S. HRG. 117–144

HELP WANTED: A STRONGER LABOR MARKET FOR ROBUST GROWTH

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE

OF THE

CONGRESS OF THE UNITED STATES

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

OCTOBER 27, 2021

Printed for the use of the Joint Economic Committee

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
46–616 WASHINGTON : 2022

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[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

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HELP WANTED: A STRONGER LABOR MARKET FOR ROBUST GROWTH

WEDNESDAY, OCTOBER 27, 2021

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The hearing was convened, pursuant to notice, at 3:01 p.m., in Room 210, Cannon House Office Building, Hon. Donald S. Beyer Jr., Chairman, presiding.

Representatives present: Beyer, Beatty, Pocan, Peters, Schweikert, Herrera Beutler, Arrington, and Estes.

Senators present: Heinrich, Kelly, Warnock, and Lee.

Staff present: Vanessa Brown Calder, Jackie Benson, Carly Eckstrom, Tamara Fucile, Sean Gogolin, Devin Gould, Erica Handloff, Colleen Healy, Liz Hipple, Adam Michel, Alexander Schunk, Sydney Thomas, and Emily Volk.

OPENING STATEMENT OF HON. DONALD BEYER JR., CHAIRMAN, A U.S. REPRESENTATIVE FROM THE COMMONWEALTH OF VIRGINIA

Chairman Beyer. So this hearing will come to order. I would like to welcome everyone to the Joint Economic Committee's hearing, entitled "Help Wanted: A Stronger Labor Market for Robust Growth."

I want to thank each of our truly distinguished witnesses for sharing their expertise today, and now I will do an opening statement before turning to Senator Lee for his.

One of the most important things we can do as a Congress is to help build a policy environment that encourages the creation of well-paying, high-quality, safe jobs, jobs that allow Americans to support themselves and their families, to create opportunities that provide workers with both a steady paycheck and the ability to care for loved ones when they are in need. Ensuring workers can navigate care and work responsibilities is crucial to boosting overall productivity and advancing long-term and robust economic growth, which benefits us all.

The purpose of this hearing is to examine the barriers to labor force participation. Why is it that certain workers have been unable to rejoin the workforce? How can policymakers help address this trend? And, despite the strength of the Nation's ongoing recovery, which the pace of new jobs created has been steady with almost 5 million Americans returning to work under President Biden—I believe the most in the first 10 months of any Presidency—the uneven return of the workforce we are witnessing really raises some concerns. It is particularly troublesome that women comprise nearly two to three workers who have dropped out of the labor force since the beginning of the pandemic.

To understand the current situation, it is useful to look at pre-existing trends in U.S. labor force participation. After increasing dramatically over the second half of the 20th century, women's labor force participation peaked in 2000 and has been declining since then. The reason for much of this decline has been the lack of structural support for women's full participation in the economy, such as paid leave and affordable and accessible childcare.

The pandemic highlighted these underlying structural changes confronting our care infrastructure. Women remain the members of the family most often responsible for the greater share of care work. And now facing the burden of inadequate and unaffordable childcare, the impossible choice between caring for a sick loved one or getting a paycheck or pandemic-related disruptions of schools, many women have been unable to return to the workplace. So, if we don't take action to better support women who are returning to work, we may experience prolonged periods of worker shortages that will hurt our Nation's economy.

As a small business owner for over four decades—I was just bragging that our family business was 48 years old last Saturday—I have seen firsthand how paid leave is important for supporting both small businesses and workers. It is inevitable that workers need to take time off to care for themselves or for a loved one, but only 23 percent of American workers have access to paid family leave.

Unfortunately, the lower wage workers, the ones who are least able to take time away from work to care for a sick child or a relative, they are also the workers least likely to get paid leave from their employer. The universal paid leave program would allow parents to look for work with the knowledge that they can care for their kids without losing their paychecks. It would also allow employers to be able to retain experienced workers who need to take leave without having to pay them leave out of their own pocket, their employer pocket.

The good news we can take from the current strong demand for workers is that we know from the recent past that, when there is strong demand, they do return to the labor force. Under President Obama, the U.S. began the longest period of continuous job growth in modern history. And the tightening of the labor market created opportunities for millions of previously marginalized workers to rejoin the workforce, drive up wages, particularly among low-wage work earners.

So, while the coronavirus pandemic rocked the labor market, pushed the labor participation rate to lows we haven't seen in decades, the hot labor market before the coronavirus pandemic demonstrated that sidelined workers can be brought back into the labor force. And this offers us a useful example as we look to address the current challenges facing workers.

But as helpful as strong demand for workers can be in pulling back—people back into the labor force, we have seen that if we want to make meaningful improvements in labor force participation, we must address these gaps, existing gaps, in workforce supports that help workers navigate both jobs and care responsibilities.

Workers have made significant progress in the past year. Under President Biden, the unemployment rate has dropped to 4.8 percent in September, 4 percent in Virginia, beating expectations. Nevertheless, as we see in many different ways, including supply chain disruptions, there is significant turbulence in the labor market. And it is incumbent on this Congress and on the Joint Economic Committee to examine and act on policies that make it possible for Americans to maintain their work responsibilities while ensuring for the well-being of their loved ones.

So I am looking forward to learning from each of the witnesses today. And I am happy to introduce the vice chair of the committee, Senator Lee from Utah.

[The prepared statement of Chairman Beyer appears in the Submissions for the Record on page 38.]

OPENING STATEMENT OF HON. MIKE LEE, RANKING MEMBER, A U.S. SENATOR FROM UTAH

Senator Lee. Thank you very much, Mr.Chairman. I look forward to today's hearing.

Throughout the history of our great country, Americans have worked to build businesses and employ workers and support families in the process. Through work, we have developed new ideas that have bettered our own lives and the lives of our neighbors, our communities, and our entire country. When work is no longer a part of our lives, we lose something fundamental to our ability to contribute and to thrive. Work is more than just a source of income. Work connects us with each other, and it connects us with a purpose that is greater than ourselves.

But today work is in a state of crisis in America. Millions of Americans have fallen out of the workforce since the onset of the COVID pandemic. Workers are quitting their jobs at unprecedented rates, and labor unions are striking as demand for labor continues to grow.

September's job report shows the smallest gain in payrolls this year, and nearly five million Americans are still on the sidelines. Across the country, there are more jobs than there are willing workers. The current employment situation should concern all of us, but declines in labor force attachment actually precede the pandemic.

In a new report this week, the Joint Economic Committee Republicans evaluate the years-long question of why so many prime-age, able-bodied Americans have fallen out of the workforce. For men, connections to work have been declining for decades and hit a record low last year with the onset of the pandemic recession. For women, connections to work started receding in the last two decades.

Our report finds that government programs and policies are making work less attractive and that many Americans are voluntarily disconnected from work. That is a problem for our country, and it is certainly a problem for our social fabric. Fortunately, there is a lot we can do to reconnect people to work.

To begin with, we have to start to begin to exist—to address existing policy. In many instances, existing policy causes or at least exacerbates some of these problems. Over the last 18 months, Congress increased safety net benefits and left those new and expanded programs in place for too long. Congress authorized unemployment checks that were sometimes twice as large as Americans' paychecks and provided rent subsidies, stimulus checks, loan forbearance, and new healthcare coverage, as well as expanded food stamps. Importantly, most of those benefits did not require recipients to look for work, even after vaccines were widely available to protect workers and businesses as they began reopening and rehiring workers again.

Current legislative proposals could make many of those antiwork incentives permanent, which is the wrong choice. Instead, Congress urgently needs to implement policies that draw disconnected Americans off the sidelines and into the workforce. Congress must remove disincentives to work by strengthening work requirements and safety net programs for able-bodied workers. We should also be working to eliminate existing barriers to entry. Anytime we can do that, it helps. Some of those barriers include things like occupational licensing and labor regulations that prevent a whole lot of Americans from entering new professions or working flexibly on their own terms.

Finally, the Federal vaccine mandate is an obstacle to connecting people to work. And there is no legal or constitutional authority for it. The threatened employer mandate has not even been issued yet, and Utahns tell me that it is already jeopardizing their livelihoods and that unvaccinated workers are preemptively being put on unpaid leave, which leaves them without a source of income, yet cruelly also leaves them ineligible for unemployment benefits.

Under the mandate, some Americans would be forced to make a personal health decision against their will or face losing their job and, with it, their ability to put food on the table and feed their families. This ultimatum to workers is unacceptable. It is unlawful. It is unconstitutional. But, even worse than all these things, it is immoral. It is savagely cruel. It is barbaric. It has no place in our society, not this one, never.

Note that opposing the mandate is by no means the same as opposing the vaccine. And I do believe the vaccine is something of a medical miracle, one that helps increase safety and security for millions of Americans as we return to places of work. That is why I have been vaccinated. That is why I have encouraged every member of my family to be vaccinated and others generally. But today we have to acknowledge that that is different than telling everybody he has got to get it, regardless of religious beliefs or preexisting medical conditions or whatever is on someone's mind, because it is not right to tell people that the government is going to force their employer to fire them, leaving them unemployable, unemployed, and without access in many instances even to unemployment. That is wrong.

As of now, we need workers' contributions more than ever, and we cannot pretend to know what is good for every worker or every business. We must put trust back in individuals, back in business owners, and local decisionmakers. We must stop making policy decisions that discourage a return to work. Reconnecting Americans to work is one of the most important policy goals of our time.

I look forward to today's conversation on that essential topic.

Thank you, Mr.Chairman.

[The prepared statement of Senator Lee appears in the Submissions for the Record on page 39.]

Chairman Beyer. I thank you, Senator Lee, very much.

I would now like to introduce our four distinguished witnesses. Dr. Betsey Stevenson is a professor of public policy and economics at the Gerald R. Ford School of Public Policy at the University of Michigan. She served as a member of the Council of Economic Advisers from 2013 to 2015 where she advised President Obama on social policy, labor market, and trade issues. She served as chief economist at U.S. Department of Labor from 2010 to 2011, advising the Secretary of Labor on labor policy and participating as the Secretary's deputy to the White House economic team.

Dr. Stevenson has published widely in leading economic journals about the labor market and the impact of public policies on outcomes both in the labor market and for families as they are adjusting to the changing labor market opportunities. Her research explores women's labor market experiences, the economic forces shaping the modern family, and how these labor market experiences and economic forces on the family influence each other.

Dr. Stevenson earned a B.A. in economics and mathematics from Wellesley College and an M.A. and PhD in economics from Harvard University.

I believe, as the only male Member of Congress who attended Wellesley, I want to welcome you here especially.

Mr. Skanda Amarnath is currently the executive director of Employ America, a research and advocacy organization that advocates for macroeconomic policies to promote sustainably tighter labor markets. He was previously a vice president at MKP Capital Management, where he served as a market economist and strategist. Prior to that, he worked as an analyst within the research group at the Federal Reserve Bank of New York and graduated from Columbia with degrees in applied mathematics and economics.

Mr. Daniel Swenson-Klatt has been the owner and manager since 2006 of Butter Bakery Cafe in Minneapolis, a small neighborhood bakery, cafe, and coffee shop. He is a member of Small Business for Paid Leave. Since 2013, he served as a board member for the Kingfield Neighborhood Association. And, prior to the Butter Bakery Cafe, he was a middle school teacher for over 20 years. He holds a bachelor's degree in English language and literature from St. Olaf College.

And, finally, Ms. Rachel Greszler is a fellow in the Grover M. Hermann Center for the Federal Budget at The Heritage Foundation, where she focuses on retirement and labor policy, such as Social Security, disability insurance, pensions, and worker compensation. Before joining Heritage in 2013, Ms. Greszler was a senior economist on the staff of the Joint Economic Committee—so welcome back—for 7 years. She completed her graduate studies at Georgetown University, where she earned master's degrees in both economics and public policy. She holds a bachelor's degree in economics from the University of Mary Washington.

So we will hear your opening testimonies in that order.
So, Dr.Stevenson, the floor is yours.

STATEMENT OF DR. BETSEY STEVENSON, PROFESSOR OF ECONOMICS AND PUBLIC POLICY, GERALD R. FORD SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MICHIGAN, ANN ARBOR, MI

Dr. Stevenson. Thank you very much for the invitation to speak to you today about the labor market.

The employment landscape, as you all noted, is in flux. Employment remains well below pre-pandemic levels, and yet employers report shortages of workers. Quits and the intention to quit have hit record highs as workers are seeking and taking advantage of new opportunities.

To be clear, most people quitting jobs are immediately heading to other ones, many of whom have already lined those jobs up. Some blame unemployment benefits for keeping workers at home, yet strong evidence directly contests this claim. States that ended unemployment insurance early saw no pronounced rebound in employment. Moreover, some industries have made a full return and currently exceed pre-pandemic employment, even though their workers were also eligible for unemployment insurance.

If unemployment insurance is not holding back the labor market, what is? There are three important factors influencing the labor market right now. The ongoing pandemic continues to shape the labor market, from supply chain problems reflecting COVID around the globe to virus-avoiding behavior by both consumers and workers within the United States. The second factor is ongoing challenges in combining work and caregiving. And the third factor is shifting preferences by both consumers and workers that is causing a massive reallocation in the labor market right now.

I want to urge you to look below the headline jobs number because each month in the labor market roughly 6 million people leave jobs and 6 million people start jobs. The trick to growing employment is to have the number of people starting jobs exceed the number leaving jobs. This means you need to care as much about why people exit the labor force as you care about trying to get people to enter the labor force.

And that is why I want to talk to you about caregiving. Challenges providing care for a child or an adult with chronic health issues is a very important reason that many people leave jobs. They may hope to eventually return. But those who leave the labor force have a lower chance of being employed in the future compared to those who are able to meet their family needs while remaining employed. Keeping people in jobs is much easier than helping them return to the labor market.

The United States has one of the lowest rates of female labor force participation in the OECD, ranking 23 out of 34 countries. That is not where we used to be. We used to be number six. What has happened? We have fallen behind other countries in providing family-friendly workplace policies.

The late 20th century showed us what adding women to the labor force can do. Prior to the pandemic, our GDP was roughly 15 percent larger than it would have been if women's employment had been what it was in 1970. Yet two out of every three caregivers in the United States are women.

So I want to make three points about paid leave because we have had decades to study and learn around the globe. And we now know that paid leave is essential to greater labor force participation. Paid leave increases retention of workers, reducing the chances that they exit employment out of the labor force. The vast majority of businesses find that paid leave is either positive for their business or has no noticeable negative effect. And children benefit from time to bond with a new parent, leading to higher lifetime wages and greater employment as adults.

I urge you as you consider these policies to care as much about employment in 20 years as you do now and so thinking about investments in children beyond paid leave, such as through the child tax credit and support for childcare services to support not only our current economy but our future economy because it is ultimately human ingenuity that fuels our economic growth. Economic growth in 20 years depends on the choices we make today about investing in our youngest members of society. Economic growth today depends on the choices that you make to support parents and children.

The challenges that parents face during the pandemic were not unique to the recession. Instead, they highlight our failure to adapt childcare, workplace flexibility, and workplace parental leave policies to meet the needs of a workforce in which women held half of the jobs prior to the pandemic.

The choices you make now about paid leave, early child education, and childcare will shape the U.S. macro economy for decades to come by influencing who returns to work, what types of jobs parents are able to take, and what kinds of promotions parents are able to receive and accept. So I urge you to choose wisely.

[The prepared statement of Dr. Stevenson appears in the Submissions for the Record on page 40.]

Chairman Beyer. Thank you, Dr. Stevenson, very much.

Next, we will hear from Mr. Amarnath.

STATEMENT OF MR. SKANDA AMARNATH, EXECUTIVE DIRECTOR, EMPLOY AMERICA, WASHINGTON, DC

Mr. Amarnath. Good afternoon. Thank you for inviting me to testify at this hearing.

As was noted, I am the Executive Director of Employ America. We advocate for macroeconomic policies that promote sustainably tighter labor markets. When labor markets are sustainably tighter, businesses actively compete for workers and are incentivized to make investments that improve productivity of their workforce and their businesses themselves.

We are recovering at a rapid pace. But, until we can fully get behind this pandemic, we will not be able to recover all of the employment that has been lost. The presence of the Delta variant had identifiable impact on job growth in the food services sector in August and September. And, as another stylized example, education employment did not see its usual seasonal upturn in September because the impacts of the pandemic are still preventing a full normalization of conditions.

The headline unemployment rate is 1.5 percent above where it was pre-pandemic, but this understates the true employment gap. The pandemic has also depressed labor force participation, which thereby distorts what the current unemployment rate is really telling us.

Some might see this as a byproduct of people exiting the labor force for good. But the truth is we really don't know who is in the labor force and who is out of the labor force with any real precision, accuracy, or consistency. It is simply easier to look at who is employed and who is not employed and then benchmark to population and age structure, which is why I would recommend looking at the 25 to 54 year prime-age employment rate, what I would call the PER for short.

It is 2.4 percentage points from its pre-pandemic peak in contrast to the 1.5 percent unemployment rate differential. That said, the PER has made a whopping gain of 0.8 percent over the third quarter. And, if we can continue to see these types of gains over the coming quarters, we will have made probably a full recovery over the course of next year. And this stands in marked contrast to what we saw in previous recoveries, which I would call jobless recoveries. We had a multiyear period of jobless recoveries after the previous three recessions under Presidencies of Democrats and Republicans alike.

It took over a decade for the PER to recover from the Great Recession. It never recovered from its 2000 peak. The current trajectory might allow us to actually have a recovery in under 3 years. And I would attribute much of the benefits here—obviously, every recession is different, but the responsiveness of monetary and fiscal policy is likely to play a key role in staving off the worst of the—of recessions in terms of the vicious cycles in cutbacks, layoffs, loan defaults.

Policy implementation always has its imperfections, but families across the income distribution have made it out of this pandemic with actually higher cash buffers. And, while there are—disincentives are a big sticking point politically, I would say that the best evidence available does not really show an identifiable effect, especially if we look at the evolution of job growth around unemployment insurance cutoffs.

On the other hand, using fiscal policy to keep people whole has allowed a lot of those vicious cycles to not materialize to the same extent. And I think that is a big reason for why we have seen such a rapid recovery in contrast to previous recoveries.

Tighter labor markets, I think, play—macro policy has a big role to play in keeping labor markets tight. And I think we are seeing that now in terms of wage growth differentials are compressing so people at the lowest wage levels are able to see the fastest wage gains. We have seen that the employment rate differentials between Black and White persons has actually narrowed considerably to all-time lows. And I expect, as we did over the latter half of the 2010s, the differential employment rates between those who have a college degree and those who only have a high school diploma will also narrow.

That said, the rapid pace of this recovery, there has been a—it has been so uncharacteristically rapid that the byproduct of that is we have seen some of these challenges constraining job growth become more visible. It is everything from microchips to ports to childcare. And so institutions that had grown accustomed to slack labor markets' slow jobless recoveries have been caught offsides by the pace of the current recovery. Sources of underinvestment have been exposed.

The challenges of today can only be tackled through persistent investments in greater capacity and greater resilience. That is as true for bottlenecked sectors like automobiles and logistics as it is for people who are not able to be fully employed due to the lack of access to affordable childcare. If we settle for a shallow recovery from here, businesses will continue to underinvest, and fewer people will be able to participate in the benefits of a growing economy.

As a final note, while I have referenced the importance of achieving a full recovery in the PER from the pandemic, that should not be the ceiling of our ambitions. It should—this should disappoint us all that the U.S. is a clear laggard among comparable advanced economies in terms of the prime-age employment rate. For a stark example, Quebec has a PER of 7.4 percentage points above the U.S. A key ingredient to their success has involved raising the employment rates of women through the availability of universal childcare.

If the U.S. is looking to catch up to the rest of the world on labor market outcomes, it will require ambitious investments in macroeconomic policies that promote and sustain a tight labor market.

Thank you for your time, and I look forward to your questions.

[The prepared statement of Mr. Amarnath appears in the Submissions for the Record on page 52.]

Chairman Beyer. Thank you, sir, very much.

Next, we will hear from Mr. Swenson-Klatt.

STATEMENT OF MR. DANIEL SWENSON-KLATT, OWNER, BUTTER BAKERY CAFE, MINNEAPOLIS, MN

Mr. Swenson-Klatt. Chairman Beyer, Senator Lee, members of the Joint Economic Committee, thank you for the opportunity to be with you today and share my experience as a small business owner, representing Main Street Alliance, a national network of small businesses.

I would also like to acknowledge that my home State Senator, Senator Klobuchar, has been a long and steadfast supporter of small business owners, and I really appreciate the work she has done.

I have owned and operated Butter Bakery Cafe in Minneapolis for 16 years, partnering with the housing program to provide supportive internships during the last 9. My business has weathered recession, a move to a new location, major road construction, a pandemic, civil disruptions, and still we are open. I think of that as a major accomplishment but also a testament to my staff, my community support, and indeed to government support through the SBA.

Just maintaining an 18-person crew is a full-time hat that I wear. We had 21 employees before the pandemic and dropped to a low of 12. Next week number 19 will be back on staff. I attract workers by offering a full wage, a fair wage, a healthy workplace, and a mission to serve our community. By choosing to offer a full wage to staff who customarily would rely on an unstable system of tipping, I get workers who invest in my business and currently have five with over 5 years.

We build a culture that reinforces stability, and that model helps me. I spend less time on hiring, training, filling gaps in the schedule. It is good business, and it has been working. However, during the past year and a half, finding, retaining staff, indeed, the very model of my business has been turned upside down. I have needed 38 people over the past 18 months to fill my workforce. They come and go.

Many of the staffing obstacles small business owners have always struggled with have grown to a point of serious harm to our businesses. Where in the past I could use a few hundred dollars out of my pocket to get around a barrier for a staff member, the size and scope has exceeded my capacity. Without government support, I would have closed. Sadly, I know friends who did, who own businesses and did not have that support.

My small business is still struggling. And, as I look to recover, rebuild, and, yes, even to grow, I am in a tough position. I do have working capital on hand, but it is in the form of a large debt. If used well, it might be able to be paid off through growth in my business. But right now I am still worried.

We are facing challenges that are very different from the past, and I worry that current trends may not shift without some strategic investments in workplace supports from our government at all levels. And, frankly, you have bigger pockets than me.

My applicant pool is limited in a number of factors, including lack of affordable high-quality childcare. I need a level playing field so employees with children can reach and afford childcare and get to a center or a childcare program. Currently my employees with children can only work limited hours.

Access to affordable housing. While hundreds of new apartment buildings and units are going up around my cafe, only a tiny fraction are options that serve my workforce and the workforce of small business owners.

Reliable, affordable transit would help. I do have to rely on transportation coming through for staff who don't walk to work, and I struggle more times than I admit with transportation options that fall through.

A comprehensive paid leave program would be a way for my staff to take time off for health and personal reasons that doesn't put my business or their job at jeopardy. I am willing to contribute my part as an employer, just like I do for supporting sick staff, the unemployed, an injured or retired worker. The constraints of a small business budget do not allow me, though, to personally pay to begin a family or take care of a health crisis or find a safe place.

Childcare, transit, housing, paid leave, they are just a few of the pieces. And there are so many more hats I have to wear to take care of my staff. And, with so many challenges resulting from this pandemic, bold, compassionate investments from our government will give me and my staff the hope and support we need to go to work, to get back to business, to grow again.

Thank you for the chance to share my story, and I am happy to answer your questions today.

[The prepared statement of Mr. Swenson-Klatt appears in the Submissions for the Record on page 59.]

Chairman Beyer. Thank you, Mr. Swenson-Klatt.

Finally, Ms. Greszler, the floor is yours.

STATEMENT OF MS. RACHEL GRESZLER, RESEARCH FELLOW IN ECONOMICS, BUDGETS AND ENTITLEMENTS, THE HERITAGE FOUNDATION, WASHINGTON, DC

Ms. Greszler. Good afternoon and thank you for the opportunity to testify.

