

The Economic Hardships of Low- and Moderate-Income Individuals: Insights from Focus Groups

By Kelly Edmiston, Emily Engel, and Jennifer Wilding

In these uncertain times, it is more important than ever to understand the economic hardships of low- and moderate-income (LMI) individuals, particularly in the labor market. This article provides an overview of findings from intelligence-gathering initiatives to better understand the many barriers to employment confronting those in LMI communities. Importantly, these initiatives occurred in a time when the labor market was robust; however, they reveal challenges and hardships that shed light on how the Covid-19 pandemic may exacerbate LMI workers' economic insecurity.

Section I discusses the LMI Survey, an Internet-based survey of community organizations that work directly with LMI individuals or in LMI communities. Section II highlights findings of focus groups convened in Kansas City, Chicago, Detroit, and Denver in order to continue this work. Section III focusses on specific themes that emerged from these discussions. The experiences summarized below, where participants discussed the difficulty of finding stable employment during the economic expansion that just ended, may help inform policy efforts to address the challenges of LMI people during the Covid-19 crisis and beyond.

I. The LMI Survey: Purpose and methodology

The LMI Survey seeks insight into economic conditions in LMI communities and the economic and financial well-being of those who live there, as well as observations for specific issues such as the adequacy of available jobs and affordable housing, access to credit, and demand for the services provided by survey respondents. The survey, initially launched in the Kansas City Fed District in the

first quarter of 2009, is distributed twice per year in the Kansas City and Chicago districts to leaders of social and community service organizations that provide services to LMI communities. Respondent organizations provide social services and community outreach to residents of LMI communities in response to a wide variety of needs, from basic (e.g., food) to financial assistance, health care, education, workforce development, and others. Although the distribution of the survey remains constant, some respondents are consistent participants; others are more sporadic.

II. Focus groups: Purpose and methodology

Analysis of the survey responses revealed the sentiment that despite a robust national economy, at the time, residents of the communities served by respondent organizations were experiencing a different economic reality. The focus groups were hosted as an effort to better understand why survey respondents continued to report deteriorating economic conditions throughout 2019, at the end of a lengthy period of economic expansion. In an effort to understand the factors driving these negative economic perceptions, the authors convened two sets of focus groups across four cities. One set of focus groups convened survey respondents (the “provider” group); the other set of focus groups convened residents of LMI communities who were also unemployed (the “resident” group). Focus group conversations were held in Kansas City, Chicago, Denver, and Detroit (although only “provider” discussion groups took place in Detroit).

Focus group moderators sought to understand more deeply the reasons behind the disconnect between resident

experiences and national data. Follow-up questions explored current job opportunities within the community and barriers to those opportunities faced by residents. Other questions explored the dynamics around housing and credit, as well as the availability of affordable housing.

“Resident” focus group participants were asked different questions that focused more on their direct experiences with economic conditions. Moderator questioning focused on employment, specifically barriers to employment and nuances around the concept of a ‘good job.’

III. Focus group themes

The empirical data provide context for the feedback gleaned from the discussion groups. Several themes ran through the focus groups, all coalescing around barriers to employment for community residents, including: racial bias, barriers to entry, the housing market, and the cliff effect (the sharp loss of public benefits as incomes rise and hit various thresholds).

Racial bias

Participants in all of the focus groups indicated that race affected the LMI populations, with particular impact on their ability to secure employment. As a community resident from Kansas City said, “If the name doesn’t sound like Tom or Jane, they may not get a chance.” However, the conditions affecting employment for minorities are multifaceted and interconnected, “Systems always try to silo us because they don’t really want those dots connected: to see how your driver’s license being suspended can contribute to the loss of your job, which contributes to you not being able to feed your family, which contributes to homelessness, which contributes to you needing to be on public aid. All of these things, it’s a spiral effect because they’re all connected.”

Racial biases manifested themselves in myriad ways throughout the focus group conversation. The following themes were most frequently cited, but were not the only ones mentioned.

Barriers to entry

Criminal records also serve as a barrier to entry into the mainstream economy, reported participants. As one resident from Denver explained, “I just got out of prison. I had a good job [before going to prison] but I can’t get back into that field. And it’s a struggle because now I feel like I’m taking jobs just to survive.” Sometimes, even relatively minor infractions resulted in disproportionately severe and devastating consequences. For example, a Chicago resident shared the following story: “I jumped over the el turnstile in about 1984. That popped up during a background check for a dishwasher job. That was 30 freakin’ years ago.” The same participant extrapolated his experience to broader community characteristics: “All these invisible barriers are just ridiculous. That’s why you see so much crime, because I know a lot of cats that don’t even look for work.” Other participants related that an eviction record, for example, or other negative marks on their credit report, had impeded employment.

