

## Business

# Drug and Alcohol Abuse Is Slowing Labor Force Recovery, Fed Finds

- Substance abuse may account for quarter of labor force decline
- Study by Atlanta Fed and co-authors notes lasting harm to jobs

By Steve Matthews

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Federal Reserve policy makers and researchers who have been puzzled by the slow return of U.S. workers to the labor force during the Covid-19 pandemic may have found a new explanation: alcohol and drug abuse.

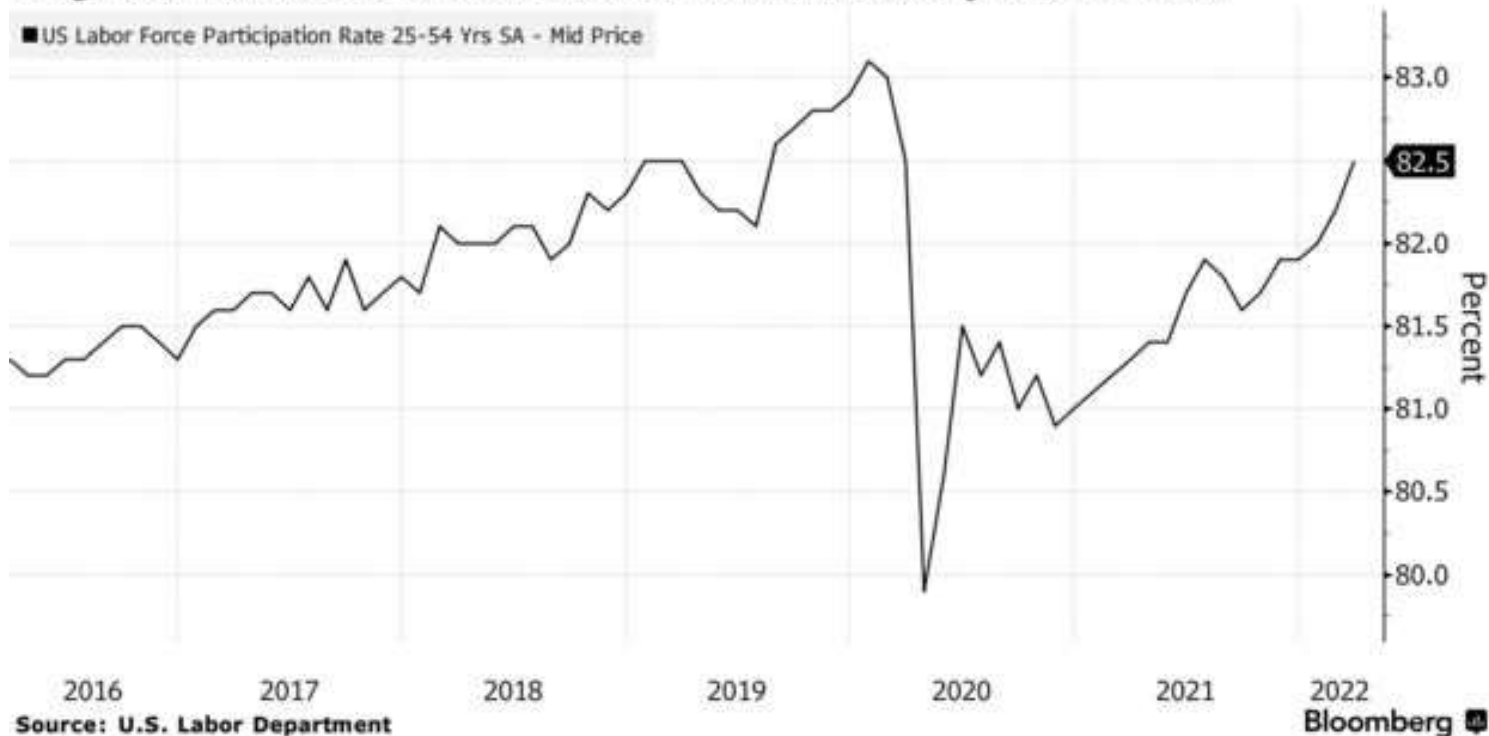
Increased substance abuse accounts for between 9% and 26% of the decline in prime-age labor-force participation between February 2020 and June 2021, according to a new study by Federal Reserve Bank of Atlanta researcher Karen Kopecky, Jeremy Greenwood of the University of Pennsylvania and Nezih Guner of the Universitat Autònoma de Barcelona.

Labor force participation of workers ages 25 to 54 hasn't fully recovered after plunging in March 2020 as the Covid crisis caused shutdowns in the U.S. and globally. Fed officials have cited a number of reasons for the slowness, including issues with child care and elder care, in-person schools being closed, concerns about getting sick and extra unemployment benefits.

The failure of workers to come back as quickly as expected is contributing to the tightness of the labor market and upward pressure on wages, and is among the supply constraints the Fed hopes will ease as it raises interest rates to confront the hottest inflation in 40 years.

## Still Lagging

Drugs and alcohol abuse are one factor in slow recovery in labor force



The Atlanta Fed co-authored study, published by National Bureau of Economic Research, found higher drug use during the epidemic might have been an important contributing factor.

“Once started, drug and alcohol abuse is difficult to stop for many people,” the study said. So “an increase in substance abuse during the pandemic would mean lower labor-force participation rates even after the pandemic has ended.”

Most of the decline in participation has occurred from Americans without a college degree, who have also had higher levels of drug abuse, the researchers found.

Recently, Fed officials have had good news with more people entering the job market. The labor force participation rate -- the share of the population that is working or looking for work -- edged higher last month to 62.4%, and the rate for so-called prime age workers, ages 25-54, rose to a two-year high.

The overall participation rate remains 1 percentage point lower than before the pandemic. Other causes include early retirements, shifting child care arrangements and public health concerns.