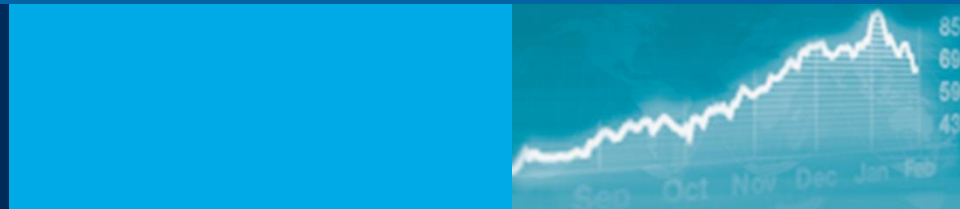




Employment Update

Emerging Issues Conference
February 13, 2023

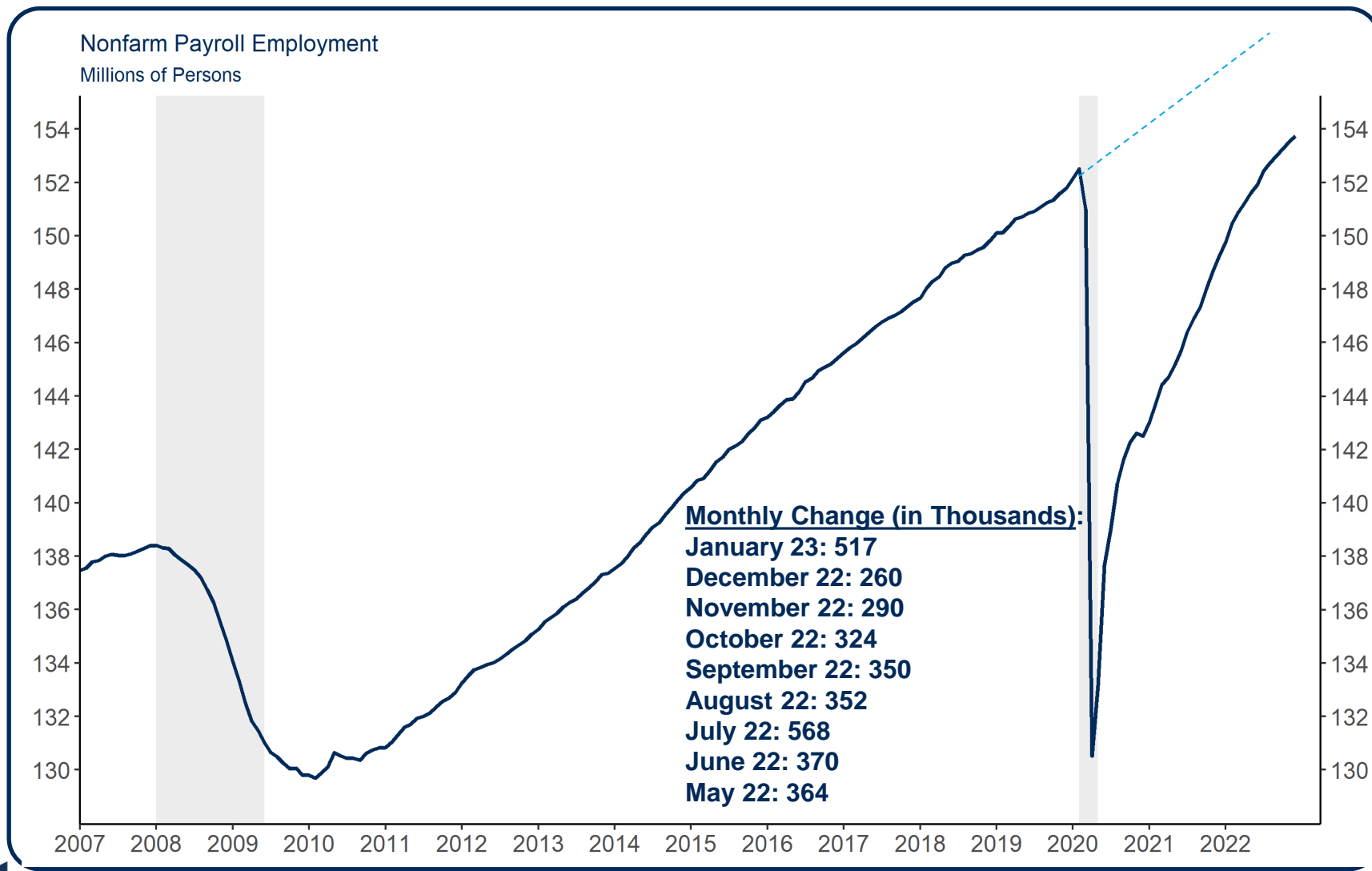


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