

December 4, 2019

## ***Fed Listens* Events: Summary and Key Takeaways<sup>1</sup>**

### **I. Background**

The Federal Reserve sponsored a series of public events around the country as part of the review of its monetary policy strategy, tools, and communications practices. The goal of these *Fed Listens* events was to obtain input from a wide range of stakeholders beyond the experts in academia and financial markets with whom policymakers regularly discuss monetary policy issues—for example, organizations representing historically disadvantaged populations, underserved communities, small businesses, labor unions, local governments, and retirees. In addition, a process of public engagement would foster transparency of the review, help in communicating with the general public about the review, and enhance the Federal Reserve’s accountability. In organizing the *Fed Listens* events, the System leveraged its existing network of contacts, and the events themselves brought attention to the regular interactions that the Reserve Banks and the Board already have with groups around the country.

In the rest of this note, we review the format of and participants in the *Fed Listens* events, discuss key takeaways, and offer some comments about Federal Reserve communications with the public. While many of the concerns raised by participants at the events lie outside the mandate of the Federal Reserve, participants offered insights into the effects that labor market conditions, inflation, and interest rates have on them, in ways that may augment policymakers’ understanding of the effects of their monetary decisions on these populations.

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<sup>1</sup> Memo authors: Wendy Dunn (Board), Jeff Fuhrer (Boston), Ellen Meade (Board), and John Roberts (Board). We thank Thomas Laubach and Trevor Reeve for comments and suggestions. We also thank the many Federal Reserve staff at the Board and Reserve Banks involved in community engagement, event planning, public affairs, and research for their work on this important initiative.

## II. Structure of the Events

Between the end of February and mid-October 2019, the System hosted 14 public *Fed Listens* events—one at the Board and each Reserve Bank as well as a research conference in June at the Chicago Fed. The formats and participants varied widely across the events (see Table 1). Most of the events featured one or more panel sessions with representatives of a wide array of groups and organizations. A couple of the events included academic sessions with paper presentations and discussants. A few incorporated site visits to schools and/or businesses to learn about local initiatives in underserved communities to increase education (in Dallas and Camden, New Jersey), combine high school completion with work experience (in Augusta, Georgia), or offer after-hours vocational training to enhance skill levels (also in Camden).

All of the events featured a broad set of participants drawn from the System's existing advisory councils and community networks, or from outreach conducted specifically for the *Fed Listens* initiative.<sup>2</sup> The participants represented small businesses, labor unions, state and local governments, schools and community colleges, workforce development organizations, housing groups, community development financial institutions (CDFIs), retirees, and academia.

While members of the community affairs staff at the Reserve Banks regularly interact with such groups as part of ongoing outreach, the *Fed Listens* events were distinct in their focus. At the events, questions posed to the participants centered on the effects of monetary policy actions on them and the groups they represent, and how they view the relative economic importance of the dual mandate goals. In many of the panel sessions, participants were asked to comment on current labor market conditions, the interpretation of maximum employment, lending conditions facing their organizations or communities, responses to changes in interest rates, and concerns about inflation. In addition, participants were often asked to compare economic conditions today with those in the past (a few years or a decade ago), and to assess the Federal Reserve's

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<sup>2</sup> In addition, members of Reserve Bank boards of directors were participants in the *Fed Listens* events at the Board and in New York, Philadelphia, and San Francisco.

communications with the public. At a few of the events, participants were asked about the distributional effects of monetary policy. A panelist at the research conference in Chicago in June noted, based on his many years of interactions with the Federal Reserve, that the Fed Listens initiative was “something at a different level” in terms of engagement relative to the System’s community outreach and research functions.

To highlight the transparency of the review process and the *Fed Listens* initiative, all of the events featured common branding and were livestreamed, with the video available soon afterwards. Written summaries of the events have been posted.<sup>3</sup> All of the events were attended by at least one Board member and Bank president. In keeping with the “listens” framing of the events, policymakers offered only brief introductory or closing remarks, and they sometimes posed questions to the participants.

