US Economic Viewpoint

# Women fuel resilience across the economy

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## How women are helping unlock US growth potential

This International Women's Day we examine the role of women in crucial sectors of the economy that are performing strongly and creating upside surprises for US growth. We now expect faster growth in 2024 on the back of supply-side factors like a rebounding labor force. And this has partly been driven by more women returning to work post-Covid. Moreover, "catch-up" employment in services like leisure & hospitality and education & health – areas where women are overrepresented – should persist this year, supporting economic activity. Women also fuel consumer spending, yet another driver of resilient US growth. On balance, more "female-driven" sectors should support growth this year, but we also highlight pockets of weakness.

## Prime age women are behind the labor force rebound

The rebound in the labor force participation rate in 2023 has been led by prime age women (25-54 years old), especially young mothers. Also, more married women have returned to the workforce than married men. Given the disproportionate role that women play in caregiving, fiscal support for childcare from ARP 2021 and the flexible working environment, likely helped fuel this recovery. The post-pandemic rebound of female participation has been remarkable given their outsized decline in the pandemic.

## But eyewatering childcare costs are curbing their potential

That said, the labor force participation rate for women has been consistently lower than men and has been more or less stagnant for the past decade. Also, the US lags behind most OECD countries on this front likely due, in part, to the higher cost of childcare in the US. And, it may explain why women – who hold more Bachelor's and graduate degrees than men – still have lower participation rates. However, as more companies offer varied work schedules and policy becomes more supportive, those rates are likely to increase.

## Women also drive the catch-up effect in hiring gains

The current rebound in hiring has been driven by women who work in services sectors – jobs historically held by women – and that has supported economic activity along the way. Post pandemic, as demand in these sectors recovered - driven by work from home and childcare support -- female employment recovered strongly. When the pandemic struck, women in high touch services, high school educated, Hispanic/Latina & married women suffered more job losses. Recently, employment in most of these groups seems to have recovered to above pre pandemic levels except for high school educated women.

## And are helping drive consumer resilience

Women are a formidable force in the consumer economy – and that's likely to continue for the foreseeable future. They control or influence 70-80% of consumer spending decisions and in the next 10 years about $30tn in US wealth will be inherited by women. Currently, among millennials, single women spend more than men. Overall and amongst older millennials, their rate of homeownership is also higher than single men. A larger share of travel decisions are made by women. Finally, female-led entertainment events have had an outsized impact on consumer spending, fueling the "funflation" trend which has likely helped contribute to improving consumer sentiment as well.

OECD: Organization for Economic Cooperation and Development

ARP: American Rescue Plan

SA: Seasonally Adjusted

NSA: Non-Seasonally Adjusted

HH: Households

## Women help drive the US recovery

This International Women's Day, we take a look at the role of women in the macroeconomy. We try and identify the role of female-oriented drivers of growth, mainly through labor markets and consumer spending, sectors which have underpinned surprisingly strong US economic growth during the recovery. Additionally, we will also look at any pockets of weakness where there might be room for improvement.

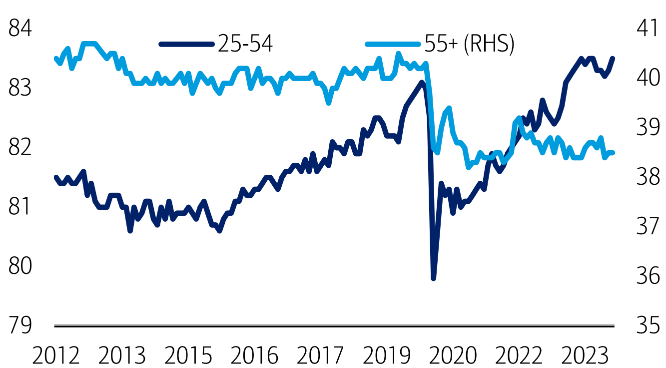
## Labor force rebound supported strong US growth…

Since we revised our outlook for the US economy from a mild recession to expansion last year (see reports: Imagine no recession, it's easy if you try and Sticking the landing), growth in economic activity has continued to surprise to the upside. Like the American folktale from the early 1900s, *The Little Engine That Could*, the current expansion in the US has overcome many obstacles – including a period of high inflation, rapid Fed tightening, and weak sentiment – and has kept going.

We took a signal from GDP - the economy grew at an annualized rate of 3.2% in 4Q 2023 after rising 4.9% in 3Q - and revised our outlook (see report: Supply-side resilience). We forecast faster growth in 2024 (2.1% 4Q/4Q versus 1.2% previously) and slower growth in 2025 (1.8% versus 2.0%, respectively).

Our revisions emphasize improvement in the economy driven by supply-side forces. The major factor behind the change in our view is the rebound in the labor force, supported by a rapid increase in net migration and a stronger-than-expected recovery in the labor force participation rates. This has allowed the economy to grow faster than expected without putting significant upward pressure on wages or inflation. As shown in Exhibit 1, the rise in participation in 2023 was led by prime age (25-54 years) workers, which more than offset the early retirement effect from the 55+ cohort.

