1. Title
Labor Market Policies during a Pandemic

2. Authors and affiliations and contact emails
Andrew Glover, Federal Reserve Bank of Kansas City, andrew.glover@kc.frb.org
Satoshi Tanaka, University of Queensland, s.tanaka@uq.edu.au

3. Abstract
Many countries have introduced lockdowns to fight COVID-19, which has required the shuttering of many businesses and dramatically increased unemployment. We study the interaction of lockdowns and employment support programs in an epidemiological SEIR model with search and matching frictions in the labor market ala’ Mortensen and Pissarides. Lockdowns reduce the spread of COVID-19 by keeping people at home rather than at work, but increase unemployment and reduce production. Extending or increasing unemployment insurance benefits insures workers who lose their jobs due to the lockdown, but may slow the recovery of labor markets after the pandemic as it takes time for unemployed workers to find new jobs. An alternative policy that replaces the lost revenue of firms who retain their workers on payroll is costlier during the pandemic, but ensures a faster post-COVID recovery. We use our SEIR-MP to predict the long-run labor market performance of different policies and compute optimal policy mixes.

4. Data description
We use the following datasets in the U.S.
- The Conference Board Help Wanted OnLine (HWOL), The Conference Board.
- Cases of Coronavirus Disease (COVID-19) in the U.S., Centers for Disease Control and Prevention.

5. JEL codes for the project
I18, J64, J65

6. Key-words
COVID-19, Search and Matching, Unemployment Insurance, Labor Market Policies