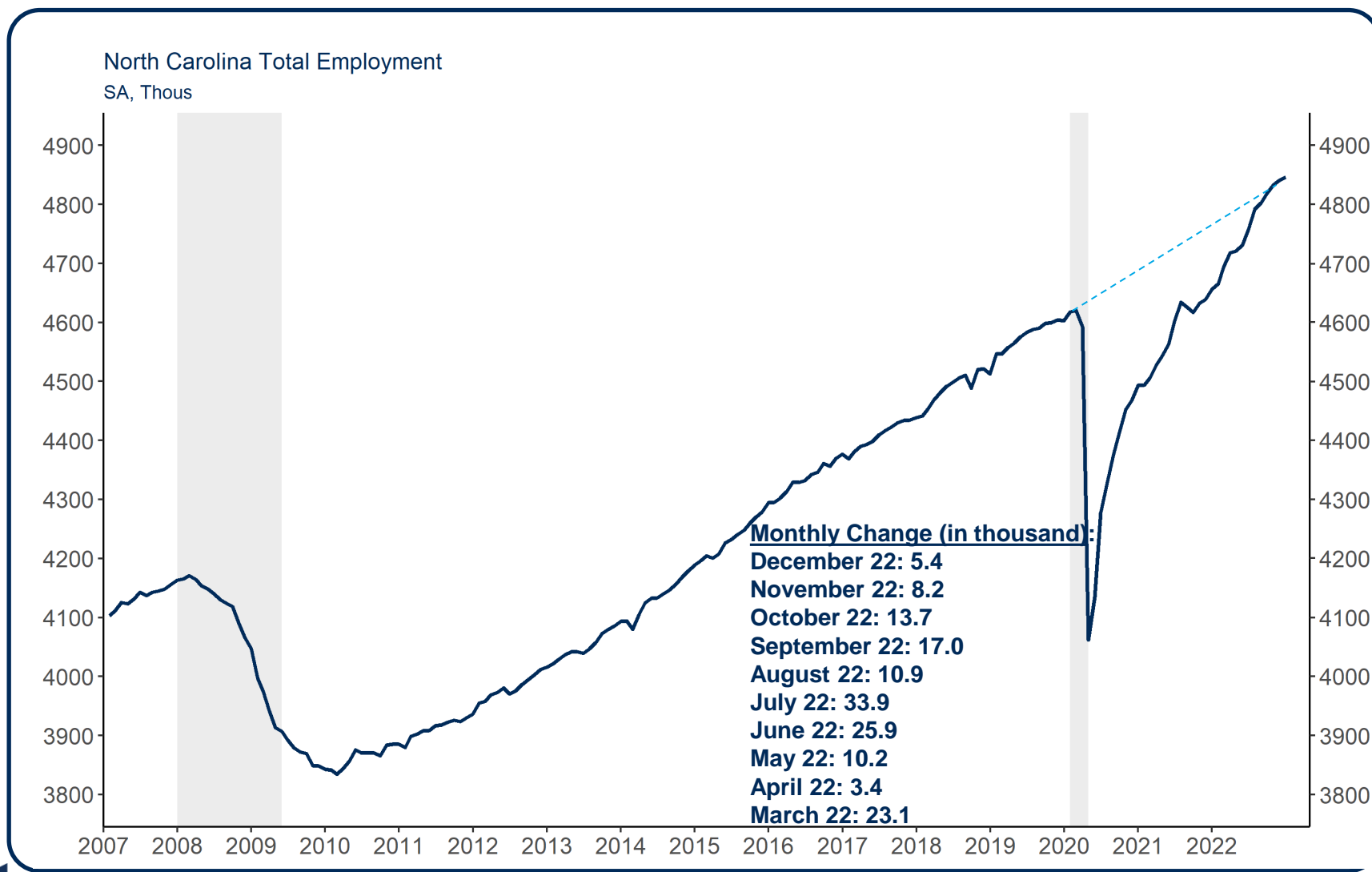
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We are now above pre-COVID levels of employment nationally, but we haven't returned to the pre-COVID trajectory



