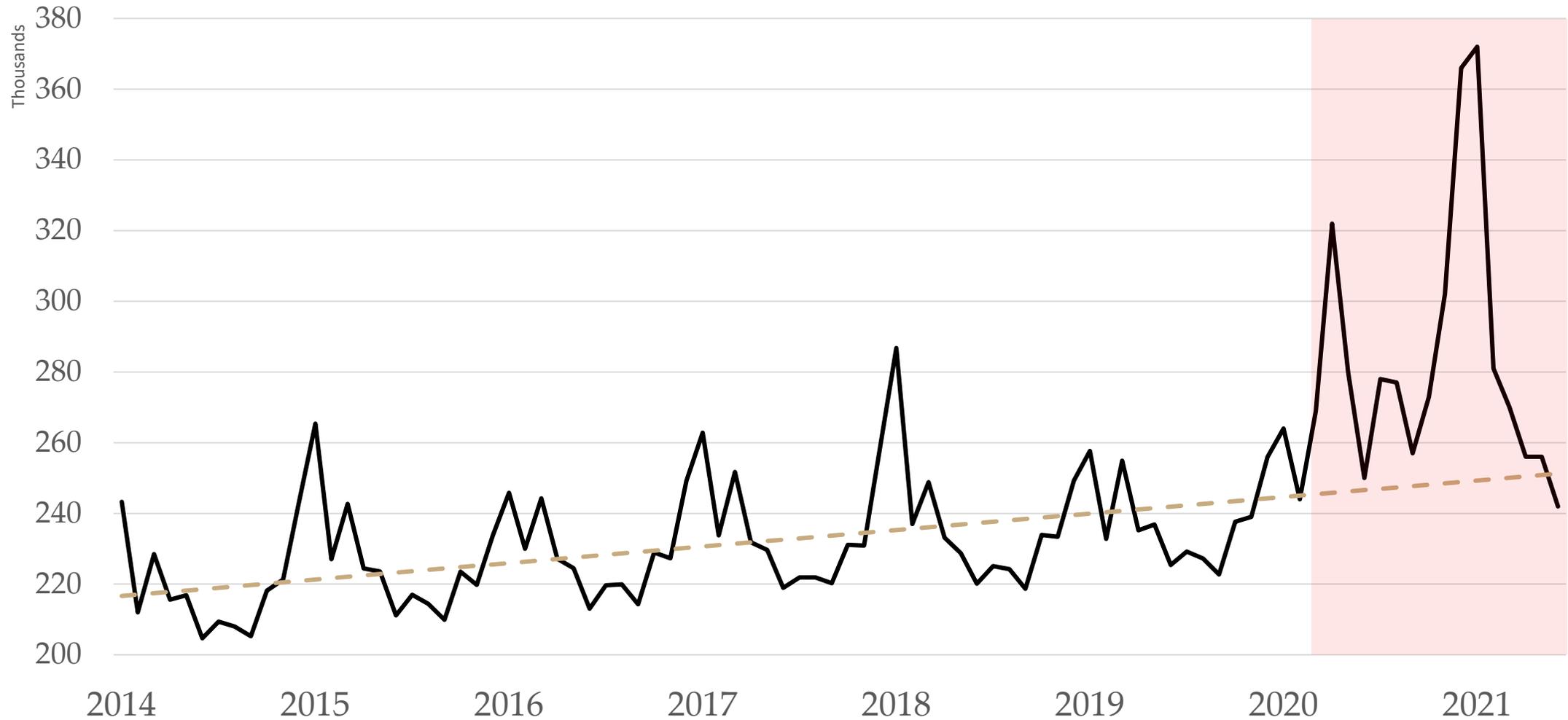


THE PANDEMIC & LABOR MARKET OUTLOOK

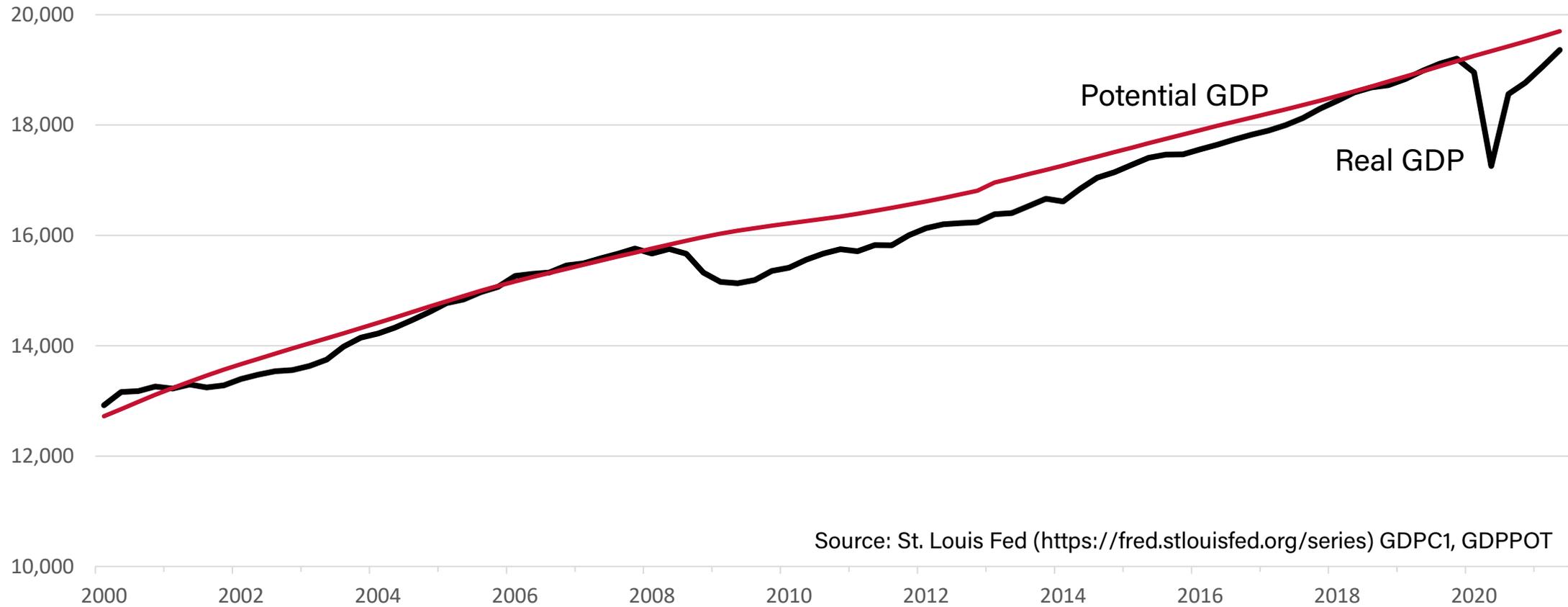
Kevin Mumford
Department of Economics

Pandemic: US Deaths by Month



Potential and Nominal GDP

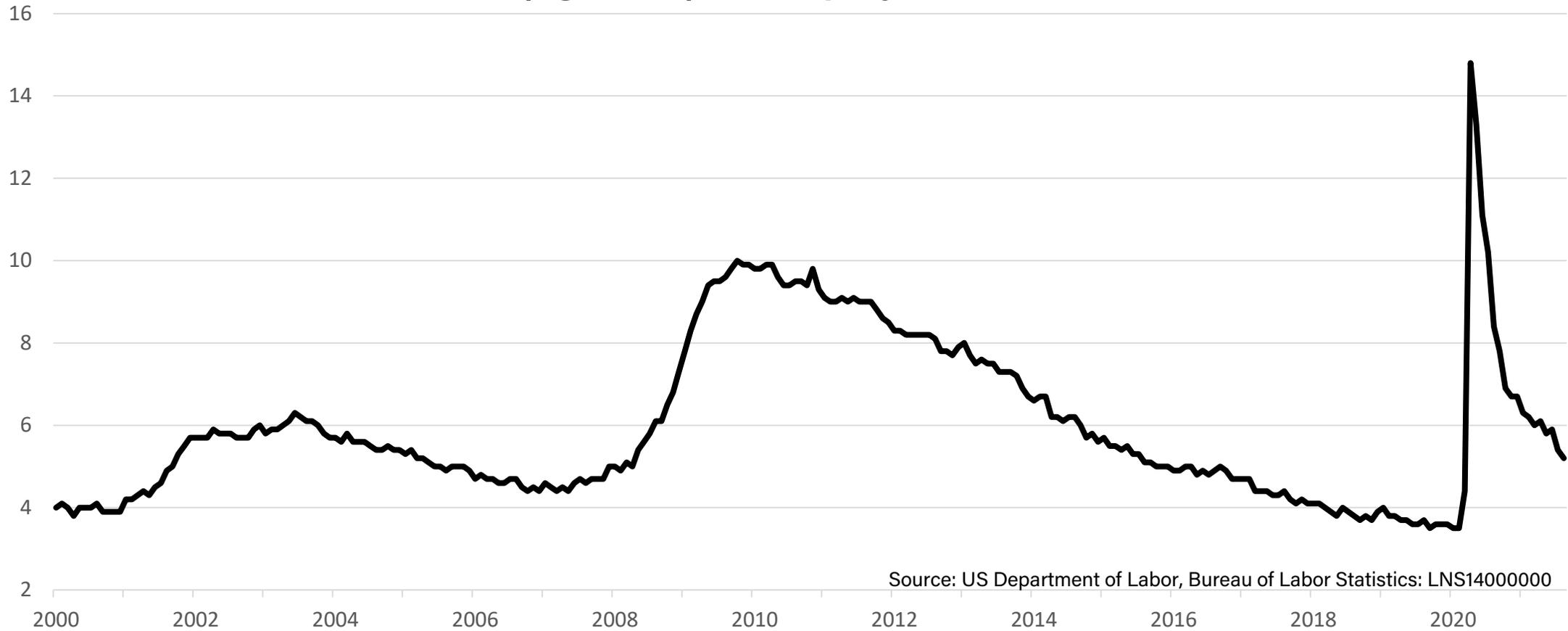
Billions of Chained 2012 Dollars (Seasonally Adjusted)



Source: St. Louis Fed (<https://fred.stlouisfed.org/series>) GDPC1, GDPPOT

Unemployment Rate

Percent of Labor Force (age 16+) Unemployed



Source: US Department of Labor, Bureau of Labor Statistics: LNS14000000

2020 Government Stimulus

\$2,500 billion CARES Act (Mar & Apr)

- \$500 billion in loans to large business
- \$400 billion Paycheck Protection Program
- \$350 billion in small business loans
- \$250 billion in direct payments (\$1,200/adult + \$500/child)
- \$250 billion in unemployment (\$600/week)
- \$200 billion to hospitals (Mar & Apr)
- \$150 billion to state and local governments

\$900 billion Consolidated App Act (Dec)

- \$300 billion Paycheck Protection Program
- \$125 billion in direct payments (\$600 checks)
- \$120 billion in unemployment (\$300/week)
- \$82 billion for education
- \$50 billion for vaccines and virus testing
- \$25 billion for rental assistance
- \$13 billion for SNAP
- \$10 billion for child care providers

Government Stimulus Outcomes

- Direct Payments
 - Similar to 2001 and 2008, mostly saved (only 15% spent in first year)
 - Not targeted (ex-post repayment would have been better)
- Unemployment Insurance
 - Targeted, though doesn't reach everyone in need
- Paycheck Protection Program (forgivable loans)
 - Provides liquidity, evidence of abuse, program now closed

2021 Government Stimulus

\$1,900 billion American Rescue Act (Mar)

