

Transcript
Policy Summit 2023
Closing Remarks
Speakers

- Emily Garr Pacetti, Vice President and Community Affairs Officer, Federal Reserve Bank of Cleveland
- Loretta J. Mester, President and Chief Executive Officer, Federal Reserve Bank of Cleveland

Emily Garr Pacetti (00:00):

Thank you, mayors, for your incredible leadership and for making time to be with us here today. It's an honor to have you. And thank you, Lavea, for your leadership in moderating the discussion.

(00:13):

My name is Emily Garr Pacetti, and I'm community affairs officer at the Federal Reserve Bank of Cleveland. And before turning it over to our last and very special speaker of this year's Policy Summit, I'd like to extend a few thank-yous and offer some words of reflection.

(00:30):

Thanks to each one of you for being present with us for Policy Summit 2023. You represent about 200 people virtually and about 400 in-person. And together, you are part of that puzzle that we saw before, 600-puzzle pieces who came together to bring your voices and experiences to this colorful portrait of what our collective economy looks like when pieced together. And to steal words of a participant, Renata from Wilmington, are you here? Hi, Renata, from Wilmington, Delaware. She said, "We're not only looking at what the economy is, but let's reimagine what is possible." And I really loved that.

(01:21):

This is an amazing engaged group, and the Policy Summit would not be what it is, a place where we all come and learn from each other and think differently about a way forward, without each of you being present with us. So please give yourselves a round of applause.

(01:40):

As we close today, I invite you also to join me in giving a round of applause to two individuals who are the heart and the brains behind this operation, Tracey Mason and Andrew Bennett. Please stand up. Andrew's probably... There he is. The joy you bring to the work is contagious and inspiring, and we really appreciate all the time you put into this effort. Thank you also to so many others who made this possible. So please stand as I mentioned, each group, if you're willing to do so. The community development staff at the Federal Reserve Bank of Cleveland and also community development staff from across the Federal Reserve System, thank you. Please stand. Our communications and events staff from the Cleveland Fed and the Hilton, thank you. You're probably already standing up, running around, but thank you so much. Donna, I see you. Thank you. Kate.

(02:43):

All our volunteers across the Cleveland Fed and to the session leads who somehow pulled off 12 different sessions each with phenomenal speakers and engaging relevant topics. So thank you to our session leads. To our Cleveland Fed Executive Leadership team board of directors and advisory council members, thank you for being here and for your ongoing support and counsel, thank you.

(03:09):

To participants in the Reinventing Our Communities Program who came together to reflect on what racial equity means in their work in communities across the country and how best to move forward, please stand up. Thank you. And to our partners, including eight different Federal Reserve banks and 16 community partners, both local and national, thank you so much.

(03:36):

It's really the people that make the conference successful, and you each played an incredibly important part in that. In reflecting on the past few days, I'd like to briefly take our attention back to the theme, Communities Thriving in a Changing Economy. Do you read it as current state our community is thriving or is it an aspiration that we want to get to? Depending on your vantage point, you may see it differently. It probably also varies by the sector, industry, place and context you're in.

(04:09):

The plenaries yesterday and today really underscored this point. And in a session yesterday, one gentleman from Indiana shared that he was trying to make sense of employers on one side of the city struggling to find workers. And on the other, there was a cycle of layoffs. We've also heard optimism about new business starts and also acknowledged that not all firms have equitable access to lending.

(04:35):

As you go back to your daily routine and work in communities, I challenge you to hold that tension in front, both the incredible assets that we have in our communities and also the potential left on the table who is thriving and who isn't but could be if we were open to change.

(04:52):

With that in mind, it's fitting that President Loretta Mester will close us out today. President Mester represents the very best of a decentralized central bank system. She is driven by both the data coming in on the spreadsheets but also the diverse voice that she surrounds herself with. She takes time to understand the economy from all these different perspectives, including our lowest income communities. And she knows that the best solutions are generated when we welcome diverse voices to take part in the decision-making and doesn't shy away from the hard-to-tackle issues. Similarly, she doesn't shy away from elevating those issues that are, in fact, solvable. With that, please stay in touch. And I leave you now with president and CEO of the Federal Reserve Bank of Cleveland, Loretta Mester.

Loretta Mester (05:52):

Well, thank you very much, Emily. The one person that you didn't thank is Emily Garr Pacetti who spearheaded this whole thing. So I want to thank you for all you're doing, not only in this conference but all you're doing to further the work of the community development work both at the Cleveland District but also throughout the system. So good afternoon, everybody. Again, I want to thank you for being here at this year's Policy Summit.