**Exhibit 1: Labor force participation rate (SA, %)**
The labor force rebound has been led by women 25-54 years old




**Source:** Bureau of Labor Statistics, Haver Analytics

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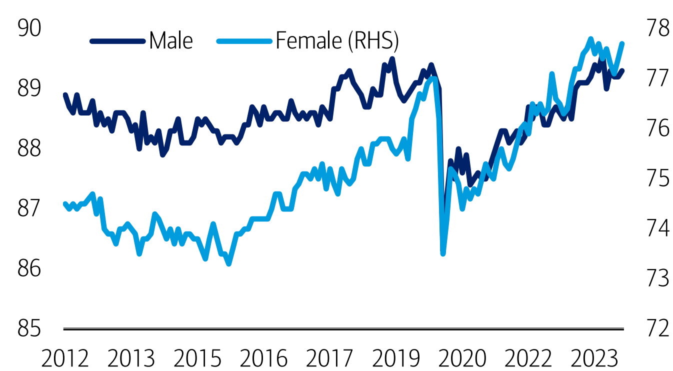
**Exhibit 2: Labor force participation rate (25 – 54 years SA, %)**
Within the prime age category, the recovery seems to be driven by women




**Source:** Bureau of Labor Statistics, Haver Analytics

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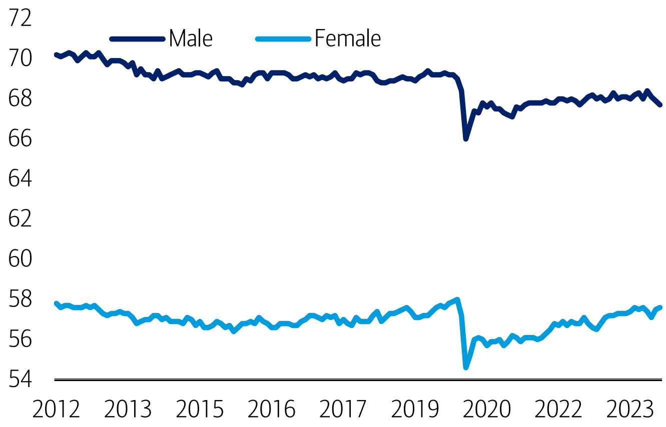
## …and women led the prime age labor force rebound

Within the prime age cohort, a large part of the recovery has been driven by women (Exhibit 2). Their participation rate has risen by about 7pp to 77.7% and now exceeds the pre-pandemic peak of 77.0%. That strength shown was unexpected – and remarkable - because the pandemic-fueled recession led to a more outsized decline in the labor force participation of women, given that they dominate services-providing sectors which were hardest hit during the downturn.

The prime age women's labor force participation rate saw a decline of 3.5ppts in the first two months of the pandemic compared to the 2.9ppt decline among prime age men. The drop in participation was likely also due to the increased burden of care giving. As per an analysis from the Fed, 0.8ppt of the 1.9 ppt drop in the participation rate from February 2020 to year-end 2020 was accounted by these activities.

**Exhibit 3: Labor force participation rate (16 years+ SA, %)**
In overall labor force participation numbers, the recovery for men has been even worse than that in the prime age category




**Source:** Bureau of Labor Statistics, Haver Analytics

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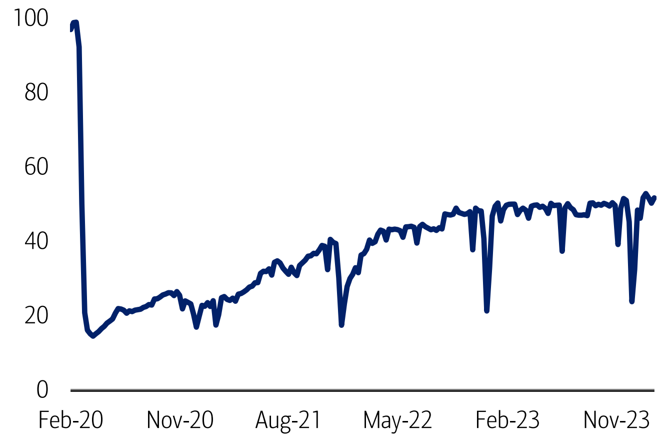
**Exhibit 4: Kastle back-to-work barometer**
The office occupancy rate declined sharply at the start of the pandemic and since then has only returned to half of its pre pandemic level




**Source:** Kastle Systems

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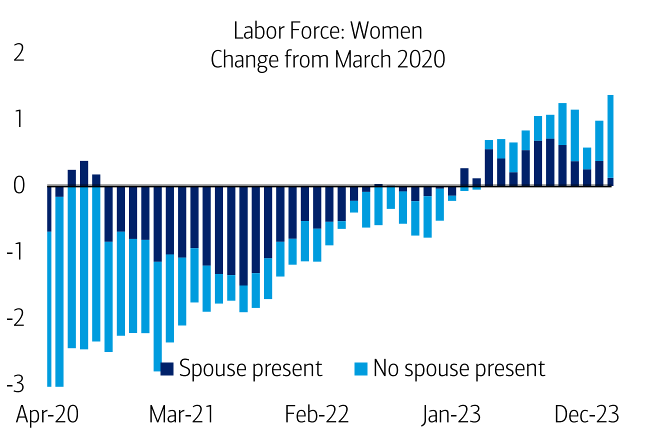
In contrast, while the participation rate of prime age women is currently 0.7ppt higher than its pre-pandemic level, it's only 0.1ppt higher for prime age men. Also, when examining the change in the overall rate (including 16-24y olds and 55+), the recovery for men has been more subdued. It is currently lagging 1.3pp behind pre-pandemic levels while the recovery for women is lagging only 0.4pp (Exhibit 3).

