






Working Toward an Inclusive Labor Market Recovery

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INTRODUCTION

As our economy continues to dig out from the COVID-19 recession in 2020, there are promising signs for the overall trajectory of the recovery. The current unemployment rate of 5.2% is down considerably from 14.8% in April 2020.¹ Increased demand for workers this summer has led to brisk wage gains, especially in industries like leisure and hospitality.²

The Biden administration's efforts to control the spread of the virus and bolster the economy are working. In fact, job growth has been historically high since President Biden took office, as the economy has recovered 4.5 million jobs.³ Economists expect that as the delta variant surge wanes, vaccination rates increase, and schools and daycares can reliably stay open, labor markets will further tighten.

However, as the August 2021 jobs report from the U.S. Bureau of Labor Statistics shows, our nascent labor market recovery is still vulnerable to setbacks from surges of the virus. The roaring pace of new jobs early in the summer is not a guarantee that all workers will find employment after historic job losses.

What's more, new research shows that time and a booming labor market do not a guarantee a fully inclusive recovery.⁴ For a multitude of reasons, the non-college educated, workers of color, women, and less experienced workers suffered disproportionate job losses early in the pandemic, and they have historically been last in line for job gains. Policymakers will need to wield every tool to ensure that as the recovery progresses, that we work toward an inclusive

and equitable labor market that brings all workers along.

The reconciliation package working its way through Congress with elements of the American Families and Jobs Plans would certainly help working families and individuals affected by the pandemic. In addition, our pandemic strategy should also include new investments in training workers with sought after skills in the marketplace and new steps to empower workers after decades of wage stagnation and growing economic inequality.⁵ We cannot be satisfied with a partial recovery that leaves whole communities behind.⁶ This paper offers policymakers at all levels of government evidence-based approaches for creating a more inclusive labor market after the pandemic.

Recommendations:

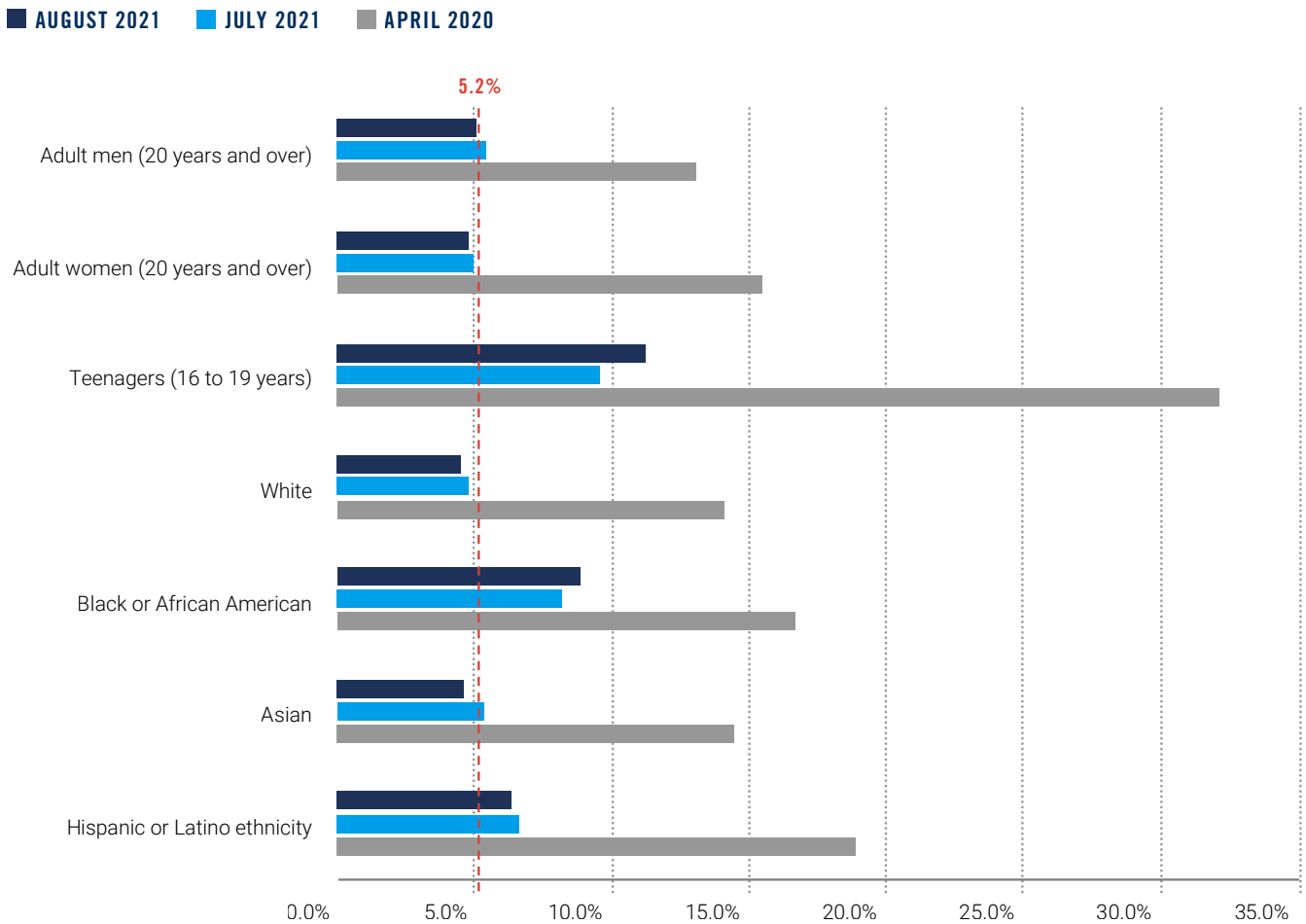
- Our education system needs to better prepare traditional and non-traditional students to transition to work and provide better supports. Policymakers should expand access to career and technical education, early college high schools, and flexible models tailored to students and workers that face unique challenges and barriers.
- Adult learners and workers need more wraparound services, flexible curriculums, social capital and networking, and training in digital skills to complete degree and training programs and find jobs in the post-pandemic recovery.
- Many students will not have a linear path to degree completion. States should require more colleges and universities to be transparent about what coursework will transfer, and then ensure that students get these credits transferred between institutions.
- Business leaders and policymakers can work together to ensure our workforce development programs are aligned with in-demand jobs and opportunities in their communities and give employers more skin in the game. Additionally, current systems for hiring and recruitment are leaving out a wide swath of workers due to degree discrimination. Companies should reform their hiring process to switch to skills-based hiring that will help them find the talent to fill openings.
- Some industries, such as health care and education, are having difficulty finding workers. Our workforce programs should increase apprenticeship and job training programs, such as in early education and child care, to build a pipeline of high-quality jobs with good wages. A focus on equity and inclusiveness will help women and workers of color succeed in these industries.
- Policymakers should build on the proven success of subsidized employment programs used during the Great Recession to help disadvantaged workers transition more quickly and seamlessly to the labor force.
- Wages for millions of workers are far too low. Congress should work to increase the minimum wage, implement a Living Wage Credit, and make the pandemic expansion of the EITC permanent going forward.
- The child care industry has been in crisis during the pandemic and is facing a severe labor shortage. Yet this critical support is necessary for working families and parents. We should support working parents by investing in child care and increasing wages for early education teachers to attract and retain workers. This will not only help

