Working Women in the Pandemic Era

Remarks by

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It’s a pleasure to be with you today to talk about a subject that I experience directly—women’s labor force participation.¹ I come to this issue with a similar perspective to this Commission, being from a heavily rural state and a small farming and ranching community deep in the Flint Hills of Kansas. But I also have roots here in Arkansas, my husband’s family is from Hardy, and my father’s mother was from Little Rock. It’s really nice to be back in an area where I spent a lot of time growing up.

My husband and I returned home to Kansas with our two children under three in late 2009, just as the impacts of the last financial crisis were making their way to rural areas. At the time, I was a community banker, which means I was also a very active member of the community. As I am sure many of you did then, I saw firsthand the economic impacts of the recession and the increased drug and opioid use that devastated many rural communities across the Midwest.

At that time, many in the community received benefits from well-intended programs created to provide assistance, which often made it very difficult for small employers to find employees. This was often because, as I learned when trying to hire employees at our local chamber of commerce, the benefit from taking a job was much less than the benefit one could receive from the government at that time while not working. This is one major similarity between the current experience and the last recession, except that in this episode, the benefits many received were far in excess of what they could earn from working. So much so that the benefits provided to a large number of Americans resulted in a significant increase in savings, which is only recently

¹ These remarks reflect my views and not necessarily those of my colleagues on the Board of Governors and the Federal Open Market Committee. I am grateful to Federal Reserve staff members Nick Carollo, Wendy Dunn, Charles Fleischman and Stacey Tevlin for their assistance in preparing this text.
beginning to decline and likely leading many who had not yet decided to re-enter the workforce to find work. These labor supply problems, as I will explain, are a large part of women’s experience in the workforce since the pandemic, and the lesson from this and other recessions is that policymakers need to carefully weigh all of the consequences of their decisions.

It is fair to say that the majority of the economic conditions we are experiencing today, like inflation, are different from those of the last financial crisis. But as I just noted, there are some similarities in the impacts on the labor force.

Turning to the subject of my remarks today, I will discuss the role of women in the U.S. economy, focusing on the period since the onset of COVID-19. You may already know that women suffered disproportionately more job losses than men during the pandemic. This was the opposite of what happened in past recessions, when men lost jobs at a higher rate than women. The difference this time has led some to call the 2020 downturn a “she-cession.” Most of the differences between how men and women fared in the labor market during that time had reversed by 2021, but their different experiences highlight how participation by men and women can sometimes be driven by different forces.

The backdrop for recent events is the long history, starting after World War II, of women gradually entering the labor market. Of course, women have always significantly contributed to and played a large role in the U.S. economy, but initially in ways that don’t show up in most government statistics. The rise of industrialization and the shift away from an agrarian economy provided opportunities for men to work outside the home and

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women took on more responsibility for cooking, sewing, child-rearing and other domestic
tasks. We heard an echo of that history during the pandemic, because when schools
closed and other childcare was disrupted, women assumed the majority of those
caregiving responsibilities, which led many to quit their jobs and drop out of the labor
force. This magnified the effect by eliminating jobs in childcare resulting in even more
unemployment. But that wasn’t the only reason why women were impacted during this
episode.

Let me start with the big picture on the differences between men and women in
the labor market. Before 1950, few women worked outside the home and the majority of
those who did were unmarried. From 1950 to 1970, more women entered the workforce,
but many did not plan to work for the long term, and their investment in education and
training was often limited. By the mid-1970s, barriers that limited opportunities for
women in many workplaces began to fall, and by 1990 the education gap between men
and women narrowed significantly. Women’s participation steadily increased from there
until the gains leveled off in the 1990s, but then rose again from 2015 to 2020, just before
the pandemic. The narrowing of educational attainment for men and women had a lot to
do with the narrowing of participation rates over the decades, and today women are more
likely than men to hold a bachelor’s degree. Even so, before the pandemic, overall
participation remained lower for women than men regardless of education level.