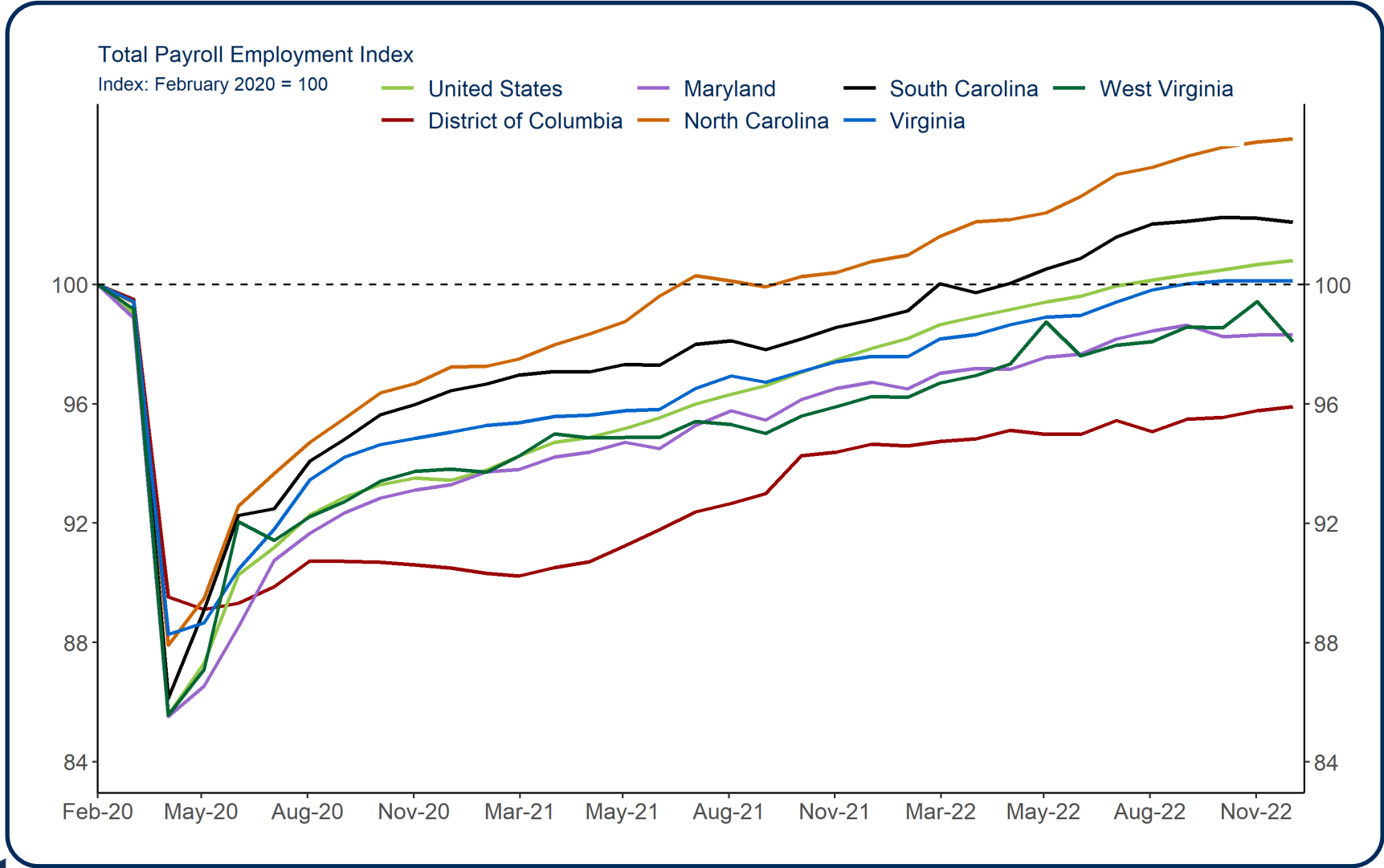
Source: Bureau of Labor Statistics/Haver Analytics

The story in North Carolina is quite different...



