



Perspectives on the Eventual Economic Recovery

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Public Service That Makes a Difference®



Public Health Crisis Continues to Weigh on Economic Activity

- ▶ Recent economic trends largely determined by virus
 - ▶ Divergent impact on workers and firms, exacerbating long-standing issues in our economy
 - ▶ Social distancing disproportionately impacts customer-facing interactions
- ▶ Fortunately, vaccine distribution is underway
 - ▶ Infections have declined, but remain elevated
 - ▶ Full economic recovery requires vaccination rollout to be completed
- ▶ Implies virus-restrained growth in the first half of the year, but strong growth in the second half

Some Areas of the Economy Have Been Resilient

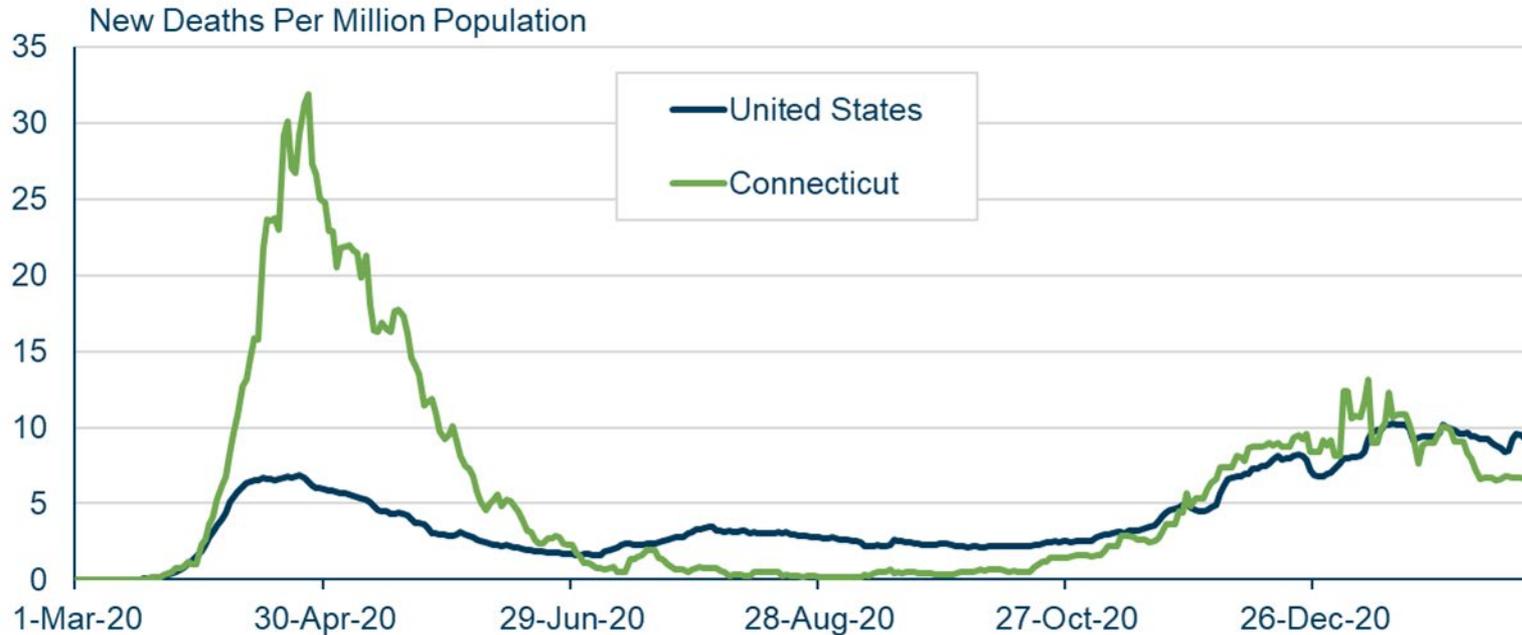
- ▶ Work that can be performed on computers or phones can be done remotely
 - ▶ Implications for the workplace of the future
 - ▶ Disproportionately more-educated workers
- ▶ Some goods-producing industries have been able to social distance their production lines and have flourished
- ▶ Savings rate among these minimally affected workers has increased
 - ▶ Unable to spend on tourism, travel, restaurants safely
 - ▶ Significant pent-up demand

Customer-Facing Firms and Employees have been Significantly Impacted

- ▶ Retail, restaurants, entertainment, and travel-related industries are suffering a substantial shock
 - ▶ Industries that employ a large number of low-wage workers
 - ▶ Most impacted – Blacks, Hispanics, women, and younger workers
- ▶ Fiscal and monetary stimulus has been appropriately forceful, and tried to mitigate some of the challenges – one reason to expect strong growth later this year
- ▶ Economic development measures are as important as macroeconomic stimulus: rebuilding should advance a more inclusive economy:
 - ▶ Improving child care
 - ▶ Improving quality of jobs
 - ▶ Focused attention on impacted communities