Additionally, more married women (Exhibit 5) have come back into the workforce than married men (Exhibit 6). This is likely due to the co-insurance effect which we have observed in married couples since the pandemic in which one spouse returns to work and the other stays home due to home care responsibilities or early retirement. For example, men tend to be older than their spouse and may have chosen to leave the workforce entirely. In contrast, the participation rate of men without a spouse rebounded very quickly and that labor force is more than 2mn above February 2020 levels.

We think the data support the conclusion that women have been a leading force behind the rebound in labor supply that has contributed to many of the beneficial side effects for the US recovery.

**Exhibit 5: Change in female labor force from March 2020 (millions)**
More married women have returned to the workforce than married men




**Source:** Bureau of Labor Statistics, Haver Analytics

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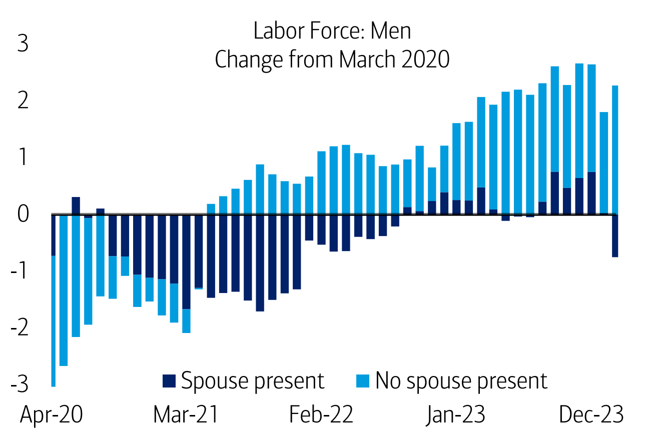
**Exhibit 6: Change in male labor force from March 2020 (millions)**
Participation rates among married men remains constrained




**Source:** Bureau of Labor Statistics, Haver Analytics

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## Work from home, American Rescue Plan to the rescue

We think the prevalence of an increasingly flexible working environment has been a key reason behind the women-led recovery in the labor force.

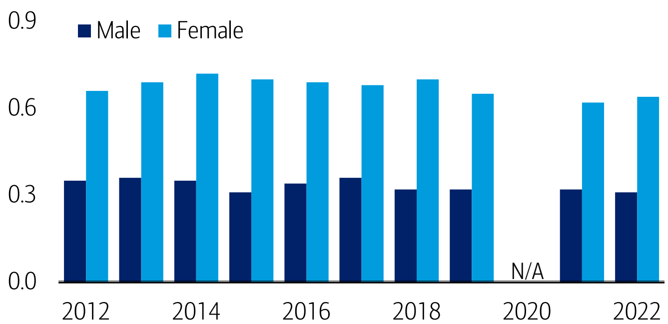
The prevalence of hybrid work schedules is seen in office occupancy rates, which plunged during the pandemic and remain at half of the pre-pandemic level (Exhibit 4). Since evidence suggests that women spend more time than men on household activities including childcare (Exhibit 7), the adoption of flexible work arrangements likely made it easier for prime age women to return to the office.

Research by economists Barreo, Bloom and Davis shows that among college graduates women with young children sought to work from home 50% more than men, based on a survey of 30,000 Americans between May 2020 and March 2021. Research by economist Claudia Goldin (2022) also indicates that women who could work from home generally remained employed while taking on these additional caregiving responsibilities.

We also note the American Rescue Plan, which was enacted in March 2021, likely helped women. According to a White House Council of Economic Advisors report, the legislation included ~$24bn in subsidies to the childcare industry which helped childcare providers pay rent, retain staff and remain open during the pandemic.

**Exhibit 7: Average hours per day spent in household care giving activities by employed and unemployed individuals**

Women spend more time than men on household care giving activities including childcare




**Source:** American Time Use Survey, Haver Analytics; Note: Includes childcare and travel for related activities

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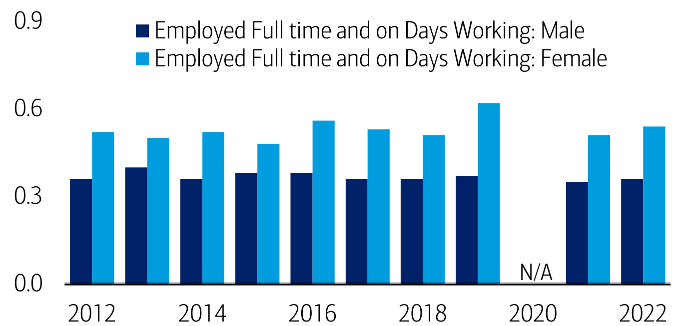
**Exhibit 8: Average hours per day spent in household care giving activities by employed and full-time individuals**

The disproportionate amount of time spent by women on these activities is true even when you look at full-time employed women only




**Source:** American Time Use Survey, Haver Analytics; Note: Includes childcare and travel for related activities

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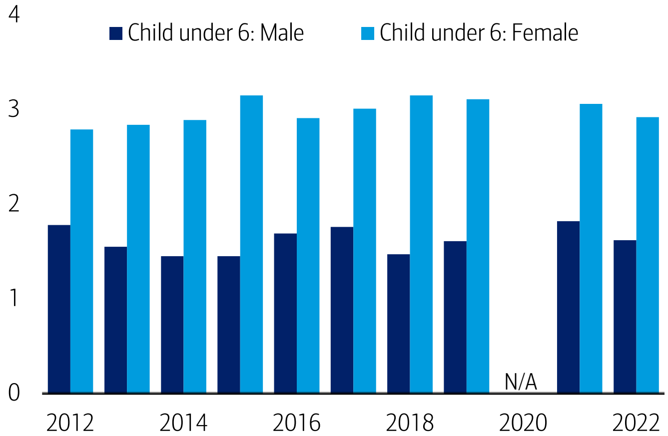
## The strongest recovery was among young prime age mothers

Given the outsized role that women play in household care giving activities, including childcare, this fiscal support along with a more flexible working environment likely helped fuel some of the recovery in labor force participation for prime age women by reducing their childcare burden. Hence, despite continuing to spend more hours than men on these activities, women have spent slightly less time on them in 2021 and 2022 as compared to the pre pandemic 2019 level (Exhibit 7).