Today's labor market is unlike anything that we have ever experienced before in America, and certainly it is nothing that was predicted at the start of the pandemic. Wages are rising, and there has been a giant leap forward in family-friendly policies and workplace flexibility, and yet employers are struggling with this severe labor shortage. There were 10.4 million job openings in August, even as 4.3 million workers voluntarily quit their jobs. Add to that an increasing number of employers who are being forced to fire workers that they desperately need because of an unauthorized Federal vaccine mandate, and we are at a gap of about 6 million jobs before what we had the trend prior to the pandemic. That has contributed to shortages of goods and services, longer waits, and higher costs.

The solution to increase in employment is twofold. It needs to pay to work, and it can't pay to not work. The problem today is the latter. Government policies have made it so that it simply isn't worth it to work for some people.

Eighteen months of unemployment benefits that pay people more to be unemployed than to work contributed to this drag on employment. States that ended those benefits early have experienced much faster recoveries. And an estimate shows that, had the States that didn't end the benefits early otherwise done so, they would have gained 800,000 more jobs in July and August alone.

Then there has been massive expansions in ObamaCare subsidies, food stamps, and other welfare benefits that have made it possible for some individuals and families to be better off not working. This massive $3.5 trillion reconciliation bill will double down on employment losses by creating welfare-without-work programs. It discourages people from taking jobs and, at the same time, raise taxes and micromanage employers so that they are less likely to create jobs.

The Texas Public Policy Foundation estimated that this bill would reduce employment by 5.3 million, while Casey Mulligan estimated it would cost 8.7 million jobs. Most of those losses would come from expanded ObamaCare subsidies and also the monthly child payments that eliminate work requirements. A study by University of Chicago economists found that those monthly child payments would cause 1.5 million parents to drop out of the labor force. That is particularly troubling when you consider that those losses would disproportionately fall on lower-income and single-parent families where work is an essential component to breaking cycles of poverty.

Unpublished data from the Bureau of Labor Statistics suggest that this could already be happening. When the pandemic first began, parents actually experienced fewer employment losses. But, since the late spring of this year, coinciding with the start of the monthly child payments, that trend actually reversed and parents' employment declined. Some have pointed to childcare struggles, especially when arguing for massive new childcare entitlement that would disproportionately benefit high-income families and be out of reach to families that prefer faith-based or family based childcare.

But a May 2021 study by Jason Furman, former chair of President Obama's Council of Economic Advisors, found that childcare struggles were causing zero impact on parents' employment. That was May 2021. And there is simply no explanation for why, since that point, a year after the pandemic, childcare struggles would now be causing this big drag.

In addition to discouraging work, the Big Government tax and spend package would micromanage employers, limit workplace flexibility, and exacerbate supply shortages and cost increases.

For example, just as workers' access to paid family leave has increased 64 percent over the past 5 years, politicians want to replace those flexible and accommodating policies with a one-size-fits-all government-controlled one. And then there is a push to ramp up fines on employers and force more workers into unions. The debacle at the ports in southern California shows what happens when unions refused to increase operations and when environmental and labor restrictions prevent 80 percent of trucks in the Nation from entering the State and when government regulations limit how, who, and where people can work. And now as many Californians are fleeing the State, the reconciliation package seeks to impose California's failed policies on the rest of the Nation.

Command economy tactics and cradle-to-grave welfare programs won't help Americans thrive because individuals, families, and employers are far better than politicians in making decisions that impact their everyday lives and those around them.

When President Clinton signed the historic welfare reform in 1996, he quoted Robert Kennedy who said, "Work is the meaning of what this country is all about. We need it as individuals. We need to sense it in our fellow citizens, and we need it as a society and as a people."

Politicians can help empower Americans to succeed by allowing them to keep more of their earnings, by reducing regulations, by allowing more flexible job opportunities and more accommodating benefit options, by expanding educational choices, and by trying to help get people off of welfare instead of anchoring them to it.

Thank you.

[The prepared statement of Ms. Greszler appears in the Submissions for the Record on page 63.]

Chairman Beyer. Ms. Greszler, thank you very much.

And thank all of you for your testimony.

We will now begin a round of questions. I will begin.

I am reading Rick Atkinson's new book on the Revolutionary War, where I discovered that George Washington, as the first general of the Continental Army, required smallpox vaccinations for all the troops. A lot of history there.

I would point out that 1 million people in American have already died from COVID–19, and it is not just about your personal desire to risk death. It is about the significant likelihood that you will cause the illness or death of others. We certainly wouldn't want people with very contagious polio or leprosy or smallpox wandering through our businesses and our population.

Dr. Stevenson, I am concerned—Ms. Greszler talked about the States that eliminated those benefits early had faster growth than those that didn't. I read studies in both The Wall Street Journal and New York Times that pointed exactly to the opposite. Can you as former chief economist of the Labor Department comment on that?

Dr. Stevenson. Yes. So I have seen a number of studies that found that there was no effect at all from ending the unemployment benefits early in terms of increasing employment. That is what economists, market-based economists, found at places like Goldman Sachs and other—I would say market economists who have an incentive to go where the truth is. I have also seen academic economists like Arin Dube, who did a very deep analysis and found no real effect.

The biggest criticism I have heard of these—said on these studies is that, when the States ended those unemployment insurance benefits early, they also saw a rise in COVID cases from the Delta variant and whether that is clouding any ability to do the analysis. I am not sure if that is what Casey Mulligan was trying to account for to get the results that you just heard, but there is a wide range of studies that do find the exact opposite that we saw and that ending unemployment benefits early did not send people back to work.

Chairman Beyer. Just note that Virginia kept the benefits and has an unemployment rate nine-tenths of a percent below the national average.

Mr. Swenson-Klatt, you had talked about the baker who had one week of leave added up and you paid the rest of it, the other 2 weeks, and actually deferred your own salary. How many small business people do you think can pay this out of their profits or defer their own salaries to keep their people?

Mr. Swenson-Klatt. Thank you.

And, before the pandemic, those kind of opportunities were really pretty hit and miss, whether the bakery was ready, had some cashflow, whether I could feel like I could give away a couple of months of time. There are plenty of times I never did that for staff who needed the time away, who we just didn't have the cash to do it. And it is more the story that I hear from other employers that they just wouldn't have paid that. It wasn't available to them. We don't have that kind of cash flow.

When the pandemic assistance came, all of a sudden, I found I had a way to pay people to be away. And that was just an amazing gift for me as a business owner and for my staff.

Chairman Beyer. Thank you.

Dr. Stevenson, how do you feel about the adding the work requirements? And what is the evidence about work requirements and its impact on these families that need the help?

Dr. Stevenson. So the amount of money in the child tax credit is terrific for reducing poverty but not enough to replace a salary and this is—or wages, and this is why I don't think that the evidence is very strong that it would lead people to not work.

Let me be clear. I very much support increasing financial support for childcare. Putting a work requirement on the child tax credit is turning it into a childcare credit for single parents because you are requiring them to work and incur costs regarding childcare.

I find it very difficult to put together the arguments that want to allow families to be able to make the right choice for them about when they provide care for their own children and when they are in the workforce with the idea of putting a work requirement on the child tax credit. The point of the child tax credit is to ensure that children don't grow up in poverty, and we shouldn't be requiring that everybody in the household work.

I also just have to point out that there is a very disturbing inequality with the work requirement on the child tax credit in that my understanding is the way it would be implemented at the household level. So you would be requiring that a single mother works but would not be requiring that a married mother works, and that is a gross inequity that we should not allow.

Chairman Beyer. Thank you, Dr. Stevenson, very much.

Let me now defer to the Senator from Utah for his questions, Senator Lee.

Senator Lee. Thank you, Mr.Chairman.

Ms. Greszler, I would like to start with you, if that is all right. Work is something of a foundational component of living a happy, healthy, productive life. Research from our team here at the Joint Economic Committee's Social Capital Project has shown that being out of the labor force is not only associated with less income but also poorer social outcomes, more physical ailments, and worse emotional well-being. Given the benefits associated with work, I think encouraging work is important, and discouraging it should be avoided.

Dr.William McBride, a witness at our previous hearing, noted in his research for the Tax Foundation that tax hikes in the Build Back Better Act would cost Americans more than 300,000 jobs. This plan would also remove work incentives in the child tax credit and the Dependent Care Credit.

For mothers and fathers who already have weak ties to the labor market, for them in particular, how will they be affected by removing these requirements? And rather than giving up on work as the primary way to increase living standards, are there other policies that you would suggest to increase these opportunities for Americans?

Ms. Greszler. Yes. So, the massive reconciliation package has multiple ways in which it discourages work, primarily by making work not pay, especially for people who are at the margin, and that is at the lower end of the income scale. My colleague, Robert Rector, estimated that this proposal would add about $8,500 in new benefits to a family that is already receiving about $36,000 worth of cash, food, and housing benefits. That is not even counting the healthcare and so you are creating a situation where individuals can be better off not working, and yet we have seen that historically breaking cycles of poverty means you need to have an example of work in the home. If you have a two-parent home, then, yes, one worker could be working. And one could be staying home with a child. If it is a single parent, there needs to be that example of work there.

And, in terms of increasing employment, increasing the incentive to work, and helping to have more of that in the economy, there are many ways that you could do that. One of them I think is particularly fruitful during this time—and I am looking at women in particular—is more opportunities for flexible work, freelancing work, independent work so that it doesn't have to be the 9 to 5 job where you have to report to the boss and you have to check in and sit at your desk, but things that I have seen so many women, my friends included, that they are able to do, whether it is in the morning or at night, and still be able to care for children.

We shouldn't be closing doors to opportunities. And that is what is in this proposal in many ways, including forcing people into those unionized, one-size-fits-all jobs.

Senator Lee. Right. So, in many instances, you actually have Federal law and Federal regulations based on Federal law serving as a restriction on those things, and reforms like the Working Families Flexibility Act, which would allow America's moms and dads to make decisions that better reflect their own needs, would help this problem in the same way that this legislation would make it worse.

Ms. Greszler. Absolutely. And your Working Families Flexibility Act is one of the best ways because it is particularly geared for those lower income, hourly workers. And all it does is give them an option: If you want to work 2 extra hours this week so that you can take 3 hours off next week, that is a choice. Nobody is forcing it. It should absolutely be done to help increase that access to paid family leave.

Senator Lee. Now last month's disappointing jobs growth report underscores the uncertainty associated with our slowly recovering economy, and at the same time, employers across the country are increasingly desperate to find qualified and willing workers who are able to fill, you know, more than 10 million open jobs.

President Biden's vaccine mandate from my perspective not only will but is already making things worse, which is odd because it doesn't even exist yet. He hasn't had the decency to share it with us. So it can't be challenged in court, can't be scrutinized. But people are following it because the interim effect of these anticipated daily civil monetary penalties like $70,000 per worker per day per violation is causing a lot of corporate America to just say we are going to try to guess what it is so we are not caught flatfooted. I have heard from employers across Utah say they may have to fire as much as 20 percent of their workforce.

So the vaccine mandate is just one more example of Washington getting in the way of the recovery. And so, if the President doesn't reverse course, what will be the effect of these policies on Americans' conditions as they approach work?

Ms. Greszler. And it is not just the loss in jobs. We are also talking about a loss in the safety and the health and education because these are the people who are being impacted most. New York City had to lay off thousands of school workers. They have had to lay off thousands of healthcare workers, shut down maternity wards. My sister lives in New York, and she had one of her young children who had to have an operation. And she was told to travel 170 miles to Pittsburgh because the closer hospital by them was having staff shortages due to the vaccine.

So this is absolutely impacting Americans, and I think it is very ironic and just wrong that yesterday's heroes are now today's villains and are being fired.

Senator Lee. Unacceptable, un-American, unconstitutional, and immoral. Thank you.

Chairman Beyer. I would like to point out that I heard last night that we have 1,042 Virginia children have been hospitalized with COVID. And two died 2 days ago.

Senator Heinrich, the floor is yours.

Senator Heinrich. Thank you, Chairman.

And let me start by just saying how grateful I am to have had the college degree that my father's one-size-fits-all union job made possible.

I want to talk about New Mexico and childcare. In New Mexico, the cost of two children in childcare is about $18,000 a year. That is a lot less than a lot of other places, I will give you. The Build Back Better plan would limit out-of-pocket expenses for childcare to 7 percent of a family's income, and I know full well what that would mean for my constituents.

But, Mr. Amarnath, I want to ask you to tell me what it would mean, how that could impact the prime-age employment rate, and also why that is important.

Mr. Amarnath. Yeah. So your question really helps to highlight an area where the U.S. has been lagging for such a long time relative to other advanced economies. So we talk about childcare being acceptable and affordable, we look at those countries that have actually made a real concerted effort to make sure that it is affordable and acceptable. And if that means subsidizing the wages and workers to—of childcare to make that possible, employment rates are much higher in—as Dr. Stevenson also pointed out, prime-age employment rate, which adjusts for waging, yes, people are aging into their retirement ages or maybe going to school if they are younger, but the 25- to 54-year-old cohort, we are talking about employment rates that are in the U.S. much lower than most other advanced economies. And we should really be asking why that is and what is the constraint and what led other countries to race ahead. And a big part of that, I would argue, is female employment rates have been able to rise because not all work has to be done within the household. You actually are able to have that flexibility that childcare is not so punitively expensive on the market that you have to effectively be at home.

As I said, if we could take a very stark example of this, even with north of the border, Canada has higher employment rates, has continued to see higher employment rates, and in a country like—in a province like Quebec, which is not really maybe known as much, but it is 7 percent more than the U.S. That is like a—that is a pretty substantial amount. If we were to say that 7 percent decline in the employment rate, if you could do something like this, I think we would all should at least, like, pay closer attention to this issue.

Senator Heinrich. Yes, it seems like one of the things we all agree on actually, which is surprising that we can all agree on something, is that we would like to see more participation in the labor force.

Dr. Stevenson, do work requirements actually get us to that goal? And what would the impact of a one-size-fits-all work requirement, say for the child tax credit, to be able to get that mean for grandparents who are raising, are the primary caregivers, and have custody of their grandchildren, which is a very common situation in the State of New Mexico.

Dr. Stevenson. So, I think that it is not going to put people back in jobs. What it is going to do is remove cash from the household. When you remove cash from the household, you end up hurting kids, and you end up reducing labor force participation of those kids as they grow up. So you actually can end up ultimately having a negative effect by putting a work requirement on them.

I think that it is really important to think hard about how people choose when and where to work. We have heard a lot about how, you know, a vaccine mandate may lead some people to leave a job but because they don't want to get vaccinated. It is really important to focus on the number of people who are not in jobs rights now because they are afraid of getting COVID and afraid of unvaccinated colleagues.

I want to bring that up because you mentioned grandparents. And what we saw was a large decline in labor force participation among older workers, an increase in retirement. We are not going to be able to push these older workers who are fearful of getting sick and potentially dying from COVID back into the labor force by putting a work requirement on a child tax credit. What we can do is help households make ends meet so that they can then think about how to better participate in the labor force.

You know, one of the things we are seeing right now with all those quits is people are going into better jobs, better jobs that I think they will be able to stick in for longer. And that will ultimately also lead to higher labor force participation. So getting people not just into any old job but into a job that pays a living wage that they feel valued in, that they can stick in, allows them to stay for 5 years like we have heard that people do when they are in a good job.

Senator Heinrich. Mr. Chairman, in the interest of facilitating other members of the panel, I am going to give the rest of my time back.

Chairman Beyer. Thank you, Senator, very much.

Now I would like to recognize my friend from Arizona, Representative Schweikert.

Representative Schweikert. Thank you, Mr. Chairman.

Look, I have shared with you a little bit of my frustration, having been on the Joint Economic Committee for a long time. We can do better on the intellectual credibility of what is being handed to us. We are better than much of this testimony.

Just for the record, I thought I might hand you the Federal Reserve Bank of St. Louis study from about a couple of weeks ago that actually does show the employment differentials of States that did cut back or end their extended stint on unemployment. And the numbers are actually fairly dramatic.

I want to talk about this one before I ask to hand it in to the record because you mentioned it in your opening testimony. We have also the big study, which actually I found fascinating, from the four economists, PhDs, at the University of Chicago. And I have an absolute fascination and fixation on labor force participation numbers. Why did it—was there such an economic miracle in 2018 and 2019, particularly being from the desert Southwest, you know, my numbers for Hispanic females were remarkable. The wage growth was remarkable, without all the social engineering that is part of this package. So what happened? Why did it work?

And then this University of Chicago study that sort of walks through, saying, you know, there is a line here. You know, the decline of employment—in employment and consequential earning loss means that child poverty would fall about 22 percent, but for severe poverty, it doesn't fall at all.

So the stunning amounts of money and the design of the program that is being floated doesn't actually help the very people we care about. Maybe it is time we intellectually step up our game and start thinking about what works and what doesn't work, not just the folklore of that is a Republican idea, that is a Democrat idea, and actually think about do we actually give a damn about helping people, because the, I mean, academic paper after academic paper says, yes, you get some effect but for the people you most care about, it doesn't work.

You actually talked about the paper. Why doesn't it work? And what do you think we should do that is different that actually would reflect the success, particularly we were having in 2019?

Ms. Greszler. Yes. Well, and we saw in the paper there, you quoted, that the deep childhood poverty, that it would have no impact on that. And yet we are considering increasing these monthly payments up to $1,000, $1,600 a year. That doesn't make sense. So what that says is that the furthest low end of the income scale, those are the people who are going to lose that work connection. And that is where it is most important because we know that that is what is crucial to breaking those cycles of poverty. You can't make a situation where a family is just as well off or better off by not working than by working.

And so you absolutely have to have those incentives in there, and it can't be government micromanaged. Here is government job training. Here is government paid family leave. Here is government childcare. We saw that what happened after the Tax Cuts and Jobs Act that included tax cuts on corporations, they fed it through to their workers. Some of those companies went out, and they polled their workers. What do you want? You want higher wages? You want more compensation? A lot of this time we want paid family leave. That is why we saw a 64 percent increase in paid family leave. We saw a $1,400 above-trend wage growth in the period after that because those tax cuts fed through, and they resulted in workers having higher incomes.

And they also just gave more opportunities out there. Employers were willing to invest in their workers with job training programs, and the opposite is occurring here because you are going to take away from the people who are creating jobs and redistribute it in ways that discourage people from taking jobs.

Representative Schweikert. Look, we have lots of good data. And it is real math of the miracle numbers. I mean, it was a Goldilocks economy that demonstrated once again that supply side does actually work, great wealth effects, closing of income inequality, minority population seeing wage growth and employment growth.

And I despise storytelling, but I am going to actually break my own rule. Great experience. Homeless community in Phoenix, we actually do a combined homeless shelter. Helped work on it a few years ago. St. Joseph the Worker actually had this explosion of people begging, saying, "We are willing to take a chance; send us homeless people because we are so desperate for workers."

So it is somewhat what was said over here, if you can make labor valuable. Almost every one of these proposals being offered by the Left devalues labor.

And, Mr. Chairman, that is my great fear is—we both care. My fear is those Left proposals are going to make things much worse.

And, with that, I yield back and would like to also before you, you see, hand the documents for the record.

Chairman Beyer. Without objection, those documents are accepted.

[Articles submitted by Representative Schweikert appears in the Submissions for the Record on page 81.]

Chairman Beyer. And I would suggest that we be careful about devaluing any of the experts' testimony because there are contradictory studies. There may be one from the Fed. There are also those from the University of Chicago, from J.P. Morgan, from AP, and others that claim the UI benefits did not create slower——

Representative Schweikert. Actually, Mr. Chairman, knowing two of the studies, they were actually before about half of these States had actually begun their rollback.

Chairman Beyer. Let me also point out that claiming that the CTC does not work at all for those in extreme poverty, not working at all is different from being insufficient to lift them out above poverty. It is hard to imagine that $250 and $300 per child——

Representative Schweikert. Mr. Chairman——

Chairman Beyer [continuing]. has no effect at all.

Representative Schweikert [continuing]. once again, it is the quote from the study. It is not my quote.

Chairman Beyer. Thank you.

Now let me recognize Mr. Peters from California.

Representative Peters. Thank you, Mr. Chairman.

I don't want to spend a lot of time on unemployment supplements. You know, we knew we overshot. The risk we took was we were overshooting in order to avoid an economic disaster. So, if we ended up paying unemployment benefits for a little too long, it may have suppressed employment at some point. And I think that is good for next time, but that is over with. So that is retrospective, and we are not talking about extending those right now. So I would put that to bed.

The other thing about vaccines is, sure, I think probably we have heard that vaccines have encouraged some people to quit. I am sorry that they don't want to get vaccinated. On the other hand, in the face of a pandemic where a million people have died, the workforce is not the only public policy we have to be concerned about. We have to be concerned about actually protecting each other. And so I don't think that rolling back the vaccine mandate is the proper way to get at the worker shortage that we are facing right now. I don't think that is the right strategy.

One strategy you didn't mention that I am curious about—and I would ask this for, I guess, for Mr.Amarnath, the role of the immigrant workforce when it comes to our labor shortage. I mean, one idea about getting more labor is to actually to bring more in. And that is what we have done traditionally. Would that be a good solution, and what would that do to economic growth in general?

Mr. Amarnath. Okay. I think it is a sort of direct matter, immigration leading to higher labor force growth and, thus, sort of somewhat mechanically leading to higher upward growth, so obviously there. There are areas where we have sort have identifiable labor shortages and not just sort of anecdotes in terms of manufacturing and construction where you can point to.

To the extent we can bring people, especially those who have actually been working here and done a lot of the essential work, that obviously would be beneficial to be able to create a more robust workforce.

Representative Peters. Dr. Stevenson, would you comment on that as well, the role of immigration?

Dr. Stevenson. So I do believe that we are seeing some labor market problems that come from the fact that we have not had as many foreign workers come in to the country. At the risk of enraging some of you, I will give you a story, which is, at the University of Michigan, we don't have a lot of foreign students on campus. And we definitely see the places where the foreign students used to work are having problems hiring people.

There are certainly industries that rely on foreign workers that are having a hard time finding people. I think it would be really valuable to be thinking in the context of immigration reform. This—looking very closely at this question of how immigrants support the U.S. labor market and support growth because this has certainly been a time with closed borders and limited foreign workers.

Representative Peters. Let me ask you about your testimony about economic recovery and employment stability. In my district in San Diego, we rely a lot on tourism and hospitality. It is a significant part of our economy. What would you say about tourism and hospitality? What could employers do to increase stability in their workforce when these jobs don't always come with benefits and other incentives?

Dr. Stevenson. I think the first thing to say is these jobs have become much riskier. These were not risky jobs. In fact, when I was a kid, a college student, a young person in my twenties, these were fun jobs.

They are now jobs where, first of all, just the level of animosity in the way people are treating each other is making these jobs less fun, and the fact that you have to ask people to put their mask on has made them less fun.

It is also pointing to the need for these jobs to just pay a living wage. You know, we really need stability in our work, and that means being able to be—not rely on a job which may lay you off tomorrow, and that is actually one of the real things still going on in leisure and hospitality. There are a lot of workers who are still at risk and will lose their job potentially tomorrow, could be losing their job right now as we speak because the pandemic as it goes on is causing—some of the tourist industry is struggling to keep afloat. And that is the biggest way we will get the tourism industry back on track, is to vaccinate more of population.

My kids would like to go to Disney World again. We are not there yet as a country in my perspective. And I think that that is why we don't have as many workers back there. I think that that it is incredibly important that these jobs become more stable, they pay better, and we find a way to make them safer than they are right now.

Representative Peters. Let me just ask you one more question about the child tax credit. The idea of a child tax credit to provide additional funds for families that have children, doesn't that address the ability of parent choice because I guess you get money for a child? You can decide to use that income to stay home, or you can decide to deploy that money to childcare, if childcare exists. In terms of choosing policies, isn't that really the most efficient, economically sound program?

Dr. Stevenson. To be clear, there is no work disincentive from the child tax credit because, if there is no work requirement on it, parents can get access to this money, and they have the choice then of what they are going to do. If we put a work requirement on it, then you are effectively saying, "I am going to give you money to pay the additional costs of you going to work." If you don't put the work requirement on it, you are letting parents choose what is right for their family.