Figure 1: New COVID-19 Deaths Per Million Population

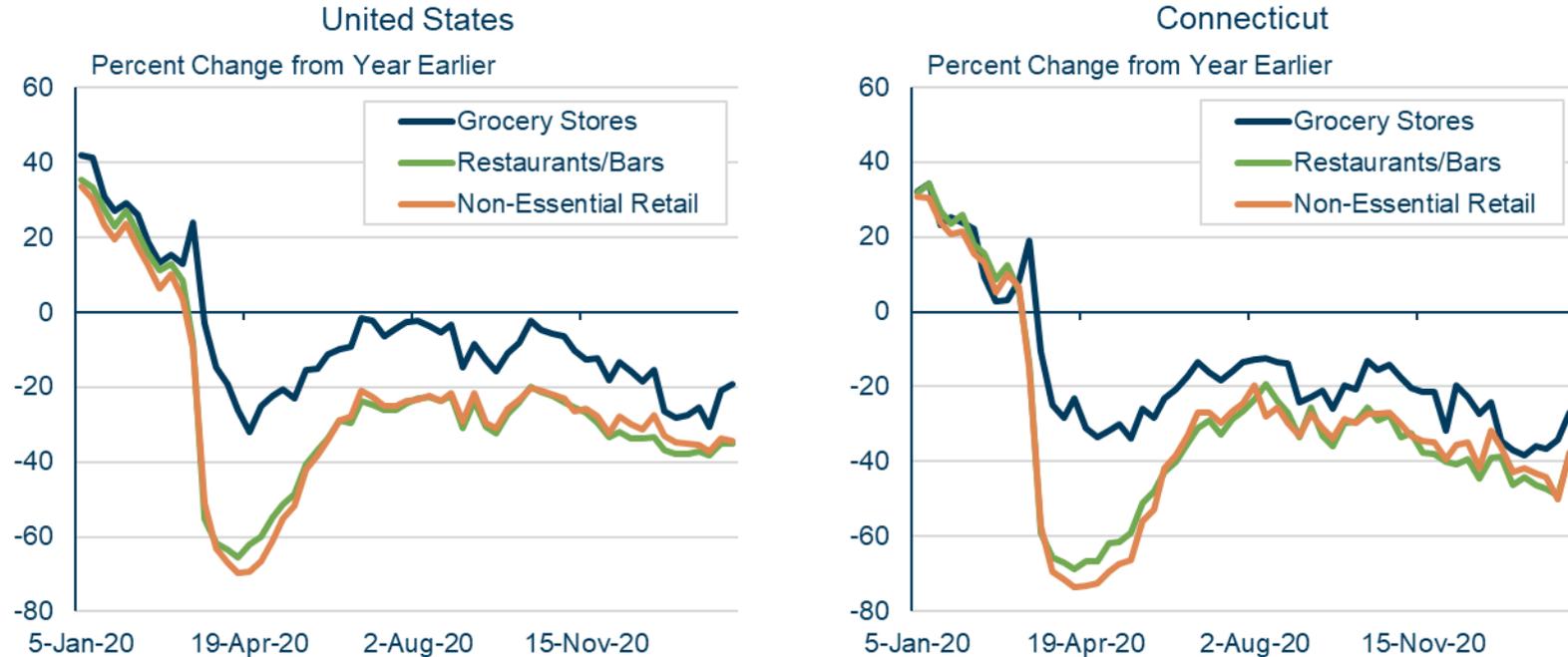
March 1, 2020 - February 15, 2021



Note: New deaths are seven-day moving averages.

Source: Johns Hopkins University, BEA, Haver Analytics

Figure 2: Mobility: Visits to Restaurants and Stores January 5, 2020 - February 14, 2021

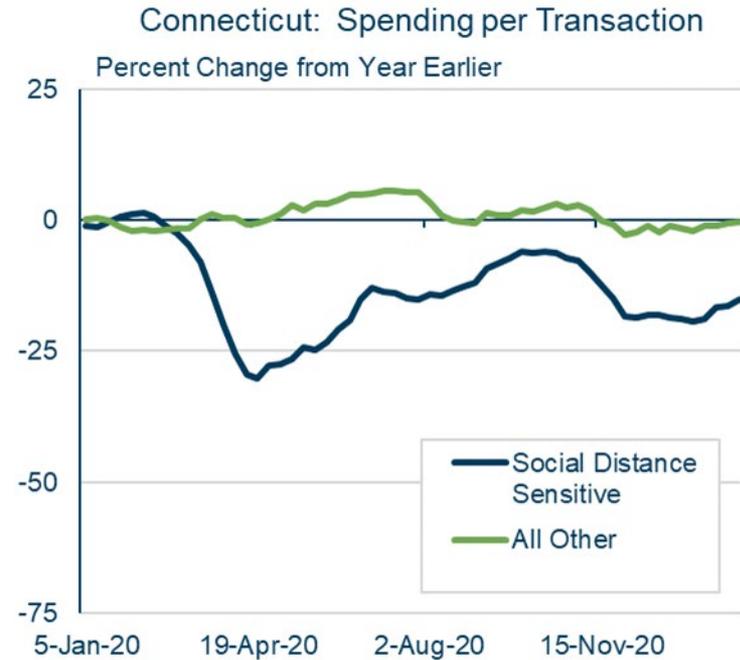
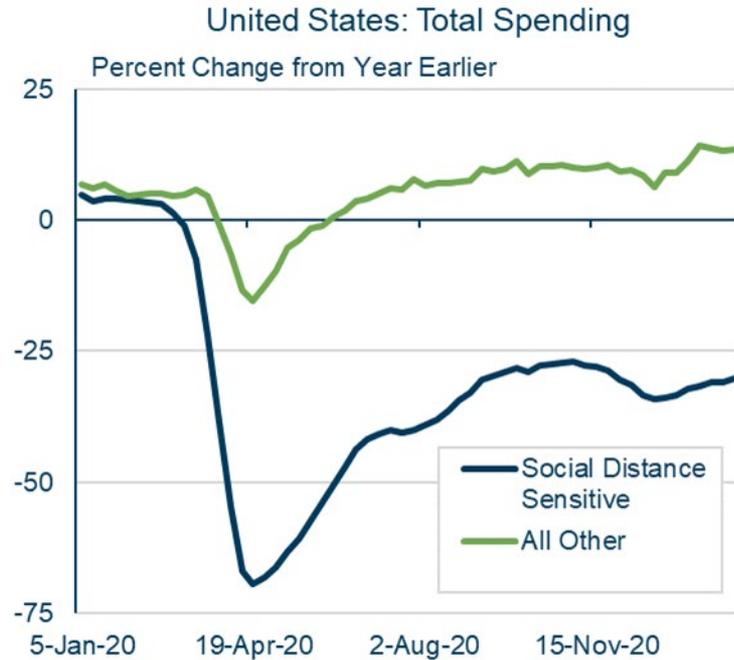


Note: Mobility is measured by cell-phone-based foot traffic data to over 5 million points of interest.

Source: Safegraph

Figure 3: High-Frequency Spending Data

January 5, 2020 - February 7, 2021

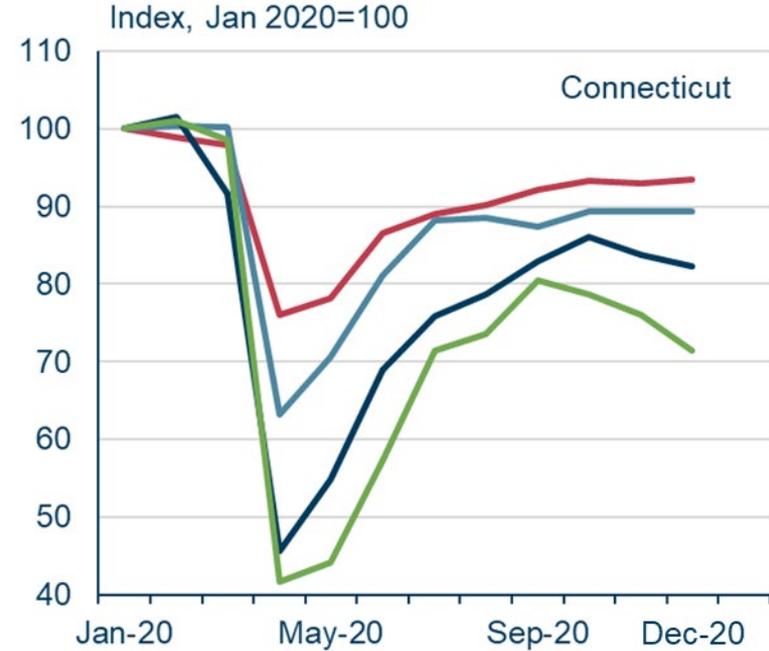
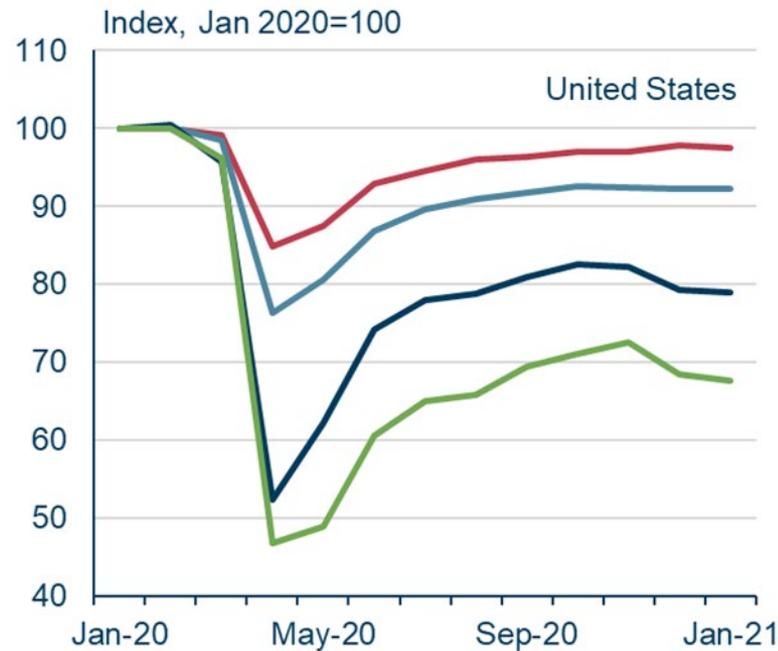


