



Getting to a Post-Pandemic Economy

Presentation to PNREC 2022

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***The views expressed are those of the author, with input from the FRBSF forecasting staff. They are not intended to represent the views of others within FRBSF or the Federal Reserve System.**

*Slides cover data available through May 20, 2022 (unless noted otherwise).
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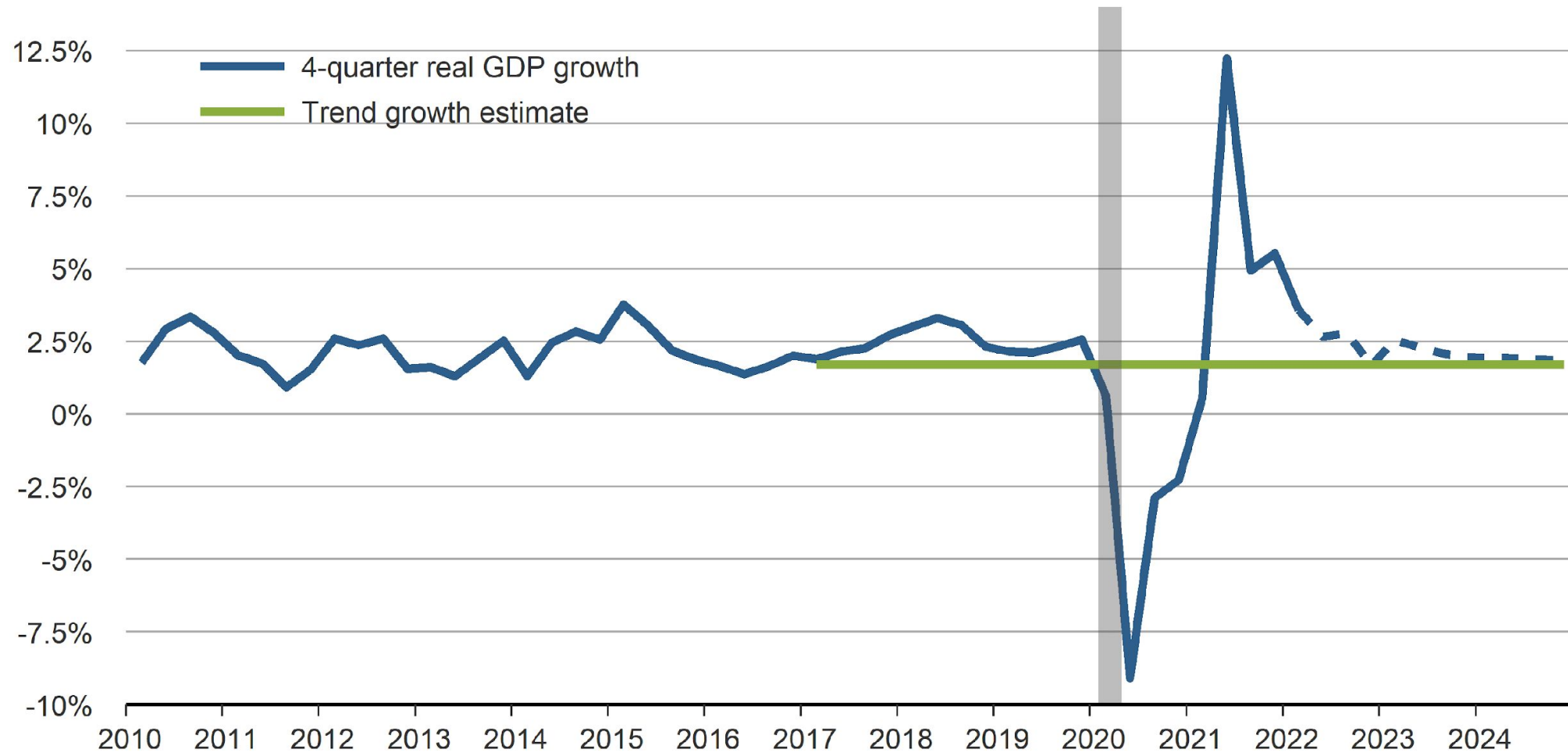
• SF Fed

Overview

- **Growth slowing toward trend**
- **Priority One: containing inflation**
- **The labor market is unusually tight**
 - **Consistent with maximum employment**
 - **Participation remains low**
- **Some longer-term labor market developments**
 - **Technology and jobs/wages (college wage premium, gig work)**

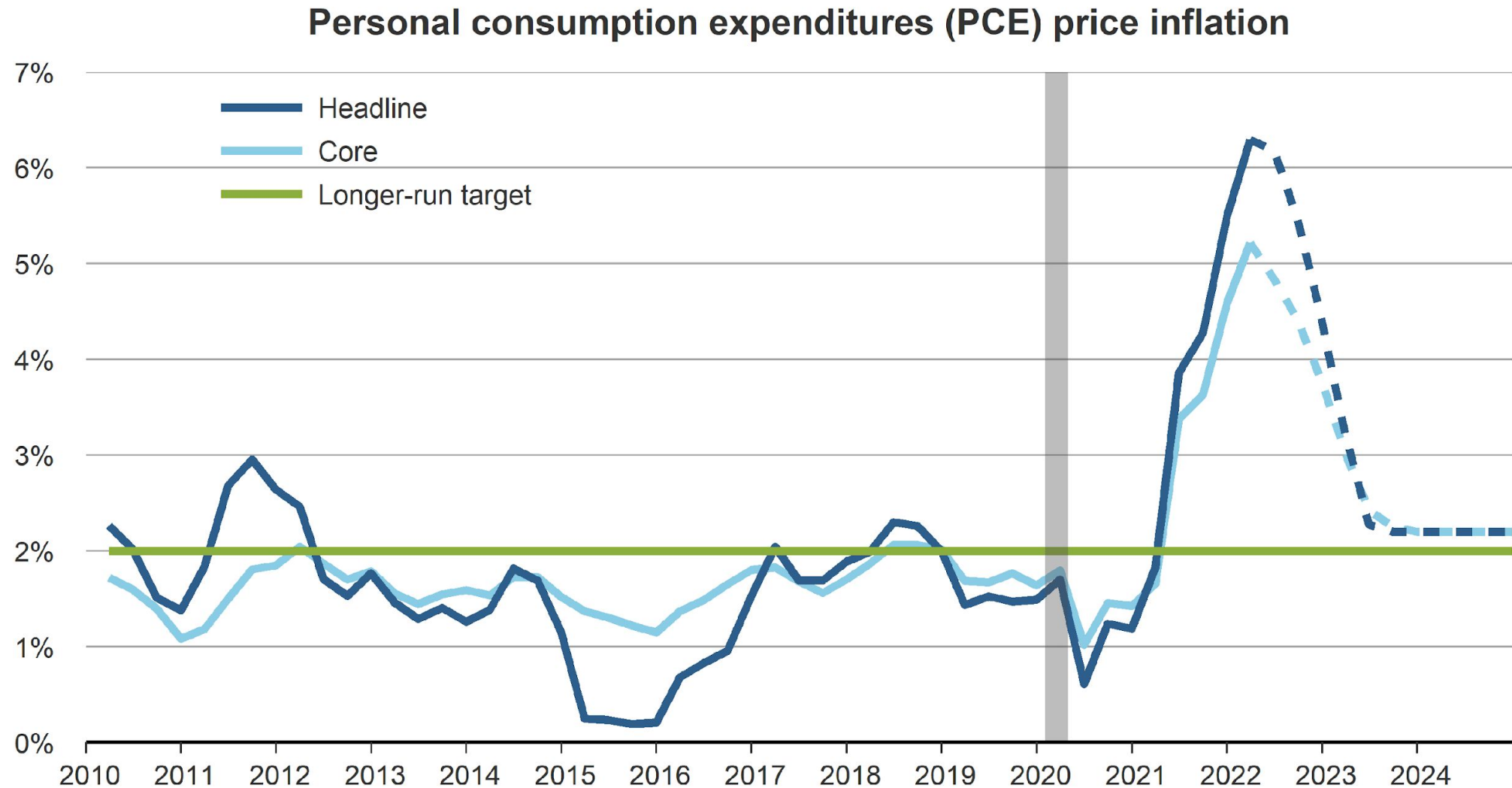
GDP growth headed back toward trend

Output growth



Note: Dashed line represents the FRBSF forecast.
Source: Bureau of Economic Analysis and FRBSF staff

