

# Grasping Reality with Both Hands

The weblog of Brad DeLong. Comments (mostly) welcome, or email me at delong@hey.com with "delong-weblog" as the subject.  
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## Barrero & \_al.\_: COVID-19 & Labour Reallocation: Evidence from the US—Noted

**Jose Maria Barrero, Nicholas Bloom, & Steven Davis:** *COVID-19 & Labour Reallocation: Evidence from the US* <https://voxeu.org/article/covid-19-and-labour-reallocation-evidence-us>: ‘there are large benefits to policies (and policy reforms) that facilitate a speedy reallocation of jobs, workers, and capital to newly productive uses in the wake of the pandemic. In contrast, policies that discourage and delay reallocation are likely to slow the recovery from the pandemic and the economic lockdown.... Millions of jobs lost during the pandemic recession are gone for good.... About 23% of layoffs during March-May 2020 were seen as permanent when they happened, with the rest seen as temporary. Historically, a sizeable share of layoffs regarded as temporary when they happen do not result in actual recalls.... We also quantify the reallocative aspects of the COVID-19 shock.... The pandemic caused... 2.5 new jobs created for every ten lost jobs.... To get at medium-term reallocative activity, we draw on firm-level forecasts.... Businesses’ expectations at a one-year forward horizon imply much more anticipated reallocation activity after the pandemic struck.... We find that full workdays performed at home will triple in the post-pandemic economy, rising from 5.5% of all workdays to 16.6%.... The COVID-19 pandemic is a major reallocation shock with persistent aspects. But what does this mean for policy? Historically, job and business creation responses to major reallocation shocks lag the destruction response by a year or more.... Eextending the FPUC in a manner that makes unemployment more remunerative than work will disincentivise job search, discourage a return to work, and slow the recovery. We prefer income-support programmes (including less generous unemployment benefits) that do not destroy the monetary rewards to working... .#noted #2020-07-16

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