**Transcript of Federal Reserve Board *Fed Listens* Event:
Perspectives on the Pandemic Recovery**

CHAIR POWELL. Thanks for joining us. Nearly three years after we started holding *Fed Listens* events around the country, the program has proved to be even more valuable than we could have imagined at the outset. Its original purpose was to elicit broad feedback as part of our monetary policy framework review. And we've long viewed community outreach as a vital part of our economic understanding. And these discussions have delivered such value that *Fed Listens* has evolved now to join the other regular staples of our outreach work. These events enable us to hear directly from people on the ground at the heart of the sectors and industries you represent from communities across the country, adding tone, contour and greater depth to our understanding of the nation's economic portrait. These insights are particularly valuable as we move through this challenging and precedent-shattering period. The speed and intensity of the downturn and the rapidity of the recovery in many areas are really without modern precedent. I'm very glad you could all join us today to offer your thoughts and I want to thank you on behalf of the whole Federal Reserve System, both for your presence today and for your continued feedback and participation. Some of the issues you're confronting that we'll talk about today are shared across sectors, while others are unique to your fields. Most of you are contending with changed workplaces, from safety protocols whose half-lives are unclear, to fundamental shifts in how your industries operate, in everything from feeding people to how movies are released. Business plans have been reworked, outlooks have been revised, and the future continues to be tinged with uncertainty. While uncertainty often results in immobility for businesses, it can also spell opportunity. And the creativity and adaptability on display over the past 18 months have been among the few bright spots we've had. I've been amazed and inspired by the flexibility and ingenuity, particularly that of small businesses, in shifting to meet the demands of a new reality.

So all of us are very much looking forward to the discussion today. You provide a wealth of information by sharing your experiences and those of your colleagues, customers and communities. That has always been critical to how we conduct monetary policy. That means even more in extraordinary times such as these. So I want to thank you again for providing that insight. And I look forward very much to the conversation. Thanks.

GOVERNOR BOWMAN. Thank you so much, Chair Powell, for joining us and for that introduction. But before we begin our discussion today, I'd like to recognize and thank our Vice Chair Rich Clarida, who spearheaded the *Fed Listens* initiative. He launched this series of listening events with the public as the Chair mentioned as a part of our periodic examination of our monetary policy, strategy, our tools and communications practices. They're used to pursue the Fed's congressionally mandated goals of maximum employment and price stability. Over the course of 2019, we hosted more than a dozen *Fed Listens* events across the country. We found them to be extremely valuable for hearing varied perspectives about the state of the economy, a particular sector or a pressing economic issue. So valuable in fact, that we've decided to continue the events after our framework review has concluded. And hearing directly from members of the public about their experience in the economy and their successes and challenges provides important context for understanding economic conditions that can't be obtained from economic data. Our *Fed Listens* participants help us see through those data from the eyes of the businesses, people and communities that make up the American economy. That information helps to inform our decisions on policy. From today's event, we hope to gain a greater understanding of how the economic recovery is progressing in your communities, and what lies ahead. We hope to hear about recent successes and challenges, as well as where you see the economy heading over the next year, and the ongoing challenges that this new normal may present. So with that, we'll turn to our panelists. Vice Chair Clarida and I will ask each of you a few questions that touch on your direct experiences with the pandemic recovery and your specific areas of expertise. I invite my colleagues to jump in with their questions as we go along. And I encourage our panelists, if they feel inclined, to respond to comments made by their fellow panelists. So we'll start with Loren Nalewansky.

Loren Nalewansky began his career at Marriott more than 30 years ago, working as a manager trainee with the Courtyard by Marriott brand in Mesa, Arizona. After leadership roles in all departments at Courtyard, Loren assumed positions both in the field and within the headquarters organization. He now oversees the franchising relationships for Marriott's select brands, which include Courtyard Hotels, TownePlace Suites, Springhill Suites and Fairfield Inn and Suites. Loren, would you please share with us how Marriott's hotel owner/operators are faring at the stage of the economic recovery? To what extent have leisure and business-related hotel stays resumed? Have most staff that were laid off or furloughed early in the pandemic returned to work? And are there other areas of their businesses that owner/operators are still feeling the impacts of the COVID-19 pandemic?

LOREN NALEWANSKI. Well, good morning. Thank you, Chair Powell and Governor Bowman. It's great to be here with you. Hey, I think people officially appreciate traveling. And there's no doubt in the last 18 months that so many had to sacrifice so much. And namely stay stuck in their homes and be quarantined for many reasons and just in a close-knit group. They're dying to get out and travel and see around the United States and get back to business. And for that we're incredibly delighted.

GOVERNOR BOWMAN. It looks like Loren may be having some issues with his connectivity. So Rich, do you want to go ahead and move on to our next question?

VICE CHAIR CLARIDA. Governor Bowman, I'm happy to –

LOREN NALEWANSKI. I'm sorry, were you not able to hear any of that?

GOVERNOR BOWMAN. We did miss most of that. Do you want to start again? Oh, let's go ahead and move on, Rich. And we'll come back to Loren.

LOREN NALEWANSKI. Thank you. Thank you, Governor. I'll go after it and try to get a little better connection. Thanks.

VICE CHAIR CLARIDA. Thank you, Governor Bowman, and thank you for those acknowledgments. The *Fed Listens* has been a grand slam and I'm very proud to have played whatever part I could to making it happen, and I'm thrilled that you will be taking on the leadership for the system in this capacity. Our next speaker is Miss Cheetie Kumar, who is incredibly accomplished. She is a chef and owner of The Garland restaurant and adjoining music venue King's, and a cocktail bar Neptune's Parlor in Raleigh, North Carolina. Cheetie is a self-taught cook who studied recipes while pursuing a career as a guitarist in several rock bands. Something that I appreciate quite a bit. She was a semifinalist in the James Beard Awards Best Chef in the southeast from 2017 to 2019. Very impressive. And was a finalist for the award in 2020. Cheetie, to what extent has customers' dining activity returned to where it was before the COVID pandemic? What adjustments have you had to make to your restaurants' operations over the past year? And what have these adjustments meant for the people that you employ?