Representative Peters. Right. I think parent choice is something we all would like to support.

And I yield back.

Chairman Beyer. Thank you, Mr. Peters.

Let me recognize now the Congressman from Kansas, Mr. Estes.

Representative Estes. Thank you, Mr. Chairman.

And thank you for all our witnesses for being here today.

And, without enough workers, Americans across the country will continue the experience of rising prices, longer wait times, and shortages. The Kansans I represent are rightfully alarmed about the direction of the economy. You know, inflation levels are at a level not seen for 30 years, and businesses are unable to find enough workers. Instead of searching for solutions to make hiring easier, the Biden administration has decided to implement a series of policies that create barriers and make it harder for businesses to find workers. They have even gone so far as to force businesses to fire workers for reasons unrelated to their work due to the recent OSHA mandate.

It is clear that the vaccine mandate will lead to serious disruptions across the U.S. economy. That is because it is both unreasonable and unaccommodating. There is a recent Washington Post poll that found 72 of unvaccinated Americans would quit their jobs if their employers forced them to get the vaccine without the opportunity for exemptions. The mandate will surely lead to more worker shortages across the country, both within critical supply chains and within the healthcare industry. The administration has estimated that their mandate will apply to two-thirds of the workforce.

Just this week, the American Trucking Associations warned the White House that in regards—in response to the vaccine mandate, many drivers will likely quit. There is already 80,000 worker shortages in the trucking industry today, and forcing more workers to quit in a time when we desperately need them is not the right approach.

I think it is important to point out that, not only is President Biden's order unconstitutional, it does not contribute to building a stronger healthcare industry. We are seeing hospitals that are already dealing with staffing shortages now unable to staff beds as part of the result of the Biden mandate. One hospital, of course, as we have all talked about, has been forced to put baby deliveries on hold after maternity workers quit in protest to the mandate. The reduction in healthcare workforce, as caused by the mandate, has dramatically lowered capacity to respond to COVID as well as other infectious diseases and high-risk events like heart attacks and strokes.

The solution to fix the current record high gap between the number of job openings and the number of employed workers—unemployed workers is not more taxpayer-funded programs but policies that finding workers—make it easier for industries.

Ms. Greszler, President Biden's so-called Build Back Better Act would lead to greater upward pressure on prices and further disincentivize able-bodied adults to work. If passed, how much would the Build Back Better Act accelerate both the inflation and labor market crisis we are currently experiencing? And how bad could microeconomic conditions become?

Ms. Greszler. Well, we have heard some estimates in terms of potential employment and job losses in the 5- to 8 million range. And we really don't know what is going to happen to inflation, and there are a lot of factors at play there. But certainly Americans have experienced the impact of employers not being able to fill their positions and that leading to higher prices at the grocery store, at the gas station, on pretty much everything that we are purchasing, and also shortages, not even being able to get certain things. And then, in looking at the Build Back Better Act and just all the rules that it is going to put on employers micromanaging everything. I mean, when you look over that, it just makes it so difficult, you wonder, why would anybody even want to create jobs and why would they want to run a business and provide that income and that opportunity to individuals when the government is going to be the one that is going to tell them when their workers can have access to paid family leave? They are going to tell them whether or not they have to join a union and therefore breaking that ability for the employee and the employer to work together. That particularly concerns me among women who like to have greater flexibility in the workplace. And they might not want the rules that the union is negotiating, or now, being an employer, you are going to have to automatically enroll workers in a retirement account, even if you don't have one set up for them yet, and you are just going to have all of these mandates piled on top of one another that just creates an enormous burden on employers.

Representative Estes. You also pointed out that the Green New Deal would cost every American $1,991 per year over the next decade, or nearly $8,000 per year for a family of four. Combined with some of these other ongoing proposals, you note that the typical American household will pay about 10,000—they would pay about $100,000 over the next decade. So, if passed, how does this increasing burden on households affect our economic growth?

Ms. Greszler. Well, it leaves everybody less well off in the end. Less income, less opportunity. And I think that it is easy to sell a $3.5 trillion package as it is going to provide you childcare, it is going to provide you paid family leave, it is going to give you a monthly check, it is going to do all these things for you. But there are two sides to everything. Everybody argues about I want to see the one-handed economist because, well, actually there are two realities. And what are the costs on the other side of that? And, yes, if you just look at some of those things, I added it up, and potentially the typical American household would have $100,000 less purchasing power in the future in order to tradeoff these things where they are going to get what the government gives them instead of what they could otherwise go out and decide what they wanted to get on their own.

Representative Estes. Yeah. You noted something very important there that the Federal Government can't give any money away in a program unless it takes away from a taxpayer to begin with.

Ms. Greszler. And I think that is very important to think about here, is we have heard your pockets are deeper than my pockets. Your pockets are reaching into the pockets of every American and every business owner in order to take money out of them to give it back to somebody else. We are not just talking about money that is growing off of trees here. Even if it is monthly child payments, that money has to come out of economy somewhere. And it comes out of the paychecks and the incomes of families who are parents, who do have children. So it is not just all a net gain to be sending money because it is coming from the Federal Government.

Representative Estes. Thank you. And I yield back.

Chairman Beyer. Thank you.

I now recognize the gentleman from Wisconsin, Mr. Pocan.

Representative Pocan. Thank you very much, Mr. Chairman. I appreciate it.

And thank you for all the witnesses for being here.

I am not going to refer to, I guess, studies. I am going to do it from practical experience. I am a 34—almost 34-year owner of a small business. Started it when I had hair. I was 23 years old. It has been a while back. And, you know, I talk to a lot of small business people because those are the people I have known for most of my adult life. One of my largest employers in my district is in California and Wisconsin. He has 6,000 employees. He told me recently he was up to 70 percent of allowed back on vaccination rate, and an employee came in with COVID. And he decided he was going change that. So he did all sorts of initiatives. Got up to over 99 percent and, finally, at the end, had to fire 40 people out of 6,000.

That is about two-thirds of 1 percent. So those studies that say 20 percent of people will be fired for not doing mandates, I am just telling you that the people I talk to in Wisconsin don't necessarily have that study, but they have the practical experience of that not being real, as I mentioned that.

I also belong to three Chambers of Commerce. Very active in a number of business issues. We had the SBA Administrator in Wisconsin a few months back. And I invited all the different business groups to have a meeting with her. And my largest chamber, the Madison Chamber of Commerce—Madison is about 250,000 people. They and the Wisconsin Manufacturers and Commerce, which is one of the most conservative business groups of everybody else I invited in my State, said they just did a survey of members and how the chamber said that the number one issue blocking people going to employment was childcare.

And one of the initiatives that we are trying to do and I think is going to be in the Build Back Better agenda is this childcare initiative to reduce it to 7 percent. And, much like Mr. Swenson-Klatt, as a small business person, I have got someone starting Monday as well. That will bring us back full complement pre-COVID. But their childcare they just got is costly, quite a bit by the percent. And this would be a game changer.

Dr. Stevenson, just from that practical thing, you are going to give me maybe the scientific side of it. I am going to give you the practical side. If I am being told by employers in my area that the number one barrier to getting people hired right now—and we certainly all have that experience—is childcare, can you just talk a drop more about how important that initiative of 7 percent of your income covering childcare would mean?

Dr. Stevenson. It is a practical reality that you cannot pay more for childcare than you are being paid for your own job. That is just a limit that people have. Childcare is more expensive than college for many families. And, yet, we spend a lot of time wondering how families are going to pay for college and college tuition. And we leave them on their own, particularly when they are younger, with lower incomes than they might have when their kids are old enough for college, and we tell them to figure childcare out on their own. A lot of parents simply can't do it. They try to cobble together plans. They might use a network of relatives or neighbors, and some amount of paid childcare, but they are running into troubles.

We are seeing upward pressure on wages at the bottom end of the income distribution. This is actually a good thing. This means that many people who are our lowest wage workers are going to be earning a living wage. But childcare providers are struggling because, if they pay more than $12 an hour to keep up with what Amazon's warehouse is paying, what Starbucks is paying, they have to pass those costs on to parents, who are themselves not earning much more than the childcare workers themselves.

That is going to cause—as childcare workers' wages will go up whether you do something or not, because wages at the bottom are going up. As those wages go up, people will drop out of the labor force because they are unable to pay for that childcare. That is the reality. You need to step in and try to support that.

And just one other thing to add to that is the research does show that every dollar we invest in young children comes back to the taxpayer in terms of $7 to $8 later on. Somebody does have to pay for these costs. It turns out they are paid for by increased productivity of those kids as they grow up.

Representative Pocan. Thank you. I will never forget, too, when the Affordable Care Act got in place, I had a childcare provider in my district stop me in the grocery store and cry because she finally had health insurance for the first time. So I appreciate that.

Mr. Swenson-Klatt, you are like me, someone who I spent that many years and how you spent a long time building your business. You specifically brought up family medical leave, paid family medical leave. Can you just talk a bit more about how that would help you both in attracting employees and being able to grow with your business?

Mr. Swenson-Klatt. Thank you. As I mentioned, I am partnering with a housing program. It is a housing program that houses young adults who have been homeless, 18- to 24-year-olds. And, in that population, as we work with them in internship programs, you can tell there is a lot of health disparities at work. So we are the kind of place that is supportive. We create flexible schedules. We do the extra little mile to help someone with a rough day, that leave time in many cases, a chance for a person to just take care of themselves.

Mental health issues are a huge piece of young adult experience right now. If the pandemic isn't kind of a wake-up call, we should be aware. I have a lot of young adults who work for me for whom it has been a really tough set of years. Mental health issues are really challenging. Sometimes you need that time off.

The flexibility that I had during the pandemic to back into a program that was available to pay for people to be away allowed me to just keep open. I wasn't panicking because I knew they were going to keep their job. They were going to come back when they are feeling a little better, back on their feet. We would be flexible as a staff, support each other and get back to where we needed to be. That kind of predictability for my staff and for me means I can just keep going forward. Before that, it was very hit or miss. And I just miss those—that possibility again. I don't look forward to the days when it is—someone needs a couple weeks, and I just have no way to support them. And, in a couple weeks, for the young folks I work with, that is rent; that is food. It is back into the instability.

Representative Pocan. Thank you, Mr. Chairman. I appreciate your time.

Chairman Beyer. Thank you very much.

I recognize the gentlewoman from Washington, Ms. Herrera Beutler.

Representative Hererra Beutler. Thank you, Mr. Chairman.

And, just to clarify of our last witness, I just want to make sure I understood that correctly. The ability to do the paid family leave and to provide the sick leave or just mental health time for your employees was as a result of the payments because of the COVID replacement money, correct?

Mr. Amarnath. Yes.

Representative Hererra Beutler. So you weren't able to provide that prior to the pandemic. Okay. Thank you. I wanted to clarify that. Paid family leave, childcare is something I have actually worked on quite a bit here in Congress. I believe we need to find ways to address this issue. Whether we like it or not, it is something we need to address.

But I also am challenged because it is also true that money comes from somewhere. And it is not all—you know, I believe in investing in children, but not all investments are the same. You know, people talk about pre-K, and pre-K is important, but the quality of the pre-K is really the thing that makes the difference when you talk about getting $7 back with a $1 in. It is not just warehoused childcare; it is investment in children. So I do want to make sure we are not blanketing that.

And, you know, I supported the legislation last year strongly to replace—really, when private companies got shut down because of a public interest—the Federal Government or the States or whatever shut you down because we were trying to protect people against this pandemic. It was through no fault of your own that you were getting shut down. And so that relief payment to me was similar—I compared it to eminent domain, like when there is taking of private property for a public good, there needs to be just recompense, and that is how I viewed that.

As we move forward in the policy, we are not in that situation anymore. And I am all for innovative ideas and solutions that help us get to where a small or midsize business can compete for that labor force by offering robust benefits. But the Build Back Better plan has frustrated me because it is not innovative or creative. It is just "let's tax more and spend more." Well, that doesn't last.

And I do think what we saw, I was here pre—during the Obama years and Trump years. And I remember during the Obama years being told we are never going to grow again, like, our economy is never going to grow. I think, when he left office, we were at 1—1.6 percent GDP growth. And we were told we will never see a 3-percent growth again in our economy; those days are gone. And, bam, we cut taxes, much to a lot of people's frustration, and we saw real wages grow among almost every recorded class, right? In fact, higher among American people who were new to the workforce, like lower wage workers, minorities. I mean, single mothers saw more money back. So I do think there needs to be a more creative approach than just "let's throw more money at it."

Having said that, and, Ms. Greszler—I am probably butchering that, and I am sorry. Mine gets butchered all the time. I wanted to ask about small businesses and their impact and supply chains. Now I know, I think in your testimony, you talked about union impacts in terms of, like, supply chains, but what are the things that we can be doing to help businesses on the regulatory end or the supply chain end so that they are not wasting time and money on that and maybe they have more flexibility with their employees? Could you speak to that?

Ms. Greszler. Yeah. That just has to do with breaking down those barriers and getting rid of regulations that are in the way of preventing employers from doing what they would otherwise do, being able to work directly with their employees and to be able to get things moving. Getting enough people into the door and who are willing to work to begin with.

And, if I could just briefly comment on the whole childcare and paid family leave because I do think that, across the board, we want to be helping people who are in need. And we want to be helping them in a way that lifts them up. And absolutely people should have access to paid family leave, and childcare is very important. But, if the goal is it to help the people who are in need, then why is there a proposal that is going to use most of the money for paid family leave to pay employers who are already providing it to keep providing it? That is not going to help small businesses because that is going to let those employers otherwise further increase their wages. And, if we care about childcare, why do we have a plan that is going to give a couple in D.C. that makes $340,000 a year $30,000 worth of childcare subsidies? That is not helping anybody enter into the labor force.

Representative Herrera Beutler. Is this helping people in southwest Washington——

Ms. Greszler. No.

Representative Herrera Beutler. Who don't make $300,000 plus a year, who don't have college degrees but are still making it work, still need help. You are right: it is diverting assets.

Ms. Greszler. Exactly.

Representative Herrera Beutler. Be creative.

Ms. Greszler. Let's look at the existing funding that is out there for—Head Start is one example, $10,000 per year. Why not let families take that to a provider of their choice? And I did just want to briefly challenge this notion about these 8 to 9 percent returns. That is a tiny boutique study six decades ago. And, even the author of that study, he said, yes, there are 8 to 9 percent returns for particularly disadvantaged children, and he said: But you know what hasn't been estimated very well is the return of investment of a parent in a child? He said: If I had to guess, that would be a 30 to 40 percent return. And so anything I would say, please, don't make us look like Quebec because, yes, they significantly increased the labor force participation of mothers with young children, but they did it at the expense of children and families. They had terrible outcomes in terms of social, mobile abilities, health outcomes, worst parenting outcomes, even higher crime rates when those children were teenagers. That is not something we want to mimic.

Representative Hererra Beutler. Thank you.

My time has expired. I appreciate it, Chairman.

Chairman Beyer. Thank you very much.

I now recognize the Congresswoman from Columbus, Ohio, Ms. Beatty.

Representative Beatty. Thank you, Mr. Chairman.

And thank you to our witnesses today.

Sitting here trying to digest and listen to a lot of scientific, practical, somewhat biased opinions, as well. We have heard a lot about the Build Back Better and what it will or won't do. And childcare, I do agree with my colleague that we should make an investment in our children. And here is what I know: Depending on where you live in this wonderful America in raising your children, it is about quality childcare. And what I do know is, if you can't afford quality childcare to make an investment in it, then most mothers, parents, fathers will put their children before anything else. And then they won't be able to go to work.

If we are talking about the economy and growing the workforce, we have heard a lot about the vaccination, Mr. Chairman. And, when people talk about the OSHA ruling of employees who have 100 employees or more and the mask, wearing the masks, it is "or be tested every week." And I can tell you a major hospital in my district said it was worth every penny that they had to spend on the test because keeping people healthy allows them to go to work.

So, if you are not tested and you don't know—we had this, in this very Chambers, people touting that they weren't going to wear a mask; they weren't getting vaccinated. Some of those same people then tested positive and affected other people.

And then what I do know is, if you miss 10 or 14 days of work on some jobs, you will lose your job.

Here is the other thing I know: For us to talk about the economy and talk about vaccination and not wearing a mask or thinking that the President shouldn't be agreeing with this rule, let me remind you, I went out there to the National Cemetery: 700,000 people have died because of COVID–19. You want to talk about the economy and talk about whether we should wear a mask or be tested? 700,000 people have died. We want to talk about looking like Quebec and what we are going to do? And we come in this hearing and question and challenge the difference between being tested or wearing mask and what it does? Clearly, you know I have some feelings about that, whether practical or scientific, people are dying. Thank goodness we have an OSHA ruling that says wear a mask or be tested.

So we know that, as we talk about the Build Back Better plan, which I think is bold—I think it is visionary, and I think it is going to make a difference in how we grow the economy, how we balance an investment in our communities and in our Nation. We talk about the economy. So let me go to a question. Mr. Skanda Amarnath.

Mr. Amarnath. Yes, Skanda.

Representative Beatty. Okay. And also Dr. Stevenson.

I have a question, and I will start with you Mr. Amarnath. In your testimony, you focused on the benefits of tight labor markets and how that can have an effect on witnesses. I wanted to ask you about the impact of a tight labor market and what it would have on the racial gap in the unemployment rate. Historically, we know that Black Americans' unemployment rate is double the unemployment rate of our White Americans. How do you think or what do you think about the tight labor markets effect on the racial gap in unemployment and what policies can break this cycle?

Mr. Amarnath. Thank you. So I—the gap between unemployment rates and the gap between, called employment rates, employment-to-population ratios, White persons to Black persons, there has been this sort of complacency systematically to say, oh, the gap is structural in a way that we can't influence through just ordinary fiscal policy, monetary policy, just whatever Congress can do. There has to be some sort of secret to unlocking that. But, actually, as we find, this is a very cyclical process. So, as you get the unemployment rate lower, as you get the employment rates higher, it actually benefits most particularly those who are—who have been systematically and structurally marginalized. And so we see that Black employment rates rise relative to White employment rates. We have actually seen that they are getting closer and closer [Inaudible] Black employment to population ratio and White employment to population ratio. And we have to—if we really want these gaps to converge, we are going to have to keep investing and keep sort of taking an affirmative approach to make sure we are growing the economy and bringing in those people who tend to be the first ones laid off during recessions and kind of cruelly marginalized and only brought back very slowly typically.

So I think it is important for us to keep this recovery going as fast as we can so they can bring back those people.

Representative Beatty. Thank you. My time is up, but thank you because I think that also supports the Build Back Better plan.

And, Ms. Stevenson, I just want to say thank you for allowing us to take a look at the challenges that we are having in childcare. And I certainly agree with you that it will have an impact on our employment.

Thank you. And I yield back.

Chairman Beyer. And, Ms. Beatty, if you care to stay for a second round, we will probably pursue that in another 10 minutes.

And now let me recognize the distinguished Senator from Arizona, Senator Kelly.

Senator Kelly. Thank you, Mr. Chairman.

Mr. Amarnath, thank you for testifying here today. Thank you to all of you for being here.

A few months ago, I helped to craft the bipartisan Infrastructure Investment and Jobs Act, which passed the Senate in August. And I hope to see it pass the House soon. This is a good bill. It makes historic investments in our Nation's critical infrastructure, improving our roads, bridges, drinking water, ports of entry, and other things. All of these investments are going to create millions of good-paying jobs. Many of them require high skills. Many of them are technical. We need to make sure that people have these skills to fill these jobs, especially since, as we have heard today, there are jobs already waiting to be filled.

Could you talk about the benefit of investing in training programs to ensure workers have the skills they need to fill newly created jobs and how to best utilize these programs to help with the skills mismatch that we are facing right now?

Mr. Amarnath. So I think the investments in workforce training, especially in this increasingly tighter labor market, are especially essential because these are in industries that had a very long period of, call it, very cool underinvested period. Think about construction, for example, as being an area where construction jobs were abundant before the Great Recession. And then we had a sort of long decade in which we did not see the sort of requisite employment and investment. And so now we are faced with shortages in construction, manufacturing, maintenance jobs. These are areas of blue collar work that is also being—that we may have some level of persistent investment to be able to ensure we have a workforce that is stable and able to actually address the challenges of an economy that is recovering, and there obviously are sort of growing pains right now. We see supply chain problems, logistics, bottlenecks. And part of the challenge here is we need to sort of rise to the occasion of being able to bring in a record amount of goods through our ports, be able to produce a record amount of goods within the U.S. economy itself. And so I think that is going to be critical to have that force to make sure that we have the capacity going forward and that the growing pains we see now are not growing pains we are going to see in subsequent years, that we actually do have the capacity. We do have the workforce that is tailored to meeting the material needs of our citizenry.

Senator Kelly. How do we build that capacity?

Mr. Amarnath. I think that part of it has to be a combination of identifying those areas of—especially I think construction and manufacturing are most instructive, where we do see both evidence—people talk about job openings. We are also seeing wage growth has also picked up in those areas. We have also seen that there is an attempt to at least hire aggressively, but it is not necessarily easy to hire people who have oftentimes moved to other sectors over time, and we need to draw them back in. And the training costs especially are—if we can burden share on that, especially within the government and the private sector, it would actually be beneficial to both sides ultimately to able to have a trained workforce. And these are very specified skills for these industries, and it is not necessarily the case that, if we kind of let a big recession and not even try to attempt to have a strong recovery, those jobs won't be in demand to the same degree. And that is part of the reason we got to this point where we do have labor shortages, is that we have kind of systematically not taken as affirmative a set of ambitions around sort of fiscal policy and especially around infrastructure investment.

Senator Kelly. Do you think we can, assuming we get this legislation passed, get programs funded where we are poised to spend hundreds of billions of dollars on critical infrastructure, do you think we could build the workforce we need to complete these projects?

Mr. Amarnath. I think so. I think it is a worthwhile investment, especially when you are not just from—people want to work, and there are a lot of businesses in these sectors who now see a very clear need to hire. And there obviously are frictions. That is an area where government can do a lot of good for both sides.

Senator Kelly. In Arizona, we have incredible community colleges and workforce training programs. And, you know, these programs can build the workforce that we need. It is just a matter of finding the individuals, getting them through the door, getting them the training they need, getting them connected with the employers. I think we can do this. I do also think that we, like anything, we need to have a plan.

Thank you.

And, Mr. Chairman, I yield back the remainder of my time.

Chairman Beyer. Senator, thank you very much.

Now I want to recognize the Senator—I don't know if he is the senior Senator, but he got more votes from Georgia, Senator Warnock.

Senator Warnock. Because my last name begins with a W and Senator Ossoff's begins with an O, I am the junior Senator. Imagine that.

Thank you, Chairman Beyer. And I am glad to be here to be a part of this hearing.

People have had to make really hard decisions throughout the pandemic when it comes to their jobs and protecting themselves and their families and their communities. I don't think we have taken stock really of the trauma visited upon all of us at varying levels as a result of this pandemic. And not everybody has had the privilege of working remotely. I think especially about our essential workers. That is a term that emerged during the pandemic, the people who literally risked their lives stocking grocery store shelves and working in other facilities, in hospitals, in some cases.

We call them essential workers. Often they don't make an essential wage. They don't earn essential benefits. Leading into the pandemic, only about 9 percent of the lowest wage earners in the country were able to work from home.

Dr. Stevenson, can you speak to how policies that support the financial freedom of working families like the child tax credit, the largest tax cut for working families in American history, how this might affect the growth and stability of the labor market?

Dr. Stevenson. Yes. Thank you for that question. I mean—I think the most important thing that the child tax credit does is eliminates or dramatically reduces the amount of children living in poverty. And what that does for children is ensures that they eat better, that they learn better, and that they are better able to grow into adults who will ultimately be productive.

But it also gives a little bit more flexibility to the families to make the right choices for them. Families shouldn't be stuck in a situation where, if something happens, we have all been there, where a kid breaks an arm or a leg, and you have to keep going to work, but who is going to take care of them?