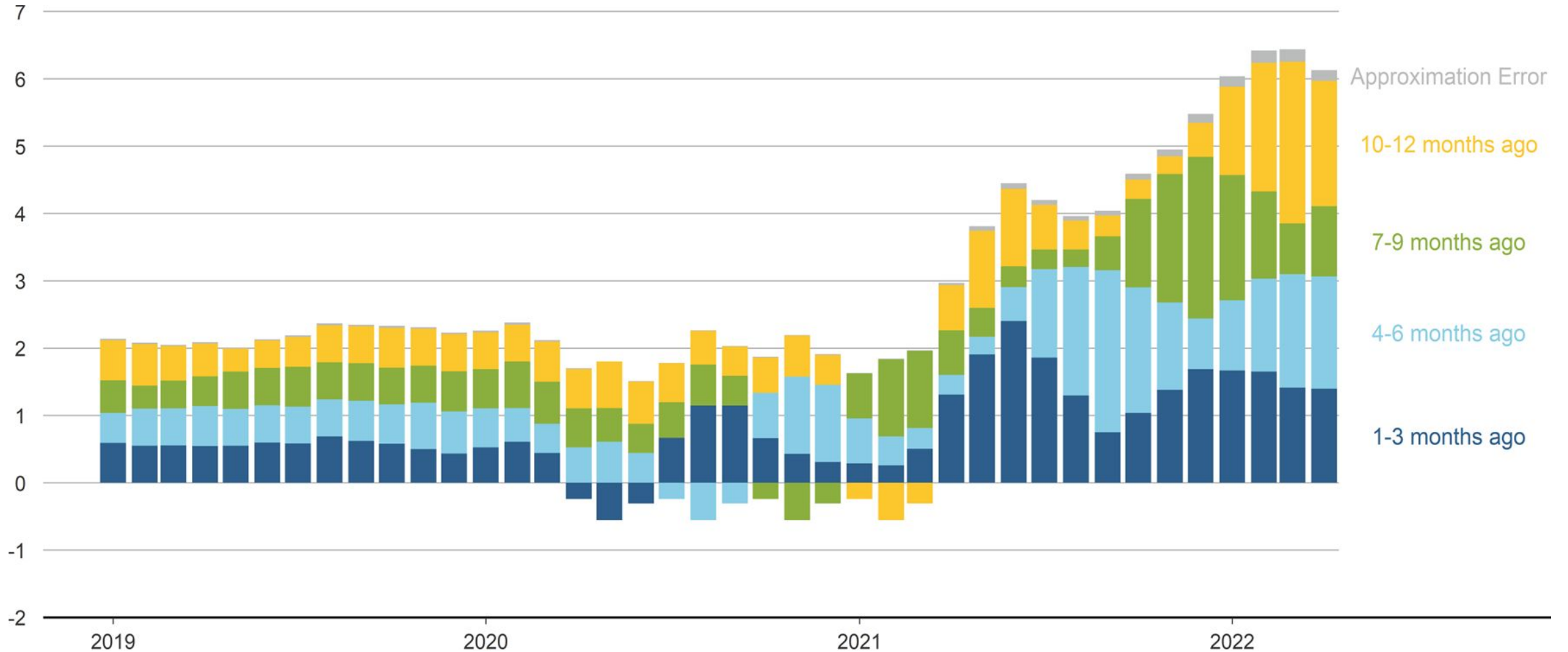
Inflation surge projected to recede



Notes: 4-quarter change in personal consumption expenditures price index. Dashed line represents the FRBSF forecast.
Source: Bureau of Economic Analysis and FRBSF staff

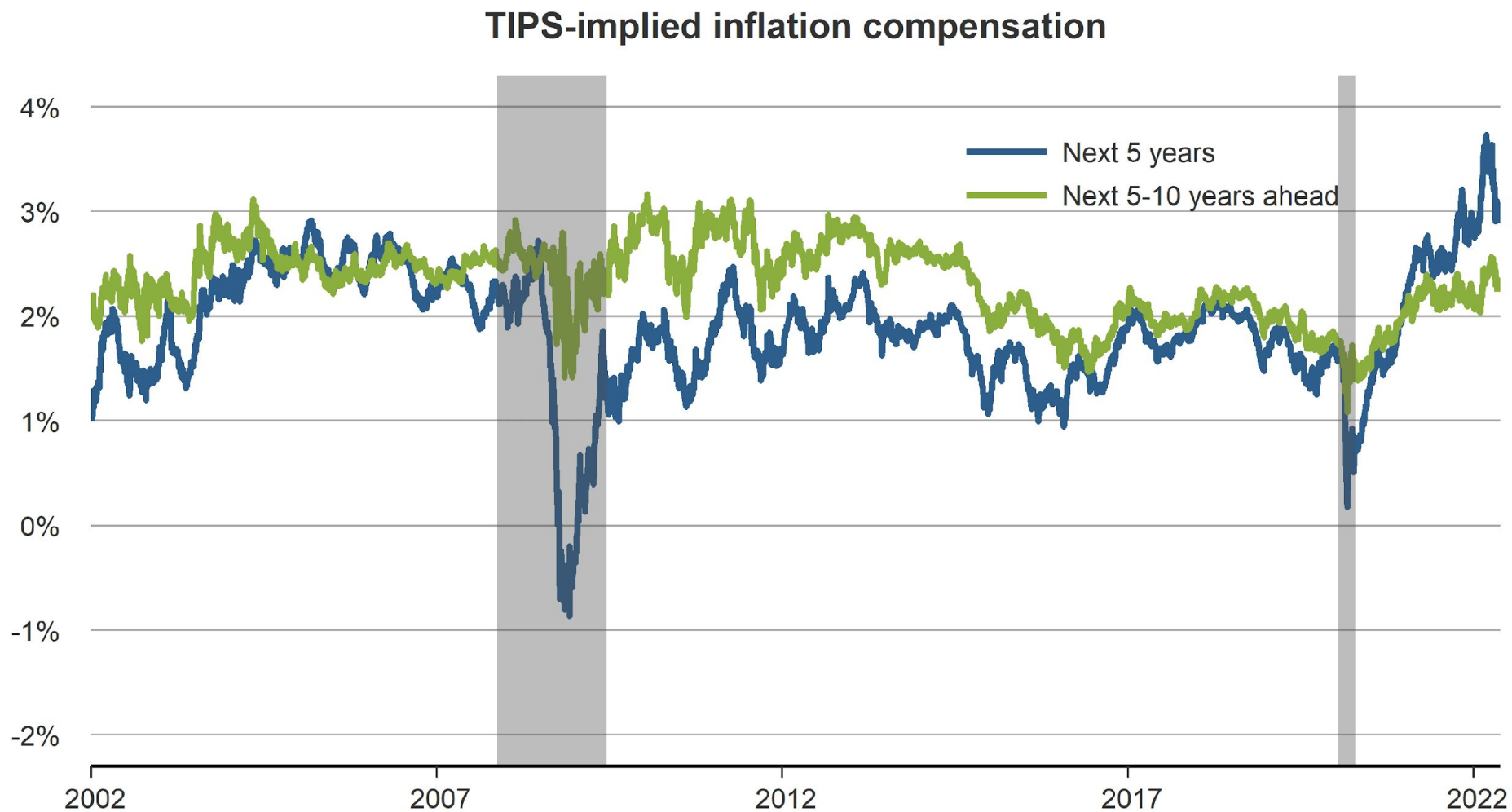
Inflation: tentative signs of easing

Contributions to core CPI inflation by timing of price increases over prior 12 months



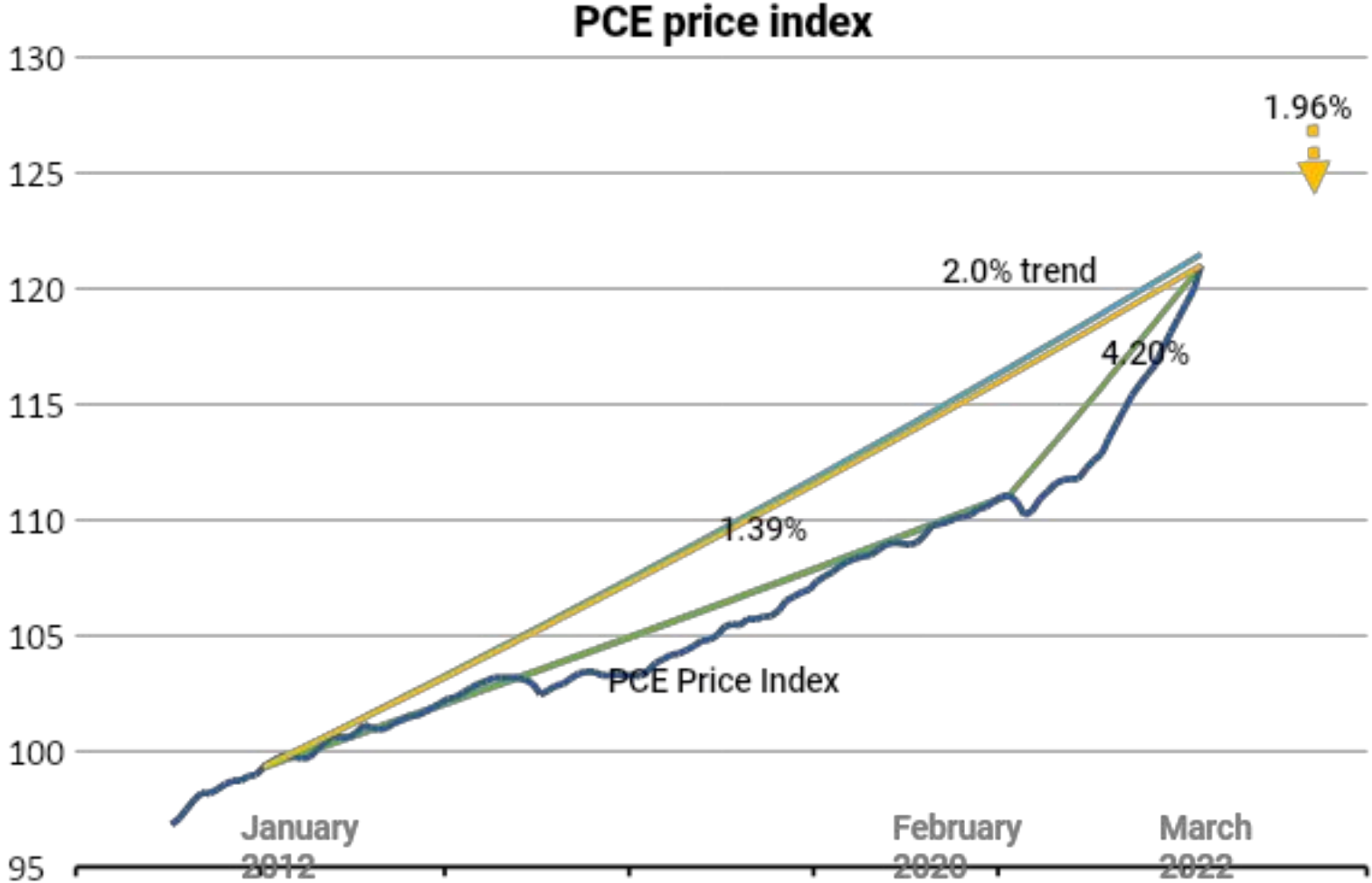
Source: Bureau of Labor Statistics and FRBSF staff.

