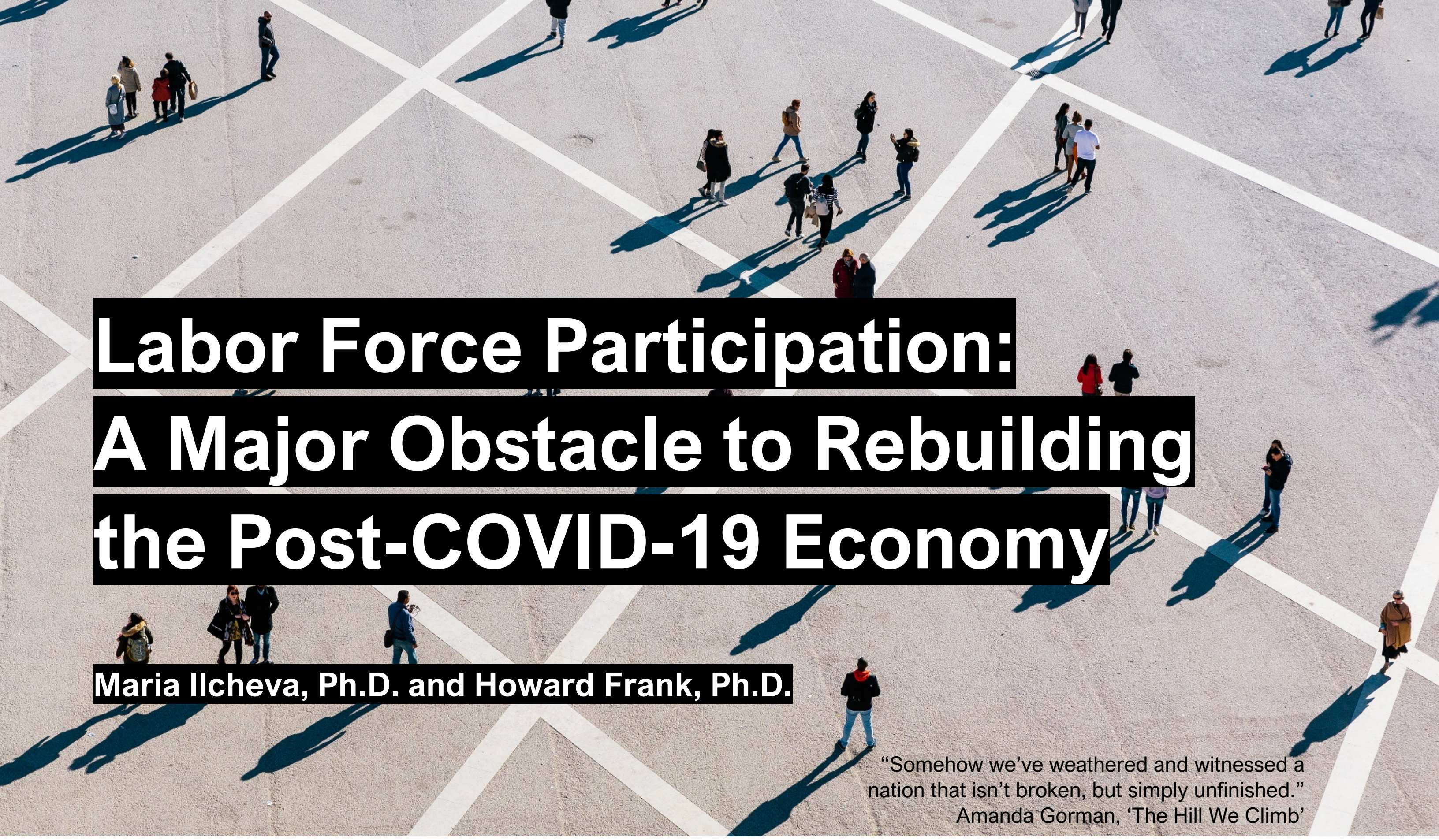

Labor Force Participation: A Major Obstacle to Rebuilding the Post-COVID-19 Economy