Health barriers

Medical issues, including mental health conditions as well as health policy regulations, further complicated the employment outlook for LMI individuals, reported participants.

Mental health problems that are not addressed properly also present barriers to employment for community residents. One Kansas City resident explained: “I’m not unemployed because I want to be. I have PTSD. I cannot find a job that is going to deal with me and I cannot adhere to their hours.” And a Denver resident shared how mental health struggles derailed a once-promising career: “I could have two years of good mental health and be in a great job and at the end of that, have this mental health issue come up. Because I didn’t know how to navigate it, I didn’t keep my job. I lost a lot of things and had to start over.” Many respondents commented that they find the cycle of mental health and poverty nearly impossible to break.

Transportation barriers

Lack of access to affordable public transportation also posed a challenge to employment, according to participants. As one community resident from Kansas City explained: “The [urban] core didn’t have a lot of opportunity. You had

to be in the outer core.” Making matters worse, she said, to accept a job in the outer core you need transportation – “if you didn’t have transportation, that’s a big issue for a lot of people.” And, without an affordable and efficient means of getting to and from work, sometimes work may not make financial sense. As another Kansas City resident explained: “It costs more to drive to jobs than you get paid to work. Basically, my paycheck was just paying for gas.”

Housing barriers

Many focus group participants discussed the lack of decent, affordable housing. In Denver, one participant explained that wages do not keep up with housing costs. “Up to 2014, the average rent in Denver was affordable to a household earning 60 percent of the area median. Today, it is 92 percent.” This statement is consistent with LMI Survey respondents from Denver who said that a lack of affordable housing also affected middle-income residents like teachers and police officers, who could not live anywhere close to work. One Denver resident put a fine point on it: “Everybody’s got a job. We’re at full employment statistically speaking, but people can’t afford to live where they’re living.”

In addition to the problems posed by the high cost of rent, homeownership is also a struggle for LMI households. One Denver resident explained that “seniors who own homes can no longer afford them, and people who are renting, the rents have gone through the roof.” Similarly, a Chicago resident stated, “In Chicago, the issue is gentrification and displacement.”

Cliff effect

Many respondents – as well as community providers – discussed the “benefits cliff,” a cycle where efforts to make more money correspond with the loss of essential benefits. Many residents said they wanted to get off of public assistance, like SNAP and housing subsidies, but if they got a raise or worked more hours, they could lose assistance and end up worse off than before.¹ A Denver woman attempting to get back on her feet shared, “That first paycheck is not going to put me into a stable living environment, so I already know that when I get the certificate and get this job, I’m going to go back to being homeless until I can afford housing, and I don’t know if I’ll ever be able to do that.” Similarly, a resident from Kansas City explained that, “When (I) get offered

a raise, (I) feel pride because you love to hear that... But then you realize that because I’m getting this raise, I’m going to be losing some of these benefits that are really helping me.”

Others talked about needing to keep their assets below \$2,000. A Kansas City resident explained: “I bought a piece of land for a dollar that I’m going to turn into a community garden. I found out I do not qualify for food stamps anymore because the value of my property is \$2,500.”

A few participants worried that the loss of benefits perpetuated the cycle of poverty, even as they worked to break it. As a Denver respondent shared, “I’m on some serious meds. After this (transitional living) program I’m going to be able to make just enough money to get off of Medicaid. I won’t get my meds, which is what got me into this problem in the first place. And I’m also going to be kicked out of my transitional living. And I don’t know what I’m going to do.”

While people who are low-income (including those who are unemployed) may have access to health care through Medicaid, a new job that increases earnings above the qualifying income threshold may disrupt that benefit. As one Chicago resident explained “When you no longer have Medicaid but you’re working for a retail employer that doesn’t provide health insurance, the dollars don’t work out.”

Living in poverty was summed up best by a community provider: “They have been in crisis mode for a very long time. When they come to our organization...we look at what they’ve done and say, how have you stayed afloat for so long? People learn how to be low-income. Teaching them different ways has been very difficult.”

Conclusion

This article highlights personal perspectives on the barriers to employment among LMI workers in spite of a national economy that, until the Covid-19 pandemic, was quite robust. The surveys and focus groups conducted by the Federal Reserve elicited anecdotal information, drawn from the personal experiences of service providers and residents within LMI communities, in order to augment analytical data and inform policymakers on how to effectively mitigate barriers to employment. Our objective

is to supplement quantitative data with these illuminating anecdotal perspectives to help formulate well-rounded public policy. To be sure, the challenges associated with employment and economic security permeating the focus group discussions appear likely to be themes in the recovery that lies ahead.

Notes

1. “SNAP” is the Supplemental Nutrition Assistance Program,” formerly known as the Food Stamp Program.

Biographies

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