Inflation expectations contained over longer term



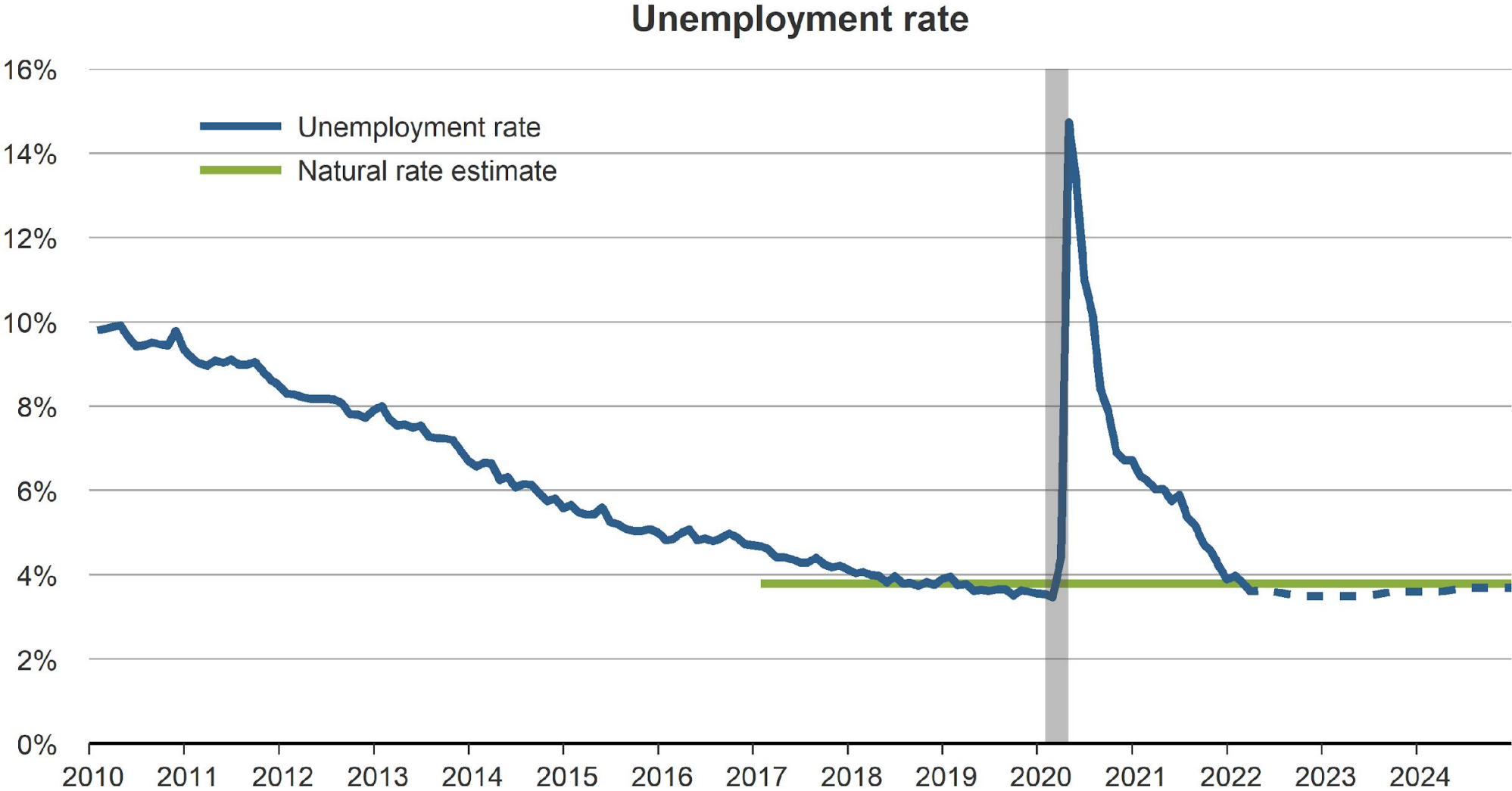
Source: Bloomberg data through May 20, 2022

Prior undershooting of 2% average inflation goal



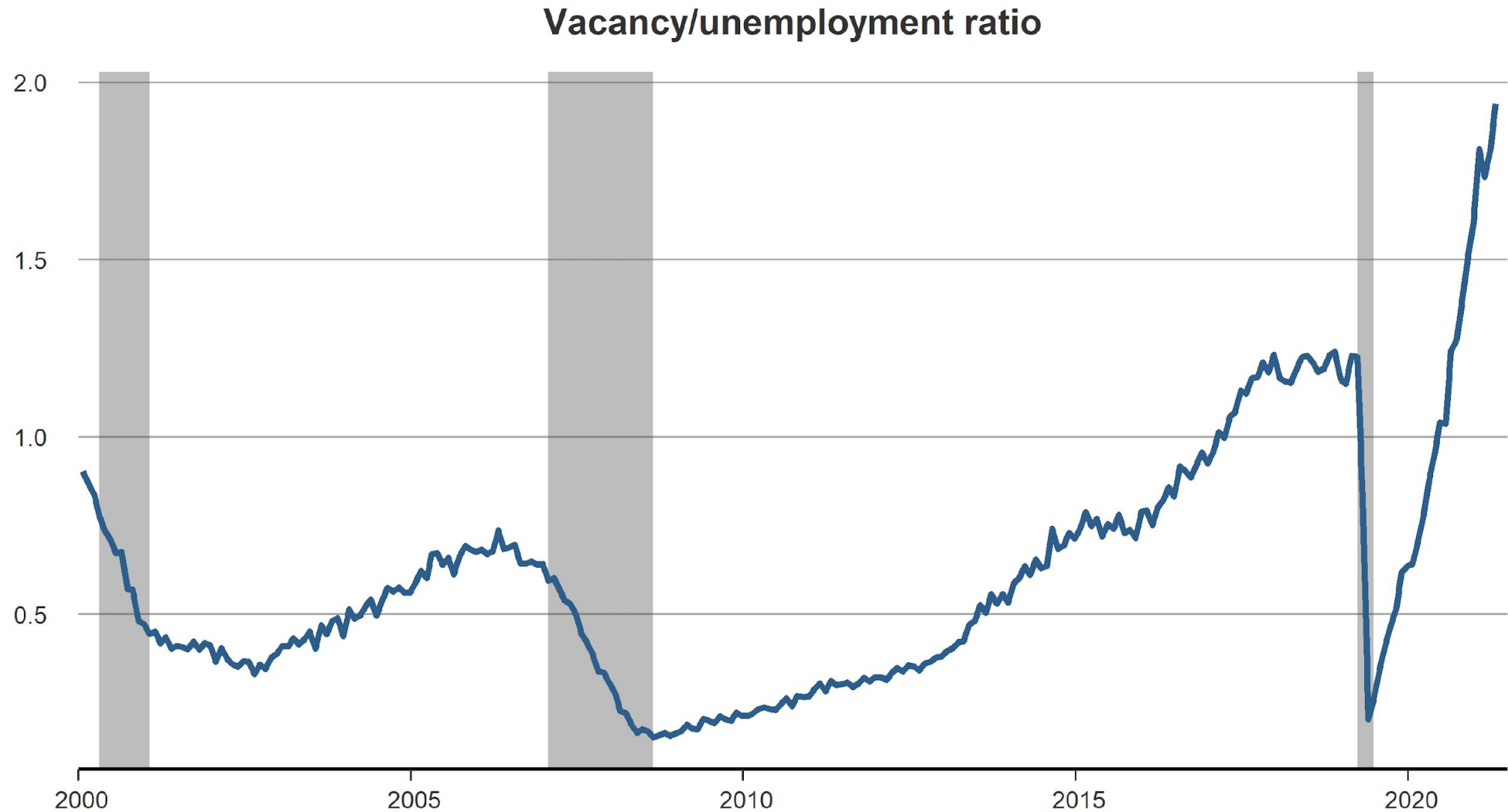
Source: Bureau of Economic Analysis and FRBSF Staff

Unemployment consistent with maximum employment



Note: Dashed line represents the FRBSF forecast.
Source: Bureau of Labor Statistics and FRBSF staff