CHEETIE KUMAR. Thank you for that. Thanks for having me on. I don't know if our industry is ever really going to look like it did before the pandemic. We have been through so many big and small shifts over the last 19 months, from being completely shut down and sort of terrified and not sure if we were going to be able to keep our staff. We did have to lay off most of our folks, and then we, you know, had a core group that we kept on payroll even when we were shut down for about six weeks. And then fortunately with programs like PPP and other small grants, we were able to take baby steps. And I think we just focused and continue to think of this entire time as building a series of small bridges to the other side, because we don't really know what lies on the other side. In our restaurant at Garland, we reopened our dining room. We did meal kits in the summer and then we did patio only from September through March through those really cold months, and got really skilled at refueling propane heaters. And you know bought all kinds of different sizes and, you know, blankets and all that, the whole nine. And you know, last winter I think people were so literally starving for a restaurant experience that they were willing to sit outside in 30-degree weather, literally, with a heater at their feet and, you know, having some really warming dishes. And we got through hobbling through that winter. And finally, we opened our dining room in April. And we had three really solid months that were really difficult because we had, you know, a staffing shortage that I'm sure everybody's heard about. And so you know, it felt like we were operating so much like abbreviated hours compared to what we were doing before. I kept wondering, why does this feel so hard? You know, we were doing dinners five or six nights a week and had lunch service. And now we're just doing dinner four nights a week. But people were, you know, really thrilled I think to be out. But there was a certain heaviness that still, you know, I think we kind of all knew that the variant was lurking somewhere. We kept hearing about India, and then here it was. So since July, August, we have definitely seen a slowdown in numbers, for sure, and it is nowhere near the level of revenue that we had pre-pandemic. And as you mentioned, you know, we do have a music venue, which I'm sitting in right now. It's been shuttered since March 2020. It's a small, intimate venue, and so is the bar with no windows. And so making this be a safe operation is not really even possible at this time. Several venues that I know of did try to do shows and you know, their entire staff got breakthrough infections. And that's just not something that we can risk, because that ends up being way more expensive than just not operating at all. So this sort of stop, start, stop, start staggered, try takeout for a little while, let's not do takeout, let's go outside, well, let's do limited indoor -- you know, all of these things, there just isn't really a good solution that will ever really make us feel like we're doing what we kind of got into this whole thing for. So I think our creativity has gotten us through, but you know, those reserves are kind of diminishing as well. But I do hope that, you know, with the Delta variant slowing down, we are able to somehow emerge with a new perspective and modified core values.

VICE CHAIR CLARIDA. Thank you so much, Cheetie. I think I should mention that the governors after each speaker can ask their questions directly. So I won't call on you. But we do have some time. Chair Powell?

CHAIR POWELL. Can I ask you a question? So you mentioned the staff shortage. And of course, we've heard a lot about that. I wonder if you can provide any color on what is it that is keeping your former workers from coming back or new workers from coming in? Is it fear of COVID? Is it just -- what are you hearing from people as you try to hire?

CHEETIE KUMAR. Well, it's a combination of things. You know, we were fortunate. When we reopened, we retained a lot of our staff. Because we were really actively engaged with them even after they were furloughed. We checked in on them all the time, we made sure that they had their benefits if they were furloughed. We paid a lot of people to stay home. And then when they came back, you know, everything, again was so different, that the level of anxiety between the fear of getting sick -- people had children who were at home and you know, we weren't able to provide childcare, we were a small restaurant. And then just you know, there's an overarching -- this is a time for people to evaluate what their priorities are. And I think a lot of people wanted to make life changes. And we lost a lot of people to different industries. A big chunk, I'd say half of our folks, decided to go back to school and pursue careers in social work. That was a very common theme in our former employees. And we've reworked our entire pay scale model. Right now, we don't really have anybody who makes less than $18 an hour. And so of course, that's a significant investment on our part. But it's the right thing to do. And it's the only way forward. And we couldn't have done that without government programs. But it's a combination of things. I think the restaurant industry has been at the forefront of highlighting all the things that are wrong with employment and workers' rights and workers' conditions in this country. And to a large extent that's a fair -- we're a fair target for that. So it takes a series of small steps before we can recover, but I think it's going to have to be this sort of Zeitgeist where restaurants operate a little bit differently than we have thought about doing it before. Like we cannot get by and pay people $13 an hour and expect them to stay with us for years and years. It's just not going to happen. It's not fair and it's not feasible. But I think it is really a combination of a lot of different factors. And restaurants are kind of like your litmus test. We're the canary in the coal mine. When things are great, restaurants are busy. Labor is plentiful, and you know, we make it work. When things are depressed, we're the first ones to get hit. And anytime there's an economic downturn, restaurants are the first ones to show it. And that goes from your supply chain all the way down to the to labor.

CHAIR POWELL. That's very interesting. Thank you.

CHEETIE KUMAR. Thank you.

VICE CHAIR CLARIDA. Governor Bowman?

GOVERNOR BOWMAN. Well, I see that Loren has rejoined us. Loren, would you like to take a stab at answering the questions that we posed? Or would you like me to repeat them?

LOREN NALEWANSKI. Certainly, thanks. And apologies for the connection issues. From a leisure perspective, business is certainly back and was from kind of the beginning of the springtime this year. We survived on leisure for sure. Business transient or business-related travel has not come back as fast as we might have anticipated. And certainly, the variant has had a lot to do with this. We were just starting to climb and then things kind of shut down on the business front. Our group business, though, however, is starting to book, albeit a shorter window booking time than typical, but it's starting to come back. And we're happy to see that. We've done a lot to organize really good, smart meetings and safe meetings so that we can have things done in person, which I think everyone really appreciates and misses very, very much. Related to staffing, you know, I did mention at the intro, we're 85 percent franchise business. So we rely and survive on our owners and operators who are individual business people, some with one hotel, some with ten hotels, et cetera. But we own the brand and the brand name and really they do all the work and selling and booking and filling their hotels. That being said, you know, they are still struggling. You know, some owners have told us they lost seven years' worth of profits in seven months. And that's significant, right? When a hotel company like ours relies on them to keep their hotels renovated, up to date product wise, clean and fresh for all of our customers, they simply will struggle to find the funds to do that in the near future. So Marriot's working very closely with them on some programs that will allow us to officially get done what we need to get done. But perhaps in a little different way for sure. There's this whole notion of leisure travel, right? My connection is bad because I'm in the Outer Banks in North Carolina at a beach house, and I'm finishing vacation. But you're able to blend your work and your leisure time. And people are now accustomed to working from anywhere the way they want, how they want, and when they want to do it. So that's produced an interesting piece, a lot of opportunity, certainly. And it's made us have to be more flexible in our workplace, right, because I can't have housekeepers working from the Outer Banks when the hotel they're cleaning is in Washington D.C. That simply doesn't work. So like the restaurant business, we need our folks all hands on deck, so to speak. And so that's, you know, been a little bit more of a challenge. And then I would just say to tag on the supply chain, right, our owners and operators are feeling the impact of supply chain issues, whether it's food and beverages just getting delivered to our secondary and tertiary markets where big food distribution companies are just short on truck drivers, right, to deliver the food. We have issues with getting our furniture, fixtures and equipment we refer to as FF&E into our hotels for all those amazing renovations that are to take place. But it's really difficult when you can't get lighting or you can't get headboards, and an entire hotel worth of lighting when you're trying to open so that the owner can produce revenue and start to pay their mortgages, et cetera. So there's so many downstream impacts of things like that. And then from a labor perspective, I think we see the same thing that the restaurant industry sees. We've had to raise rates dramatically. The demand on leisure came at such a quick pace, much faster than we ever anticipated. People were really wanting to travel. Our drive to markets were incredibly busy, but we simply didn't have the staff in most hotels to effectively clean the rooms that we needed to clean, et cetera. So we had to adapt into our cleaning policies and offer cleaning on demand versus every single day. And some of that is still going on as we move through the end of this year. Many people thought that once the subsidies and unemployment disappeared, we were going to have this plethora of applicants, the applicant flow would dramatically improve. And that's simply not the case, right? I see Cheetie shaking her head. Like people have left the industry, unfortunately. They are finding other things to do. Other industries that didn't pay as much, perhaps now have rose to the occasion and they are paying a lot more. And so money certainly gets people to take note, or sign on bonuses and things like that. But at some point, the economic model just does not work just to keep increasing those wages. So we keep a mindful eye on all of that. But just suffice it to say that our owners, operators are still dramatically feeling the impacts of COVID. While most of our employees that were furloughed are back to work, or have been called back to work, that doesn't mean they've shown up. And so we really need to focus on the employment challenges ahead.

