Transcript
Policy Summit 2023
Fed Listens: Transitioning to The Post-Pandemic Economy

In this session, Federal Reserve leaders ask summit participants to share their insights on how to best support an inclusive economic recovery as the nation moves past the pandemic. Contribute your views on the challenges and opportunities that exist for our workforce and economy during this transition to the new state of normal.

Moderator
- Dionissi Aliprantis, Assistant Vice President and Director of the Program on Economic Inclusion, Federal Reserve Bank of Cleveland

Speakers
- Loretta J. Mester, President and Chief Executive Officer, Federal Reserve Bank of Cleveland
- Michelle W. Bowman, Governor, Board of Governors of the Federal Reserve System

Announcer (00:00:00):
We will now begin the plenary session, Fed Listens: Transitioning to the Post-Pandemic Economy. Please welcome to the stage Loretta J. Mester, president and CEO of the Federal Reserve Bank of Cleveland.
Loretta J. Mester (00:00:19):
Good morning everyone, and thank you very much for joining us at this year's Policy Summit. The theme this year is communities thriving in a changing economy, and I hope that we are all energized from what we learn over the next two days. We had a great start. So often we think that change is something that happens to us, but instead, I hope we can really use what we learn here to make positive change. We can actually make the change, not feel that change is something that's happening to us, change that will help ensure that we have a stronger economy from which all communities and households can benefit. Now, I'm really happy to welcome you all to this Fed Listens session entitled Transitioning to the Post-Pandemic Economy. Now, Fed Listens is a federal reserve system-wide series of conversations in which Federal Reserve leaders learn directly from participants about how they are experiencing the economy.
(00:01:26):
And as Angela Williams said, we want to lead by listening. The information we obtain has been very useful in helping us with our own policy decisions, and is also in helping us better understand the challenges out there in our own communities, which informs us about what we should be researching. So in a few minutes, I'm going to welcome up here, Dionissi Aliprantis, an economist at the Cleveland Fed, and Director of our program on economic inclusion. And he's going to actually come to the podium to discuss the format of the session, and it is an interactive session. But first, I'd like to give you a little background on Fed Listens. Fed Listens began in 2019 when the Fed undertook a comprehensive review of our monetary policy strategies, tools, and communications practices. And the intent was to make sure that they were up to date, given the changes that had occurred in the economy since the Great Recession.
(00:02:30):
It really became clear that to really understand those changes, we needed to better understand how our monetary policy decisions aimed at achieving our dual mandate goals and maximum

employment and price stability were affecting people as they went about their daily lives, and how they were actually experiencing some of the macroeconomic challenges, like getting and retaining a job, paying their living expenses, buying a house. So those conversations with members of the public and community groups provided many valuable insights. In fact, it was at a Fed Listens session at our 2019 Policy Summit where a participant at my table said something that has really stuck with me. So this was a time in 2019 when the Fed was concerned about inflation, similar to today. But instead of being worried about inflation being too high, which is the problem in the economy today, we were concerned that inflation had been running below our target for some time.
(00:03:33):
And the person said to me, "I know you guys at the Fed are worried about inflation being too low, but all I know is that it's costing me a lot more to be poor these days." Well, that really resonated with me and it really showed that you have to delve under those aggregate data and talk to individuals to understand what's really going on in the economy, different people and communities experiencing the economy differently. So it's important for us to hear about the challenges households and small businesses face when navigating the economy, and not just assume we know what's going on from the aggregate statistics. Given the valuable insights that were collected during those conversations, the system decided to continue the Fed Listens sessions under the leadership of Governor Micky Bowman, who I'm very thrilled is able to join us in person for this session. Micky Bowman became a member of the Board of Governors of the Federal Reserve System in November, 2018, and she was the first person to fill the community bank seat on the Board of Governors.
(00:04:45):
Now, Micky was a very fitting choice for this seat because of her extensive background and community banking. She was a vice president of Farmers and Drover's Bank in Kansas from 2010 to 2017. And that hands-on experience in running a bank is very rare at the Fed. Micky also saw the other side as she served as the State Bank commissioner of Kansas from January, 2017 to November, 2018. And in addition to these roles, Micky has been a dedicated public servant, having held important roles in the federal government and as an aid in Congress. She's also a member of the New York Bar, having received her BA from the University of Kansas, and law degree from Washburn University School of Law, also in Kansas. Now Micky's an expert on banking, supervision and regulation, and she also oversees the Board of Governor's efforts on community development. She brings her valuable perspectives to monetary policy decisions.
(00:05:48):
And I personally always make it a point to read Micky's speeches, and I would encourage all of you to do so as well. Whether they're on banking, the economic outlook and monetary policy payments, or community development. Mickey always has something important to say, and I never regret taking the time to learn from her. So please join me in welcoming, welcoming to the podium, Governor Micky Bowman.
Michelle Bowman (00:06:20):
Thank you so much. Well, thank you so much, Loretta, and I'm just really touched by that really kind introduction. I really am so excited to be here with you today in Cleveland. It's a pleasure to be here for this Fed Listens event, and I'm especially pleased to be here to discuss how the economy continues to evolve in the post pandemic environment. As Loretta said, we find the most valuable information about economic conditions, and I do especially, from those who are actually on the ground and working directly in the economy. So I'm really looking forward to

