Where Are the Missing Workers?

By Katharine G. Abraham and Lea E. Rendell

Discussion by Yongseok Shin
Washington University in St. Louis
March 30, 2023
• A great paper! A much needed analysis of the post-pandemic labor market.

• The main findings are:

  1. 2.4m fewer people participating in Dec. 2022 than in Feb. 2020
     1.1 Demographic changes and existing trends account for 1.7m
     1.2 Fear of Covid and Long Covid can account for the remaining 700,000 (and more)

  2. Reduced hours by those who work translate into another 2.4m fewer workers, but harder to explain
1. Trend adjustment
2. Fear of Covid and Long Covid
3. Pandemic as reallocation shock
4. Reduced work hours
Trend Adjustment

One long trend?
(Within-group trend adjustment accounts for 0.2 pp or 0.5m fewer workers.)
Trend Adjustment

Figure: Participation Rates, Deviation from 1966-67 Cohort’s Life Cycle

The trend is the question.
Fear of Covid and Long Covid

Some additional evidence of the fear effect (but modest magnitude)

1. Occupations with high proximity index slower to recover.
2. People in US states with more new Covid cases less likely to participate
Fear of Covid and Long Covid

Fear of Covid accounts for 530,000 and Long Covid 700,000. The total effect will be less than the sum of the two, because of the possible overlap between the two groups.

Some quibbling about Long Covid calculation in the literature

1. (Goda and Soltas) Probability of missing work followed by non-participation, same for Covid and other disease? Even people with mild Covid symptoms were forced to miss work.

2. (Sheiner and Salwati) Those with Long Covid would have had same participation rates as the non-disabled, were it not for Covid? Those with co-morbidities suffered more from Covid and are hence more susceptible to Long Covid.
Pandemic as Reallocation Shock

“Mismatch” can account for the large number of vacancies and low participation.
Reduced Work Hours

- Aggregate work hours = number of workers \( \times \) hours per worker
- The paper finds hours margin to be at least equally important as the extensive margin
- But hours margin not explained by demographics, fear of Covid or Long Covid
Reduced Work Hours

(a) Women by Age

(b) Men by Age

Figure: Decomposition of Aggregate Hours Change by Age and Gender
Reduced Work Hours

Who reduced hours?

- Educated young men
- High earners: Men in top earnings decile reduced hours by 1.5 hours per week.
- Those with long hours: Men in top hours decile worked “only” 52 hours per week in 2022, down from 55 in 2019.
Reduced Work Hours

Why?

• Unlikely to be due directly to Covid. Average work hours fell between 2021 and 2022.

• Remote and hybrid work

• Reassessment of work-life balance (increased social activities)
Wrapping Up

• A great paper! A much needed analysis of the post-pandemic labor market.
• Lower participation explained by existing trends and fear of Covid and Long Covid
• Calls for more research on the causes of:
  1. The declining participation trend of some demographic groups
  2. Reduced hours