Source: Bureau of Labor Statistics/Haver Analytics

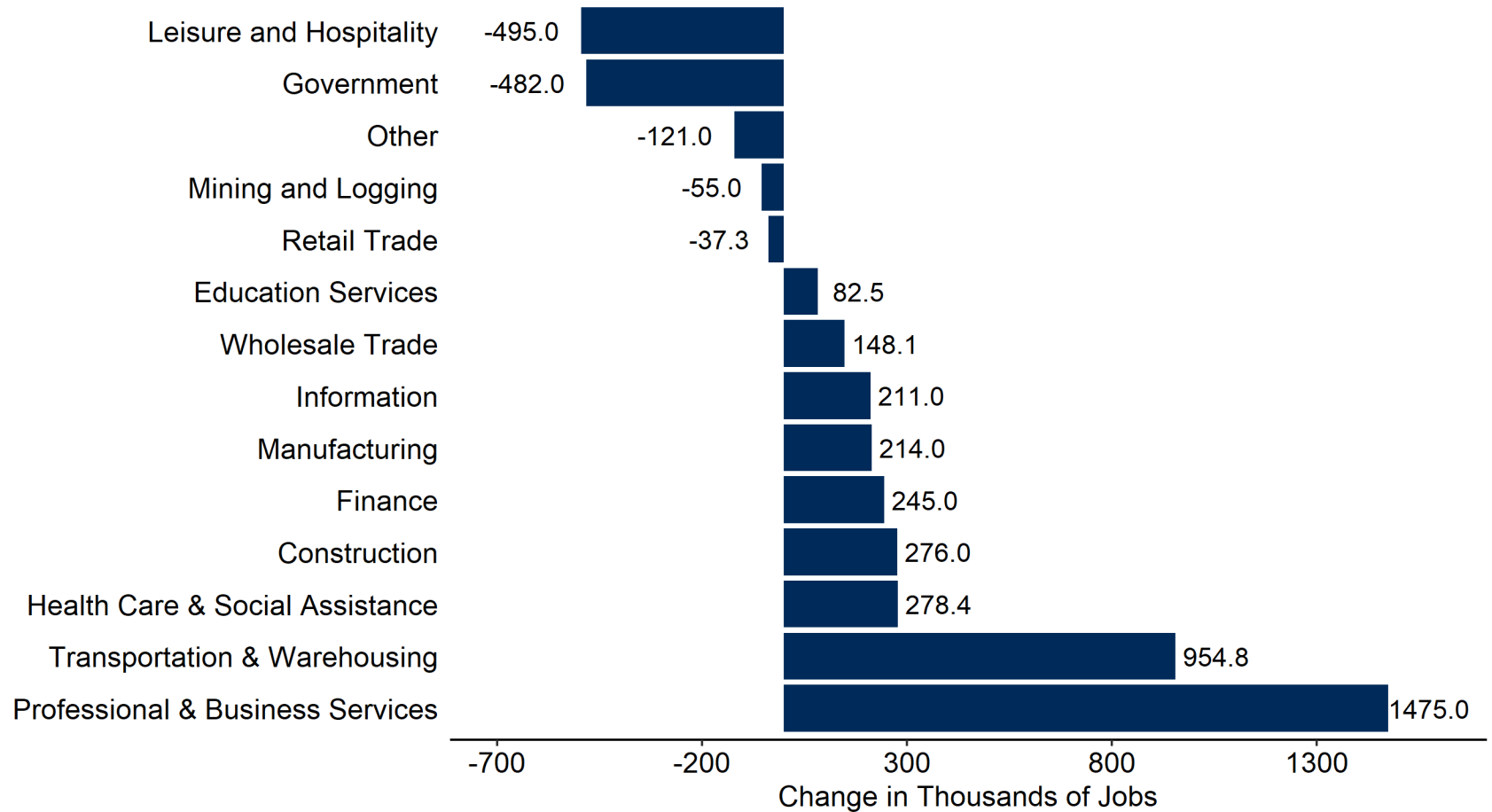
The Carolinas are clearly leading the employment recovery in the Fifth District



Source: Bureau of Labor Statistics/Haver Analytics

While some industries have more than fully recovered, others still lag pre-COVID levels considerably

