



There is a sense of panic throughout the world as the Coronavirus keeps spreading at worrying speed. Flights and events are being cancelled, people quarantined on cruise boats and in hotels and in many places antibacterial hand gel as well as face masks are out of stock. Furthermore, markets have reacted strongly to the highly contagious virus. So what are the likely impacts of the disease on workers and labor markets? In his latest [IZA World of Labor](#) opinion piece, publishing today, economist Dan Hamermesh looks at historic precedents to make a prediction:

OPINION PIECE: Coronavirus and the labor market

By Daniel S. Hamermesh, Barnard College, USA, and IZA, Germany

The world is in a near-panic about coronavirus. Japan has closed its schools for a month; flights to areas of outbreak, such as China, have been cancelled; and share prices in the US and other stock markets have plummeted. What are the likely impacts of the disease on workers and labor markets?

We have two prior examples that might help to answer this question. The Black Death of 1348-1350 killed perhaps as much as a third of the European population. It resulted in utter devastation of many urban areas, with fewer deaths in rural areas. But the reduction in available labor—the increasing scarcity of labor—did increase agricultural wages. Fortunately, this example is of no use in thinking about coronavirus: The world’s economy is no longer predominantly rural; and nobody is predicting a death rate anywhere near so high.

A better example is the Spanish flu of 1918, the deadliest pandemic in modern times. With perhaps 50 million deaths, it killed about 2% of the world’s population. Unusually, it affected people ages 20-40 more than those in some other age groups, so its impact on the work force may have been at least as large as a 2% drop. Did this affect economic activity? The US economy did go into recession in August 1918, but it recovered quickly. No doubt the disease contributed to the decline in demand for labor; but although the individual hardship and personal tragedy were tremendous, the pandemic was hardly a disaster compared with the hardship and disruptions produced by World War I.

Evidence from China shows a death rate among those infected by coronavirus reaching 2%. Even if every person on the planet contracts the illness, the death rate would be no higher than from the Spanish flu. Moreover, the evidence so far suggests that the virus reaps its worst effects on the elderly population, not on working-age people. This suggests that, at least in terms of direct impact, even a full-blown pandemic will not by itself have major effects on the labor market.

What will have such impacts is the shutting down of commerce as governments, facing and perhaps fanning the fears of their constituents, limit trade, close offices, and stifle economic activity. Measures aimed at preventing the disease’s spread are more likely to cause economic damage than the disease itself.



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We face a classic economic trade-off: Restrict commerce in the hope of limiting the disease, recognizing that this will cause damage, hurt the economy, and hurt workers; or not impose restrictions, recognizing that some people will die who might have survived had more restrictions been imposed. Each additional quarantine will save some lives; each will also create economic losses for the vast majority of workers who would survive even if they contracted the disease. We know the costs of restrictions; what we don't know is how many additional lives are lost if a particular restriction isn't instituted.

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Notes for editors:

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