Opening Remarks for Sessions on Men and Women in the Workforce

At the Conference, “Uneven Outcomes in the Labor Market” *

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The views expressed today are my own, not necessarily those of my colleagues on the Federal Reserve Board of Governors or the Federal Open Market Committee.
It is a pleasure to take part in this conference, for a few reasons. First, the topic of persistent labor market disparities is important and timely. Second, the papers being presented are interesting and well done. I'll say more about them in a moment. And to echo Raphael Bostic yesterday, I am thrilled that the Boston Fed has joined five other regional Reserve Banks and the Board of Governors on this work. We really do go farther when we go together.

I am delighted to have the opportunity to provide opening remarks to today’s sessions. I want to start by underlining the importance of rigorously exploring persistently uneven labor market outcomes. Appropriately, the conference organizers have rooted this effort in the Fed’s mandate from Congress, typically summarized as maximum employment and price stability – the oft-cited “dual mandate.”

Of course, the widely followed overall unemployment rate is the standard measure for the state of the U.S. labor market. But underneath that single statistic are wide-ranging differences across geographies, and demographic groups. No one statistic can adequately characterize the labor market because aggregate numbers can mask the wide range of experiences across people, sectors, and places. Uneven labor market outcomes call for a full and focused exploration, motivated by our duty to pursue the Fed’s maximum employment mandate.

For some people, communities, and places, there are substantial and persistent gaps in economic outcomes – including but not limited to employment. This underutilization of the workforce adversely affects national productivity and prosperity.

I often describe our work at the Boston Fed as pursuing and supporting a vibrant economy that works for everyone, not just for some people. That, along with the Fed’s mandate, compels us to understand the challenges contributing to higher unemployment and underemployment present in some areas and among some demographic groups – and long-run barriers to full participation in the labor market.

The Federal Reserve needs to parse the labor market for another reason: to gauge the cyclical position of the economy, thereby allowing monetary policymakers to
appropriately calibrate the stance of policy; and to better understand and thus achieve the full-employment portion of the dual mandate.

Regarding the labor market’s cyclical position, consider that during and after the Great Recession of 2007-9, aggregate labor market participation fell significantly. To gauge the short-run state of the labor market, the interest-rate-setting Federal Open Market Committee needed to understand how much of this decline was cyclical, and how much was structural. Undoubtedly, many people dropped out of the labor force due to the cyclical situation – a poor job market. But structural factors, most notably the aging of the population, also played a role. Disentangling the relative contribution and persistence of cyclical and structural factors was key to formulating and implementing an appropriate policy response.

Understanding the behavior of labor force participation is important, because when participation changes, the unemployment rate becomes an inadequate indicator of full employment. If participation increases in a tight labor market, labor supply expands – and higher levels of economic activity may not generate additional price pressures, requiring tighter monetary policy. And higher levels of activity and participation can benefit those drawn into the labor market.

We know that many structural factors impact participation. Examples include the long-running decline in job opportunities for less-educated workers, which has particularly affected prime-age men; and the high cost and limited availability of childcare, which tends to reduce participation among women with children. As I travel around my district – New England – and speak to a wide variety of stakeholders, I hear about issues that impede participation in the workforce, which is a challenge not only for individuals but also for employers. In this way, issues like childcare can really affect the economy.

Of course, monetary policy is not the right tool to address these types of structural labor market frictions. However, Fed economists can, and do, conduct rigorous research on structural issues, and we convene conferences like this to discuss
our own work and that of others. These kinds of intellectual exchanges reflect, as I noted earlier, the Federal Reserve’s mandate to promote full employment.

Last fall, the annual Boston Fed economic conference focused on the question of how best to define and promote full employment – “maximum sustained employment.” I recommend the papers and sessions to you.¹ Presenters paid particular attention to barriers preventing many individuals from fully participating in the labor market. Conference participants analyzed gaps in employment along racial and gender lines; discussed the effectiveness of job-training programs; learned about new ways of measuring the gig economy; and analyzed the barriers to employment faced by individuals who had contact with the criminal justice system.

Like that conference, today’s discussion brings together rigorous, thoughtful, creative researchers to explore policy-relevant issues, in service to the public good. Convenings like these demonstrate the power of inquiry and collaboration.

Today’s session turns to dimensions of a particularly important facet of this work – the experiences of women and men in the workforce, and the economic and cultural factors affecting individual decisions about workforce engagement.

I want to thank today’s speakers for the research they’ve conducted, and will share with us, on how some incentives and barriers drive differing labor force participation decisions and experiences for men and women.

Each of the papers illuminates one or more ways gender differences in employment and participation can arise. Let me mention a highlight or two:

- The Xu paper highlights how weak labor markets during economic downturns can actually increase participation for some workers. For example, a woman may enter the labor force in response to her spouse being laid off.

The Buzard et al. paper considers how stereotypes about parental availability can worsen gender inequality in the labor market. Because mothers are called much more frequently than fathers when issues arise for their child at school, women face an implicit barrier to labor force participation.

The Bengali et al. paper considers the factors behind declining participation by prime-age men. While changing demographics explain little of this decline, increased caregiving by men plays some role. However, the authors find the largest contributor to the rise in male nonparticipation is skills mismatch. The authors further document that these factors, and the rise in nonparticipation generally, are more pronounced for prime-age Black men.

The Goerge et al. paper uses random variation generated in the administration of childcare subsidies to test whether such subsidies raise maternal employment and earnings. The results indicate that childcare subsidies have a positive and statistically significant effect on maternal employment. The authors also find that differences in total earnings induced by the policies, while not statistically significant, were in the same positive direction and about the same size as the employment effects.

That is just a preview of the great research we will hear about today. My thanks to all the organizers, contributors, and attendees.

Now I’ll turn the floor to Richard Reeves, founder and president of the American Institute for Boys and Men, and a longtime thought leader at Brookings.

Thank you.