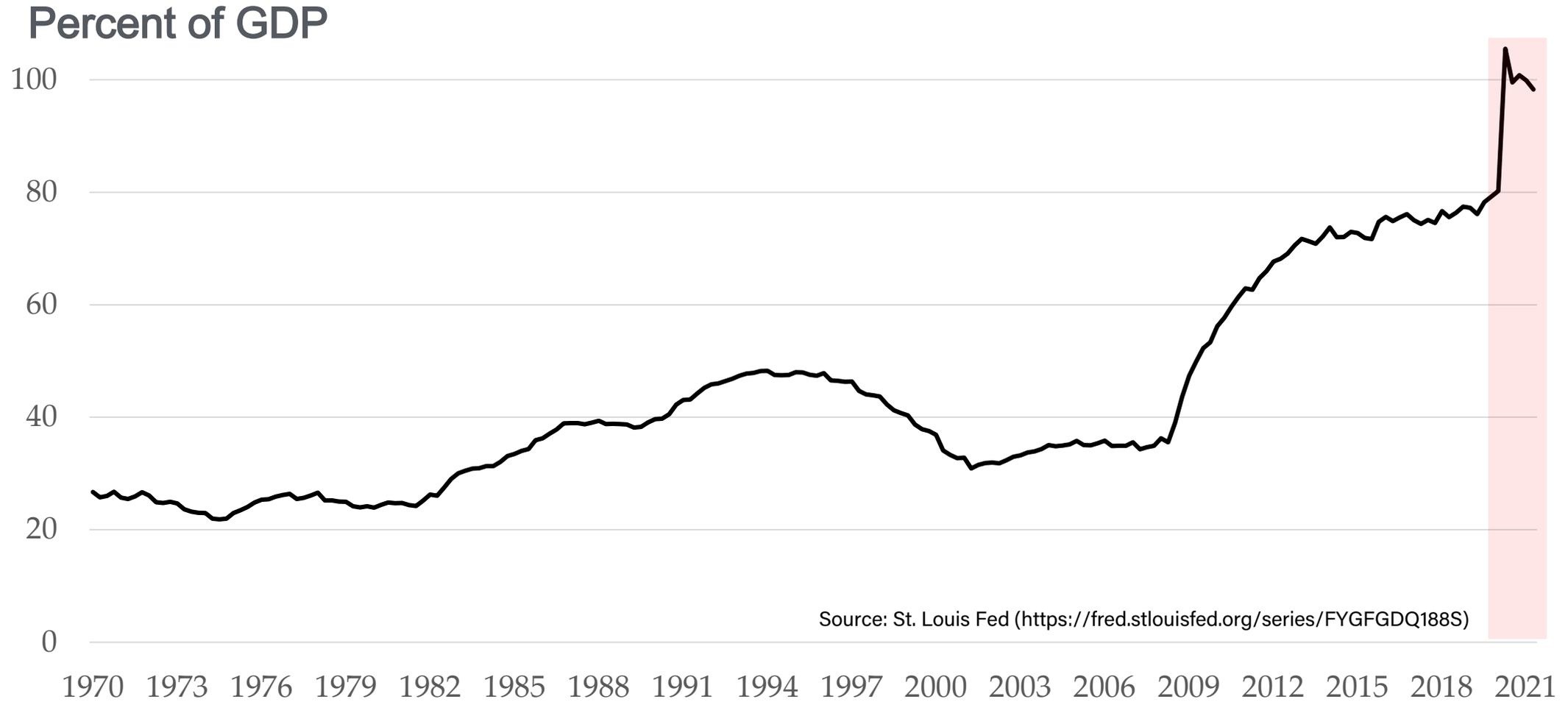
- \$500 billion in direct payments (\$1,400/adult + \$600/child)
- \$350 billion in state and local funding
- \$250 billion in unemployment (\$300/week)
- \$170 billion for K-12 schools and colleges
- \$160 billion for vaccination and testing
- \$120 billion per year to increase child tax credit to \$3,000 (\$3,600 for under age 6)
- \$90 billion in grants/loans to small business
- \$80 billion expanded Earned Income Credit

\$550 billion Infrastructure (Nov)

- \$110 billion for roads and bridges
- \$105 billion for public transit
- \$73 billion for power infrastructure
- \$65 billion for high-speed internet
- \$55 billion for clean drinking water
- \$50 billion for clean energy investment
- \$25 billion for airports