hearing from today's panelists to learn from their experiences and their perspectives. As those of you here today know, the Federal Open Market Committee met last week to discuss the economy and expectations for economic activity. So I'll begin the discussion today with my views on the evolution of the US economy since the onset of the pandemic, and on the implications of those developments for the FOMCs congressionally mandated goals of maximum employment and stable prices.
(00:07:35):
After the initial phases of the pandemic and the lockdowns and forced closures of most businesses, we saw strengthening economic activity, accompanied by unacceptably high and persistent inflation. Over the past several years, as economic activity has continued to normalize, one consistent strength has been the resilience of the labor market. Jobs have grown at a solid pace, wages have increased for many workers, and we've continued to see low unemployment. On the other side of our dual mandate, price stability, the US economy experienced the most significant inflation in 40 years reaching a peak of over 9% last year. The FOMC has made progress in lowering inflation. But despite the significant tightening of monetary policy, we continue to see unacceptably high levels of inflation. Recent research has argued that pandemic related supply and demand factors, in addition to unusually expansionary fiscal policy, contributed to the high inflation
(00:08:48):
Global and US supply chain disruptions and shipping and logistics challenges also drove up prices for a number of goods. Many of the supply side issues have now abated, and the FOMC has rapidly increased the federal funds rate to bring demand into better balance with supply. But while headline inflation has declined substantially, it remains far too high. Therefore, I believe that there is still more work to do to bring inflation down. I supported the FOMC's decision last week to hold the federal funds rate, the target range for the federal funds rate steady and to continue to reduce the Fed's securities holdings. However, I believe that additional policy rate increases will be necessary to bring inflation down to our target over time. We all know that the greatest impacts of inflation burden those who are least able to afford it and are low and moderate income communities.
(00:09:53):
And although tighter monetary policy has had some effect on economic activity and inflation to date, we've seen core inflation essentially plateau since the fall of 2022. And I expect that we will need to increase the federal funds rate further to achieve a sufficiently restrictive stance of monetary policy to meaningfully and durably bring inflation down. I will continue to monitor the incoming data and to look for signs that inflation is on a consistent downward path, as I consider appropriate monetary policy at our future meetings. But shifting to the policy summit and today's fed listens agenda, I'm so pleased to see that on the policy summit, the agenda includes a discussion of small businesses. Small businesses are a critical component of a thriving economy. One of the most dramatic changes in the economy since the pandemic has been a sustained increase in the creation of new businesses, most of them being small.
(00:11:00):
As we all know, small businesses were severely tested during the pandemic, and many stayed in business with substantial help from the paycheck protection program. In the early stages of the pandemic, new business formation plunged, and then surged as the economy reopened. This surge was followed by another sharp drop in the second half of 2020. And it seemed like business creation was headed back to its long-term trend, but instead, new business formation

has, again, accelerated and it now runs at about 30% above its pre pandemic trend. Often, a tight labor market is associated with elevated rates of new business formations, but the extent of business startups has been highly unusual. Some have speculated that the shift to more remote work has encouraged more experimentation. But whatever the reason, entrepreneurship is the lifeblood of the US economy, and I consider this to be a very positive development. Another topic on tomorrow's agenda is workforce development. Traditionally, businesses and educational institutions partner to identify skills and develop training programs for the skills needed in the workforce.
(00:12:20):
Community development organizations and government can also play a role in enhancing worker skills to meet demands of a high tech economy and increase the labor supply. Since the vast majority of workforce development is financed by the private sector, it's critical to develop enduring relationships to identify and evolve skills training to meet the needs of today's and tomorrow's workforce. Throughout the various stages of the economic recovery, due to the limited numbers of skilled job seekers, businesses were more open to and willing to invest in providing worker training programs. It appears that now is a great time to identify opportunities for involvement and investment in these kinds of efforts, and I'm very interested to learn from those of you who are engaged in workforce development and those who work with small businesses, and everyone who's working to help your communities thrive in this post pandemic economy. As Lorena mentioned, hearing these perspectives is why the Federal Reserve started Fed Listens in 2019. While economic data can tell us a lot, learning about the experiences behind the data helps bring the economic data to life for me and for my colleagues.
(00:13:41):
Through Fed Listens and other engagements with the public, we learn how Americans are faring in the economy, and about how our policy decisions affect individuals, businesses, and communities. Those views help us understand the economy better, and they enable us to make better decisions. So I want to, once again, thank President Mester and the Cleveland staff here, Cleveland Fed staff here at the Reserve Bank, for hosting this incredible policy summit for the 16th year, and for the opportunity to be involved in it. So I'm looking forward to being a part of our Fed Listens discussion today. Thanks so much.
Announcer (00:14:23):
Please welcome Dionissi Aliprantis, director of the Program on Economic Inclusion at the Federal Reserve Bank of Cleveland.
Dionissi Aliprantis (00:14:37):
Hello. Good morning. How are y'all doing? So thank you Governor Bowman and President Mester. So I'm Dionissi Aliprantis. I'm the director of our Program on Economic Inclusion here at the Cleveland Fed. So we're a group of researchers trying to understand what are the barriers to economic inclusion in the fourth district or the Federal Reserve, and to try to understand what are some of the promising approaches for trying to remove some of those barriers. Now, I'd be remiss given this podium not to tell you to go to our website, Cleveland fed.org/pei for some of our analysis and some of our content. So I hope you all can make it there. So I'll be the moderator for today's discussion. And as was just mentioned, this is really valuable for us. This is really important for us to hear from you all. Now, we're going to be putting three questions.
(00:15:28):
I believe they're on everyone's tables. They'll be on the screen. But we'd like you all to speak about the following questions. So the first is, as the labor market has continued to tighten, to