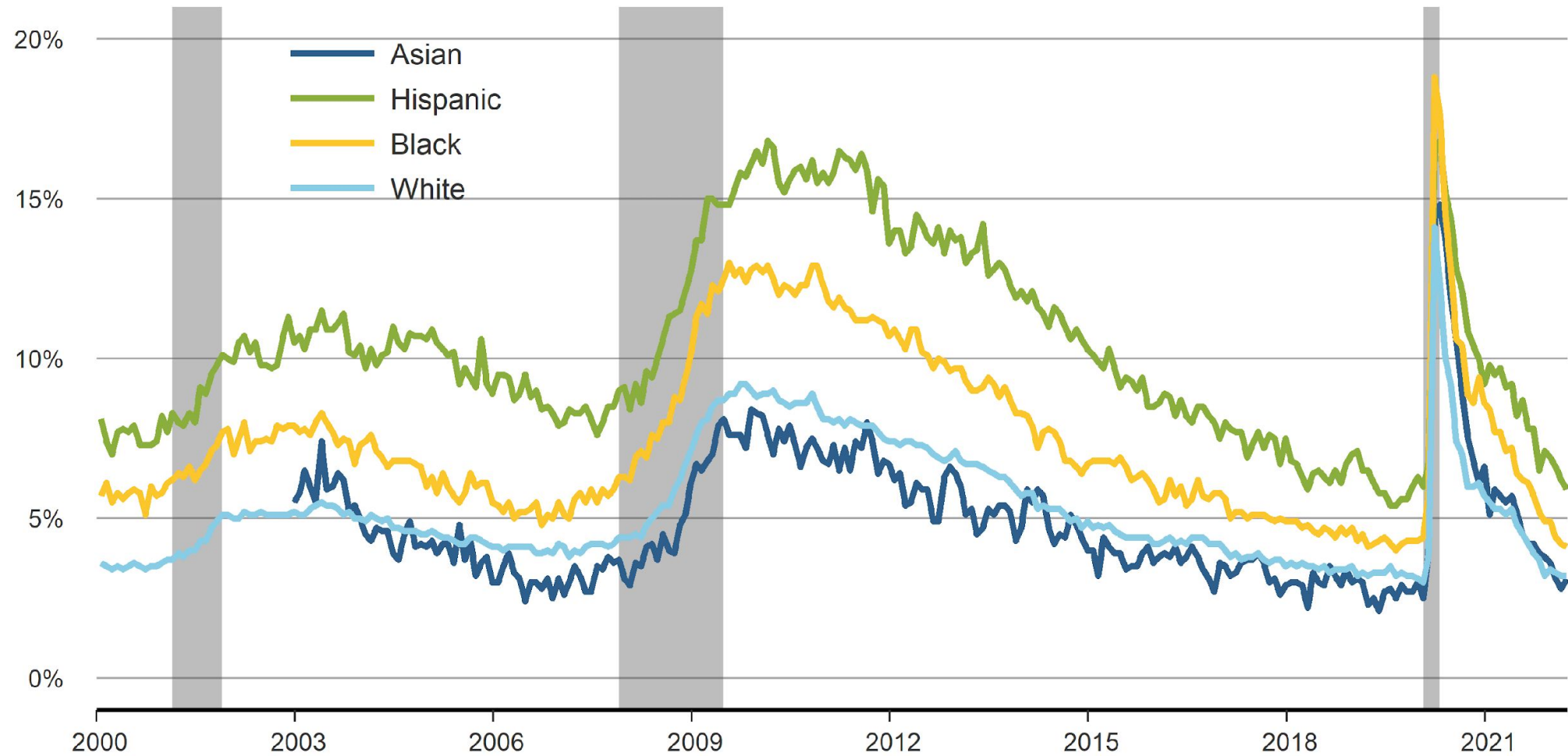
Labor market tighter than pre-pandemic peak



Source: Bureau of Labor Statistics, data through March 2022

Unemployment near prior lows for all groups

Unemployment rates by race/ethnicity



Note: All series are seasonally adjusted ages 16+
Bureau of Labor Statistics, data through April 2022

Tight labor market benefitting low wage workers

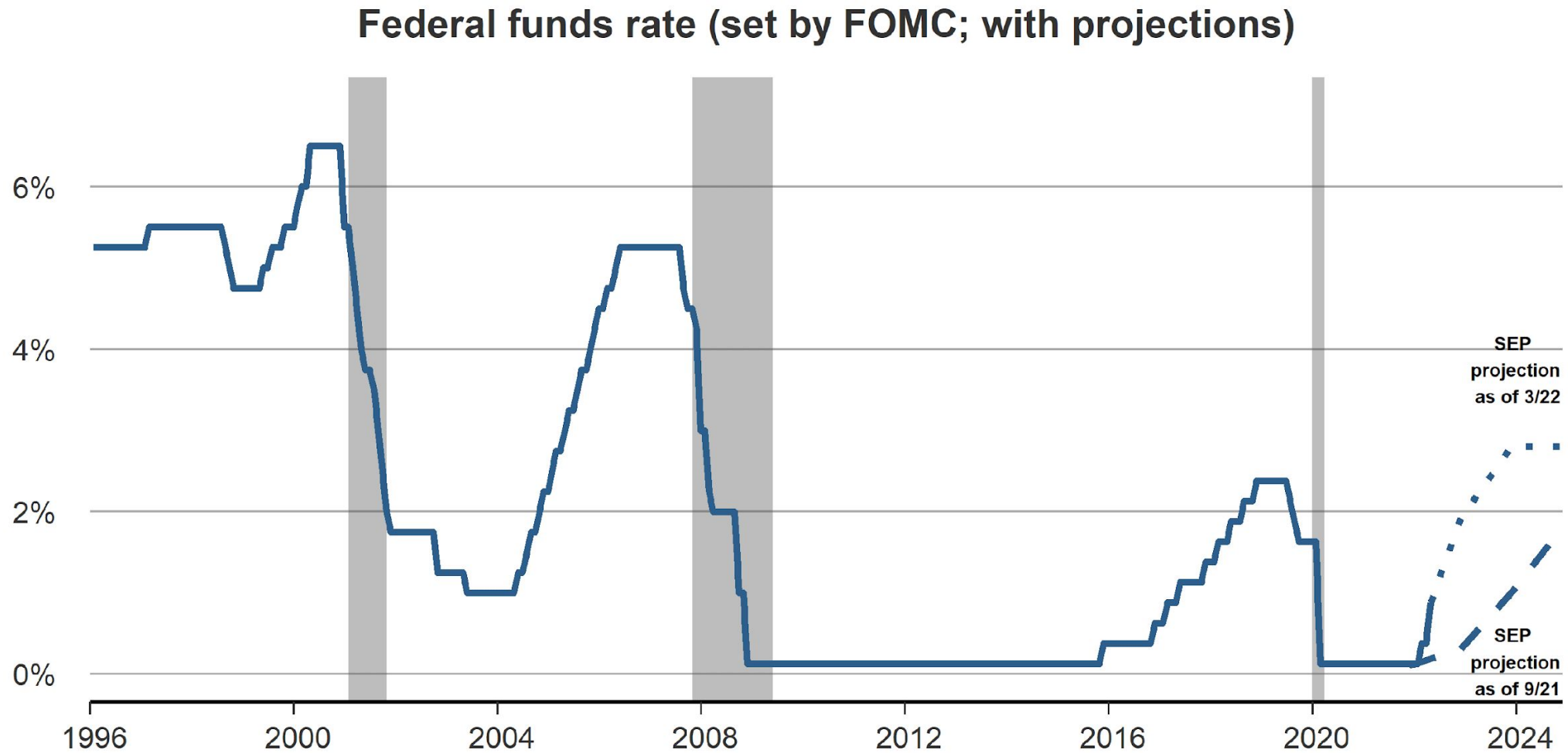


Source: FRB Atlanta calculations from the Census/BLS Current Population Survey (CPS); data through April 2022.
Note: 12-month moving averages of median hourly wage growth for each category.

