



**Economic and Community Advisory Council
November 16, 2022**

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened the third meeting of 2022 on November 16, in person at the Federal Reserve Bank of Philadelphia. 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 inflation, supply chain, supply and demand, and hiring and workforce issues. There were 10 ECAC members in attendance. More information about the ECAC council and its members can be found on the [Federal Reserve Bank of Philadelphia website](#).

Erin Mierzwa, assistant vice president of Strategic Outreach & Engagement, opened the meeting before turning it over to Rochelle Cameron, the council chair. Chair Cameron gave welcoming remarks and facilitated introductions. President Patrick Harker provided his reflections on the economy. Ryo Tashiro, senior outreach economist, gave a presentation on the current economic outlook and business and consumer conditions. Next, Chair Cameron facilitated a group discussion among council members.

As noted at prior council meetings, inflation continues to be a primary concern among members. Several members remarked that health insurance premiums for their employees have risen significantly. With persisting volatility in food and fuel prices, members in retail and hospitality sectors cautioned that increasing costs for goods and services too quickly puts them at risk for driving away demand. To lessen the impact of food and beverage price instability, one member reported that restaurant operators are continuing to adjust their business models, including scaling back operations and providing more quick-service options that appeal to consumers wishing to reduce their spending. A member with an international defense customer base noted that foreign competitors are offering lower-cost but lower-performance products, which impacts domestic demand. Another member in the manufacturing sector noted that additional off-shelf product placement will be required this holiday season in order to reach pre-pandemic sales levels. He also noted that national retail chains are combatting the inflationary environment by adjusting their business strategies, employing different approaches such as upscaling the guest experience and keeping inventory replenished to gain market share.

Several participants also reported shifts in consumer behavior and spending due to the inflationary environment, and some underscored how consumers at the lowest income levels were the most vulnerable. A member who represents low-wage workers remarked they are particularly challenged right now and unable to pay for gasoline and other critical discretionary items. Commensurate with rising insurance premiums, drug costs have risen, impacting patient populations. Another member, focused on workforce development and equitable growth, noted that a 15% increase in credit card debt should be cause for concern for underserved communities that are already struggling. He also shared that local government entities and nonprofits across the U.S. are in need of cost-lowering solutions for the growing number of households that can't afford basic amenities. Finally, within the telecommunications sector, a member noted that the demand for internet services has fallen for those households with income of less than \$75,000 per year.

Consumer spending cutbacks are not limited to low- to moderate-income communities. At the higher end of the earnings scale, a council member reported, as mortgage rates increased, orders to



build new homes dropped notably. A member in the hospitality sector remarked that patrons are limiting high-end dining experiences to weekends and special occasions. Members also noted strong spending activity for lower-priced food options, such as convenience stores, captive dining locations (theaters, sports arenas, etc.), and quick-service alternatives. However, a rebound of large-scale catering event bookings is expected to boost sales in 2023.

Several members also noted that supply chain issues have not yet dissipated in their sectors. One member questioned if these ongoing strains are more difficult to overcome in the manufacturing sector than in other sectors, such as retail, because if manufacturers are unable to secure inventory, they may not be able to produce the products, whereas retailers can sell alternate products. A member in the retail energy sector highlighted that limited fuel pipeline space halted the supply of diesel fuel to the Northeast ports. The short-term problem with the diesel shortage was increased diesel fuel prices, but in the longer term, any products moved by trucks may cost more. Despite the supply chain challenges in select sectors, another member in manufacturing reported shifting from chasing inventory to satisfy buyers to chasing buyers to purchase excess inventory.

After the economic discussion concluded, Tashiro presented labor market data trends and Ashley Putnam, director of the Economic Growth and Mobility Project, updated the council on her research on the economic impact of the pandemic on low-wage workers, which will be released in 2023. Several of the themes Putnam heard from workers resonated with the council members. A member who represents the labor market noted that the pursuit of job quality and dignity are trends among workers. The wages and working conditions of low-wage employees are often unfavorable, which also contradicts the message that these workers received during the pandemic that they were essential. When the council discussion turned to workforce challenges, members reacted with mixed sentiment. Some still struggle to find workers, while other members said that their organizations are at full capacity. A member in the defense industry is focused on maintaining staff levels and retaining talent, through motivation, acknowledgement, and recognition. Another member representing the hospitality sector has lowered job requirements, including years of experience, and is spending more resources on training and providing higher wages, in an effort to retain new hires longer. The pool of talent in skilled trades continues to shrink, according to a member in the homebuilding industry. Another member reported challenges attracting full-time workers in their early 20s into the retail convenience industry, while teenage workers are easier to find.

While labor market challenges persist, members also pointed to several positive emerging trends that could provide opportunities to connect employers to the unemployed. A few members noted recent layoffs in the technology sector of highly skilled employees, which will provide an avenue for other organizations to fill engineering and technical roles. A Pennsylvania-based member shared that the labor market is experiencing the mass retirement of those close to, or beyond, retirement age, making way for younger employees to fill positions. She also remarked that businesses are modernizing the systems they use, shifting the skill sets needed for new jobs. Members also mentioned that many new government positions will open over the next several years to work on infrastructure improvement projects. As these positions become available, a council member involved in workforce development stressed the importance of job quality, transparency, and enabling equitable access to these openings. Finally, two council members shared their efforts to implement more widespread workforce solutions. A member representing businesses is working on an initiative to improve livability in Greater Philadelphia



to attract talent and businesses to the area. Another member is working with cities and counties to raise labor force participation, ensuring equitable job growth, and increasing capital and wealth building opportunities.

After the facilitated group discussions, Chair Cameron turned the meeting back over to President Harker for closing remarks. He expressed his appreciation for the members' insights on the current state of the economy and their perspectives as employers. The council will reconvene in April 2023.