what extent are health concerns and caregiving responsibilities still limiting the hours of work of people who desire to work? Second, how are households and communities responding to the higher prices of many essential items, like food, housing, and transportation? And do you see them adjusting their spending in any material way and in which ways? And third, how do you assess the economic optimism in the business or community you represent? What are the most prominent concerns of people in your community at present? Now for this, we're going to keep these questions up. We're asking that you all engage in a discussion at your table. So you'll notice there should be paper and pen at each table. We ask that you each designate a reporter to report out the results of your conversation.
(00:16:30):
And we're asking that you write these down. So it's important to write these down because we're going to be collecting this for a public report that we'll be posting online to our website. We will have Federal Reserve staff kind of helping to facilitate the conversation, going around to the tables. And if you are online, we ask that you use a chat tool. So a Federal Reserve staffer will be providing guidance on how you can do that. And after about 30 minutes, we will reconvene to hear what has come up in the conversation. So for now, the ball is in your court. I hope you all have robust conversations, and I look forward to continuing in 30 minutes.
(00:17:11):
So thanks to everyone at my table. There were a lot of super interesting comments, and I'm really looking forward to hearing everything else that everyone has to say. This is a really great opportunity for us at the Federal Reserve. So I think we should just dive in and get started. So if people raise their hands if anyone wants to get started. A microphone will be brought around to you. I see one already over here. And I think we will get started. Thank you.
Speaker 5 (00:17:37):
Make sure you hold it up.
Julie Wisneski (00:17:43):
Hi everyone. My name's Julie Wisneski. I'm from the United Way of Greater Cleveland. Wow. So these three questions were really loaded, so of course we spent the majority of the time just on the first one, but some of our responses in discussion trickled down into the other two. So we answered the first question very quite literally, that women are having to limit their hours at work or leave the workforce entirely due to caregiving responsibilities. And when we talked about caregiving, we talked about not only caregiving for children, but caregiving for our aging adults, as well as children with disabilities, which believe it or not, in Cleveland, for low to moderate income families, a large percentage of children present with disabilities and have diagnosed disabilities.
(00:18:33):
So with what we know from the pandemic, especially the data that came out, the expanded childcare tax credit, increased SNAP benefit, eviction moratoria, we know that the data show what needs to be done and what public policy changes need to be made. But who is in the room when those conversations are being held? Are women in the room? Are people who are facing the community, facing these issues in the room? I think especially in Cleveland, the nonprofit and public sector has a great presence talking about these concerns and talking about these issues, but we need to take it to the next level. Who is not in the room today here, and who needs to be having these conversations with at the public policy level?
(00:19:23):

I just want to give an example of a report that came out. If anyone here is from the Century Foundation, I'm going to cite a report from Tuesday. In September, 3.2 million children will lose childcare spots if Congress doesn't act. That affects everything in question one. I just want to say again, who is having these conversations, and how can we translate the data that we know up to those decision makers? And for two and three, I just want to... Shameless plug, United Way of Greater Cleveland, we have two-on-one data that we get in daily, like Angela Williams said. Housing, food, and utilities are the top three calls consistently since the beginning of the pandemic. In quarter one of 2023, housing was the highest it's been in the last 10 years, calls for housing. Calling for help is still happening. It's higher than it's ever been, yet people still have to make decisions daily between utilities, housing, and food. So again, all the data we know, everyone in this room certainly knows that, how do we translate that up to public policy and decision-making? Thank you.

Dionissi Aliprantis (00:20:42):

All right, thank you. I don't know if anyone would like to follow up with that, or if there are any other tables. Don't be shy.

Chris Groner (00:21:04):

Good morning. I'm Chris Groner from Erie County Redevelopment Authority. And just to follow up on a lot of the points that were already made, three questions really started to blend into one another because we saw some reoccurring themes. And labor market tightness, we're experiencing that in our area as well, a lot of wage pressure with the folks that we work with. In terms of what households are facing, from the lending side, we're seeing a lot of debt and levering happening. I think spending has maintained, and they've gone into debt. I'm seeing that with a lot of small businesses and small business owners, so that's kind of a concern. And then we talked about the level of economic optimism. Some cautiously optimistic businesses out there, but lending standards have tightened, and we're seeing that becoming a challenge for especially small businesses to be able to get the credit that they need.

(00:22:10):

And a lot of these are businesses that have standing relationships with their bank, and yet the banks are pulling back on the amount that they're willing to participate in a project. So a lot of the themes we're seeing as well in our areas.

Dionissi Aliprantis (00:22:28):

Thank you.