many women and workers of color, but will help parents stay in the labor force. Other programs like paid family leave and universal pre-kindergarten will also boost labor market participation and family economic security.

- Lastly, beyond wages, policymakers should strengthen protections and rights for workers to ensure a competitive labor market after the pandemic. To support workers during

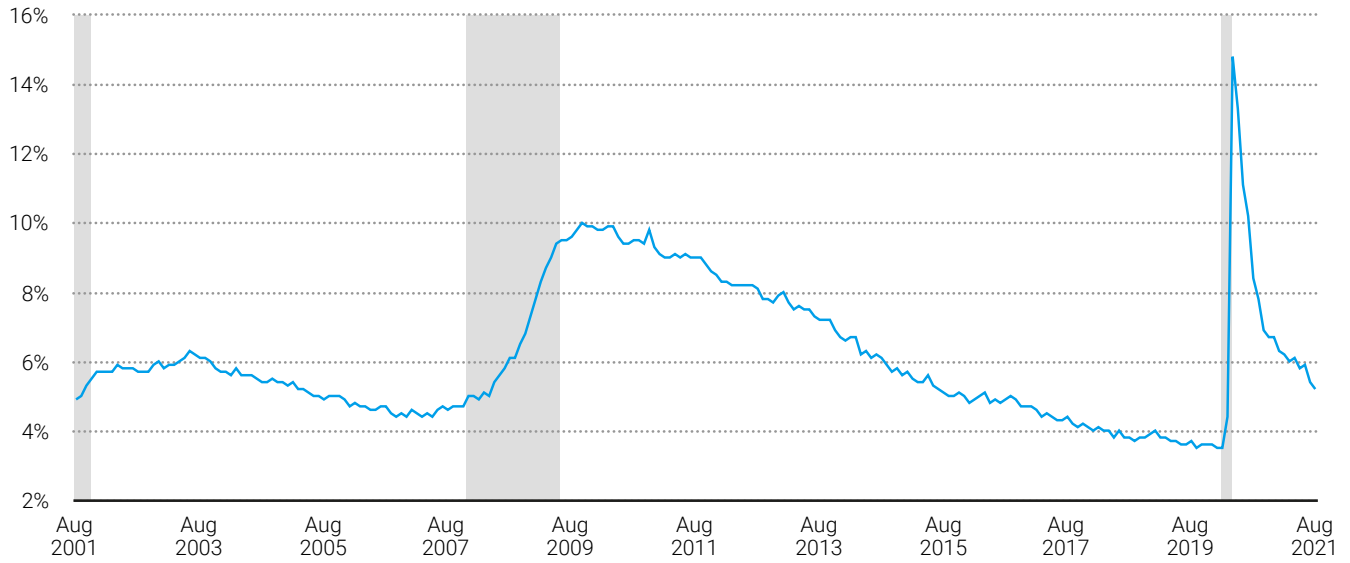
future economic downturns, Congress should modernize Unemployment Insurance (UI) to be an “automatic stabilizer” that kicks in when certain economic conditions are met that signal a recession.

UNEMPLOYMENT RATES FOR THOSE 16 YEARS AND OLDER, BY MAJOR WORKER GROUPS



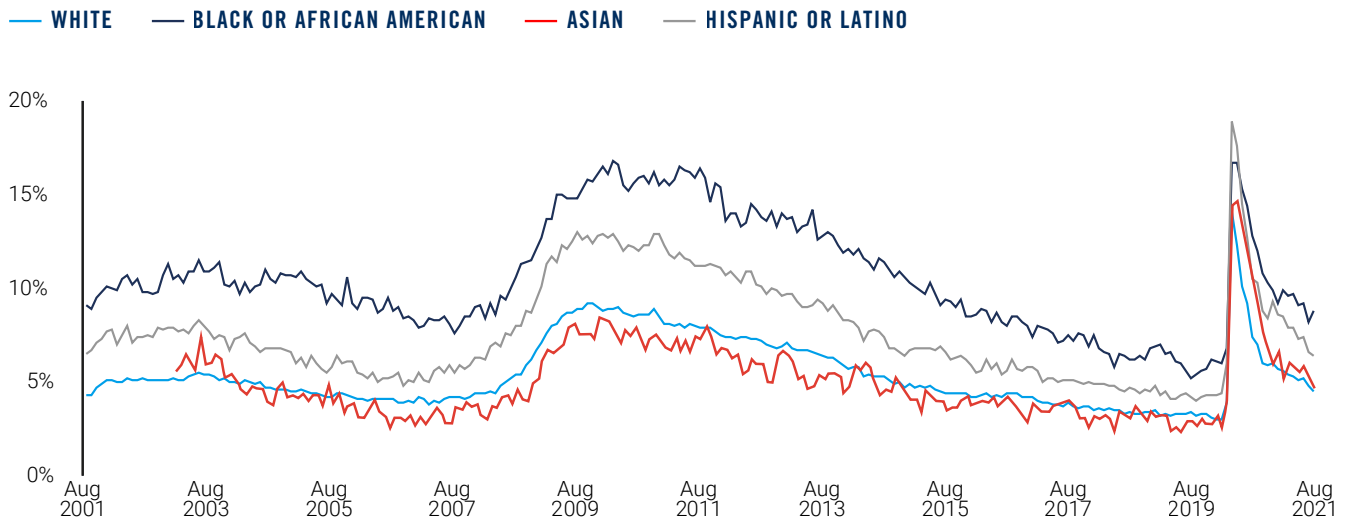
Source: U.S. Bureau of Labor Statistics

CIVILIAN UNEMPLOYMENT RATE, SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