GOVERNOR BOWMAN. Thank you, Loren. I would invite any of my colleagues to follow up with any questions you might have.

GOVERNOR WALLER. Hi, this is Chris Waller. Hey, Loren, you mentioned different things you had to do due to labor shortages, one of them being cleaning on demand. Do you see a lot of this stuff potentially becoming permanent ways that you do business? Or do you really think these are temporary? I traveled a fair bit the last year myself, and this was a common thing. Personally, I didn't think it was that big of a deal if they didn't clean my room. So my take was maybe this is something that persists.

LOREN NALEWANSKI. Yes, Chris, thanks for the question. So I think you're exactly on to something. I think it will never go back to the way it was in 2019, for a myriad of reasons. I think if you ask our business transient kind of traveler or a leisure customer, which is just a couple, for example, they are with you. "I don't need people in my room every single day, I'll call when I need something, you know, kind of don't call me, I'll call you." And with the COVID piece, that made sense too. People didn't want a lot of touching and people in their rooms, cleaning and just, you know, in the room physically. I think on the leisure side, right, when you're traveling with family and children, Mom and Dad want the Cheerios picked up off the floor. The rooms are a little bit messy, right, when you're with your four children. And so I think we've got to be good stewards of what that experience looks like in our hotels. In fact, we are piloting across all of our brands our new housekeeping procedure that will incorporate all of the things I just said and incorporate customers' comments just like yours, Chris, as we do our focus groups and things with the consumer. But I think, you know, aside from our luxury brands, I think you're going to see luxury will continue the way it is. You expect something when you're paying that kind of money for a room. And so that kind of service I don't see diminishing. But I think as you get into our select brands and our premium brands, even on the full-service side, there'll be some adjustments, certainly to the housekeeping model in our business.

CHAIR POWELL. You mentioned the potential nonviability of the business model given the much higher labor costs. Do you hear from your franchisees that they're thinking about leaving the industry or less interested in coming into the industry? And is it really -- or are people going to stick around and see how this evolves?

LOREN NALEWANSKI. I think we are bullish on the industry, Chair Powell. I think our owners and operators are too. I think, you know, different from the economic crash that we experienced, right, in '08-09, banks have been very, very helpful during this time. They've been very flexible and they've been wanting to work with our owners and operators to get them through this difficult time. And let's face it, the banks don't want to be in the hotel business. Last time they were stuck with many owners handing them the keys. They don't want to go through that again. That being said, though, I think our owners and operators, they thrive, they love this business. It's in their blood, and so I don't see them walking away. We've experienced many, many more transactions of real estate flipping and big investment firms getting involved in buying up groups of hotels, which I think is really also promising, right? When your brands are investment grade, and people want to take note and it works for the mom and pop and it works for a huge public company, that is a very, very good sign.

CHEETIE KUMAR. Could I interject here? I agree with everything Loren just said. I think the danger is with the independent operator that, you know, takes out a second mortgage on their house to open a small business like a restaurant. Maybe not so much a hotel, but I think for our industry, having that community-based corner neighborhood restaurant that, you know, knows everybody that comes in their door and that's the place where people go to celebrate their birthday -- those are the kind of businesses that I think are in danger of not coming back and getting swallowed up by big investment groups and developers. You know, I guess the show must go on and business keeps going. But there's only so much, you know, a family-owned operation can sustain. We can't keep getting into debt, we can't keep taking on idle loans. As low as interest rate is, it's a 30-year debt, and you've got to think about what, you know, the rest of your life looks like. And the lifelines again are small bridges. And it's a scary time without outside help, I think, for people like us.

GOVERNOR BOWMAN. Loren, unfortunately we need to move on a little bit. So I would just ask Loren, if you would quickly respond to that. And then I'll ask to move on to the next panel.

LOREN NALEWANSKI. She brings up a great point. I 100 percent agree. Of our 85 percent of franchise owners, we have probably 2,000 that are individual, just like you just articulated so well. They mortgaged their home, they've got their life savings in this business. And we experienced the very, very same thing. I think what we're trying to do as a franchisor is to make sure that we've cut every bit of fat that we possibly can out of the business, that we streamlined it as best we can. And now our role, which is very different if you're not in a franchise organization, I get it, is to drive top line revenue for these owners so that they can make as much money back as they possibly can. Like I said, they've lost, to your point, in some cases, their life savings in the last 18 months. And I've had unfortunately many, many of those conversations too. So I think it's a delicate balance, to be sure. We've got to get out there and travel and we've got to get into the local restaurants and have some dinner.

GOVERNOR BOWMAN. Well, thank you so much for that. Vice Chair Clarida?

VICE CHAIR CLARIDA. Thank you. Our next speaker is Patricia Garcia Duarte, who is the president and CEO of Trellis, a nonprofit organization in Arizona that's dedicated to making stable homes and communities possible. A very worthy endeavor. Trellis offers housing counseling and homebuyer education. It builds affordable housing and provides flexible mortgage lending products. Since 2020, Trellis has also been helping families impacted by COVID to obtain emergency rental and utility assistance. Again, incredibly worthy. Patricia, please describe the housing situation in your area. For example, are households in low- to moderate-income communities able to keep up with their rent and mortgage payments? How many are at risk of eviction or foreclosure? And how does current housing affordability compare to pre-pandemic conditions?