Speaker 8 (00:22:29):

Hello. Is this on? So like the other tables, we only got through the first two, with many of the discussion around the benefits piece and thinking differently about especially the larger businesses and corporation, what that benefit package could look like so that it really solves the need of your employees. As opposed to just pulling a benefit package because this is what everybody else is doing, where can I really invest benefits in my company so that it service the needs of my employees, which may mean subsidizing caregiving and daycare? And then we also had a conversation around benefit cliffs and policy around benefit cliffs and thinking differently about how people grow in their income, and making sure that as people try to come out of poverty, that they're not instantly taken away from the benefits that are helping them live a good quality of life, and rather gradually decreasing those benefits so that they can still have access to subsidized housing, food stamps, childcare, those things that they need to continue to grow in their income.

Loretta J. Mester (00:24:09):

Can I ask a question about that? So the Federal Reserve system has been trying to do a lot of work on educating people about Benefits Cliffs, and there's tools out on the website about so you can calculate them. I'm very curious, in your collective experience, and this is to the room, are there more businesses who now are aware, and more policymakers that are now aware of this issue? Has there been progress on that front, or would you still say there's a lot more work that needs to be done? So employers actually understand what those benefit cliffs look like and how their employees are affected by those?

Marrea Walker-Smith (00:24:53):

Hi, good morning. Marrea Walker-Smith from the Chester County Economic Development Council. So as it relates to businesses and the policies that are set or the information that's out there, I'm just not sure that we are creating a message that is simple and easy for people to understand. I often give the example that if you can cook, you may not know about business, because we can't all have the same skillset. So what we find is that many of the businesses that are in our community that are trying to get to the next level have so many different barriers, because one, they are either afraid or don't feel that they are worthy enough to go to the table or to meet with organizations that can assist them, or two, they feel they may be judged. And three, they're just really trying to survive and thrive. And so I would definitely encourage us to think about the information that we're putting out there, and to also not just tell the sad stories, right?

(00:26:18):

There are lots of success stories too. So when we put information out there, share those things too because one of the quotes that I like to use often is, if you look at this people in your circle and you don't get inspired, then you don't have a circle. You have a cage. And so it's time for us to break down that cage and start to inspire others.

Loretta J. Mester (00:26:47):

Thanks.

Joanna Staib (00:26:48):

Good morning. My name is Joanna Staib. I am the executive director for the Delaware Workforce Development Board, and I just gave an example of just an awareness that our board had in the last two months. So one of my board members is a business owner in a county. She owns the largest childcare facility in Kent County in the city of Dover. She tried to give one of her employees a 25 cent raise per hour, and that employee declined that raise. And so what that did was as a board member, she came back to the board. We have a 53 member board business leaders across our state, and she told that story. So where we don't have solutions, at least our business community is now becoming more aware of that.

(00:27:33):

The second thing that we're trying to do is I know there's a lot of work that the Federal Reserve has done on the benefits clip, but we want to look at the state of Delaware. And what does that look like for our state, so that we can actually try to start to tackle those challenges specifically for Delaware? So that's just some of the things that we're trying to do in Delaware.

Dawn Brohawn (00:27:54):

Hello, I'm Dawn Brohawn from the Center for Economic and Social Justice outside of Washington DC, and our group really were talking about solutions, as opposed to the obvious problems that are implied in these questions. And it's clear, when you don't have enough income, you're going to be put in a position where you have to make choices about what do you need to survive and your family and your children. The essence of a new approach to dealing with these problems, we haven't heard. And that has to do with how do people who have no assets acquire

capital that can provide them with an additional source of income? If you don't have money, how are you going to get the money to buy shares and companies that are going to be using artificial intelligence and robotics, which we frankly have to acknowledge that that's going to put pressures on jobs.
(00:29:01):
What is going to be necessary? What is going to be available? So I would put it to this group. We should start thinking in terms of ownership, and the idea that if you don't own, you're going to be owned. And then the question is how can we make that happen? And I hope to have discussions and conversations, but the regional federal reserves have the power in Federal Reserve Acts section 13, paragraph two, to create money for productive purposes. So this is not government backed debt. This is private sector loans to acquire new capital to produce for customers with money. Now, we have to figure out how do we create more customers with money? And so it is connecting the processes of finance to business expansion and new capital ownership opportunities. So those are remarks, and thank you for this opportunity.
Dionissi Aliprantis (00:30:15):
[inaudible 00:30:15]
Amy Peltier (00:30:19):
I'll be just really quick. I wanted to share a comment on the benefit cliffs. I'm Amy Peltier. I'm from the town of East Hartford in Connecticut. I sit on our statewide two gen advisory board and chair our Benefit Cliffs working group. And we've been really lucky to work with the Atlanta Fed utilizing the dashboard tool. And we're in the process of publicly rolling that out in the state right now, both the employer version and for individuals who are experiencing Benefit Cliffs. I just wanted to share a little bit of feedback around that with respect to employers. Number one, I think we kind of have two buckets where employers are just kind of learning this term, and maybe we need to talk about it with a different term instead of using the term benefit cliffs because employers kind of experienced some pushback and understand that they can't necessarily always raise their wages, or want to acknowledge that their wages are so low that their workers also have to be on benefits just to survive.
(00:31:26):
But I think we're starting to socialize that, and we're finding some really good employer partners. I think the other piece for individuals who are on Benefit Cliffs, and we're training folks to coach them through some asset mapping and thinking how to prepare for their future and getting off of those cliffs, there's a lot that goes into those conversations. But one thing that we're finding at the state level is that there's often very little we can do around federal income thresholds and guidelines that essentially just keep people poor if they want to be able to receive certain benefits. So we can do all the coaching that we want around going back to work. But if they can only have one car in their household that can't have a value of more than $9,500, that is not necessarily guaranteed to get them to work. There's not much we can do in coaching if those thresholds and guidelines don't change. Thank you.
Dionissi Aliprantis (00:32:29):
Thank you. So I had seen a couple. I think there's one over there as well.
Speaker 12 (00:32:40):
Excuse me. For the question number one, our table understood the concerns about healthcare, but we also recognize that the ability to be flexible in the workplace and the options for workers to have flexibility to work from home and work remote have definitely contributed to a process where their decisions about working and where they want to work have definitely impacted the

