Flexible Work and Women's Participation

When COVID-19 hit in 2020, one of the many shocks families faced was the closing of schools and child care centers. In many families, the burden of dealing with such shocks was disproportionately borne by the mom — so this sudden change hit women's labor force participation hard. Commentators labeled it a "she-cession."

But in the time since, women's participation in the workforce has bounced back. Among women aged 25 to 54, the labor force participation rate — as economists call it — actually reached an all-time record in May and remains high at 77.9 percent (versus 77 percent in February 2020). Moreover, as Brookings Institution researchers have noted, women with young children, ages 4 and under, have led the charge, with their labor force participation growing at the fastest rate. With the upcoming start of the new school year, it's a good time to ask: What happened?

Part of the story is the reopening of schools and a rebound in the supply of child care workers — which fell dramatically during the pandemic but has since climbed back to its former level of staffing. From what I've been seeing and hearing, though, that's only one piece of what's been going on.

Of course, hybrid work and work from home has been a significant change from four years ago. For a large part of the population, balancing work and home is or seems more manageable than before. In principle, that opens up labor force participation to men and women alike — but in practice, as I noted, it's most often women who are juggling these multiple tasks.

Perhaps the growth of hybrid work and work from home explains why the

recovery in labor force participation among mothers of young children has been most pronounced among women with a college degree: As my Research Department colleagues have observed, those jobs are the ones most likely to have flexible work options.

The other piece of the puzzle I find interesting is the place where participation has strongly dropped and stayed lower: people 65 and up. This runs counter to the long-term trend. Before the pandemic, employment among older adults had been rising gradually for several decades. The reversal may have been driven in part by pandemic health concerns and by pandemic-related workplace changes that made retirement look more attractive. Another important factor may have been the run-up in asset prices, including housing prices, making retirement appear financially safer than it had before.

One hypothesis that's been shared with me, which resonates with stories I hear from my contemporaries, is there are a lot of older people taking care of their grandchildren, supplementing their children two or three days a week. That, too, helps women return to work or keep working while maintaining some balance. These grandparents have left the formal economy but are supplementing the costly and often hard-to-access child care industry by working informally.

In a tight labor market, employers invested in flexibility and the resulting increase in participation has in turn helped bring labor supply and demand into better balance. But the demographic outlook for the workforce looks to be a continuing challenge, as fertility has dropped, leaving the classes currently in K-12 ever-smaller over time. To move the needle further, I increasingly hear employers considering investments in reducing barriers to work, like housing subsidies, on-site child care, or tailored roles attractive to older workers.

We should also acknowledge that no one canceled the business cycle, so these employer initiatives haven't yet been tested by a downturn. What will we see when that happens? Will we see a pullback in flexibility as firms face less pressure on hiring and retention? If so, will women's participation absorb an outsized brunt of the contraction? Or will business leaders keep their eye on the long term and continue to invest in initiatives to bring people into the workforce?

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