

## Equitable Workforce Recovery

# REWORKED: A CONVERSATION ON EQUITY IN RECOVERY FOR WORKERS

By Ashley Putnam and Theresa Singleton

### What the Pandemic Revealed

The U.S. economy is showing signs of recovering from the COVID-19 pandemic. Most of the GDP losses have been recouped,<sup>1</sup> hard-hit businesses are starting to reopen and hire,<sup>2</sup> and many people are finally going back to work. However, it is clear that the recovery is not reaching all communities equally. BLS statistics show that of the 8.7 million unemployed workers in the United States in July 2021 there were 3.4 million long-term unemployed (those who had been out of work for 27 weeks or more), accounting for 39.3 percent of the total. From June to July 2021, unemployment rates decreased by 0.5 percentage point from 5.9 percent to 5.4 percent; however, Hispanic (6.6 percent) and Black (8.2 percent) workers continue to experience the highest rates of unemployment, according to the Bureau of Labor Statistics (BLS).<sup>3</sup> Moreover, nearly 2.3 million women have left the labor force since the

start of the pandemic,<sup>4</sup> with studies showing that mothers in particular are leaving the workforce.<sup>5</sup>

The disparities in unemployment rates reflect a history of labor market policy decisions and have long-term costs to the economy. Federal Reserve Bank of San Francisco research estimates that by closing racial and gender disparities in our labor market, we could add \$2.6 trillion to our GDP.<sup>6</sup> Growing a more inclusive recovery is good for the economy at large.

Historical gaps that have been compounded by the economic impacts of the pandemic have highlighted a need for a more intentional conversation around equity in our workforce recovery. In order to better understand what an equitable workforce recovery would look like and how policies and programs can help achieve this goal, the Federal Reserve Bank of Philadelphia is launching a discussion series to explore what needs to be done to create a more equitable workforce recovery.

1 FRED, "Gross Domestic Product: Quarterly," Federal Reserve Bank of St. Louis, second quarter 2021, [fred.stlouisfed.org/release/tables?rid=53&eid=12998#](https://fred.stlouisfed.org/release/tables?rid=53&eid=12998#).

2 See Chris Isidore, "Pandemic recovery picks up speed as employers add 916,000 jobs," CNN.com, April 2, 2021, [www.cnn.com/2021/04/02/economy/march-jobs-report/index.html](https://www.cnn.com/2021/04/02/economy/march-jobs-report/index.html).

3 See the BLS's press release, "The Employment Situation – July 2021," available at [www.bls.gov/news.release/archives/empsit\\_08062021.htm](https://www.bls.gov/news.release/archives/empsit_08062021.htm).

4 ALFRED, "Labor Force Participation Rate - Women," Federal Reserve Bank of St. Louis, [alfred.stlouisfed.org/series?seid=LNS11300002](https://alfred.stlouisfed.org/series?seid=LNS11300002).

5 See Daniel Aaronson, Luoja Hu, and Aastha Rajan, "Did COVID-19 Disproportionately Affect Mothers' Labor Market Activity?" Chicago Fed Letter, No. 450, January 2021, available at [www.chicagofed.org/publications/chicago-fed-letter/2021/450](https://www.chicagofed.org/publications/chicago-fed-letter/2021/450).

6 See Shelby R. Buckman, Laura Y. Choi, Mary C. Daly, and Lily M. Seitelman, "The Economic Gains from Equity," Federal Reserve Bank of San Francisco Working Paper 2021-11, April 2021, available at [www.frbsf.org/economic-research/files/wp2021-11.pdf](https://www.frbsf.org/economic-research/files/wp2021-11.pdf).

The Federal Reserve Bank of Philadelphia's Economic Growth & Mobility Project defines an equitable workforce recovery as one that:

1. **acknowledges and examines** the root causes of employment disparities;
2. **targets interventions** to disproportionately impacted populations;
3. **removes barriers** to work, training, and education;
4. **encourages** improved job quality and supports for workers; and
5. **increases access** to career pathways that lead to financial stability.

## Lessons from Previous Recoveries: A Rising Tide Does Not Lift All Boats

While there has been a lot of focus on getting the economy back to normal, the data and trends before the COVID-19 pandemic demonstrate that normal has not worked for everyone.<sup>7</sup> Lessons from past economic downturns show that Black and Hispanic workers and women are likely to experience greater job losses and recover wages and assets more slowly.<sup>8</sup>

Data from early 2021 indicated similar trends may be happening in the COVID-19 recovery.<sup>9</sup> To shift these patterns, we need to change the conversation. This means addressing the gaps that existed in the labor market before the pandemic and looking at equity, not equality. Equity means removing barriers, addressing the root causes of inequalities, and

7 See Paul Flora, "Regional Spotlight: Labor Market Disparities," Economic Insights, Federal Reserve Bank of Philadelphia, available at [www.philadelphiafed.org/the-economy/regional-economics/regional-spotlight-labor-market-disparities](http://www.philadelphiafed.org/the-economy/regional-economics/regional-spotlight-labor-market-disparities).

8 See Ray Boshara and William Emmons, "After the Fall," 2012, [www.stlouisfed.org/~media/files/pdfs/publications/pub\\_assets/pdf/ar/2012/2012-annual-report-essay.pdf](http://www.stlouisfed.org/~media/files/pdfs/publications/pub_assets/pdf/ar/2012/2012-annual-report-essay.pdf); Tomaz Cajner, Tyler Radler, David Ratner, and Ivan Vidangos, "Racial Gaps in Labor Market Outcomes in the Last Four Decades and over the Business Cycle," 2017, [www.federalreserve.gov/econres/feds/files/2017071pap.pdf](http://www.federalreserve.gov/econres/feds/files/2017071pap.pdf); and Michael Hout and Erin Cumberworth, "The Labor Force and the Great Recession," 2012, [nyuscholars.nyu.edu/en/publications/the-labor-force-and-the-great-recession](http://nyuscholars.nyu.edu/en/publications/the-labor-force-and-the-great-recession).