market. And the struggle right now is for in-person work, in-person physical occupations, like hospitality, public transit, places where people have to actually be face to face. We are facing a much more difficult time in getting people to the workplace for those type of positions. For question number two, we discerned that people have accepted some of the rises in primary costs, but have also worked to recognize that issues, like transportation costs have definitely encouraged them to look at other opportunities like remote work to not have to deal with rising costs.
(00:33:46):
Also, different supportive mechanisms like free transit. While it was a good opportunity, a lot of people didn't take advantage of it. The supportive services that have been presented by the government and other agencies during the pandemic, we really won't start to feel the impacts just now ending. So it'd be interesting to take a look at this process from about six months from now. But really, the rising cost in housing and how people are going to deal with the ability to shelter themselves is something that we're looking at from a long-term perspective. And will they have the ability to actually be able to support themselves with housing costs as they're rising?
Dionissi Aliprantis (00:34:26):
Thank you.
Max Upton (00:34:28):
Good morning. This is Max Upton economic development director, I'm over in this quarter, economic development director for the city of North Homestead. So a lot of you, I think we spend about 95% of our time on the first question. So we will kind of collectively co-sign everything that was said prior at the risk of not repeating a lot of things. But the one thing that we didn't hear in some of these comments as it relates to healthcare is addiction. And so a lot of our challenges with respect to our business community and workforce and finding employees is, a, employees having access to quality transportation like we talked about, but B, having employees that are able to be and remain sober in the workplace, and having the ability to hire them because they can't pass a urinalysis test, right? And then the subsequent conversation was around hard to hire individuals like formerly incarcerated. And how do we unlock that potential due to a tightening labor market? It's presenting an opportunity for people who have been locked out of the mainstream economy to be welcomed back in. So we naturally had a robust discussion around that.
(00:35:43):
As it relates to the second question, that's about as far as we got quite frankly. And the increased cost in the housing writ large, it's had a real effect on first time home buyers, right? So the millennials that may have kids now that want to buy their first house or price out of the market, the folks that are retiring and wanting to downsize can't necessarily downsize because the cost of downsizing is actually prohibitive at this point in time. So housing market pressures are really... We're seeing that in terms of housing choice, and the noted concern is we're creating more renters than we are buyers in communities, and that has its own existential threats, as we see. And then as a personal side, we didn't discuss this. But as it relates to Benefits Cliffs, I think one of the really interesting things that came out of the American rescue plan was the ability to assist folks at various levels of the spectrum and actually using the federal poverty guidelines, up to 300% of the federal poverty guidelines.
(00:36:52):
So if you could imagine housing and home repair programs, we designed a program where we were able to assist with safe and healthy homes. And being at that 300% of the federal poverty

level, in our community, that was about $70,000 and that it was actually equal to the median household income of a family of four. So when you talk about policy design and policy frameworks, I think that ARPA really gave a good kind of first shot as to how we can help those people that are too rich to be poor, but too poor to be comfortable, and are always in that state of limbo, one medical bill or car accident away from a financial tragedy. So thank you for having this and happy to be here.
Dionissi Aliprantis (00:37:37):
Thanks. Thank you.
Michelle Bowman (00:37:37):
Can I ask a quick question?
Dionissi Aliprantis (00:37:37):
Yeah.
Michelle Bowman (00:37:42):
So we've heard housing issues and affordability issues from a number of our participants today. Could you give us a better sense of... Some of the data that we're seeing is indicating that we had maybe plateaued with housing prices in many markets, but how are you seeing rental prices? Are they still unaffordable? Are you seeing any declines in any rental spaces? Feel free to go ahead. Yeah, I see someone right here.
Speaker 14 (00:38:12):
I don't think rent's going down, but I think the main problem is monopoly of landlords and investor if you look at your community and you recognize that half the community is owned by a handful of people, you'll realize that it's not the landlords that are raising or determining what rents are. It's the landlords and that actually have real ownership of their community, and the investors that have real ownership of the community that they don't even live in. So I think you have to be honest with yourself of like, yes, you are giving tax credits, and you're incentivizing these larger corporations to move in your community, to grow your community, but what are you really giving up? We're all here trying to tackle poverty and affordable housing. But at the same time, we're best friends with the individuals that are building up our community and bringing in... Nothing wrong with big corporations. But at the same time, big corporations, they're now investing into housing.
(00:39:16):
So it's like that's where rent is increasing, is because they get to dictate what pricing is going to be. So then your smaller landlords are like, "Well, I'm just going to raise my rents if this individual that has 20 properties is going to set the new standard of what rent's going to be."
Michelle Bowman (00:39:34):
Thank you.
Speaker 15 (00:39:35):
We have a comment on the Benefits Cliff, and on the housing costs. Excuse me. We're in rural northeast Indiana. We're a small nonprofit. We interface directly with... We call the people that we interface with our neighbors, because they are. And with the Benefits Cliff, we see a lot of people who are declining jobs because that job will take them, they will lose their SNAP benefit, or we see them declining raises because that raise will cause them to lose their Medicaid or whatever benefit they have that's sustaining their family. And the jump, right? In northeast Indiana, the sustainable income for a family of four is around $45,000 a year, but they lose their benefits somewhere around $30,000 a year for a family of four. So there's about a $14,000 gap.

