

For release on delivery
1:15 p.m. EDT
October 19, 2021

Welcoming Remarks

Remarks by

Michelle W. Bowman

Member

Board of Governors of the Federal Reserve System

at the

Women in Banking Symposium

Richmond, VA
(via webcast)

October 19, 2021

Good afternoon. It is a pleasure to be able to join you today for this conversation, and as a bank regulator and former banker, I am pleased that this conference is making the case for diversity in terms that everyone in business can understand. At any time, but especially now when attracting and keeping skilled and talented employees is so challenging, it only makes sense that you'll get the best employees if both men *and* women see a business with diverse leadership, and the opportunity to advance. And when a large share of your customers are women, when understanding their perspective is so important to your business, having women in leadership positions will help you serve these customers better and make you a more profitable and successful enterprise.

In the year and a half since the pandemic began, life has changed in many ways, deeply impacting how we work and how we spend our time and money. The effects of these changes on the economy have been significant. So today, I would like to focus my discussion on how all of this has affected women in the labor market. Of course work has changed for nearly everyone in the labor force, but for women, the changes have arguably been greater during this time than any other since World War II. Back then, millions of women entered the workforce to step into roles historically reserved for men, and this time millions left the workforce to deal with school closures and other changes to home life caused by the pandemic. One question is how durable these changes may be. Therefore, today, I will also consider how these shifts may affect women's long-term financial prospects and will end with ideas about potential ways to make it easier for women to join or rejoin the workforce.

Effects of the Pandemic on Women's Employment

When considering the level of employment, I tend to focus on both the unemployment rate and the labor force participation rate. Let's start with the unemployment rate. The economic and social distancing restrictions imposed at the onset of the pandemic resulted in enormous job losses, with the unemployment rate surging from 3.5 percent in February, which was a 50-year low, to 14.8 percent in April 2020. Women were affected more than men, which

is a change from previous recessions, when men typically suffered greater job losses than women. In February 2020, the unemployment rate for women was slightly lower than for men, but by April it had risen to 16.1 percent, compared to 13.6 percent for men. That difference continued only until September, but this statistic does not reveal the fact that many women were leaving the workforce, and therefore not counted in unemployment. Their labor force participation fell more than the participation rate for men and at last count, there were two million fewer women in the labor force than before the pandemic.¹ The difference in employment for men and women held true across some minority groups.²

Reasons Why the Pandemic Affected Women Differently

So, what led to this decline in women's employment and what specific factors contributed to women's employment and their choice to leave the labor force? And why has this time been different than other points in our history, resulting in larger declines for women relative to men?

In contrast to previous crises, COVID-19 had a larger impact on occupations with higher numbers of female workers. Women are disproportionately represented in high-contact jobs with less flexible work conditions, including lodging, food service, eldercare, and childcare, which were among the sectors most affected by the crisis. Most of these jobs cannot be performed from home or have less flexibility in the timing of when they can be performed. Roughly a quarter of women worked in these jobs, compared with around 10 percent of men.³

¹ The statistics cover adults 20 years and older, with seasonal adjustments, and come from the current and historical tables A-1, A-2, and A-3 of the BLS Employment Situation report. See U.S. Bureau of Labor Statistics, "The Employment Situation — September 2021," news release, October 8, 2021, <https://www.bls.gov/news.release/empsit.nr0.htm>.

² Labor force participation rates declined by 6.8 percent for Hispanic women and 4.2 percent for Black women between February 2020 and September 2021. Statistics come from current and historical tables A-1, A-2, and A-3 of the BLS Employment Situation report. See U.S. Bureau of Labor Statistics, "The Employment Situation — September 2021."

³ Stefania Albanesi and Jiyeon Kim, "Effects of the COVID-19 Recession on the US Labor Market: Occupation, Family, and Gender," *Journal of Economic Perspectives* 35 (Summer 2021): 3–24, <https://www.aeaweb.org/articles?id=10.1257/jep.35.3.3>.

This is one reason why female unemployment rose dramatically in comparison to male unemployment during the spring of 2020.

Women's labor participation declined as the pandemic affected their ability to participate in the workforce. The lockdowns and layoffs in response to COVID disrupted daycare centers, schools, and other organized childcare, which continue in some areas even today. Traditional family supports, like extended family and grandparents, were also limited due to concerns about the virus and social distancing.

Another factor was that caregiving responsibilities increased significantly during the pandemic, especially for women, including those who were participating in the workforce. Balancing work and family obligations has long been the reality for women. Studies have shown that women spend about twice as much time caring for and helping with children than men, and there is a significant disparity in many families where both men and women work. Even before the pandemic, most working mothers said they came home to a "second shift" of work. The pandemic served to amplify those family responsibilities, and I don't think it is surprising that as a result women dropped out of the workforce at a higher rate than explained by industry-mix and labor dynamics.

