

LMI

Survey

LOW- AND MODERATE-INCOME POPULATIONS AND
SERVICE ORGANIZATIONS IN THE TENTH DISTRICT

FEDERAL RESERVE BANK *of* KANSAS CITY

2012

SUMMARY

Indicators of economic and financial conditions in the Tenth District's low- and moderate-income (LMI) community were largely flat in the second quarter, following substantial gains in the previous two quarters. Most expectations indexes were modestly down. More tepid growth in the economy at large may, in part, explain this lackluster performance, and at this point, the stall is not expected to stick. Many indexes are at or near neutral, especially in their expectations components, and all indexes remain well above the previous year's levels. The service needs index remained well below neutral, but also is significantly above last year's level. Increased demands on service providers are expected in the face of historically high long-term unemployment.

Funding for organizations providing services to the LMI community remain subdued, and indexes reflecting nonfinancial resources fell. Survey respondents mentioned cuts in both private and government funds, but offered little explanation for the decline in nonfinancial resources.

DETAILS

The LMI Financial Condition Index maintained its recently elevated level in the second quarter, despite more tepid growth in the economy overall. The index, which provides the broadest assessment of economic and financial conditions in the Tenth District's LMI community, increased modestly from 77.8 to 80.6.¹ Although the index, at a less-than-neutral reading, continues to reveal moderate deterioration in the financial status of the LMI population, it has climbed consistently over the history of the survey, which commenced at the depth of the recession in early 2009. The labor market outlook in the LMI community, which is an important driver in the index, has improved considerably, but low wages and incomes, coupled with higher prices for many necessities, have continued to keep neutrality at bay.

The LMI Service Needs Index, another broad indicator of economic conditions in the LMI community, increased modestly in the second quarter, but remained well below neutral at 59.8. The index, which reflects the demand for services provided by organizations responding to the survey, has consistently trailed other indicators of economic conditions in the LMI community.² Holding back the index is an influx of "middle income" clients, who had never utilized social services, but have exhausted resources in the face of long-term unemployment. This pattern, which has been reported by a large number of survey respondents over the last few survey quarters, has been magnified by increased costs for some basic necessities, such as food and (rental) shelter. The especially hot summer has put some additional strains on organizations serving the LMI community, as demand for assistance with utility bills and for donated items such as

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2012 Second Quarter

fans has increased significantly.

The LMI Job Availability Index was approximately neutral in the second quarter at 104.9, with little movement from the first quarter. The index reflecting expectations fell significantly, however, from 119.8 to 101.0. This pattern suggests that slower growth in the overall economy has dampened some of the optimism for the LMI labor market revealed in the first quarter. Still, the neutral reading indicates that most District contacts do not expect a worsening of labor market conditions in the LMI community. Significant local variation in labor market conditions was evident in the survey, as some respondents reported plentiful job openings, while others reported no job growth or, in some cases, continued job losses.

The LMI Job Availability Index has steadily improved over the last several quarters (despite the small decline in the second quarter). A special question in the second quarter survey asked respondents about the nature of job openings in their areas. Overwhelmingly, survey respondents reported that most job openings and hires were coming out of the service sector and included positions such as clerk, maid, laborer, etc. Although these types of jobs are welcomed to the extent that many LMI workers can qualify for them, survey respondents lamented the low wages and benefits associated with these positions and expressed a strong need for training opportunities so that LMI workers might qualify for better-paying jobs. “Good” jobs were reported to be increasingly available, but few LMI workers qualify. Over the last few quarters, survey respondents have consistently reported a disconnect between the jobs that are coming available and the skills and experience of available LMI workers. In addition to a lack of training and experience, assimilation of immigrants, credit history and criminal history (an unwillingness of employers to hire ex-offenders) were reported to be hindrances to employment for LMI workers.

Beyond services, other industries with observed job openings for LMI workers were construction and light industry, as well as some seasonal opportunities. Significant job turnover was reported by some survey respondents, and contacts continued to report higher-

skilled people taking low-skill jobs, which limits job opportunities for many low-skilled LMI workers.

The LMI Affordable Housing Index dipped slightly in the second quarter, maintaining a reading moderately below neutral. Survey respondents expressed concerns about a declining availability of income-based rental units. Increased market rental rates, coupled with more stringent tenant standards, such as income requirements and credit and criminal histories, also hampered the attainment of affordable housing for many LMI people. Contacts also reported a spatial mismatch between the location of affordable housing and the location of job opportunities for lower-skilled workers. Although contacts noted the benefit of historically low interest rates in the affordability of homes for purchase, some expressed concern over a lack of alternative lending programs for prospective homeowners who might not qualify for traditional lending. Expectations were neutral going forward.