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3 See Claudia Golden (2021), Career & Family: Women’s Century-Long Journey Toward Equity
The response to the COVID-19 pandemic caused the most abrupt decline in employment in the history of this nation.\(^5\) The lock-downs and other government restrictions on businesses severely limited work, education, and travel. In February 2020, over 60 percent of working-age people had a job or were looking for work, but by April it was closer to half that amount. The pandemic hit all sectors of the economy, but the toll was especially heavy on in-person, close-contact service industries—restaurants, hotels, airline travel, and retail businesses other than big box stores, grocery stores and pharmacies. These in-person service-industry jobs were considered more conducive to spreading COVID-19, they were more affected by government-mandated shutdowns and social distancing, and teleworking was generally not possible.

Unlike any previous recession, the downturn in employment fell more heavily on women than men. The unemployment rates for men and women were essentially the same before the pandemic but ended up much higher for women.\(^6\) That was very different from past recessions. For example, after the recession following the housing crisis, unemployment for prime working age men rose to 11 percent, compared to only 9 percent for prime age women.\(^7\)

The women’s labor force participation rate is another way to measure their presence in the workforce. Women have made significant progress in closing the gap with men since the 1960s, including in the five years before the pandemic, but that gap

\(^5\) In just two months, the unemployment rate rose from 3.5 percent to 14.7 percent. While unemployment was higher during the Great Depression of the 1930s, it never rose this quickly.
\(^6\) Unemployment rose to 16.1 percent for women but only 13.5 percent for men in April 2020.
\(^7\) The U.S. Department of Labor define prime age workers as those 25-54.
reopened after the onset of COVID-19.\textsuperscript{8} The number of both prime working age men and women in the labor force plunged, but the drop was half a million larger for women.

From what we know now, there appear to be two main reasons why the pandemic downturn affected women more than men. First, even after the dramatic employment gains over the past 50 years, women are still most often the primary caregivers to children and other family members. They shouldered most of the childcare burden from the COVID school closures. Second, a higher proportion of women worked in and continue to be employed in positions in the high-contact service sectors that were hit hardest by the pandemic.

Caregiving burdens in the United States have always fallen more heavily on women. In the 20 years before the pandemic, roughly one-fourth of prime-age women with children didn’t participate in the workforce. An even larger share of women with children under five were primarily engaged in childcare. Many women with children tend to cycle in and out of employment based on their family’s childcare demands. Women are significantly affected by the summer childcare burdens of families with children. Each year between May and July, when schools close for the summer, the employment-to-population ratio for prime age women declines by more than a percentage point and then rebounds when schools reopen in the fall. That difference is one-third of the total drop that prime-age women experienced following a very bad recession, the one following the housing crisis.\textsuperscript{9}

\textsuperscript{8} Part of the reason women closed the participation gap with prime working age men after 1965 is that participation by this cohort of men gradually declined. Major reasons for this decline in prime age male participation likely were increasing trade, globalization, and technological changes that reduced the number of manufacturing jobs, which were held primarily by men.


Today, working women still carry out most childcare responsibilities. One study conducted before the pandemic found that when both parents work, women spend 50 percent more time on childcare than men. And when the pandemic closed many schools, it was largely women who stayed home. Women with children saw their labor force participation rate and employment-to-population ratio fall more than for women without children, while men were much less affected regardless of whether they had children. According to one Federal Reserve study, increased caregiving burdens for mothers with school aged children accounted for about three-fourths of the decline in women in the labor force from February 2020 to August 2021 but only about one-third of the decline for fathers. Even after most children returned to in-person schooling, caregiving continues to weigh on female participation in the labor force, likely because of increased care for elderly or ill family members.

The other major factor affecting women during the pandemic was the larger number of female employees in high-contact service-sector jobs, where demand dropped sharply during the pandemic and the government-imposed restrictions in response to COVID-19.

During past recessions, women experienced fewer job losses because service-sector jobs were more stable in downturns. Historically, goods-producing industries were harder hit, and men, who tended to hold these roles, were more likely to lose their jobs. But during the pandemic, it was service jobs that were more likely to be lost. Before the

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10 https://www.pewresearch.org/fact-tank/2015/10/01/women-more-than-men-adjust-their-careers-for-family-life/
12 Montes, Smith and Leigh (2021.)
13 Albanese and Sahin (2018)
pandemic, more than 75 percent of these workers were women. Between February and April 2020, service sector employment fell 40 percent. Job losses in other industries with greater proportions of male workers, like manufacturing, were much smaller. We have also seen recovery in service-sector jobs lag behind other sectors. Employment in industries that tend to have larger shares of female workers, such as leisure and hospitality, education, and health services, is still below pre-pandemic levels. The losses for women are even larger when considering how fast these industries were growing before the pandemic.