**Exhibit 9: Average hours per day spent on household care giving activities by individuals with a child under six years of age**

Women with children under six also spend a lot more time on these activities




**Source:** American Time Use Survey, Haver Analytics; Note: Includes childcare and travel for related activities

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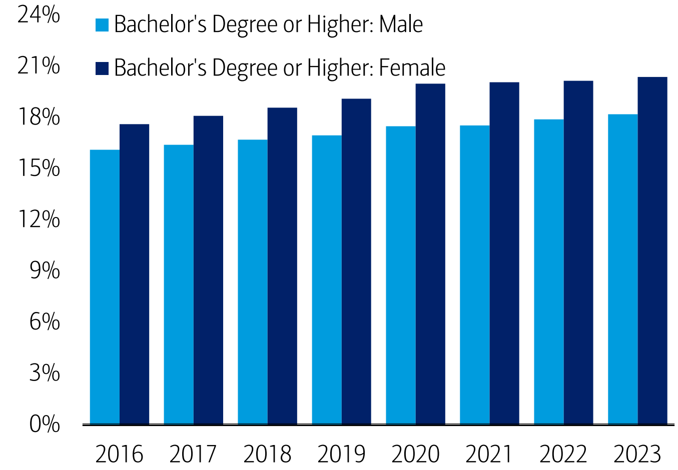
**Exhibit 10: Share of civilian non-institutional population (25 years +, NSA, %)**

There is a higher share of women in the population who have a Bachelor's & higher degree




**Source:** Bureau of Labor Statistics, Haver Analytics

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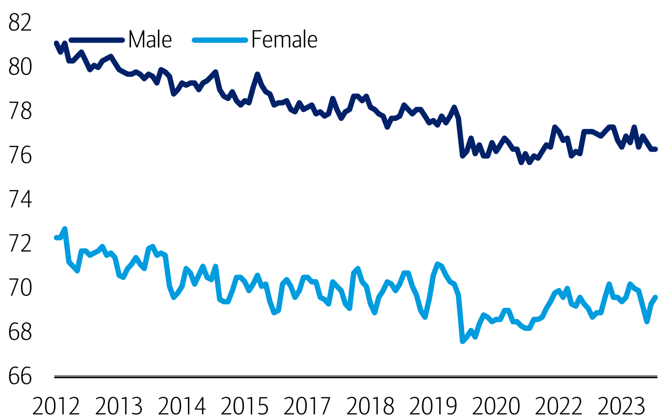
For women with children under six years old, the decline in hours devoted to household care as compared to the pre pandemic 2019 level is even larger (Exhibit 9), though we note the overall drop is fairly modest. Work by economic researchers Bauer and Wang (2023) confirms that women whose youngest child is under the age of five have seen the strongest rebound in participation rates among prime age women.

**Exhibit 11: Labor force participation rate (bachelor's & higher degree, 25 years+, NSA, %)**

Despite women with a bachelor's & higher degree having a higher share in the population, they still have a lower participation rate as compared to men




**Source:** Bureau of Labor Statistics, Haver Analytics

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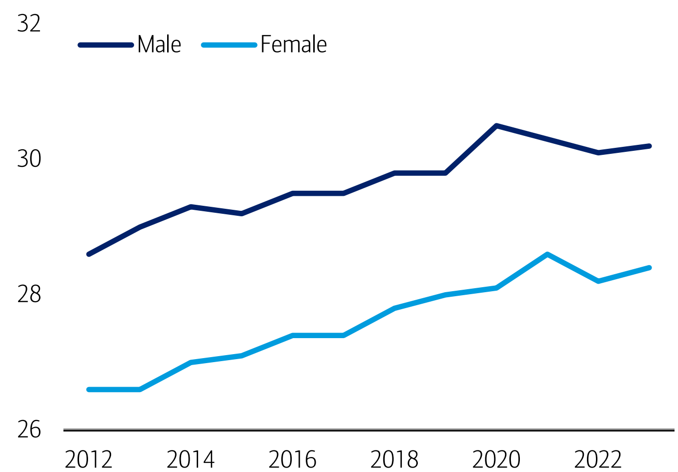
**Exhibit 12: Median age at first marriage (years)**

The average age of marriage for women has continued trending upwards




**Source:** Census Bureau, Haver Analytics

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## Women and caregiving responsibilities: a deeper look

Even though the post pandemic recovery of female labor force participation has been nothing short of remarkable, the labor force participation rate for women remains consistently below that of men. In fact, it has been more or less stagnant for the past decade or so (Exhibit 3).