(06:20):

This really is a place where we come together, researchers, practitioners, policymakers. And really, we all bring diverse views to the table. We all have different backgrounds. We all have different perspectives, but we all share a common goal, and that goal is to strengthen communities by improving the opportunities for all people to productively engage in our economy. And I really, really want to thank you all for making this summit a success, not only this year, but over the 16 years it's been put on.

(06:54):

Now, the discussions over the last two days have really focused on many of the challenges that face our communities, both longstanding ones and new ones that reflect our changing economy, which was the theme this year. There are still significant impediments limiting those in low and moderate-income households and communities from fully benefiting from a strong economy. Not everyone has access to affordable education, transportation, broadband, housing, credit, and other financial services. And those are the foundational elements that allow people to achieve the American dream and secure a better living standard for their children. And I really want to applaud each and every one of you for persevering in your efforts to improve our economy for everyone. I would imagine that, at times, you can be discouraged given what still needs to be done.

(07:53):

So what I've decided to do to end of the summit, I wanted to end it on a positive note by providing some examples of the progress that has been achieved in supporting communities through partnership and perseverance. And before I continue, I'm going to just note that my views are my own and not necessarily those of the Federal Reserve System or my colleagues on the Federal Open Market Committee.

(08:17):

So my examples of progress are going to come from two areas in which the Federal Reserve System has been particularly interested, housing and workforce development. And if you know about the Federal Reserve, our community development work, really, the origin of it lies in the passage of the Community Reinvestment Act in 1977. The CRA reaffirmed that insured depository institutions must serve the communities in which they're chartered to do business, helping to ensure equitable access to credit for all individuals and neighborhoods. And the Fed and the other federal financial supervisory agencies were charged with implementing the act.

(08:59):

Now today, our work in community development has expanded. We do research. We do outreach, and we're really talking about, within the Fed, how we can provide information about the economic health of low and moderate-income households and communities and small businesses. And that information I think is particularly helpful in tracking emerging developments and monitoring the economy in real time as we talked about in the Fed Listens session yesterday.

(09:31):

What's really particularly helpful to me is that that information that we're getting from talking to you all really comes in much closer to what's going on in the current economy. The data we get is lagged, but we want to be forward-looking. We had to be forward looking to be able to set monetary policy. So we learned during the pandemic that what was going on had a disproportionately negative effect on lower income people and people of color.

(09:58):

And what we're learning now on the post-pandemic economy, which has been characterized by high inflation, is again, it's a particularly onerous burden on people and businesses with fewer resources. So I'm very happy that some of the information we're gathering is now part of the Beige Book, which comes out a couple of weeks before each FOMC meeting where we really are using that information to help us set monetary policy.

(10:25):

Another important source of information is the Federal Reserve Bank's Small Business Credit survey, which I'm proud to say the Cleveland Fed now leads on behalf of the system. And that survey, if you haven't seen it, and the reports, it provides information from a large sample of small businesses on their credit performance, financing needs and choices, and borrower experiences. And that survey has allowed the Fed to document the disparate impact the pandemic had on small Black-owned and women-owned businesses, track the post-pandemic recovery of small businesses and see how differences in access to credit have changed over time. And the data on access to credit has been informing the work being done by the federal banking regulators to modernize the regulations to implement the CRA in light of changes in banking since the 1970s.

(11:22):

Now, in addition to real-time reconnaissance, the Fed's Community Development function also works to understand the longer-run trends that present challenges and opportunities for lower income households and communities. So at the Cleveland Fed, we collect that information in a variety of ways. We meet with our community contacts. We have a Community Advisory Council, which Emily mentioned. We do conduct surveys of nonprofits and small businesses, and then we convene listening sessions and roundtables. So the Fed Listens event, which allowed Governor Bowman and myself to hear directly how low-income communities are experiencing the post-pandemic economy, was very important to both of us.

(12:08):

Equally important as the collaboration we had with many of your organizations, we've learned over the years of this work that much more can be accomplished by bringing together diverse perspectives to identify problems and then working together as partners with perseverance to solve them. So now, let me turn to the examples I mentioned of the progress, first, in the area of housing and neighborhood development.

