

Unemployment in the Corona Crisis – Some are Hit Much Harder than Others

During the past two weeks, registered unemployment in Norway increased from 2.3 to 10.4 percent of the labor force, and is still on a rapid rise. Most unemployment claims come from workers who are laid off temporarily, but the uncertainty with respect to future job prospects is large. We now present the first results from an empirical analysis of the surge in unemployment during the first weeks of the Corona crisis. Unique close-to-real-time administrative data shows that temporary layoffs quickly spread from service jobs requiring close interaction with customers, to a broad set of jobs. Within 10 days of the onset of the crisis, almost 60 percent of all private sector businesses had laid off staff. The resultant unemployment hit a broad segment of the labor force, yet with a conspicuous social gradient: Workers with low wages, low education, and limited economic resources were overrepresented among the first to lose their job.

A research team from the Frisch Centre, Statistics Norway, and the Norwegian Labor and Welfare Directorate has examined updated administrative register data covering all new applications for unemployment benefits from March 1 to March 22. Using encrypted identifiers, these new data have been merged with existing registers providing a wealth of information regarding individual characteristics, such as previous earnings, social background, family status, gender, age, education, immigrant status, occupation, and industry. These data provide a unique opportunity for examining the composition of the first wave of unemployed, and, importantly, to examine how the composition changes as the crisis unfolds and spreads through the economy.

Here are some of the main findings:

- Workers with jobs involving physical contact with others were the first to be hit by temporary layoff. However, this job characteristic became less important day-by-day, as the economic consequences of the crisis spread through the economy.
- All segments of the workforce are affected by the crisis. Yet, among the newly unemployed there is a clear overrepresentation of people with low income, low education, few economic resources, and lower-class family background.
- Women have been at higher risk of losing their job than men, particularly during the first days of mass layoff. The young have been more exposed than the old. And immigrants have been more exposed than natives.
- There is a particularly high risk of job loss in families with low household income and little liquidity.
- There is a concentration within families. The probability of being laid off is much higher if the partner has also been laid off. Families with children are more exposed than families without children.
- Firms with low labor productivity, low equity, and high debt have a higher probability of laying off workers than more productive and solid firms.
- Within firms, the choice of who to lay off appears to be unrelated to tenure as well as wage rank.
- In Norway, the replacement rate in the temporary unemployment insurance program has been raised to 100% during the first 20 days of layoff up to an earnings limit roughly corresponding to the average earnings level in Norway. Hence, so far individual economic

losses have been limited. However, as the unemployment spells become longer, the crisis will lead to increased income inequality in Norway.

The research team consists of Bernt Bratsberg (bernt.bratsberg@frisch.uio.no), Simen Markussen (simen.markussen@frisch.uo.no), Knut Rød (knut.roed@frisch.uio.no) (all from the Frisch Centre), Trond Vigtel (trong.vigtel@ssb.no) (from Statistics Norway) and Gaute Eielsen (gaute.eielsen@nav.no) (the Norwegian Labor and Welfare Directorate)