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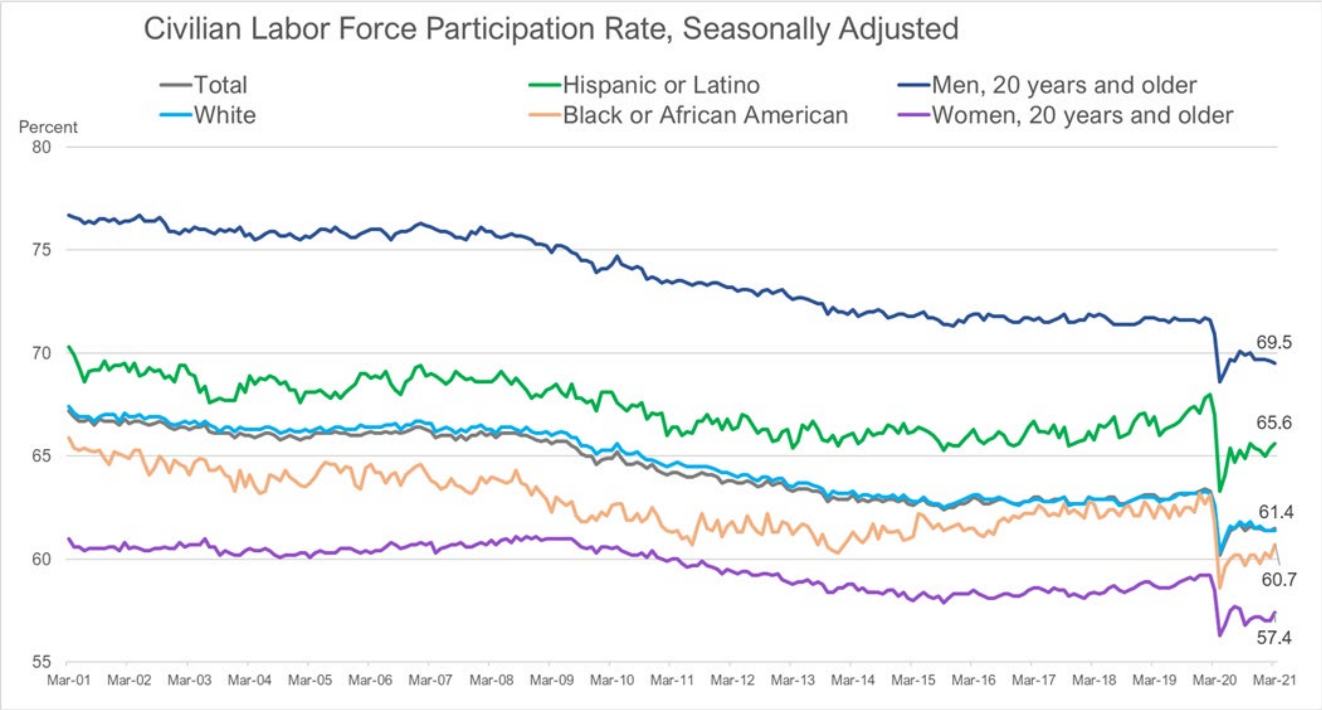
"Somehow we've weathered and witnessed a nation that isn't broken, but simply unfinished."
Amanda Gorman, 'The Hill We Climb'

While communities are planning for the post-COVID-19 world, it has become clear that a "return to normal" is not the desired state of affairs for many. Even as positive 2019 macroeconomic indicators were making headlines including U.S. Economy Heads Into 2020 With Steady Growth (*Wall Street Journal*) and Job Growth Gives the Economy an Upbeat Start to the Year (*New York Times*), a vast segment of workers were earning wages that put them and their families in a vulnerable state - a paycheck away from defaulting on bills and newfound food insecurity. At the turn of 2020, the unemployment rate was at a record low for nearly five decades, wage growth was outpacing inflation, and worker productivity was increasing. Yet, as we've seen play-out behind the headline-making indicators were deep-seated inequalities and hardship.

