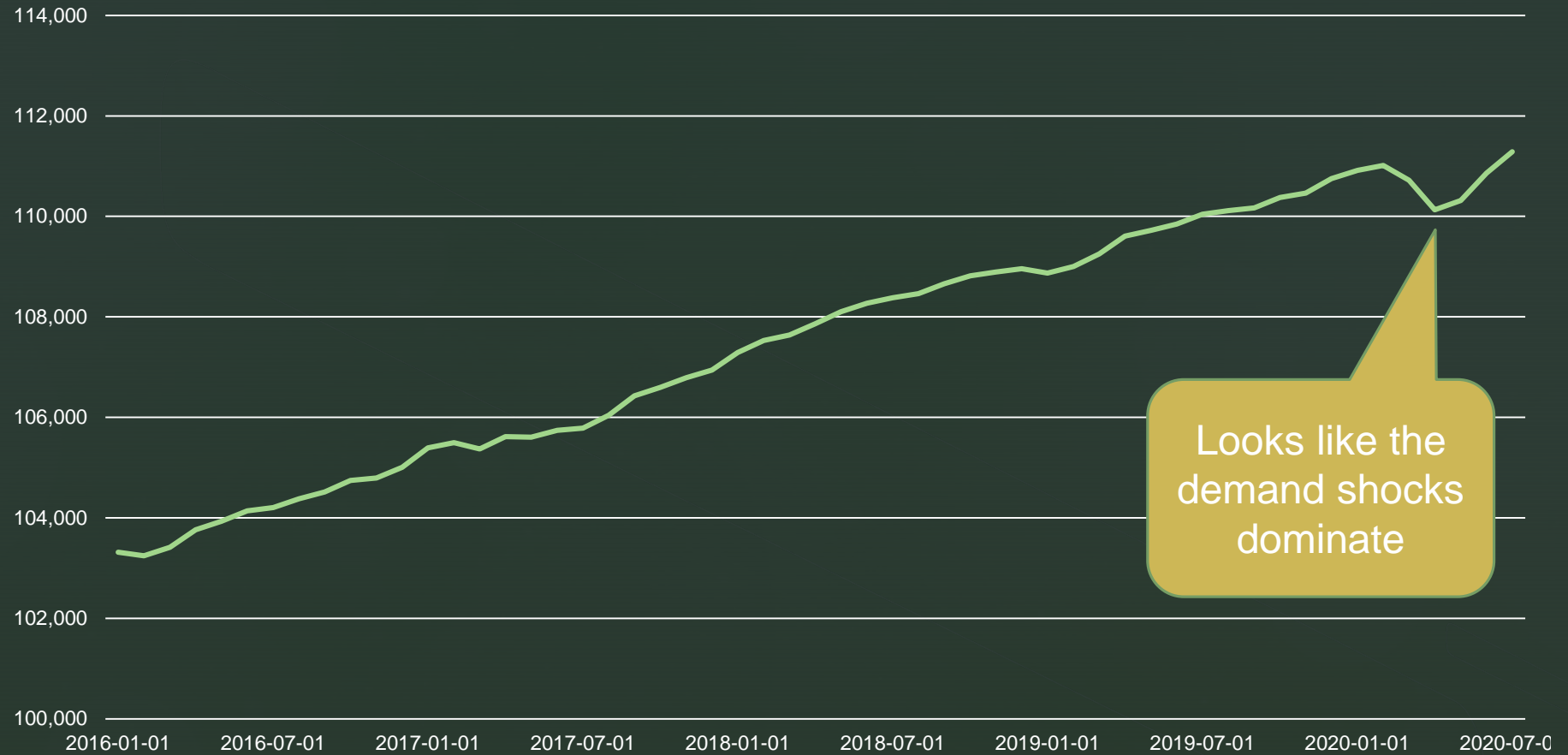
(From Opportunity Insights Economic Tracker <https://tracktherecovery.org>)



# Supply or Demand?

- Most macro crises driven by demand; but causation is more complex for the COVID-19 event
- Significant supply dimensions
  - Supply-chain disruption
  - Health concerns impose lockdown of production
- Also, huge demand effects
  - Infection fears collapse demand for many sectors
  - Multiplier effects from lost incomes
- Evidence from aggregate price data

# “Core” Personal Consumption Price Index



Looks like the demand shocks dominate

# Relevance of Demand Dominance

- Keynesian unemployment and policy implication
- Justifies comparison with other demand-driven cycles
- In particular, how do inequalities differ in the Covid crisis?
- Focus on Great Recession vs. Covid-19 Recession

# Recessions and Inequality

- Prevailing view: recessions hit disadvantaged groups harder
- Comparisons of Covid-19 versus other recessions
  - Women: childcare and occupation
  - Lower income: occupation and ability to work remotely
    - Demand for services drops from high-income => low-income lose jobs
  - Race comparisons less clear
  - Intersectionality