Giving them just a little more breathing room allows them to make better decisions. And we saw in the pandemic that people got up and went to jobs that could kill them, but the financial support we gave has allowed them to move into better jobs as we have emerged out the pandemic, to make requests for higher wages, for more flexibility.

Flexibility doesn't just mean working at home. It means knowing what your schedule is more than 24 hours in advance so you can plan for childcare. It means trying to ask for working around your childcare schedule so that you can actually go to work and do your job. These kinds of demands that workers are now currently making are being facilitated by the fact that you, Congress, in its wisdom has chosen to give a little bit more of a cushion to families so that they can make better choices for them and their children.

Senator Warnock. Families for whom wages are low and the cost of childcare is high.

Dr. Stevenson. Yes.

Senator Warnock. And this just gives them some space. So you don't believe this is a negative impact on the economy.

Dr. Stevenson. I do not believe it is an negative impact. In fact, I think it is a very strongly positive impact on the economy. I think that most people want to be able to work, provide more for their children, but they need a little bit of a buffer because, when things start to fall apart, what we see is people can have a really hard time getting themselves out of the worst situations. So that is particularly true for low-wage workers.

Senator Warnock. And, similarly, we have heard folks in recent days say that the unemployment insurance that we provided is what is contributing to this issue. And some have argued that taking away unemployment payments was necessary to get people back to work. But the evidence that I have seen isn't there. In States like Georgia, that ended benefits early, there was not a significant difference in the number of jobs created in comparison to other States that kept the benefits. Further, a report by the Federal Reserve Bank of Atlanta found that even though women—women with small children made up just 10 percent of the prepandemic workforce; they are almost 25 percent of the COVID-related job loss. So these are folks who are responding to this very issue that you are talking about. It is not that parents don't want to work. Raising a small child—and I have two small children—during a pandemic without reliable childcare or other supports is a full-time job, and it makes it nearly impossible to work.

Mr. Amarnath, does limiting Americans' access to financial support increase our overall economic growth?

Mr. Amarnath. I think it quite clearly is the opposite from the past 18 months. We have some pretty clear data about how income supports ultimately preserve consumption, preserve jobs, preserve the ability for businesses to stay open and not have to go. And that is true especially from the household side with unemployment insurance.

So there was obviously a lot talked about disincentives, how this was actually stopping people from entering. And we had a few different ways we could actually game out why this was actually happening. We decide whether the incentives, how much of an effect it was having. We could look at the cutoff in September for a lot of States; we actually kept it in place. And did job growths speed up as we got closer to September and through September? No. If you look at the States—we have weekly data for States that cut it off early. Did we see a difference in terms how quickly their employment rate accelerated through the early cutoff? And we didn't see that either. That is a reference to what Dr. Stevenson noted in her testimony, that Arin Dube has—from the weekly data, we don't see that.

And then we can also just look at, across the income spectrum, did we see that when we gave a fixed payment? Did it actually translate into people at the lower end of the income spectrum? Did job growth slow for those who are at the lowest wage level? That we didn't see either.

So we have all these different ways to triangulate and actually evaluate this. And I am sure there are obviously ways we can keep going back and forth, but on the other side of ledger, that income helped support consumption for a lot of people who otherwise would have had to cut back drastically. And that is a really important thing, the share of people who would have had to face a big financial loss in terms a lack of a employment, who didn't have to go through that. There is pretty clear data, J.P. Morgan has evaluated people's financial balances across the income spectrum. And there are a number of people who would have faced a really big financial downturn because of the loss of employment that didn't have to. And that meant that they could also be engaged in the economic activity that was supportive of their own standard of living and the standard of living of others.

Senator Warnock. Thank you so much.

I often say the right thing to do is often the smart thing do as well. And this gives us insight about how to grow the economy in a way that embraces all of us, especially hardworking middle class people, the working poor.

Thank you so much.

Chairman Beyer. Senator, thank you very much.

Ninety percent of the Joint Economic Committee is just showing up. So we are going to do a second round, and you are welcome to stay.

Senator Warnock. They are dragging me to the next thing.

Chairman Beyer. I understand. So, if my friend, Mr. Schweikert, comes back or anyone else, we would be happy to welcome them.

Let me just start a short second round.

Dr. Stevenson, there was a Heritage report on September 30, just 7 weeks ago, that said, quote: "The proposed subsidies for full-time center-based childcare would arguably subtract from the benefits of a loving resourceful family by reducing parenting and increasing paid time in the labor force, particularly for mothers."

At the same time, Ms. Greszler talked about the child tax credit, the $250 and $300 payments are unfortunate because they have encouraged mothers, parents to go back into the workforce. You are a mom of two. Should that loving resourceful family be reserved just for wealthy families?

Dr. Stevenson. I appreciate you asking that question, and I feel strongly no. It should not be reserved just for wealthy families. There is, obviously, a strong back and forth between a desire to encourage work, which I think we are all in agreement—everybody here wants to see people who can work, work. But there are times when parents do need to be at home. What we are looking at is making childcare affordable so that parents can make the right choice for themselves.

And I think there are a lot of parents that, unfortunately, find themselves in a situation where childcare is so unaffordable that they are unable to do it. Center-based childcare is not just been childcare; it is also about learning. The pandemic has shown us that learning and childcare are two sides of the same coin. When we send our kids to K through 12 education, we are not just sending them to learn, we are also sending them to someone else who is going to be taking care of them while we work. Center-based childcare also provides both early learning and care that allows parents to work.

I think the subsidies there give parents a choice. They don't force anyone to do anything, unlike a work requirement on child tax credits.

Chairman Beyer. Thank you.

Mr. Amarnath, you talk about the skills gap myth that the differential in unemployment rates between those with a college education and those without has actually narrowed over time. But we have been talking about the skills gap for a long time, you know, the 10 million jobs, 7 million whatever people out of work because they don't have the right things. Can you explore that?

Mr. Amarnath. Sure. So a little bit of a nuance, but I think when we look at college employment rates and those of high school diploma, there is a differential and people say that is something that is so structural there is no way to be able to get past a certain level of employment for those who don't have beyond a high school diploma. And this was especially a prominent argumentation command of the Great Recession that all these construction workers can't be employed doing something else unless it takes a lot of time and cost, and it is going to create a lot of inflation.

As we saw in 2015 onwards, that that gap narrowed. And that gap narrowed as the labor market tightened, and there was—demand had slowly recovered whereas, right now, we see, especially when we are kind of going into overdrive with the current recovery relative to those previous recoveries—we can benchmark it against that—we do see that there is a demand for a lot of that type of labor that has been highly cyclical, that was probably not as stable a job previously, and we are trying to make a lot of those essential jobs, whether they are manufacturing, construction, maintenance—these are areas where there has been a lack of stability over the years, and that is part of the reason that those jobs may have been otherwise done by people who did not have a college degree, could be good paying jobs under the right conditions, especially now if we sort of subsidize training, are able to actually bring people in. So I think the skills gap itself is a prediction of who is employed and who is employable. There is obviously a role government can play in facilitating that process, but the notion that this is some hard constraint as opposed to something that we can work through, I guess that is the way I would frame it from here, which is there are areas where there is probably room to do more. But these are always challenges that always exist that, at some level, persistent effort can bring people in. And we shouldn't write off people just because their educational attainment levels are different or only the people with a college degree are somehow able to find gainful employment that pays a good wage.

Chairman Beyer. This ties in really nicely, although uncertainly, with the whole notion of retraining workers. In an economy where we celebrate creative destruction, whether it is driven by technology or by trade or anything else, what do we do with those coal workers in southwest Virginia, for example? It is a challenge.

Mr. Amarnath. I think in the case of—there is a tendency to sort of say that people have to switch from drastically into new jobs, somehow people have to go learn to code or construction workers need to become nurses, which was a common claim in 2010 and 2011.

Actually, I would take strong issue with that. And we are seeing that part of the reason is we did not take the recovery seriously enough the last time around, at least into the policies that were implemented. And, this time around, we are seeing that there are job openings in a lot of these areas that were supposedly written off. Manufacturing jobs are actually in high demand right now. And that is a product of how we actually craft policy, but they create the demand and the supply for the workforce itself that support it. That is important.

Chairman Beyer. Thank you.

Dr. Stevenson, there is a fascinating article in today's Atlantic by Derek Thompson on this exact subject. And he talks about how the "great resignations," quote-unquote, seem to be accelerating, along with the remote work revolution and the knowledge economy. But let me quote directly. I would love your thoughts on this, especially with your Council of Economic Advisers background. Quote: Much of the labor force seems to be participating in a kind of distributed protest against the status quo of work in America, and, quote, this may be a pivotal turning point in the relationship between labor and capital.

Is all this overstated?

Dr. Stevenson. I don't think that it is overstated. You know, the labor's share of income has been declining for the last 20 to 30 years. When I was a graduate student, I was taught that that thing is stable, that it never changes, that what workers get is always sort of roughly the same share, even as GDP grows. And yet we have seen this decline that has been function of big companies that rely on less labor becoming a greater share of the economy and workers with low skills being treated really like they are disposable. What we see, you know, if you look at the industries that are hurting the most today, those are the industries that tend to have very, very high turnover in the best of times and not just because workers are quitting but because they let them go.

"Oh, there is no demand; don't can come in today."

"But I was on the schedule; I arranged childcare."

"It doesn't matter; we don't need you."

That kind of treatment workers have been putting up with for a long time. When I was on the Council of Economic Advisers, we brought together employers and software manufacturers who made scheduling software and said, what is going on? Why can't you just make shifts work a little bit better for people so that they can plan their childcare better? And the response from the software developers was: "We can if that is what employers want."

So the employers have to want it. And the way for them to want it is to find they have to work a little bit harder to get workers. And that is what we are seeing in the labor market today. And that collective movement, in effect what I have called a national collective bargaining moment, is leading workers to demand more and get more.

Chairman Beyer. Thank you very much. Anybody else want—I am just kidding—in any case, thank you very much.

Ms. Greszler, Mr. Swenson-Klatt, Mr. Amarnath, Dr. Stevenson, I really appreciate you hanging in.

We are going to get thrown out of the room in 11 minutes. I am really grateful. It has been a wonderful discussion, and we actually had many people here for their 5 minutes, which was very helpful.

So understanding how create a policy environment that encourages the creation of well-paying high-quality safe jobs, including all the perspectives, it is a really critical issue for Congress, for business, for workers. The pandemic certainly has highlighted some of the structural challenges holding back labor force participation. And the current demand for strong workers gives us an opportunity to really explore this and get people back into the labor force.

Thank you for your contributions. Thank you to my colleagues.

The record will remain open for three business days, and this hearing is now adjourned.

[Whereupon, at 4:50 p.m., Wednesday, October 27, 2021, the hearing was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. DONALD BEYER JR., CHAIRMAN, JOINT ECONOMIC COMMITTEE

One of the most important things we can do as a Congress is to help build a policy environment that encourages the creation of well-paying, high-quality, safe jobs. Jobs that allow Americans to support themselves and their families. To create opportunities that provide workers both a steady paycheck and the ability to care for loved ones when they are in need.

Ensuring workers can navigate work and care responsibilities is crucial to boosting overall productivity and advancing long-term and robust economic growth which benefits all of us.

The purpose of this hearing is to examine the barriers to labor force participation why it is that certain workers have been unable to rejoin the workforce and how policymakers can help address this trend.

Despite the strength of our Nation's ongoing recovery in which the pace of new jobs created has been steady and robust, with almost 5 million Americans returning to work under President Biden the uneven return to the workforce we are witnessing raises some concerns. It is particularly troublesome to note that women comprise nearly two out of three of the workers who have dropped out of the labor force since the beginning of the pandemic.

To understand the current situation, it is useful to look at preexisting trends in U.S. labor force participation: After increasing dramatically over the second half of the 20th century, women's labor force participation peaked in 2000, and has declined since then. The reason for much of this decline has been the lack of structural support for women's full participation in the economy, such as paid leave and affordable and accessible child care.

The pandemic highlighted these underlying structural challenges confronting our care infrastructure. Women remain the members of their families most often responsible for a greater share of care work.

Now, facing the burden of inadequate and unaffordable child care, the impossible choice between caring for a sick loved one or getting a paycheck, or pandemic-related disruptions of schools, many women have been unable to return to the workplace. If we do not take action to better support women returning to work, we may experience prolonged periods of worker shortages that will hurt our Nation's economy.

As a small business owner for over four decades, I have seen first-hand how paid leave is important for supporting both small businesses and workers. It is inevitable that workers need to take time off to care for themselves or for a loved one, but only 23 percent of American workers have access to paid family leave. Unfortunately, the lower-wage workers who are least able to afford to take time away from work to care for a sick child or relative are also the workers least likely to get paid leave from their employer. A universal paid leave program would allow parents to look for work with the knowledge that they could care for their kids without losing their paycheck. It would also allow employers to be able to retain experienced workers who need to take leave without having to pay for the leave out of their own pocket.

The good news we can take from the current strong demand for workers is that we know from the recent past that when there is strong demand for workers, they do return to the labor force. Under President Obama, the U.S began the longest period of continuous job growth in modern history. The tightening of the labor market created opportunities for millions of previously marginalized workers to rejoin the workforce, and drove up wages, particularly among lower-wage earners.

So while the coronavirus pandemic rocked the labor market and pushed the labor force participation rate to lows not seen in decades, the hot labor market before the coronavirus pandemic demonstrated that sidelined workers can be brought back into the labor force. This offers us a useful example as we look to address the current challenges facing workers.

But as helpful as the strong demand for workers can be in pulling people back into the labor force, we have seen that if we want to make a meaningful improvement in labor force participation we must address existing gaps in workforce supports that help workers navigate both their jobs and care responsibilities.

Workers have made significant progress in the past year, with almost 5 million Americans returning to work under President Biden and the unemployment rate dropping to 4.8 percent in September, beating expectations. Nonetheless, there is significant turbulence in the labor market. It is incumbent on this Congress to examine and act on policies that make it possible for Americans to maintain work responsibilities while ensuring the well-being of their loved ones.

I am looking forward to learning from each of our witnesses today.

PREPARED STATEMENT OF HON. MIKE LEE, RANKING MEMBER, JOINT ECONOMIC COMMITTEE

Throughout the history of this great country, Americans have worked to build businesses, employ workers, and support families. Through work, we have developed new ideas that bettered our own lives and the lives of our neighbors, our communities, and our country.

When work is no longer part of our lives, we lose something fundamental to our ability to contribute and to thrive. Work is more than just a source of income, work connects us with each other and connects us with a purpose greater than ourselves.

But today, work is in crisis in America. Millions of Americans have fallen out of the workforce since the onset of the COVID pandemic, workers are quitting their jobs at unprecedented rates, and labor unions are striking as demand for labor continues to grow.

September's job report shows the smallest gain in payrolls this year, and nearly five million Americans are still on the sidelines. Across the country, there are more jobs than there are willing workers.

The current employment situation should concern us all. But declines in labor force attachment actually precede the pandemic.

In a new report this week, Joint Economic Committee Republicans evaluate the years-long question of why so many prime-age, able-bodied Americans have fallen out of the workforce. For men, connections to work have been declining for decades and hit a record low last year with the onset of the pandemic recession. For women, connections to work started receding in the last two decades.

Our report finds that government programs and policies are making work less attractive, and that many Americans are voluntarily disconnected from work.

That is a problem for our economy and our social fabric. Fortunately, there is a lot we can do to reconnect people to work. To begin with, we must address existing policy.

Over the past 18 months, Congress increased safety net benefits and left those new and expanded programs in place for too long. Congress authorized unemployment checks that were sometimes twice as large as Americans' paychecks, and provided rent subsidies, stimulus checks, loan forbearance, new health care coverage, and expanded food stamps. Importantly, most of these benefits did not require recipients to look for work, even after vaccines were widely available to protect workers and businesses began reopening and hiring workers again.

Current legislative proposals would make many of those anti-work incentives permanent, which is the wrong choice. Instead, Congress urgently needs to implement policies that draw disconnected Americans off the sidelines and into the workforce.

Congress must remove disincentives to work by strengthening work requirements in safety net programs for able-bodied workers. We should also eliminate existing barriers to opportunity, like occupational licensing and labor regulations that prevent many Americans from entering new professions or working flexibly on their own terms.

Finally, the Federal vaccine mandate is an obstacle to connecting people to work, and there is no legal or constitutional authority for it. The threatened employer mandate has not even been issued yet, and Utahns tell me that it is already jeopardizing their livelihoods and that unvaccinated workers are preemptively being put on unpaid leave which leaves them without a source of income yet ineligible for unemployment benefits.

Under the mandate, some Americans would be forced to make a personal health decision against their will or face losing their job. This ultimatum to workers is unacceptable and immoral.

Note that opposing the mandate is not the same as opposing the vaccine, and I do believe that the vaccine helps increase safety and security as we return to our places of work.

But today, we need workers' contributions more than ever, and we cannot pretend to know what is good for every worker or business. We must put trust back in individuals, business owners, and local decisionmakers. We must stop making policy decisions that discourage a return to work.

Reconnecting Americans to work is one of the most important policy goals of our time. I look forward to today's conversation on this essential topic.

Thank you.

Testimony before the Joint Economic Committee

Hearing: Help Wanted: A Stronger Labor Market for Robust Growth

October 27, 2021

Dr. Betsey Stevenson
Professor of Economics and Public Policy, University of Michigan Gerald R. Ford School of Public Policy and Department of Economics and Faculty Research Associate, National Bureau of Economic Research

Chairman Beyer, Ranking Member Lee, and distinguished members of the committee, thank you for the invitation to speak to you today about the state of the labor market and the way in which the government can support an ongoing return to full employment and full participation in the labor market. I am an economist who has spent much of the past three decades trying to better understand women's employment, families, and the way deeply personal decisions about how to organize one's family live are deeply intertwined with decisions about paid work.

The employment landscape in the United States remains in flux. Employers report shortages of workers; quits and the intention to quit have hit record highs; and yet, employment remains well below pre-pandemic levels. Some blame unemployment benefits for keeping workers at home, yet the evidence suggests that simply is not the case. States that ended unemployment insurance early saw no pronounced rebound in employment.[1] Moreover, some industries have made a full return to pre-pandemic employment. In particular, industries that have been largely unchanged by the pandemic, a V-shaped recovery has happen. For example, employment in dental offices fell by more than half in the spring of 2020. Dentist offices began to reopen slowly in May 2020 and by February 2021, employment had nearly returned to its pre-pandemic level. It now exceeds it by 3 percent. And given our shift to online, at-home work, perhaps it is unsurprising that employment in professional and technical services has grown substantially since fully recovering in May 2021.

[1] Market economists at Goldman Sachs, Bank of America, and Oxford Economics report little impact of ending unemployment insurance benefits on labor supply. "U.S. states ending federal unemployment benefit saw no clear job gains" Howard Schneider, Reuters July 21, 2021 https://www.reuters.com/world/us/us-states-ending-federal-unemployment-benefit-saw-no-clear-job-gains-2021-07-20/ For a detailed analysis see "Early withdrawal of pandemic UI: impact on job finding in July using Current Population Survey" https://arindube.com/2021/08/20/early-withdrawal-of-pandemic-ui-impact-on-job-finding-in-july-using-current-population-survey/

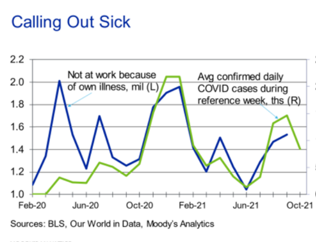
Other industries that have not fully recovered, such as retail trade, have seen the number of jobs held by men more than fully recover to pre-pandemic levels, while jobs held by women remain down 3.5%.

If unemployment insurance is not holding back the labor market, what is? There are three important factors influencing the labor market:

1) The ongoing pandemic which shapes the potential health consequences of work, continues to shape demand, and leads to high absences from work
2) On-going challenges in combining work and care-giving
3) Shifting desires by both consumers and workers that is causing reallocation in the labor market

The Ongoing Pandemic

The ongoing pandemic is shaping people's desire and ability to work and to consume. Data from Morning Consult shows that people's comfort dining indoors peaked in the second week of July 2021, and had declined by nearly 15% by the second week of September.[2] Comfort levels related to flying and indoor entertainment activities have followed a similar path. These comfort levels fell among both vaccinated and unvaccinated individuals.[3]



But perhaps the most telling graph to illustrate how the pandemic impacts employment is to see the strong correlation between the number of Covid cases and the number of people who report not being at work because of their own illness in the monthly jobs report.

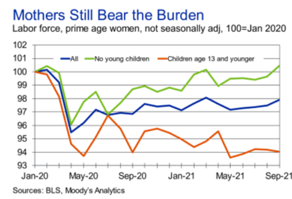
On-going challenges in combining work and care-giving

Since the recovery began 17.4 million jobs have been added back as of September 2021. More of these jobs—9.3 million—have gone to women, compared to 8.0 million jobs for men. While women have added back more jobs than men, they bore the brunt of job loss from the very first days of the pandemic.[4] They are more likely to be in positions that require in-person work, as women comprised 77% of private-sector education and health care workers, 53% of leisure

[2] https://morningconsult.com/return-to-dining/#section-51
[3] https://morningconsult.com/2021/08/05/americans-comfort-level-fall/
[4] See Stevenson, "The Initial Impact of COVID-19 on Labor Market Outcomes Across Groups and the Potential for Permanent Scarring" Hamilton Project Essay 2020-16
https://www.hamiltonproject.org/assets/files/Stevenson_LO_FINAL.pdf

and hospitality, and 50% of retail trade employees prior to the pandemic. These hardest hit sectors left millions of women unemployed, many of whom left the labor force altogether.

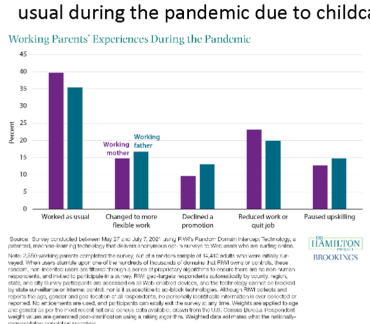
The recovery in women's jobs paused and even slightly reversed in August and September 2021 as the Delta variant grew along with uncertainty about caregiving needs for children given ambiguity about the regular availability of in-person school. This decline occurred only among mothers with children ages 13 and younger.



Two out of every three caregivers in the United States are women, providing support not only to children, but also to adults with chronic illnesses or disabilities.[5] As Covid cases rise, so do caregiving needs for those with chronic illnesses who are seeking to avoid Covid and caregiving needs arise for the millions of people who have covid. Most of the people who provide care to adults are of working age, but only roughly half were working prior to the pandemic. A much higher fraction might work under different circumstances. For example, flexibility is crucial among care givers as roughly half of employed adult caregivers report a loss of work time related to their caregiving. Not surprisingly then, a lack of work flexibility is a reason for some adult caregivers to stop working.[6]

Childcare availability cratered for many families during the pandemic and this shaped not only labor force participation, but also many other choices that parents made about work. Many parents have struggled to continue to work as they did before the pandemic.

A survey I conducted with RIWI in early summer 2021 found that 61 percent of working mothers and a slightly larger share of working fathers said that they were unable to work as usual during the pandemic due to childcare responsibilities. This finding is consistent with a report by the American Staffing Association (2021) that found that 62 percent of adults with children reported that child-care responsibilities during the pandemic had negative consequences for their career. Nearly a quarter of working mothers reported having switched to part-time work or dropped out of work completely. While fathers were less likely to do so, still fifth of men reported doing so. In addition to dropping out of work completely or cutting hours, parents turned down promotions, changed to a more flexible



[5] Centers for Disease Control and Prevention (CDC). 2021. "Women, Caregiving, and COVID-19." Health Equity, Centers for Disease Control and Prevention, Atlanta, GA

[6] Betsey Stevenson and Isabel V. Sawhill "Paid Leave for Caregiving: An Introduction" November 2020 AEI-Brookings Paid Leave Project

schedule, and paused their own education or training due to child-care constraints.