(12:34):

So since the urban decline of the 1970s, vacant and abandoned properties have posed a problem for neighborhood revitalization. And the global financial crisis and Great Recession of 2007 to 2009 really made this challenge much worse. Ohio had one of the highest foreclosure rates in the country during that time. In Slavic Village, which is a neighborhood in Southeast Cleveland, foreclosures affected as many as one in four homes. And between 1990 and 2010, the number of vacant properties more than doubled in places like Cleveland, Detroit, and Baltimore.

(13:13):

But we also saw increases in the Sun Belt cities, including Atlanta and Miami. Now, to help solve the large number of vacant and abandoned properties in Ohio in the 2000s, a next generation land bank was set up, the Cuyahoga Land Bank. And instead of relying on government agencies, this land bank entrusted non-governmental entities to acquire distressed properties. And they were able to convert those properties to alternative uses in a more efficient way than local governments could. And that land bank still exists. It continues to do important work and is important avenue for revitalizing neighborhoods in Cleveland.

(13:56):

Now, another example of progress is the remediation of lead in the housing stock in Cleveland as Mayor Bibb was mentioning in the last session. While in some parts of the country, lead contamination has come through the drinking water system, in Cleveland, a deterioration housing stock in distressed neighborhoods was the main contributor to high levels of lead toxicity in children.

(14:20):

And even though it's been 45 years since lead paint was banned in 1978, in the mid-2000s, lead testing in Cleveland revealed that a significant share of the city's children had elevated levels of lead in their bloodstream. And these children disproportionately lived in lower income and majority minority neighborhoods.

(14:43):

Now, at elevated levels, as I'm sure you know, lead can cause brain damage that's irreversible, and it has significant adverse effect on a child's ability to learn, which can then threaten the child's attachment to the workforce and long-term economic wellbeing. So lead is a health problem, no doubt, but it's also an educational problem, a workforce, and economic development problem, and a barrier to economic opportunity and an inclusive economy.

(15:12):

So as more people became aware of the dangerous effects of lead in homes, research institutions, hospitals, nonprofits and foundation joined with the City of Cleveland and Cuyahoga County to form a public-private partnership called the Lead Safe Cleveland Coalition. And over the past six years, the coalition has helped with screening and testing, public outreach and engagement with residents and landlords, as well as lead paint remediation in homes and clearance of lead.

(15:43):

And over time, the group has expanded to include more organizations and state and local governments and families affected by lead. So many of our Policy Summit partners, including the United Way, Enterprise Community Partners, Cleveland Neighborhood Progress and the Urban League, are members of that coalition.

(16:04):

Now, in 2016, the Cleveland Fed convened parties interested in solving the lead problem. And in 2022, we hosted a Lead Safe Home Fund Investor forum at the bank. So it was very clear in looking at those two events that really a lot of tangible progress had been made over those six years. As of January 2022, \$115 million of funding has been designated for making Cleveland homes lead safe. And the city of Cleveland requires all rental properties built before 1978 to have a Lead Safe certification, which requires the property to have been inspected by a certified professional and not have any current lead hazards.

(16:48):

The share of tested children who have elevated blood levels of lead has also fallen substantially since the 2000. I mean, still in my view, we should not tolerate any level of toxicity. So there's more work to be done here, but I am convinced that with perseverance and continued partnership, we can make even more progress on this problem.

(17:10):

Now, the second set of examples is from the area of workforce development, which we spent a lot of time over the past two days talking about. Workforce development plays a critical role in helping people in communities further their economic wellbeing, something that certainly the Federal Reserve is interested in doing. Currently, our economy is experiencing a skills gap. Not enough workers have the skills necessary to fill the jobs and demand. And that means the country is not living up to its economic potential. A skilled workforce that can adapt to change is really an essential ingredient in a healthy economy.

(17:48):

The Federal Reserve System has worked on several initiatives to promote investment in workforce development and encourage partnerships. And I use that word, investment, on

purpose. There is a growing understanding among businesses that expenditure on employees should not just be viewed as a short-run input cost. Employees are important assets to an organization, and investing in employees can pay off in the long run by creating a more talented, more attached, and more productive workforce.

(18:20):

Regions are also realizing that investments to draw a highly skilled workforce can pay off by attracting more employers to the region and making the region more competitive when opportunities arise. So workforce development and regional economic development are linked and should be viewed as a common goal.

(18:40):

Now, even before the pandemic, technological change, automation, and digitalization, and we just talked about that in the Mayor's Panel, were driving rapid changes in the nature of work, what we do and how we do it. The types of jobs and skills needed for doing them are changing. And over the past decade, skills-based hiring has become more common and has provided a practical solution for matching employers with workers who had the necessary skills and providing better career paths for more people.

