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'Long Social Distancing' Reduces Potential Output of U.S. Economy

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POLICY BRIEF

‘Long Social Distancing’ Reduces Potential Output of U.S. Economy

Jose Maria Barrero

BRIEF HIGHLIGHTS

- *More than 10 percent of Americans with recent work experience say they will continue social distancing after the COVID-19 pandemic ends, and another 45 percent say they will do so in limited ways.*
- *We uncover this Long Social Distancing phenomenon in our monthly Survey of Working Arrangements and Attitudes.*
- *People who intend to continue social distancing are more likely to be out of the labor force, lowering the aggregate participation rate by 2.5 percentage points.*
- *Separate survey questions find that many individuals remain out of the labor force because of fears of infection with COVID-19 or other diseases. Such fears lower the participation rate by 2 percentage points.*
- *Lower labor force participation reduces the potential output of the U.S. economy by nearly 1 percent and shrinks the college wage premium.*
- *Long Social Distancing and its effects will likely persist for months, if not years. As of mid-2022, infection fears and their correlation with labor force status don't seem to be dissipating over time.*

For additional details, see the full working paper at https://research.upjohn.org/up_workingpapers/22-376/.

The COVID-19 pandemic brought more awareness of the infection risks that come with face-to-face encounters in public places, including the workplace. This shift in perceptions and its impact on the decision to work emerge clearly in data from our *Survey of Working Arrangements and Attitudes* (SWAA; see Barrero, Bloom, and Davis [2021]). Since May 2020, we have fielded the SWAA each month to thousands of working-age Americans with earnings of at least \$10,000 in the prior year. My [new working paper](#) with Nicholas Bloom of Stanford University and Steven J. Davis of the University of Chicago's Booth School of Business and the Hoover Institution (Barrero, Bloom, and Davis 2022) uses SWAA data from February to July 2022 to examine respondents' social distancing intentions and how they influence labor force participation, potential output, and the college wage premium.

More than 10 percent of SWAA respondents say they will not return to pre-COVID activities after the pandemic ends. Instead, they plan to avoid subways, crowded elevators, taxis, ride-hailing services, and dining at indoor restaurants. Another 45 percent say they will continue limited forms of social distancing. We refer to this phenomenon as “Long Social Distancing,” by analogy with Long COVID.

Despite the past-year earnings requirement to be included in the survey, many SWAA participants were not in the labor force (neither working nor seeking work) during the survey reference week. When asked why, 9 percent cited “worries about catching COVID or other infectious diseases” as the main reason. Another 13 percent gave concerns about infection as a secondary reason. These concerns correlate with social distancing intentions and depress labor force participation by 2 percentage points in our sample.

SWAA respondents with stronger preferences for continued social distancing are more likely to be out of the labor force. Compared to the case in which everyone returns fully to the in-person activities they engaged in before the pandemic, this pattern implies a 2.5 percentage point drag on labor force participation. The relationship is stronger among those without bachelor's degrees, due in part to fewer opportunities for remote work, which would allow for continued social distancing while staying in the labor force.

Long Social Distancing has implications for the U.S. economy and for the wage distribution. Because fewer persons are available for work, potential national output is 1 percent—about \$250 billion—lower than it would otherwise be. But Long Social Distancing pushes comparatively more non-college-educated workers out of the labor force, raising the wages of those remaining and thus shrinking the college wage premium—the percentage difference in average wages between college- and non-college-educated workers—by 1.0 to 2.6 percentage points.

Long Social Distancing

We examine social distancing intentions using a long-running series of SWAA questions first fielded in July 2020. The most recent version (fielded since June 2022) reads as follows:¹

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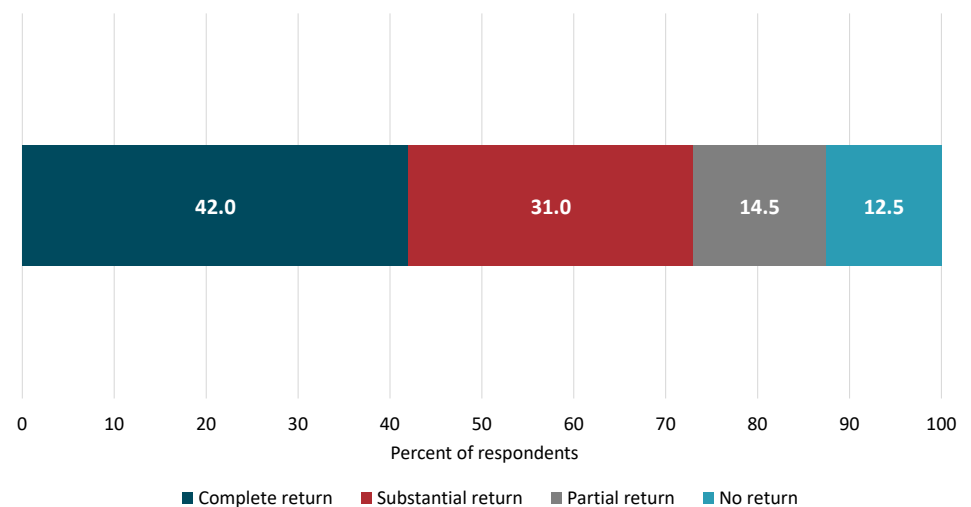
We refer to intentions to continue at least some forms of social distancing after the pandemic as “Long Social Distancing,” by analogy with Long COVID.