Monetary policy: pivoted to fighting inflation

- **Policy framework (Aug. 2020) specifies inclusive definition of “maximum employment,” inflation averaging 2%.**
- **With labor market strong, focus shifted to getting inflation down.**
- **Policy pivot started in late 2021**
 - **Tapering of asset purchases initiated, accelerated timeline for liftoff (raising funds rate from zero)**

Projected funds rate path ratcheting up

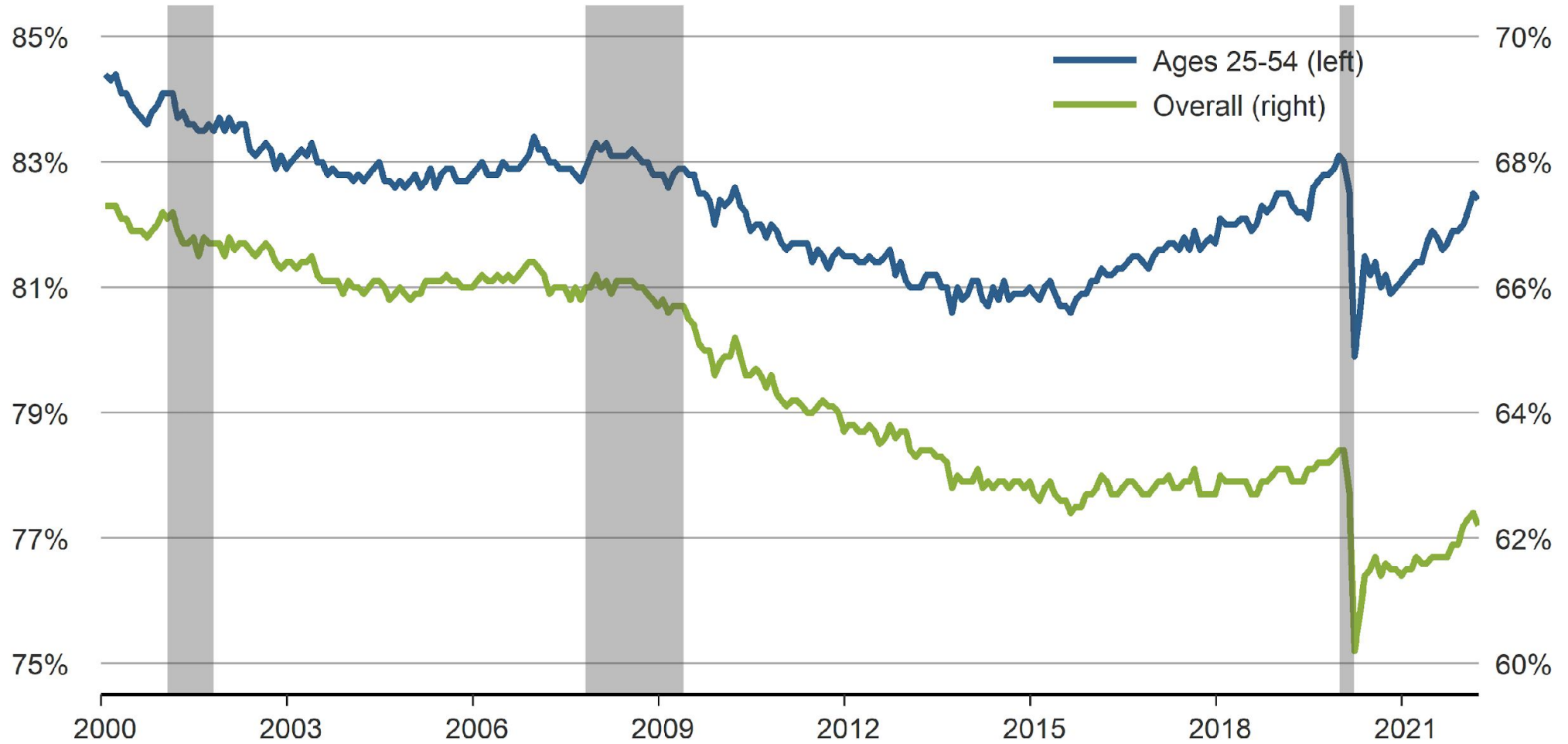


Source: Federal Reserve Board. Dashed and dotted line segments indicate the median of rate projections from the FOMC's "Summary of Economic Projections" in September 2021 and March 2022

Near-term (post-pandemic) labor market uncertainty: LFP

Labor force participation returning

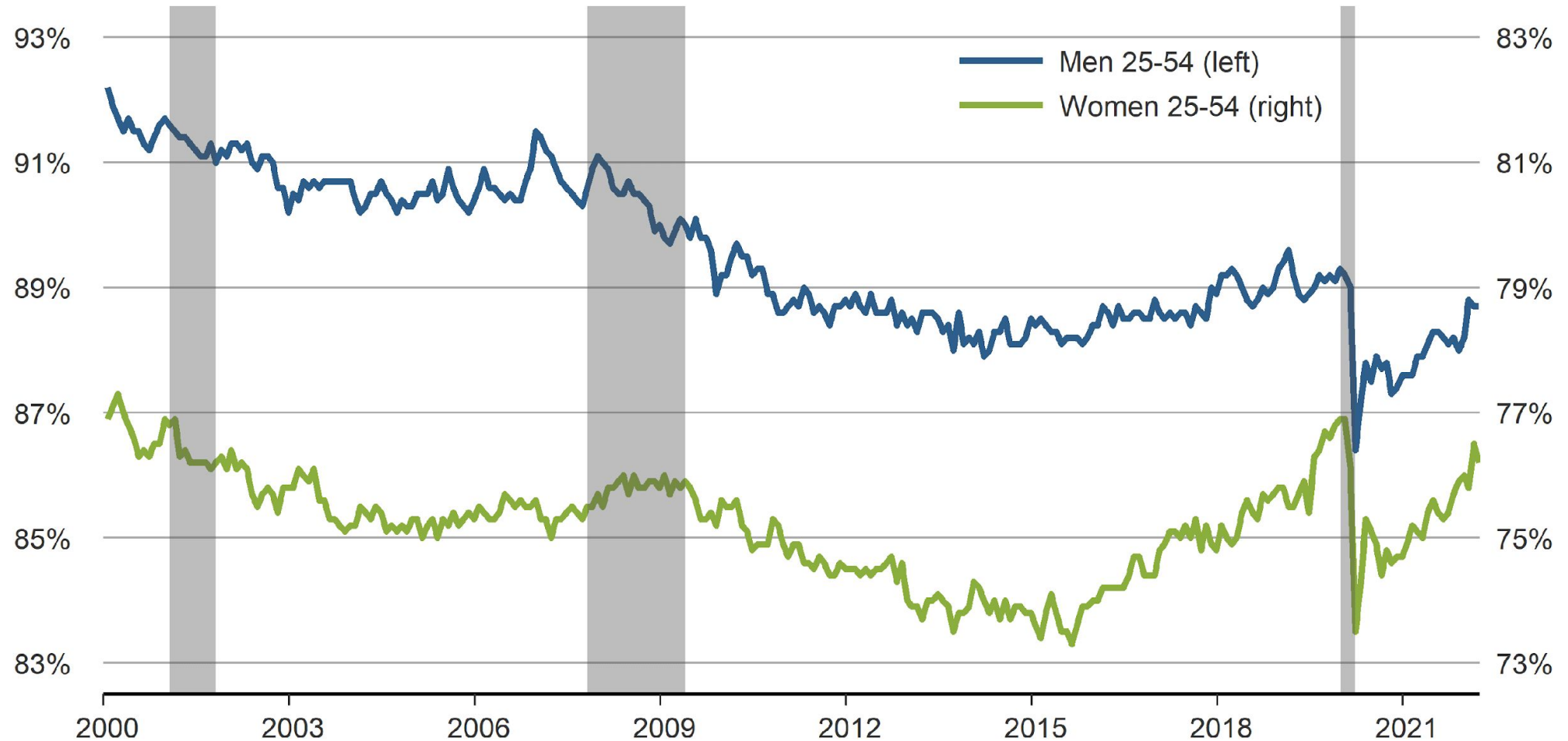
Labor force participation rates



Note: All series are seasonally adjusted.
Source: Bureau of Labor Statistics, data through April 2022.

Participation up especially for prime age

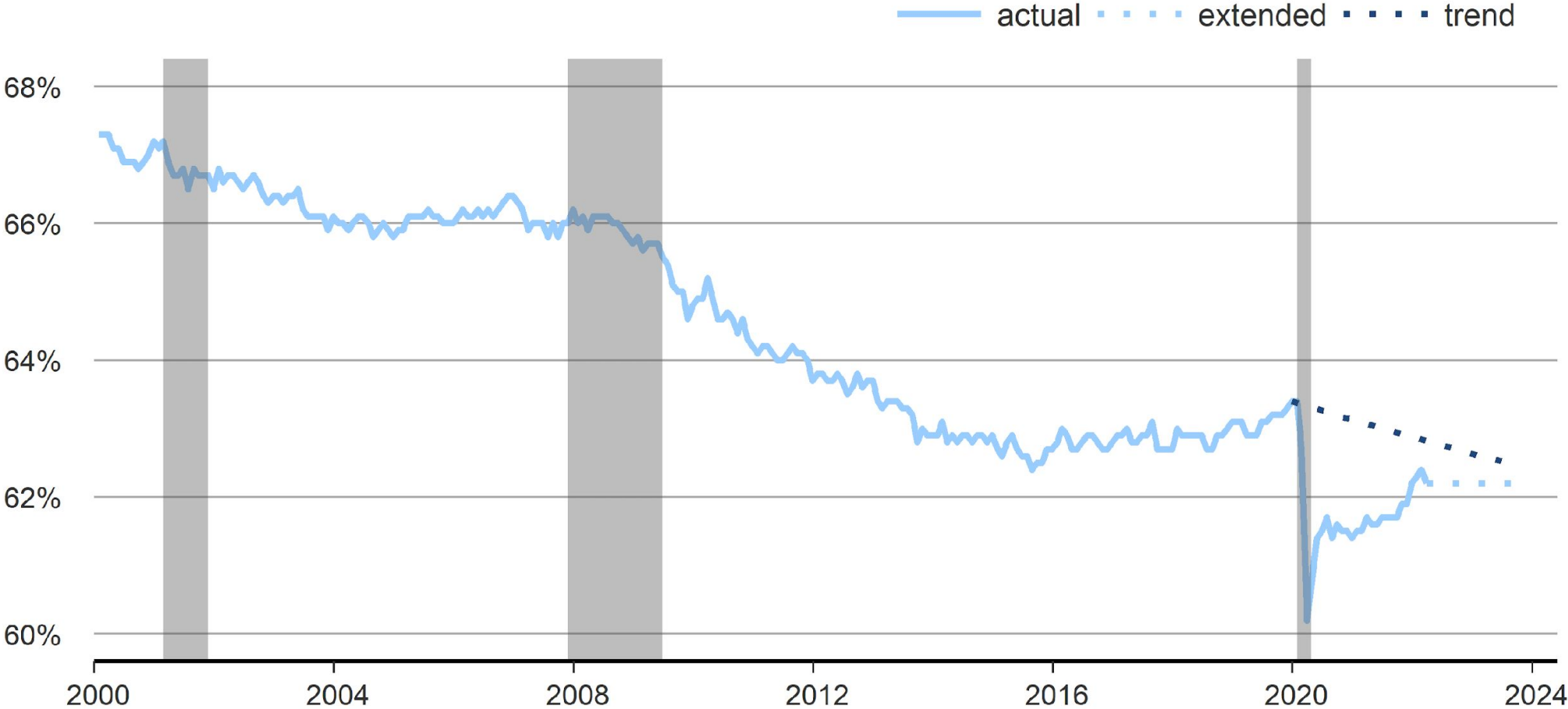
Labor force participation rates



Note: All series are seasonally adjusted.
Source: Bureau of Labor Statistics, data through April 2022.