Note: Year-over-year percent change of 4-week moving average. United States figures are total credit/debit card spending by category. Connecticut figures are credit/debit card spending per transaction by category by residents living in Connecticut.

Source: Affinity

Figure 4: Payroll Employment Growth in the United States and Connecticut in Selected Industries

January 2020 - January 2021

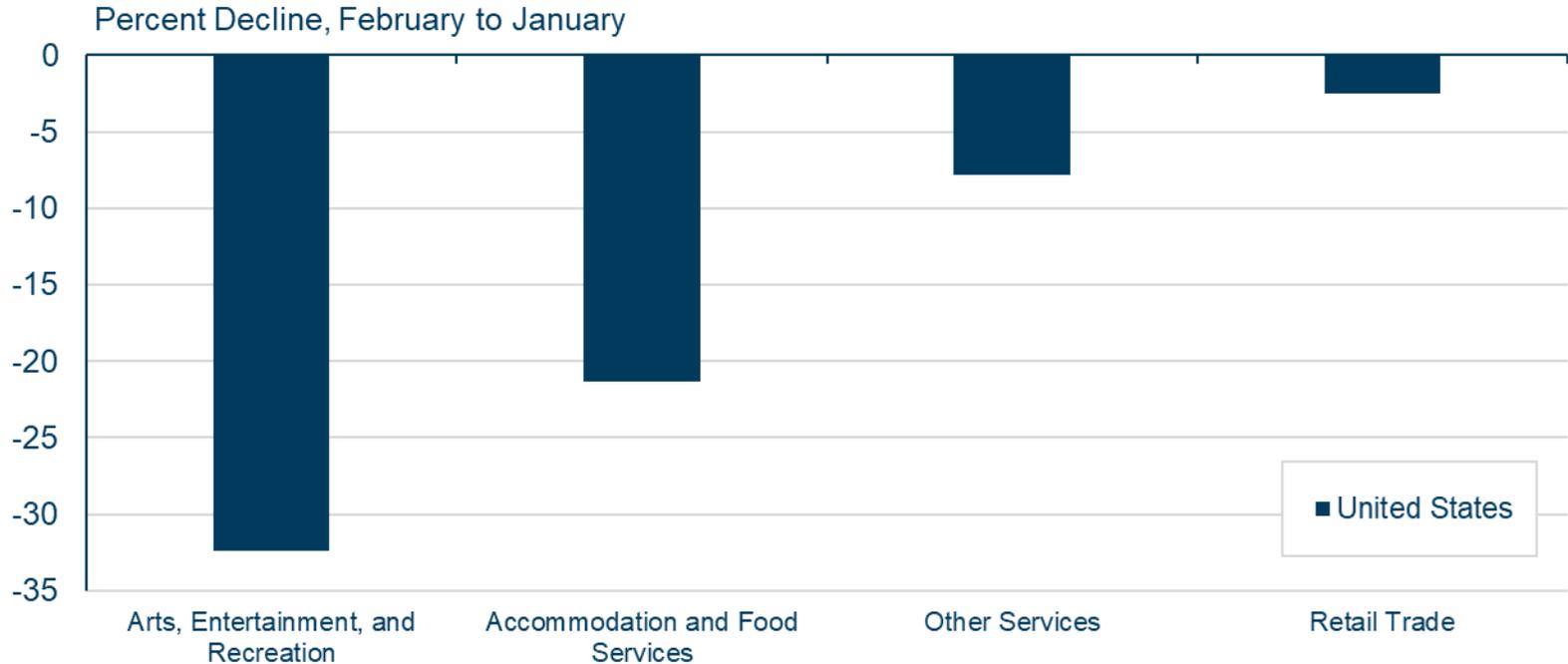


Note: Connecticut figures for January have not yet been released.
 Source: BLS, Haver Analytics



Figure 5: Payroll Employment Declines in the United States in Selected Industries

February 2020 - January 2021

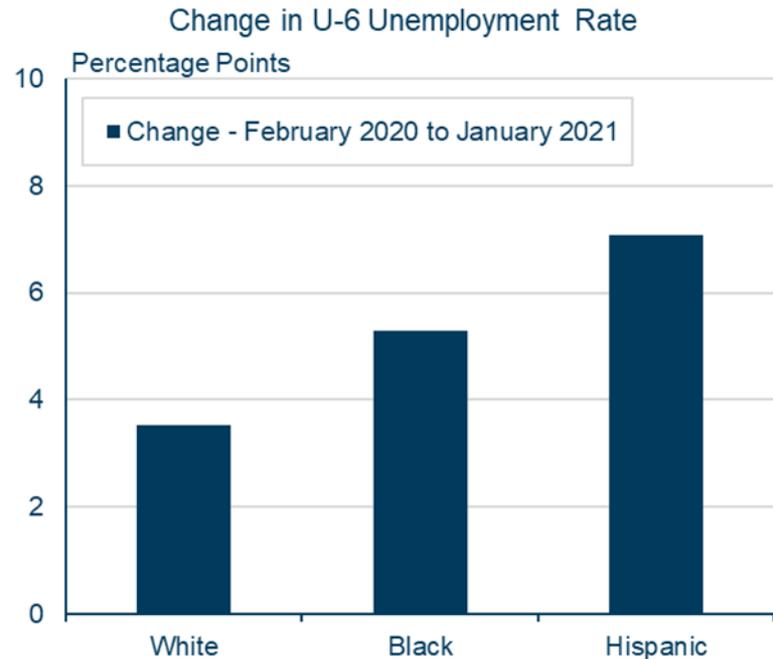
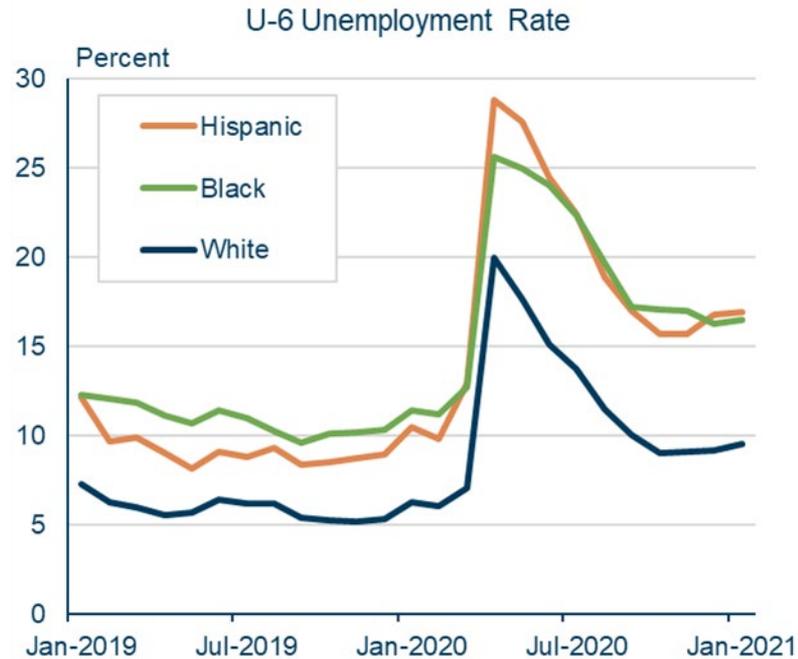