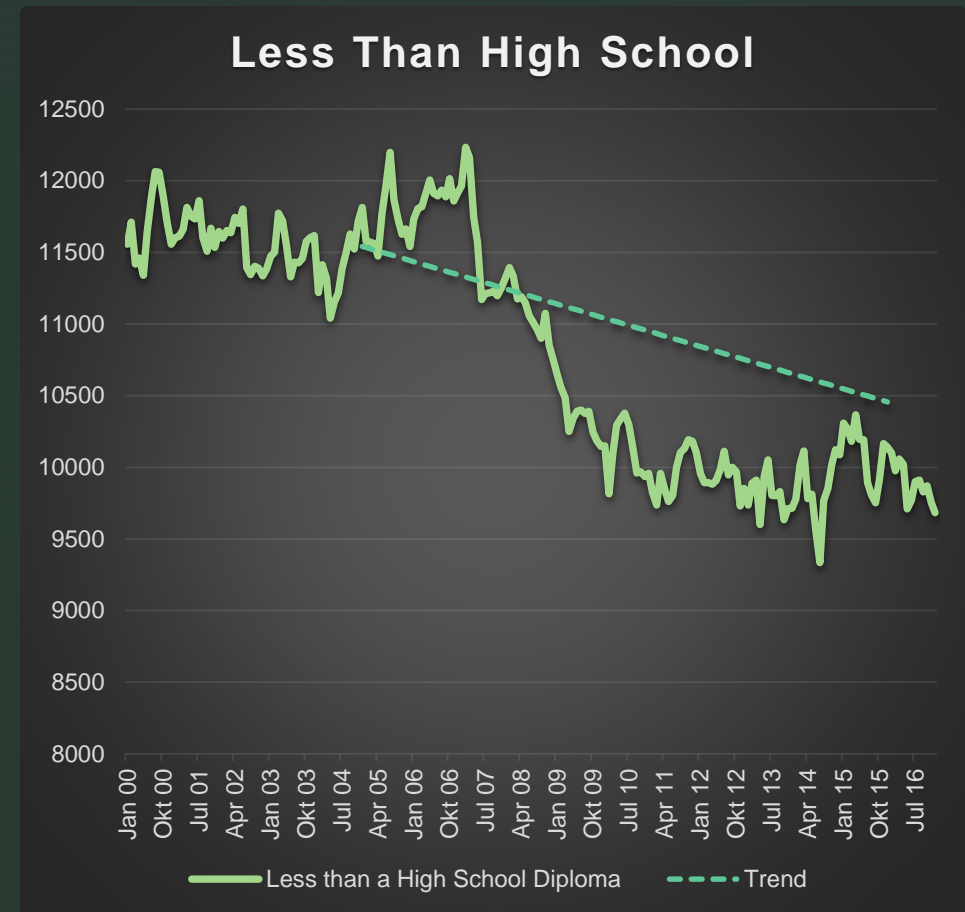
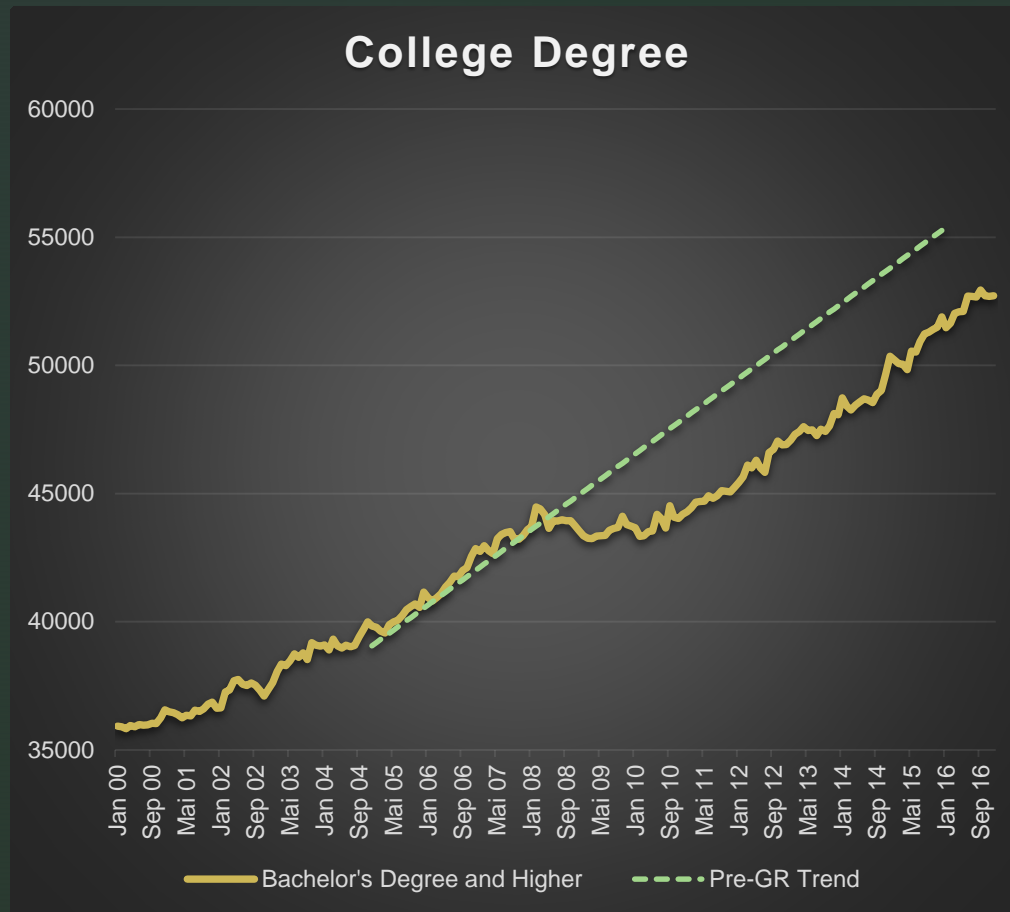
# Measurement Method

