



## FEDERAL RESERVE BANK OF MINNEAPOLIS

*Pursuing an economy that works for all of us*

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### **Minneapolis Fed Initiative to Track Worker Welfare**

As one of the nation's 12 District Reserve Banks, the Federal Reserve Bank of Minneapolis is required to keep tabs on a regional economy that encompasses western Wisconsin and Michigan's Upper Peninsula, Minnesota, the Dakotas and Montana. The Minneapolis Fed pays a lot of attention to labor markets, but we have historically looked at labor markets through the prism of firms – namely, job creation, labor demand and job vacancy.

**We're now expanding that view to better understand labor markets from workers' point of view.** This document briefly outlines the rationale, goals, needs and initial efforts to gain critical, new understanding of labor markets for better monetary policy and, where possible, more efficient long-term outcomes for both labor supply and demand.

**Rationale:** Prior to the pandemic, the Minneapolis Fed persistently heard (for years) about rising job openings and worsening labor shortages while labor force participation was simultaneously stagnant or declining. The pandemic has since dislocated a huge number of workers, which has disproportionately impacted minority workers, lower-wage workers, and less-educated workers. Still, in the midst of this massive dislocation, many jobs continue to go unfilled. The resulting failure in job-matching between workers and firms is an economic loss for the economy, and especially for individual workers and firms.

***While considerable attention has historically been paid to firms' ability and willingness to create jobs, very little systemic attention has been, or is currently, paid to why workers are either unwilling or unable to take advantage of available job openings.***

**Goals:** This initiative seeks a better understanding of this seemingly contradictory employment environment. More specifically, this initiative seeks to better understand and highlight the obstacles and frictions that dislocated, marginally-attached and disenfranchised workers face in finding and retaining sustainable-wage jobs.

***The immediate, primary goal*** of this project is to better inform monetary policy about current labor market conditions for workers – particularly dislocated, marginally attached and disenfranchised workers – and to track changes to those conditions over time. As such, this initiative seeks regular, frequent and scalable insights about real-time labor market conditions and outcomes for workers, and particularly among worker populations most in need.

***A secondary goal*** of this effort will be to inform and guide public policy and private market attention and problem-solving to this issue in hopes of creating labor market outcomes that benefit both workers and firms with labor needs.

**Outreach and data gathering:** Initial outreach will involve stakeholder and intermediary organizations—private, nonprofit and governmental—that have frequent contact with dislocated, marginally attached, and disenfranchised workers. The Bank is interested in different levels or types of intelligence:

- **Short-term:** Immediate and ongoing intelligence on current circumstances and challenges facing disadvantaged workers. This intelligence can take on many forms – anecdotes, generalized impressions, hard data and other information. As such, the Bank is looking to develop contacts and processes that can deliver information on worker welfare on a frequent, real-time basis.
- **Long-term:** Over time, the Bank seeks to develop metrics and processes that will track labor conditions over time for different types of workers and worker groups. It also hopes to develop both qualitative and quantitative intelligence over time.

Among many areas and topics of possible discovery:

- The availability of jobs suitable to individual workers.
- Workers’ perceptions of job quality among available openings (e.g. wages, benefits, proximity, workplace environment and culture).
- Obstacles to obtaining and retaining work, their prevalence, and for whom.
- Employer and policy-related incentives and disincentives for work.
- The efficiency of existing job-matching mechanisms, in human resource practices at private firms as well as government and nonprofit workforce development systems.

**Outcomes/output:** This new, enhanced intelligence gathering will be used by the Bank for a variety of internal and external purposes. Specifically, it will help the Bank better understand labor market trends for better monetary policy—and importantly, this will also help President Neel Kashkari shine a spotlight on these matters to a broader/national audience. This intelligence also will be utilized in Bank- and System-related publications like the [Beige Book](#) to communicate worker-welfare conditions to the public.

**“The Ask”:** The Minneapolis Fed is seeking input on this initiative from many different labor market intermediaries – public and private workforce orgs, staffing firms, data experts, etc. While we are interested all workers (working and non-working), we are focusing early/immediate attention on dislocated, marginally attached and disenfranchised workers. To that end (and among other issues), we have both immediate (qualitative) and long-term (more quantitative) information needs:

**Immediate assessment:**

- Among different populations/groups of dislocated/marginally attached/disenfranchised workers, which ones are currently faring the worst/best? Why? As the pandemic persists, are conditions getting better or worse? For whom? How do we know?
- What are the biggest obstacles to labor force participation for dislocated, marginally attached or disenfranchised workers? How do we know?

**Long-term assessment**

- What data do we have on the size, scale and characteristics of dislocated, marginally attached or disenfranchised workers? Can we (eventually?) track these matters in real-time, and over time?
- How can we move from an anecdotal welfare assessment of disadvantaged workers to something more comprehensive, concrete and purposeful?

**Strategic guidance:** This is a long-term initiative by the Bank. In that vein:

- What guidance would you provide on the kinds of data and other information we are seeking?
- Who would you recommend we talk to about both this initiative, both for immediate insights on worker welfare as well as strategic guidance?