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## **Economic and Community Advisory Council August 13, 2020 – Meeting Summary**

The Federal Reserve Bank of Philadelphia’s Economic and Community Advisory Council (ECAC) convened virtually on August 13 for its second meeting of 2020. The ECAC consists of national and regional leaders from a broad range of perspectives encompassing business, philanthropic, academic, and community development voices. This meeting highlighted the impact and continuing challenges of the COVID-19 pandemic with a focus on equitable recovery. The following members were in attendance: Rochelle Cameron, Marty Connor, Ed Dandridge, Susan Hakkarainen, Angelique Irvin, Sharmain Matlock-Turner, Don Schwarz, Joe Sheetz, Steve Somers, Dana Strong, and Linda Thompson.

Deborah Hayes, senior vice president of Corporate Affairs, opened the meeting and highlighted that Robin Wiessmann, executive director and CEO of the Pennsylvania Housing Finance Agency, would be joining the council. ECAC Chair Don Schwarz reviewed goals for the meeting. President Patrick Harker provided his reflections on the economy and the Federal Reserve’s response to the COVID-19 pandemic and answered questions from the members. President Harker then turned the meeting over to the council chair, Don Schwarz, who facilitated the discussion with members on business condition shifts, emerging trends, and labor market challenges.

### **Business and Economic Trends**

Council members reported that the pandemic continues to have disparate impacts across industry sectors. Many businesses have seen significant shifts in demand and have adjusted their models to take advantage of emerging opportunities. The residential market has strengthened considerably. Consumer behavior and preferences also continue to be quite different from pre-pandemic trends. The labor market remains stressed, particularly for sectors in which safety and social distancing is a concern.

Several members who had previously reported supply chain challenges in August acknowledged some improvements. Availability of materials has eased in areas where countries and borders have opened up but is still problematic in areas under travel restrictions. House building materials are constrained, as demand for home building has increased.

With low interest rates and many consumers considering their homes as a sanctuary, those who can afford it are moving, purchasing second homes, or investing more money in their homes. Businesses that support the residential housing market are strong. Housing prices have increased, home-building activity has surged, and home improvement sectors are doing



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well. Businesses that produce personal protective equipment and cleaning products also continue to experience growth. With uncertainty regarding the pandemic, there is a strong demand for these items in the foreseeable future.

The travel, tourism, and hospitality sectors are still struggling due to a combination of factors. In addition to a reliance on low-paid frontline workers, the sectors have high overhead costs. The extended pandemic has increased operating costs for cleaning and spacing protocols and has resulted in significantly lower revenue due to slowed business activity and spacing limitations. Air travel has resumed for transporting goods and supplies, although it is still strongly suppressed for business and vacation travel. International travel has essentially shut down for people but remains operational for cargo.

Members noted that a key driver of economic trends is the dramatic shifts in consumer behavior. In general, members noted that people are moving around less. There are fewer people commuting and using public transportation. In addition, consumers are making fewer trips to purchase goods, but some are spending more money when they do go to a retail store, which has a balancing effect. People are using less fuel to commute to work and school, but they use more fuel for day trips, weekend trips, and vacations to driving-distance locations. Those who are mobile are moving away from the cities to the suburban areas, as people are no longer required to be in the city to work. Some have relocated to their second homes at shore or mountain areas, creating additional shifts in spending away from the urban areas.

The technology sector has experienced major utilization swings, making it difficult to predict future growth. Members highlighted that internet access is now a critical basic need that should be provided everywhere automatically, like water and electricity. The pandemic worsened the effect of the digital divide as it fast-tracked the delivery of online access to education, training, work, services, and information. One member also reported that there is an emerging trend of consumers who are not taking advantage of low-priced internet access where it's been made available. The reason is not clear, although some members questioned if low- and moderate-income consumers may mistakenly believe their access needs can be met on their smartphones.

When reflecting on labor market dynamics, members highlighted their commitment to protecting their employees and maintaining safe work environments. Members also commented that workforce challenges have worsened during the pandemic. Several members



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noted extreme difficulty recruiting and keeping frontline workers, depending on the positions' perceived level of exposure risk. Demand for these usually lower-paid workers has increased for most businesses, with the need to sanitize public areas. Frontline workers are also being asked to do more tasks. In addition to cleaning, many have a customer service role policing the public to follow safety protocols and put themselves at risk in doing so.

In addition to safety concerns as a driver for hiring challenges, members from a variety of sectors questioned if the extra unemployment benefits had been a disincentive to return to work. Other members cited additional barriers to return to work, including lack of childcare, eldercare, and wrap-around supports. These barriers are expected to intensify in the fall, with schools limiting in-person classes and the inability for workers to use schools as a form of childcare. Many pre-K schools are also in jeopardy of closing. They require subsidies to operate based on the number of children enrolled, and lower attendance rates are eliminating funding streams.

Finally, members highlighted that layoffs are particularly prevalent in select industry sectors, including travel, tourism, and hospitality, and some noted that community organizations have developed and implemented training programs to transition those workers to more in-demand occupations. On the other hand, open positions where employees are able to work remotely are easier to fill, with an abundance of job applications and qualified candidates.

### **Equitable Recovery**

The discussion then shifted to equitable recovery strategies and the path forward. Don Schwarz reflected on health equity and highlighted the work of the Robert Wood Johnson Foundation and its health equity principles. Theresa Singleton, senior vice president of Community Development & Regional Outreach, provided an overview of Fed research in this space and the Racial Equity Learning Community. Ashley Putnam, director of the Economic Growth and Mobility Project, provided additional details on the Fed's work on strategies for achieving equity in recovery.

Council members shared ways in which they are supporting their employees and communities, including raising minimum salaries for frontline workers, providing low-cost or free internet access to households and schools, and donating used computers rather than



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destroying them. They also provided examples of how community organizations are working with small, minority-owned, and other hard-hit businesses to help them adapt their business models and access support programs.

Several members voiced additional concerns about the sustainability of larger cities. They questioned how the cities will recover equitably, given the significantly slowed economic activity, the flight to the suburbs that has occurred, and the limited support and barriers for the people living in city neighborhoods. One member also expressed concern for the over 10 million undocumented workers in this country and the impact they could have on the economy. These workers have no access to unemployment and no healthcare. They are often the lowest paid, on the front lines, and the most at risk for COVID-19.

The meeting concluded with President Harker highlighting the importance of gaining real-time insights from the council on how the pandemic is impacting business trends and the economy and how members are reacting. The next ECAC meeting, scheduled for November, will likely continue the discussion on the impact of the pandemic and priorities for 2021.