

Comments on  
“Informal Labor Markets in Times of Pandemic: Evidence for Latin  
America and Policy Options”  
(Gustavo Leyva and Carlos Urrutia)

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# Overview

- The pandemic has been an extraordinary event, that does not look to anything comparable over our lifetimes
  - Although it shares some features with traditional recessions, it also has a very unique nature
  - Therefore, it is not surprising that its effects on the economy have also been remarkable, both in terms of the margins it has affected and their intensity and timing
  - Very intense shock accompanied by very strict – unsustainable?- policy responses. Large heterogeneity across countries.
  - Very large and abrupt impact on labor markets, ongoing recovery (fast?)
- This is a very nice paper that does a great job at characterizing the behavior of the labor market in Latin America in response to the pandemic, its comparison with previous recessions, and then using a model to rationalize the nature of the shocks and analyze alternative labor market policies. Relevant questions and excellent analysis.
- I enjoyed reading the paper and learned a lot from it.

# Main insights

- While there is some heterogeneity, the behavior of employment across LA countries follows a similar pattern:
  - a sharp decline in aggregate employment
  - reduction in labor participation
  - decline in the informality rate: informality was not a buffer in 2020
- Relevant role for temporary layoffs and absentee leaves, which suggests that labor matches were not severed and once again talks about the particular nature of this shock
- Behavior of employment can be rationalized as the combination of a strong negative labor supply shock and an adverse shock on the relative productivity of the informal sector
- Evaluation of alternative labor market policies: cuts on payroll taxes, subsidies to formal vacancy posting and an informal income subsidy

# Some questions/thoughts

- **Permanent effects of the pandemic:** Covid has been an intense but mostly temporary shocks, but that can have permanent effects in the labor market, through changes in production technologies, sectoral compositions, household preferences, etc. Is this a relevant channel? Does it differ from previous recessions?
- **Temporary nature of the shock:** The role played by temporary layoffs/absentee employees reinforces the idea that the shock was perceived as temporary (specifically in terms of lockdowns/harsh restrictions in activity), so that valuable job matches were not (fully) severed. This can have relevant implications for the nature and speed of recovery. This was reinforced by the adoption of policies that provided liquidity/loans to firms.
- Of course, the pandemic and its aftermath are still ongoing, so look at data further down the road would be interesting both in terms of the empirical analysis and the insights from the model