(19:12):

According to a Federal Reserve survey of young workers, more than 30% of young adults did not get information about jobs and careers in high school or college. I think that's an amazing statistic. So the Federal Reserve has been working to fill that information gap. For example, recognizing that a majority of adults, disproportionately people of color, do not have at least a bachelor's degree. Researchers at the Federal Reserve Banks of Cleveland, Atlanta, and Philadelphia have been documenting the types of occupations that don't require a four-year college degree, but do pay a decent wage at or above the median wage.

(19:52):

So examples of these types of opportunity occupations include nurses, sales representatives, truck drivers, carpenters and electricians. And an examination of the skills and demand for lower wage and for opportunity occupations led to the development of the Occupational Mobility Explorer tool. And that tool really helps workers in 33 different metro areas learn how the skills used in their current occupation are similar to those used in a higher-paying occupation in their same labor market.

(20:27):

So for example, using the tool, if you are a cashier in Cleveland, you see that you have the skills to be a customer service representative, and that job pays, on average, 135% more. Now, as the school gap has widened, community colleges and businesses have partnered to tailor training and curriculums. The Federal Reserve and other evaluators have identified several examples of successful partnerships that have increased opportunity, reduced worker turnover, and increased productivity and wages. And many of these programs are sector specific.

(21:04):

The Cuyahoga County Workforce Funders Group, which is a public-private partnership, is working with various local partners on programs and information technology, healthcare, manufacturing, and hospitality. Towards Employment, a nonprofit workforce development organization involved in that effort, bases its work on the WorkAdvance model to help build career paths in high-demand sectors. And that model includes pre-screening to ensure that participants understand a sector's job requirements, occupational skills training, placement services, and post-employment coaching.

(21:41):

And the model has been shown to be effective with participants working more regular hours, staying in the workforce, and earning higher salaries. Now, of course, to be able to perform well at a job or in a skills-based development program, one needs to have had a good foundation. And it's become increasingly clear through research and experience that early childhood education is critically important for advancement. The benefit comes not only from acquiring skills like reading and math, but also from behavioral skills. We now know that when children fall behind early on, it's difficult to catch up, and progress has been made in identifying which type of early childhood education programs work.

(22:25):

The research has also shown that well-focused investment in early childhood development pays off for both individuals, but also for the community overall, that enrollment and pre-K programs has helped to lower racial and income disparities in students' readiness for kindergarten, and that home environment matters too.

(22:44):

For example, a study by Cleveland Fed economist, Dionissi Aliprantis, who you heard yesterday in Fed Listens, showed that the number of books at home has a significant impact on achievement in elementary school. All those research findings have really driven action, and the action has led to progress.

[NEW_PARAGRAPH] In 2014, the Cleveland Metropolitan Area School District expanded pre-K education through its PRE4CLE program. And in the one year prior to its establishment, only 16% of children were entering kindergarten fully prepared, and only about 26% of preschool-age children in Cleveland were participating in high-quality preschool. From the establishment of that program through 2019, enrollment in high-quality preschool increased by 72%, with nearly half of Cleveland's three to five-year-olds enrolled. Now, unfortunately, as was true for many childhood education programs, the pandemic caused the enrollment in PRE4CLE to fall significantly, but it did begin to recover last year.

(23:54):

The Cincinnati Preschool Promise is also working to expand access to high-quality preschool to prepare students for kindergarten. And Akron's I promise School has also been successfully implementing a wraparound approach that ensures that students have access not only to education, but also to healthy food and transportation to get to school. And I think another sign of progress is that policymakers increasingly recognize that they need to take this holistic approach to effectively address the challenges facing lower-income households.

(24:27):

Now, what's critically important now is to persevere in educating our children, make up the ground lost during the pandemic, and increase access so that all of our children will be ready for the changing workforce of the future. So those are only a few examples of progress. I could go on. I know I'm a little over time already, but I could just point to a lot of others that have really been achieved progress through partnership and perseverance.

(24:53):

And I hope that what you take away from this Policy Summit really inspires you to form new partnerships and to persevere with the important work you're doing. If we all remain committed and work together, I really am convinced that we will make further progress toward a more inclusive economy in which all people can benefit. So once again, I want to thank you for participating, actively participating, and I want to thank you all for the important work you're

doing each and every day. I really appreciate it, and I really appreciate the partnership and perseverance, and we're walking hand in hand with that. Thank you very much.