So they don't want to stay there, but they don't know what else to do. And that gap is too big for them to just hold on until they get there.
(00:40:45):
On the flip side of that, we have employers who've started to understand this and have started to somewhat take advantage of it. We have employers who sell food services who've started to realize if they pay their employees a small enough amount, then their employees will be dependent on SNAP dollars, and the employer can benefit by redeeming the SNAP dollars. So they're actually taking advantage of the services that are being provided to their employees, rather than rewarding their employees for doing a good job. So we're kind of seeing both of those things. On the housing side, RAMI is around $80,000 a year for a family of four in northeast Indiana, but our median income in DeKalb County is around $30,000 a year.
(00:41:38):
So our highest paid people are very highly paid, but our average worker is not very highly paid. So our average worker is making around 1650 an hour. If you do the math, their net take home pay would qualify them to live in a $762 apartment. That's a one bedroom apartment. And the average one bedroom apartment in DeKalb County is right around $900. That does not include utilities. So the housing costs are outpacing the average income. And kind of what you just said, sir, the large companies have started to buy up all of the properties. The other big problem that we're seeing is that they're getting very aggressive about evictions, so people can't afford where they're living. And where rewind 20 years, your landlord gave you, "Hey, you haven't paid the rent this month. If it's not paid by the first of next month, then we're going to have to talk about an eviction." Right? That's how we all grew up. What's happening now is the landlord is, on the fifth of the month, saying...
(00:42:52):
Well, on the first, they're saying, "You're late. If it's not here on the fifth, I'm going to send you a letter. And on the 15th, I'm going to file an eviction." So by the 30th of the month, you're on the street. Where 20 years ago, that was a 60 day process, now it's a 15 to 20 day process, at least in northeast Indiana. So all of those things kind of combine to make housing very, very tenuous and complex for the average frontline worker. Combine that with the Benefits Cliff, and we have a hot mess.
Speaker 16 (00:43:31):
I have the privilege of... Go ahead, Governor Bowman. Sorry. I have the privilege of summarizing the online discussion, which has been quite robust, and I have some data for you, Governor Bowman, in relation to your question. Stephanie in northern Kentucky said that she's seeing a reduction in the number of affordable housing units, so units that run from $600 to $1000 a month. And she noted that 41% of families in her area are housing costs burdened, or are spending more than 30% of their income on housing expenses. I'm going to summarize the rest of the chat on Zoom. So with respect to question one, participants noted that remote work offers some flexibility around caregiving, and childcare as well, and that there needs to be more security for parents and caregivers working in industries like retail that aren't so flexible with time off. We had a couple of comments that the keyed in on the value of remote work in that respect. For question two participants noted the impact of housing costs, food prices, and the potential effects of student loan repayment.
(00:44:39):
Tawanda noted an increased reliance on food banks and pantries, as well as use of emergency rental assistance programs. We additionally have a comment about a decline in donations to