In 2019, over a quarter of U.S. households (26.5 percent) had incomes below $35,000. Over 30 million full-time workers, almost 30 percent of the labor force, had hourly earnings under $15 an hour. The seemingly booming economy was also falling short on the promise that "the rising tide lifts all boats." Income inequality persisted, with full-time working women in the United States earning just $0.82 for every dollar earned by men in 2019, a small decrease from the 21 cent gap in 2010. In the first quarter of 2021, the median weekly earnings of women working full time was $900, 17 percent lower than the $1,089 median for men. (Bureau of Labor Statistics, U.S. Department of Labor) For Black women and Latinas, the pay gaps in comparison to the pay of White men, are even larger. Women, Black and Hispanic workers, for whom there is also evidence of labor market discrimination, are overrepresented among low-wage workers. Beyond the income and inequality considerations is another indicator that points to some of the barriers to economic recovery: labor force participation. There is clear evidence our limited growth of real earnings and the economy is driven by a significant drop in labor force participation over the last 40 years linked to lower participation rates among certain workforce segments.



The labor force participation drop is often attributed to the aging out of the Boomers, but that is half the problem. Federal Reserve Bank research, using a segmented approach, suggests key demographic divides play a role. This is particularly true among women, whose labor force participation was increasing steadily until the Great Recession. Research also finds a segment of limited attachment workers who are now withdrawing altogether.

COVID-19 Impact on the Labor Force

The economic downturn caused by the pandemic exacerbated already existing inequities. Since 2016, the Metropolitan Center has produced several reports, tracking disparities between men and women, and progress towards closing the gender gap. As we noted in the 2019 Status of Women Report, "the most crucial indicator of equality is income parity, as it is a fundamental measure of equal rights, responsibilities, and opportunities." However, the report also highlights that earnings equality is connected with economic participation and opportunity.

The pandemic has had a highly differentiated impact on the U.S. labor market. The young, low-income, and women have borne a disproportionate brunt of the economic downturn. The layoffs in leisure and hospitality, and the service sectors overall, have led to some calling the economic downturn a "She-cession," given the predominance of women in these sectors. At the onset of the pandemic, in April 2020, the unemployment rate for both women and men skyrocketed - 15.5 and 13.1 percent, respectively. By March 2021, the unemployment rate declined substantially and although higher than the previous year, equalized at around 5.7 percent for women and 5.8 percent for men. In February 2020, labor force participation was 59.2 percent for women and 71.6 percent for men in the 20 years or older age group. By March 2021, participation was approximately 3 percent lower for both women and men.

In addition to a larger number of working-age women being out of the workforce, a larger proportion of women are only work part-time. Less than a third of women in the 16-64 age group (62 percent) worked full time, year-round in 2019, compared to 73.9 percent of men. (U.S. Census Bureau, American Community Survey) In fact, women comprise almost two-thirds of the part-time workforce. Hispanic and Black women are more likely to work part-time than White women. Women with children are also more likely to be out of the labor force or choose part-time work. In "normal" economic conditions, about a quarter of the workforce are involuntary part-time workers. The rest choose part-time work because of various reasons including childcare and other family obligations, health reasons, educational pursuits, and others. Historically, women have been more likely than men to work part time voluntarily - mothers with children under 18 are five times more likely to work only part-time than fathers.

Employment and Labor Force Participation in the Tri-County Region

Labor force participation in the Miami metropolitan area historically has been on par with the national rate. In 2019, approximately 64 percent of the U.S. population 16 years of age and older were in the labor force, compared to 63.6 percent in Miami-Dade County, and 66.4 percent in Broward County. Palm Beach County had the lowest labor force participation rate in the tri-county area at 60.1 percent. A higher percentage of Miami-Dade's workforce work full-time than nationally. In 2019, almost 76 percent of the county's workforce had full-time employment, compared to 68 percent in the United States.

In February 2020, the Miami metropolitan area had a 3.2 million strong workforce. In March 2021, the labor force had decreased by almost 5 percent or almost 150,000 workers. The labor force loss was most significant in Miami-Dade: 7.2 percent decrease, or almost 100,000 workers.