One reason for this is that women (employed as well as unemployed) spend more time than men on household care giving activities, including childcare (Exhibit 7). The disproportionate amount of time is even more evident when you look at full-time employed women only (Exhibit 8). Even here, the burden of household care activities is on women though there has been some recovery on that front as compared to the pre pandemic level.

Also, as mentioned above, young mothers also spend a lot more time on household care giving activities (Exhibit 9) because of the increased burden of childcare in that age group. There has been some recovery here as well as compared to the pandemic level but the overall recovery is fairly modest across the board. As per (see report) This Mother's Day, More Moms Back at Work, but Care Challenges Remain | CEA | The White House, despite the recovery, the labor force participation rate of prime age young mothers is the lowest in that group.

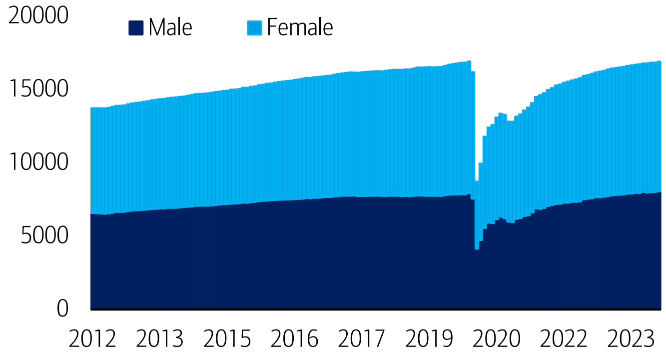
Overall, even though the pandemic led to structural changes in favor of more work-from-home opportunities and fiscal support helped reduce the burden of household care giving activities shared by women, but by and large the difference between time spent by women and men on household care giving activities has remained consistent in the past decade, likely hindering substantial progress in women's labor force participation. Also, the pandemic-era fiscal support for childcare ended in Sept '23, another potential cause for concern on this front.

Additionally, as per a recent Bank of America Institute Report, the US lags in female labor participation compared to other OECD countries. One of the reasons may be that childcare costs are higher compared to other OECD countries. Also, currently US childcare prices remain particularly inflated.

This is also likely the reason why even though a higher share of women in the population have a Bachelor's & higher degree (Exhibit 10), they have a lower participation rate than men (Exhibit 11).

But that is likely to change as work schedules become more flexible, policy becomes more supportive, the average age of marriage for women continues trending up (Exhibit 12), women continue attaining more education, and as social norms change.

**Exhibit 13: Female employees (leisure & hospitality, SA, thous)**
Historically, women have a higher presence in high touch service sectors




**Source:** Bureau of Labor Statistics, Haver Analytics

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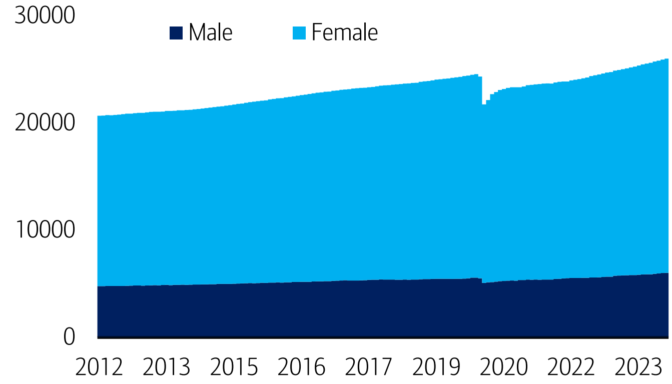
**Exhibit 14: Female employees (education & health, SA, thous)**
Women also drive employment in the education and health sector




**Source:** Bureau of Labor Statistics, Haver Analytics

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## Catch-up effect in employment accelerated US growth…

We now turn from participation rates to re-employment trends and the role that the rebound in the labor force played in helping the economy to grow steadily with low rates of employment and falling inflation.

The surge in worker availability has allowed the economy to meet the demand for employment, which has been fueled by reopening forces and the rotation of spending toward services, specifically in industries such as leisure & hospitality. Employment in these jobs, along with education and health, remains below pre-pandemic trends, suggesting further room for employment to "catch up." We expect the "catch-up" effect in employment will likely persist this year albeit to a lesser degree than in prior years. We look for these effects to have dissipated as the economy moves into 2025 and beyond.

## …and women drove employment gains in key sectors

In Exhibit 13 and Exhibit 14, we see that the composition of employment in these two sectors which are keeping this narrowly driven strength in the US labor market going. Women seem to have a higher presence in high-touch service sectors like leisure and employment and education and health.

Due to their over representation in these sectors, female employment suffered more than male employment during the pandemic. The effect of Covid weighed more heavily on face-to-face activity which was perceived to be associated with higher infection risk.

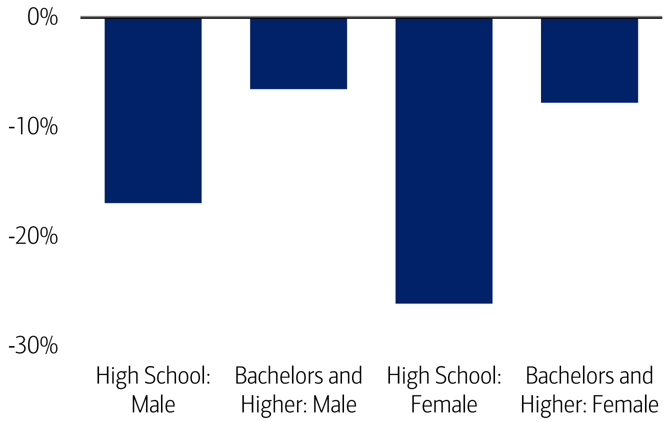
Employment in these sectors took longer to recover than male-dominated sectors like manufacturing and construction with demand rotating away from services toward goods early in the pandemic. From February to April 2020, employment fell by 18.2% among women and 14.2% among men. While male employment started to recover by February 2022, female employment didn't recover until February 2023.