Although parents were making clear employment sacrifices, most of these sacrifices do not show up in the data as unemployment, but these choices are likely to affect their employment outcomes for years to come. Parents made more of these sacrifices during the pandemic, but parents have long been forced to choose between family and work. In 2014, a survey found that 49% of parents had passed up a job because it conflicted with family obligations.[7]

Struggles with affordable and consistent child-care are ongoing and continuing to share decisions about whether to work, how much to work, and what types of jobs and tasks to work at. Employment of child-care workers remains 10 percent below pre-pandemic levels as of September 2021, a shortage that impacts the ability of parents to work as fully as they may like.

Shifting desires by both consumers and workers that is causing reallocation in the labor market

The combination of record-high levels of quits with record-high levels of employer demand for workers has created a surge in worker bargaining power that is pushing up wages and reallocating workers. However, this is simultaneously happening while some workers continue to experience more-fragile connections to work. The ongoing pandemic has left some workers tenuously connected to work, in nearly every industry, continuous employment has become less likely than it was prior to the pandemic. Indeed, new layoffs as measured by initial claims for unemployment insurance remain elevated compared to prior to the pandemic. The average weekly initial claim for unemployment insurance in October 2021 was 40 percent higher than the average throughout 2019.

A Gallup poll conducted in early August 2021 found that worries about possible job setbacks like being laid off, losing hours, or wage reductions, remain elevated compared to 2019 (Jones 2021). Roughly a third of workers are also concerned about how their work life might change post-pandemic, according to a study by McKinsey (Alexander et al. 2021).
Workers are also changing industries and jobs more frequently than they did prior to the pandemic and mothers are more likely than fathers to have changed industries at some point over the past 12 months.[8]

Nearly half of working parents want to be able to work from home according to a survey I did with RIWI in the summer of 2021. A McKinsey and Company study (Alexander et al. 2021) found that 28 percent of US workers in corporate or government settings are likely or very likely to quit if they are required to go back to full-time work in person. A survey by PwC (2021) found that 55 percent of workers prefer to be remote at least three days a week,

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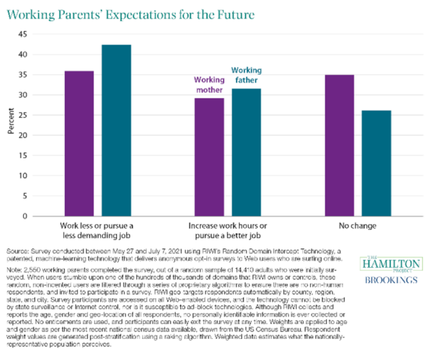
[7] Harris Poll of 4,096 U.S. adults conducted online May 27-30, 2014. Reported in "Eleven Facts about American Families and Work" October 2014 Report of the Council of Economic Advisers https://obamawhitehouse.archives.gov/sites/default/files/docs/eleven_facts_about_family_and_work_final.pdf

[8] Stevenson, "Women, Work, and Families: Recovering from the Pandemic-Induced Recession" Hamilton Project Economic Analysis September 2021

Perhaps most notable is that in every survey fathers are seeking family friendly changes in their employment at roughly similar rates to mothers. During the pandemic, fathers have gained more in terms of satisfaction with the amount of time they had with their children (Barroso, 2021). The experience of more-intense parenting for fathers during the pandemic may be part of the impetus for why fathers are more likely than mothers to plan to make an employment change.
In fact, only 26 percent of fathers report planning to continue working as they did prior to the pandemic. A quarter of fathers want to reduce their work hours, while an additional 17 percent want to pursue a less-demanding career. Mothers are also seeking a change, with only 35 percent of mothers planning to continue working as before (figure 6). Indeed, 22 percent of mothers plan to reduce their work hours and 13 percent want to find a less-demanding job. Fewer mothers—only 15 percent—want to work more hours, while 14 percent want to pursue a better career. As the labor market tightened in 2019, many employers were turning to greater flexibility to lure workers to take positions. These trends will likely accelerate in 2021 and 2022 as workers feel emboldened to demand better working conditions.



Policy Solutions to Improve the Labor Market

The monthly change in the number of jobs in the economy holds our attention, but underneath this net change are millions of people who leave jobs and millions who start jobs. Similarly, each month there are millions of people who leave the labor force and millions of people who enter it. In order to increase the labor force participation rate, policy should attempt not just to entice people into the labor force but must endeavor to make it easier for them to remain in the labor force.

Research has shown that a strong labor market helps people get into jobs, and once workers are in a job they are at a lower risk of leaving the labor force.[9] An economic recovery therefore leads to a gradual rise in labor force participation not by increasing the flow of people into the labor force but by increasing employment stability: getting people into jobs that they will then stay in. This research points to the fact that it is easier to keep people in jobs and attached to the labor force than it is to reengage them once they have exited the labor force. Stronger policies to support care giving needs can do both, however too often the important role of policies like childcare, eldercare, and paid leave in keep people in the labor force continuously attached to the labor force is overlooked. And yet these policies due just that: they reduce the flow of employed workers out of the labor force.

[9] Bart Hobijn and Aysegul Sahin "Maximum Employment and the Participation Cycle" Prepared for the 2021 Jackson Hole Symposium

Paid Leave

In 1993 Congress recognized the changing demographics of the U.S. labor market when it passed the Family and Medical Leave Act. In the 25 years prior to its passed women's labor force participation had surged from 41.6 to 57.9 percent. Women's labor force participation continued to grow in the 1990s, peaking at 60 percent in 1999. The passage of FMLA helped the United States stay among the top countries in the OECD in terms of female labor force participation in the 1990s. As we entered the 21st century, the United States ranked 6th among OECD countries in female labor force participation.[10]

However, other countries also saw the need for increased support for families in order for women to participate to their fullest potential in the labor force. Countries expanded paid maternity and paternity leave, they added increased support for early childhood learning and childcare, and they added policies to promote other family-friendly workplace policies such as a right to request a flexible workplace. The result is that today the United States lags most other OECD countries at a ranking of 23 in female labor force participation.

Changing family patterns, growth in female employment, and improvements in health and life expectancy have all increased the need for workers to have the income support and job security necessary to take time away from work to care for their own health needs or those of a loved one. And yet the current patchwork of voluntary employer decisions to offer paid leave plus a handful of state paid leave programs has created glaring gaps in access to leave. Lower and middle income workers are less likely to have access to paid leave. Differences in access to paid and unpaid leave raise clear racial equity issues for both adults and children.

Research has made three facts clear about paid leave:

1) Paid leave increases retention of workers. It increases the likelihood that women will remain employed after having a child.
2) The vast majority of businesses report either a positive effect or no noticeable effect of paid leave policies.
3) Children benefit from time to bond with a new parent, leading to higher lifetime wages and therefore ultimately greater a stronger economy.

1) <u>Evidence of Paid Leave on Women's Employment</u>

Research comparing female labor force participation among OECD countries found that prime-age women's labor force participation in the U.S. could be up to 7 percentage points higher if the U.S. offered the same types of parental leave and caregiving policies as the typical OECD country offers.[11] Caregiving demands decrease both the likelihood of work and the number of

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[10] OECD 2020, LFS Sex and Age Indicators , Labor Force Survey, https://stats.oecd.org/Index.aspx?DataSetCode=lfs_sexage_i_r# , October 25, 2021

[11] Blau & Kahn (American Economic Review: Papers and Proceedings, 2013); In 2019, four in ten family households in the United States had children under 18, and all parents were employed in nearly 70 percent of these households (Bureau of Labor Statistics, 2019).

hours worked by women, and these effects grow as the hours of care needed increases.[12] Reduced labor supply due to caregiving has both short- and long-term negative effects on women's earnings, as women lose current earnings *and* find themselves on a permanently lower earnings trajectory.[13]

Women who get access to paid maternity leave are more likely to stay in the labor force. Research on the adoption of California's paid leave plan found that it led to an almost 10 percent increase in the weekly hours and pay of employed mothers.[14] Other research examined how California's policy impact hours worked by a spouse when their spouse developed a chronic health condition or disability, finding that the availability of paid leave in California reduced the likelihood of a decrease in work hours by the potential caregivers.[15] Other research examining similarly finds positive retention effects from state paid leave plans.[16]

2) Evidence of Paid Leave on Business

Many businesses already must provide unpaid leave to workers for family and medical reasons as covered by the Family and Medical Leave Act. The cost to employers of a federal paid leave benefit is the potential for workers to be more likely to use leave when that leave is partially paid. Research has shown that most business concerns regarding paid leave have not come to fruition when states adopt paid leave plans—partially because the update in paid leave is not as great as is feared and partially because employee absence among employees who would otherwise be distracted with their caregiving needs is not as burdensome as anticipated. Researchers surveying businesses after the adoption of the California paid leave plan found that the vast majority found the policy to have either a positive or no noticeable effect.[17] Small businesses were the least likely to report any negative effects of the policy.

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[12] Maestas et al., (RAND Corporation, 2017); Truskinovsky & Maestas (Innovation in Aging, 2018); Johnson & Lo Sasso (The Journal of Health Care Organization, Provision, and Financing, 2006); Van Houtven, Coe & Skira (Journal of Health Economics, 2013); Fahle & McGarry (Innovation in Aging, 2018)

[13] Goldin & Katz (American Economic Review, 2008); Bertrand, Goldin & Katz (American Economic Journal: Applied Economics, 2010)

[14] Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. "The effects of California's paid family leave program on mothers' leave-taking and subsequent labor market outcomes." Journal of Policy Analysis and Management 32, no. 2 (2013): 224-245.

[15] Priyanka Anand, Laura Dague & Kathryn L. Wagner, The Role of Paid Family Leave in Labor Supply Responses to a Spouse's Disability or Health Shock, NBER Working Paper 28808. May 2021. https://www.nber.org/papers/w28808; Joelle Saad-Lessler and Kate Bahn, The Importance of Paid Leave for Caregivers: Labor Force Participation Effects of California's Comprehensive Paid Family and Medical Leave. Center for American Progress. Sept. 2017. https://www.americanprogress.org/issues/women/reports /2017/09/27/439684/importance-paid-leave-caregivers/

[16] Linda Houser and Thomas P. Vartanian, Pay Matters: The Positive Impacts of Paid Family Leave for Families, Businesses and the Public. Rutgers, the State University of New Jersey Center for Women and Work Publication. Jan. 2012. https://www.nationalpartnership.org/our-work/resources/economicjustice/other/pay-matters.pdf; Linda Houser and Thomas P. Vartanian. Policy Matters: Public Policy, Paid Leave for New Parents, and Economic Security for U.S. Workers. Rutgers, the State University of New Jersey Center for Women and Work Publication. April 2012. http://go.nationalpartnership.org/site/DocServer/RutgersCWW_Policy_Matters_April2012.pdf

[17] Appelbaum, Eileen, and Ruth Milkman. "Leaves that pay: Employer and worker experiences with paid family leave in California." *EPRN* (2015).

Table 1. **Employer Assessments of PFL's Effects, by Number of Employees, 2010**

"No noticeable effect" or "positive effect" on:	Less than 50 Employees	50–99 Employees	100+ Employees	All Employer Respondents
Productivity	88.8%	86.6%	71.2%	88.5%
Profitability/Performance	91.1%	91.2%	77.6%	91.0%
Turnover	92.2%	98.6%	96.6%	92.8%
Morale	98.9%	95.6%	91.5%	98.6%

N =175
Note: The number of employees shown refers to the stratum of firms from which the establishment was drawn and in some cases may not match current firm size due to the effects of the 2008–2009 recession.

Source: Appelbaum, Eileen, and Ruth Milkman. "Leaves that pay: Employer and worker experiences with paid family leave in California." *EPRN* (2015).

Across a wide range of studies, scholars have found that businesses have little to lose from paid leave plans.[18] Businesses manage to thrive across the other 37 countries in the OECD that have paid leave plans. Businesses have written numerous pleas for a national paid leave plan because the reality is that a single federal paid leave plan has many potential benefits for businesses.[19] It simplifies the need to comply with different state plans when they operate across state lines, it provides a level playing field for small businesses who cannot afford to pay for paid leave fully out of pocket the way that bigger businesses can, and it improves retention and morale among employees.

3) Evidence of Paid Leave on Children

Maternity leave has been shown to improve infant outcomes such as birth weight and infant mortality.[20] An examination of European leave policies found that paid leave programs are a relatively cost-effective way to reduce infant mortality.[21] Maternity leave encourages breast-feeding. Other evidence finds that children have shorter hospital stays when their parents are able to stay home and care for them. These studies focus on the short-run benefits, but there are also

[18] Sharon Lerner and Eileen Appelbaum, Business As Usual: New Jersey Employers' Experiences with Family Leave Insurance. Center for Economic and Policy Research. June 2014. http://www.demos.org/sites/default/files/publications/nj-fli-2014-06.pdf; Miriam Ramirez, The Impact of Paid Family Leave on New Jersey Businesses. New Jersey Business and Industry Association and Rutgers University, The State University of New Jersey Presentation. 2012. http://bloustein.rutgers.edu/wp-content/uploads/2012/03/Ramirez.pdf; 2 Ann Bartel, Maya Rossin-Slater, Christopher Ruhm, Meredith Slopen and Jane Waldfogel, The Impact of Paid Family Leave on Employers: Evidence from New York. National Bureau of Economic Research, April 2, 2021, https://www.nber.org/papers/w28672?utm_campaign=ntwh&utm_medium=email&utm_ source=ntwg1; Ann Bartel, Maya Rossin-Slater, Christopher Ruhm and Jane Waldfogel, Assessing Rhode Island's Temporary Caregiver Insurance Act: Insights from a Survey of Employers. U.S. Department of Labor. Jan. 2016. http://www.dol.gov/asp/evaluation/completed-studies/AssessingRhodeIslandTemporary CaregiverInsuranceAct_InsightsFromSurveyOfEmployers.pdf

[19] Businesses Call on Congress to Act on Paid Leave in the Biden-Harris Recovery Package, https://paidleave.us/biz-for-paid-leave; Letter from 307 Business and Management School Professors to Congress and the Biden-Harris Administration (last updated May 14, 2021), http://worklife.wharton.upenn.edu/wpcontent/uploads/2021/03/Business-School-Faculty-Letter-in-Support-of-Paid-Leave-10-March-2021.pdf

[20] Rossin, 2011

[21] Ruhm, Christopher, 2000

evidence on the long-term benefits. Research has found higher educational attainment, lower teen pregnancy rates, and higher earnings in adulthood for children whose mothers used maternity leave.[22] There is no doubt that children at birth need at least a few weeks with their parents to form the secure attachments that lead to better life outcomes. Research suggests that children benefit from having the first six months at home with a parent.

Greater support for childcare and early childhood education

The wages of child-care workers have typically been some of the lowest in the economy and there is current a significant shortage of childcare workers. With many other industries raising the wages in positions that could be filled by a former childcare workers, child-care workers have new opportunities to earn substantially more in other fields. The wages of child-care workers will need to increase in order to continue to attract workers to the field. However, without further government support, these increases will likely mean that parents work less as they will be able to pay for fewer hours of care.

The pandemic made it clear that education and child care are two sides of the same coin. Parents need their children to have a safe and enriching place to learn and develop while parents are at school. The United States has long struggled with unaffordable or unavailable high quality early childhood education and care. The pandemic exacerbated and extended the problem.

More than two-thirds of young children live in households in which all parents are working—either a single working parent or a two-income household. Yet high-quality childcare is hard to find and is expensive. Families of children under the age of 5 spend $250 per week on average on childcare.[23] Research looked at parents preferences and understanding of childcare to attempt to understand why so few children get access to high quality early childhood education and care. The research found that the childcare market's quality problems reflect parents' inability to afford high quality care and challenges in identifying quality among programs, but it does not reflect an unwillingness to pay for these programs.[24] The distinction between an inability to afford rather than an unwillingness to pay is important—parents would invest more in their children if they could. And that is why parents with high incomes do invest so much in their children. Lower income parents simply cannot afford the high cost of high-quality programs. The result is unequal investment in children that fundamentally erodes the ability for the level playing field necessary for a competitive market economy to thrive.

Early childhood education does three things: (1) it provides childcare that allows parents to work thereby raising household income (2) it develops skills in children that lead to higher lifetime earnings and (3) supports the equal investments in children necessary for a competitive market

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[22] Carneiro, Loken, and Salvanes. (2011)
[23] https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/
[24] Gordon, Hebst, Tekin, 2018 "Who's Minding the Kids" NBER working paper https://www.nber.org/papers/w25335

economy to reach its potential.[25] Research suggests that expanding early learning initiatives would create benefits to society of nearly $9 for every $1 invested, about half of which comes from higher earnings among the children who receive these investments.[26]

The "Defense Housing and Community Facilities and Services Act of 1940". which was popularly known as the Lanham Act, funded childcare in communities with defense industries. All families, regardless of income, were eligible for what was high quality childcare at a low cost. Research into the childcare that was provided as a result of Congressional funding found that family bonds were strengthened, children enjoyed the childcare, that the primary goal—increasingly mother's employment—was achieved, and that children's long-term outcomes were improved.[27]

High-quality early education for all would narrow the achievement gap. Dozens of preschool programs have been rigorously examined since the 1960s. Overall, across all studies and time periods, early childhood education increases cognitive and achievement scores by 0.35 standard deviations on average, or nearly half the black-white difference in the kindergarten achievement gap. Since higher income children are currently more likely to have access to high-quality early education, expanding access to all would narrow the achievement gap

The Council of Economic Advisers under President Obama did some calculations using the findings of the vast body of research on preschool as one example of early childhood education. They found that if all families were able to enroll their children in preschool at the same rate as high-income families, the subsequent earnings gain that would accrue had a net present value of $4.8 billion to $16.1 billion per cohort even after subtracting the cost of the program.[28]

A Cost to Our Future Economy without Investment in Care: Declining Fertility

While the past several decades have seen declining fertility rates, completed fertility has actually risen since 2006. This rise reflected the burst of fertility of women in their late 30s and 40s in the 2000s and 2010s. Children are born to mothers at increasingly older ages who are employed with a great deal of work experience. The labor force participation rate of mothers was at a peak in 2019. And yet women have reduced their fertility at all ages in recent years expressing concerns about the costs of childcare, the ability to take time off of work to care for children, and the burden of student loans and the rising cost of housing. Moreover, women have gotten the

[25] Havnes and Mogstad, 2011 AER https://www.aeaweb.org/articles?id=10.1257/pol.3.2.97

[26] 2016 Economic Report of the President **"Inequality in Early Childhood and Effective Public Policy Interventions"**

[27] Herbst (2017) "Universal Child Care, Maternal Employment, and Children's Long-Run Outcomes: Evidence from the US Lanham Act of 1940" Journal of Labor Economics and https://obamawhitehouse.archives.gov/blog/2015/01/22/experiment-universal-child-care-united-states-lessons-lanham-act

[28] https://obamawhitehouse.archives.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf

message that their wages tend to stagnate after having children, leading many women to postpone having children as long as possible. Women and couples are making decisions about having children while considering the challenges of balancing work and children, the support they will get from their employer, the difficulty in arranging trustworthy childcare, and the financial cost of having children.

Conclusion

At the start of the pandemic women held the majority of nonfarm payroll jobs, a milestone that they reached in December 2019. As women's labor force participation dropped to a rate last seen in 1985, the question on everyone's minds was just how far back have women been set.[29]
The surge in women's paid employment in the 1970s and 1980s was important for fueling US GDP growth, accounting for nearly one-fifth of real GDP growth during this period. The U.S. pre-pandemic economy was roughly 15% larger than it would have been if women were employed at the same rate and worked the same number of hours that they did in 1970. Women are not the only ones standing to lose if they slip back to the 1980s, potential GDP slips back with them.

A study by the Kansas City Fed found that only the labor force participation rate of college-educated women exceeded its pre-2007 recession level by 2019. The growth in women's prime-age labor force participation drove most of the growth in labor force participation in the latter half of the boom that followed the 2007 recession. More generally, growth in women's labor force participation has been the primary driver of the employment growth in recovery periods.

In 2019 mothers of children 6 years old and younger had the highest labor force participation than at any other time in the past.[30] These mothers were also older than in the past, as the average age of mothers has been rising over time. Finally, a greater share of 40-something women were mothers than in the past. The total number of children born to women by the end of their fertile years, known as completed fertility, hit a low in 2006 and has risen over the ensuing decade and a half.[31] The culmination was a large number of women with substantial work experience, whose families relied on childcare.

Our investment in childcare and more generally in children and their education is what develops our talent as a country. It is ultimately human ingenuity that fuels our economic growth. Economic growth in 20 years depends on the choices we make today about investing in our youngest members of society.

These challenges that parents and children faced during the pandemic were not, however, unique to the recession. Instead, they highlight our failure to adapt childcare, workplace flexibility, and workplace parental leave policies as women have entered the workforce and gained experience, training, and education that has made them an essential part of the economy. Women are no

[29] Women's labor force participation rate was 54.6% in April 2020, which was the labor force participation rate in September 1985.
[30] BLS, Current Population Survey
[31] https://www.pewresearch.org/fact-tank/2021/05/07/with-a-potential-baby-bust-on-the-horizon-key-facts-about-fertility-in-the-u-s-before-the-pandemic/

longer secondary earners as economists used to refer to them—able to step back from work whenever their household demands required. Today, more than 40 percent of mothers are the primary earner for their family, earning at least half of total household income.[32] Parents require support and flexibility, both of which will help them develop labor market skills that they will be able to use for decades. Equally, the time that parents need off to care for children is a small fraction of the total amount of hours they will work over their lifetime. We can afford to give them that time.

My research has shown that policy choices shape the constraints that people face and therefore their employment and family decisions. The choices you make now about paid leave, early childhood education, and childcare will shape the US macroeconomy for decades to come by influencing who returns to work, what types of jobs parents take, and what kinds of promotion paths parents take. Choose wisely.

[32] https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/

United States Congress
Joint Economic Committee

October 27, 2021

"Help Wanted: A Stronger Labor Market for Robust Growth"

Written Testimony of Skanda Amarnath
Executive Director, Employ America

Summary

Good afternoon. Thank you for inviting me to testify at this hearing before the Joint Economic Committee. My name is Skanda Amarnath, and I am the Executive Director of Employ America, a research and advocacy organization that seeks macroeconomic policies that promote sustainably tighter labor markets. When labor markets are sustainably tighter, businesses are incentivized to make investments that improve the productivity of their workforce and actively compete for workers.

Macroeconomic policy choices play an underrated role in creating and sustaining a labor market in which high-quality employment opportunities are sufficiently abundant, and workers can translate their capabilities into persistent gains in compensation and bargaining power. This dynamic is clearest among workers who tend to be most systematically marginalized, including those with lower levels of educational attainment and income.

Until we can put the pandemic fully behind us and all pandemic-affected sectors are able to return to a normal operating environment, the recovery is unlikely to be completed. However, the pace of this recovery should make us optimistic about achieving a sustainably tighter labor market. Unlike the previous three recoveries from recessions, which saw a multi-year "jobless recovery" phase of stagnant or deteriorating employment outcomes, this recovery has been more immediate, rapid, and sustained. The responsiveness of monetary and fiscal policy has likely played a key role in staving off the vicious cycles typically associated with recessions and jobless recoveries. We are not there yet, but the timeline for getting back to pre-pandemic employment outcomes is likely to be substantially more compressed than the timeline for recovering from any of the last three recessions.

It is true that as a byproduct of this uncharacteristically rapid recovery, new challenges have emerged, from microchips to ports to childcare. These challenges only strengthen the case for making focused investments that enhance the resilience and capacities of businesses and workers alike. Contrary to popular conception, monetary and fiscal policy choices do not merely affect labor market outcomes in the short run; it is precisely

through their ability to shape outcomes in the short run and to motivate supply-side responses that higher heights can be made attainable over the longer run.