Note: Figures for Connecticut for January have not yet been released.

Source: BLS, Haver Analytics

Figure 6: Alternative Measure of Labor Underutilization: U-6 Unemployment Rate by Race and Ethnicity

January 2019 - January 2021

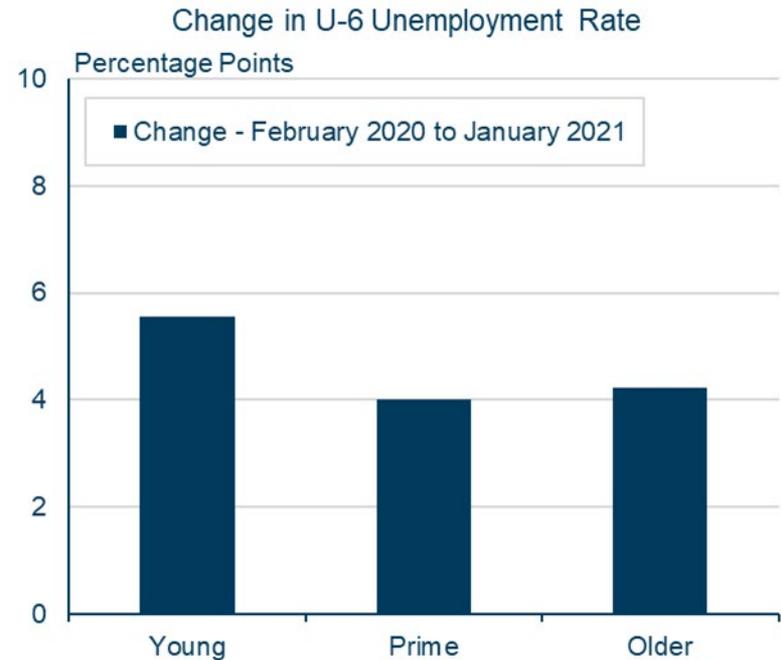
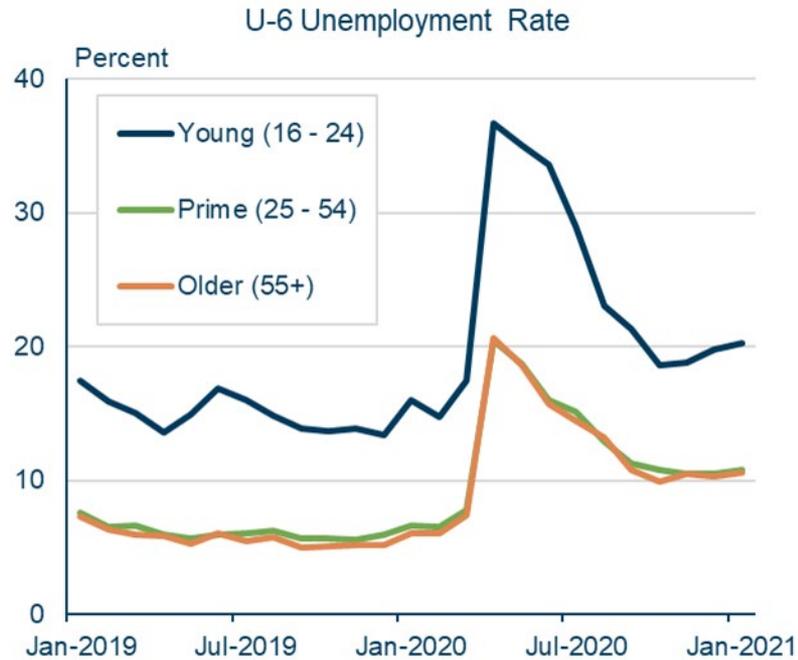


Note: In order to avoid double counting, the race and ethnicity categories listed above as White, Black and Hispanic are more specifically non-Hispanic White, non-Hispanic Black or African American, and Hispanic or Latino. The U-6 measure is total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force. Figures are not seasonally adjusted.

Source: BLS, Current Population Survey (CPS), Haver Analytics

Figure 7: Alternative Measure of Labor Underutilization: U-6 Unemployment Rate by Age

January 2019 - January 2021



Note: The U-6 measure is total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force. Figures are not seasonally adjusted.

Source: BLS, Current Population Survey (CPS), Haver Analytics

Figure 8: Change in the Labor Force Participation Rate Since February 2020 by Gender and Age