As the economy gradually reopened and spending on services returned, women began to benefit. Demand for labor in these sectors started to recover from the pandemic and, as more flexible work arrangements and childcare support helped women back into the work force, female employment recovered. Currently it is 1.3% above its pre-pandemic level.

The data suggest women have played a prominent role in sectors that have been responsible for driving the significant re-employment trends, sparking our optimism about the ability of the economy to grow and avoid a recession.

**Exhibit 15: Change in employment in the first two months of the pandemic (NSA, %)**

Within the high school category, women with a high school degree saw a higher rate of job loss




**Source:** Bureau of Labor Statistics, Haver Analytics

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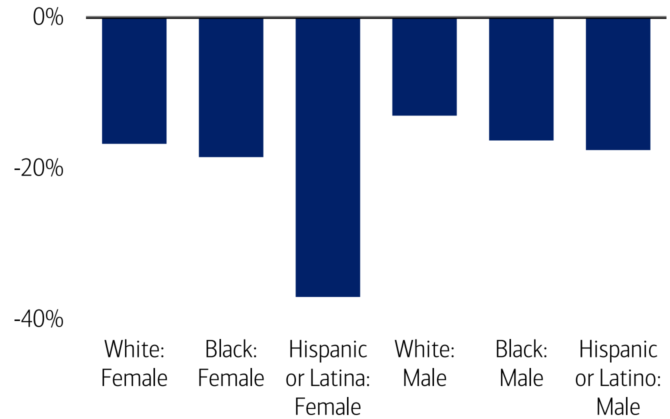
**Exhibit 16: Change in employment in the first two months of the pandemic (NSA, %)**

Hispanic/Latina women saw a 37.0% loss in employment in the first few months of the pandemic




**Source:** Bureau of Labor Statistics, Haver Analytics

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## Who suffered job losses during the pandemic?

Services sectors such as leisure and hospitality saw a bigger decline in employment because of the nature of the pandemic. Other factors include:

- **Education:** Having only a high school degree left people more vulnerable to job losses at the start of the pandemic. Sectors that require only a high school degree like leisure & hospitality and construction, among others, suffered proportionately more than other sectors like finance and professional services which require a bachelor's degree or higher. These sectors could transition to a work-from-home arrangement with more ease. Indeed, women with a high school degree alone saw a higher rate of job loss (Exhibit 15). Most of these cohorts have now recovered to above pre pandemic levels, except for the high school female category.
- **Race:** People of color (Black and Hispanic/Latin American) on an average saw more disproportionate job loss. Hispanic/Latina women saw a 37.0% loss in employment (Exhibit 16) in the first few months of the pandemic, but they have currently recovered remarkably to above pre pandemic levels.
- **Marital Status:** Married women saw a bigger decline in employment (12.9%) compared to married men (9.1%) but their employment has also recovered to above pre pandemic levels.

The economist Claudia Goldin's 2022 work also maintains that educational qualifications, race and employment sector were more important factors in pandemic-led job losses than gender alone.

## Women have the power of the purse..

An important wildcard that has kept the US economy growing at such a resilient pace since last year has been the strength of the US consumer, spurred by a strong labor market, healthy balance sheets and excess savings from the pandemic. In our updated outlook for 2024, consumer spending is likely to rise by about a 2.0% annualized pace in 2024 and 2025.

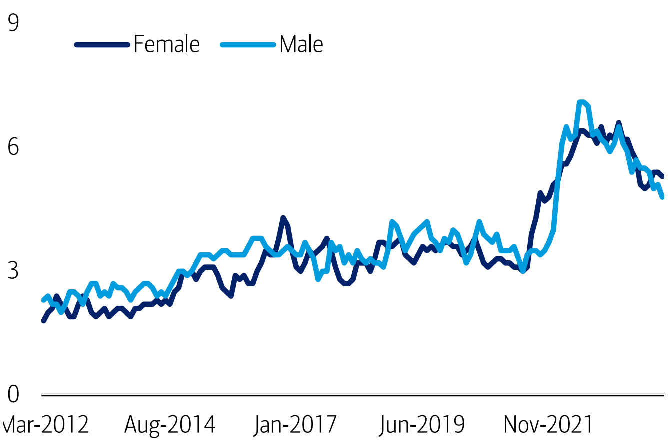
As per a report by Forbes in 2019, women make up about half of the US population but control or influence 70-80% of consumer spending decisions. Nearly 90% of women who are married or live with a partner said they are involved in spending and investing decisions in their household, up from just 42% in 2012, according to a 2020 report by Hearts & Wallets, a consumer research firm.

## ...and financial resources to support that power

Women have plenty of money to spend. As per a recent report from our ESG team (see reports: ESG Matters - Global: The Great Wealth Transfer: healthi-HER and wealthi-HER), $30tn in US wealth will be inherited by women in the next 10 years. They currently control more than $10 tn (~ 33%) of total U.S. household financial assets. Additionally, women over 50 now have $15tn in spending power. Despite the persistent gender pay gap, wage growth has become higher for women recently (Exhibit 17) and, according to a 2023 Bloomberg report, in almost half of opposite sex marriages in the US, women now earn at least as much or more than their husbands.