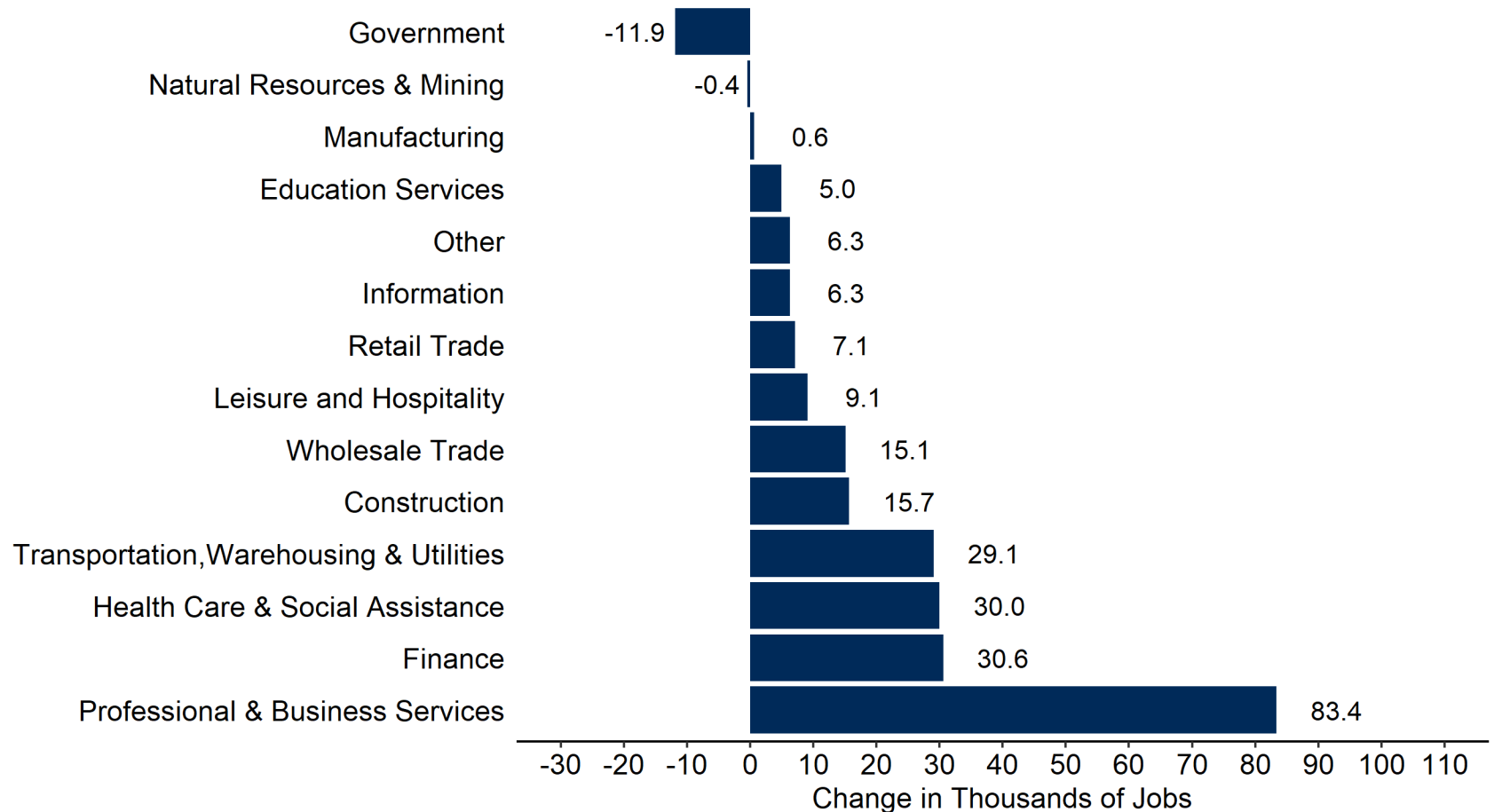
United States Employment Change from February 20 to January 23



Source: Bureau of Labor Statistics/Haver Analytics

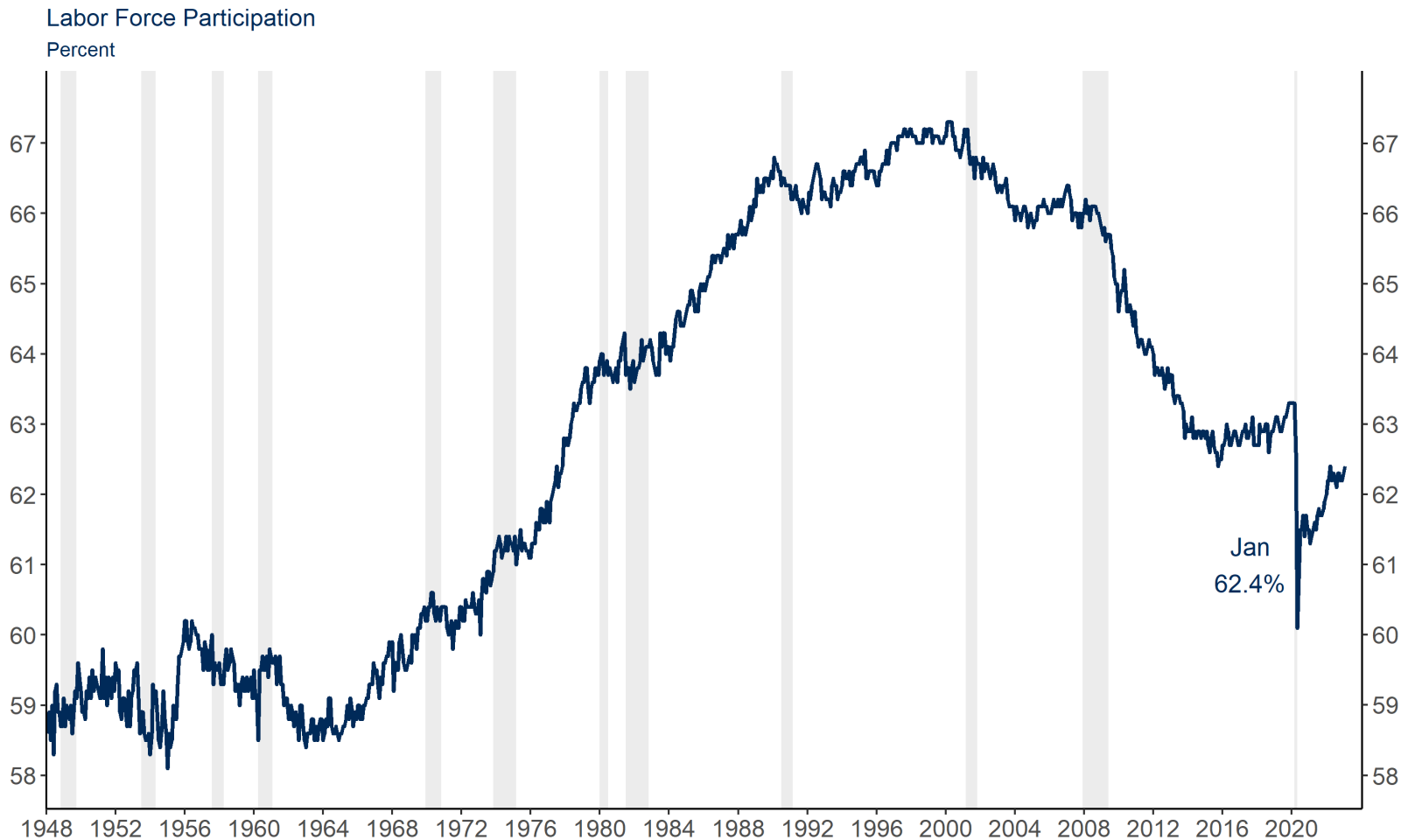
There have been major sectoral shifts in employment