I will begin with 1) an assessment of labor market health and 2) the role that policy has played in getting us to our current state. I will then follow that with some thoughts on 3) the benefits of a tighter labor market and 4) the case that the current environment intrinsically makes for pursuing an ambitious public investment agenda right now.

1.) Monitoring The Incomplete But Rapid Recovery

The most commonly cited metric of labor market health among media members and some economists - the 5.1% unemployment rate, as of the third quarter - does a disservice to our understanding of where we stand in the recovery. While it currently sits just 1.6 percentage points above the pre-pandemic minimum, this understates the underlying employment shortfall since the pandemic.

I am sure many economists have testified here about the importance of raising participation rates and the limitations of the unemployment rate, but both of these metrics are needlessly complex and flawed for the same reason. The surveying method for assessing "who is" and "who is not" in the labor force lacks both accuracy and consistency.[1] While we can say with high certainty whether a household is employed or not, the line that defines who is in or out of the labor force is increasingly hazy.

There is a simpler way to track the health of the labor market: an age-adjusted ratio of employed persons to the corresponding population level, such as the 25-54 year old prime-age employment rate (PER).[2] On that score, we are still 2.4 percentage points from the pre-pandemic peak as of the third quarter, in contrast to the 1.6% unemployment differential. Although there is still ground to cover, the pace of the recovery on this metric has been encouraging. We saw a 0.8% increase in the third quarter alone despite the downside effects of the pandemic on key services sectors in August and September. Sustaining that same pace would imply a pre-pandemic peak achieved as early as the summer of next year.

The rapid gains in PER from its pre-pandemic peak are especially encouraging when we compare it to the last three recoveries. In contrast to the current gains, if we look a PER five quarters after each of the previous three recessions officially ended, PER was still in decline and had not bottomed out. PER took more than six years to recover back to its pre-recession peak in the 1990s. PER never recovered in the 2000s expansion from its pre-recession peak. Only after eleven years did PER recover to the local peak achieved before the Great Recession. While much can still disrupt the current trajectory

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[1] Ahn, H.J., & Hamilton, J. (2021). "Measuring Labor-Force Participation and the Incidence and Duration of Unemployment." *Review of Economic Dynamics*. https://doi.org/10.1016/j.red.2021.04.005. (Accessed 25 October 2021 https://www.sciencedirect.com/science/article/pii/S109420252100034X)

[2] U.S. Bureau of Labor Statistics, Employment-Population Ratio - 25-54 Yrs. [LNS12300060], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LNS12300060, October 25, 2021.

of the labor market, odds are the timeline for a complete recovery will be substantially shorter.

In the latter half of the 2010s, we saw that as the prime-age unemployment rate declined to lower levels, the prime-age labor force participation rate began rising.[3][4] This transition happened almost seamlessly and without an obvious catalyst, such that PER was steadily making gains even as the source of employment gains was technically shifting to a new pool of the potential labor force. This only further illustrates the value of avoiding the labor force distinctions within the prime-age population that unemployment and participation rates lean on. These new "labor force entrants" were going straight from the sidelines into a job, with no transition period as an "unemployed participant."[5] As the recovery advances and certain constraints potentially abate, we are likely to see more people on the sidelines who transition directly into employment, just as we did in the latter half of the 2010s.

While it will take ongoing employment gains to make the labor market sustainably tight, the current pace of labor demand growth is palpable in many datasets. The churn associated with firms trying to scale up for a post-pandemic economy has pushed hiring and job-switching rates to historic highs.[6][7] Compensation growth also appears to have picked up because of the current churn.[8]

When celebrating the speed of the labor demand recovery, we must take care not to misconstrue the meaning of certain facts or datapoints, like the raw count of job openings. The historically high quantity of job openings, currently more than the number of unemployed persons, has led some speculation as to whether the currently unemployed even want a job. It is worth remembering that the ratio was similar in 2019, when hiring activity and wages were both decelerating, in contrast to today's acceleration.[9][10] The research is quite clear that recruiting intensity can vary between job openings and over

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[3] U.S. Bureau of Labor Statistics, Unemployment Rate - 25-54 Yrs. [LNS14000060], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LNS14000060, October 25, 2021.

[4] U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 25-54 Yrs. [LNS11300060], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LNS11300060, October 24, 2021.

[5] Tedeschi, E. "Participation and the Hot Labor Market." *Employ America Reports.* 21 June 2019. (Accessed 25 October 2021). https://www.employamerica.org/researchreports/participation-and-the-hot-labor-market/

[6] U.S. Bureau of Labor Statistics, Hires: Total Nonfarm [JTSHIR], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/JTSHIR, October 25, 2021.

[7] U.S. Bureau of Labor Statistics, Quits: Total Nonfarm [JTSQUR], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/JTSQUR , October 24, 2021.

[8] U.S. Bureau of Labor Statistics, Employment Cost Index: Compensation: Private Industry Workers [ECICOM], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/ECICOM , October 25, 2021

[9] U.S. Bureau of Labor Statistics, Hires: Total Nonfarm [JTSHIL], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/JTSHIL , October 25, 2021.

[10] U.S. Bureau of Labor Statistics, Employment Cost Index: Wages and Salaries: Private Industry Workers [ECIWAG], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/ECIWAG, October 25, 2021.

time; not all job openings need to be urgently filled.[11][12] Moreover, it is only getting easier and cheaper to post a job opening thanks to technology.[13] I would caution against using crude ratios of job openings to the unemployed to understand the labor market, even as I would otherwise agree that the pace of labor demand is currently strong, and that certain sectors, such as manufacturing and construction, face some genuine workforce shortages.

2.) The Role of Policy In Supporting The Current Labor Market

A major reason for the markedly faster recovery this time around is the drastically different policy responsiveness from the Fed, the White House, and Congress. This responsiveness began in March 2020 with FFCRA and the CARES Act and persisted through at least February 2021 with ARP. It will be convenient to "otherize" this recession and recovery from previous recessions, but we should not forget that this recession also involved a substantial market crash, a "dash for cash,"[14] and a rash deleveraging dynamic that bears strong resemblance to the onset of the previous three recessions. What most likely stopped this ugly dynamic from turning into a vicious cycle of layoffs and cutbacks from businesses and households was the policy response from the federal government.

While policy implementation in a crisis always leaves much to be desired, the scale of the efforts to keep households and businesses whole and thereby avoid harsh cutbacks (which would be hard cuts to someone else's income) helped short-circuit a brewing economic panic which the Great Recession typified. In the absence of credit and income supports, businesses would likely be considering how to downsize in the face of weak final demand and households would likely be cutting consumption to hedge against income uncertainty.

The enhanced unemployment benefits provisioned during the pandemic, including the fixed $600 weekly FPUC payments, have been a source of controversy, but the best evidence available suggests that they too were ultimately a net positive and that the disincentive effect was barely identifiable, if it even existed. The states that cut off enhanced benefits prematurely saw weaker employment gains in the weeks subsequent to

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[11] Davis, S.J., Faberman, R.J., & Haltiwanger, J.C. 2013. "The Establishment-Level Behavior of Vacancies and Hiring," The Quarterly Journal of Economics, Oxford University Press, vol. 128(2), pages 581-622. (Accessed 25 October 2021). https://ideas.repec.org/a/oup/qjecon/v128y2013i2p581-622.html

[12] Davis, Steven J., R. Jason Faberman, and John C. Haltiwanger. *2012. "Recruiting Intensity during and after the Great Recession: National and Industry Evidence." American Economic Review, 102 (3): 584-88.* (Accessed 25 October 2021). https://www.aeaweb.org/articles?id=10.1257/aer.102.3.584

[13] For an interesting example of how technology and the costs of openings interact when trying to measure job vacancies, see: Cajner, T., & Ratner, D. (2016) "A Cautionary Note on the Help Wanted Online Data," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, June 23, 2016, http://dx.doi.org/10.17016/2380-7172.1795.

[14] Smialek, J. "Money Market Funds Melted in Pandemic Panic. Now They're Under Scrutiny." *New York Times.* 27 April 2021. (Accessed 25 October 2021). https://www.nytimes.com/2021/04/23/business/economy/money-market-funds-reform.html

the cutoff.[15] If the fixed payment was playing such a dominant role, it should have slowed down job growth disproportionately in lower wage sectors, and yet to the extent there has been employment disappointment, it appears to have been mostly in middle of the wage spectrum.[16] We would have at least expected employment to accelerate in the lead-up to the expiry of enhanced unemployment insurance benefits in September, but we see precisely the opposite trend.[17]

Meanwhile, the income- and consumption-supporting benefits of fixed payments are more identifiable. In the absence of such payments, the share of households facing sharp declines in income would have substantially increased.[18] Despite the cost of expenditures rising in this cyclical upswing and locally compressing certain measures of "real wages," households across the distribution of income and wealth have seen their liquid cash buffers improve by more than 40% since the pandemic.[19]

3.) The Benefits of a Tighter Labor Market

A tight labor market is an inclusive labor market. In addition to pulling sidelined workers – whom survey measures treat as "non-participants" – into employment, a tighter labor market is also one in which differentials in employment rates among white and black persons compresses.[20]

Towards the latter phases of business cycle expansions, wages also show signs of compression, as lower wage workers are no longer so dispensable and see the fastest wage gains.[21] That dynamic emerged in 2015 and has surprisingly continued through the pandemic and this recovery.

In the 2010s, there was a substantial debate about how many of the unemployed were structurally unemployed[22] because they simply lacked the skills to adapt to the

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[15] Dube, A. "Early impacts of the expiration of pandemic unemployment insurance programs." 18 July 2021. (Accessed 25 October 2021). https://arindube.com/2021/07/18/early-impacts-of-the-expiration-of-pandemic-unemployment-insurance-programs/

[16] Amarnath, S. "Panicking About That Jobs Report? Breathe. Look at the Data." *New York Times Opinion*. 12 May 2021 (Accessed 25 October 2021). https://www.nytimes.com/2021/05/12/opinion/panicking-about-that-jobs-report-breathe-look-at-the-data.html

[17] U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, October 25, 2021.

[18] Banerjee, S., Eckerd, G., Grieg, F., O'Brien, M., & Wheat, C. How did the distribution of income growth change alongside the hot pre-pandemic labor market and recent fiscal stimulus? *J.P. Morgan Chase Institute*. September 2021. (Accessed 25 October 2021). https://www.jpmorganchase.com/institute/research/household-income-spending/how-did-the-distribution-of-income-growth-change-alongside-the-hot-pre-pandemic-labor-market-and-recent-fiscal-stimulus

[19] Deadman, E., Greig F., & Sonthalia, T. "Household Finances Pulse: Cash Balances during COVID-19." *J.P. Morgan Chase Institute*. September 2021. (Accessed 25 October 2021). https://www.jpmorganchase.com/institute/research/household-income-spending/household-finances-pulse-cash-balances-during-COVID-19

[20] Bivens, L.J. "The promise and limits of high-pressure labor markets for narrowing racial gaps." *Economic Policy Institute*. 24 August 2021. (Accessed 25 October 2021). https://files.epi.org/uploads/229440.pdf

[21] Bivens, L.J., & Mishel, L. "Identifying the policy levers generating wage suppression and wage inequality." *Economic Policy Institute.* 13 May 2021. (Accessed 25 October 2021). https://files.epi.org/uploads/215903.pdf

[22] Interview with Charles Plosser. O'Grady, M.A. The Fed's Easy Money Skeptic. *Wall Street Journal Opinion.* 12 February 2011. (Accessed 25 October 2021). https://www.wsj.com/articles/SB10001424052748704709304576124132413782592

economy's needs. Residential construction workers were allegedly lacking in skills that were going to be needed after the housing bust. One economist even suggested that much of post-crisis unemployment was explainable by the lack of a college education.[23]

With the benefit of hindsight, the precise opposite conclusion now seems apparent. As the labor market healed, so too did the differential in employment rates among those with a college education and those with only a high school education. Meanwhile, the construction sector now reports persistent labor shortages.[24] Had policymakers pursued tighter labor markets more aggressively during and after the Great Recession, these benefits could have materialized for a broader group of workers.

4.) The Rapid Recovery's Challenges Make The Case For Deeper Investments

The current headlines surrounding this recovery have now shifted to the challenges associated with a booming high-growth economy with individual constraints more identifiable now. Had policy chosen the kind of jobless recovery markets have become used to, these constraints may have lain dormant. These problems are serious, but they also reflect an affirmative challenge to coordinate solutions that, if resolved, ultimately accrue to our benefit in the form of higher production and a higher standard of living. The inflationary effect of these particular challenges can also be distinguished from the claim that labor costs and labor market tightness are driving the current set of inflationary pressures. These challenges require investments that make existing capacity more resilient and pave the way for increased productive capacity over the longer run.

The automobile supply chain was gravely affected by automakers' need to scale up production after initially cutting their orders of microchips during the recession.[25] This 360-degree spin has strained their supply chains, exposing them to delays from global COVID outbreaks[26], and temporarily constraining production[27]. These production constraints are not a function of labor costs within the supply chain going up. It would be a mistake to view this source of inflation as a reason to back down from ambitious goals for the US labor market. Likewise, while port capacity has been strained by consumer demand for goods in a services-constrained pandemic economy[28], this shortage is not one

[23] Rajan, R.G. (2012). "The True Lessons of the Recession." *Foreign Affairs.*
[24] Smith, S.V., & Woods, A. "Desperately Seeking Construction Workers." *National Public Radio*. 1 July 2021. (Accessed 25 October 2021). https://www.npr.org/2021/07/01/1012310352/desperately-seeking-construction-workers
[25] Coppola, G., Naughton, K., & Wu, D. "A Year of Poor Planning Led to Carmakers' Massive Chip Shortage." *Bloomberg.* 19 January 2021. (Accessed on 25 October 2021). https://www.bloomberg.com/news/articles/2021-01-19/a-year-of-poor-planning-led-to-carmakers-massive-chip-shortage
[26] Solomon, F. "Covid-19 Surge in Malaysia Threatens to Prolong Global Chip Shortage." *Wall Street Journal.* 29 Aug 2021. (Accessed on 25 October 2021) https://www.wsj.com/articles/covid-19-surge-in-malaysia-threatens-to-prolong-global-chip-shortage-11630234802
[27] Board of Governors of the Federal Reserve System (US), Motor Vehicle Assemblies: Autos and Light Truck Assemblies [MVAAUTLTTS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MVAAUTLTTS, October 25, 2021.
[28] Varley, K. "Container Ships Headed for U.S. Poised to Worsen Port Bottleneck." 22 October 2021. (Accessed on 25 October 2021). https://www.bloomberg.com/news/articles/2021-10-22/container-ships-headed-for-u-s-poised-to-worsen-port-bottleneck

that stems from excessive labor market tightness. It is a welcome sign that Congress seems ready to pass measures that expand capacity on both of these dimensions.[29][30]

The pandemic economy has also revealed the importance of affordable provisioning of childcare, which has been persistently reported as a reason why parents are unable to work.[31] There is a catch-22 in terms of how core services are still primarily provisioned through the labor market, even though a recession can lock people out of those same services, which are necessary for their employment. Investments in a more coordinated solution would remove these labor market frictions while enhancing employment outcomes ultimately.

The United States ranks among the worst performing advanced economies in terms of PER, with much of the underperformance is attributable to the still low rates of formal employment among women. Canada, UK, France, Germany, Sweden, Japan, Australia, and New Zealand all have higher PERs than the U.S.[32] Much of that outperformance can be attributed over time to their ability to maintain long business cycle expansions and preserving employment in macroeconomic downturns, but these economies have also taken conscious steps to remove the frictions that might otherwise prevent workers from seeking out jobs that optimally fit their skill set. In the Canadian province of Quebec, where childcare is universally provisioned[33], its PER is 7.4 percentage points higher than the U.S. as of September.[34]

If the U.S. is looking to catch up to the rest of the world on labor market outcomes, it will require ambitious investments and macroeconomic policies that promote and sustain a tight labor market. Thank you for your time, and I look forward to your questions.

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[29] H.R.7178 - 116th Congress (2019-2020): CHIPS for America Act, H.R.7178, 116th Cong. (2020), https://www.congress.gov/bill/116th-congress/house-bill/7178.

[30] H.R.3684 - 117th Congress (2021-2022): Infrastructure Investment and Jobs Act, H.R.3684, 117th Cong. (2021), https://www.congress.gov/bill/117th-congress/house-bill/3684.

[31] Labor Force Statistics from the Current Population Survey. Series Id: LNU02096055. (Accessed on 25 October 2021). https://data.bls.gov/timeseries/LNU02096055

[32] OECD (2021), Employment rate by age group (indicator). doi: 10.1787/084f32c7-en (Accessed on 25 October 2021). Also see: https://www.employamerica.org/content/images/2021/07/image-6.png

[33] Lefebvre, P., & Merrigan, P. (2008). "Child-Care Policy and the Labor Supply of Mothers with Young Children: A Natural Experiment from Canada." *Journal of Labor Economics*, *26*(3), 519–548. https://doi.org/10.1086/587760

[34] As of September, PER is 78% in the U.S. and 85.4% in Quebec. Statistics Canada. Table 14-10-0287-02 Labour force characteristics by age group, monthly, seasonally adjusted, (Accessed on 25 October 2021) https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028702

United States
Joint Economic Committee

"Help Wanted: A Stronger Labor Market for Robust Growth"

October 27, 2021
2:30 P.M.

Testimony of Daniel Swenson-Klatt
Owner
Butter Bakery Cafe
Minneapolis, MN

Chairman Beyer, Senator Lee, and Members of the Joint Economic Committee:

Thank you for the opportunity to speak before you today and to share my experiences as a small business owner and a longtime member of Main Street Alliance, a national network of small businesses. I have owned and operated Butter Bakery Cafe in Southwest Minneapolis for the past 16 years. We opened in 2006 as a bakery-centered cafe partnering with a housing program to provide supportive internships. We currently employ a staff of 18 part-time and full-time workers.

I would also like to take a moment to recognize my home-state senator, Senator Klobuchar, and thank her for steadfast support of small businesses like mine through her leadership on issues such as child care, health care, antitrust enforcement, and entrepreneurship.

The history of my business ownership includes times of recession, a move to a new location, major disruptions due to road construction, a pandemic, and civil upheaval in the face of racial and economic disparities. That I'm still operating feels like a monumental accomplishment and a testament to my staff and community's support. I would also like to note that pandemic federal assistance in the form of an SBA Economic Injury Disaster Loan, which arrived within weeks of my application, was a business-saver. .

As a single owner/operator of an 18-person staff, just maintaining a crew this size is a full-time-hat I wear. We had 21 employees before the pandemic, dropped to a low of 12, and have worked our way back up to 18. This has been by far the most difficult year for me in terms of hiring and retaining in order to have my business be fully open again. I've always had success hiring for the long term, with five employees on payroll for over 5 years. However, since COVID, I've had 38 different employees over the past two years, and am now willing to hire staff even for just one day a week. The commitment level is far different today in this environment. Not surprisingly, our revenue was down as much as 40% during the pandemic.

I pride myself on operating a business for good, meaning I attract workers by offering a fair wage, a healthy workplace, and a mission to serve its community. By choosing to offer a full wage to staff who would customarily live off the unstable system of tipping, I get the investment of workers who stay with me for several years and help build a culture that reinforces stability. This model also helps me -- I spend less time on hiring, training and filling gaps in our staffing schedule. It's good business. And it has been working.

However, during the past year and a half, the model for my restaurant has been turned upside down. Many of the obstacles and barriers small business owners have always struggled with have now grown to a point of serious harm to our businesses. Where, in the past, I could use a bit out of my own pocket to get around a barrier for a staff person, the size and scope of these obstacles have exceeded my capacity with non-wage compensation costs of over $45,000 during 2020 alone. Without the strategic and generous support of my city, county, state and federal government these past 18 months, I am certain that I would have closed, and sadly, I know many other small business owners who didn't receive the same level of support and were forced to shut their doors.

My small business is still struggling. And as I look to recover, rebuild, and yes, even to grow my business, I am in a difficult position. Although I have working capital on hand, it is in the form of a large debt. If used well, it might be able to be paid off through the growth of my business. However, the uncertainty, division, rancor, and risks ahead cause me to worry -- even after all I've overcome.

We're facing challenges hiring workers that feel very different from what I've experienced in the past, and I worry that current trends may not shift without some very strategic investments from our government, which frankly has much bigger pockets than I do.

My applicant pool is severely limited by access and affordability to high-quality child care. I need a level playing field to allow employees with children who'd love to work in customer service settings be able to afford and easily access a child care center or family child care program. But as things stand now, those staff members with children work limited hours.

My staff need access to affordable housing in order to be stable workers. The current development market is so skewed to serving corporate-salary workers that we just don't have the options for providing housing that would serve the workforce of small business owners.

My staff need access to reliable, affordable transit so I don't have to limit my hiring options to those who I trust can walk to work. I struggle more times than I'd like to admit with staff whose transportation options don't come through, forcing me to reduce my services, change my personal plans, and burden other staff.

My staff need a way to take time off for health and personal reasons that doesn't put my business or their job at jeopardy. I'm willing to contribute my part as an employer -- just like I do when supporting the unemployed, an injured worker, or a retired worker -- to allow my staff leave time when needed. But my personal budget does not always allow me to pay staff for time away to begin a family, deal with a health crisis, or just get to a safe place in times of danger, and as such I have had to pick-and-choose who and when I can help. Sadly this has left some staff without support when my business just didn't have the resources on hand. These events are the type of thing that my staff can schedule, and I can't budget for them. A paid leave program would give us the support we need to remain strong as businesses and hold on to our valuable workers.

In the past few years, I've had two staff members take three weeks of paternity leave. One had been working with me for nearly two years as a baker when he took about 3 weeks away with his new child. He had one week of PTO saved up, so I paid the other two weeks at his full pay. I knew it would help them out and I was afraid to lose him and have to train in a new staff person (which takes much longer than 3 weeks). Of course I deferred my salary to help him afford to be home for this event; and I trained and paid another person to fill his hours and cover this part of our business. It is the way it is and it is difficult. But he's now back, happy and invested in doing well for me and his family.

That is time I wanted them to take to bond with their new babies. It was the right thing to do, and it will help me retain valuable staff members in this tight labor market we are in. However, it cost me thousands of dollars to do so. My commitment to my staff means that I do pay for leave time out of my own pocket, at a huge expense to my business and myself personally. And the leave I could offer was haphazard, limited, and not sustainable in the long run. It also meant I couldn't support other staff during that time -- a system that creates winners and losers is not family friendly.

Fortunately, the emergency paid leave program established through the Families First Coronavirus Response Act (FFCFRA) became available when I simply ran out of other options -- it provided an opportunity for my employees to take time away AND return to work during the pandemic. School and child care center closings, personal health issues, and of course employees testing positive for COVID were some of the reasons that necessitated paid leave. I have 4 employees with children, and they've used the program for child care. Two workers had underlying health conditions that made being in the shop challenging; we've given them extra time away as best we can. We have reasonably generous PTO, but this didn't come close to the leave we need right now.

My staff also need training opportunities, affordable, appropriate health care, access to affordable high-quality food, and a safe community -- that's a lot more hats for me to wear.

As a small business owner committed to high values and a healthy workplace, creating a competitive benefit package is difficult to do within a pricing structure that keeps my food affordable for my customers.

With so many challenges resulting from this pandemic, bold and compassionate investments at all government levels will give me and my staff the support we need to return to work and will help me remain competitive so that I can grow my business once again.

Thank you again for the chance to share my story with you. I am happy to answer any questions you may have.

The Heritage Foundation

CONGRESSIONAL TESTIMONY

Help Wanted: A Stronger Labor Market for Robust Growth

Testimony before the

Joint Economic Committee

U.S. Senate

October 27, 2021

Rachel Greszler
Research Fellow in Economics, Budgets, and Entitlements
The Heritage Foundation

My name is Rachel Greszler. I am a Research Fellow in Economics, Budgets, and Entitlements at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

The onset of the COVID-19 pandemic led to a sudden and sharp decline in employment and labor-force participation which, despite strong demand for workers, has yet to recover. Many programs initially designed to provide temporary relief have instead suppressed employment and labor-force participation. And many proposals included in the $3.5 trillion reconciliation package would further discourage work and labor-force participation.