Even more striking, the data show that while labor force exits increased for all women, they increased by more among women living with children under the age of six.⁴ We saw more exits by single mothers and mothers with lower earnings at the beginning of the pandemic, perhaps because they were less able to find alternative childcare arrangements. Even now, as childcare centers have reopened, worker shortages and related cost increases are limiting the number of children who can be cared for at each facility. Higher childcare costs impact single

⁴ Katherine Lim and Mike Zabek, "Women's Labor Force Exits during COVID-19: Differences by Motherhood, Race, and Ethnicity," Finance and Economics Discussion Series 2021-067 (Washington: Washington: Board of Governors of the Federal Reserve System, 2021). <https://doi.org/10.17016/FEDS.2021.067>.

and lower-income mothers disproportionately. Therefore, I see a risk that lack of childcare availability will continue to hold women back from participating in the labor force, which could be a drag on the economy.

The final factor to consider is retirements. Many older workers who left the labor force are unlikely to return, and more of those workers were women. The Bureau of Labor Statistics reports that labor force participation among women 65 and older has fallen significantly more sharply than among men. Many additional workers over 55 dropped out of the labor force and over time will effectively retire. The loss of these workers will limit the productive capacity of the economy, and may make it harder, or even impossible in the near term, to return to the high level of employment achieved before the pandemic.

Long-Term Effects

As the economic expansion continues, the lingering effects of the pandemic could have long-lasting implications for women's job opportunities and in the longer term for their careers. As the job market strengthens, many women, particularly minority women, say they are considering returning to the labor force.⁵ History tells us that the longer workers remain out of the workforce, the less likely it is that they will return to employment and the greater the likelihood that they will lose skills and connections with the job market, which could weigh on labor force participation and earnings for years to come.

There are also effects that are difficult to quantify on the careers of parents who have to juggle even more responsibilities.⁶ Employees who kept their jobs but reduced their hours or struggled to balance work and home life may find themselves in weaker positions for promotions, raises, and other advancement.

⁵ Lim and Zabek, "Women's Labor Force Exits."

⁶ Misty L. Heggeness, "Estimating the Immediate Impact of the COVID-19 Shock on Parental Attachment to the Labor Market and the Double Bind of Mothers," *Review of Economics of the Household* 18 (October 2020): 1053–1078, <https://link.springer.com/article/10.1007%2Fs11150-020-09514-x>.

These issues extend to women business owners. Compared to male business owners, women have reported worse financial health and have less confidence in the future of their businesses.⁷

Some longer-term factors affecting women's careers are hard to measure, and it may be some time before the full effects of the pandemic are clear. Even those who are working may face fewer opportunities to switch careers, or their employment and finances may be too tenuous to take time out to enhance their education or skills.

What Can Help?

While it's helpful to talk about the issues and their impact on women and employment, and I appreciate the opportunity to discuss them, it is also necessary to encourage research on potential solutions. What can we do to increase opportunities for women who must balance work and home, and what could help keep them from dropping out of the labor force?

First, we should recognize the importance of caregiving for young children in the lives of working parents. Many of our Federal Reserve Banks are exploring how important early childhood education and care are for working families. Many are also conducting research on childhood education investments, challenges facing the childcare sector, and the longer-term benefits that childcare and education provide.⁸ Of note, the Federal Reserve Bank of Richmond recently published a case study of the success of early childhood education in Danville, Virginia, which is part of the fifth District. In 2010, this rural community had few and fragmented early child care and educational services. Strong partnerships and investments in this area have created an early-childhood ecosystem, connecting providers, local services, and parent education

⁷ U.S. Chamber of Commerce, *Special Report on Women-Owned Small Businesses During COVID-19* (Washington: Chamber of Commerce, August 26, 2020), <https://www.uschamber.com/report/special-report-women-owned-small-businesses-during-covid-19>.

⁸ "Early Childhood Development," Federal Reserve Bank of Minneapolis, <https://www.minneapolisfed.org/topic/early-childhood-development>; "Investing in the Future of Child Care," Federal Reserve Bank of San Francisco, <https://www.frbsf.org/community-development/initiatives/investing-future-child-care/>; "Early Child Care for Working Parents," Federal Reserve Bank of Boston, <https://www.bostonfed.org/community-development/expanding-employment-opportunities/early-child-care-for-working-parents.aspx>.

classes.⁹ I'd like to commend my colleagues in the Federal Reserve System who are adding to our base of knowledge through these types of initiatives.

Finally, we need more research to understand the many ways that women's work opportunities and experiences are different from men. I'm happy to share that these are topics the Federal Reserve will continue to explore over the next few weeks. On October 21st, the Federal Reserve Banks of Dallas and Kansas City will hold a seminar on *Understanding and Empowering Women's Economic Participation*, part of our ongoing community development research seminar series. And the Federal Reserve Board will also host a virtual conference on *Gender and the Economy* on November 8th.

Thank you again for inviting me to join you today, and I look forward to our discussion.

⁹ Renee Haltom, "Rural Spotlight: Advancing Early Childhood Education in Danville-Pittsylvania," Rural Spotlight series (Richmond: Federal Reserve Bank of Richmond, October 7, 2021), https://www.richmondfed.org/research/regional_economy/regional_matters/2021/rm_10_07_21_early_childhood.