As the COVID-19 pandemic ends, which of the following would best fit your views on social distancing?

- Complete return to pre-COVID activities
- Substantial return to pre-COVID activities, but I would still be wary of things like riding the subway or getting into a crowded elevator
- Partial return to pre-COVID activities, but I would be wary of many activities like eating out or using Uber, Lyft, or other ride-hailing services
- No return to pre-COVID activities, as I will continue to social distance

Figure 1 shows the distribution of responses to this question for the period of February through July 2022. One in eight respondents intend to have “no return to pre-COVID activities,” continuing to social distance instead. Just under half (46 percent) plan either a “substantial” or “partial” return. Only 42 percent plan a “complete” return. We refer to intentions to continue at least some forms of social distancing after the pandemic as “Long Social Distancing.”

Figure 1 Long Social Distancing: 12.5% of Respondents Plan No Return to Pre-COVID Activities after the Pandemic Ends, and a Combined 45.5% Plan Less Than a Complete Return



NOTE: The figure shows the latest results of the survey question underlying the data. The sample includes respondents from the February 2022 to July 2022 SWAA waves. The SWAA samples U.S. residents aged 20 to 64 who earned \$10,000 or more in 2019 or 2021. (In February, we randomized across the two years and asked about 2021 starting with the March survey.) $N = 27,632$.

Because we have fielded this survey question since 2020, we can examine how preferences for continued social distancing have shifted over time. Rates of hospitalization and deaths attributed to COVID have fallen markedly but unevenly since 2020, so it is reasonable to hypothesize that social distancing intentions have also fallen. Indeed, the share of people planning a complete return rises from about 25 percent in July 2020 to more than 40 percent in all but one of the first seven months of 2022. But the share that intends “no return to pre-COVID activities” has stabilized since Summer 2021

¹We have modified the initial clause to keep the focus on a post-pandemic future. Between October 2021 and May 2022, the question began with “Once the COVID-19 pandemic has ended...” with nearly identical response options. Earlier, the initial clause referenced vaccine developments and uptake, since the prevailing view was that vaccine-induced herd immunity would end the pandemic.

Long Social Distancing has implications for the U.S. economy. Because fewer persons are available for work, potential national output is 1.0 percent—about \$250 billion—lower than it would otherwise be.

at roughly 12 percent. Thus, a persistent minority of U.S. residents have not budged in their plans to continue social distancing, regardless of changes in the pandemic situation.

The prevalence of the strong form of Long Social Distancing (“No return to pre-COVID activities”) falls with education and earnings, rises with age, and is higher for women than for men at all ages. Indeed, people with less education and lower earnings have a higher incidence of pre-existing health conditions that place them at greater risk of COVID and other infectious diseases. They also tend to work in jobs where it is harder to avoid interacting with others. Older people are also at greater risk from COVID-19, which has been well known since the start of the pandemic. Women are more likely to be primary caregivers for children and the elderly, so they may take more precautions to protect those in their care.

Infection Worries Deter Labor Force Participation

Since February 2022, we have asked the following question to SWAA respondents who are not in the labor force:

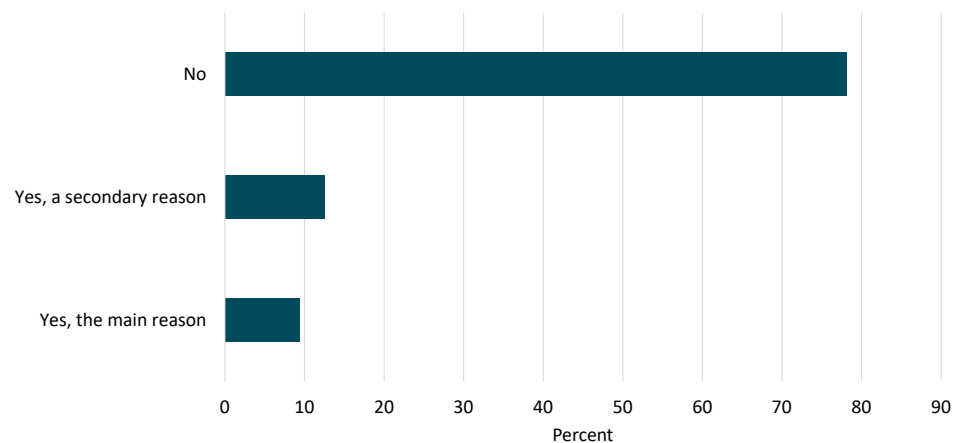
Are worries about catching COVID or other infectious diseases a factor in your decision not to seek work at this time?