North Carolina Employment Change from February 20 to December 22



Source: Bureau of Labor Statistics/Haver Analytics

The recovery looks a less impressive when considering labor force participation (LFP)



Source: Bureau of Labor Statistics/Haver Analytics

Will Labor Force Participation Recover?

- It is unlikely. Why?
 - 1) **Baby Boomer retirements**
 - 2) **Change in attitudes/norms around work**
 - 3) **The 50-year baby bust**
- There are three additional issues that deserve attention: the opioid epidemic, childcare and the large number of people with criminal backgrounds.
- The bad news is that this is truly a global issue. The good news for us is that the Carolinas will fare better than the majority of the U.S.
- In addition, there are things that can be done to change the landscape in the longer run.

Baby Boomer Retirements

- Baby Boomers represent 76 million Americans born between 1946 and 1964. They now range from 59 to 77 years of age.
- The increase in labor force participation between 1965 and 2000 was driven by the Baby Boomers entering the labor force and sharp increases in women's labor force participation.
- Because Baby Boomers were a generation known for working hard, and they were the first generation that had many two income households, they are also the wealthiest generation to date. Average wealth of retiring Baby Boomers is \$1.2 million.
 - This was already lowering their labor force participation rates prior to COVID and about 2 million Baby Boomers were retiring each year.
- The Saint Louis Fed has estimated that an extra 2.5 million Baby Boomers retired in 2020 and 2021.

Attitudes/norms around work

- The Millennial generation has represented the majority of workers since around 2014. Millennials are typically children of Baby Boomers and are currently between 26 and 41 years old.
- There had been a serious decline in prime-age male labor force participation prior to COVID.

1980: 94%

2019: 89%

} ***This represents 3 million missing workers***

- The data show that younger men have increasingly preferred part-time work over full-time work, and more than ever are simply not working at all.
 - This change began with the Great Recession, when many were forced into part-time work. The trend never reversed.
 - Work by Aguiar et al. shows that work hours for men ages 21 to 30 declined 12 percent between 2000 and 2015. In addition, 15 percent of the men in this age group did not work a single week in 2014.
 - They estimate that 75 percent of the increase in leisure hours from reduced work were spent playing video and computer games.

Attitudes/norms around work

- The choices around work effort in the Millennial age group (and beyond) are likely related to Baby Boomer wealth. Some in this generation don't have to work as much because their parents are providing financial support.
- Many young adults live at home with their parents are have been slow to 'grow up.' The data are pretty shocking.
 - While 94 percent of Baby Boomers had a first job before age 20, that dropped to 87 percent for Millennials. (5 million worker difference)
 - In 2014, for the first time since 1870, adults ages 18 to 34 were more likely to be living at home than they were to be living with a spouse.
 - In 2022, 18.7 percent of men and 12.4 percent of women 25 to 34 years old lived at home with their parents. A Census study in 2017 found that 25 percent of adults aged 25 to 34 that live with their parents neither attend school or work.
 - Age of first marriage and birth of first child are now over age 30 for men and over age 27 for women.