**Exhibit 17: Median wage growth (3 month moving average, NSA, y/y % change)**

Despite the gender pay gap still existing, wage growth has become higher for women recently




**Source:** Federal Reserve Bank of Atlanta, Haver Analytics

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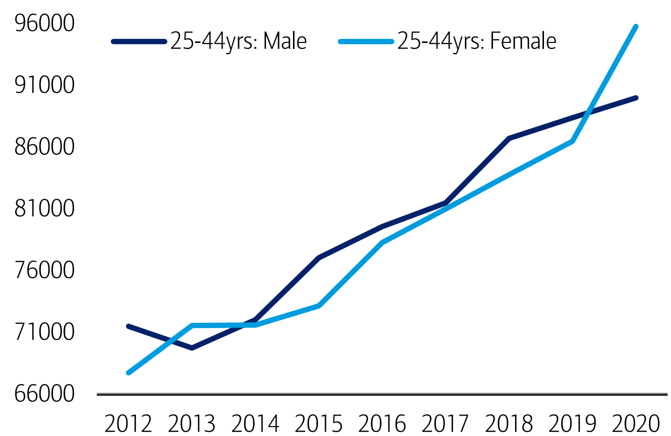
**Exhibit 18: Average annual expenditure of single male and female consumer units (25-44 years, $)**

Single women have recently started spending more than men amongst millennials




**Source:** Consumer Expenditure Survey, Haver Analytics

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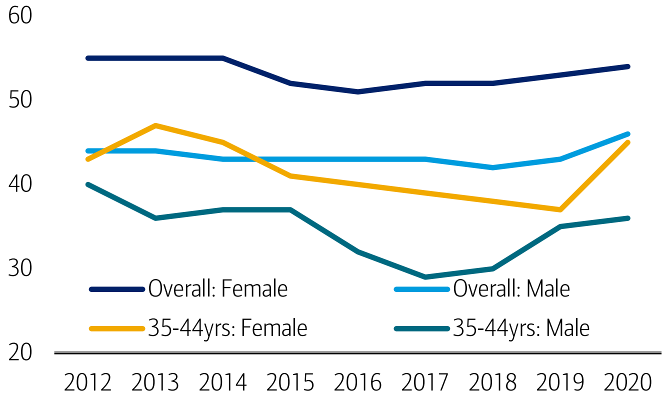
**Women are likely the spenders of the future**

As per data from the US Labor Department's Consumer Expenditure Survey, among millennials single women have recently started spending more than men. And, given the rise in their marriage age, women are likely to be the spenders of the future (Exhibit 18). As per a recent report by our China economists (see report: China Watch: IWD Special: Rising independence and spending power of Chinese women), single women (aged <45 years) are spending more on themselves and focusing on experiences and self-care. Hence, as mentioned in (see reports) ESG Matters - Global: The Great Wealth Transfer: healthi-HER and wealthi-HER, it is important to understand the focus of women's consumer basket and target marketing towards them to sustain the strength in the US consumer.

**Exhibit 19: Single male and female homeownership share (%)**
Overall as well as amongst older millennials (35-44 years), share of homeownership is higher for single females than single males




**Source:** Consumer Expenditure Survey, Haver Analytics, Note: Homeownership share here refers to % of single males or females who own their own homes as opposed to renting it

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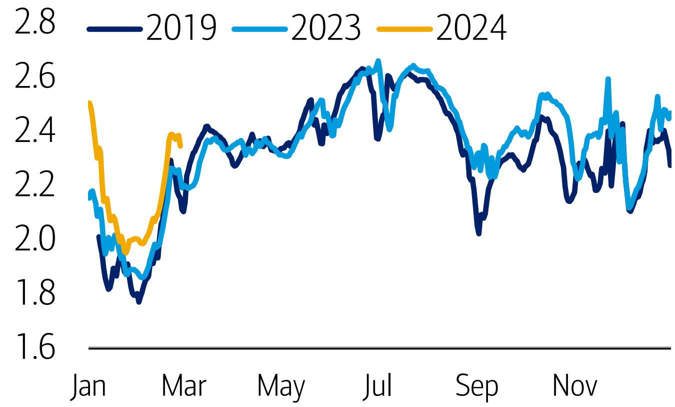
**Exhibit 20: TSA throughput (millions of passengers)**
Air travel is showing no signs of slowing down and is running above pre pandemic levels




**Source:** Transport Security Administration

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**Women increasingly own their own home…**

One reason consumer spending has been so resilient despite Fed hikes is because most homeowners are locked into low-interest rate 30-year fixed-rate mortgages. We note that the top homebuyers after married couples are now single women as per the 2023 National Association of Realtors (NAR) profile of home buyers and sellers. Also, as per the Consumer Expenditure Survey data, overall as well as among older millennials (35-44 years) who are in their prime home buying age, the share of homeownership (as opposed to renting) is higher for single females than single males (Exhibit 19). This is particularly notable given that until 1974, women required a co-signer to obtain a mortgage. The increasing role of women in homeownership will not only be an important driver of strong consumer spending but also influence future housing demand.

**…and like to travel**

Another, contributor to consumer spending has been air travel. The TSA (Transport Security Administration) data show that travel is running above pre-pandemic levels and showing no sign of slowing down (Exhibit 20). This has been helpful in supporting the strong consumer spending in the economy.

