

The Opportunity Gap and How to Fix It

2021 AL DÍA Roundtable
Back to Work: Leveraging Your Skills to Find Better Opportunities

Philadelphia, PA (virtual)

March 3, 2021

Patrick T. Harker

President and Chief Executive Officer
Federal Reserve Bank of Philadelphia



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Good morning! It's really great to be here. The kind of research we're going to be discussing today is absolutely critical to building a healthy economy that supports all Americans — and just as important as the work the Fed does on monetary policy and interest rates. So I'm really pleased to see so many of you here.

I'm also happy to be here on this day in particular. Today is the 156th anniversary of the founding of the Freedman's Savings Bank, which was created after the Civil War to help develop the financial independence of African Americans following the abolition of slavery.

Now, before I proceed, whenever I'm talking about *any* of the work the Fed does, I have to provide the standard Fed disclaimer: The views I express today are my own and do not necessarily reflect those of anyone else on the Federal Open Market Committee or in the Federal Reserve System.

In a few minutes, you're going to hear all about our Occupational Mobility Explorer, a truly exciting tool that I think will help to move the needle when it comes to helping transition people into family-sustaining careers. We know that it's not just a *skills gap* that is holding many people back, but it's an *opportunity gap* as well. The Explorer is designed with that in mind.

But before we do that, I think it's worth addressing *why* the Occupational Mobility Explorer is so important, particularly for Black and Latino communities here in our area and across the country. Simply put, Black and Latino workers are struggling more than others. That's a trend that long predated the pandemic — and that has also only been heightened by it.

In the state of Pennsylvania, the Black unemployment rate is 17.2 percent, and the White unemployment rate is 7.8 percent. Labor participation is also lower among African Americans than other groups.

And across the country, the picture looks grimly similar: Nationally, Black unemployment stands at 9.2 percent versus 5.7 percent for White workers. Meanwhile, the country's unemployment rate for Latinos is 8.7 percent.

Women across all races have also been severely impacted by the pandemic. Nearly 3 million women have dropped out of the formal labor force since the COVID-19 pandemic began.

Even with some hopeful signs as virus cases fall and the economy continues to reopen, I'm concerned that, as the broader economy climbs upward, far too many workers are being left behind. As of late last year, 75 percent of GDP losses from the COVID-19 pandemic had been recouped — but only 60 percent of job losses had been reversed. Those job losses have been concentrated among racial and ethnic minorities and women. We also know that, after prior recessions, it took longer for Black and Latino unemployment rates to drop than it did for other groups.

Structural barriers have impeded the progress of minorities and women since even before the founding of the country. And today, forces like job segregation, inequality in education, and sometimes even outright discrimination continue to hold back far too many of our fellow Americans.

That's why it's imperative that in striving to redress our country's stark inequities, we focus on root and branch reform rather than quick fixes.

Here at the Philadelphia Fed, that means our approach acknowledges and examines the root causes of employment disparities; targets interventions to disproportionately affected populations; removes

barriers to work, training, and education; encourages improved job quality and support for workers; and increases access to career pathways that lead to financial stability. I'm an engineer by trade, and I know the importance of building sturdy foundations.

Building a more equitable economy is not just — in my view — an urgent moral task, but an important one for our economy as well. According to my colleagues at the San Francisco Fed, the economic loss owing to racial and gender disparities in our labor market stands at around \$2.6 trillion. The bottom line — quite literally — is that we will all benefit from a more inclusive economy.

That's why today's conversation is so important: It is about helping the incredibly talented people in our region connect to opportunities, leverage their skills, and connect with training and job placement programs.

So, thank you again for joining us today. And now over to you, Keith.