### **III. Key Takeaways**

Looking across the 14 events, there were a number of important takeaways.

First, the participants representing underserved communities generally saw the current tight labor market as offering significant benefits to their constituents—the main one being job opportunities for individuals who had difficulty finding employment in the past. These participants frequently noted that the national statistics were not representative of their own communities, where unemployment rates were still high. More pointedly, some participants questioned the characterization of labor market conditions as “hot” in light of the still-high unemployment in their communities. For example, at the Chicago Fed in October, one panelist representing a workforce development agency questioned whether the term “full employment” characterized the state of the labor market for all workers, stating that in some neighborhoods where unemployment is persistently high—between 15 and 17 percent—“it’s always a

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<sup>3</sup> The Board’s website houses a *Fed Listens* page with links to all the materials: <https://www.federalreserve.gov/monetarypolicy/review-of-monetary-policy-strategy-tools-and-communications-fed-listens-events.htm>. The Federal Reserve Bank of New York hosted three non-public sessions under the *Fed Listens* moniker; these sessions were with existing advisory groups and were not live-streamed, although minutes were produced for each session.

recession.” Similarly, participants from Puerto Rico at the New York Fed’s event in May characterized unemployment in the territory as “unbearable.”<sup>4</sup>

In addition, many participants expressed concern about what would happen to the newly hired in their communities during the next downturn, commenting that these workers would be the first to lose jobs without having had the chance to develop adequate work experience. Participants also frequently mentioned childcare and transportation as critical for sustaining employment, but generally inadequate in lower-income communities. For example, at the Dallas Fed event in February, participants discussed the importance of reliable transportation and proper nutrition in sustaining labor force attachment. At the Kansas City Fed in October, one participant from a workforce development agency saw the incompatibilities in schedules for training, employment, and childcare as the primary barriers that keep many individuals in poorer communities from joining the labor force.

Second, small business owners and representatives from organizations of small businesses and manufacturing firms (National Federation of Independent Business and National Association of Manufacturers, respectively) saw the tight labor market conditions as presenting difficulties in terms of finding qualified workers to fill available positions. Some strategies for bringing workers into the labor force entailed modification of requirements for education or training. These business representatives, along with other participants from workforce development and educational organizations, offered anecdotes about newly developed training programs or specialized curriculums at community colleges tailored to build specific skills for newly hired employees. For example, at the research conference at the Chicago Fed in June, the president of a large community college system described a partnership with Accenture that provides employment for students during and after completion of a specially designed associate’s degree program. In partnering with the community college, the company had agreed to reduce the education prerequisite for its positions from a bachelor’s to an associate’s

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<sup>4</sup> Puerto Rico is not included in the labor market statistics produced by the Bureau of Labor Statistics.

degree.<sup>5</sup> At a site visit to a Camden-based manufacturer, Holtec, that was part of the Philadelphia Fed's event in May, the firm's management described an after-hours training program that provided employees with an opportunity to earn specialized welding certifications. These certifications could add measurably to the wages that the firm's welders—most of whom had no post-secondary education—were earning, and the program was seen as boosting loyalty to the firm.

A related strategy that businesses were using to bring workers on board was broadening the set of individuals that they deem qualified for available jobs. At the Richmond Fed's event in May, a representative of Goodwill Industries commented, "As the unemployment rate goes down, employers are forced to look at potential workers they might not have considered previously." A participant at the Boston Fed's event noted that his manufacturing firm was looking for workers in less-common markets and had begun partnering with local prisons to recruit former inmates who had taken STEM training during their incarceration. The broadening of recruiting efforts to include the formerly incarcerated surfaced at a number of the events, as did the relaxation of drug testing requirements for some positions. Other aspects of workforce flexibility included encouraging long-time employees to postpone retirement and asking retired employees to return to work.