In addition to the withdrawal of some workers from the workforce, Miami-Dade also has the highest unemployment rate in the state - 8.2 percent in March 2021. Broward's unemployment rate was 5.3 percent and Palm Beach's was 4.7 percent. The recovery in economic sectors related to travel – accommodations, food services and retail – is reflected in the high number of job openings. While total employment is still down from the pre-pandemic peak, there is a significant uptick in job postings. At the end of April 2021, according to Burning Glass Labor Insight™, the Miami metropolitan area had over 284,000 job postings. By comparison, there were just under 180,000 postings in the same period of 2019, and about 225,000 in 2020. In 2021, the top five included registered nurses, sales, retail, customers service and waitressing positions. However, there have been multiple reports in local media about the challenges of employers to find workers and some evidence that the labor shortage is driving wages up. Some employers also suggest that unemployment benefits and economic impact payments, or stimulus checks, create a disincentive for workers to rejoin the labor market.

Strategies to Improve Participation and Reduce Inequities

In the JPMC's policy brief, When Work Disappears: Planning the Post-COVID Economy, we posed the question, "*Do we attempt to emulate, as much as possible, the pre-COVID economy or do we seize this opportunity amidst the calamity of the current economic shock to correct longstanding vulnerabilities and inequities and commit to building more resilient and inclusive local economies?*" The policy brief outlined broader policies and strategies, related to industry development and workforce reskilling/upskilling. But, the success of these strategies is also linked to the re-engagement of discouraged and marginally employed workers that requires addressing the barriers to entry and retention of the workforce.

Labor market policies help jobless workers stay in the labor force and match them with employment opportunities. Such policies may include job search and placement services, training programs and wage subsidies. The U.S. employs mostly passive labor market policies, focused on providing financial support for unemployed workers during downturns, instead of training and job-search assistance for unemployed workers, and incentives to employers for expanding their workforces. However, even before the pandemic, with the record-low unemployment, there were signs that segments of the working age population were staying out of the workforce. The employment-population ratio measures the percentage of those employed to the working age population. In 2019, the employment-population ratio for Miami-Dade women in the 20-64 age group was 9 percentage points lower than men's. The ratio for Blacks and African Americans was 6.4 percentage points lower. In March 2021, the U.S. ratio was 54.1 percent for women and 65.4 percent for men. This ratio accounts for the over 8 million loss in the labor force from February 2020 to February 2021.

Strategies to address labor force participation are segmented. Keeping 55 to 62 year-olds in the labor force may not be amenable to local government, private sector, or educational sector policy levers. Keeping older workers employed will probably require federal action on a number of fronts, including changes to Social Security (limiting or eliminating the earnings disregard), Medicare eligibility, and adoption of rules and policies that encourage "step down" by employers.

Younger segments are a different story. Here, local institutions have vital roles to play in job training. They, working along state partners, are also vital sources for labor market linkages between the unemployed and retraining opportunities. Local institutions are also providers of affordable, quality day care, a critical ingredient for women seeking to enter or remain in the workforce.

According to the Bureau of Labor Statistics' Consumer Price Index (CPI), between 1991 and 2021, the average inflation rate of childcare and nursery school was almost 3.8 percent per year. Childcare and nursery school costs in U.S. more than tripled in the last three decades. The U.S. Department of Health and Human Services has established an affordability standard that childcare should cost no more than 7 percent of a family's income. It is estimated, that on average, families with children spend 10 percent of their income on childcare. Childcare costs and lack of access to *quality* childcare can diminish opportunities for young parents, especially mothers, for job opportunities and career growth, and even lead them to disengage from the labor force altogether. Access to free and affordable childcare is also linked to income, much like other social assistance programs. Employment and earnings above a certain threshold may create a benefits cliff for families.

Childcare considerations may have long-term demographic and economic impacts. Birth counts have been decreasing year-over-year since 2016, in Florida and in Miami-Dade. In 2020, there were fewer than 28,000 (27,699) babies born in Miami-Dade. That is an almost 20 percent decrease since 2007, before the Great Recession, despite the significant population increase our area experienced since then. In 2021, we will likely see a sharp drop in births because of economic insecurity.

Another component of improved participation in the 21st Century economy is reframing part-time employment, with consideration to enhanced benefits often reserved for full-time workers. The "Gig" Economy is here to stay, but contingent employees are forced to balance work flexibility and sustainability in the context of household obligations.

Labor force participation is one of America's most critical economic challenges. In a country with slowing population growth and increasingly restrictive immigration, growing the economy and reducing wage and wealth inequity will be difficult, if not impossible, without efforts at reversing decades-long trends in labor force participation.