LFP close to pre-pandemic demographic trend

Labor force participation rate: actual and trend



Note: Trend based on changing population shares for 14 age/gender groups (with group LFP rates at their Jan. 2020 levels).
Projection based on the LFP/unemployment relationship in the prior expansion, projected forward using the FRBSF unemployment rate forecast.

**Long-term labor market
developments:
technology and jobs/wages**

Technology and jobs

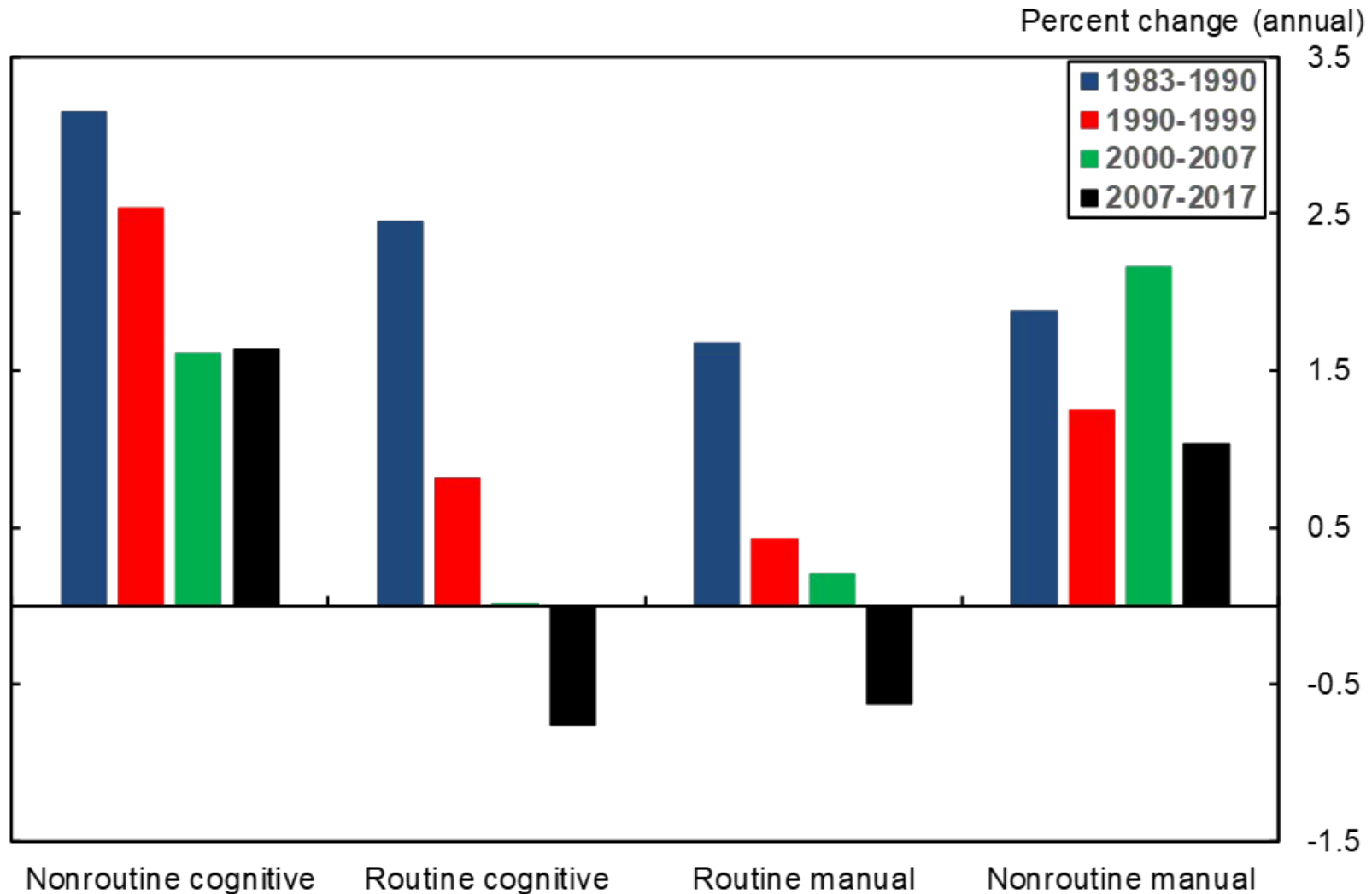
- **Polarization: middle-class jobs have been disappearing over the past few decades**
 - **Employment growth tilted toward high-wage and low-wage positions**
 - **College wage premium no longer rising**
- **Growth of the “gig economy”**
 - **Patterns during the pandemic?**

Polarization: the basics

- **Refers to slow erosion of middle-class jobs**
- **Source is changing technology: many middle-skill jobs involve “routine” tasks, replaceable by computer applications (programming)**
 - **Routine cognitive and routine manual**
- **Nonroutine cognitive (abstract) work with computers, nonroutine manual (mainly services) not readily replaceable**

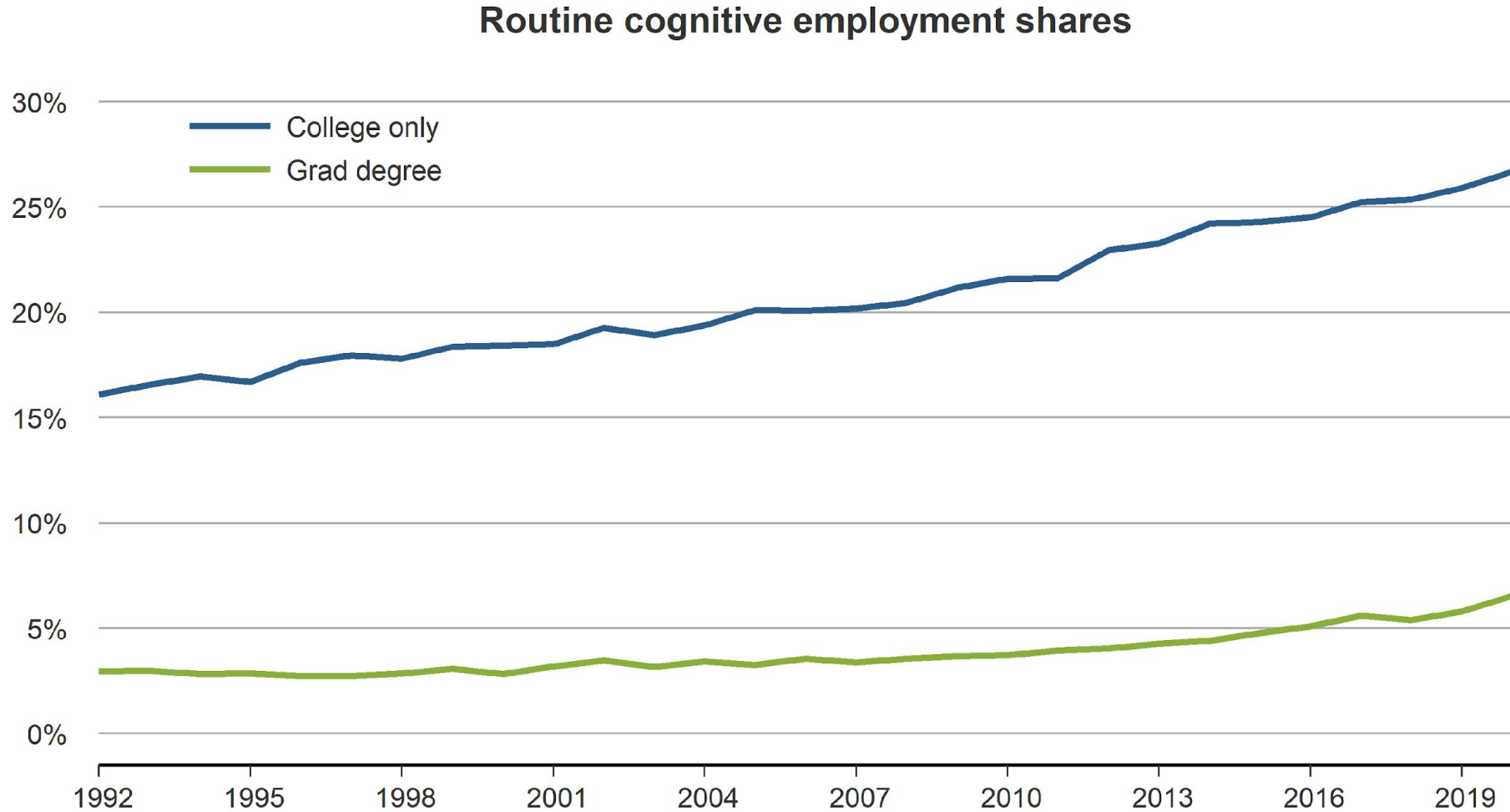
Employment declines in “routine” categories