February 2020 - January 2021

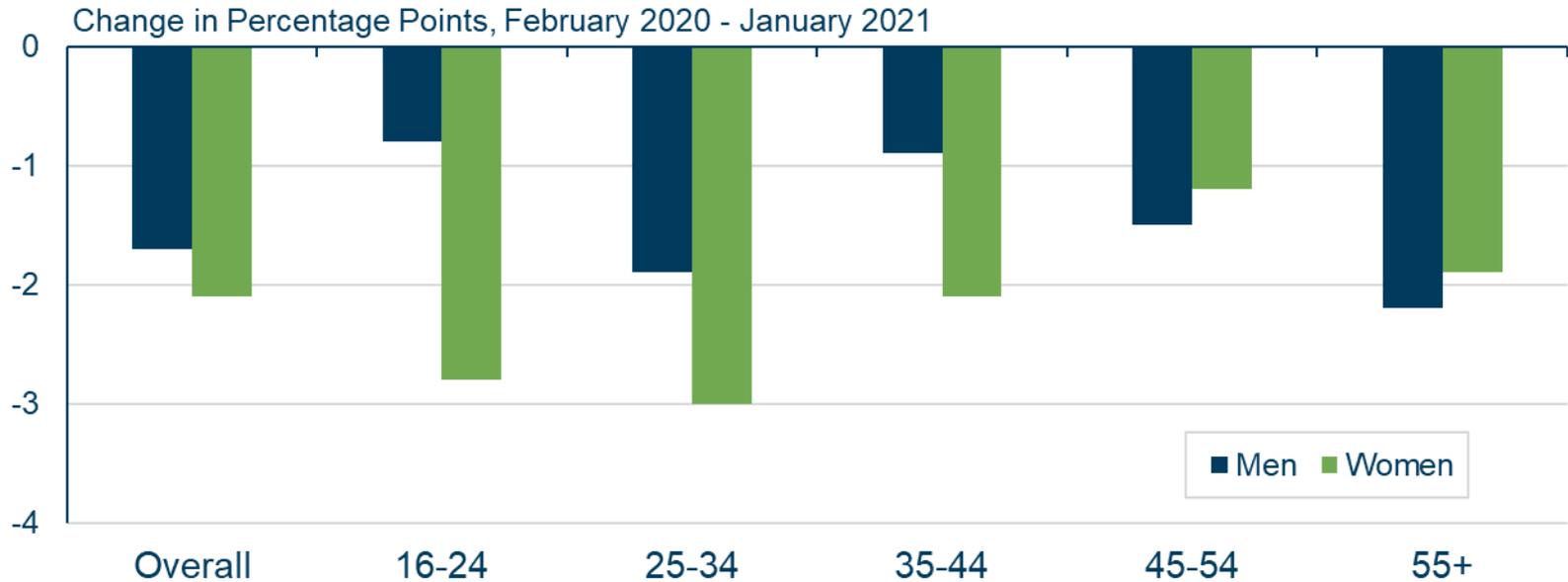


Figure 9: Unemployed Persons by Reason for Unemployment January 2007 - January 2021

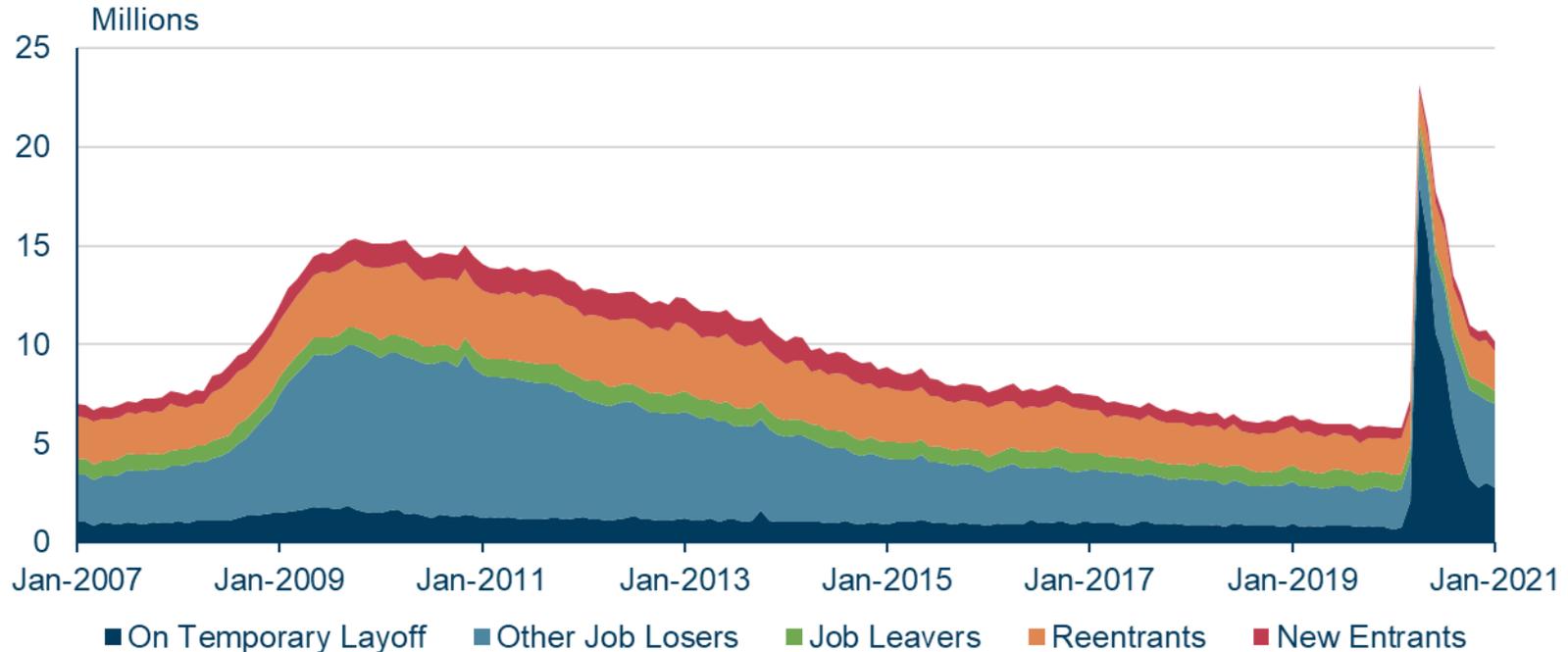
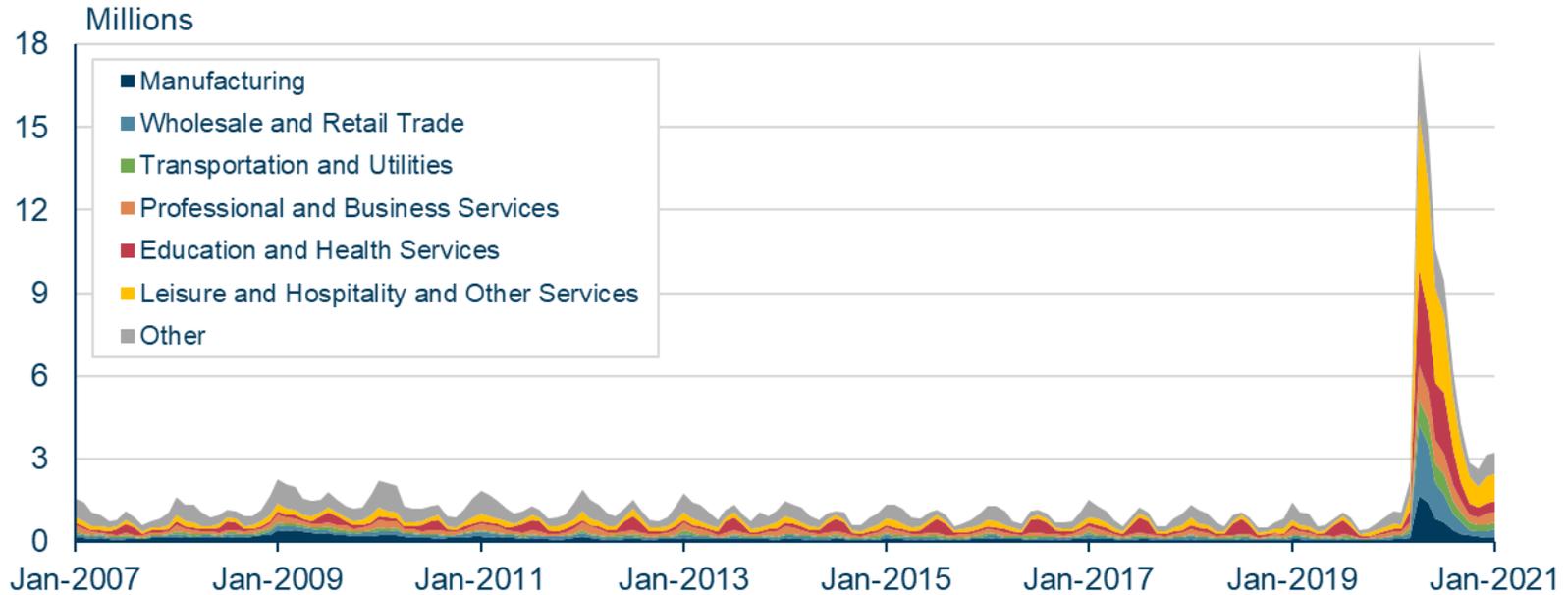