PATRICIA GARCIA DUARTE. Sure, thank you, board member Clarida and Chairman Powell and all the members. Thank you for the invitation. Thank you for this opportunity. You know, the housing situation in the Phoenix metro area in Arizona overall is really not good for low- and moderate-income people in general. So I welcome the opportunity to share that perspective. You know, many are doing well in Arizona. Homeownership has grown up, increased, but not equally across the board. Not surprisingly, the Phoenix metro market has an affordable housing shortage, and it existed before the pandemic. But it has gotten worse. Rental inventory is at record low levels, as is homes for sale. That inventory is currently under a month. Arizona's population growth, it has been growing which is one of the factors that is contributing to the shortage, that famous high demand and low supply. But even with new rental production of units, it's not enough to keep up with the demand, and the rents have been increasing. We're now at $1,300 a month, on average. The Case-Shiller Home Price Index also reported this summer that Phoenix was the highest year over year in change in home values at 29.3 percent. Followed by San Diego 27.1 percent. So we know that building permits are going up. But it's still a challenge because prices for homes are now higher than 400,000. We're at 405,000, according to an August report, and it is expected to increase. And we know that wages are not increasing at the same pace. Now the foreclosures that are pending are starting to show up now that the foreclosure moratorium has ended. This current situation is concerning to us in the community development space because we have worked really hard to help increase homeownership among people of color. And in Arizona right now, those that are struggling have an option of selling their home. But the long-term impact of selling a home is really stripping wealth away. And it's something that we should be watching for. Investors are very active here in our Phoenix metro area. And that's adding to the housing shortage. During the Great Recession, we lost thousands of homes that once were owner-occupied to investor owned, and they've been rentals. So this pandemic has also increased that investor activity. According to a July 2021 Redfin report, in Phoenix, almost one quarter of homes have been sold to investors. So our low/ moderate-income folks have no chance because these sales are cash. So what about the ability for low/moderate-income people to pay the rent or the mortgage after the programs go away? I think Cheetie mentioned that this has been a lifeline, you know, a bridge to help people sustain in homeownership and having a roof over people's head. The COVID CARES program last year was really critical. And this year, the emergency rental assistance, ERA, has been really critical in helping just thousands of people stay in place in home. This year, so far, we've helped thousands of families overall in the city with all the different agencies that have been collaborating to support the city of Phoenix. There's almost 4,700 households just in the city of Phoenix, and we've deployed about $35 million out of $50 million. So there's still a pipeline to go through. It's been very difficult to launch a brand new program during a pandemic. And, you know, similar challenges from what was mentioned by Loren and Cheetie already -- the staffing. We didn't have the capacity to bring in a new program, but we were able to do it virtually. And that's been a big challenge. Folks don't have all the same types of technology. So we've had to adapt to bring in the information needed to provide that emergency rental assistance and utility assistance. Unfortunately, some of the assistance is not enough. The pandemic has been 18 months. Some renters with the assistance have still been evicted, unfortunately. The ERA program covers 12 months in arrears and three months ahead of time. So that's only 15 months, and when you're low/moderate-income, savings is not huge, and people have not been able to just keep up. Eviction Lab tracks evictions all over the country. And in Maricopa County since March of 2020, we've seen about 48,500 eviction filings. And in Maricopa, it did fall sharply during the pandemic, as was expected, because of the eviction moratoriums, but that is soon to expire at the end of October. So who are the people that we've been helping? They've been employees that couldn't telework. They were furloughed, or they were laid off. We're talking about office workers, service providers, drivers, a lot of the Uber drivers and Lyft drivers, construction workers. We're talking about many, many housekeepers, especially in the Latino community. Some have been able to get shifts back, but they are still struggling because it's not enough in wages. So people are really desperate, we do see that. We're currently working with a family that is living in their vehicle. There's six of them, and they've been homeless for two weeks. The first week, they were able to go with family. But you know, we're processing paperwork in hopes that we can help them. Unfortunately, their landlord will not negotiate, and they will not take them back. And there's so many cases. Every single one is unique. We're really concerned about what the evictions are going to do to people's credit, because that is a long-term impact. And our team and those working in this space know that once evictions get started, I mean, they kind of work through this system, and it's very hard to stop, and the impact on the credit report is going to be huge. And finding another place, whether rental and then hopefully longer-term in homeownership, it's going to be an impact. So how many people are at risk of eviction or foreclosures? You know, from the Arizona Homeowner Assistance Plan that the Arizona Department of Housing put together for the new funding that's coming from the federal government to assist homeowners, there's some statistics there that are pretty disturbing, especially among the FHA space. It looks like the report is indicating 90 days delinquent that are not in a forbearance agreement is almost 79,000. And a large majority are people of color. So that is something that we really need to watch and intervene so that we can preserve ownership. In Arizona, the population for renters is about 2.4. And the August lab report shows that there's been about nearly 6,000 filings. So that is also something to watch, because about 21 percent of evictions come primarily from 10 top big buildings. So there's room to work with the landlords in hopes that we can get more time to go through this program and get the assistance that many of these families are qualified for.

VICE CHAIR CLARIDA. I think in order to stay on schedule, we're going to cover a lot of ground here. But if you could just wrap up with your comments, that'd be great.

PATRICIA GARCIA DUARTE. Yeah, no, it depends on where you're at, right? The division of the haves and have-nots is really rolling in our state, unfortunately. Thank you.

VICE CHAIR CLARIDA.Well, and again, on behalf of the governors, thank you for all those incredibly worthy efforts. Let me hand off to Governor Bowman.

GOVERNOR BOWMAN. Thank you, Vice Chair Clarida. So we'll go back to our lineup and our next panelist is Mr. David White. Over the past 12 years, David served as the National Executive Director and Chief Negotiator of the Screen Actors Guild, American Federation of Television and Radio Artists, the SAGAFTRA. In this role, David served as chief executive officer and strategist for the world's largest entertainment union, with approximately 160,000 members who work in film, television, broadcast news, commercials, music, video games, and emerging media. David, could you share with us what differences you're seeing in the degree to which film and television versus live performances have resumed since the start of the pandemic? What factors account for those differences? And how do you expect demand for live versus recorded performances to evolve over the next year or so?

DAVID WHITE. Sure, thank you Mickey. And good morning to everyone. Are you able to hear me? Great. So this is really just a terrific event. I'm so grateful that the Federal Reserve does this. Thankfully, there has been a great deal of resumption of productive activity in the entertainment industry, particularly if you're talking about television and film. I'll speak to the other industries a little later. But in television, we are back up to historical levels, over 500 television shows being produced around the country. If you just think about it, for anybody who watches shows on Netflix or Disney Plus or HBO Max or any of the other platforms, these are really platforms that have a voracious appetite for product. They just need television shows. And I'm really pleased to say that one of the reasons, one of the factors that has allowed this level of resumptive activity is the successful collaboration that has occurred within the industry between management and labor. So this is one of the most labor organized industries in the country. A lot of different unions, including Screen Actors Guild, SAGAFTRA. And we all got together on the side of labor and talent and employees and worked then together with management to come up with a series of safety protocols that allowed people to get on set. If you think about what happens on set for the television shows that we like, or for the movies that we like, sometimes people are in intimate scenes with one another, they're certainly breathing close to one another. They're doing all the things that the virus loves, because it allows the virus to spread. And so coming up with safety protocols to allow for that level of activity to happen was really terrific. And everybody put down their swords, put down their differences to come together and to do that. So that was great. And the implications for the industry have been terrific. Employment is up. But also if you think about the mainstream economy that feeds off of the industry, you're talking about dry cleaners, you're talking about hair and makeup artists and barber shops, et cetera, to make sure that people are looking proper when they are going onto sets. You are talking about restaurants. I certainly appreciate fully the previous comments. And we have felt the damage that the pandemic has done to the restaurant industry. But there is activity in these production locales that is increasing. And we're very happy about that. There are some differences in the way that production happens that I think will be permanent, or at least the possibility of being permanent. So if you think about caterers, food caterers, the way that food comes onto a set -- that now feels a little bit like a high-risk activity. It certainly did during the pandemic. And so the way that people get their food will be different. And there are a host of other changes that will likely be built into the business model. So that will be interesting. I'm not sure if that has either a positive or negative effect economically over time. But that is certainly the case. So on the whole, when you're talking about product that is made for the screen, for the small screen, we're really pleased with that. And when you're talking about the employment levels and the activity of the studios and the producers that are a part of the food chain for that type of activity, layoffs have stopped at -- that they've stopped. They've certainly slowed down. On the whole they've stopped. Employment is up and that's all a good thing. If you think not about television shows, but about film, like traditional film, when you go into the movie theaters, the business models for film are changing because there's now more money and more focus on television platforms. So activity is down, in part because of changing business needs. But it's also down because of the pandemic, because it's viewed as such a high-risk activity to go into these close in-person environments. So that is increasing a little bit as we learn to live with distancing and masks and things of that nature that allow for that type of live activity to happen in closed environments. But that is still, I think, definitely impacted by the pandemic, and will continue to be so. And if we're not careful, things that we have taken for granted for generations -- the fact that in small towns and big cities, we have theaters, we have places where people can go for movies, if we're not careful, those will not survive. And it may not be economically viable or wise to kick them back up, particularly with the changes in the business model. So I do think that there is a great deal that we have to continue to watch, to monitor, to see whether or not as it unfolds, we're going to be looking at permanent changes and things that are really a part of the furniture of the American psyche, and the psyche, you know, worldwide. But that has been good. On the whole, that is a good news story. For other aspects of entertainment when you're talking about live production, Broadway and live production for live theater that very few people think about, all the smaller community theaters across the country that you find, community theater, et cetera, that is definitely suffering. I know that I join many when I say how grateful I am that several shows on Broadway have resumed. And I, like many of you, are going to find a way to go and see those. But across the country, activity is down, employment is down. All of the downstream activity that relies on that type of activity, live theater, that is down. So I do think that as we emerge, and particularly as we deal with the Delta variant and the possibility of new variants that still is a risky area. It's interesting when you think about other entertainment-related activity -- music, podcasts, things of that nature. We're listening a lot more to that as a result of Spotify and Stitcher and Apple and things of that nature. So that is positive, but we're just not doing it live. We're not doing it in places where we have to be in person. So concerts, they're resuming, they're coming back. Certainly over the summer, there was a great deal of excitement. But then as the Delta variant really kicked in high gear, and people then realized that as a result of low vaccination rates and surely other reasons in certain areas around the country, that we may continue to deal with mutations that outpace vaccinations, et cetera. We'll just have to see. So I want to be conscious of time. I would just close by saying that there is a good news story here on the whole, but there are also areas of risks that we continue to monitor and be concerned about as it relates to both productive activity and employment.