Women appear to have a role to play in this robust sector as well. As per a note by New York Times in 2018 and a book by Bridget Brennan, women make 70% of all travel decisions, seemingly playing a role in this important sector as well.

**"Funflation" led by female led entertainment events**

Female led entertainment events, like Taylor Swift's *Eras Tour* and the Barbie movie, have had an outsized impact on consumer spending and have helped usher in the era of "funflation" – the trend in which consumers spend freely on experiences despite economic uncertainty and high inflation.

The Eras Tour could likely generate $4.6 bn in US consumer spending as per June 2023 data from research firm QuestionPro. A recent report by Bank of America Institute, Consumer Morsel: Sparks fly on local spending during live events (bankofamerica.com) also highlighted that in the era of "funflation," live events boost spending in the local economy, especially in restaurants and bars and other leisure activities. As per our BAC internal credit and debit card data (see the report, BofA on USA: Weekly spending update through Jul 29 for methodology, limitations, and disclaimers related to BAC card data), increase in entertainment and clothing store spending growth in late July were likely partially driven by the release of the much-anticipated movies, Barbie and Oppenheimer (Exhibit 21).

**Consumer confidence for women is also on the rise**

As per the University of Michigan consumer expectations data, women have had lower consumer sentiment as compared to men more or less throughout the last decade or so (Exhibit 22). During the pandemic, women were disproportionately impacted in terms of higher job losses and lower labor force participation likely due to increased burden of care giving activities, overrepresentation in high tough service sectors as well as other factors like educational attainment and race. Hence, it seems reasonable that women would have a lower consumer sentiment index in that period.

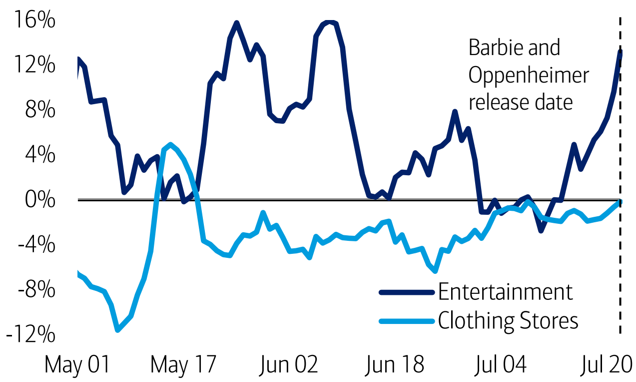
But recently, the University of Michigan consumer sentiment index is starting to climb back upwards. This is true for both male and female cohorts as well (Exhibit 22). This makes sense given that labor force participation rates and employment have largely returned to pre pandemic levels. In addition, we think sentiment is being supported by several factors influencing the view:

- People are gradually adapting to the idea that US economy can have growth and disinflation simultaneously,
- The work environment has become more flexible which is more beneficial for women since they share a higher burden of household activities.
- "Funflation" led by female led entertainment events has driven consumers to spend on popular fun experiences like live events (for example the popular Taylor Swift Eras Tour) even during times of inflation and economic uncertainty.

Overall, it looks like the "vibecession" in the economy seems to finally be ending, even for women who suffered more disproportionately during the pandemic.

**Exhibit 21: Spending per HH on entertainment and clothing stores, based on BAC aggregated credit and debit card data (y/y % change of the 7-day ma of spending levels)**

Increase in entertainment and clothing store spending growth in late July were likely partially driven by the release of the much-anticipated movies, Barbie and Oppenheimer




**Source:** BAC internal data, See the report, BofA on USA: Weekly spending update through Jul 29 for methodology, limitations, and disclaimers related to BAC card data

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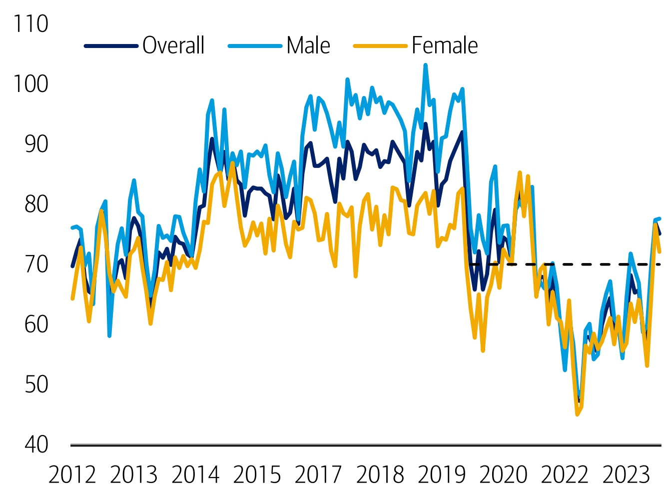
**Exhibit 22: University of Michigan consumer expectations (1Q66 = 100)**

University of Michigan consumer sentiment index is starting to climb back upwards. This is true for both male and female cohorts as well.




**Source:** University of Michigan, Haver Analytics

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## Looking forward: still untapped potential

Women – through their participation in the workforce, importance to service-providing sectors, and increased spending power – are playing an increasingly important role in the US recovery. Even so, we think there remains untapped potential. While we make no specific policy prescriptions, it seems clear that fully unlocking this potential would likely require further advances in public and private policies aimed at reducing the cost of care giving, promoting flexible working arrangements, and/or reducing gender pay gaps. This could likely continue to incentivize the participation and involvement of women in the workforce, which would have beneficial aspects for the economy.

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