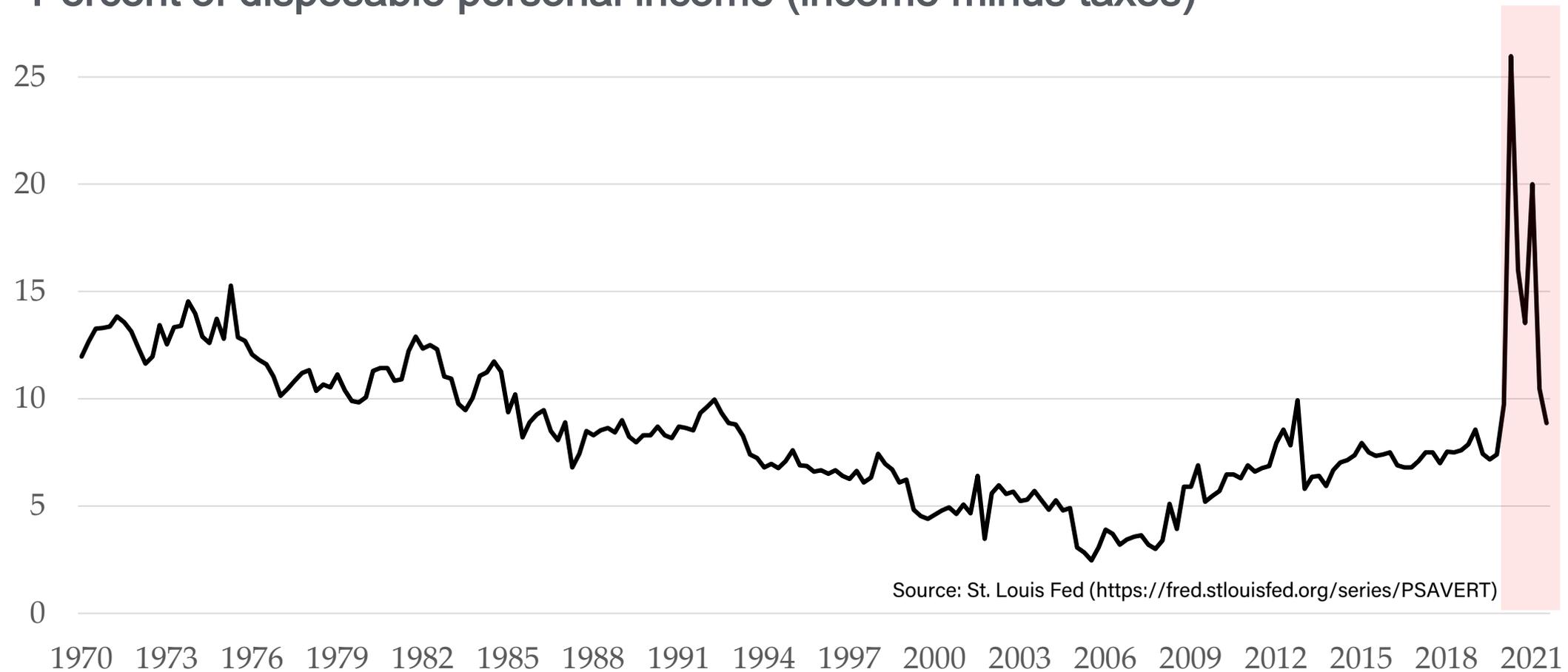
+ \$650 billion in status quo infrastructure spending

Federal Debt held by the Public



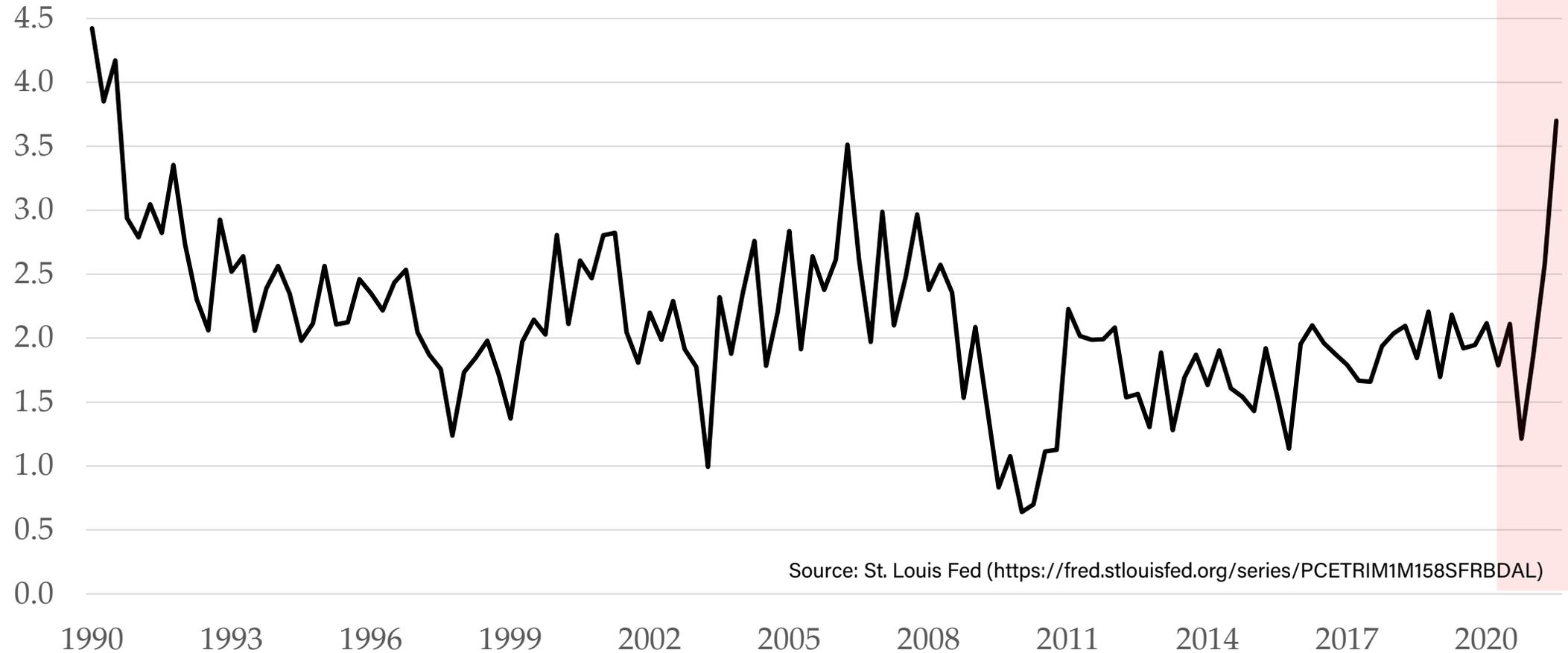
Personal Saving Rate

Percent of disposable personal income (income minus taxes)