In my testimony today, I would like to examine the recent labor-market trends and consider what is holding workers back and then discuss what policies would hurt and what policies would help encourage optimal labor-market participation.

Recent Labor-Market Trends

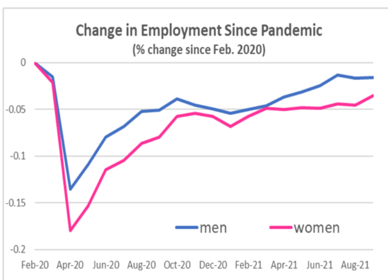
The current labor market is unlike anything America has ever experienced. It is also unlike anything that was predicted at the start of the pandemic. Thinking back to the spring of 2020, most people assumed a prolonged, weak job market would ensue, with few job opportunities and perhaps even cuts to workers' compensation. Yet, the opposite has occurred. There were 10.4 million job openings in August, which is 2.9 million more than the pre-pandemic record, and 2.0 million more than the 8.4 million unemployed workers in August.[1] Moreover, workers are quitting their jobs in droves, with a record-high 4.3 million quits in August. If that rate were to continue, it would mean that employers would have to replace one out of three workers over the course of one year.

[1] Figures do not add due to rounding.

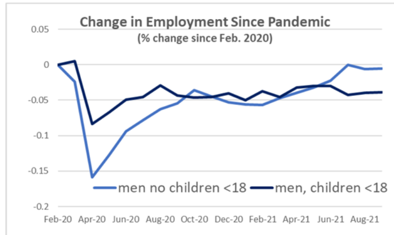
The labor shortage has created a damaging cycle: a lack of sufficient workers means those with jobs have to work harder to pick up the slack, but that leads to more unhappy workers, more people quitting their jobs, increased instances of strikes, higher costs for employers (overtime pay and turnover costs), and, subsequently, even greater shortages of labor, goods, and services, with further price increases.

The following graphs show the trends in various groups of workers' employment levels, as represented by the percent change in total employment compared to February 2020. These graphics are based on unpublished tabulations from the Bureau of Statistics' Current Population Survey and should be interpreted with extra caution as they are based on a very small number of observations.[2]

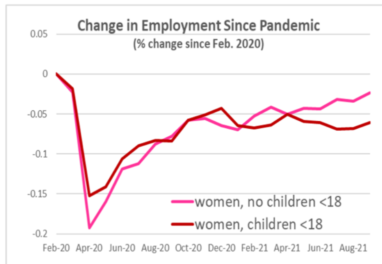
Men and Women



Men With and Without Children Under 18



Women With and Without Children Under 18



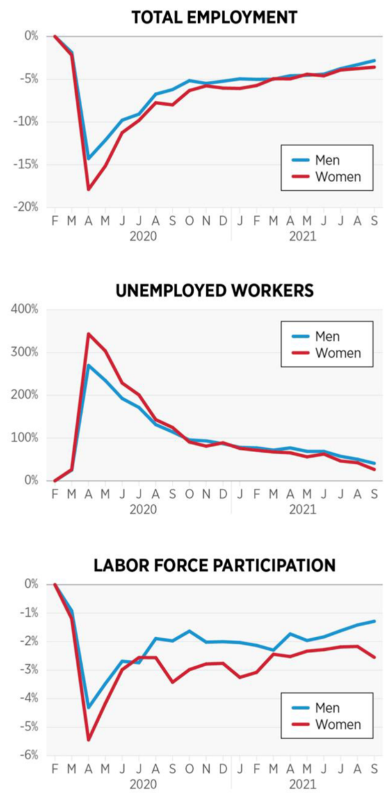
Of note is a shift in what had been smaller employment declines for parents versus non-parents, which flipped in the spring of 2021, with parents' employment experiencing smaller employment recoveries than non-parents. (See more discussion on this below on childcare and child payments.)

Similarly, women's employment outcomes had converged and nearly matched men's through March 2021, but that trend reversed course, with women's employment recoveries declining relative to men's. Yet, the fact that women's unemployment rate is significantly lower (and has recovered more) than men's suggests that women's employment shifts represent choices as opposed to a lack of options.

[2]Unpublished tabulations from the Current Population Survey (CPS), Bureau of Labor Statistics. Further information on the CPS is available online at http://www.bls.gov/cps/documentation.htm (accessed October 22, 2021).

Changes in Men's and Women's Employment Since COVID-19

PERCENT CHANGES RELATIVE TO FEBRUARY 2020



NOTE: Data are for men and women ages 16 years old and older.
SOURCE: Author's calculations based on data from Bureau of Labor Statistics, "Table A-1. Employment Status of the Civilian Population by Sex and Age," https://www.bls.gov/webapps/legacy/cpsatab1.htm (accessed October 20, 2021).

heritage.org

What Is Holding Workers Back?

A lack of job opportunities is not the cause of low labor-force participation or sub-par employment. While some workers—especially older Americans and individuals with health conditions that put them at greater risk from COVID-19—may be hesitant to return to work, there is no evidence that these concerns are a significant factor in current labor shortages.

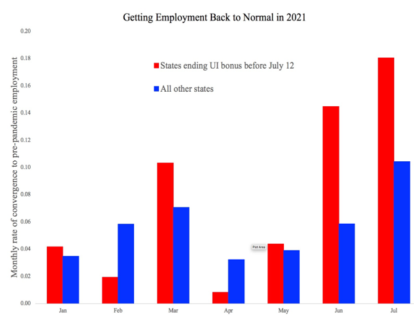
While the data is too recent for comprehensive economic analysis of many factors, the following—predominantly government-induced—policies are likely holding back labor-force participation and employment.

18 Months of Generous Unemployment Benefits. Congress's decision to provide $600 weekly unemployment insurance bonuses on top of existing unemployment benefits created a situation in which two-thirds of unemployed workers were receiving more from unemployment benefits than from their previous paychecks. Moreover, the extension of unemployment benefits to virtually all workers (including the self-employed, gig workers, and individuals who said they had been looking for work) for many reasons outside of being laid off through no fault of their own (such as being prevented from working due to COVID-19 or because of having children at home) contributed to a significant increase in the number of unemployed workers.

Economic studies consistently show that higher benefit levels and longer durations lead to higher levels of claims and longer periods of unemployment. The Congressional Budget Office estimated that the negative employment effects of extending the $600 bonus payments would be a drag on medium-and longer-term economic output and growth.[3]

Anecdotes from employers across the country confirm the negative impact of generous unemployment benefits beginning as early as the summer of 2020. Data confirm the unemployment insurance bonuses and extended benefits' consequences on employment as America has never before experienced relatively high unemployment rates alongside record-high job openings, record-high quits rates, and record-low layoffs.[4]

Analysis from Casey Mulligan shows that states that ended the unemployment insurance bonuses in July of 2021 or earlier experienced a significantly greater pace of employment recovery in July and August than states that did not end the benefits until the beginning of September. If the states that did not end unemployment insurance bonus payments early had recovered at the same rate as states that did end the payments early, the economy would have experienced 800,000 more job gains in July and August.



Source: Establishment survey, which is conducted the week of the 12th.

Expanded Obamacare Subsidies. Employer-provided health insurance acts as an incentive to work—both because of the value of the health insurance, as well as the effective price reduction that comes through the employer-provided tax deduction. For many people, access to health insurance is a primary reason that they work.

Thus, expanded access to non-employer-provided health insurance subsidies through the Obamacare exchanges disincentivizes work. Such disincentives were already present prior to COVID-19 as the availability of Obamacare subsidies reduced individuals' incentives to work or to work longer hours, and reduced employers' incentives to employ individuals for more than 29 hours per week (as Obamacare penalties on employers apply to employers who work 30 or more hours a week).

The American Rescue Plan (ARP) cut individuals' shares of Obamacare premiums by roughly four percentage points of their income levels, so that anyone making below 150 percent of the federal poverty level (FPL) now pays nothing for their health insurance; individuals making 300 percent of the FPL pay no more than 6 percent of their income for health insurance; and previously unavailable premium support was added for even high-income individuals.

Economic studies show that health insurance subsidies reduce the incentive to work, especially when availability of the subsidies is conditional on lacking employment-based health insurance. The fact that employment has not increased even as unemployment insurance bonus benefits have ended and record-high job openings exist suggests that the availability of health insurance for little-

[3]Congressional Budget Office, "Economic Effects of Additional Unemployment Benefits of $600 per Week," letter to the Honorable Charles Grassley, June 4, 2020, https://www.cbo.gov/system/files/2020-06/56387-CBO-Grassley-Letter.pdf (accessed August 1, 2021).

[4]Rachel Greszler, "Fact Check: Was Biden Right About Federal Unemployment Benefits Having No Effect on Jobs Report?" The Daily Signal, May 12, 2021, https://www.dailysignal.com/2021/05/12/fact-check-was-biden-right-about-federal-unemployment-benefits-having-no-effect-on-job-report/.

or no-cost is holding some people back from working.

Childcare Struggles Do Not Seem to Be a *New* Barrier to Employment. Initially, school and daycare closures had a significant impact on parents'—and particularly mothers'—employment, with 13 percent of working parents reported cutting back on work hours or quitting a job because of a lack of childcare in the spring of 2020.[5] But childcare providers were generally quicker to reopen than public schools and remote work along with family members stepping in to help with childcare allowed most parents to maintain or regain employment.

While childcare struggles remain a significant concern for some parents, they may not represent a uniquely COVID-19 phenomenon. A May 2021 study by Jason Furman (former Chair of President Obama's Council of Economic Advisers), Melissa Kearney, and Wilson Powell III found that childcare struggles have had little to no impact on the jobs recovery. The authors found that "despite the widespread challenges that parents across the country have faced from ongoing school and daycare closures, excess employment declines among parents of young children are not a driver of continuing low employment levels."[6] In fact, parents' employment declined by 4.5 percent, compared to a 5.2 percent decline in employment among workers who are not parents of young children.

While the employment of fathers declined by even less than mothers, the authors found that "any childcare issues that have pushed mothers out of the workforce account for a negligible share of the overall reduction in employment since the beginning of the pandemic," and noted that the impact was "zero, in fact" after controlling for factors like education and industry.[7]

Yet, that report was published in May 2021, presumably using data from March or April, and as the graphics comparing men and women, as well as workers with children and those without earlier in this report show, there has been a shift since then. It seems unlikely that childcare struggles would have markedly increased more than a year after the pandemic began, but multiple factors—parents' choices to spend more time at home with children, childcare struggles, an increase in homeschooling, or the introduction of monthly child payments (discussed below)—could all be playing a role.

Have Monthly Child Payments Reduced Parents' Employment? One factor that changed for parents around the same time that the data show a divergence in employment among parents versus non-parents was the beginning of monthly child payments. (See graphs comparing men and women with and without children earlier in this report.) Because these payments are not conditional on work and they make it easier for families to afford the things they need and want with less work, they could be contributing to employment declines among parents. A study by researchers at the University of Chicago estimated that making the child payments permanent would reduce the labor-force participation and employment of parents by 2.6 percent or 1.5 million workers.[8]

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[5] Heather Long, "The Big Factor Holding Back the US Economic Recovery: Child Care," *Washington Post*, July 3, 2020, https://www.washingtonpost.com/business/2020/07/03/big-factor-holding-back-us-economic-recovery-child-care/ (accessed June 17, 2021).

[6] Jason Furman, Melissa Kearney, and Wilson Powell III, "How Much Have Childcare Challenges Slowed the US Jobs Market Recovery?" Peterson Institute for International Economics, May 17, 2021, https://www.piie.com/blogs/realtime-economic-issues-watch/how-much-have-childcare-challenges-slowed-us-jobs-market (accessed June 18, 2021).

[7] Ibid.

[8] Kevin Corinth, Bruce D. Meyer, Matthew Stadnicki, and Derek Wu, "The Anti-Poverty, Targeting, and

Other COVID-19 Welfare Programs and Regulations. In response to the pandemic, policymakers substantially increased food stamp benefits in the Supplemental Nutritional Assistance Program (SNAP), and President Biden approved an even greater and permanent increase in SNAP benefits—the largest increase in history—in October 2021. Between fiscal year (FY) 2019 and FY 2021, the number of SNAP recipients increased by 6.1 million, or 17 percent, and per-person monthly benefits increased by $84—a 65 percent increase that translates into an extra $4,000 per year for a family of four.[9]

An economic analysis of the introduction of food stamps found that it reduced employment and incomes. The largest decreases in employment—an average of 183 fewer hours of work per year—were among single mothers.[10]

In addition to unemployment insurance benefits, health insurance subsidies, and food stamps, policymakers also provided significant housing benefits in the form of rental assistance programs and an unlawful moratorium on evictions that allowed millions of Americans to choose not to pay their rent with little or no consequence (and has since resulted in significant losses to property owners and added government costs from programs that split past-due rents between the government and property owners).

There were also a total of three rounds of "economic stimulus" payments that provided $11,400 in total to a typical family of four. Altogether, these programs and policies allowed many Americans to receive far more from government programs than from working, and Americans saved $2.2 trillion more in the year following the pandemic than they did over the prior year ($3.5 trillion vs. $1.3 trillion).[11]

Considering that past studies of demonstration projects for welfare cash assistance programs showed a $660 reduction in earnings for every $1,000 of cash benefits, the combination of COVID-19 cash and welfare benefits undoubtedly reduced employment.[12] Moreover, to the extent that COVID-19 benefits shifted reliance away from work and towards government transfers, this could have long-term consequences on lifetime employment and incomes.[13] A study of those same demonstration projects found that each $1

Labor Supply Effects of the Proposed Child Tax Credit Expansion," Becker Friedman Institute for Economics at UChicago, October, 2021, https://bfi.uchicago.edu/wp-content/uploads/2021/10/BFI_WP_2021-115-1.pdf (accessed October 22, 2021).

[9]USDA Food and Nutrition Services, "Supplemental Nutrition Assistance Programs," U.S. Department of Agriculture, data as of October 2, 2021, https://fns-prod.azureedge.net/sites/default/files/resource-files/34SNAPmonthly-10.pdf (accessed October 22, 2021).

[10]Hilary Williamson Hoynes and Diane Whitmore Schanzenbach. "Work Incentives and the Food Stamp Program," *Journal of Public Economics*, Vol. 96, No. 1–2 (February 2012), pp. 151–162, https://doi.org/10.1016/j.jpubeco.2011.08.006; https://www.sciencedirect.com/science/article/pii/S0047272711001472 (accessed October 22, 2021).

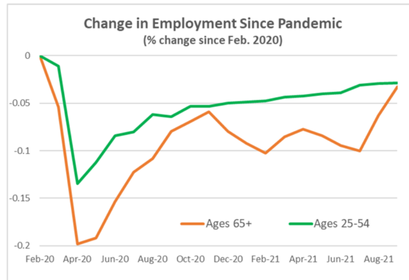
[11]FRED Economic Research, "Personal Saving," https://fred.stlouisfed.org/series/PMSAVE (accessed June 21, 2021).

[12]Gary Burtless, "The Work Response to a Guaranteed Income: A Survey of Experimental Evidence," in Alicia Munnell, ed., "Lessons from the Income Maintenance Experiments: Proceedings of a Conference Held at Melvin Village, New Hampshire, September 1986," Federal Reserve Bank of Boston *Conference Series* No. 30, September 1987, pp. 26–28. These specific figures represent the impact in the largest negative income tax experiment: the Seattle–Denver Income Maintenance Experiment (SIME/DIME).

[13]Robert Rector and Jamie Bryan Hall, "Congress Should Reject Efforts to Restore 'Welfare as We Knew It' by Expanding Child Credits," Heritage Foundation *Issue Brief* No. 6054, February 19, 2021, https://www.heritage.org/sites/default/files/2021-03/IB6054.pdf.

of government benefits resulted in a $5 decline in lifetime income.[14]

Factors Affecting Older Americans' Work. COVID-19 poses significantly higher risks for older individuals, and almost certainly contributed to older Americans' larger employment losses. Furthermore, all the COVID-19 workplace adjustments (such as increased reliance on technology) may have contributed to older Americans—especially ones with sufficient retirement savings—to withdraw from the labor force. The data show that employment of individuals ages 65+ initially declined significantly more than prime-age (25–54) workers at the beginning of the pandemic, rebounded and was nearly on par with prime-age workers in November of 2020, and then declined significantly (the surge in COVID-19 cases likely playing a role) before rising in the spring of 2021 at the same time that vaccinations became widely available to older Americans. Older Americans' employment is now nearing that of prime-age workers: As of September 2021, employment for workers ages 25 to 54 was down by 2.9 percent while employment for workers ages 65 and older was down by 3.3 percent since the start of the pandemic.



Policies that Will Not Help, But Will Likely Hurt Labor-Force Participation and Work Opportunities

Congress is considering a massive $3.5 trillion tax-and-spend proposal that would take incomes and resources away from the most productive people and activities and use them to subsidize unproductive activities. Taxing employers and investment activity to fund new and expanded cradle-to-grave welfare benefits that reward individuals for earning little or no income will significantly reduce employment. Two recent studies estimated that the massive tax and spending package would result in job losses of 5.3 million[15] and 8.7 million.[16]

Unconditional Monthly Child Payments. A recent study by economists from the University

[14] David J. Price and Jae Song, "The Long-Term Effects of Cash Assistance," Princeton University, Department of Economics, Industrial Relations Section, *Working Paper* No. 621, June 30, 2018, p. 16, https://dataspace.princeton.edu/bitstream/88435/dsp01ng451m210/3/621.pdf (accessed February 17, 2021). This paper finds that the discounted lifetime earnings loss for SIME/DIME adult recipients was $3.04 for each added $1.00 in benefits provided by the experiments. The non-discounted value would be roughly $5.00.

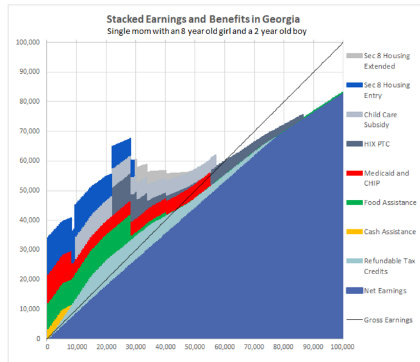
[15] E. J. Antoni, Vance Ginn, and Steve Moore, "Reversing the Recovery: How President Biden's 'Build Back Better' Plan Raises Taxes, Kills Jobs, and Punishes the Middle Class," Texas Public Policy Foundation, October 2021, https://www.texaspolicy.com/wp-content/uploads/2021/10/2021-10-RR-Ginn-RTT-Build-Back-Better-updated10-18.pdf (accessed October 22, 2021).

[16] Casey B. Mulligan, "Build Back Better's Hidden But Hefty Penalties on Work," The Committee to Unleash Prosperity, October 2021, https://www.dropbox.com/s/xc28a96mfn6pvpj/BBBworkCommitteetoUnleashProsperity.pdf?dl=0 (accessed October 22, 2021).

of Chicago estimated that the proposal to replace the $2,000 child tax credit (including work requirements) with $3,000 and $3,600 child payments not conditioned on work would cause 1.5 million people—representing 2.6 percent of all parents—to exit the labor force.[17] Not only would this work exodus mean that massive spending on child payments would fail to reduce deep child poverty, but fewer workers would translate into lower output and lower incomes across the U.S. Moreover, work is a crucial part of breaking cycles of poverty.

Expanded Obamacare Subsidies. The $3.5 trillion reconciliation package would increase Obamacare subsidies by further reducing the caps on individuals' payments, allowing individuals in the highest income brackets to receive Obamacare subsidies, expand Medicaid eligibility, and extend subsidies to individuals receiving unemployment benefits. A recent analysis by Casey Mulligan estimated that the Affordable Care Act and Medicaid expansions included in the reconciliation proposal would reduce employment by 4.5 million.[18]

Housing and Other Welfare Benefits. The massive tax and spending packageproposes large housing subsidies as well as other means-tested benefits. The stacked effect of multiple government welfare programs can create huge disincentives for work. Unpublished analysis from the Georgia Center for Opportunity demonstrates this impact with a graph showing the availability of various welfare benefits for a single mother with two children, based on her earnings. If that mother were to go from earning $10,000 per year to $60,000 per year, the combination of her earnings plus welfare benefits would increase by only $15,000, from $45,000 to $60,000, which implies a 70 percent marginal effective tax rate. Adding even more government benefits as part of a cradle-to-grave welfare system would only further reduce employment and thus individuals' and societal long-term well-being.



Government Paid Family Leave. It is important that workers be able to take leave from work when health and life circumstances require it, and without access to leave, some workers would not work at all. That is why the recent 64 percent increase in workers with access to paid family leave just between 2016 and 2021 is so important.[19] Moreover, COVID-19 and the labor shortage have caused many employers to enact more flexible and generous policies.

The proposed federal program could halt all this voluntary progress in its tracks and force workers out of flexible and accommodating policies and into a rigid and more restrictive government program that could result in less work.

[17]Corinth, Meyer, Stadnicki, and Wu, "The Anti-Poverty, Targeting, and Labor Supply Effects of the Proposed Child Tax Credit Expansion."
[18]Mulligan, "Build Back Better's Hidden But Hefty Penalties on Work."

[19]U.S. Department of Labor, Bureau of Labor Statistics, National Compensation Survey-Benefits, 2011 to 2021, https://data.bls.gov/timeseries/NBU18700000000000033349 (accessed October 22, 2021).

The reduction in work hours for true family and medical needs that are not currently met through existing employer programs might be roughly offset by increased employment and labor-force participation. But there would be some unintended negative employment effects as well. For starters, the proposal does not guarantee that workers who use the program will not subsequently lose their jobs because employers with fewer than 50 employees do not have to provide job-protected leave, and current government programs in the states fail to reach lower-income workers. Moreover, the necessary rules and regulations of government programs often lead to misuse and abuse.

Already, significant abuse exists under the Family and Medical Leave Act, which some workers and employers refer to as the Friday Monday Leave Act for its frequent use to obtain long-weekends. (FMLA leave also spikes on the first day of hunting season and the Monday after the Superbowl.) On average, the Family and Medical Leave Act claims increase 31 percent when workers are assigned weekend shifts, and by 75 percent when assigned holiday shifts.[20] In some workplaces, up to 45 percent of workers have "Family and Medical Leave Act certifications" that effectively allow them to take leave at will. (The proposed legislation allows workers to take leave and not notify their employer until a full week later.)

These abuses—which exist for *unpaid* family and medical leave—will almost certainly increase (resulting in less work) if workers can get paid for their time off. Moreover, the program provides instances for individuals who are not employed and not working to nevertheless receive paid family leave benefits. Casey Mulligan estimated that the paid family leave program would reduce employment by 1 million.[21] `

Forced Unionization Restricts Workers' Freedoms, Opportunities. Unions often negotiate for higher compensation packages and limited work hours. Economic studies have shown that states that enact Right To Work laws that allow workers to choose whether or not they want to join a union (as opposed to forcing them to join a union as a condition of employment) experience higher employment growth. While unions attempt to micromanage employers and negotiate for multi-year contracts, they also limit employers' abilities to respond to changing conditions and prohibit them from accommodating workers' desires that do not align with the union's (such as workplace flexibility or performance-based pay and bonuses).

The massive bottlenecks at California ports—limiting the supplies and driving up costs—has a lot to do with limited workers and limited work hours. And unions are a big cause of that labor shortage: unions are refusing to operate the ports around the clock as most other major ports do, and California's pro-union AB5 law limits the supply of truckers who can pick up and deliver the cargo to predominantly unionized truckers.

By directly subsidizing unions and enacting multiple provisions aimed at increasing unionization across the U.S., the $3.5 trillion tax and spend package would not only limit employment, but also prevent millions of workers from attaining the type of work that they desire. Casey Mulligan estimated a loss of 300,000 jobs through increased unionization provisions.

