Did COVID-19 induce a reallocation wave

Author:Agostino ConsoloFilippos Petroulakis

Date:2022-08-09

Keyword:NA

Url:[click here](https://www.ecb.europa.eu/pub/research/working-papers/html/papers-2022.include.en.html)

Attachment:[click here](https://www.ecb.europa.eu//pub/pdf/scpwps/ecb.wp2703~ce8739d3d5.en.pdf?f7d4a458d052f90cc6b6ec464be50e53)

From:ECB-working\_paper

AbstractRecent research has argued that the COVID-19 shock has also brought about a reallocation shock. We examine the evidence for such an occurrence in the United States, taking a broad perspective. We first consider micro data from CPS and JOLTS; there is no noticeable uptick in occupation or sector switches, nor churn, either at the aggregate level or the cross-section, or when broken down by firms’ size. We then examine whether mismatch unemployment has risen as a result of the pandemic; using an off-the-shelf multisector search and matching model, there is little evidence for an important role for mismatch in driving the elevated unemployment rate. Finally, we employ a novel Bayesian SVAR framework with sign restrictions to identify a reallocation shock; we find that it has played a relatively minor role in explaining labor market patterns in the pandemic, at least relative to its importance in earlier episodes.JEL CodeE24 : Macroeconomics and Monetary Economics→Consumption, Saving, Production, Investment, Labor Markets, and Informal Economy→Employment, Unemployment, Wages, Intergenerational Income Distribution, Aggregate Human CapitalJ63 : Labor and Demographic Economics→Mobility, Unemployment, Vacancies, and Immigrant Workers→Turnover, Vacancies, Layoffs