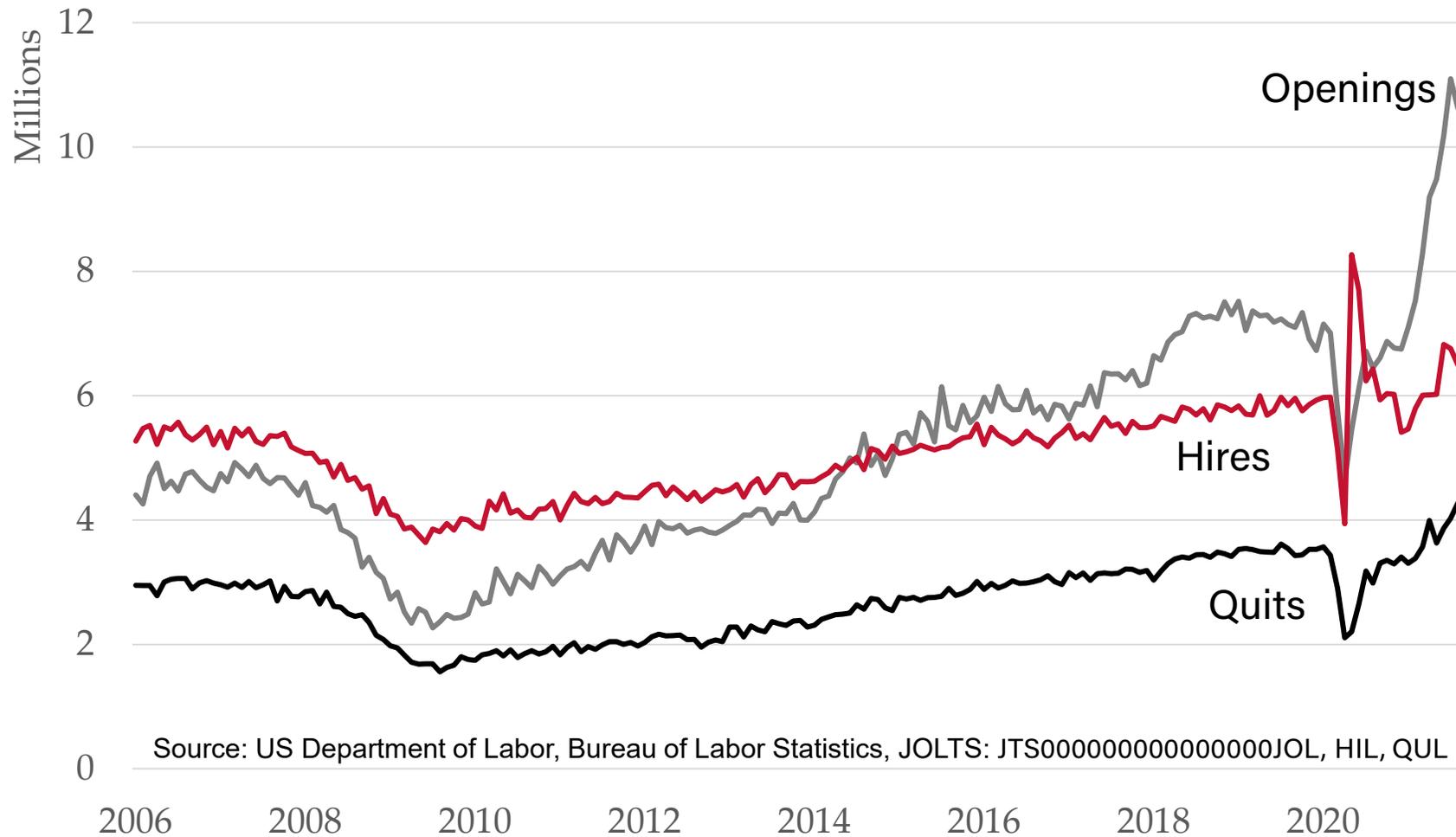
Inflation

Quarterly Percentage Change at Annual Rate



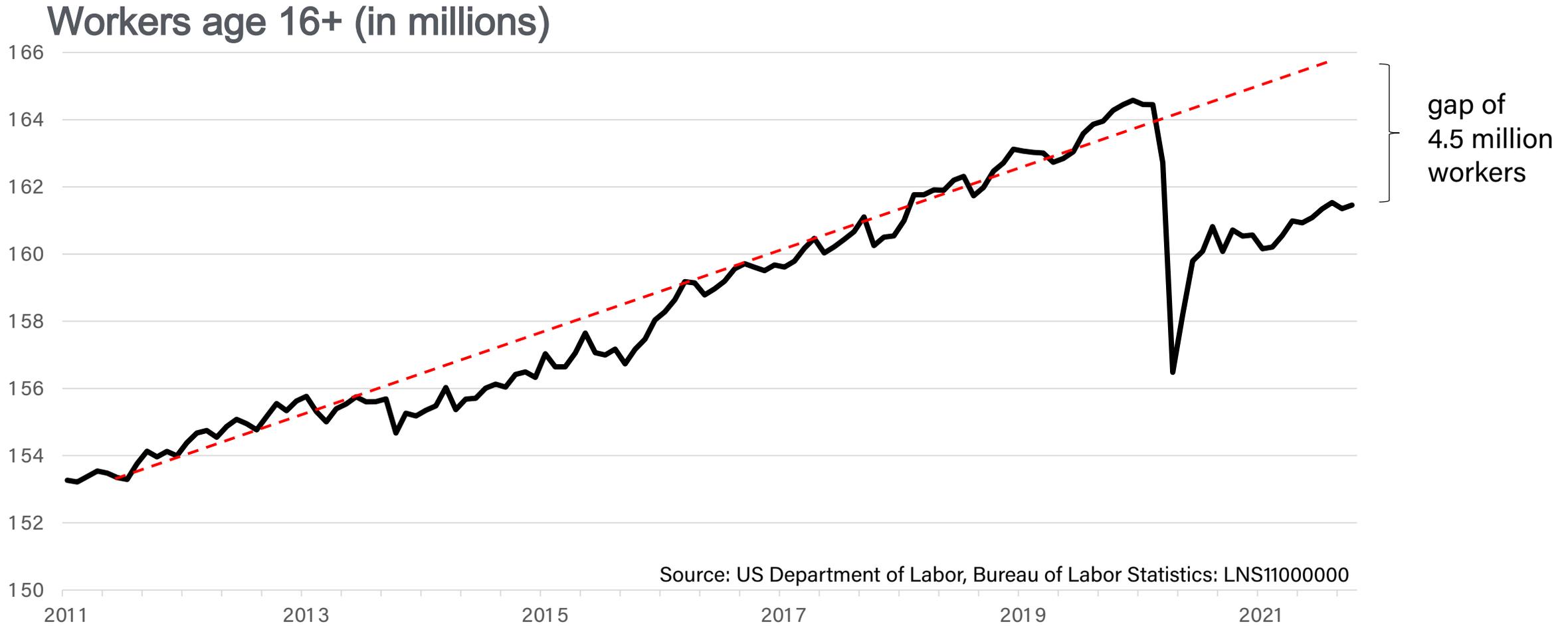
Source: St. Louis Fed (<https://fred.stlouisfed.org/series/PCETRIM1M158SFRBDAL>)