CIVILIAN UNEMPLOYMENT RATE, SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

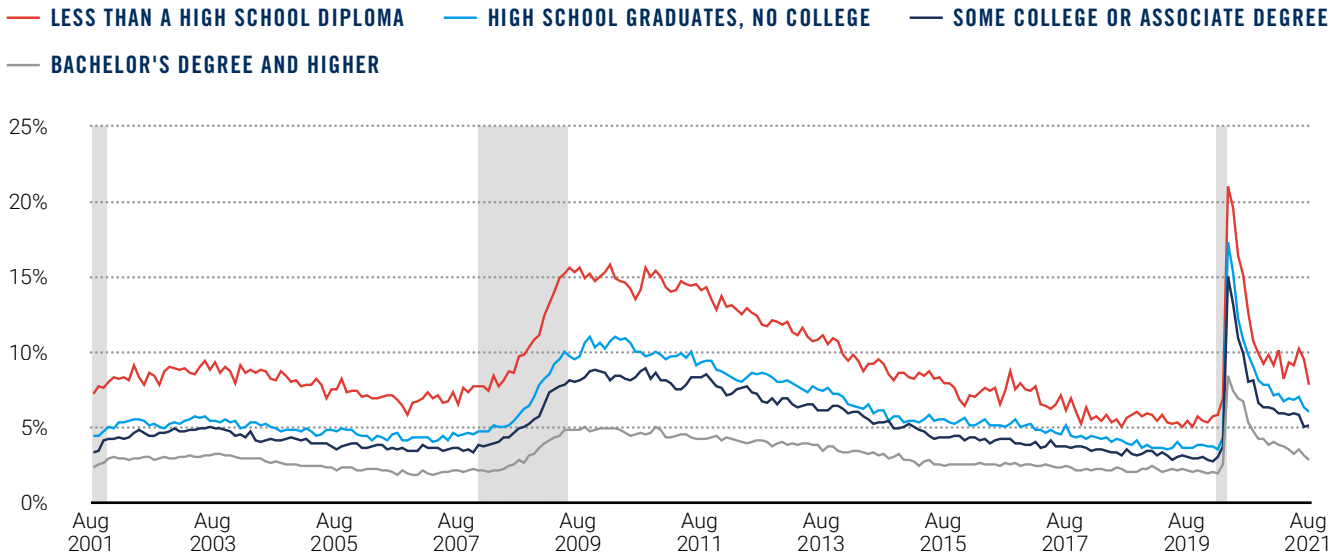
BACKGROUND

The Current Labor Market Recovery

The latest data from the U.S. Bureau of Labor Statistics for this past August shows a labor market recovery slowing under the strain of the coronavirus delta variant wave.⁷ As case rates increase across the states, and especially

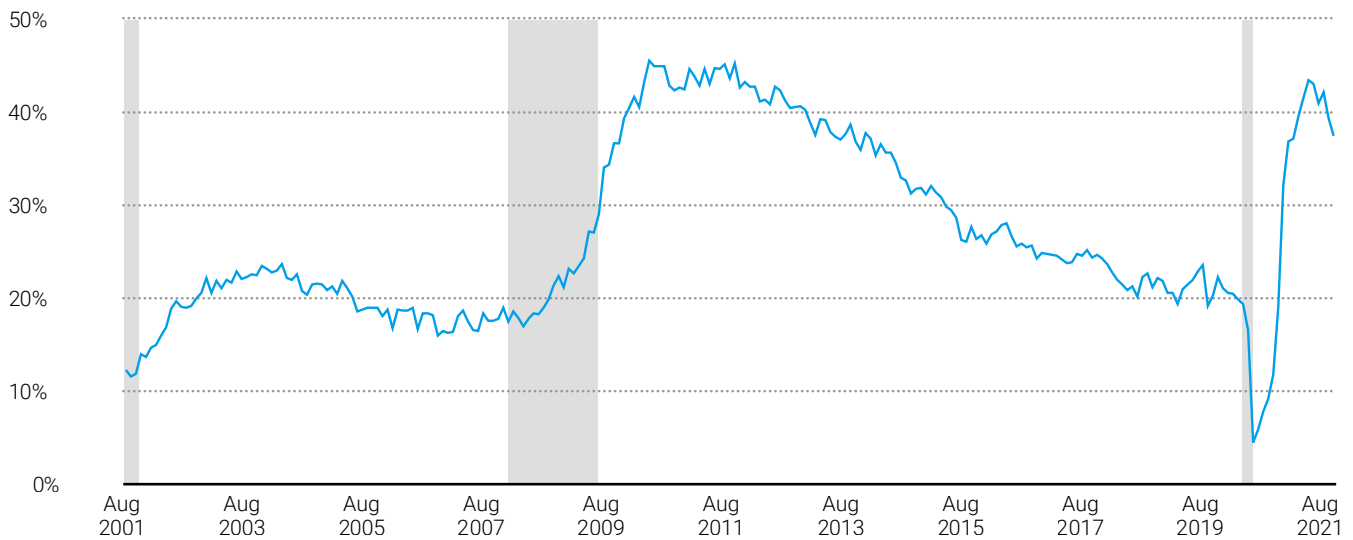
in counties with lower vaccination rates, businesses and individuals have had to grapple with mask mandates, canceled events, delayed returns to in-office work, school and daycare quarantines, and other disruptions that have cumulatively led to decreased economic activity.⁸

UNEMPLOYMENT RATES FOR PERSONS 25 YEARS AND OLDER BY EDUCATIONAL ATTAINMENT



Source: U.S. Bureau of Labor Statistics

UNEMPLOYED 27 WEEKS OR LONGER AS A PERCENT OF TOTAL UNEMPLOYED, SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

While the unemployment rate is down significantly from 14.8% in April 2020, the labor market recovery remains uneven, and the experience of past recessions shows that some workers will need extra support to land good jobs. The unemployment rate for Black workers ticked up to 8.8% in August 2021 compared to 4.5% for white workers. The percentage of long-

term unemployed workers (LTU) – those out of work for 27 weeks or more and actively looking – is very high at 37.4%.⁹ That figure is trending downward as the labor market tightens, but data from previous recessions suggests that workers with a high school degree or less will struggle to find jobs. And women, hampered by child care and school closures and quarantines, made up

only 28,000 new jobs or 11.9% in August 2021, compared with gains of 207,000 for men.¹⁰

