

Community Issues & INSIGHTS

Findings from Community Issues Survey 2019

By Layisha Bailey,
Community Development Analyst

Jobs, Affordable Housing, and Opioid Epidemic are Top of Mind for Fourth District Community Stakeholders

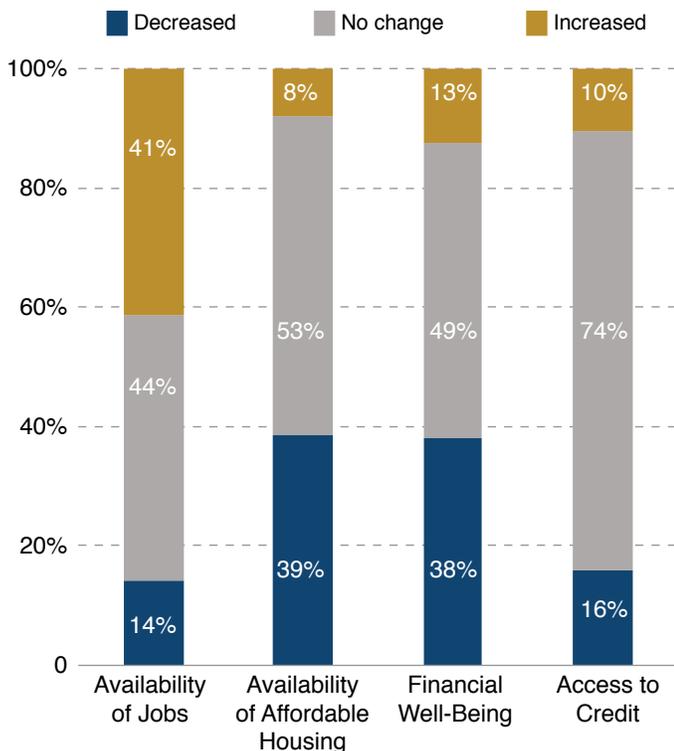
The Cleveland Fed's *Community Issues Survey* collects information semiannually from direct service providers¹ in the Fourth District² in order to monitor economic conditions and identify issues impacting low- and moderate-income (LMI) individuals and communities. In March 2019, we sent the survey to more than 600 community stakeholders who directly serve LMI individuals and communities across our District and received 180 responses (30 percent response rate). The results of this survey are summarized here and share on-the-ground perspectives about issues affecting our communities in real-time. Survey questions can be viewed at clevelandfed.org/newsroom-and-events/publications/community-issues-and-insights.

Economic Conditions in LMI Communities

In order to assess the economic conditions of LMI residents in the Fourth District, we asked respondents to tell us how the availability of jobs, affordable housing, access to credit, and overall financial well-being for LMI communities they serve has changed in the past six months (see Figure 1). Respondents were most optimistic about the availability of jobs; 41 percent reported job availability for LMI people increased in the past 6 months (September 2018—March 2019), while just 14 percent reported a decrease. Other survey topics show less progress: a substantial share of respondents report decreases in the availability of affordable housing (39 percent) and in overall financial well-being (38 percent). Across the four conditions, access to credit remains the most stagnant, with a large share of respondents (74 percent) reporting no change in this area and roughly equal shares reporting increases and decreases.

We build a diffusion index from each survey question so we can observe trends in responses over time. Figure 2 shows that the availability of jobs has improved in the last six months, but a smaller number of respondents report an increase than previously. Notice in Figure 2 that the index for job availability has declined from 41 in September 2018 to 27 in March 2019. This means that job availability is still improving, but it is not improving as strongly as it was, according to our respondents. Availability of affordable housing, overall financial well-being, and access to credit are still decreasing, but fewer respondents reported declining conditions in March 2019 than they did in September 2018.