GOVERNOR BOWMAN. Great, thank you, David. And before we move on to Jill Rizika as our next panelist, I'd like to invite anyone to ask any questions of David. But I might ask, in the absence of other others. Chair Powell, would you like to jump in?

CHAIR POWELL. Well, I'd like just to make a comment. First of all, thank you for that very interesting presentation. And also, I'll just say a lot of us are really delighted to see the TV shows coming back on stream. So, thank you. Thank you and your union members for that.

DAVID WHITE. Thank you. We're delighted that you're delighted, Chair, that’s great.

GOVERNOR BOWMAN. David, I might ask a question about so many of the members of your industry are employed in several different ways. And how are they feeling about the trend that both Loren and Cheetie mentioned in the restaurant industry and those types of additional employment or jobs that they might need to have or have held in the past? How's their approach to that?

DAVID WHITE. Such a great and insightful question. We take a great deal of pride in the fact that in many ways, we are the original gig economy, people going from pub to pub and from theater to theater, and you know, centuries ago. And it is a gig economy where people don't typically know where their next job is going to come from. And to make that work, they are employed in restaurants, they're employed as drivers, et cetera.

I think on the whole, people really see the industry as filled with rich people, and the industry is not. In fact, it is the opposite. It's the extreme one percent that has wealth and fame—not even one percent. And you will know this if you look at a television show and you try to think about which actors whose names you recognize—usually one, maybe two, if you're a watcher—and none of the others who are there. Those are the folks that make up the industry and they struggle just to get to middle class. They just struggle to get to an economic level of being able to achieve healthcare that year for family.

So, the intermittent up and down employment activity and opportunities that were talked about earlier with restaurants going down and with other typical mainstay between job gigs, that has been—that was devastating during 2020. That is coming back slowly, but psychologically, it just feels more risky. So, people are moving to the parts of the gig economy that have been growing, when we do Instacart and when we do Uber and other things that require drivers. But it's being channeled now in ways that are very different, and where there is not a lot of data or guidance historically to understand how that's going to pan out over time. So, I would put that in the same bucket as something that we need to monitor. There are both positives and negative trends there. And it all leads to, in aggregate, people feeling like it continues to be a risky environment, notwithstanding everyone's gratitude that employment levels are generally up in production.

GOVERNOR BOWMAN. Thank you so much for, David, for that very interesting and insightful view into the entertainment industry.

And shifting now to our next panelist, Miss Jill Rizika. She's the president and CEO of Towards Employment, a nonprofit agency that helps more than 2,000 individuals every year prepare for a job, find a job, keep a job, or advance in a career. Jill supervised the implementation of an employer-driven job training model that successfully connects residents of economically distressed neighborhoods to anchor employer jobs. She also led the implementation of a national demonstration grant, Work Advance, that resulted in higher earnings for low-income participants relative to a control group. Jill, how has the pandemic affected the job market in—that your organization operates in? And how has it affected the services you provide? Do jobseekers see the pandemic as a surmountable setback? Or are they worried about lasting effects on their ability to find work and get ahead?

JILL RIZIKA. Thank you very much. Good morning, everyone. And thank you for the opportunity to participate today. To answer the question of how the pandemic has affected the job market, it's really important to further clarify, because the answer varies dramatically for both type of business and for the individual workers, depending on race, gender, and geography. I'm speaking to you this morning from Cleveland in Northeast Ohio, which has many wonderful aspects, but it's really a tale of two cities, as even before the pandemic, Cleveland was the poorest city of its size in the nation—poverty rate of over 30 percent. Close to 30 percent of families in the city lack internet access, with predominantly Black and Brown neighborhoods disproportionately on the wrong side of the digital divide. Last year, the Black Ohioan unemployment rate was two times that of the White unemployment rate. And Cuyahoga County, home of Cleveland, receives the highest number of people returning from state prison every year. These returning citizens face more than 850 laws and administrative rules which limit access to employment after having served their time.

More than a year after COVID-19 displaced over a million Ohioans from their jobs, Ohio still has 269,000 fewer jobs than pre-pandemic. Like across the country, Ohio women were more likely than men to be laid off or forced to leave their jobs, reversing years of progress. Also as seen across the country and as we've been hearing this morning, manufacturing, healthcare, transportation, logistics—those sectors remain robust even during the pandemic with employers desperate for workers. And now that the economy's opened up, retail and hospitality businesses, as we're hearing, are also struggling to fill positions. So how can we have so many people, especially people of color, struggling to meet basic needs while there are so many employers struggling to find workers, even after seeing movement on higher wages and better working conditions than before?

This is a question that we focus on every day at Towards Employment. 80 percent of our candidates are Black, 60 percent have been involved in the criminal justice system, 40 percent are young adults disconnected from school or work, 65 percent are without post-secondary education, which is certainly a key to advancement. People coming through our doors are what HR folks will call untapped talent pools or nontraditional talent. In other words, those who were often previously screened out of jobs. We know that the challenge is bigger than what has been coined, “the skills gap,” and that skills alone won't address the challenges before us today or equip us for opportunities that lie ahead—to address the systemic lack of opportunity that all of those above-mentioned statistics represent that COVID exacerbated and continues to influence.

In addition to helping candidates gain new job skills through training and experience through paid internships, Towards Employment provides holistic wraparound supports and intensive coaching to build the confidence and networks to connect to family-sustaining careers. We also work with employers to think differently about how to create on-ramps for entry-level workers with less experience and more opportunities for second chance hiring.