There are also signs of a realignment in our workforce. Employee preferences on how and where to work are changing, while companies are shifting their hiring, technologies, and supply chains to reflect the new pandemic economy. As recent analysis from *The Washington Post* points out, there is a “massive reallocation” of labor that is leading to a surge in job openings, quit rates, retirements, and redistribution of employment opportunities.¹¹ Certain sectors, such as education and health care, are having a hard time filling job openings. Opportunities might also shift regionally due to the rise of telework and these differences will have profound policy implications for workers of different races, ethnicities, and backgrounds.¹²

Employers report that workers seem to be pickier about the types of jobs they are willing to accept.¹³ One reason may be that they are sitting on increased personal savings, which reflect both government payments during the pandemic and reduced opportunities for consumption in a locked down economy.¹⁴ Some labor analysts have suggested that unreliable access to child care and health concerns may still be holding back some workers.¹⁵ In addition, nearly five million workers seem to have dropped out of the labor market during the pandemic recession.¹⁶ The good news for workers is that wages have been on the rise in certain industries desperate to fill openings and that trend is expected to continue.¹⁷

However, for a percentage of unemployed workers, their career trajectories might be hampered in the same way as some did during the Great Recession and they will not reap the benefits of a tight labor market. Additionally,

analysts predict that not all jobs will come back and that some industries might be permanently changed by the pandemic.¹⁸ The difficulties for those who struggled to find jobs after the last recession serve as a lesson for how to help unemployed workers recover faster during this downturn. As the economy improves during the pandemic, policymakers have several options for building an inclusive recovery. To prevent further economic scarring and to help job seekers quickly pivot to new employment, we need to draw upon the active labor market strategies and workforce development policies that have worked in the past and other promising ideas.

The Consequences of Unemployment and an Uneven Recovery

The causes and consequences of unemployment are nuanced but evidence shows that long-term unemployment is detrimental to workers, their households, and their communities across a range of measures.¹⁹ In some cases, the longer that a worker is unemployed, the harder it is for that individual to find new employment and even if they do, on average they receive lower wages.²⁰ Over the pandemic, the percentage of LTU workers has fallen but still now comprise 40% of the currently unemployed — or 3.2 million — who have been out of work for six months or more.²¹ Unemployed workers face persistent stigmas when actively job hunting and can quickly become discouraged by barriers such as isolation, social stigma, and age discrimination.²²

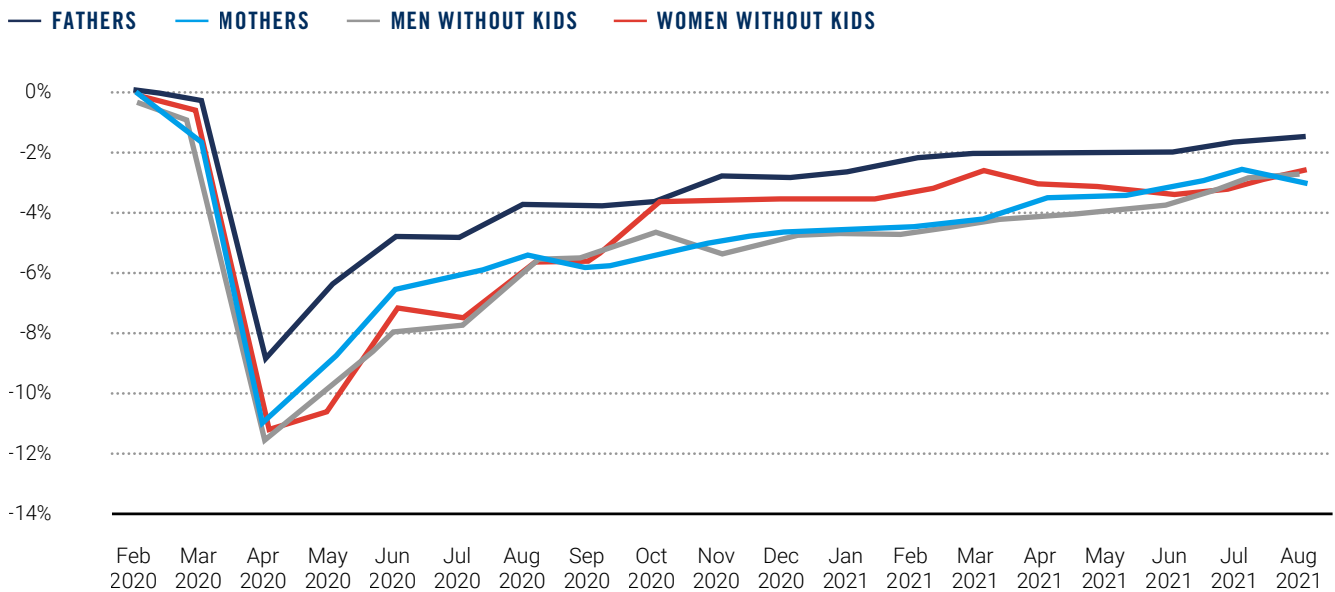
The unemployed are disproportionately non-college educated, female, or workers of color:

American workers without a college degree — or about two-thirds of workers²³ — have experienced among the largest declines in labor force participation over the course of the pandemic.²⁴ The majority of workers with a high school diploma or less (78%) were not able to

telework when the economy was shuttered in the spring of 2020 since many of their jobs were concentrated in the services industry, while most with a bachelor's degree or more were able to work from home.²⁵