nonprofits. Blair said spending is steady in Kentucky, but she had noted that student loan repayment is a concern, and might be a drag on spending in her region. And then for question three, the overall theme was uncertainty. We did have a note about business' concerns with the availability of appropriately qualified workers, so that would be a labor issue. We did have a comment about the effect of transportation. That was a comment from Mary saying that's holding workers back and residents in her community. And again, affordable housing was really the theme in this discussion on the Zoom chat. That came up a handful of times. Thank you.
Loretta J. Mester (00:45:37):
Can I ask the question? Sorry. So it sounds like there's an interaction between one and two in the sense of that even if wages have gone up and people have been able to find jobs, or at our table, we talked about side hustles that a lot of people have been able to develop that because the cost of the essentials, housing, food have also gone up a lot. And in fact, they've gone up more than wages or incomes that that's really creating larger gaps than what we saw before the pandemic. Is that a fair statement, or am I misunderstanding?
Dionissi Aliprantis (00:46:28):
I think we'll go over here.
Dr. Natoya Minor Walker (00:46:30):
Good morning, Dr. Natoya Walker Minor. I'm at RTA, the Regional Transit Authority here in Cleveland, and I'm a proud member of the Community Advisory Council for the Federal Reserve of Cleveland. My question is not really a question. It's a recommendation just based on what I've heard and here today from the report outs. Each of the report outs have touched on the Benefits Cliffs. And we've heard that terminology for a little bit less than a decade here in Cleveland, and probably nationally. So my question is this, how do we collectively, through the community advisory councils, of our Fed and feds across the country, along with think tanks, Brookings Urban Institute, create a policy recommendation so that we do not continue to be a culprit to the cycle of poverty? Because if people are declining, declining increases because of fear of what they will lose, how do we... It is incumbent on us. It is incumbent on us because we understand the implications of the Benefit Cliff. So the task, the action item is not to continue to talk about it, but to do something about it.
(00:47:49):
And to do something about it. We must impact and influence HHS Health and Human Services, Department of Labor, and all those federal organizations that have rules and regulation criteria that literally create a cycle of fear in people that we are entrapping in a cycle of poverty. So literally, it's a push-pull, ebb and flow that traps you. And we have a responsibility, we have a responsibility, a responsibility to affect change and stop talking about it.
Zach Reed (00:48:33):
So mines isn't... Right here in the back. My name is Zach Reed. I work for the mayor of City of Cleveland. I'm his business development administrator. And my game changer is I've got three grandkids now, and I can tell you that one of the things we talk about constantly when we're together is this daycare and how much it costs. Government as a whole gives tax breaks to everybody along the way. Why can't we give these families a tax break for this daycare that it's outrageous. One child and one costs $500. That's a car note, and yet they got to pay it because they got to go to work. I think the federal government should step in and give a tax break to these families for what they have to do to go to work and to put their kids, children in these daycare centers. But the cost is just getting outrageous. We talk about all these other costs, but they have to go to work. We look at the ones that are doing work here today.

(00:49:50):
For us, the people in the service industry really are being hit by this, because they have to go to work every day, but yet they can't have their child at home by themselves. So if you're the federal government, you can help with the tax policies. I would suggest you get with the IRS and the president and the whole [inaudible 00:50:12] and put a tax credit in place for these families that are paying all its money for daycare so they can put that money back into their pocket so they can spin it back into our communities.
Bo Chilton (00:50:28):
Well, oh goodness. I'm right in front of you. Christina Muryn, mayor of the city of Findlay, Ohio, and I wanted to really touch on the housing. Though I agree with pretty much everything that's been shared, and I won't give our tables report out. But one of the big things we're seeing in our community is, over the last couple of years, obviously housing has been exacerbated. We saw supply chain issues and cost of materials increasing. As a smaller community, we're also competing with when builders are looking to build, they can go to a larger community and sell it for a little bit more. But one of the big policy issues that I see is that a lot of the state and federal dollars that go to support housing is focused only on LMI census tracks.
(00:51:13):
And obviously we need housing in that area. But when we look at economic mobility, really what happens is, because somebody in the 250 to 350 range can't find what they're looking for, they choose whatever else they want, and it prices people out of the market. So our largest demand is 250 to 400 single family homes, but the incentives have all been focused in the 150 range, or in apartments or in condos with our community reinvestment acts, not really focusing on single family residential. So I think it's maybe a little bit of a policy shift, allowing more, because you can only use it in nonsense tracks if you can prove that it is bringing new jobs to your community. But ours is really focused on job retention. If people can't find homes, they're not going to continue to drive to their work every day when they're working in Findlay and living in Perrysburg or elsewhere. So I think that that's a big shift. On the Benefit Cliff, I'll also mention, I think that there's an opportunity to look at maybe a transition period where the benefits are titrated down and are shifted to the employer.
(00:52:19):
So they give the pay increase, the employer receives some of the benefit direct payment to them, and then they're able to slowly titrate that cost down. So there's an initial bump gap that they have to fill. But long-term, you're transitioning people off of the benefits.
Loretta J. Mester (00:52:36):
Can I ask another question about the housing? So I think the housing, we've heard this pre-pandemic, and of course it's gotten even more scarce post pandemic. And one of our directors, Holly Wiedermann, who is in an expert on affordable housing, she was... This isn't the nature of putting out... Maybe this would be something to think about as a solution, that because of the change in work, that there's more remote work, a lot of downtowns have older office buildings that are not being used for work anymore, and that's a problem. But she said those office buildings are actually more constructed in a way that would be really appropriate for changing in the housing because they have windows, right? It's not just one massive floor without windows. And I'm wondering if there's work going on like that in some of the communities that are seeing this change in work, and if that's potentially something that we should be researching and understanding more about.
Bo Chilton (00:53:42):

