Labor Market Tightness in Advanced Economies (Duval et al)

Discussant comments

Anna Stansbury, MIT Sloan
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The authors’ four driving questions

1. How tight are labor markets?

2. Why are jobs plentiful while workers are still comparatively scarce?

3. What is the impact of increased labor market tightness on wages?

4. Which policies could help ensure that tightness remains a blessing, not a curse?
The authors’ four driving questions

1. How tight are labor markets?

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4. Which policies could help ensure that tightness remains a blessing, not a curse?
USA stands out as high tightness with low employment

Vacancy-to-Unemployment Ratios Gaps
(Percentage points difference between 2019Q3 and 2021Q3)

2. Employment and Labor Force Participation Rates
(Deviation from 2021 trend projection, percentage points)
Four explorations

1. COVID itself
2. Childcare
3. Changing job quality
4. Re-matching
What is COVID’s direct role in reducing labor supply?
Direct effects of COVID: sickness of self or others

Most recent estimate: Mar 2-Mar 14 2022
2.8 million

Source: Author's analysis of Census Bureau Household Pulse Survey
Direct effects of COVID: fear of getting or spreading

Most recent estimate: Mar 2-Mar 14 2022
2.8 million
+ 2.3 million

Source: Author’s analysis of Census Bureau Household Pulse Survey
Concern about COVD appears to be (durably?) reducing labor supply for all ages – not just older

Source: Author’s analysis of Census Bureau Household Pulse Survey
How much has childcare mattered, and for whom?
Childcare labor supply effects disproportionately affect low education women – but also low education men

Source: Author’s analysis of Census Bureau Household Pulse Survey
How have workers’ preferences around jobs changed?
Even in absence of health concerns, job quality has likely worsened in many occupations

- **Retail and hospitality:**
  - Customer-facing workers: required to enforce COVID policies, mask mandates – encounter hostility
  - Tipped workers: tips down because of lower-density restaurants and bars?

- **Education and healthcare:**
  - substantial additional load on top of “normal” work

*In contrast, for teleworkable jobs, job quality may have improved!*
Re-matching workers and jobs
Most of the shortfall in employment is in 3 large sectors

Source: Bureau of Labor Statistics CES, retrieved from FRED
Layoffs and re-matching is frictional?

Industry compensation growth vs…

Employment change since Feb 2020

Employment change since Apr 2020

Source: Bureau of Labor Statistics, retrieved from FRED
When will COVID-induced tightness recede?

With COVID prevalence itself
- Sick or caring for someone sick with COVID
- Childcare and school interruptions

Once pandemic is truly “over”
- Concerned about getting/spreading COVID
- Worsened job quality due to pandemic spread mitigation measures

Gradually (consistently)
- Frictional Re-matching

Long term
- Early & irreversible retirements
- Long COVID