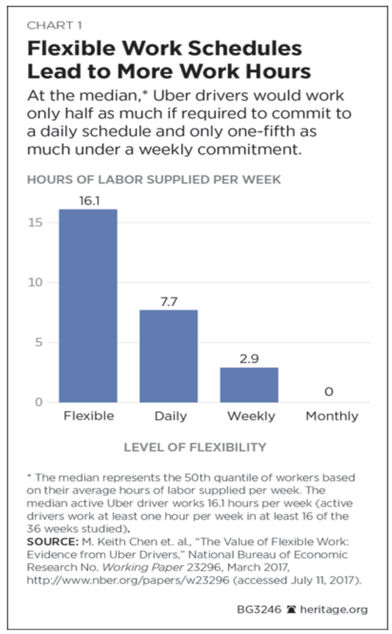
[20] James Sherk, "Use and Abuse of the Family and Medical Leave Act: What Workers and Employers Say," Heritage Foundation *Special Report* No. SR-16, August 28, 2007, https://www.heritage.org/jobs-and-labor/report/use-and-abuse-the-family-and-medical-leave-act-what-workers-and-employers-say.

[21] Mulligan, "Build Back Better's Hidden But Hefty Penalties on Work."

Barriers to Flexible, Independent Work. Independent work has become increasingly popular in recent years as app-based platforms have provided a way for ordinary Americans to provide goods and services across large markets. Whereas independent work used to be reserved for highly educated, high-income individuals in occupations like doctors, lawyers, and accountants, individuals across all walks of life can now work independently. In fact—individuals with a high school degree are just as likely as those with advanced educations to perform independent work.[22] And while independent work is most popular among younger Americans, with 50 percent of Gen Z and 44 percent of millennials engaging in it, 26 percent of baby boomers performed independent work in 2020.[23]

Independent work is not only something many workers desire—it is what makes work possible for millions of Americans: 48 percent of independent workers are caregivers and 33 percent report having a disability in their home. Moreover, among those who first started freelancing in 2020 amid the pandemic, 67 percent are caregivers of parents or children.[24] Taking away or restricting the ability to work independently could limit the work and incomes of more than 10 million caregivers.

The reconciliation package increases the budget of the Department of Labor's Wage and Hour Division by one-third, with that funding almost certainly going towards increased enforcement against employers for misclassifying workers. Having already rescinded the Trump Administration's independent contractor rule, the Department of Labor is likely to reclassify many independent workers—including most gig-economy workers—into employees. Setting aside how companies will respond to such moves (drastically cutting workers, raising prices, and dictating workers' jobs and schedules), a study of Uber drivers found that the average Uber driver would not work at all if they had to be treated like a taxicab employee. (See Chart 1.)[25] While economists have struggled to quantify the value of workplace flexibility, the study of Uber drivers pegged a fully flexible work platform to be worth 46 percent of the median Uber-driver's wages. Limiting the type of work that people can do will result in less work being done.



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[22]Upwork, "Freelance Forward 2020," September 2020, https://www.upwork.com/documents/freelance-forward-2020 (accessed October 22, 2021).
[23]Ibid.
[24]Ibid.

[25]M. Keith Chen, Judith A. Chevalier, Peter E. Rossi, and Emily Oehlsen, "The Value of Flexible Work: Evidence from Uber Drivers," National Bureau of Economic Research, June, 2017, https://www.nber.org/system/files/working_papers/w23296/w23296.pdf (accessed October 22, 2021).

While the reconciliation process severely restricts how much of unions' wish list can be included, if the Protecting the Right to Organize Act becomes law, millions of Americans who prefer to be their own bosses could lose their livelihoods.[26]

Failed Federal Job Training Will Not Help. The federal government has a terrible track record on job-training programs. A gold standard evaluation of the Workforce Investment Act found that despite the Department of Labor's directive to provide training for in-demand services, only 32 percent of participants found occupations in their area of training, and the majority of participants—57 percent—did not believe that their training helped them find employment.[27] Moreover, individuals receiving the full workforce training were less likely to obtain health insurance or pension benefits, their households earned several thousand dollars less, and they were more likely to be on food stamps than participants who received minimal services.

The National Job Corps Study (a youth job-training program), found that a federal taxpayer investment of $25,000 per Job Corps participant resulted in participants being less likely to earn a high school diploma, no more likely to attend or complete college, and only $22 more per week in average earning.[28]

It is not surprising that federal job-training programs are out-of-touch with the needs of employers in high-demand occupations because politicians and bureaucrats will never know businesses' needs better than employers themselves. While federal job-training programs would hopefully not reduce employment, they are unlikely to increase it significantly. Policymakers could do far more to increase effective job training by removing limits on apprenticeship programs and by not raising taxes on employers, so that they can invest more in educating and training workers.

Higher Taxes on Corporations Will Reduce Incomes and Employment. Economic studies show that workers bear the burden for about 70 percent of the corporate tax. Meanwhile, the massive tax and spending package would increase the federal corporate tax rate from 21 percent to 26.5 percent, resulting in an average 30.9 percent federal-plus-state corporate tax rate.[29]

A Heritage Foundation analysis found that a slightly higher 28 percent corporate tax (as originally proposed by President Biden) would lead to a 1.27 percent decrease in wages and a 0.38 percent reduction in hours worked (the equivalent of about 561,000 full-time-equivalent jobs), translating into $840 less

[26] Rachel Greszler, "6 Ways a Union-Backed Bill Will Upend the Job Market," The Daily Signal, February 05, 2020, https://www.dailysignal.com/2020/02/05/6-ways-a-union-backed-bill-will-upend-the-jobs-market/.

[27] Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Mastri, and Ronadl D'Amic, "Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs," *Washington, DC: Mathematica Policy Research*, May 30, 2016, https://mathematica.org/publications/providing-public-workforce-services-to-job-seekers-15-month-impact-findings-on-the-wia-adult (accessed October 20, 2021).

[28] David B. Muhlhausen, "Job Corps: An Unfailing Record of Failure," Heritage Foundation *WebMemo* No. 2423, May 5, 2009, https://www.heritage.org/jobs-and-labor/report/job-corps-unfailing-record-failure.

[29] Alex Muresianu and Erica York, "U.S. Would Have Third-Highest Corporate Tax Rate in OECD Under Ways and Means Plan," Tax Foundation, September 15, 2021, https://taxfoundation.org/house-democrats-us-corporate-tax-third-highest/ (accessed October 22, 2021).

income per year for a median worker earning $52,000.[30]

Pushing Parents into Work at the Expense of Children, Family Well-being. The stated purpose behind massive childcare subsidies is to increase the labor-force participation of moms and to improve the outcomes of children. While large childcare subsidies can increase labor-force participation, they can also have significant long-term consequences for the well-being of children and families.

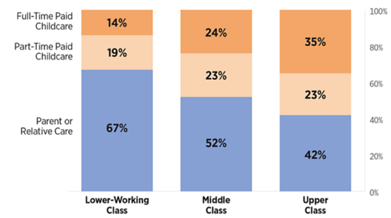
Quebec's highly subsidized childcare program caused a 14.5 percent increase in mothers with young children working outside the home, but it also caused children to experience significant behavioral and health consequences and led to more hostile parenting and worse parental relationships and significantly higher rates of crime and anxiety once children reached their teenage years.[31]

Different families have different needs and preferences, and the focus on childcare should be helping families to achieve the childcare settings that are best for them.

CHART 1

High-Income Families Most Likely to Want Full-Time Paid Childcare, but Most Prefer Parent or Relative Care

FAMILY CHILDCARE PREFERENCES FOR FAMILIES WITH CHILDREN UNDER AGE 5, BY INCOME LEVEL



NOTES: Figures for lower-working class include an average of lower class and working class figures. Figures may not sum to 100 due to rounding.
SOURCE: American Compass, "Home Building Survey Part II: Supporting Families," Survey Chart 2: Family Work Preferences by Class, February 18, 2021, https://americancompass.org/essays/home-building-survey-part-2/ (accessed October 14, 2021).

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A majority of all parents, and the overwhelming majority of lower-income parents, prefer family-based care over center-based childcare, and there is tremendous value in parents caring for children.[32] In fact, the same author who found that early childcare programs can have as high as 13 percent returns for disadvantaged children said that he would guess the returns to mothers caring for their children is closer to 30 percent to 40 percent.[33]

Vaccine Mandates Will Reduce Employment. Already, state and local vaccine mandates have caused thousands of workers to lose their jobs. In New York, the state's largest health care provider, Northwell Health, had to lay off 1,400 workers—nearly 2 percent of its

[30]Parker Sheppard, PhD, "The Long-Run Economic Effects of Raising the Corporate Tax Rate to 28 Percent," Heritage Foundation *Issue Brief* No. 6076, April 15, 2021, https://www.heritage.org/sites/default/files/2021-04/IB6076.pdf (accessed October 22, 2021).
[31]Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Childcare, Maternal Labor Supply and Family Well-Being," National Bureau of Economic Research *Working Paper* No. 11832, December 2005, https://www.nber.org/system/files/working_papers/w11832/w11832.pdf (accessed October 22, 2021).
[32]Rachel Greszler, "Government Childcare Subsidies: Whom Will They Help Most?" Heritage Foundation *Issue Brief* No. 5321, October 20, 2021, https://www.heritage.org/sites/default/files/2021-10/IB5231.pdf.
[33]"Nobel-Prize Winning Economist Dr. James Heckman on Social Mobility, the American Dream, and How COVID-19 Could Affect Inequality," Medium Archbridge Notes, April 23, 2020, https://medium.com/archbridge-notes/nobel-prize-winning-economist-dr-5550da1df5c3 (accessed September 20, 2021).

workforce.[34] New York City had to put about 1,800 school safety agents and 2,000 teachers on unpaid leave when the city's COVID-19 vaccine mandate went into effect.[35] With many police unions opposing the vaccine mandate, and a spokesperson for the Los Angeles Police Protective League noting that only 56 percent of union members were vaccinated, could mean widespread layoffs—and public safety risks—if a mandate is imposed.

According to the Federal Reserve's October 2021 *Beige Book*, vaccine mandates are contributing to high turnover and production slowdowns. While the number of quits due to the mandate is expected to be relatively small, the Fed noted that "federal vaccine mandates were expected to exacerbate labor problems."[36]

Just as Congress never gave the Centers for Disease Control and Prevention authority to impose eviction moratoriums, Congress never gave the Occupational Safety and Health Administration the authority to require the use of vaccines as a condition of providing a safe workplace.

What Could Help Increase Labor-Force Participation

The more people benefit from working, the more work they will perform. And how much people benefit from work depends both on what working and not working provide. Thus, increasing labor-force participation and employment requires not only making work more attractive and easier to obtain, but also making not working and government dependency less attractive.

Make Work Pay—Spur Productivity Gains. When the reward to work increases, people work more. The only long-run pathways to higher wages are education and experience along with investments in technology that make workers more productive. Policymakers should remove barriers (such as occupational licensing laws and limits on independent work) that prevent individuals from using their existing skills to earn income. Making it easier for employers to establish apprenticeship programs would help expand affordable education opportunities. And reducing or eliminating double taxes on investments would help spur more productivity-enhancing investments.

Make Work Pay—Lower Taxes. If you tax something, you get less of it. So taxes on work result in less work. A Congressional Budget Office review of the economic literature found that lower-income earners and mothers are more responsive to changes in tax rates, especially in their labor-force participation decisions. [37] In particular, lower-income workers eligible for the Earned Income Tax Credit had very high labor-force participation elasticities in the range of 0.3 to 1.2. Elasticity levels over one mean that workers reduce their work by proportionally more than the percent of tax increase. [38] With Americans already

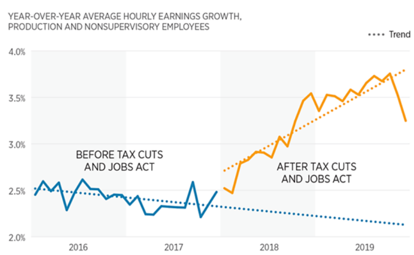
[34]Joseph Choi, "Largest New York Health Care Provider Fires 1,400 Employees over Vaccine Refusal," *The Hill*, October 4, 2021 https://thehill.com/homenews/state-watch/575283-largest-new-york-healthcare-provider-fires-1400-employee-over-vaccine (accessed October 22, 2021).
[35]Lee Hawkins, "Thousands of Unvaccinated New York City School Employees Placed on Unpaid Leave," *The Wall Street Journal*, October 4, 2021, https://www.wsj.com/articles/thousands-of-unvaccinated-new-york-city-school-employees-placed-on-unpaid-leave-11633371509 (accessed October 22, 2021).
[36]U.S. Federal Reserve, *The Beige Book*, October 20, 2021, https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20211020.pdf (accessed October 22, 2021).
[37]Robert McClelland and Shannon Mok, "A Review of Recent Research on Labor Supply Elasticities," Congressional Budget Office, October 2012, https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/workingpaper/10-25-2012-recentresearchonlaborsupplyelasticities.pdf (accessed October 22, 2021).
[38]Ibid.

paying more in taxes than they do on housing, clothing, and food combined, and with many of those expenses provided through welfare if individuals restrict their work, tax cuts on wages could help increase work.

Fewer Regulations, Lower Taxes on Employers. By driving up the cost of doing business, higher corporate taxes and unnecessary regulations leave less money to raise workers' wages. The Tax Cuts and Jobs Act reduced the top corporate tax rate from 35 percent to 21 percent, and a series of reductions in unnecessary and burdensome regulations helped businesses grow. Prior to these changes, wage growth had been declining, and then it quickly shifted course and rose at above trend rates. An analysis by Adam Michel found that the shift in wage growth translated into an additional $1,406 of annualized earnings above the previous trend for the average production and non-supervisory worker in March 2020.[39] When wages increase, people work more.

CHART 1

Faster Wage Growth After Tax Cuts



SOURCES: U.S. Bureau of Labor Statistics, "Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private, Seasonally Adjusted," https://data.bls.gov/timeseries/CES0500000008 (accessed January 25, 2021), and author's calculations.

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Work -Oriented Welfare. Work is crucial to breaking cycles of poverty and dependency. When President Bill Clinton signed the historic, bipartisan welfare reform package in 1996, he talked about how many people in America had been "trapped on welfare for a very long time, exiling them from the entire community of work that gives structure to our lives."[40] He quoted Robert Kennedy, who said:

> Work is the meaning of what this country is all about. We need it as individuals, we need to sense it in our fellow citizens and we need it as a society and as a people.

Kennedy's and Clinton's comments are in stark contrast to the proposed cradle-to-grave welfare package.

Instead of measuring the success of government welfare programs by how many people they serve and by adding new programs to draw in even those who are not in need, the primary goal of welfare should be to help individuals and families thrive. That can only happen if they are empowered, through work, to earn a living that allows them to make their own decisions and pursue their own goals.

Integrate Workforce Services. Part of the reason that federal workforce programs fail to significantly improve outcomes is that they are scattered across 47 different programs and multiple agencies.[41] State workforce programs, including the implementation of federal programs, are often similarly uncoordinated and ineffective.

[39] Adam N. Michel, "The Tax Cuts and Jobs Act: 12 Myths Debunked," Heritage Foundation *Backgrounder* No. 3500, March 23, 2021, https://www.heritage.org/sites/default/files/2021-03/BG3600_0.pdf.

[40] William Clinton, "Pres. Clinton Signing Welfare Reform," *Hashcut,* 1996, https://www.hashcut.com/v/xCN5kuu (accessed October 22, 2021).

[41] Douglas Holtz-Eakin and Tom Lee, "An Analysis of Federal Training Programs," American Action Forum, September 17, 2019, https://www.americanactionforum.org/research/an-analysis-of-federal-training-programs/ (accessed October 22, 2021).

Utah is one state that has shown success in integrating welfare and workforce services to move more people off government benefits and into employment. A study by the American Enterprise Institute found that Utah's integration of multiple programs (such as Medicaid and Children's Health Insurance Program, Refugee Services, Housing and Community Development, and Rehabilitation) into one Department of Workforce Services helped establish "one door" for residents in need to receive more effective services.[42] Another important component of the state's successful transformation was allowing local flexibility (within statewide consistency of delivery) to meet the workforce and training needs of local residents and businesses. Utah also developed a unique cost model to integrate federal and state funds for workforce services.

Flexible, Accommodating Paid Family Leave. Paid family leave is incredibly valuable and can help increase labor-force participation, but one-size-fits-all paid family leave can never meet workers' and employers' unique needs as well as more flexible and accommodating employer-provided policies. To help build upon the 64 percent increase in access to paid family leave that has occurred over the past five years, policymakers should allow lower-wage, hourly workers to choose between paid time off and extra pay for the overtime they work.[43] Senator Mike Lee's (R–UT) Working Families Flexibility Act would do just this. Moreover, policymakers could clarify that employers are allowed (but not required) to auto-enroll their workers in private disability insurance programs, which cover the majority of workers' needs for leave.

Portable Benefits. The average worker will change jobs 12 times throughout her career. That can mean changing health insurance 12 times, and either having to roll over retirement accounts or managing many different accounts. Independent workers who do not have a formal employer typically lack access to less-expensive group-based health insurance, disability insurance, and retirement savings accounts. Policymakers should make it easier for individuals to pool together to purchase group-based insurance by expanding the concept of association health plans so that workers will have access to choice-based and portable benefits that meet their needs.

Social Security Reforms to Remove Disincentives to Work at Older Ages. The majority of Americans claim Social Security benefits before they reach Social Security's normal retirement age, and by doing so, they are subject to Social Security's retirement earnings test that takes away 50 cents of every dollar they earn over about $19,000, until they reach normal retirement age (currently 66 and 10 months). Although benefits are later adjusted upwards to effectively give back these taxes, workers perceive the test as a 50 percent tax and thus it serves as a significant deterrent to work. Yet, health improvements and less physically demanding jobs mean that most Americans can continue to work, making positive contributions to the economy and boosting their and their family's financial well-being.[44] Policymakers should let workers opt out of Social Security's earnings test, which would not only encourage more work, but

[42] Mason M. Bishop, "Utah Department of Workforce Services: A System Integration Model," American Enterprise Institute, August 2020, https://www.aei.org/wp-content/uploads/2020/08/Utah-Department-of-Workforce-Services.pdf?x91208 (accessed October 22, 2021).

[43] Rachel Greszler, "Mike Lee's Bill Would Boost Paid Family Leave Without Growing the Government," The Daily Signal, April 11, 2019, https://www.dailysignal.com/2019/04/11/mike-lees-bill-would-boost-paid-family-leave-without-growing-government/.

[44] Rachel Greszler, "Rescuing Entitlements and Pensions: Study Shows Americans Can Work Longer," Heritage Foundation *Issue Brief* No. 4539, April 6, 2016, http://thf-reports.s3.amazonaws.com/2016/IB4539.pdf.

could actually generate Social Security savings.[45]

Other reforms that would reduce the disincentives to work at older ages include shifting the benefit formula so that workers would accrue benefits based on each year they work, as opposed to averaging their benefits across all years (which disproportionately benefits high earners with fewer years of work),[46] and allowing workers the option to receive a lump sum delayed retirement credit.[47]

Enact a Responsible Federal Budget. Since March 2020, the federal government has added $5.4 trillion in debt—the equivalent of about $42,000 per household, bringing total per-household debt in the U.S. to $220,000. Adding Social Security and Medicare's unfunded liabilities brings the per-household total to about $480,000.

This is clearly unsustainable and most troubling is the fact that instead of looking to reduce spending and the debt, policymakers are debating another $4.6 trillion in tax-and-spending packages.

The longer that Congress waits to confront the U.S.'s undeniably unsustainable fiscal outlook, the more severe the consequences will be, including large and abrupt cuts in government services and promised entitlement benefits, low or no wage growth, and a labor market where workers will be lucky to have a job.

Summary

There is something very wrong with today's labor market, including 10.4 million job openings compared to 8.4 million unemployed workers, over four million workers quitting their jobs per month, and a decrease in labor-force participation in September. The lack of willing workers is contributing to supply shortages and rising prices. And government policies are a significant part of the problem.

If there is anything that the past year-and-a-half has demonstrated, it is that government central planning—regardless of its intents—results in all sorts of unintended consequences. That is because individuals, families, and employers are far better than politicians at making decisions that impact their everyday lives and those around them.

Yet, instead of looking at what policymakers can do to limit the consequences of their mistaken policies, liberal lawmakers want to pass 2,500 pages worth of additional dictates on how people live their lives, how businesses run their operations, who is entitled to what income—all while pumping $3.5 trillion in government spending into an economy already wrought with shortages and rising prices.

This is the wrong approach. Policymakers should focus on empowering individuals and families to live and work in the ways that they desire. That includes getting rid of policies that are discouraging people from working and removing barriers that are making it harder for business owners to grow and succeed. Lower

[45] Rachel Greszler, "Seven Hard Truths Americans Should Know About Social Security in 2021—and Five Ways to Strengthen Social Security," Heritage Foundation *Issue Brief* No. 5212, September 3, 2021, https://www.heritage.org/sites/default/files/2021-09/IB5212.pdf.

[46] Charles Blahous, "Make Social Security Fairer to Workers," Morning Consult, October 22, 2021, https://morningconsult.com/opinions/make-social-security-fairer-to-workers/?fbclid=IwAR12_NYh6aeJ8HmmJejwl5YbQ70_gQlmjyLjC3Xlmc7qRvGQVwI-trRSMEM (accessed October 22, 2021).

[47] Olivia S. Mitchell, "Why a Lump Sum Payment Should be Part of Social Security," Market Watch, April 11, 2016, https://www.marketwatch.com/story/why-a-lump-sum-payment-should-be-part-of-social-security-2016-04-09 (accessed October 22, 2021).

taxes, fewer regulations, more flexible job opportunities, accommodating benefit options, less-expensive educational choices, and work-oriented welfare programs would all help increase employment and incomes.

Testimony Highlights

What Is Currently Holding Workers Back?

- Overhang from generous unemployment insurance benefits
- Expanded Obamacare subsidies
- Childcare struggles (but maybe not unique to COVID-19)?
- Monthly child payments?
- COVID-19-related welfare expansions and regulations

What Policies Will Not Help, But Will Likely Hurt Employment?

- Unconditional monthly child payments
- Expanded Obamacare subsidies
- Housing and other expanded welfare benefits
- Government paid family leave
- Forced unionization
- Barriers to flexible, independent work
- Failing federal job-training programs
- Higher corporate income taxes
- Pushing parents into work
- Vaccine mandates

What Would Increase Employment and Incomes?

- Productivity gains
- Lower taxes on work
- Fewer regulations and lower taxes on employers
- Work-oriented welfare
- Integrate workforce services
- Flexible, accommodating paid family leave
- Portable benefits
- Social Security reform to remove disincentives to work at older ages
- A responsible federal budget

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https://bfi.uchicago.edu/wp-content/uploads/2021/10/BFI—WP—2021-115-1.pdf.

2. Which States Are Driving U.S. Employment Growth?

https://www.stlouisfed.org/publications/regional-economist/fourth-quarter-2021/which-states-are-driving-us-employment-growth#authorbox.

PREPARED STATEMENT OF SENATOR AMY KLOBUCHAR

I'd like to give a warm welcome to a fellow Minnesotan, Mr. Dan Swenson-Klatt. Dan runs a fantastic cafe in Southwest Minneapolis that is a "can't miss" destination if you are in the area.

As you will hear in his testimony, Dan's Butter Bakery Cafe is a community-oriented, family run cafe that is finding innovative ways to support their employees with fair wages and paid family leave.

What you may not hear today, is the incredible work that Dan does in the Minneapolis community. Since their founding over 15 years ago, the team at Butter Bakery Cafe has served as mentors to youth who have been homeless or are at risk of being homeless. Their unique service-oriented business model is built around partnerships with area schools, artists, musicians, churches, and neighborhood organizations to promote community engagement—all while serving some of the best breakfast food in the city.

Thank you Dan for being here testifying today, your work is inspiring, and the city of Minneapolis is a better place because of your efforts.

○