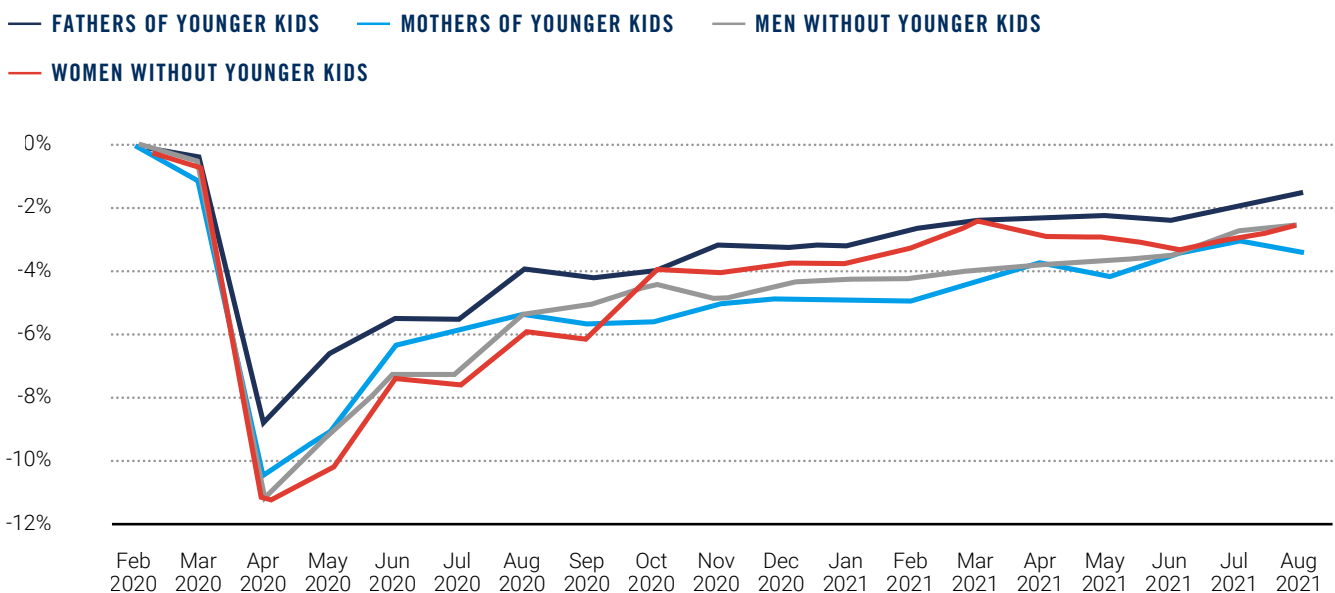
The pandemic has also been detrimental to the labor force participation of women,²⁶ especially those with younger children who primary caregivers. Half of mothers in the labor market are the breadwinners or sole earners for their households, but this is even higher for Native American (58%) and Black (74%) families.²⁷

MOTHERS' EMPLOYMENT FELL IN AUGUST



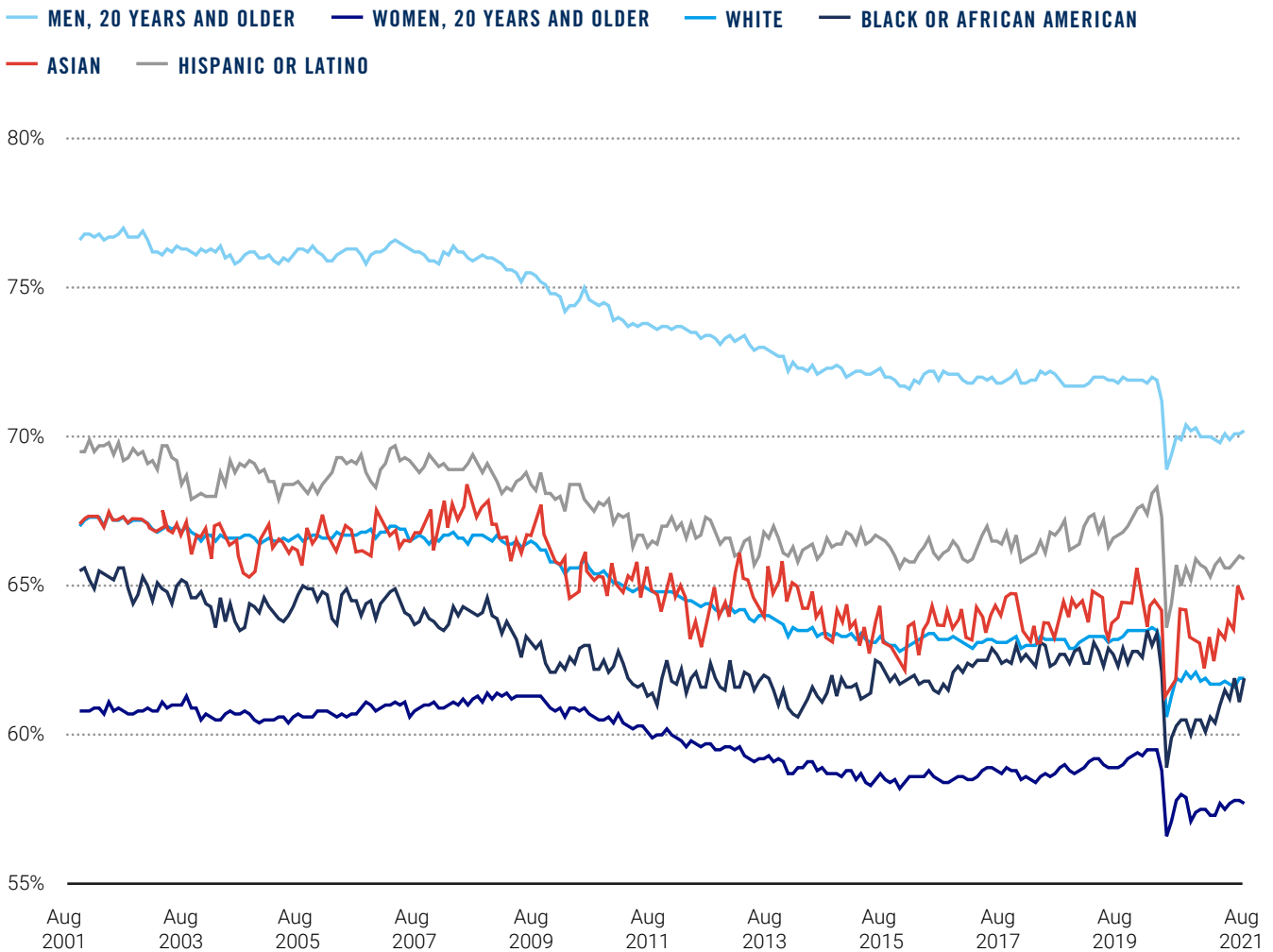
Source: CPS microdata, seasonally adjusted

MOTHERS' EMPLOYMENT FELL IN AUGUST



Source: CPS microdata, seasonally adjusted

CIVILIAN LABOR FORCE PARTICIPATION RATE, SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Unemployment and wage gains for Black and Asian Americans has also been slower to recover this year, even as they make up an increasing share of active job seekers.²⁸ Some economists warn that systemic racism and inequities in the labor market that could lead to more of these workers becoming long-term unemployed and slowing down economic growth for the economy.²⁹ It will take a considerable amount of time for these job losses to be regained after the pandemic.