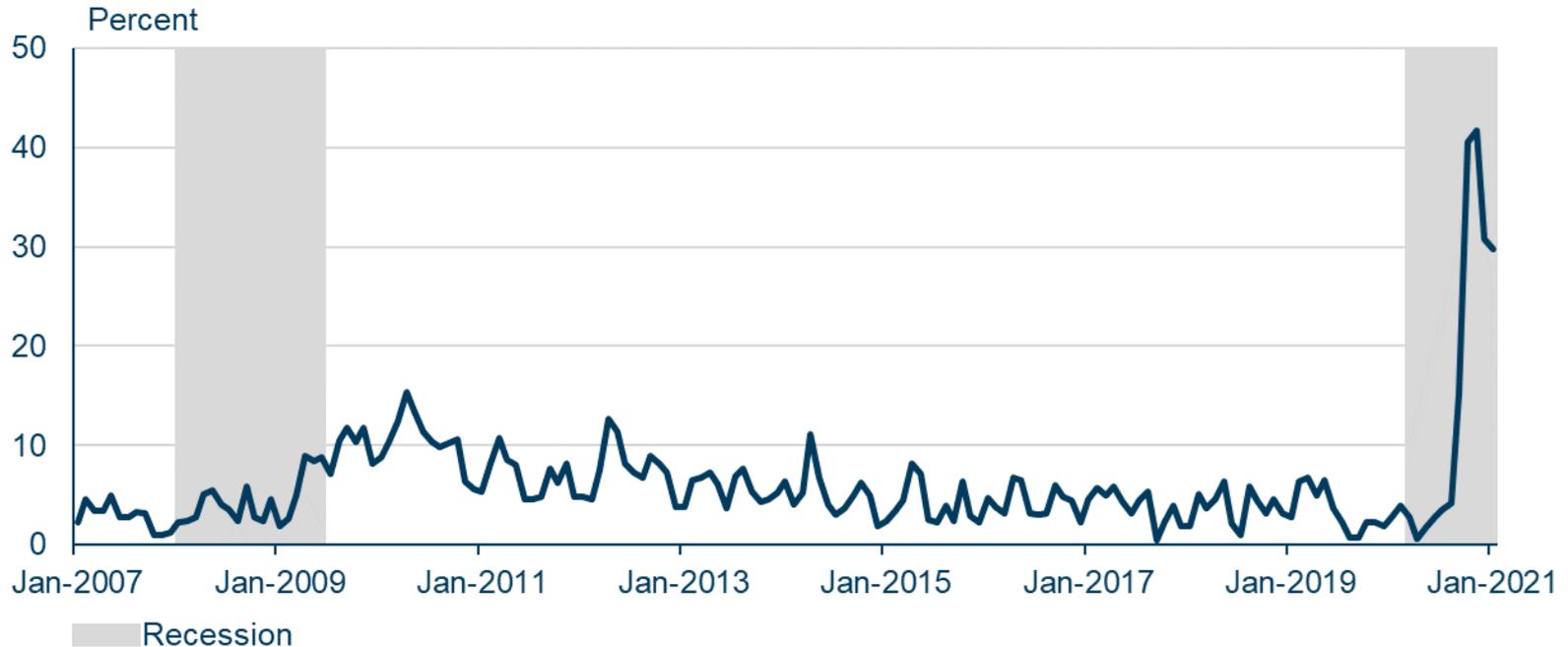
Figure 10: Unemployed Persons on Temporary Layoff by Industry January 2007 - January 2021



Note: Data are not seasonally adjusted. Because the aggregate temporary layoffs displayed in Figure 9 are seasonally adjusted whereas the figures by industry displayed in Figure 10 are not, there is a difference in the pattern for the most recent data. The emphasis in Figure 10 is not on the trend but on the composition of layoffs.

Source: BLS, Current Population Survey (CPS), Haver Analytics

Figure 11: Unemployed Persons on Temporary Layoff for 27 Weeks or More as a Share of All Unemployed Persons on Temporary Layoff January 2007 - January 2021



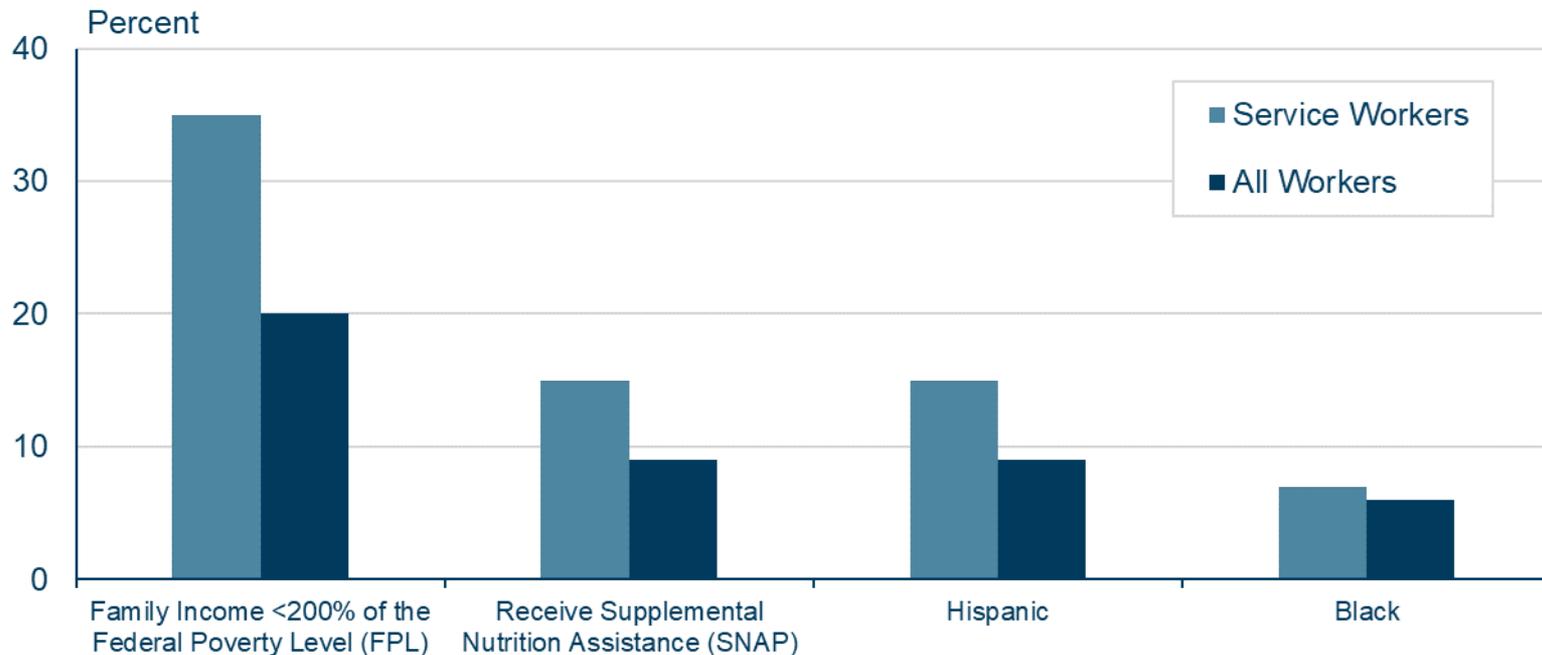
Note: Data are not seasonally adjusted.

