TENNESSEE CHAMBER of Commerce & Industry
TENNESSEE MANUFACTURERS ASSOCIATION

Tennessee Chamber Turns Focus to Federal Agenda:
Inflation, Labor, and Regulations Top the List of Priorities

The Tennessee Chamber continually monitors issues affecting the business community at the federal level in the legislative, administrative, judicial, and regulatory areas. It engages on a perennial basis in a variety of issues including:

Labor/Employment Law | Tax Policy | Workforce | Trade | Environment | Regulatory | Energy
Infrastructure + More

This year, the chamber is focusing specifically on these five areas of concern:

Funding the Creating Helpful Incentives for the Production of Semiconductors (CHIPS) for America Act and enhanced Facilitating American-Built Semiconductors (FABS) Act

- Semiconductors are essential to nearly every sector of the economy, including aerospace, automobiles, communications, clean energy, information technology, and medical devices.
- Demand for semiconductors has outstripped supply, partly due to shifts arising from the COVID-19 pandemic. This has created a global chip shortage and resulted in a loss of growth and jobs, in turn underscoring the need for increased domestic manufacturing capacity.
- Tennessee is home to four OEM automobile manufacturers and is a national healthcare hub. These critical industries especially stand to lose significantly from global semiconductor shortages.
- Approval of funding provisions would help meet this long-term challenge by incentivizing semiconductor research, design, and manufacturing in the United States.
- Funding will strengthen the U.S. economy, national security, and supply chain resilience and increase the supply of chips which is crucial to our entire economy.

Combatting Rising Inflation

- On April 12th, the Bureau of Labor Statistics released the Consumer Price Index (CPI), which measures the change over time in the price of consumer goods. The new numbers for March 2022 show a 1.2% rise in the cost of goods and services from February, up 8.5% in the last year, with energy and food being the largest contributors to rising prices.
- Businesses of all sizes are faced with raising prices because of what is happening across the entire economy that is beyond their control, including supply chain disruptions, worker shortages, world events, and U.S. monetary policy.

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Setting the record straight on Inflation:

- Inflation is the result of supply and demand. Pandemic related shocks, a tight labor market, and loose monetary and fiscal policy have limited the supply of many goods and at the very same time boosted demand. This has created broad-based price increases.
- Businesses raise prices when input costs rise, and they can either see their margins shrink and start losing money, or they can raise prices to offset those higher costs.
- To shift the blame to businesses is misguided and only increases the likelihood that the real causes of inflation will not be addressed, prolonging and exacerbating higher prices for families and risking a recession.

Securities and Exchange Commission (SEC) Rules

Proxy Advisory Firms Rule Rollback

- The rules finalized by the SEC in 2020 created a level playing field and ensured that investors would have access to high quality information free of bias. The SEC promulgated rules to roll back these rules, which signals it is not serious about rooting out and eliminating misinformation and conflicts of interest in the proxy process

Climate Related Disclosures

- On March 21, 2022, the Securities and Exchange Commission proposed a rule that would require registrants, which are companies that register with the SEC, to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that could impact their business, results of operations, or financial condition.
- The Tennessee Chamber strongly supports responsible environmental stewardship; however, this approach is unworkable and places large and small businesses in a costly and unfair position.
- This rule forces entire supply chains to adhere climate standards of those utilized by downstream users.
- Companies will also be forced to comply with rules attempting to regulate immaterial risks.

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Opposing the PRO Act – Protecting the Right to Organize

- The PRO Act restricts actions states may take to secure their labor policies. It would undo a number of protections provided by Tennessee's right-to-work statute.
- Costly effects of the PRO Act make it exceedingly challenging to hire contract workers and requires employers to share employee's personal contact information with union organizations without the consent of employees.
- Businesses have been in recovery since the COVID-19 pandemic. Increasing costly government mandates like the PRO Act delays growth and adds unnecessary government regulations that are burdensome for businesses.
- Tennessee has been a right-to-work state since 1947. The PRO Act would nullify right-to-work laws in favor of labor unions at the cost of businesses and their employees.
- The PRO Act takes away the right of workers to hold a secret ballot elections.

Workforce Shortages

- In-migration as well as favorable business climate and tax policies, has facilitated the 2.1% growth Tennessee's labor force participation rate has seen since its low of 58% in May of 2020. However, businesses in Tennessee are having difficulties hiring employees because of a nationwide labor shortage initiated by federal pandemic unemployment benefits and a host of other factors.
- The workforce challenge has been made more urgent by COVID 19 pandemic—with Tennessee experiencing a low workforce participation rate of just 60.6%.
- 84% of manufacturers report shortages in skilled professions and 86% of commercial builders struggle to fill open positions.
- Nationwide, half of the labor force participation drop-off (**2.1M workers**) is due to early retirements. Source: the Kansas City Federal Reserve Bank
- The greatest challenge among Tennessee businesses is the lack of skilled and available workers. The U.S. Department of Education estimates that 60 percent of the new jobs that will be available will require skills held by only 20 percent of the current workforce. It is predicted that in the next ten years, 123 million high-skill, high-demand, and high-wage jobs will be available, but only 50 million Americans will be qualified to take them.