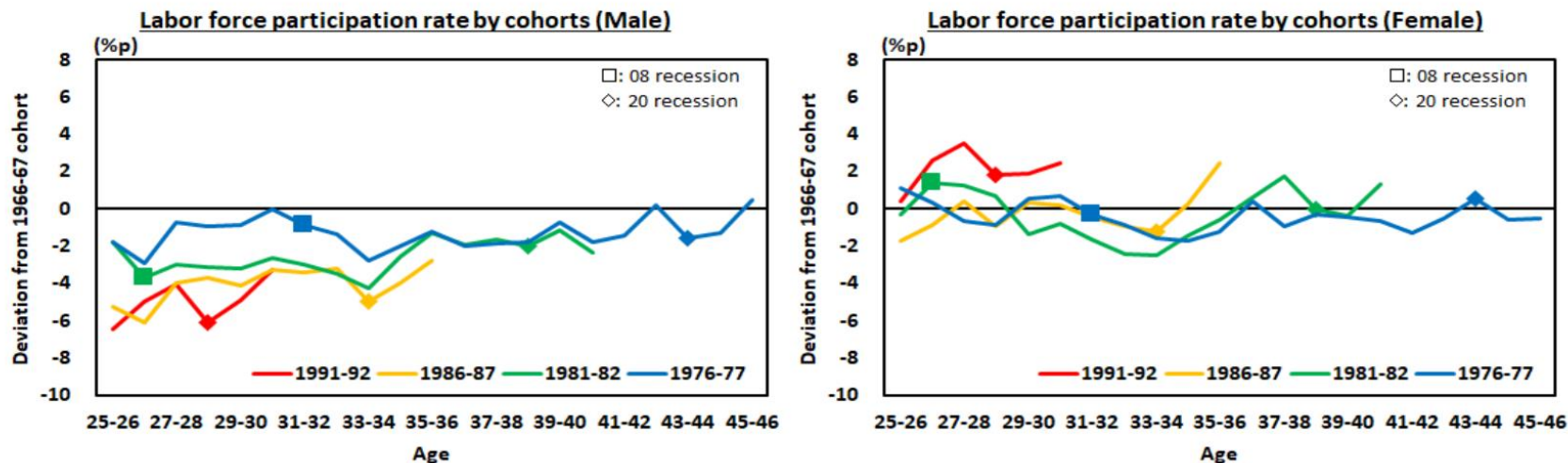


Figure 3: Participation Rates over Life Cycle, Deviation from the 1966-67 Cohort's

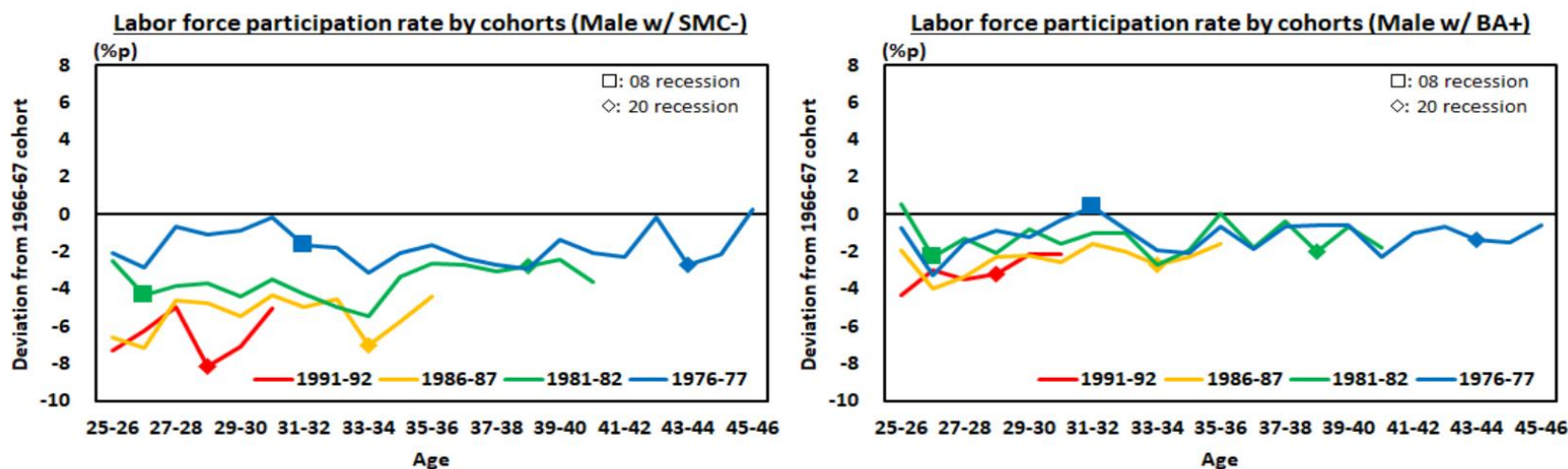
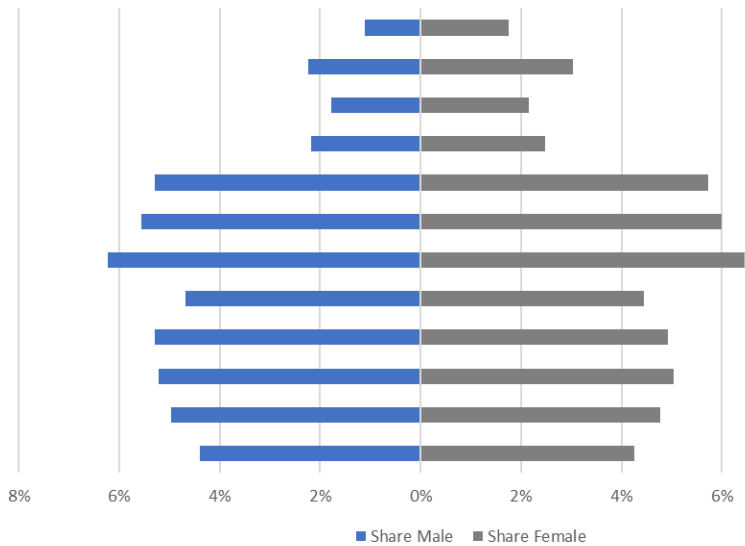