Research supports that leaving behind groups of workers limits our economic growth over time.³⁰ A sudden loss of income can have adverse effects on the health and well-being of these families and the children in their care.³¹ There are also significant economic costs to lower labor force participation in the U.S.³² A labor market in which workers of all races, ethnicities, genders, and backgrounds can participate would benefit our overall economy.

BETTER SUPPORTING LEARNERS AND WORKERS WITH SKILLS AND CONTINUOUS EDUCATION

Millions of jobs are not expected to come back after the pandemic and workers might find that the skills, location, and requisite experience of new openings do not match their backgrounds.³³ A subset of these individuals will turn to schooling to upskill or change occupations entirely and we should better support adult students who make this transition. In fact, more than half of college students are working adults who are financially independent from their parents.³⁴ Millions of these non-traditional students are parents or caregivers themselves.³⁵ This potential shift should be seen as an opportunity to strengthen adult education and create a system of continuous education as workers move to better occupations and jobs throughout the labor market. We should be mindful of how to facilitate these transitions more seamlessly.

For the 10% of American adults who never finished high school,³⁶ adult charter schools have shown promise for helping them invest in their human capital and become better prepared for employment. Schools, like The Excel Centers, a network of adult charters, offer flexible options for students who might need more support than traditional ones to complete their education.³⁷ The focus³⁸ is to provide students with industry-recognized credentials and career training and assistance that have shown to translate to higher graduation rates and wages.³⁹

Central to adult charter schools and other job training programs aimed at non-traditional students is a focus on offering wraparound services, such as child care, transportation, and financial support, that reduce the barriers to program completion.⁴⁰ Career coaching and a focus on eliminating barriers can be especially

helpful for women, including low-income workers, complete training that leads to in-demand jobs.⁴¹

Other programs take a preventative approach and aim to help students who are at high-risk of dropping out of high school or who might not pursue higher education because of their backgrounds. Early college high schools offer students the ability to take college-level coursework in late high school to give them a head start. For example, P-TECH schools pair a high school education, with industry-recognized credentials, and job experience.⁴²

Expanding career and technical education (CTE) in schools so that young adults are better prepared for the transition to the workforce before they graduate would also benefit career outcomes for younger workers. The surge in unemployment at the pandemic's onset disproportionately slammed young adults aged 16-24,⁴³ and some estimate that as many as 25% of our youth will neither be in school nor working when the pandemic ends.⁴⁴ According to the U.S. Department of Education, high school students enrolled in programs with a CTE concentration are more likely to both graduate and earn higher median annual salaries than those who did not participate.⁴⁵ Beyond CTE, vocational training and youth apprenticeships have shown promise⁴⁶ in helping young adults who chose not to pursue college find employment with the prospect of a successful career.⁴⁷

Flexibility can also be key to helping young adults reach their potential. Degrees of Freedom, a new two-year college, bases their model on the needs and experiences of first-generation college students.⁴⁸ Degrees of Freedom has a flexible curriculum that includes virtual, and off-campus learning for its cohorts, since many of the students have strong ties to home and caregiving and

work responsibilities that might otherwise make it difficult for them to complete the program. While at home, students work in apprenticeships and job training programs to ensure a smooth transition to the labor force.

Research suggests that summer semesters can be a wasted opportunity for students. To prevent learning loss and better retain students who might become disconnected from their programs, researchers recommend continuous learning in the summer months.⁴⁹ This change has the added bonus of helping students graduate faster and potentially save on the living costs of an education.

The success of the adult charter school model provides lessons for other training programs aimed at adults. Adult students and workers can often lack the network or social capital to job hunt without feeling discouraged or isolated. Training programs such as Climb Hire help workers, including those without college degrees, by pairing technical and soft-skills training to help job seekers match with high-demand positions with local employers.⁵⁰ Alumni of the program are also given mentorship and continuous learning opportunities to ensure good outcomes. Research also suggests that some older workers might benefit from educational opportunities to advance their digital skills, especially as some professions have relied increasingly on access to broadband, internet, computers, and other devices during the pandemic.⁵¹

Lastly, some students who complete college-level coursework at the high school level or begin their education in community colleges and want to transfer to public or private universities, or vice versa, face hurdles in having their existing coursework accepted by these institutions. Policymakers at the federal and state level should require the portability of credits and

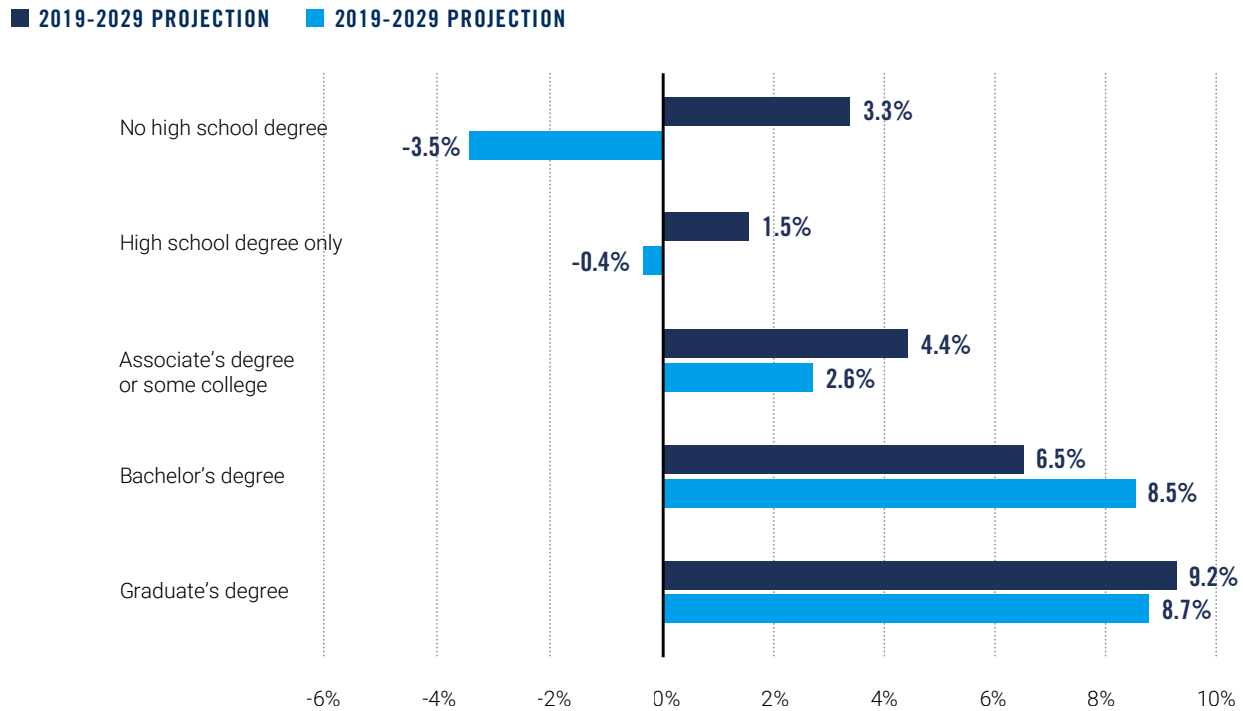
greater transparency by colleges on what college credits will transfer. Legislation, such as the Reverse Transfer Efficiency Act of 2021 introduced by Sens. Mark Warner, Mike Braun, John Hickenlooper, and Elizabeth Warren, would facilitate the process of transferring credits among colleges.⁵² States should also implement policies that credit accelerated college-level coursework, such as through early college high schools, and dual enrollment programs. They should also require their public universities to give full credit for these courses – something that is not common practice now and is detrimental to students. This would ensure that students are given advanced standing and degrees for these courses, and likely make them more attractive.