- How to measure comparative inequalities systematically?
- Employment: key indicator and available data by demographic groups
- Employment impact of a crisis depends on both depth and persistence of job losses
  - Big difference between Covid (very deep and, so far, quick) vs. Great Recession (not nearly as deep, but very persistent)

# Job-Months Lost



# ► Trends Matter in Measuring Unequal Effects



# Aggregate Comparison

Great Recession (36-month horizon)	Total
Job-Months Lost	277 million
COVID-19 Crisis (8-month horizon through Sept. 2020)	
Job-Months Lost	109 million
COVID-19 Crisis (36-month projection through Feb. 2022)	
Job-Months Lost	339 million

- COVID-19 crisis not yet as severe as the Great Recession
- But COVID-19 job losses likely to persist.
- The COVID-19 projection is actually reasonably optimistic

# Initial Direction of Causality

- Macroeconomic effects of COVID-19 crisis create and magnify inequalities
- Look at evidence for employment

# Gender Inequality: Reversal Between Great Recession and Covid-19

Great Recession (36-month horizon)	Men	Women
Initial Share of Jobs	53.5%	46.5%
Share of Job-Months Lost	63.5%	36.5%
Ratio of Losses to Initial Share	<u>1.19</u>	<u>0.78</u>
Covid-19 Crisis (8-month horizon)		
Initial Share of Jobs	52.8%	47.2%
Share of Job-Months Lost	48.2%	51.8%
Ratio of Losses to Initial Share	<u>0.91</u>	<u>1.10</u>

- Why? Inequality in child care; service sector vs. manufacturing ...

## Race and Ethnicity: Inequality, But Somewhat Less in Covid-19 Crisis

Great Recession (36-month)	White	Black	Hispanic	Asian
Initial Share of Jobs	73.3%	9.8%	12.6%	4.2%
Share of Job-Months Lost	59.9%	14.6%	19.0%	6.5%
Ratio of Losses to Initial Share	0.82	<u>1.48</u>	<u>1.51</u>	1.53
Covid-19 Crisis (8-month horizon)				
Initial Share of Jobs	67.8%	10.9%	15.7%	5.7%
Share of Job-Months Lost	59.0%	13.6%	20.6%	6.9%
Ratio of Losses to Initial Share	0.87	<u>1.25</u>	<u>1.31</u>	1.21

## Education: Huge inequality in lower education groups in Covid-19 crisis

Great Recession (36-month)	< High School	High School	Some College	College Degree
Initial Share of Jobs	8.9%	28.9%	27.6%	34.6%
Share of Job-Months Lost	8.7%	29.6%	26.4%	35.3%
Ratio of Losses to Initial Share	<u>0.98</u>	<u>1.02</u>	0.96	1.02
Covid-19 Crisis (8-month horizon)				
Initial Share of Jobs	6.6%	25.1%	26.0%	42.3%
Share of Job-Months Lost	15.0%	39.9%	28.0%	17.1%
Ratio of Losses to Initial Share	<u>2.28</u>	<u>1.59</u>	1.08	0.40

- Note strong correlation with income
- Surprising “equality” in the Great Recession (relevance of trend adjustment)
- Covid-19 inequality: occupation and ability to work remotely



# Long-Term Direction of Causality

- COVID-19 crisis inequalities affect future outcomes
- Short-term unemployment has long-term effects
  - Loss of job-match capital; experience gaps; income effects
- Magnified income inequality slows demand growth
- Slower demand growth affects productivity and labor force participation (hysteresis)

# Policy Implications

- Support unemployed workers
  - Crisis remains severe
  - Mitigate human suffering; contain magnification of inequality
  - Contain Keynesian multiplier effects
  - U.S. evidence from CARES act; recent disappointment
- Focus on aggregate demand “beyond the short run”
  - Address inequality, both for social justice and demand dynamics
  - Fiscal austerity does not work



Thanks!

I welcome your questions

