Where Have All the Workers Gone Recalls, Retirements, and Reallocation in the COVID Recovery

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At the onset of the COVID pandemic, the U.S. economy suddenly and swiftly lost 20 million jobs. Over the next two years, the economy has been on the recovery path. We assess the labor market two years into the COVID crisis. We show that early employment dynamics were almost entirely driven by temporary layoffs and later recalls. Taking these into account, we show that the labor market remained surprisingly tight throughout the crisis, despite the dramatic job losses. By spring, 2022, the labor market had largely recovered and was characterized by extremely tight markets and a slightly depressed employment-to-population ratio driven largely by retirements. Finally, we see surprisingly little evidence of excess reallocation, despite predictions that COVID would dramatically and permanently change the way we live and work. We do see that employment has reallocated somewhat away from low-skilled service jobs, and, in light of the job vacancy patterns, conclude that worker preferences or changes in job amenities are driving this shift. In addition, the retirements paved the way for movements up the job ladder, making low-skilled customer-facing jobs even less desirable.