Third, by and large, business participants did not report raising wages as a means of attracting and retaining workers in what they saw as tight labor markets. Instead, these participants frequently reported having to absorb increased costs associated with training programs, health care, or other benefits. For example, at the St. Louis Fed's event in September, members of the Bank's Industry and Advisory Councils reported that local labor shortages were leading them to offer enhanced retirement and health care packages, additional vacation days, more generous parental leave policies, college-tuition reimbursement programs, and/or increased flexibility around work schedules and telework. Panelists at the San Francisco Fed in September spoke of a growing emphasis

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<sup>5</sup> Some participants at the events asked whether the current U.S. education system provides appropriate skills and training, at times questioning the value of a 4-year bachelor's degree as compared with a well-designed 2-year associate's degree.

on workplace culture, claiming that employment conditions and benefits are increasingly viewed as viable substitutes for higher wages.

Fourth, when asked about the effects of changes in interest rates, participants representing underserved populations said the question was not applicable to most members of their communities, because many have limited or no access to conventional credit. Populations in lower and middle income communities have traditionally been more susceptible to predatory lending; a good portion of them have poor credit histories, which preclude them from taking advantage of low interest rates. While businesses and CDFIs generally found the low interest rate environment beneficial, representatives of retirees conveyed a more negative view of low interest rates given the reliance of wealthier members of their constituency on savings income.

Finally, there was less discussion at the *Fed Listens* events of inflation than there was of labor market conditions. Participants generally acknowledged that inflation was low and posed few challenges. Representatives of small businesses or business associations emphasized the importance of low, stable, and predictable inflation for planning and decisionmaking. Participants representing the retired or those living on fixed incomes mentioned health care costs in the context of inflation. For example, an AARP executive at the Board's event in October noted that about half of Americans over the age of 65 live exclusively or primarily on income from Social Security, making price stability especially important for their financial well-being. The relatively rapid increases in the costs of health care and prescription drugs were noted as a particular concern. In addition, participants at the Cleveland Fed's event in Cincinnati in June and at several other events observed that residents of low- and middle-income communities were particularly sensitive to increases in the cost of necessities such as health care, housing, utilities, groceries, and child care, which account for the bulk of their spending. As one panelist at the research conference in Chicago put it, "It's expensive to be poor in America."

When discussion turned to the possibility that the Fed might want to nudge inflation higher—which occurred at a few of the events—participants generally had little

or no understanding for why policymakers would be concerned about inflation running below 2 percent, or its relationship to conventional monetary policy space. At the Board's event in October, participants noted that work must be done to explain why the Fed would want to achieve somewhat higher inflation, especially to communities that often do not see their wages keep up with prices.

#### **IV. Communications with the General Public**

At most of the events, participants were offered the opportunity to comment on Federal Reserve communications with the public. While they expressed appreciation for the institution's willingness to engage with the public during the review process, participants generally thought the Fed should do more, and on a more regular basis, to reach people around the country. In this regard, the work that community affairs and community development teams within the System are doing to address workforce development, education, and housing issues are important and valued. In addition, the research of System economists—whether or not that research bears directly on the dual mandate goals or on broader economic questions—was seen as contributing important analysis to the public discussion of key economic issues.

A uniform message delivered by participants across the events was that the Federal Reserve should tailor its communications appropriately to different audiences, and strive to communicate more clearly and simply with the general public. Participants advised policymakers to avoid using technical jargon, such as “maximum employment and price stability,” and instead employ language and reasoning that the average person would understand.

