



# Cross-Country Analysis of Labor Markets during the COVID-19 Pandemic

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*ILR Review*, forthcoming.

## Key findings

Many papers have studied COVID labor market responses in individual countries. Ours is unique in comparing outcomes across a large set of countries with very different social distancing and social safety net policy responses.

- COVID resulted in increases in the proportion of people out of work in all countries. Safety net policies influenced whether people became unemployed or left the labor force as opposed to remaining employed-but-absent from work.
- COVID increased labor market disparities by hitting younger and less educated workers hardest.
- Labor demand was the main factor explaining employment declines with little role for workers staying out of the labor market for fear of infection
- Strict social distancing policies reduced employment even in the absence of high case loads.

## What we knew

- Recessions often exacerbate educational and other inequalities in the labor market.
- The COVID pandemic resulted in large-scale labor market dislocation across many countries with different impacts on different types of workers.
- Job characteristics were important in explaining divergent outcomes for workers during the pandemic; see also Montenovo, Jiang, Rojas, Schmutte, Simon, Weinberg and Wing (2022)
- In this paper we look beyond these facts to consider:
  - how did the very different policy responses across countries impact labor markets?;
  - how did differences in pandemic severity across countries impact labor markets?; and
  - bringing this analysis together to assess whether demand or supply factors were more important in determining employment responses.

## What we do

- We take labor force survey data from Australia, Denmark, France, Italy, South Korea, Spain, Sweden and the United States and improve comparability by harmonizing it across countries.
- We split changes in the proportion of people not-at-work into four distinct categories: long-term unemployed, recently unemployed, employed-but-absent from work, and out of the labor force.
- We examine how the pandemic affected labor market disparities, especially by age, education, sex and job characteristics.



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- We seek to understand the extent to which labor market outcomes reflect changes to labor demand versus supply.
  - By comparing countries experiencing high case levels with Australia, South Korea, Denmark, and Sweden, who had lower levels of COVID, we aim to disentangle the impact of pandemic severity and policy settings.

## What we know now

Our findings inform future decision-making at two levels.

- First, they provide insight for policymakers preparing to manage future health emergencies, as they suggest which groups were most vulnerable to job losses during the pandemic period and which policies were most helpful or harmful.
- Second, our evidence informs on the costs of social distancing and social safety net policies and their effects on labor market outcomes.

## What this means for policy

- Design of safety nets matters for labor market adjustment
  - Countries with wage subsidies or job retention schemes (e.g. Australia; much of Europe) saw large increases in “employed but absent” rather than unemployment
  - Countries relying on unemployment insurance saw sharper rises in unemployment
- Social distancing policies have large economic costs even in the absence of high COVID case numbers
- Targeted support is crucial. In future pandemics, support could be targeted to
  - Younger workers
  - Workers with less ability to work remotely
  - Industries requiring in-person work (i.e. hospitality)
- Policy mix matters more than pandemic severity alone

## More information

- Final paper will be available soon at <https://www.ilr.cornell.edu/ilr-review>. Get the NBER working paper version at: <https://www.nber.org/papers/w33029>.
- We would welcome the opportunity to present our research to your team and to discuss potential joint research projects on related or similar topics.
- Contact us at [robert.breunig@anu.edu.au](mailto:robert.breunig@anu.edu.au)

## References

Montenovo, L., Jiang, X., Rojas, F. L., Schmutte, I. M., Simon, K. I., Weinberg, B. A. and Wing, C. (2022). Determinants of disparities in early COVID-19 job losses, *Demography* **59**(3): 827–855.