- a) Yes, the main reason
- b) Yes, a secondary reason
- c) No

This question elicits the respondent’s own assessment of whether infection worries directly affect his or her decision not to seek work. We deliberately frame the question in terms of “catching COVID or other infectious diseases” to allow for the possibility that the pandemic experience increased the salience of all work-related infection risks, not just COVID-related ones.

As shown in Figure 2, 9.3 percent of respondents who are out of the labor force cite infection worries as the main reason for not seeking work, and another 12.5 percent cite such worries as a secondary reason. These results provide direct evidence that infection worries deterred labor force participation between February and July 2022.

Figure 2 A Combined Total of 22% of Sampled Persons Who Are Neither Working Nor Seeking Work Cite Infection Concerns as Either a Secondary or a Main Reason



NOTE: The sample includes respondents to the February and July 2022 SWAA who passed the attention check questions and indicated their working status in the week prior to the survey as “Not working, and not looking for work.” The SWAA samples U.S. residents aged 20 to 64 who earned \$10,000 or more in 2019. From February to July of 2022, 10.9% of all respondents were not working and not seeking work. $N = 3,081$.

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Compared to those who plan a “complete return to pre-COVID activities,” persons who plan “no return” are 15.3 percentage points more likely to be out of the labor force—a huge difference.

We quantify the impact of infection worries on the size of the labor force based on responses to the question above. For labor force nonparticipants who cite infection worries as the main reason, we attribute nonparticipation fully to infection worries; for those who cite it as a secondary reason, we attribute a weight of 50 percent. We attribute no role to infection worries for those outside the labor force for other reasons (the “No” response in the question above), as well as those who are employed or unemployed. Combining these attributions with the shares of each group in our survey, we estimate that infection worries lowered the labor force participation rate by 2 percentage points during the period from February to July 2022. On an earnings-weighted basis, however, the estimated drag is just 1.4 percentage points, because high earners (as measured by prior-year income) are less likely to say they are not seeking work because of infection fears.

Social Distancing Intentions and Labor Force Participation

Besides quantifying the impact of Long Social Distancing on labor force participation through infection worries, we also estimate this relationship using social distancing preferences. Compared to those who plan a “complete return to pre-COVID activities,” persons who plan “no return” are 15.3 percentage points more likely to be out of the labor force—a huge difference. Those who plan a “partial return” are 4.1 percentage points more likely to be out of the labor force, and those who plan a “substantial return” are 0.4 points more likely.

How much higher would labor force participation be if all survey participants planned a “complete return to pre-COVID activities,” holding constant the empirical relationship between social-distancing intentions and participation? The answer is about 2.5 percentage points, which is statistically robust to controlling for a battery of respondent characteristics.

However, social distancing intentions are stronger predictors of labor force participation among certain demographic groups, especially those with lower education. Performing the same exercise among respondents who did not attend college, we find a labor force participation effect of 4.8 percentage points; among respondents with a bachelor’s degree or more, the effect is a statistically insignificant 1 percentage point. These group-specific estimates are highly consistent in magnitude with analogous estimates we obtain from the infection-fears approach discussed above.

Implications and Prospects for the Future

Depressed labor force participation reduces the potential output of the U.S. economy. To estimate by how much, we assume workers produce proportionately according to their annual earnings (which is roughly consistent with official practice). Our estimates of the impact of Long Social Distancing, whether through infection worries or social distancing preferences, imply a reduction in aggregate earnings of about 1.4 percent. Because a 1 percent increase in labor earnings translates into approximately a 0.7 percent increase in output, Long Social Distancing results in roughly a 1 percent reduction in gross domestic product (GDP).

On the other hand, Long Social Distancing depresses labor force participation disproportionately for non-college-educated workers, so it makes them relatively scarce and thus raises their wages relative to those of college-educated workers. Our two approaches imply that the college wage premium—the ratio between the wages of college-educated and non-college-educated workers—shrinks by between 0.9 and 2.5 percentage points because of the relative scarcity of non-college-educated workers.

Finally, we find little evidence that the effects of Long Social Distancing are dissipating over time. We find no discernible change in social distancing intentions coinciding with the roughly 75 percent drop in COVID deaths since early 2022. And our estimates of the relationship between social distancing intentions and labor force participation have

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strengthened between July 2020 and July 2022. That pattern aligns with other evidence that searing personal experiences have persistent effects on perceptions and risk-taking behavior (Malmendier and Wachter 2022). At the same time, negative experiences and perceptions associated with COVID-19 have continued to accumulate as the virus has approached endemic status and Long COVID has become an increasingly greater concern.

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