Source: BLS, Haver Analytics

Significant Macroeconomic Stimulus has been, and is, Necessary

- ▶ Labor market remains badly disrupted – and distribution of the pain is uneven
 - ▶ Risks labor market scarring
 - ▶ Recovery from the Financial Crisis of 2007 and subsequent Great Recession was quite slow – which is quite costly
- ▶ Inflation remains well below 2 percent (the Fed's target)
- ▶ Fiscal and monetary policy have been forceful in addressing challenges from the tragic public health situation
- ▶ Continuing support of the economy – from both fiscal and monetary policy – is necessary to return to full employment
- ▶ Community development actions can also make a difference

Figure 12: New England Service Workers Prior to the Pandemic

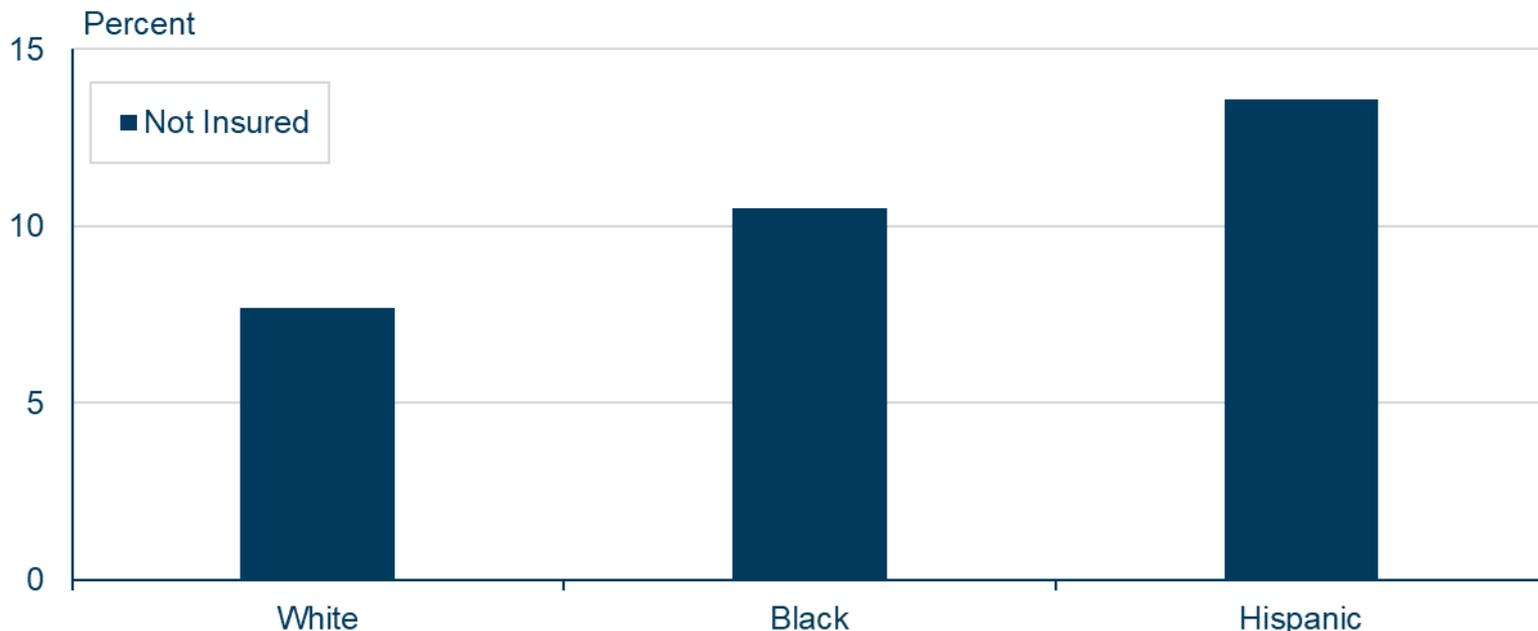


Note: Includes the following occupation groups: food service, cleaning and building maintenance, retail and other hospitality jobs. To avoid double counting, the race and ethnicity categories listed above, Hispanic and Black, are more specifically Hispanic or Latino and non-Hispanic Black or African American.

Source: Federal Reserve Bank of Boston analysis of the 2014 - 2018 American Community Survey 5-Year Sample. For more information, see Chaganti, S., et al. (2020) *The Effects of the Novel Coronavirus Pandemic on Service Workers in New England*. Federal Reserve Bank of Boston Community Development Issue Brief 20-1.