The shift to remote work may have been a mitigating factor for employment for women without college degrees. Overall, workers without college degrees were hit particularly hard by the pandemic recession because remote work was much more common for those with a degree. However, women without degrees were affected less than men, probably because the jobs they held were more likely to be able to be performed remotely than those of men without college degrees.

We have seen a substantial recovery in the labor market for both genders since the worst of the pandemic. By the end of 2020, unemployment rates had equalized, and the gap between gender participation rates had returned to pre-pandemic levels in 2021. However, because that gap had been narrowing in the five years prior to the onset of COVID, we can assume that the participation gap would have continued to decrease over that time.

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15 25 percent of non-college women worked remotely at that time, compared with 14 percent of non-college men. Goldin (2022)
So, based on what we know about the history and recent experience of women in the labor market, what does the future hold for working women?

On the demand side, the labor market continues to be strong and there are abundant job opportunities for workers of all education and skill levels. With about four million fewer people participating in the workforce today, there are still plenty of jobs available even if we see the number of job openings reduced. We are also seeing a larger number of women graduating from college than men, a development that is likely to help insulate women from job losses in future recessions.

One complication is that the future of labor supply is uncertain, and it is difficult to predict how labor force participation will evolve. Factors like generational aging were already weighing on labor supply before the pandemic, and we saw millions of workers accelerate retirement during the pandemic, effectively retiring early. Even the strong labor market has not yet lured many of these early retirees back, and some believe that as time passes it becomes less likely that they will return. Over time, those who chose to leave the workforce early will move into a normal retirement age. We really don’t know if gender will be a factor here as this is the first generation to retire that had large numbers of women in the workforce, but workforce aging is an important consideration when it comes to labor supply. We also don’t know how the influence of inflation will affect decision making about returning to the workforce, but some may feel compelled to return to work.

Another consideration is caregiving demands and how those responsibilities will be shared within households. While I hope that we never see a public health emergency like the one we’ve just been through, I hope that if we do, we can avoid the governmental
decisions to intentionally disrupt foundational education and the unnecessary forced isolation of children. These policies have left a significant impact on this generation of children, on families and their decision making about many things including participation in the labor force.

One ongoing labor supply issue relates to the lingering effects of COVID that can interfere with the ability to work or impose additional caregiving needs for family members. By one account, nearly a fifth of adults who contracted COVID reported ongoing symptoms of “long COVID,” affecting significantly more women than men. At the same time, the number of working-age people with disabilities has increased significantly. While the number of Americans reporting a disability had been rising gradually over the past decade, the increase picked up in mid-2020, and about 2 million more people reported they had a disability in July 2022 than at the outset of the pandemic.16

Disability has been a major drag on the work force in rural areas in the past. Living in rural Kansas following the last recession, as I mentioned earlier, I am very familiar with the challenges that disability presents for many aspects of the community—beyond just economic conditions. Disability is also a significant challenge in Arkansas. Women’s labor force attachment in Arkansas is below the national average. In the five years before the pandemic, about 72 percent of prime-age women here were either working or looking for work, compared with 75 percent nationally. This difference in

labor force participation is primarily explained by illness or disability and existed long before the onset of COVID.

There is no magic wand that will draw workers back into the labor force, especially when generous government benefits programs are provided for those who are capable of working. But as challenging as these issues are to address, there are some lessons to draw from experience and research regarding approaches that encourage people to work. Research suggests that assistance programs including job search assistance, training programs, and private-sector employment subsidies increase the likelihood of employment by up to 10 percent for those who utilize the programs.\textsuperscript{17} The benefits of this assistance are not always immediately realized, but women were more likely to benefit from job training and private-sector employment programs.

In conclusion, although we still have about 4 million people out of the pre-pandemic workforce, we continue to see strong employment gains and low unemployment rates—the kind of labor market that historically has pulled in more workers. As the service sector continues to recover and as schools and childcare establishments open more fully, I see potential for greater employment opportunities for women in the future. Obviously, economic conditions will influence job opportunities going forward. Today’s high inflation and strong employment will likely create some pressure on labor and employment.