Employment growth by broad occupation category



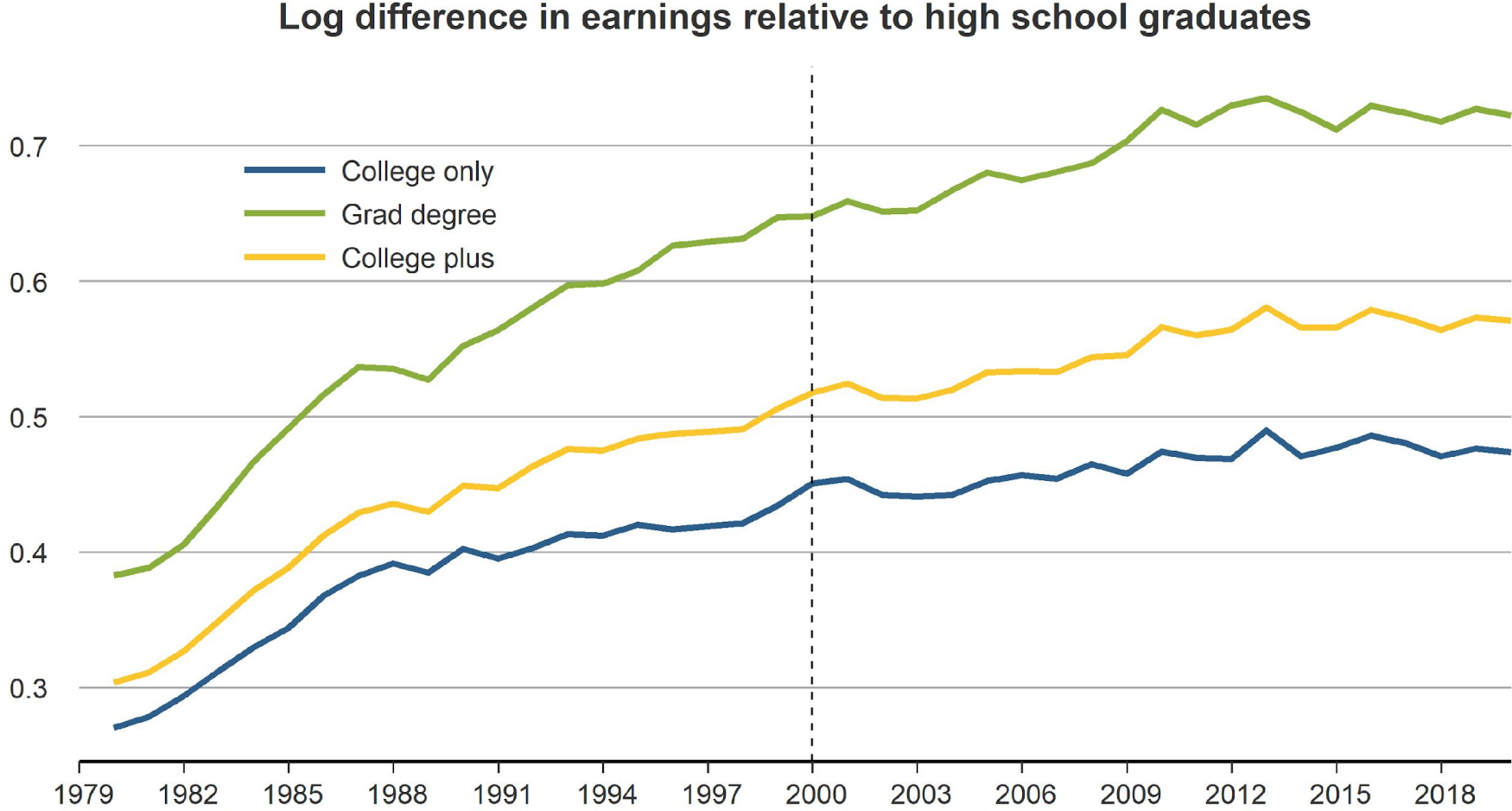
Source: Author's calculations from Bureau of Labor Statistics data.

College grads rising share of routine cognitive jobs



Source: Bureau of Labor Statistics and author's calculations; CPS MORG data through 2020.

College wage gap no longer rising



Source: Bureau of Labor Statistics and author's calculations; CPS MORG data through 2020.

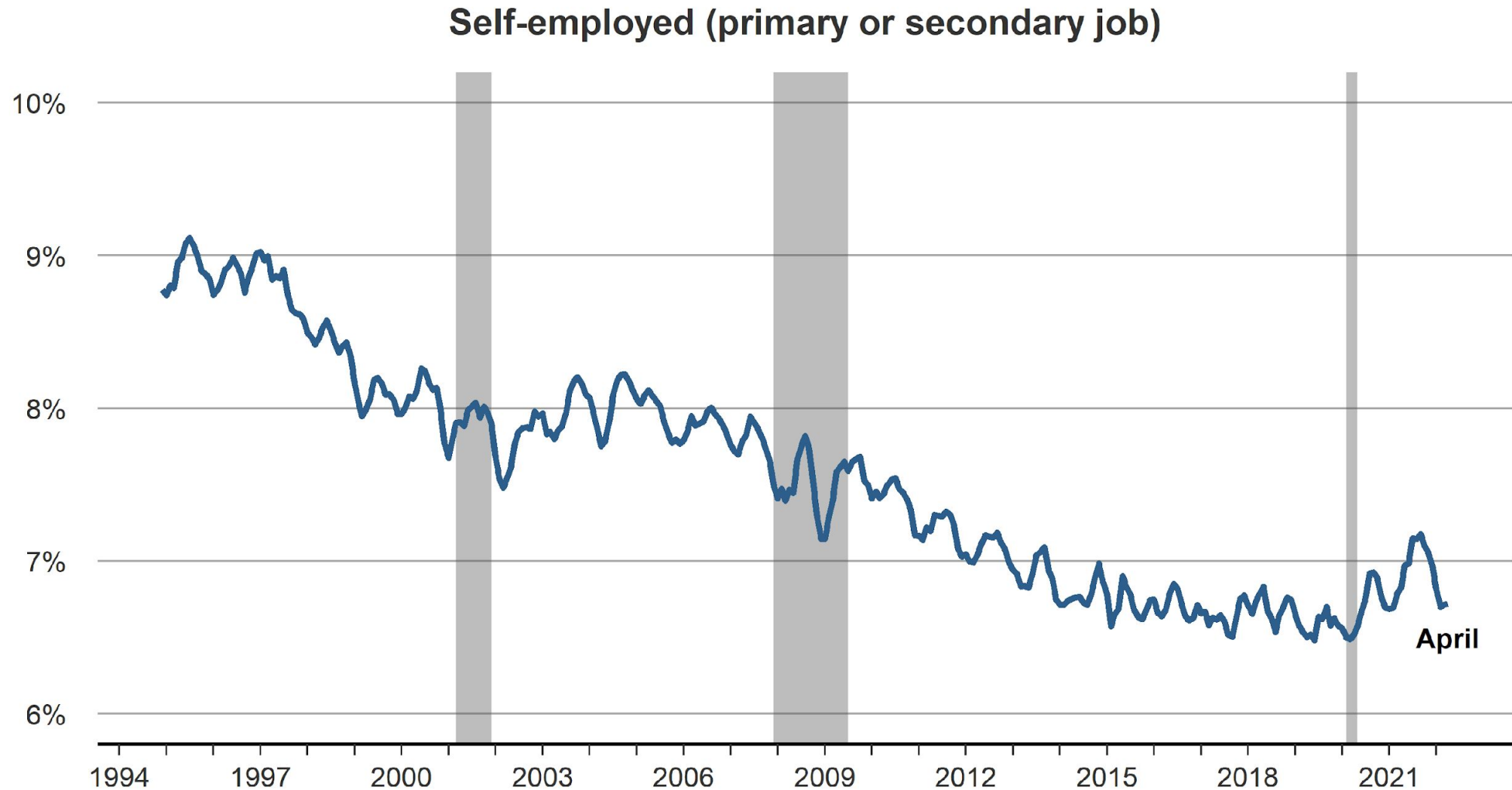
“Gig work” before and during the pandemic

Gig work: self-employment up since pandemic



Source: Bureau of Labor Statistics and author's calculations (from monthly CPS data).
Note: Expressed as a share of nonagricultural employment (12-month moving average).