Openings, New Hires, and Quits



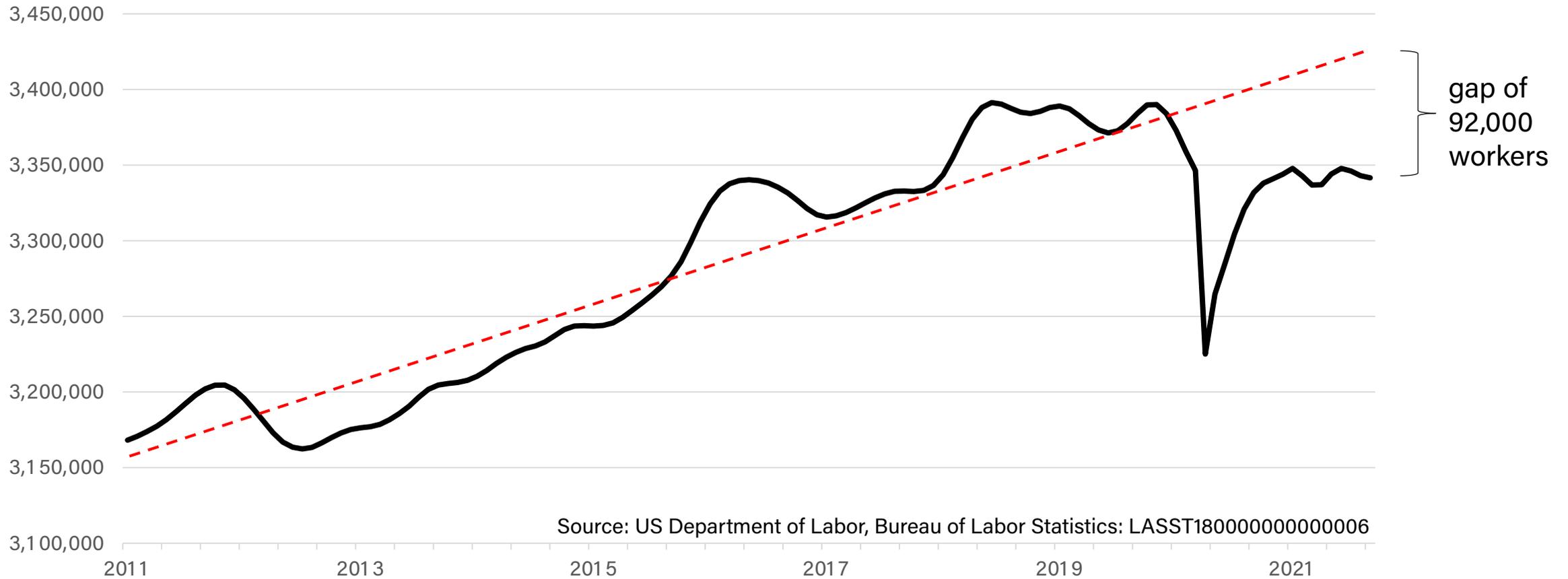
- Openings to hires ratio has never been higher
- Shift in the skills employers are looking for post pandemic (mismatch)
- Openings always increase more than hires in a recovery, drives wages up
- Drop in the size of the labor force