During the pandemic, we had to quickly pivot to remote services and to build out a program to equip our students with the digital skills and tools to engage with us and with all of the other services and activities that require these virtual connections during the pandemic. Digital skills and access to equipment and internet service are now essential skills.

The COVID-related barriers continue to manifest in a variety of ways to keep people from working. This is what we're hearing from students. But parents in particular are struggling. As people have noted earlier today, parents of young children feel that childcare options just aren't safe. Or they worry about bringing home the virus to their young children who are still at home. Or they've tried to work but because of outbreaks, children are being sent home from daycare or school, making their schedules impossible to manage. Or the digital divide intervenes. A young mother tried remote work but didn't have sufficient broadband to make it work. We've even experienced that this morning. Some are not in the workforce because they're in transition or choosing alternative paths. Again, as we've heard this morning, people don't want to go back to the same old job. Many of them coming from previous retail and hospitality positions and recognize that they need new skills and support to take advantage of new opportunities. Some of these new opportunities are in healthcare. But we also see that those who are burned out by the intensity of the work leaving the field, so it's incredibly fluid.

Others are engaging and thriving in their new jobs and new jobs that may not have been open to them previously. But success is still precarious. Take Allison, who was working a minimum wage job after a period of incarceration. She identified driving as a potential career, got her CDL, and now she aspires to not just own her own truck, but to manage a fleet of trucks. But her progress is threatened by the turmoil in the schools. Her son didn't do well with remote classes and is showing improvement since the return to in-person. So, Allison isn't sure what she'll do if they close the schools again. She'd have to leave her job.

Still others, as noted again already, are getting by with gig work and trying out entrepreneurially. There are some who are not in the workforce yet, because they're dealing with some of the same challenges they've dealt with all along irrespective of COVID—lack of transportation, lack of stable housing, having a justice background, struggling with substance abuse.

It has been encouraging to see what some businesses here in Northeast Ohio are doing to address some of these challenges. Some of the things that we see: employers expanding their hiring pool, engaging with community partners and the public works system to build on-ramps, earn-and-learn programs, internships, and apprenticeship models. For example, embracing returning citizens as a target talent pool, building customized training programs with a commitment to hire and to support these candidates' professional growth. Emphasizing job quality—it's more than just about compensation, thinking job design to reduce stress and to value workers. Eliminating certain screening criteria that are unrelated to work and present artificial barriers to connect to work, like the requirement to be nicotine free to work in a hospital.

Our hope is that the recognition of the value of this untapped talent will lead to further investment in closing the opportunity gap, lasting change in creating family-sustaining jobs for all our workers in the community. Thanks very much.

GOVERNOR BOWMAN. Thank you, Jill. Any questions for Jill before we move on?

GINA DINGMAN. I'm just curious because my husband and I drove to Delaware, because our daughter decided to put her house on the market, so we drove down one side of Michigan, up the other, and through Ohio and Pennsylvania and Maryland. And it just seemed like everywhere we went, there were—there are jobs out there. But the story that Jill's telling of the disconnect is really difficult. I mean, from a Panera Bread that opened two hours late because employees didn't show up in Saginaw, Michigan, to, you know—it was just, as we talked to people across the country, it seems like finding employees is very difficult. And I just, if it's okay, there's a program called, I think, Shelters to Shutters in the multifamily industry. And they're trying to put those people that are coming out of incarceration into jobs. And so, if you don't know about them, it might be a good connection.

VICE CHAIR CLARIDA. I think we should proceed. Our next speaker is Gina Dingman. Gina is an expert in multifamily housing and founder of Everest Real Estate Advisors. Gina combines more than 25 years of industry experience and expertise with market research to provide commercial real estate solutions to a broad range of clients, including local, regional, and national owners and developers and equity holders. Gina, how would you characterize the demand for multifamily housing right now? Are you seeing any notable shifts in demand? For example, urban versus suburban, or large metro versus smaller? And how has the pandemic affected your outlook for housing supply and construction activity in these different areas?

GINA DINGMAN. Good morning and thank you for inviting me today. I appreciate being here. Multifamily is as strong as it's ever been on about any metric that you choose, and I can empathize with the story on Arizona. Arizona is a very hot market right now, as is Dallas, and you know, markets that are—sorry, I'll just back up a little bit. The demand is strong from renters and from investors. So, on the capital market side, there's a lot of money chasing, yield chasing deals. And because multifamily is performing well, a tremendous amount of institutional capital is coming into the market. That's causing cap rate compression, or prices to increase pretty dramatically. And it's playing into the rental rates that we were talking about. Fund managers, whether they're pension fund managers or like companies, have to put their money somewhere, and so, they're looking for markets that are performing well. And they too want to make a yield for the people they're representing.

The biggest shift probably is away from some of the traditional gateway cities, San Francisco, Seattle, New York. And it's investment into smaller secondary and tertiary markets. And some smaller, I mean, they would not even fit into a definition of secondary and tertiary. I talked to somebody this week that was building in Coeur d'Alene, Idaho, which is, I think, a pretty small town, and it's been a long time since I've been there. But institutional money doesn't usually go to Boise or Grand Rapids, or, you know, the smaller cities that we're seeing. And so, developers want to put product in those cities, because they don't have enough housing units for the people that work remotely that want to move there. And so, we're seeing a lot of construction activity and investment in many smaller secondary, tertiary markets.

And the biggest need, they have though are—we're just under-housed as a country. I mean, we need probably about 4 million housing units, whether they're single family or multifamily. And so, without those units, the supply and demand that we've talked about, there's just not enough housing out there. And so housing options and so prices are going up. We have, you know, most product they build is market rate products because developers almost have to develop market rate in order to have a profit. So, the cost to build an apartment in the suburbs in Minneapolis, for example is $200,000 to $225,000 a unit. In an urban area, it would probably be $275,000 to over $300,000, depending. And so, it's an expensive proposition, and it's really gotten more so since the pandemic.

Supply chain issues are impacting development. Developers have to go out 12 to 18 months now to get appliances for a building. So sometimes buildings are ready to be delivered to renters, but there's no appliances because we weren't anticipating the supply chain problems for appliances. Construction materials, the costs have increased pretty sharply. And so those things all work to, unfortunately, drive up rental rates.

On the affordable side, there's a number of programs out there, and people are taking advantage of those programs. Because when most affordable properties open, there's a waiting list of people to go in, and they're filled, you know, within a couple of weeks of delivery. But we're not really building for what I would call the missing middle of the population, because there aren't really subsidies. And I don't know if you need subsidies for it, or if, you know, if cities and municipalities could waive some fees to make it a little bit more affordable. That when you look at it, about $25,000 price difference between building market rate and what is generally called workforce housing. I mean, usually both couples—both people in the unit or building work. But with rental rates going up the way they are, it's difficult. And frankly, on the capital market side with properties trading at two caps, which a two percent cap rate is really unheard of, and it's very difficult to make a profit there. And so, kind of like what the others said, we seem like we're really on an edge of what can you do to be profitable, versus you have this huge need out there that developers aren't going to build if they can't make a profit. And so, it's an interesting time in the market.

VICE CHAIR CLARIDA. Well, that's certainly the case, Gina. Any questions? Thank you for that. Any questions for Gina before we move on to our next speaker?