But coming back down as labor market tightens

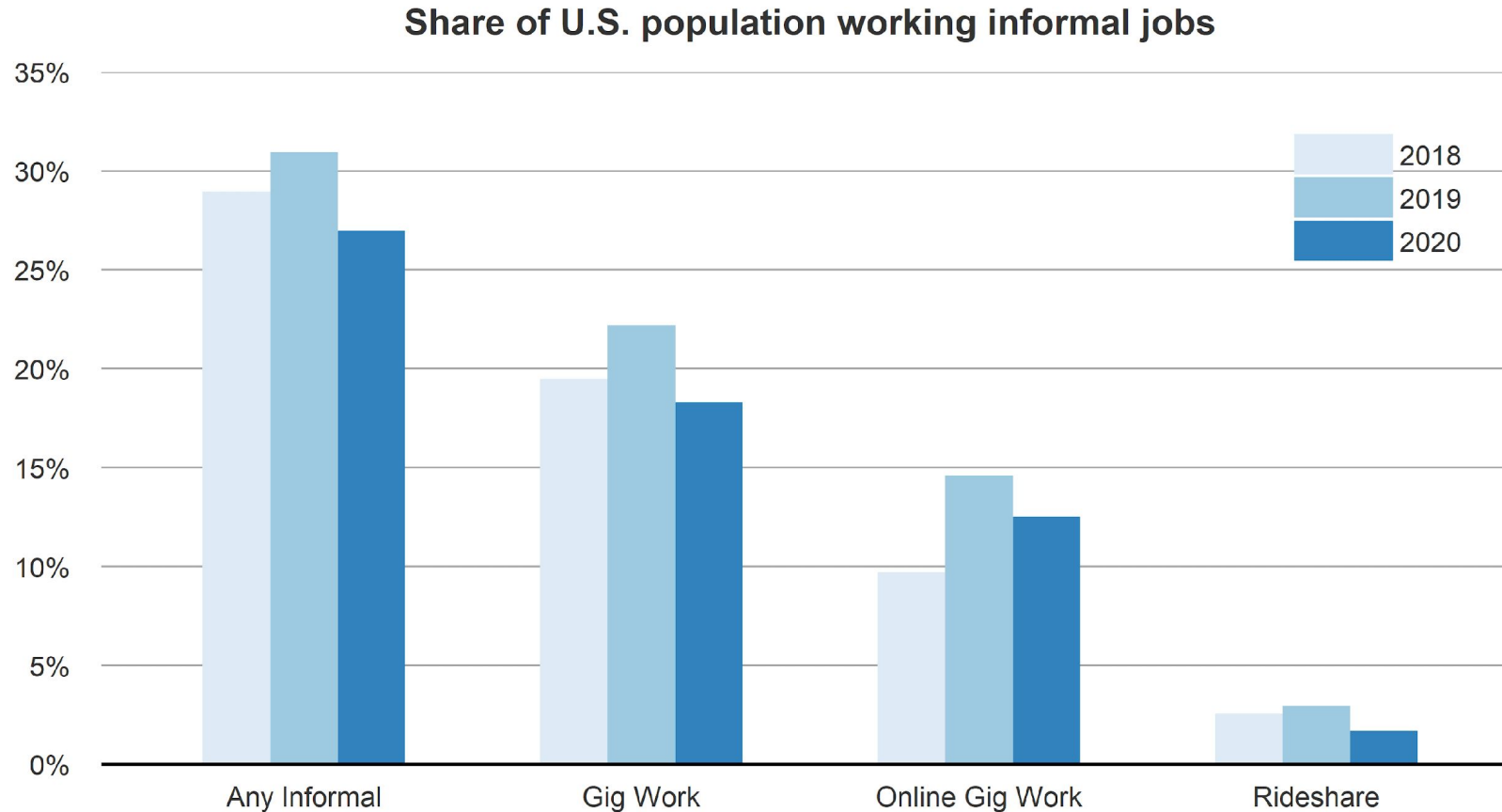


Source: Bureau of Labor Statistics and author's calculations (from monthly CPS data).
Note: Expressed as a share of nonagricultural employment (3-month moving average).

Digging deeper: SHED data (Fed BOG survey)

- **Survey of households focusing on economic well-being**
 - Annual survey with detailed questions on informal/gig work (“occasional work activities or side jobs”)
 - Data on about 11-12 thousand individuals each year (age 18+)
- **Following Abraham and Houseman (2019), examined 4 categories of informal/gig work:**
 - Any informal: includes sales activity
 - Gig work: any informal except sales
 - Online gig work: sourced online, ex. personal services (child care, dog walking, etc.)
 - Rideshare only
- **Also asked about whether primary or secondary income source**

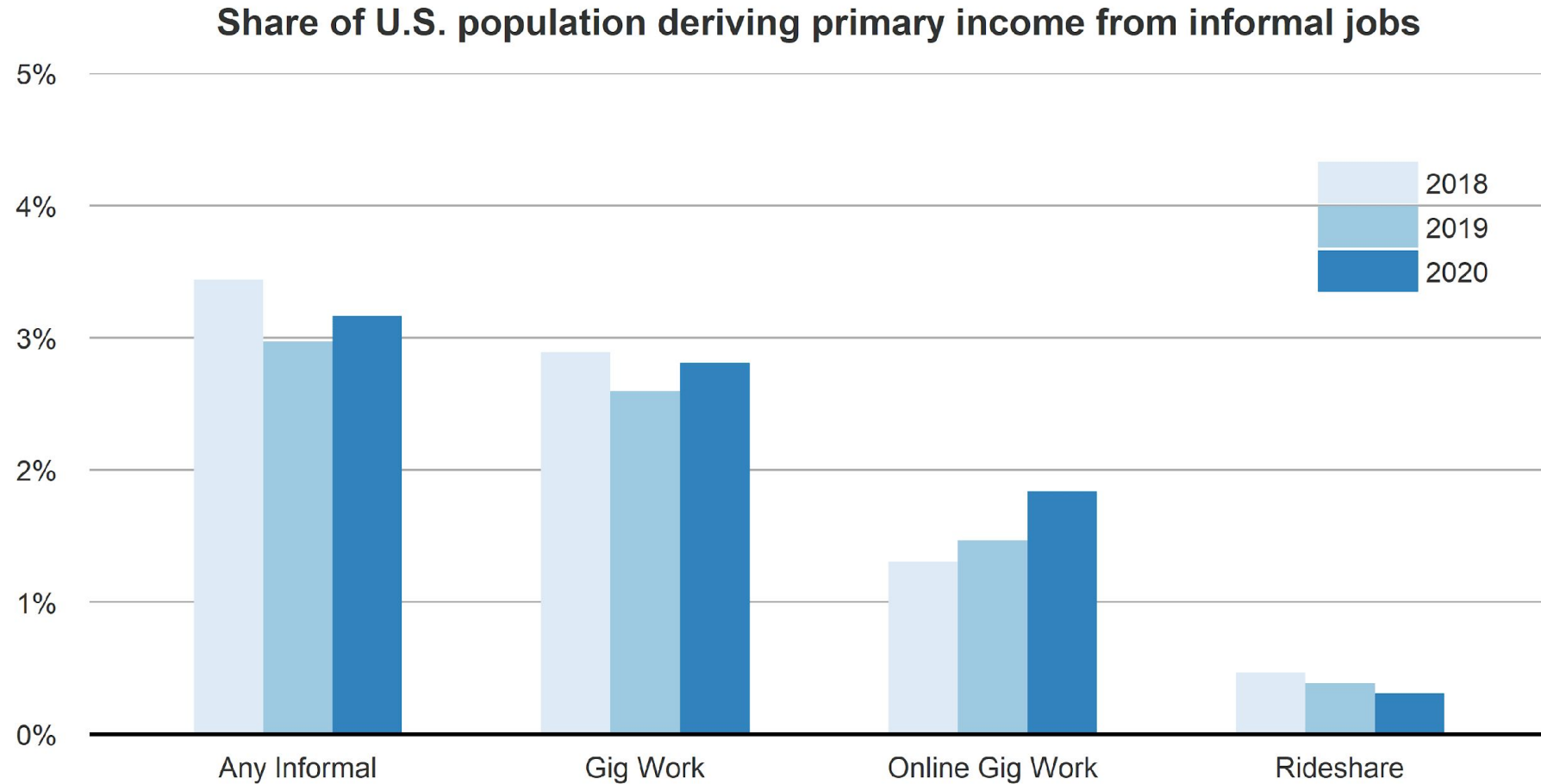
High incidence of any informal (gig) work



Source: Federal Reserve Board, Survey of Household Economics and Decisionmaking, and author's calculations

- **Nearly 30% do informal work**
- **Of them, sales/online/offline split about 1/3 each**
- **Online work shows largest increase across the two years**

Limited incidence as primary income source



Source: Federal Reserve Board, Survey of Household Economics and Decisionmaking, and author's calculations

Note: "Primary income source" defined as respondent indicating that informal work accounted for at least 50% of income (past 12 months for 2018-19, past month for 2020).

Conclusion

- **Monetary policy shifted from offsetting the pandemic to controlling inflation.**
- **Labor market at maximum employment.**
- **Longer-term labor market developments:**
 - **LFP may not rise much more.**
 - **Financial challenges for college educated.**
 - **Gig work—still mostly side projects.**

Some references (in order of appearance)

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Abraham, Katharine G., and Susan N. Houseman. 2019. “Making Ends Meet: The Role of Informal Work in Supplementing Americans’ Income.” *RSF: The Russell Sage Foundation Journal of the Social Sciences* 5(5, Dec.).