US Civilian Labor Force



Indiana Civilian Labor Force

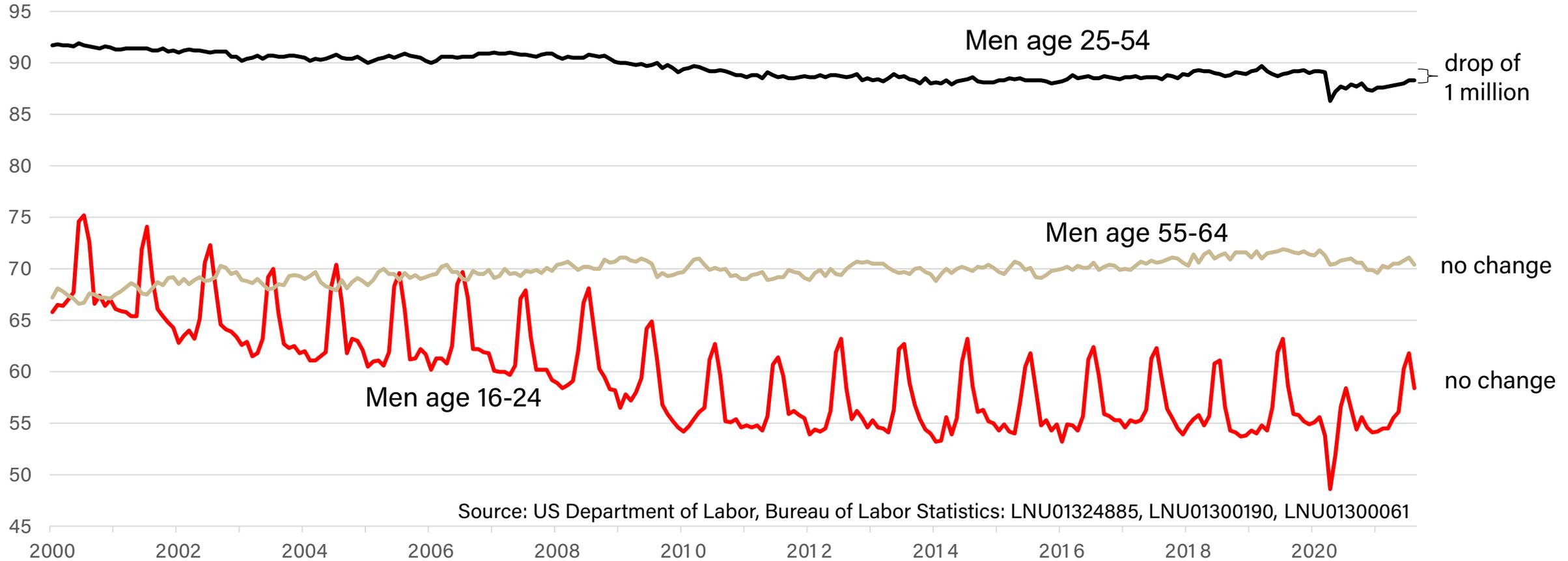
Indiana Workers age 16+



Source: US Department of Labor, Bureau of Labor Statistics: LASST1800000000000006