ENGAGING EMPLOYERS AND CREATING OPPORTUNITIES FOR ALL WORKERS

Addressing structural inequities in U.S. labor markets will require a joint approach between the business community and policymakers. First, business leaders and managers need to rethink traditional job recruitment practices and technologies used in hiring to be more inclusive. Second, policymakers also need to better engage employers in workforce development and frame our workforce programs to address inequities in the labor market.

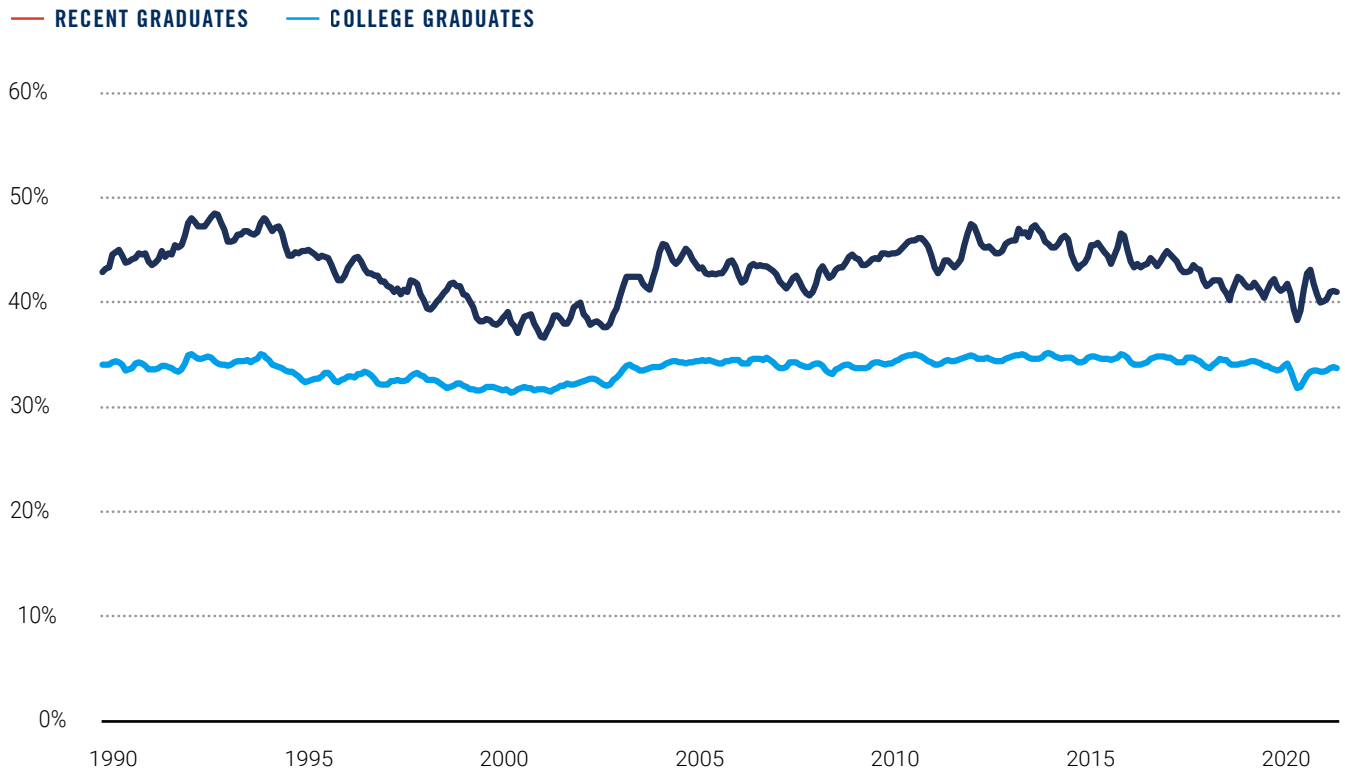
Degree-based discrimination in hiring is hurting workers and companies. Our workforce includes approximately 70 million overlooked workers that have attained skills and experience, or have the potential to do so, that are highly valued by employers.⁵³ Research suggests that when companies screen out candidates without a four-year degree, they exclude many Black, Hispanic, veterans, or rural Americans that could fill these roles.⁵⁴ Our country needs a

PANDEMIC HURTS JOBS REQUIRING LESS EDUCATION



Source: Bureau of Labor Statistics Occupational Projections

UNDEREMPLOYMENT



Source: Federal Reserve Bank of NY

fundamental shift toward skills-based rather than degree-based hiring.⁵⁵ This would jointly boost career prospects for workers and help employers cast a wider net for high-potential candidates. Projections from the Bureau of Labor Statistics suggest that the trend toward screening out workers who lack college degrees is worsening.

Even for those who graduate from college, a significant share are considered underemployed relative to their level of educational attainment — meaning that they work in jobs that do not typically require a college degree. This is especially true for those that have graduated more recently.

