

Closing Remarks

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October 21, 2021

Delivered virtually at the Federal Reserve's Community Development Research Seminar:
"Toward an Inclusive Recovery: Understanding and Empowering Women's Economic
Participation"

The views expressed by the author are her own and do not necessarily reflect those of the Federal Reserve System, its governors, officers or representatives.

I would like to thank all the speakers and participants for today’s lively discussion at this latest installment of the Federal Reserve’s Community Development Research Seminar. The focus on women’s labor force engagement is particularly important as the economy recovers, not only for women but also for the economy as a whole. And so, I’d like to close today’s program with a few thoughts on current labor market dynamics for women.¹

Unlike prior downturns, the pandemic has weighed more heavily on women than men. Women with less education, especially minorities, lost disproportionately more jobs and exited the labor force at higher rates during the pandemic recession. Mothers of young children have taken a harder hit than fathers, which stands in contrast with the experience during the Great Recession, when participation paths for mothers and fathers were similar.² Lack of affordable childcare options and lack of flexibility with work hours seem to be delaying a return to the labor force for many women, especially minorities.

When the economy reopened in the summer of 2020 there was a jump in the participation rate for prime-age workers – both men and women, but since then there has been little improvement, with the rate remaining almost 1.5 percentage points below its pre-pandemic level. But the largest and most persistent decline in participation has been among women, and in particular women without a college degree. Compared to the start of the pandemic, there are around 1.6 million fewer prime-age workers in the labor force, including 1.2 million fewer women without a bachelor’s degree. Among these women, Hispanic women, who had the lowest participation rate before the pandemic, are furthest from a full recovery, with a labor force participation rate 8 percent below the pre-pandemic level.

Where did these women go? One likely explanation is that school and day care closures during the pandemic created challenges for many parents, but especially for those with young children. A lack of access to childcare, the demands of home and virtual schooling, and health concerns have kept many women with young children (age 13 and younger) out of the labor force. A substantial body of research shows that, on average, working women shoulder more childcare responsibilities at home even when they have a spouse present. So, when children had

¹ I thank Kansas City Fed Senior Economist Didem Tuzemen for her assistance in preparing these remarks.

² Lofton, Olivia, Nicolas Petrosky-Nadeau, and Lily Seitelman. “Parental Participation in a Pandemic Labor Market.” *Economic Letter*. Federal Reserve Bank of San Francisco. April 2021.

to stay at home because of school and day care closures, mothers often had to pick up the additional childcare responsibilities.

The presence of young children has played an important role in the decline in non-college-educated women's participation in the labor force. At the onset of the pandemic, non-college-educated mothers experienced a large drop in participation. Although participation in this group improved through the summer of last year, it fell again with the start of the 2020 school year. Currently, only about 64 percent of these mothers of young children are participating in the labor force, which is almost 6 percent below the pre-pandemic level. In contrast, the participation rate of non-college-educated women without young children declined less during the downturn and recovered more afterwards.

Participation rates remain especially depressed among Black and Hispanic non-college-educated women with young children, likely related to difficulties in accessing affordable childcare. Enrollment in childcare programs dropped substantially when the pandemic hit in 2020. Low enrollment and continuing health risks caused many childcare providers to shut down their businesses, especially those in low- and middle-income areas. As the economy reopened and the job market started to recover, anecdotal evidence suggests that many of these mothers found themselves struggling to find affordable childcare programs in their communities. Temporary school closures and online schooling have also made it harder for mothers with school-age children to return to work. The current low levels of participation among these women suggest that many mothers may not be able to sustainably return to work until children are consistently back in school and access to affordable childcare programs becomes available.

The pandemic has also taken a toll on college-educated prime-age women, with participation among this group remaining almost a percentage point below its pre-pandemic level. While the majority of pandemic-related job losses have been in occupations where working from home was not possible, it was also true that work-from-home or "teleworkable" jobs were not pandemic-proof. College-educated women experienced larger employment losses and slower recoveries in these teleworkable jobs than their male counterparts.³ Moreover, recent survey evidence suggests that among those who were able to keep their jobs during the pandemic, employees are feeling increasingly burnt out. This seems to partly reflect a feeling

³ Tüzemen, Didem, and Thao Tran. "Were Teleworkable Jobs Pandemic Proof?" *Economic Bulletin*. Federal Reserve Bank of Kansas City. Sept. 30, 2020.

that they need to be available to work longer hours in a flexible work arrangement, with burnout seeming to escalate faster among women than among men.^{4,5} It is concerning that after the progress of recent years more women in corporate America seem to be considering downshifting their careers or leaving the workforce. Not surprisingly, childcare responsibilities seem to be the main reason why some mothers, especially those with young children, have thought about downshifting or leaving work.

These dynamics have important implications for both women and for the economy as a whole. Today's headlines are filled with references to labor shortages and a lack of available workers. With women showing the largest declines in participation relative to before the crisis, progress on labor shortages will certainly depend on bringing women back into the labor force. At this year's Jackson Hole Symposium, an important paper by Bart Hobijn and Ayşegül Şahin documented that a recovery in labor force participation often lags an improvement in the unemployment rate.⁶ This was apparent in the recovery from the 2008 financial crisis, as it took a prolonged period of a relatively hot labor market to bring many workers into the labor force. Similarly, it may require a hot labor market to draw women back following the pandemic.

At the individual level, even temporary absences from the labor market can have persistent effects on one's career trajectory and earnings potential. Today's depressed labor force participation could also affect tomorrow's progress on gender equality in the work force. We are already seeing how the pandemic has changed the way we work, with hybrid work environments becoming the new norm for many college-educated workers. Anecdotal evidence suggests that given the choice of working from home and returning to the office, women may be less likely to return to the office than men. Depending on how the workplace evolves, this development could exacerbate existing gender inequality in representation and career opportunities.

Preventing this dynamic will be an important consideration for employers as we transition to new ways of working. And I am hopeful that the insights from today's seminar will help to create a more equitable economic environment that offers the tools, resources, and opportunities women need to thrive.

⁴ *Women in the Workplace 2021*. McKinsey & Company.

⁵ The McKinsey study reports, "more than a third of employees feel like they need to be available for work 24/7, and almost half believe they need to work long hours to get ahead."

⁶Hobijn, Bart and Ayşegül Şahin. "Maximum Employment and the Participation Cycle." [JH2021HobijnSahinKCFedVersion.pdf \(kansascityfed.org\)](https://www.kansascityfed.org/jh2021/HobijnSahinKCFedVersion.pdf)

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