GINA DINGMAN. If not, I would just add that, you know, the low interest rates and massive amount of capital for multifamily has caused the price increases that we're seeing. Anything we can do to get new units delivered more quickly is helpful. Yeah, I'll stop there.

VICE CHAIR CLARIDA. Thank you very much. Governor Bowman?

GOVERNOR BOWMAN. Thank you, Vice Chair Clarida. Our next panelist is Mr. Larry Andrews. He's president and CEO of Massachusetts Growth Capital Corporation, or MGCC, whose mission is to create and preserve jobs at small businesses, women- and minority-owned businesses, and to promote economic development in underserved gateway municipalities and low- to moderate-income communities. MGCC also administers the Small Business Technical Assistance Grant Program, which funds the delivery of technical assistance, training in business skills and access to financing, fostering development, and growth of businesses throughout the state. Larry, how have the small businesses you work with fared during the economic recovery? What are the concerns expressed by the businesses you engage with regarding their ability to continue operating? Are they able to hire or retain the employees that they need to operate their businesses?

LARRY ANDREWS. Thank you, Governor Bowman and Chairman Powell, Vice Chair Clarida. Just amazing that you have this ability to listen, especially during this time, and other governors on the line. And especially those that are listening online because what the Federal Reserve has done and continue to—just thank you for your support as we look at the economic effects of COVID and to implement support for those most affected. I do also want to locally thank the Federal Reserve Bank of Boston, especially Prabal Chakrabarti, and Carmen Panacopoulos for their really unyielding support under-resourced communities throughout New England. Personally, they're a source of guidance and factual support in addressing economic need.

As we all know, economics is a team sport, and getting people engaged in helpful behavior and getting them off the sidelines is difficult. But my experience with working cities with the Federal Reserve laid the groundwork for establishing a trusted relationship and very valued relationships and partners, which helped me, especially as we look to serve small businesses during COVID. That investment by the Federal Reserve in those partnerships really laid the groundwork for what we've been able to do at Mass Growth Capital, which was through Governor Baker providing funds, we were able to fund $750 million to 15,000 businesses, a majority being minority-owned, women-owned, LGBTQ, veterans, and those with physical disabilities.

And that really was a way in which we knew that things are different. And some—we know that COVID has hit businesses differently, some because of industry segments, some because of location, some because of mandates. But we know that most of them have been affected by issues that were prevalent prior to COVID. Specifically, systematic racial economic inequality—four words that describe a generational and historic complex condition of our country with a dark root in money that needs to be undone. Those that live in the poverty line, and that continues, as we've heard from other panelists—that line continues to widen.

Immigrant-owned businesses that have language and cultural barriers that are in under-resourced communities, and those that are physically impaired, and then others that are LGBTQ+, veteran-owned businesses, women-owned businesses, and those located in gateway cities, much of what we've heard already. All these groups have some intersectionality, but all have an experience that is vastly different than the majority. This has been borne out time and time again, with Federal Reserve small business studies, and most recently, with a study conducted by the Coalition for an Equitable Economy, which was actually formed during COVID in Massachusetts, and with Mass Inc. It's a very different experience for those communities.

And yet, in light of that, and as Chairman Powell first started, the resiliency of small businesses throughout Massachusetts is just remarkable. And yet we do know that there continues to be some issues, and many of we've talked about already.

Employee and workforce development. I had breakfast yesterday with a landscaping company, Jeff Dodge. He said, "You know, it's time that we spent as much time thinking about marketing as we start thinking about retaining and attracting new employees." That's something I think pre-COVID we've talked a lot about marketing, but not necessarily employees. Landlords and rents, which have been talked about, the unwillingness in understanding policy of landlords with their commitments of helping small businesses through this difficult time.

I'd like to highlight the supply chain. That has been just something we've heard. I just finished a 25-city and town throughout Massachusetts visits and roundtables with the Secretary of Economic Affairs Mike Kenealy, and the supply chain issue continues to just elude many,

many. Cafe Eldorado in Chelsea is a predominantly Hispanic community. Jenny and Carlos started their bakery and café, and she talked to me about a carton of eggs pre-COVID of $8.99 for a carton. It's now $39 for a carton of eggs. Sonny Lou, a restaurant in Worcester, talking about fry oil. A five-gallon jug of fry oil previous to COVID was $17. And now it's $50, if you can get it. And so, in these communities in which there is no, really, price elasticity for many of their customers, how do you actually pass on these costs?

The other thing is housing, which we talked about it and I'm so glad—this is so crucial. There's a housing crisis at all levels—affordable, moderate. The housing crisis is affecting our businesses.

We talked about digital divide. And that's not only access, but also knowledge and making sure that those businesses have the ability to go into the internet.

And then childcare. Again, this is something that is exacerbated by COVID. And having places that which employees can bring their children.

GOVERNOR BOWMAN. Larry, if I could just ask you to wrap up. We're short on time and then we'd like to try to get to all of our panelists before our deadline.

LARRY ANDREWS. Yeah.

GOVERNOR BOWMAN. So just some closing comments, and then I'll ask Vice Chair Clarida to introduce our next panelists. Thank you.

LARRY ANDREWS. Sure, absolutely. And thank you. And just the other thing is, I just hope that, you know, we're known as a guiding generation as we look at racial inequality and climate change and pathways for immigrant businesses, and really writing a new path for economic success as we move forward. Thank you.

VICE CHAIR CLARIDA. Thank you for that, just looking for the mute button. Our next speaker is Dr. Chad Moutray, the chief economist at the National Association of Manufacturers, where he serves as the lead economic forecaster and spokesperson on economic issues. In addition, he is director of the Center for Manufacturing Research at the Manufacturing Institute, which is a social impact arm of the NAM. And he leads efforts there to produce thought leadership data and analysis to business leaders. Chad, please tell us what you see as the most consequential supply chain bottlenecks affecting U.S. manufacturers at this moment. How and when do you think these pressures will begin to ease? And which industries are inventories particularly low? And is this due mainly to supply or demand factors? Finally, how concerned are manufacturers today about rising input costs?

GOVERNOR BOWMAN. We can't hear you.

CHAD MOUTRAY. Manufacturers, as you know, are experiencing really strong demand, both in the U.S. and globally. And in fact, the most recent NAM manufacturers outlook survey, 87.5 percent of respondents said that they were positive about their company's outlook. And while that's down from where it was three months ago, which was a three-year high, it's still a pretty healthy figure.

At the same time, manufacturing leaders cited rising raw material costs as their top concern for the third straight quarter, followed closely by the challenges of attracting and retaining a quality workforce, as was mentioned, supply chain disruptions, and the logistics and transportation issues.

Interestingly, you know, I asked many of these manufacturers, what is the top downside risk to their forecast? Right, overall, it's a pretty rosy forecast. And yet, the number one issue that they said was their top downside risk was workforce shortages. That was closely followed by some issues I would have thought actually—supply chain disruptions, cost pressures, and the continued spread of COVID-19, including the delta variant.

On the labor front, manufacturing respondents had the highest expected growth rates for employment and wage growth in the survey's history, which dates to 1997, further highlighting the difficulties in obtaining sufficient workers. Indeed, as you know, from the JOLTS data, we have 889,000 job openings in manufacturing right now, an all-time high.

