



**Economic and Community Advisory Council  
March 7, 2023**

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened the first meeting of 2023 on March 7, in person at the Federal Reserve Bank of Philadelphia, with an option to attend virtually. The ECAC consists of national and regional leaders offering a broad range of perspectives, including business, philanthropy, academics, community development, and organized labor. The meeting focused on consumer trends as well as current business, labor market, and economic conditions. There were 11 ECAC members in attendance. More information about the ECAC council and its members can be found on the [Federal Reserve Bank of Philadelphia website](#).

Deborah Hayes, senior vice president of Corporate Affairs, opened the meeting and facilitated introductions. Dennis Pullin, the council vice chair, provided welcoming remarks before turning the meeting over to President Patrick Harker for his reflections on the economy. Then Tom Akana, a senior advisor and research fellow in the Consumer Finance Institute (CFI), gave a presentation on consumer well-being and consumer trends research. Theresa Singleton, senior vice president and community affairs officer, facilitated a consumer-focused group discussion. Ryo Tashiro, senior outreach economist in the Research Department, presented an overview of the current economic outlook and business conditions, and Vice Chair Pullin facilitated a second group discussion. The highlights of both components are included below.

The economic impact of inflation continues to be a primary concern among members, particularly at a time when some of the relief supports and protections set up during the pandemic are being eliminated. Several members mentioned that households are being more careful with their budgets, as demonstrated by a spending shift to value retailers and evidence of price sensitivity to monthly bills such as broadband. A member in retail pointed to research showing that consumers are purchasing smaller packaged items rather than bulk quantities and are eating at home more often in an effort to save money. According to a member in the utility sector, adoption of budget billing plans is higher and accounts receivable have been elevated since the onset of the pandemic. A moratorium that protected customers who were behind on their bills will soon end, allowing companies the option to shut off unpaid utilities. Another member reported that food insecurity persists, including in remote areas and among certain populations, such as Native American, Latino, and African American, and families with children. The elimination of Supplemental Nutrition Assistance Program (SNAP) emergency benefits, which equate to \$2.4 billion a year in Pennsylvania alone, will further elevate food insecurity for low-income households and place additional demand on the nonprofit networks that provide support.

The hospitality sector is especially sensitive to higher costs of food and wages. A member noted that Paycheck Protection Program loans and other relief measures that had offset these costs are no longer available and new strategies to earn revenue are being considered. For example, lower-cost fast casual restaurants are becoming more popular, and home delivery is here to stay. In addition, some restaurants are passing the 3 percent credit card fee on to customers. Those businesses located in urban areas have the additional challenges of crime and safety concerns and the lower volume of weekday customers because of telecommuting. As a result, some operators are focused on expanding their footprints in suburban areas instead.



Supply chain issues persist for members in select sectors, while they are becoming less pronounced for others. The hospitality industry is still experiencing supply issues and the resulting cost fluctuations for specific foods on a rotating basis. These costs are passed to the consumer in the form of higher prices. However, members in the manufacturing sector noted a more stabilized supply chain. Members representing the housing industry noted both supply and demand fluctuations. The demand for affordable housing is currently outpacing supply. A member shared that in many regions across Pennsylvania, potential affordable housing units are being purchased by investors, which is further limiting opportunity for lower-income residents. In the more affluent segment of the market, demand for building new homes dropped when rates escalated, but a member shared that the trend has leveled off recently, indicating that homebuyers may be getting accustomed to the rate increases.

Continued labor market challenges were also voiced by members. The healthcare industry, in particular, is plagued by a labor shortage. One member reported that healthcare providers are busier than ever, yet over half of the hospitals nationally have been operating in a negative position. The member further noted that experienced care providers are leaving the industry in large numbers, the new talent pipeline is limited, turnover is high, and callouts are frequent. The hiring and onboarding process is costly, with one healthcare system experiencing a nearly 50 percent turnover rate for workers within their first year of employment. As a result, new models of healthcare will likely emerge, such as remote patient monitoring, more at-home care options, and the use of artificial intelligence.

Several other labor market trends were shared. Leaders in the manufacturing sector highlighted challenges in recruiting skilled workers, such as mechanics, plumbers, and electricians, and in keeping second and third shifts covered. Despite the high demand for workers, a member from New Jersey reported that people of color still encounter barriers to entering the trades. Another member mentioned that skilled trade paths are not valued or encouraged in our society and that the situation will worsen as the current workers retire. A member in the higher education sector suggested that the lack of workers is partly due to some taking time out of the workforce to gain new skills or certifications, in order to access higher-quality job opportunities. Conversely, members reported that labor issues have eased somewhat in industries that are able to offer hybrid options and daytime shifts. To this end, a member in the tech sector noted a declining attrition rate for employees.

Members also highlighted solutions to help address labor market challenges and develop skills of their regional workforces. One member's organization recently launched a mobile academy that provides underserved communities with job training and other job readiness support. In addition, the organization is partnering with a national childcare provider to develop a program to offer quality childcare for subsidized housing residents to reduce this barrier for employment. A higher education leader highlighted that the institution encourages first-year college students, and for some majors requires them, to complete internships to start early in preparing them for future work. Industry practitioners provide in-classroom training to these students in their second year and continue to mentor them in their third and fourth years.

Members also emphasized the need for greater mental health awareness, a topic that has been raised in previous meetings. The problem affects both the current labor force and those training to enter the workforce. Burnout, pandemic-related post-traumatic stress disorder, and stress are some of the reasons healthcare workers have fled the patient-care setting. A member representing higher education



reflected that mental health concerns among students and faculty are being reported at an all-time high.

Finally, several members noted that payment trends that Akana shared align with what they are experiencing. A member from the retail sector reflected that sales activity, while lower than prepandemic levels, has been resilient around holiday purchases of food, décor, and gifts. Several members also reported that consumer payments, orders, and purchases have shifted to digital platforms, consistent with the CFI research results.

After the group discussions, Vice Chair Pullin turned the meeting back over to President Harker for closing remarks. President Harker expressed his appreciation for the members' insights on consumer trends and the state of the economy and for their perspectives as employers. The council will reconvene in August 2023.