



FEDERAL RESERVE BANK OF PHILADELPHIA

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## **Economic and Community Advisory Council**

### **November 30, 2016, Meeting Summary**

The Federal Reserve Bank of Philadelphia's Economic and Community Advisory Council (ECAC) convened for the first time since expanding its membership earlier this year. The group's scope was broadened to include leaders from the philanthropic, higher education, and community development sectors, as well as organized labor. They joined distinguished business leaders who represent organizations of varying sizes and from different industry sectors and geographies to advance a dialogue on economic trends and emerging market conditions in the Third Federal Reserve District and across the country. Last week's gathering served as an essential first step in turning the critical conversations around the ECAC table into impactful initiatives that can address key issues facing our communities.

Philadelphia Fed President Patrick T. Harker led the meeting and opened with a high-level update on regional and national economic conditions and their impact on his monetary policy formation. President Harker emphasized the underlying strength in the nation's recent employment statistics. He noted that although pockets of more sluggish performance persist throughout the Third District both sector-wise and geographically, overall economic data have been solid for some time. While stubbornly low inflation remains a concern, President Harker reiterated the stance he has taken in recent public appearances: that the current sound fundamentals of the U.S. economy warrant a small hike in the federal funds rate in the near future. President Harker then opened the floor to members to discuss economic conditions in their regions and industries, and to touch on the day's theme of workforce development and labor force trends.

Council members generally reported that current economic conditions are favorable and business growth has been positive. Although this outlook was encouraging, members noted some impediments to potential growth. Transportation barriers exist across the Third District. Public transportation options are lacking in many regions, and this can constrain job access for the workforce. Within Philadelphia, the transportation network is well established, but there are limited opportunities to enhance it. Furthermore, some sections of the city are quite congested, which may limit business expansion in the future. Some members also expressed concerns over the negative effect that consolidation in the banking sector has had on credit availability at the local level. In addition, members highlighted challenges facing low- and moderate-income (LMI) people, such as access to affordable housing and the limited capacity of the nonprofits that work with the LMI community to meet the growing demand for services. Despite these hurdles, overall assessments of regional economic conditions remain strong.



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The discussion of labor force trends continued after a framing presentation from the Philadelphia Fed's Senior Vice President and Director of Research, Mike Dotsey, who shared data on secular trends in the U.S. labor force participation rate. Dotsey showed research from the Philadelphia Fed indicating that, as the number of retirees in the U.S. continues to increase with the aging of the baby boomer generation, the country's labor force participation rate will continue to decline. These structural, demographic shifts in the U.S. labor force are seen as strong enough to overwhelm any cyclical factors. Dotsey recommended policy changes, such as more flexible working conditions and immigration reform, to combat these trends.

ECAC members highlighted the demands that the changing economic landscape has on the American workforce from the perspective of their various industry sectors and focuses. Members raised concerns about the adaptability and skill alignment gaps of the current workforce to meet the growing needs of the 21st-century economy with its emphasis on high-skill professions. The dialogue also focused on the aging of the workforce and the need for succession planning at the upper management levels in many companies. In addition, members noted a desire to provide an environment that fosters the success of local businesses while still attracting large global and national companies to the region.

In response, senior Bank staff and other council members noted innovative efforts being implemented in the Third District to increase job readiness and to better prepare young people entering the workforce to meet the challenges of the day. Among the initiatives spotlighted were the West Philadelphia Skills Initiative, Delaware's Pathway to Prosperity program, and the comprehensive education models developed by Philadelphia Academies, Inc., which are being introduced in Philadelphia area high schools. These programs are indicative of the broader efforts underway to better prepare students for the 21st-century workplace and to address the need for greater skill alignment and improved career pathways.

Members from various industry sectors also noted the effects that rising levels of student debt have had on their hiring practices. In addition, increased college tuition is pricing a portion of the population out of traditional four-year programs at a time when wage premiums for college degrees have never been higher. The group discussed efforts being made around the Third District to promote alternative higher education programs through community colleges and technical or vocational schools. The Philadelphia Fed also highlighted its recent research on opportunity occupations — occupations that are generally considered accessible to someone without a bachelor's degree and that pay at least the national annual median wage.

As the conversation shifted from the obstacles facing the region to a discussion of possible solutions, the council emphasized the great need for collaboration across sectors in order to promote a data-driven strategic approach to address these and other key issues facing our regional and national



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economies. Members agreed that the region's economic and workforce development challenges are best addressed through enhanced public-private partnerships that can direct capital, research, and business activity through the appropriate channels to move our economy forward.

Finally, the group reflected on ways in which growth was uneven across the Third District. President Harker stressed the importance of ensuring that all communities and business have every opportunity to succeed and noted that this was especially relevant to the Bank's recently launched Agenda on Poverty and Prosperity. Members agreed that this topic warranted further attention and discussion and that there was the potential for public-private partnerships to address these subjects and promote more inclusive economic growth. The meeting concluded with a discussion of the council's agenda and priorities for the coming year and of the steps that can be taken to move from discussion to action to affect real change in the region on key economic issues.