<https://www.bostonfed.org/publications/community-development-issue-briefs/2020/the-effects-of-the-novel-coronavirus-pandemic-on-service-workers-in-new-england.aspx>

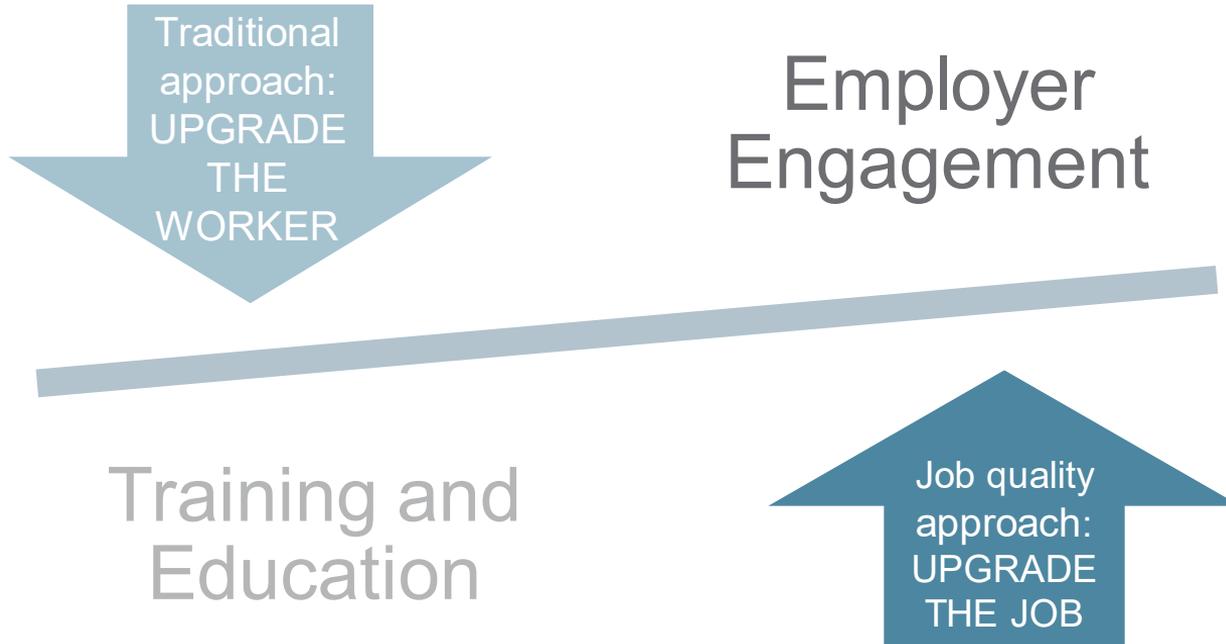
Figure 13: Non-Healthcare Essential Workers and Health Insurance: Share Without Insurance by Race and Ethnicity in New England



Note: In order to avoid double counting, the race and ethnicity categories listed above as White, Black and Hispanic are more specifically non-Hispanic White, non-Hispanic Black or African American, and Hispanic or Latino.

Source: Federal Reserve Bank of Boston analysis of the 2014 - 2018 American Community Survey 5-Year Sample. For more information, see Chaganti, S., Higgins, A. & Mattingly, M.J. (2020). Health Insurance and Essential Service Workers in New England: Who Lacks Access to Care for COVID-19? Federal Reserve Bank of Boston Community Development Issue Brief 20-3. <https://www.bostonfed.org/publications/community-development-issue-briefs/2020/health-insurance-and-essential-service-workers-in-new-england-who-lacks-access-to-care-for-covid-19.aspx>

Figure 14: Increased Employer Support for Upgraded “Job Quality”



Job Characteristics and Benefits that Match the Needs of the Workforce

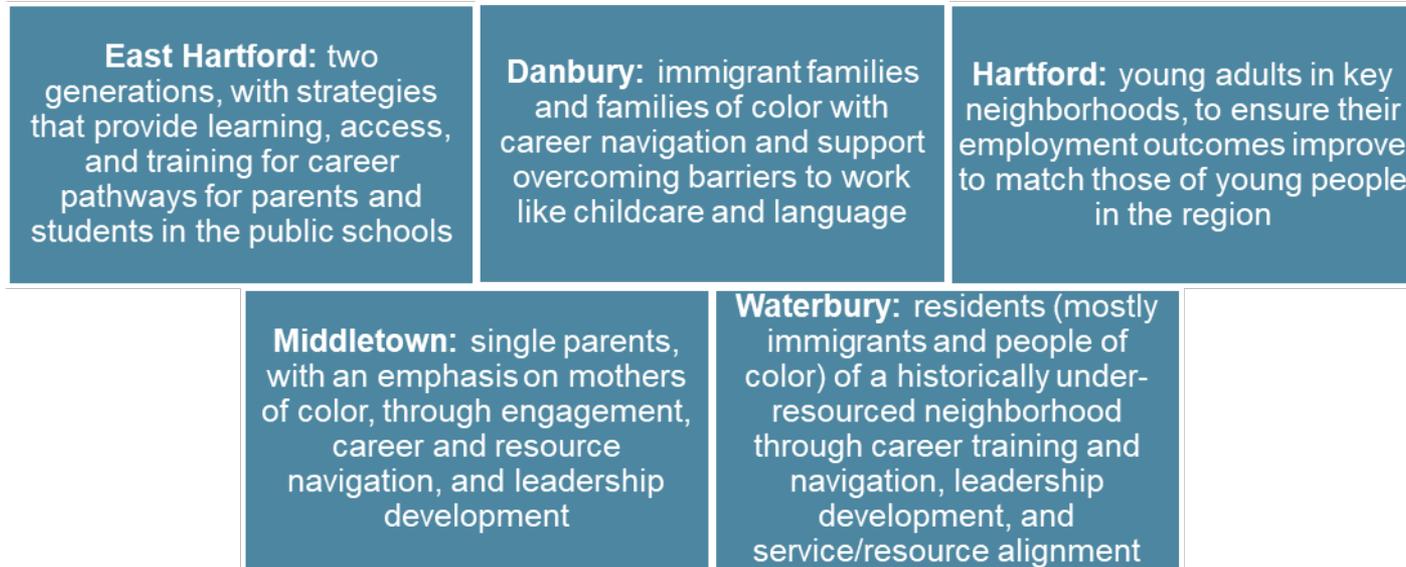
- ▶ Features that raise job quality can be a win not only for workers but also for employers seeking to retain and attract talent
- ▶ Can help address declining labor force participation rates
- ▶ Adapt jobs to the realities of the workforce
 - ▶ Adapt or alter regular hours
 - ▶ More flexible options including remote work
 - ▶ More affordable, quality child care
- ▶ Expanded benefits
 - ▶ Paid sick and family leave
 - ▶ Broader health care coverage

Working Cities Challenge – Connecticut

- ▶ A **partnership** between the Federal Reserve Bank of Boston, the State of Connecticut, private sector, philanthropy & communities
- ▶ A 3-year funding competition to **strengthen civic infrastructure in Connecticut's cities** by supporting teams of leaders collaborating across sectors on shared economic goals
- ▶ Based on research showing **that collaboration on shared goals is key to economic recovery** for post-industrial cities
- ▶ City teams are changing systems, engaging residents, addressing racial equity, and learning and adapting to build more **inclusive and equitable local economies**

Figure 15: Working Cities Challenge – Connecticut

WCC CT teams are pursuing more equitable economic outcomes by focusing on strategies that support:



Concluding Observations

- ▶ The past year has been grueling for so many
- ▶ With successful development of multiple vaccines, better macroeconomic outcomes are ahead
- ▶ Time to consider how to achieve a more equitable, widely shared recovery
 - ▶ Learn from challenges the pandemic brought to the forefront
 - ▶ Consider new ways of working and extend them more broadly to benefit more workers – especially in low- and moderate-wage occupations
 - ▶ Also reap benefits for employers, industries, and local economies