Figure 4: Participation Rates over Life Cycle, Deviation from the 1966-67 Cohort's

The 50 year 'baby bust' is catching up with us

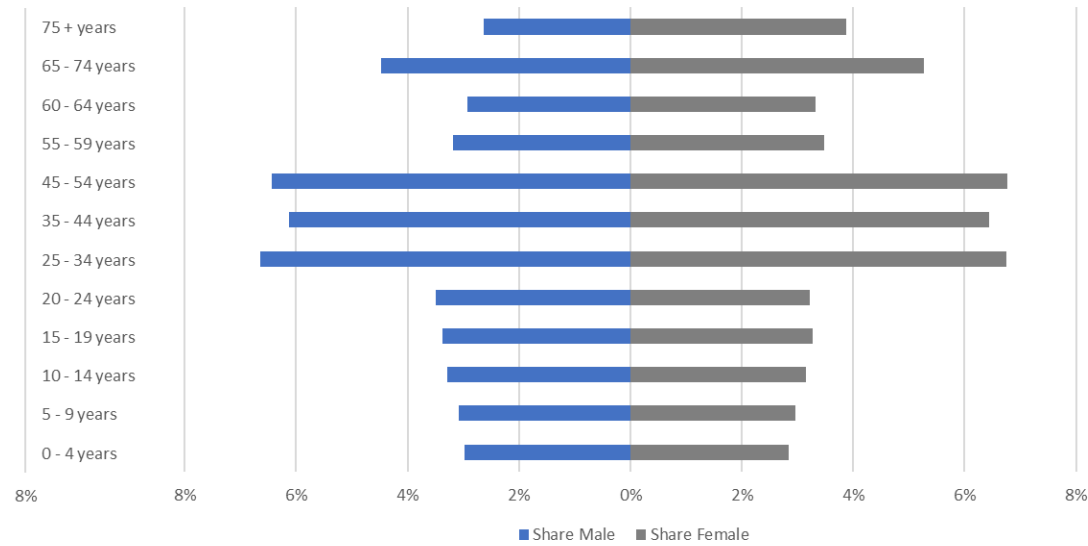
Median Age in 1970: 26.5

NC Population 1970



Median Age in 2020: 38.9

NC Population 2020



Source: 1970 Decennial Census and 2020 ACS 5-year estimates

Where do we go from here?

- What might make a difference in the availability of workers? What could get people back into the labor force?
 - Flexibility:
 - According to LinkedIn, workers are 2.5 times more likely to apply for jobs that are remote.
 - Flexibility in terms of location, hours worked, etc. can help workers with young children or those with other care responsibilities.
 - Immigration:
 - While these issues are global, the desire to relocate to the U.S. remains strong. The bonus here is that immigrants typically have higher labor force participation and fertility rates.
 - Policy Initiatives to Improve Outcomes:
 - This could include anything from enhanced child tax credits, to subsidized childcare, to an expansion of the Pell Grant.
 - Changes in Recruiting Philosophies:
 - As the working population shrinks (as a percent of total population), employers will have to evaluate how and who they recruit.
 - Encouraging Youth to Develop into High Demand Fields:
 - Some fields (nursing, computer science, accounting, data analytics) are in higher demand than ever. Encouraging students to study these fields, and providing attractive training programs, could improve employment outcomes.

Questions/Comments?

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