Research on company policies and the deployment of new technologies in hiring points to algorithmic bias and how some of these systems are inefficiently screening out pools of workers.⁵⁶ These “hidden workers” are excluded despite their potential to successfully perform the duties in job descriptions or be trained to do so. Employers should rethink how these technologies are set up so that they can better recruit and retain talent.

Policymakers can also engage employers in job training programs. Our approach to workforce development needs to place more of an emphasis on employer-focused partnerships and measuring outcomes and performance.⁵⁷ In Rhode Island, for example, state officials bring employers to the table to identify what their talent needs are and establish how training programs can better align with opportunities in their communities. Following training, the state tracks the earnings and employment of program participants to gauge its effectiveness and offers performance-based payments to programs that show success.

Giving employers more skin in the game is key. Philadelphia’s new Pay for Success (PFS) program also builds relationships with local companies to boost employer investment in training programs and ensure they meet quality thresholds in terms of leading to jobs with decent wages and prospects for upward mobility.⁵⁸

To better address labor market inequities, another option would be to increase training programs and apprenticeship slots in industries dominated by women that face worker shortages, such as early childhood education and health care, and pair these jobs with competitive wages to better retain workers.⁵⁹ Analysis of successful programs by the Department of Labor highlight features that can improve outcomes, such as personalized support, mentorship, financial assistance, and the role of intermediaries in launching and growing apprenticeship programs.⁶⁰

Lastly, the Biden administration recognizes that subsidized employment programs are a proven strategy for helping disadvantaged workers quickly get better jobs and career pathways.⁶¹ During the Great Recession, for example, the Temporary Assistance for Needy Families (TANF) Emergency Fund helped to place more than 250,000 workers in a variety of industries.⁶² MDRC research also suggests that subsidized employment programs that place disadvantaged workers in jobs with nonprofits organizations, public agencies, or social enterprises tend to connect workers more quickly.⁶³

BOOSTING WAGES AND EMPOWERING WORKERS

Policymakers can also promote an inclusive recovery by supporting proven strategies for raising wages and empowering workers. While the tightening labor market has translated to increased wages and leverage for many, we will need to reinforce worker protections and rights to sustain the recovery's momentum.⁶⁴

Wages for millions of workers are far too low. No one should work a full-time job and not be able to afford housing, food, and other basic necessities. Congress should pass a long-overdue increase of the federal minimum wage, which was last increased in 2009. Most agree that workers deserve a raise from the current inadequate rate of \$7.25, yet there are disagreements on the exact amount, and momentum has slowed for \$15. Democrats should negotiate up as much as they can — be it to \$12 or \$13 per hour — since any increase would be an improvement for low-income workers and peg ongoing increases to inflation.

We can also ensure that minimum wage workers earn enough to move into the middle class by instituting a Living Wage Credit, which would absorb the Earned Income Tax Credit (EITC) and provide more generous tax relief for individuals making less than \$40,000 per year, phased out beyond that income threshold.⁶⁵

Another way that policymakers can boost the incomes of low-income households is by making the pandemic expansion of the Earned Income Tax Credit (EITC) permanent. The EITC is one of the nation's most effective anti-poverty programs and in 2018 alone an estimated 22 million working families and individuals received the credit, lifting about three million children out of poverty.⁶⁶ Beyond helping low-income households, there is robust evidence that the

EITC increases labor force participation since it rewards work and creates financial incentives for employment.⁶⁷ The current proposal would increase the credit for workers without children and make workers across a broader income range eligible.⁶⁸ Some advocates have suggested that to further increase the EITC's effectiveness, students younger than the qualifying age of 25 should be eligible since more than half work.⁶⁹

Many industries and positions with large shares of female workers, such as child care, have comparatively lower wages, less employee benefits, and challenging working conditions. About half of working women (28 million) are estimated to be in low-wage jobs, a large share of these are Black and Hispanic women.⁷⁰ Turnover in these jobs has always been high but during the pandemic the child care industry has had a particularly tough time keeping and recruiting workers.⁷¹ Democrats in Congress and the White House have pushed for federal funds to stabilize the industry and raise wages. Evidence suggests that such efforts are helping to address this market failure.⁷² Keeping child care centers staffed and open has the added value of helping workers with children remain in the workforce. Other elements of the White House's American Families Plan (AFP),⁷³ such as universal pre-kindergarten⁷⁴ and paid family leave,⁷⁵ help increase labor force participation and keep caregivers tied to the workforce.

The Biden administration has emphasized the important role of union jobs as the backbone of the American middle class. Research shows that unionized women earn higher wages and have better pay equity, have stronger household economic security, and have stronger employer-sponsored benefits.⁷⁶ Enhancing and protecting the power and rights of workers in our economy is critical to supporting good jobs and a strong

middle class. Encouraging competition across the economy will strengthen the bargaining power of workers by targeting non-compete agreements and monopsonistic labor markets, which have led to wage stagnation and income inequality.⁷⁷

Lastly, in the case of a future downturn, we should ensure that workers who suddenly find themselves out of a job have access to income supports. Reforming unemployment insurance (UI) and making it function as an “automatic stabilizer,” triggered as soon as the economy enters a downturn, would help get aid to unemployed workers faster in a crisis.⁷⁸ Our UI systems need to be modernized entirely, and Congress should consider updates, such as offering extended benefits for more weeks during severe recessions, adequately funding updates to state IT systems and covering more jobseekers, such as the self-employed.⁷⁹

CONCLUSION

The strength of our economy rests in part on the investments that we make in the millions of talented workers who make up our labor force. The COVID-19 pandemic has resulted in dramatic job losses, which have impacted workers differently. Going forward, our education system needs to better serve traditional and non-traditional students working toward degrees, be better prepared for jobs upon graduation, and get the training and skills to find employment

in-demand fields. Our learners and workers need stronger supports so that they can realize their full educational and professional potential. Policymakers and companies should reconsider the way that we train and recruit workers, as well as how these policies might disproportionately impact some communities more than others. Lastly, we should also aim to boost wages, protections, and rights to better reflect the realities of living and working in America. The investments we make in our workforce today will pay off in future economic growth and shared prosperity for all working families.

ABOUT THE AUTHOR

Veronica Goodman is Director of Social Policy at the Progressive Policy Institute. Her research focuses on policies to lift more Americans out of poverty and to strengthen the middle class. Veronica earned graduate degrees in economics and management from Johns Hopkins University, and an undergraduate degree from The George Washington University.

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