The US Labor Market at the Beginning of the Pandemic Recession

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Employment Picture by Firm Size

- Small businesses
  - Bigger declines
  - Bigger rebounds
- 75% of decline from continuing businesses
Who was most affected?

Employment By Age

Employment By Sex
Low Earners Particularly Affected

- Bottom 20% account for 36% of total declines through April
  - 10 million jobs lost among bottom 20%
  - 2007-09: 8.5 million jobs lost in total

- Still much below top earners

- ~16.5% of gap between low and high earners explained by industry/demographics

Panel A: By Wage Quintile
Example: Composition Effects on Aggregate Wages

Suppose two kinds of jobs in the economy pre-COVID:

- **Baristas**
  - $10/hour
  - 50% of Employment

- **Software Engineers**
  - $30/hour
  - 50% of Employment

**Average Wages**
- Pre-COVID: $20/hour

\[
\text{Average Wage} = \frac{1}{2} \times 10 + \frac{1}{2} \times 30 = 20 \text{$/hour}.
\]
Example: Composition Effects on Aggregate Wages

Suppose COVID removes all low-paying barista jobs in economy:

Baristas
$10/hour 0% of Employment

Software Engineers
$30/hour 100% of Employment

Average Wages
- Pre-COVID: $20/hour
- Post-COVID: $30/hour

Average Wage = 0 x $10 + 1 x $30 = $30/hour
Aggregate Wages during COVID

- Average wages up 6% through April
- Declining since
- All from composition effect
- Wages of continually-employed people are flat
- Interpret mean wages with caution
Base Wage Cuts and Freezes: March through June

Panel A: Probability of Wage Cut

Panel B: Probability of Wage Freeze

Around 7 million workers saw base wage cut. Usually exceedingly rare
What next?

• Overall
  • Bottom earners mostly losing jobs
  • Top earners mostly seeing wage cuts
  • Small firms seeing big swings

• Employment active in HR system down less than paid employment

• Some firms which shut down have re-entered
  • 1/3 of shutdown employment

• Most firm growth coming from recall