9 See Keith Wardrip and Anna Tranfaglia, "COVID-19: Which Workers Will Be Most Impacted?" COVID-19: Equity in Recovery, Federal Reserve Bank of Philadelphia, April 2020, available at [www.philadelphiafed.org/community-development/workforce-and-economic-development/which-workers-will-be-most-impacted](http://www.philadelphiafed.org/community-development/workforce-and-economic-development/which-workers-will-be-most-impacted).

diving into racial and gender disparities that are structural, not just cyclical. To do this, we need to consider our own understanding of labor market disparities and policy/programmatic solutions.

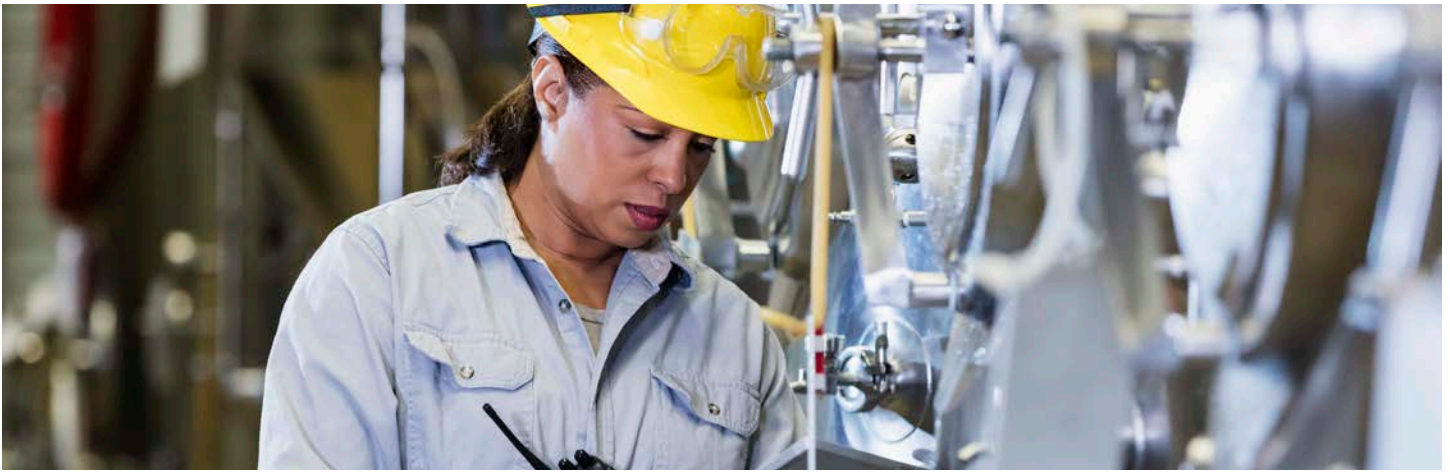


## The Work Ahead

To keep the economy growing and increase economic opportunity, we must understand and address the labor market weaknesses that the pandemic revealed and the uneven impacts that continue to play out across the workforce. To build an equitable recovery, we must:

- **Evolve our workforce ecosystem to address historical disparities and the future of our economy.** People of color will be the majority of the American working class in the year 2032,<sup>10</sup> yet our workforce system fails to adequately train them and invest in their talent.
- **Level the playing field to provide equal access to good jobs.** Workforce training programs and high-impact skills development opportunities are not available to everyone equally. We need training that meets people where they are, opportunities targeted to those who are often left out of high-paying industries, and programs that provide real career pathways, not just jobs.
- **Understand that training matters, but it isn't everything.** While training is imperative to building a more inclusive labor market, it does not address legacy barriers of exclusion or discrimination in the job market. Occupational segregation means many workers are still in economically unstable positions and need additional supports beyond just wages.

10 See Valerie Wilson, People of Color Will Be a Majority of the American Working Class in 2032, Washington, D.C.: Economic Policy Institute, 2016, available at [www.epi.org/publication/the-changing-demographics-of-american-working-class/#epi-toc-2](http://www.epi.org/publication/the-changing-demographics-of-american-working-class/#epi-toc-2).



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- **Make workforce systems human-centered and adaptable.**  
Workforce systems need to provide people agency and choice as they navigate their options for training, education, and careers. A human-centered system acknowledges the people behind the policies and adapts for a rapidly changing labor market.
- **Ensure that employers look beyond traditional hiring and promotion techniques to identify and build talent.**  
Building an inclusive recovery requires cross-sector collaboration, and employers must think differently about how they find, invest in, and build talent.

To help advance this conversation, the Federal Reserve Bank of Philadelphia is launching *Reworked*, a series of Q&As with experts to explore how we can build a more equitable workforce recovery together.

### **Reworked: Changing the Conversation**

People and their talents are assets to economic growth and recovery. By reframing our conversations to addressing barriers, we acknowledge that this is more than a *skills gap* — *it's an opportunity gap*. An equitable workforce recovery means realizing the full potential of our talent pipeline by removing artificial barriers, providing investments and innovation, and investing in people. We hope you will join us in this series and share in the conversation as we build an equitable workforce recovery.