**Table 1. *Fed Listens* Events**

Host/Date	Format	Participants	Questions
Dallas 2/25 (Kaplan, Clarida)	Listening session with presentations by community groups  Site visit	Representatives of education, workforce development, senior citizens, food security, transportation, health care, affordable housing	Participants prepared presentations based on questions about labor market, inflation, and interest rates
Minneapolis 4/9–10 (Kashkari, Clarida)	2 research panels 2 policy panels 1 community panel	Researchers from academia, think tanks, Fed  Representatives from Minnesota nonprofits, government, community organizations	Framing question for research and policy panels: What does the Fed need to know about how different households fare over the business cycle and under alternative monetary policy actions?
Richmond 5/8 (Barkin, Brainard)	1 community panel	Representatives from Goodwill Industries, community foundation, food-processing company, professional services firm  Large audience from a convening of one of the Bank’s community-based leadership programs	Questions on effects of monetary policy, the labor market, wage and price increases, effects of inflation on low- and moderate-income households, effects of targeting higher inflation to make up for missing the 2% objective, emerging community issues, Fed communications
Boston 5/13 (Rosengren, Clarida)	3 community panels	Representatives of lower-income groups Representatives of minority groups Representatives of small business, retirees	Questions on the costs/benefits of current tight labor market, importance of low unemployment vs. stable prices, effects from long period of low interest rates, costs when interest rates change, Fed’s success in achieving dual mandate over past 10 years
Philadelphia 5/17 (Harker, Clarida)	2 community panels  Site visit	Representatives of lower-income groups Representatives of small business (trucking, Wawa) Representatives from higher education	Questions on current economic conditions, labor markets, importance of maximum employment vs. stable prices, transmission of monetary policy to everyday activity, how the Fed could do a better job
New York 5/20 (Williams, Clarida)	1 community panel	Large number of labor and non-profit leaders, local government officials, congressional district staff, regional academics from the Second District  Event included participants from Puerto Rico	Questions on importance of dual mandate goals and whether one goal is more important than the other, costs/benefits of running tight labor market, current labor market conditions, transmission of monetary policy to broader economy, Fed communications
Conference 6/4–5 (Chicago)	7 research panels 2 community panels	Researchers from academia, think tanks  Representatives from workforce development, higher education, AARP, CDFIs, small business, AFL/CIO	Panel 1 questions on current economic conditions, labor market, Fed communications  Panel 2 questions on interest rates and transmission of monetary policy, credit availability, inflation, Fed communications



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Cleveland 6/21 (held in Cincinnati)  (Mester, Brainard)	Final session of large community development conference	Conference attendees asked to discuss 2 questions by table	What does the employment picture look like in low- and moderate- income communities that you know and/or serve?  How has inflation been affecting the low- and moderate-income communities you know and/or serve?
Atlanta 7/16 (held in Augusta)  (Bostic, Bowman)	2 community panels  Site visit	Representatives from local manufacturing firm, workforce development, public school system, regional bank, regional credit union, local housing authority	Panel 1 questions on current economic conditions, labor market, inflation, Fed communications about inflation  Panel 2 questions on current economic conditions, cost/availability of credit, interest rates, inflation, Fed communications about inflation
St. Louis 9/4  (Bullard, Bowman)	Advisory councils deliberate on questions and report back to policymakers	Members of Bank's advisory councils: Agribusiness Industry Council; Community Depository Institutions Advisory Council; Community Development Advisory Council; Health Care Industry Council; Real Estate Industry Council; Transportation Industry Council	Common questions on labor market, inflation, interest rates, communications and role of Fed
San Francisco 9/26  (Daly, Clarida)	1 research speech 1 research panel 2 community panels 1 closing address	Researchers from academia, think tanks, Fed  Representatives from regional workforce development, government, community organizations, business	Research speech and panel on benefits and potential costs of "hot economy"; closing address on income inequality  Panel 1 questions on current economic conditions, tight labor market, opportunities for advancement  Panel 2 questions on how companies and employees have responded to long expansion and tight labor market
Board 10/4  (Powell, Brainard, Bowman)	2 community panels	Representatives from CDFIs, AARP, small business, manufacturing, gig workers, workforce development, community college	Panel 1 questions on labor market, Fed communications  Panel 2 questions on inflation, interest rates, Fed communications
Kansas City 10/9  (George, Powell)	1 community panel	Representatives from local business, labor, CDFIs, LMI groups	Questions on labor market conditions, wages/prices, broad economic conditions, constraints on cultivating improved economic outcomes
Chicago 10/17  (Evans, Bowman)	2 community panels	Representatives from workforce development, AFL/CIO, community college, community organizations, housing groups, CDFIs	Panel 1 questions on labor market conditions, effects of monetary policy on disadvantaged workers' long-term labor market prospects  Panel 2 questions on effects of monetary policy on LMI communities' housing and small businesses