Specific to your question, while manufacturing growth remains solid, supply chain bottlenecks are significant, as Larry just noted earlier, holding back even stronger expansions in the sector. Manufacturers continue to cite backlogs of cargoes at the ports, the shortage of truck drivers, and soaring shipping costs as significant impediments. In a just-in-time production environment, this poses a very serious challenge to production and capacity. And quite frankly, the shortage of workers doesn't help that conversation either.

While there's been a lot made of the chip shortage in the automotive sector, it is important to note that chips are not just in autos. And you're seeing these shortages impact other segments of the manufacturing sector as well. Certainly, if you're a consumer, you've seen this as well. For appliances, electrical equipment, electronics, machinery, and others.

Inventory shortages also go beyond motor vehicles, with inventory to sales ratios—and very low actually—for chemicals, metals, miscellaneous durable goods, and natural gas. Prices for metals, which I continue to hear about from our members all the time, are often cited as a challenge for manufacturers—the result of reduced capacity both in the U.S. and abroad, combined with very strong demand.

These supply chain and logistical issues are likely to extend into next year, from the conversations that I've had with manufacturers. It'll take a while, for instance, for the backlog at the ports to work its way through the system, something that's going to be exacerbated by the holiday season and everyone trying to get stuff on the shelves for Christmas and Hanukkah.

In addition to that, you also have a lot of other structural hurdles to work through, including the tight labor market, as was mentioned, and the need by just about every sector to find enough workers. This is leading to wage pressures which companies are pushing up compensation as they're trying to find enough talent to compete.

While pricing pressures are likely to stabilize as we move into 2022, assisted by more favorable base comparison, as you know, it is clear that some of these costs are going to remain pretty elevated relative to pre-pandemic levels, including wages. Once they go up, they are not likely to go back down. And also, transportation costs, and core inflation is likely to be a lot hotter than we become accustomed to. With that in mind, it is perhaps not surprising that so many manufacturers cited that as their top concern for all of this year so far.

Moving forward, manufacturers will closely watch the price and economic growth data much like you are to see what develops. They are cautiously optimistic that supply chain disruptions and inventory issues will improve by mid-2022, with demand continuing to remain strong. Of course, it is also important to note—and we haven't really mentioned it today—the vaccines are important to this conversation as well. I think as we think about whatever that new normal looks like, it's important for us to all be vaccinated, and that's certainly something that the NAM, the National Association of Manufacturers, has been pushing for pretty aggressively over the course of this year.

VICE CHAIR CLARIDA. Chad, thank you for that. As with all the panelists, we could spend a lot more time on that. But in the interest of time, I will hand it off to Governor Bowman. Thank you.

GOVERNOR BOWMAN. Thank you, Vice Chair Clarida. Our final panelist is Dr. William Hite. He serves as the superintendent of the School District of Philadelphia and he's been in that role since 2012. Dr. Hite's career in education has included roles at every level of schooling from K through 12 as teacher, principal, central office administrator, and as superintendent. Bill, could you share with us what the biggest challenges you've faced with the start of the 2021 academic school year? What have been the most concerning impacts on students from last year's disruptions to in-school education? And among what age groups and/or socioeconomic groups are these impacts most acute? And finally, what adjustments do you believe educators will need to make to address the gaps in learning that have occurred?

WILLIAM HITE. Thank you, Governor Bowman. And good morning, everyone. And I don't know if I have enough time to respond to each one of those questions, but I'll try to work them through as quickly as possible.

And so first and foremost, the largest challenge that we faced was the fact that many of our young people were out of school, or not in person and were engaged in virtual learning for 18 months. And so now we have been back in school for four weeks, and we're very excited about that. But in a city like Philadelphia and many of the urban centers around the nation, what we have seen is that COVID and consequences from COVID have exacerbated many of the inequities and disparities that persist in cities like ours. And we have concentrations of poverty in many areas of our city. And quite frankly, when we first went out, because of the pandemic, we had to make sure we were doing things like other panelists talked about, providing children with meals. Some 11 million meals were distributed just so that our young people could eat. We provided families with medications for their students who no longer had access to those medications. We then had to move to a virtual platform, but unfortunately—well, first and foremost, not all of our students had access to the technology. So, then we had to make sure everyone had access to the technology and purchase some 90,000 pieces of technology to distribute. Then, we discovered not everyone had access to reliable and high-functioning internet services. And so, then working with Comcast and the city and other philanthropic organizations in Philadelphia, we were able to provide that for a two-year period.

Now that we have young people back into schools, we've had to really be focused on any of the social and emotional aspects that many of our young people have experienced as a part of their isolation, the trauma associated with that.

And then, in addition to that, one thing that we weren't anticipating—and we knew we were going to have challenges with, let's say, bus drivers and transportation. And no matter where you are in the country, you're seeing those challenges. What we didn't anticipate were all of the other supply chain challenges that are a product of not having enough workers or drivers. And those things then impacted our ability to pick up trash, to pick up trash bins, to have food delivered to schools. Yesterday, we had one school—had two of their cafeteria workers who did not report, and so therefore the school didn't have access to the meals that were available in the kitchen, because those two individuals did not report to work. And so, it's those types of things that are really beginning to impact.

And as educators who have been flexible throughout this entire pandemic, one of the things that many individuals are doing now is really finding new ways to engage with young people, while also trying to manage their own emotions and their own traumas as a result of the pandemic, as well as the emotions and challenges and trauma of our young people.

And I'll just add this, Governor Bowman, is that when you have those types of supply chain types of challenges, let's say you can't get children picked up on a bus, the impact of that challenge is disproportionate to those who are already in deep poverty and because when those children don't have access to transportation, they can't get to school. And when those young people aren't at schools, where we don't have access to meals or food to distribute, then those families or children don't eat. And so, the disparities, and income disparities, and all of the other disparities as it relates to access to healthcare and nutrition, all of those things are exacerbated as a part of the pandemic and what we have been trying to navigate as a result.

GOVERNOR BOWMAN. Well, thank you so much. I really appreciate your perspectives with all of these very critical and important issues that affect our workers. But I do want to just let Chair Powell wrap up our conversation today if he has the time to do so. So, thank you so much for your perspective.

CHAIR POWELL. I do have time and thank you so much for this. You know, we are really living in unique times. I'm old enough to have seen a lot of things, but I've never seen these kinds of supply chain issues. I've never seen an economy that combines, you know, drastic labor shortages with lots of unemployed people, and you know, a lot of slack in the labor market. As you were just pointing out, you know, one part of it is not so different from other downturns, and that is people with the least resources, least able to bear the burden, were particularly hard hit by this one. So, it's a very fast-changing economy. It's going to be quite different from the one—we hear that right across the board from many of you. And, you know, for us to be able to hear this from you in real time is enormously valuable. We get tons and tons of data here, but it doesn't really live for us until we hear your stories and what's really going on in the ground. So again, we're out of time, but I just want to thank you personally so much for this. And we'll hope to see you again soon. Thank you.

VICE CHAIR CLARIDA. Thank you very much.

GINA DINGMAN. Thank you. Thank you very much.

GOVERNOR BOWMAN. Thanks, everyone.

SEVERAL PANELISTS. Thank you. Bye-bye.