The LMI Credit Access Index changed little in the second quarter, and at 73.6, continued to reveal moderate deterioration. Most of the credit concerns raised by District contacts centered on access to lending for prospective homeowners. Survey respondents continued to stress the importance of financial literacy in improving access to credit and the need for expanded financial literacy programs. District contacts anticipated further credit deterioration in the next quarter, but the expectations index is approaching neutral.

The Organization Funding Index has shown little movement over the last three quarters, falling modestly to 78.2 in the second quarter. Most survey respondents expressed concerns about the possibility of further cuts in the next budget year, both from the government and private funders. Especially concerning was the potential impact on social service organizations from automatic federal government spending cuts set to come into effect in January. The Organization Capacity Index, which reflects the sufficiency of nonfinancial resources, declined significantly from 102.8 to 87.2, but expectations for the next quarter were neutral at 100.9.

ENDNOTES

¹The index can range from 0 (most deterioration in conditions) to 200 (most improvement in conditions), where a value of 100 is neutral.

²An increase in the demand for services causes a decrease in the index.

About the Survey

The quarterly LMI Survey measures the economic conditions of low- and moderate-income populations in the Tenth Federal Reserve District and the organizations that serve them. LMI individuals have incomes below 80 percent of the area median income, which is defined as the metropolitan median income for urban residents and state median income for rural residents. Survey results are used to construct five indicators of economic conditions in LMI communities and two indicators of the condition of organizations that serve them. The goal is to provide service providers, policymakers and others a gauge to assess changes in the economic conditions of the District's LMI population over time.

DIFFUSION INDEXES FOR LOW- AND MODERATE-INCOME INDICATORS*

Perception of current conditions relative to conditions in the previous quarter				
LMI Index				
Quarter Surveyed	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011
LMI Financial Condition Index	80.6	77.8	57.0	47.3
LMI Service Needs Index	59.8	55.3	48.3	31.0
LMI Job Availability Index	104.9	105.6	93.3	76.2
LMI Affordable Housing Index	86.6	90.3	87.6	74.8
LMI Credit Access Index	73.6	77.6	66.4	63.4
LMI Organization Capacity Index	87.2	102.8	97.2	92.0
LMI Organization Funding Index	78.2	80.5	83.3	67.6
Perception of current conditions relative to conditions one year ago				
LMI Index				
Quarter Surveyed	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011
LMI Financial Condition Index	70.5	71.7	49.5	34.2
LMI Service Needs Index	51.7	43.4	31.6	26.4
LMI Job Availability Index	104.1	109.3	90.0	71.2
LMI Affordable Housing Index	80.5	90.1	89.3	75.2
LMI Credit Access Index	73.0	68.8	49.0	47.7
LMI Organization Capacity Index	84.8	99.3	91.7	88.3
LMI Organization Funding Index	66.1	72.0	65.7	50.9
Expectation in the current quarter for conditions in the next quarter				
LMI Index				
Quarter Surveyed	2nd Qtr 2012	1st Qtr 2012	4th Qtr 2011	3rd Qtr 2011
LMI Financial Condition Index	86.7	88.5	87.1	60.2
LMI Service Needs Index	58.5	63.1	50.4	52.3
LMI Job Availability Index	101.0	119.8	112.1	90.5
LMI Affordable Housing Index	96.1	93.5	97.7	84.2
LMI Credit Access Index	87.1	89.4	78.2	67.0
LMI Organization Capacity Index	100.9	105.2	97.8	89.3
LMI Organization Funding Index	78.4	86.2	90.8	77.3
128 responses				

* Providers of services for the LMI population responded to each item by indicating whether conditions during the current quarter were “higher” (or “better”) than, “lower” (or “worse”) than, or the same as in the previous quarter or year. The index numbers are computed by subtracting the percent of service providers that responded “lower” (or “worse”) from the percent of service providers that responded “higher” (or “better”) and adding 100. The exception is the LMI Service Needs Index, which is computed by subtracting the percent of service providers that responded “higher” (or “better”) from the percent of service providers that responded “lower” (or “worse”) and adding 100 to show that higher needs translate into lower numbers for the index.

For questions or comments, or if you provide services to LMI people and would like to participate in the survey, please contact Kelly Edmiston at Kelly.Edmiston@kc.frb.org.