Good morning. I'm Bo Chilton, CEO of Impact Community Action over here. Way over here. I can't speak to that direct question in Columbus, Ohio, but I did want to touch upon... You asked if employers are becoming more aware of the Benefits Cliff. I wanted to point to one employer who came to us with a very novel idea. His name is Brad de Hayes. He's with Connect Housing. They build modular housing multifamily. He came to us with the novel idea to say, "We want to employ people that we are training, and we want them to start at a wage that will enable them to keep their benefits." And they have a badging system so that as you learn certain skills and you get increases. What they decided to do was put those increases into a holding account that's interest bearing, and for them to allow to accumulate that until they get to a point where it makes sense for them to then take advantage of all of the increases and that holding account to then become self-sufficient.
(00:54:48):
So I haven't tested or evaluated the efficacy of that program, but it was a novel idea, and I appreciated an employer coming to us with that idea.
Marygrace Billek (00:54:58):
I also can't speak to that question, but since I have the opportunity, I wanted to just make sure I... I'm Marygrace Billek. I'm from Trenton, New Jersey, and I'm one of your rock cohort people, so thank you. That was an amazing opportunity. But in December of 2020, I had five families in hotels and motels instead of in apartments. And in Mercer County, we've decreased our homeless population by 73% because housing is the answer to homelessness. But today, I have 150 families sitting in hotels, motels with nowhere to go. There are no affordable units any longer in my community. And frankly, there aren't even any hotels. Most of them are in other counties. They are not residing in their home community. So we have to access services for them. We have to bring the services to them. So what I hope that you can accomplish is to put your money where your mouth is or help other people put their money where their mouth is and have bipoc developers, right?
(00:56:10):
These are developers who have not done large housing units, so they're out of the market. They're not allowed to participate. We don't want to put giant... Housing authorities full of poor people, is not the answer to the universe, right? Smaller community housing where people have smaller communities is a better option. But as you said, most of the development is done by very large corporations because they can get access to the capital. So how can we help smaller developers who've done smaller things, just not larger projects, get access, because I need more affordable housing, please. Thank you.
Dionissi Aliprantis (00:56:53):
Thank you.
Katrina Carter (00:56:54):
Hi, I'm Katrina Carter, president and CEO for Tri-County Community Action Agency, and I'm here with Danville, Virginia and Cleveland, Ohio. And a couple of things that I'm going to note is, one, the federal poverty level is not in sync with anything. And so a lot of services that people could access, because they are actually living in poverty, that level doesn't allow them to access. But we talked also about the sandwich generation, taking care of your parents and your children, and then having to make a choice of whether I can go to work because we know that those individuals who make the least income have the least choice around whether to work from home or not. And they weren't considered essential workers during the pandemic, and they didn't get any special care. They just had to show up or get fired.

(00:57:52):
I'm going to go to question three because a lot of people did do one and two. Question three, we talked about optimism that a lot of people in the community, especially in Danville, where they're now building a casino, are really excited about the potential that may come from business development, but believe that a lot of people are going to be left behind in the community. And another thing that, as they were speaking, that I also noted, because I am community action, is the definitions for certain things. So homelessness, the definition... If someone shows up in our office and they slept at a hotel last night, I can't consider them homeless. So sometimes definitions stop people from being able to access services that they so truly are in need of. All right.
Dionissi Aliprantis (00:58:45):
Thank you.
Kumari Gahfoor-Davis (00:58:46):
I just have a quick question.
Dionissi Aliprantis (00:58:47):
I'm sorry. Okay. One last comment and then we'll have to move on.
Kumari Gahfoor-Davis (00:58:49):
Okay. Back here. So Kumari Gahfoor-Davis, Optimistic Expectations from Lehigh Valley, Pennsylvania. We do a lot of work in the community with initiatives trying to close racial and wealth gaps. And what we're finding in our area is that in terms of housing, back to your question, there's a lot of concern around the fact that there's no eviction expungement. So people are getting evicted because they can't afford their rents. And when they're evicted, it's on their record forever. Whereas in other areas like Philadelphia, it's expunged after six months. So a lot of people cannot find housing because they're being evicted and it's on their record. And then we're also finding that there's exorbitant rents. So that if their rent was 901 month, it goes up to 1500 the following month.
(00:59:38):
And then they're evicted because they can't pay it. So we're working with a lot of the regional housing advisory boards in the area to continue to work towards this goal. But any help would be wonderful if we can have it from you all as well, so we can try to ensure that people are not being evicted and not being stained on their record to not be able to find housing. Thank you.
Dionissi Aliprantis (00:59:57):
Okay. Well, thank you everyone for this really lively conversation. Very informative. I'll pass it to President Mester for closing remarks.
Loretta J. Mester (01:00:07):
Thanks. So I also want to thank everybody. It was very helpful conversation. It really helps us think about not only what we need to research at the Fed, but also to understand more about how our policies, the ones we control, affect your communities. And so let me tell you a little bit about next steps, and Dionissi has mentioned this earlier, the Cleveland Fed is going to be compiling all the comments we heard today, along with those that we've collected from our advisory groups, our board of directors, and others contacts that we have throughout the region. And we're going to post a summary of those comments on our website later this year. And then the Board of Governor's website is also going to be linking to the comments and sessions from the Fed Listens events that are happening throughout the nation. So thanks again for participating.
(01:01:07):

Thanks again for participating in this conference. I think we're going to really learn a lot from being here and hearing from you. And I really want to just really emphasize that the work we do at the Federal Reserve really depends on the productive relationships that we have with many of the groups that are represented in this room. And my hope is that we will, for the new groups that are here, that we will develop those kind of relationships with you as well. And I hope that for the rest of the Policy Summit, we'll all feel that this dialogue is productive, and we will all work together on fostering a stronger economy and a more inclusive economy. So thanks again.