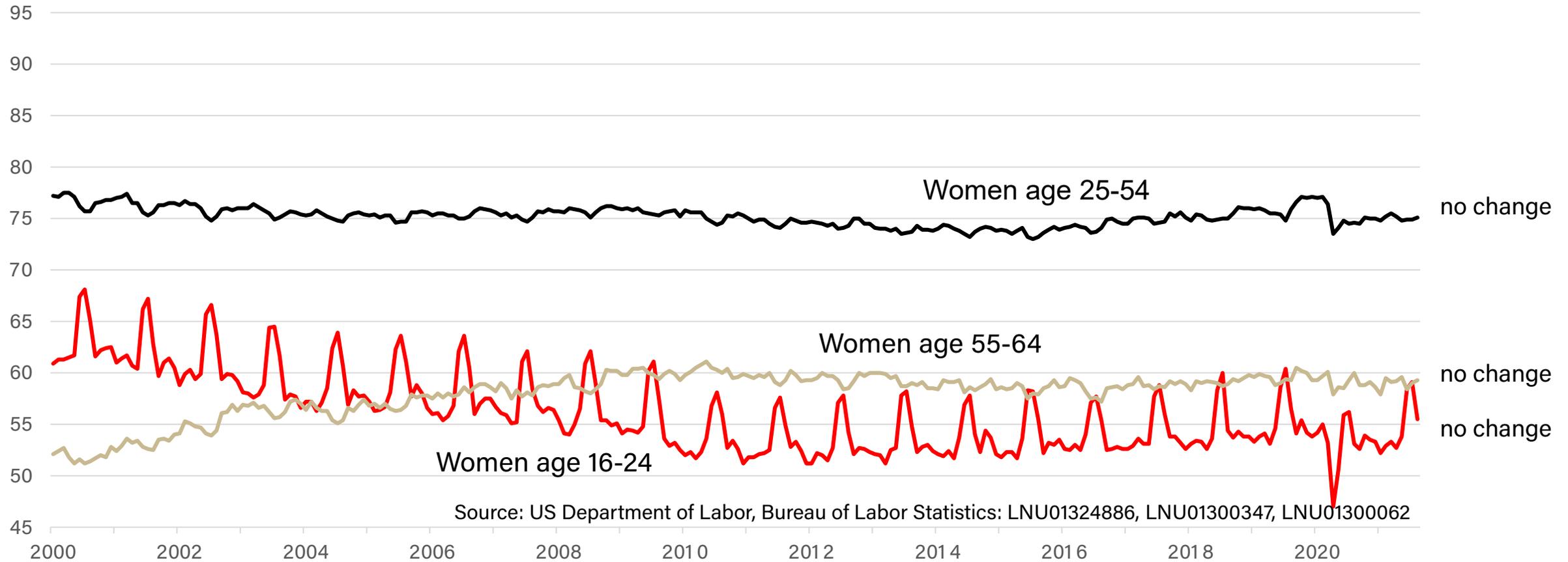
Male Labor Force Participation

Labor Force Participation Rate



Female Labor Force Participation

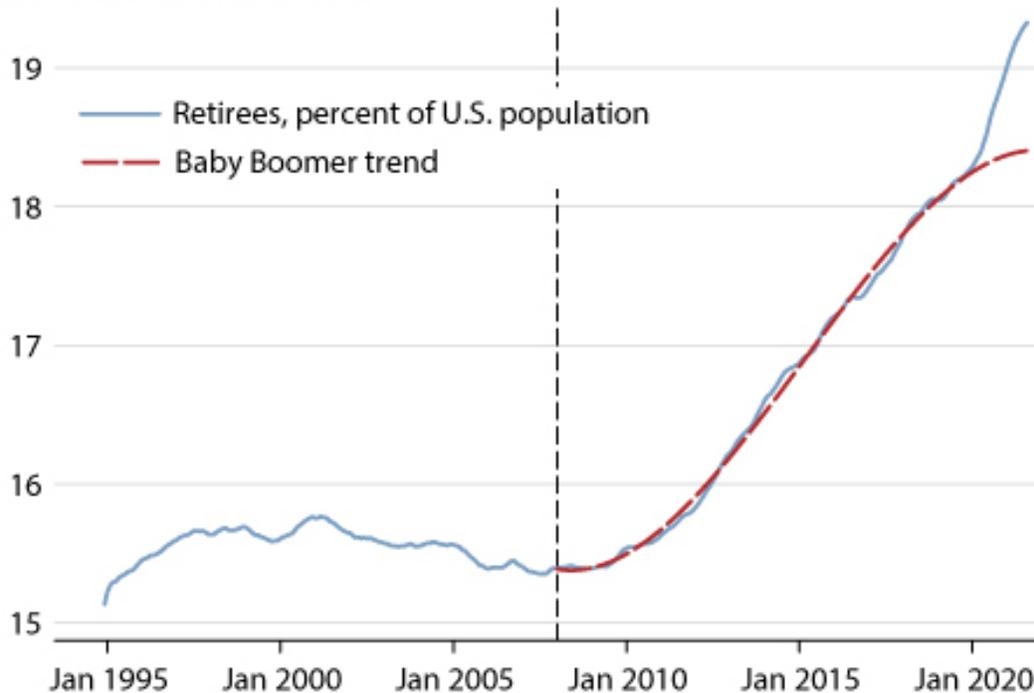
Labor Force Participation Rate



Retirement

Percentage of Retirees in the U.S. Population and the Baby Boomer Retirement Trend

Percent of U.S. population



NOTE: The percentage of retirees is a 12-month moving average, and the Baby Boomer trend is a cubic trend estimated between January 2008 and February 2020.

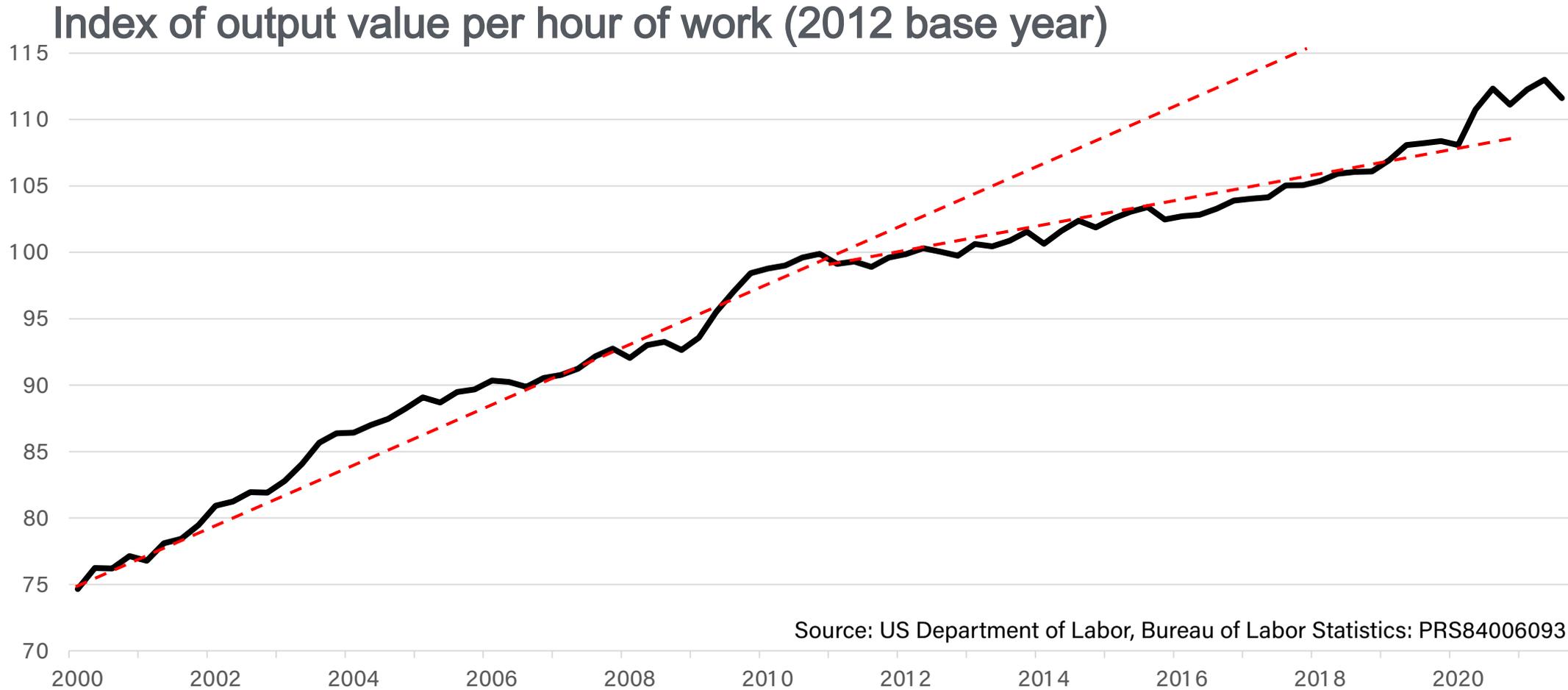
SOURCE: Current Population Survey and author's calculations.

- The oldest Baby Boomers turned 62 in 2008, causing an increase in retirements
- Retirees made up 18.3 percent of the population in February 2020
- 2.4 million additional retirements between March 2020 and August 2021 (St. Louis Fed)
- Labor Force Participation for 65+

	Women	Men
Feb 2020	17.1	25.2
July 2021	14.6	23.0

- Why retire early?
 - Pandemic health concerns
 - Large increase in asset values

Labor Productivity



Conclusion

Many predicted that the labor shortage would end this fall

- Reopening schools would free up caregivers
- Booster shots and child vaccination would help workers return to the labor force
- The data tells a different story

Workers have the advantage in the current labor market

- Increased consumer demand driven by stimulus is causing an increase in labor demand
- Increase demand for some skills (virtual tech, creativity, data, coding, etc)
- Workers expect higher salaries, better benefits, and flexible schedules
- Savings increased over the pandemic giving workers time to search

Job placements will be better than normal for Purdue graduates this spring

QUESTIONS WELCOME

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