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Economic and Community Advisory Council
March 30, 2022

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened virtually on March 30 for its first meeting of 2022. The ECAC consists of national and regional leaders from a broad range of perspectives, encompassing business, philanthropic, academic, community development, and organized labor voices. This meeting focused on workforce challenges as well as current consumer, business, and economic trends. There were 14 ECAC members in attendance. Four new members were appointed in 2022 and joined for their first meeting. 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 group introductions. Chellie Cameron, council chair, gave welcoming remarks and a brief overview of the agenda before turning it over to President Patrick Harker for his reflections on the economy. After taking questions, President Harker turned the meeting to Ryo Tashiro, senior outreach economist, who shared the current labor market outlook. Following this update, Keith Wardrip, community development research manager, spoke about labor market challenges and opportunities. Wardrip then handed the meeting back to Chair Cameron, who asked each member for insights.

Similar to previous council meetings, members emphasized that challenging labor market conditions remain a primary concern. There continues to be significant wage pressure as companies compete for talent. One member noted that for their temporary workers, they are paying 45 percent more than they were two years ago. For full-time staff, wages have increased 15 percent over the same period. Wage compression has added another layer of complexity to this dynamic. Senior employees are frustrated with the wages and benefits being introduced to attract new talent, and they feel they are not being fairly compensated for their years of service and dedication. Several members noted issues recruiting and retaining technical talent and other skilled labor. Others are concerned with workers leaving federal, state, and local government jobs to take higher-paying private sector positions, potentially weakening some government functions such as defense. Part-time workers have been a particular challenge for employers to attract and retain for several reasons. Some workers are taking advantage of the competitive wage environment and continually seeking new employment with higher wages. Other employees continue to work multiple jobs or supplement with a gig job to balance their work-life responsibilities, such as childcare, education, or parent care. A council member shared that because of companywide wage increases, some of their part-time staff have reduced their hours, as they do not need to work as much to support themselves. The same council member also noted that childcare issues have contributed to their inability to schedule and retain part-time workers, particularly those who are women.

The health-care and hospitality industries continue to endure obstacles related to the COVID-19 pandemic. Many restaurants remain on a limited operating schedule because of fluctuations in demand and tight labor market conditions. In contrast, a member reported that convenience stores are seeing unprecedented sales. He explained that the business model of being open longer hours, offering lower-cost meals, and having limited interaction with customers has been favorable to consumers through the pandemic. One member noted that a substantial number of managers, general managers, and college workers have exited the hospitality industry in search of new opportunities. Health care has also faced substantial labor shortages that have been exacerbated by burnout, posttraumatic stress disorder (PTSD) related to COVID-19, and increased patient violence against health-care workers. Many hospitals have had to turn to the use of agency workers to cover these open positions, which comes at an exorbitant price.

Consistent with previous council meetings, supply chain disruptions remain a challenge. Several members indicated that since the last convening in November, supply chain issues have not improved, but they also have not worsened. Construction and manufacturing continue to be significantly impacted. As a result, companies have begun extending required lead times. Several council members pointed to the recent shutdowns in China and the war in Ukraine as indicators that production streams would continue to be impacted for the foreseeable future. One council member expressed significant concern about the impact the war could have on their ability to import raw materials from Russia that are essential for their business. Additionally, oil and gas fluctuations were reported by several members as a concern. This is especially troubling for more rural communities, where there are limited public transportation opportunities. Two council members reflected on how this price uncertainty might affect summer travel plans. However, members noted that economic activity related to travel and hospitality continues to recover, with some sectors, like tourism, experiencing pent-up demand. One council member speculated that most Americans will travel this summer — the question is how far.

The housing market continues to be strong, despite recent rate increases. One council member highlighted that higher-end housing remains robust, even after 30-year fixed rates shifted from 3 percent to 5 percent in 100 days. The member remarked that they have not seen an influx of buyers trying to get in before the next rate hike. Instead, buyers prepurchase homes, knowing they will not be able to get a mortgage for nine to 12 months. This timeline is due in part to a lack of inventory, limited land for development, and supply chain disruptions. This trend may reflect shifting priorities among Americans, as people spend more time in their home than before. In contrast, for low- and moderate-income (LMI) homebuyers, rising rates are expected to impact affordable housing availability. The lack of supply coupled with rising rates could pose significant challenges for those who are already budgeting at the margin. Mortgage payments would likely become a more substantial portion of their household income. One council member shared their organization has initiated a number of creative down payment programs to assist with individual housing and will continue to launch new products aimed at LMI communities.

Inflation is impacting both businesses and consumers alike, with one council member stating that inflation is their top concern at this time. They recently raised their prices 10 percent globally. Another member noted that some consumers seem to be scaling down in the face of inflation. They are seeking less expensive dining options with limited interaction, which has benefited the convenience industry but may have adverse effects on the hospitality sector. Additionally, smaller organizations tend to face a disproportionate impact as a result of economic fluctuations, such as those caused by energy and inflationary cost increases. Employees are also citing inflation pressures as companies begin return-to-office initiatives. Workers are reluctant to return, with some pointing to the rising cost of gas as a reason to continue work from home, particularly as they have been effective working at home over the last two years. This is a difficult trend for many employers to navigate as they move to bring workers back.

Following the conclusion of the facilitated group discussion, Chair Cameron turned the meeting back to President Harker to provide closing remarks. President Harker thanked members for their critical insights and reflected on the importance of the council. The council will reconvene in August for its first in-person meeting since 2020. The council will continue to focus on the effects of COVID-19 and economic conditions throughout the Third District.