**Community Development Research Conference**

**Resilience and Rebuilding for Low-income Communities: Research to Inform Policy and Practice**

**Washington, DC**

**Welcoming Remarks**

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Good morning. I'm pleased to welcome all of you to the second day of the System Community Development Research Conference. This is the eighth biennial conference, and it is truly a collaborative effort among the 12 Reserve Banks and the Board of Governors.

This year, the Atlanta Fed has had the honor of organizing this event, working with colleagues at the Board of Governors here in Washington. My thanks to everyone who has contributed to this conference and made the agenda so rich and compelling.

My duty this morning is to kick off the day's proceedings. Having your attention for a few minutes gives me an opportunity for input of my own. So, I'd like to make a few observations—thinking out loud, really—on a theme captured in the title of the conference.

I was pleased to see the notion of resilience woven into the theme of the conference. I have long thought there is a national agenda that could fall under the organizing concept of enhancing resilience.

I would define "resilience" as the ability to absorb shocks and recover from them. Not many years ago, parts of my Fed district experienced Hurricane Katrina, a natural disaster that had significant economic consequences in Louisiana and Mississippi, and on the Gulf Coast. More recently, the mid-Atlantic suffered Megastorm Sandy.

The ability to bounce back from natural disasters is an obvious example of resilience. Beyond disaster recovery, the goal of enhanced resilience is a fit with a number of areas of public interest: the financial system, financial markets, physical infrastructure, cyber infrastructure, public health, and supply chains, to name just some.

The financial crisis of 2008 and 2009 and the subsequent recession presented a test of the country's overall economic resilience. The bounce-back has been agonizingly slow in some respects. After four years of recovery, unemployment and underemployment remain elevated. Progress in employment is a central aim of the Fed's current monetary policy stance.

This morning, I want to lay out some thoughts on the topic of workforce resilience. To my way of thinking, workforce resilience as a concept goes further than response to economic shocks.

As it applies to workers both collectively and individually, I'd define resilience as the ability to adapt to changing economic reality. That reality is very demanding of many people in our workforce.

Countries are in intense competition for a share of global work. Macroeconomic trends, competitive pressures, disruptive technological change, demands for improved productivity—all shape an employment environment for many people of job insecurity and continuous change in the nature of their work.

An article in the *Financial Times* by Robin Harding just last week touched on the harsh realities many American workers face. The article noted that the United States has lost almost 2 million clerical jobs since 2007. Mr. Harding argued that clerical worker jobs such as bookkeepers, tellers, data entry personnel, and retail cashiers are in structural decline.

He quoted Susan Lund of McKinsey, coauthor of a McKinsey Global Institute report on the future of work. She said, “We see growth in jobs that require complex, personalized interactions … and continued declines in routine transaction and production jobs that can be scripted and automated.”

Alan Blinder, former Fed Vice Chairman, wrote of encouraging trends giving rise to reshoring, such as rising transport costs and the narrowing of labor cost differentials. But, he wrote, advanced countries will have to compete on factors beyond labor costs, including worker skills and training, worker flexibility and motivation, supplier availability and proximity, and regulation.

What are the characteristics of a resilient workforce, one that can adapt to changing demands and realities? At the risk of oversimplifying, I’ll mention four important dimensions. They are 1) the ability to evolve hard work skills with changing demands of the workplace, 2) a value set that shapes work-related soft skills, 3) physical or geographic mobility, and 4) a financial cushion to ease transitions that may involve periods of unemployment or underemployment.

I think responsibility needs to be shared between individual workers and what you might call the leadership cohort that defines the context in which someone works or pursues a career. Raising workforce resilience isn’t all about personal responsibility, but likewise it’s not all about community leadership, government policy, or employer obligations.

With that said, let me elaborate briefly on each of the four dimensions of resilience. First, hard skill acquisition and retooling over time: one of the Atlanta Fed’s directors in Miami is in the business of helping companies with outplacement. A few months ago, he observed that workers need to think of themselves as lessors of their professional skills.

More specifically, he argued for a mind-set in which the individual worker acknowledges continuous responsibility for the maintenance and upgrade of his or her skills. He said many of the people he encounters get this, but many do not.

I have long been an advocate of the ethic of employers meeting motivated employees halfway by presenting opportunities for skills acquisition and personal development.

Earlier this year, the Atlanta Fed held a conference with leaders of many of the nation’s historically black colleges and universities. In her keynote address at the conference, Fed Governor Sarah Bloom Raskin described the current job market for graduates as among the most difficult since the 1930s. She noted the phenomenon of job polarization—new jobs concentrated among high- and low-skill occupations. This trend has had the effect of raising both hard and soft skill requirements for some entry-level jobs.

The presidents of the historically black colleges and universities commented on the demands of the workplace for soft skills, my second dimension of resilience. This term encompasses work ethic, attendance discipline, teamwork attitude, personal presentation of self, and interpersonal communication and relationship skills. I frequently hear in anecdotal accounts of employers the disqualifying deficiencies of job candidates in the area of soft skills. A resilient workforce is well endowed of these soft attributes.

Third, a dynamic economy with intense competitive pressures requires, to some degree, a mobile workforce. Research indicates that worker and household mobility in our economy has been declining gradually for many years. During the recession and afterwards, it was widely believed (although not proven by research) that individual mobility was constrained by so-called house lock. Workers who were willing to relocate could not sell their homes and move to another part of the country for work.

Recently, mobility statistics have been improving. Again, it's believed this may reflect rising house prices.

Mobility within an urban metropolitan area can be limited by the inadequacies of transportation infrastructure. Some workers in larger cities are discouraged from taking available jobs because of the difficulty and expense of commuting to and from the job site. Job matching within an urban area can be inhibited by shortfalls in transportation infrastructure, including mass transit systems. We know this all too well in Atlanta.

The transportation challenge also exists in rural areas. Last year, many of the Federal Reserve Banks convened listening sessions to explore workforce development challenges. Among the issues we noted was the lack of public transportation in rural areas or the constraint of access to affordable and reliable vehicles. These issues put some employment opportunities out of reach.

My last resilience dimension is financial cushion. Personal savings and indebtedness affect an individual worker's resilience. High aggregate household debt, or leverage, weakens overall workforce resilience. During the Great Recession, we saw how the burden of personal debt exacerbated the circumstances of many unemployed workers. The interplay of loss of work and mortgage debt was a prime cause of the foreclosure crisis.

The reality is that many members of the country's workforce live more or less from paycheck to paycheck. Their reserves of cash to weather a period of unemployment are often minimal.

An institutionalized cushion in the form of unemployment insurance enhances workforce resilience. At the same time, I see the many initiatives out there—including those of the Federal Reserve Banks—to upgrade teenager and adult financial literacy as contributors to resilience.

Thank you for indulging me with your attention while I have thought out loud about the resilience of our workforce. Now let me tee up the remainder of the day's discussion.

Throughout the remaining sessions today, I expect there will be a clear thread of resilience in regard to the community development industry, low-income neighborhoods, and households.

The next session is a "Collaborating for the Future" roundtable, during which experts will discuss the future of jobs, health and healthcare, city planning, and financial services for low-income communities and people. Then we will have two concurrent sessions, one on human capital and jobs and the other on housing and neighborhood revitalization.

I am delighted that we will wrap up by hearing from Chairman Bernanke, who will offer his perspectives on the community development industry.

Enjoy the day.