America's labor shortage is bigger than the pandemic

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The shortage of workers in the U.S. has become a flywheel of doom, messing up our lives and society writ large. And many of the underlying problems that led to this breakdown are bigger than the pandemic.

**The big picture:** Millions of immigrants, older workers and mothers are missing from the labor force. Those labor shortages create problems like supply chain woes, school closures, and skyrocketing childcare costs — and some of those problems further exacerbate the worker shortages.

- U.S. CEOs say labor shortages are the top threat to their businesses this year, in a survey released by the Conference Board yesterday.
Lost immigrants: There are about 2 million fewer working-age immigrants in the U.S. because of Covid immigration restrictions, according to calculations of census data from two economists at University of California, Davis.

- About 1 million are higher-educated working age adults.
- The immigration slow down began during the Trump administration.

The Great Retirement: Covid spiked retirement rates. Flush with cash from the booming stock market and fearful for their health in a pandemic, many more older workers left the workforce.

- There are 3.3 million more retirees as of October 2021, than January 2020 (aka the before time), according to estimates from economists at the St. Louis Fed. The number exceeded pre-pandemic demographic expectations.

Beleaguered moms: About 1.5 million fewer mothers of school-age kids are actively working compared with pre-pandemic times, according to Misty L. Heggeness, a principal economist at the Census Bureau.

- Lack of social policy support for parents, particularly mothers — a key issue during the pandemic — has long depressed labor force participation rates for women in the U.S.
in fact go to work.

- "The most obvious solutions are public health solutions," says Aaron Sojourner, a labor economist at the University of Minnesota's Carlson School of Management. If people are healthy, and risks are low they’ll be more willing to get back to work. "It's a win win."

**But, but, but:** Unless there is policy intervention, there will still be a shortage of immigrant workers, which holds back other parts of the economy.

- "We have lost two years of immigration and there is nothing in our system that allows us to catchup," says Giovanni Peri, an economist at University of California, Davis, who calculated the 2 million number with a colleague.

- Immigrants workers could help alleviate shortages in a range of industries, including childcare.

- More childcare workers would have downstream affect on working mothers and older women, who’ve stepped out of work to help with grandchildren’s childcare.
How Fed policy can narrow racial divides


When the Federal Reserve moves to raise or lower interest rates, it affects nearly every corner of the economy at once, not just one group or another. Fed leaders refer to their tools as blunt instruments.

Why it matters: But it's becoming clearer that the Fed does have surprisingly powerful effects on whether people historically more likely to be on the fringes of the job market, including Black Americans and those with less education, prosper.

Companies turn to "shrinkflation" in bid to avoid price increases
The four-decade high in inflation is leading companies to look for alternatives to price increases to avoid scaring off customers.

**Why it matters:** With annualized inflation registering at 7% in December, businesses are turning to a mix of price increases and "shrinkflation" — cutting the amount you get, not the price you pay.

**Tech firms cheer smoother visa sailing**

Denial rate for new H-1B visa petitions, by fiscal year
The Biden-era approach to visas used by skilled foreign workers is injecting more certainty into the hiring process for large tech employers after four tumultuous Trump administration years.

Driving the news: Biden's first year saw a record low in the denial rate of high-skilled foreign worker visa petitions, according to an analysis of government data by the National Foundation for American Policy shared exclusively with Axios.