

Skill Loss during Unemployment and the Scarring Effects of the COVID-19 Pandemic

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Overview

- **Motivation**

- ▶ Large amount of job losses associated with the pandemic
- ▶ Long-term unemployment reached historic levels
- ▶ Empirical evidence, workers lose skills while unemployed

- **What we do**

- ▶ Integrate canonical SIR framework into a search and matching model
- ▶ Key ingredient: workers lose skills while unemployed
- ▶ Calibrate to quantify the effects of COVID on unemployment and TFP
- ▶ Three month lockdown
- ▶ Social planner's problem: tradeoff between infections/deaths and TFP

Findings

- Quantitative results

	Baseline	Lockdown	Efficient
Increase in unemployment (PP)	3.8	7.6	2.5
Decline in TFP	0.44%	0.56%	0.88%
TFP loss rel. to typical recession	39%	50%	78%

- Planner limits job creation, not to the extent caused by a lockdown
- Skill composition externality is sizeable