Figure 1. Change in Economic Conditions for LMI People in the 6 Months Prior to March 2019

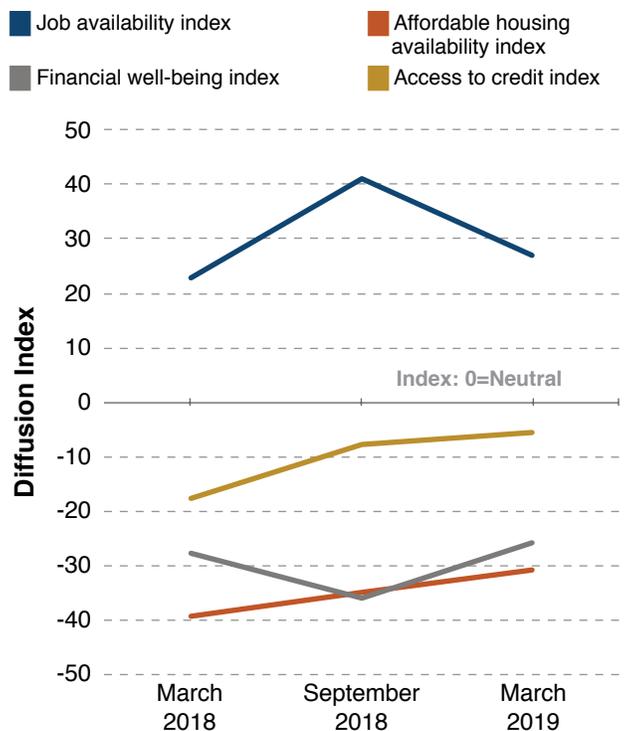


Diffusion Indices

A diffusion index is a useful way of summarizing data to understand if something is improving or worsening over time. In the diffusion indices referenced here [LMI community indices (Figure 2) and organization indices (Figure 5)], each response to a survey question is tallied as increased, decreased, or no change. That survey question's diffusion index is then calculated by subtracting the percent of decreased responses from the percent of increased responses. An index value greater than zero means that the average response indicates improving conditions, and a value less than zero means that the average response suggests worsening conditions.

The highest value of 100 would occur if every respondent believed job availability was improving, while the lowest value of -100 would occur if every respondent believed it was worsening. When we compare the values over time, we get a sense of how conditions are changing. For more information on the calculation see the survey methodology.

Figure 2. LMI Community Indices*



*See Diffusion Indices sidebar and survey methodology for more details

Top Issues Impacting LMI Residents of the Fourth District

Survey respondents are asked what issue most impacted the welfare of LMI communities within the past year. Replies to this question are reported here, along with anecdotes about how such issues have played out in the community and what emerging trends respondents feel will impact LMI people in the future.

When asked what issue most significantly impacted the welfare of the LMI communities they serve in the past year, survey respondents cited jobs (44 percent of responses), affordable housing (22 percent), and opioids (12 percent); these issues were the top three concerns cited in the 2018 survey as well, at 40 percent, 28 percent, and 15 percent, respectively.

1. Jobs | Job opportunities seem to have improved, but wages are perceived to be stagnant and other barriers to employment remain.

Forty-four percent of respondents identified jobs as a top concern, more than any other topic. Job-related issues mentioned most often did not concern the availability of jobs, **but rather low wages and other barriers to employment.** Although employment opportunities have improved according to respondents and aggregate unemployment rates in the Fourth District are generally below prerecession levels (Figure 3), many respondents stated that wages are not improving for LMI workers. The need for higher pay to help LMI people improve their financial well-being was widely raised in the comments. When asked specifically about the financial well-being of LMI people, 87 percent of our survey respondents indicated that it declined or remained unchanged during the previous six months. Some of this trend was attributed to low wages. An executive of a neighborhood development organization shared that “[the organization is] still seeing too many households working full time yet still at the poverty line.” Another respondent feels that the supply of living-wage jobs is low for those with a high school diploma or less, expressing that “there aren’t enough jobs that pay over minimum wage that do not require a degree.”

Respondents also mentioned barriers that inhibit LMI workers from attaining gainful employment. Some of the barriers cited include transportation, skills, and failed drug screenings:

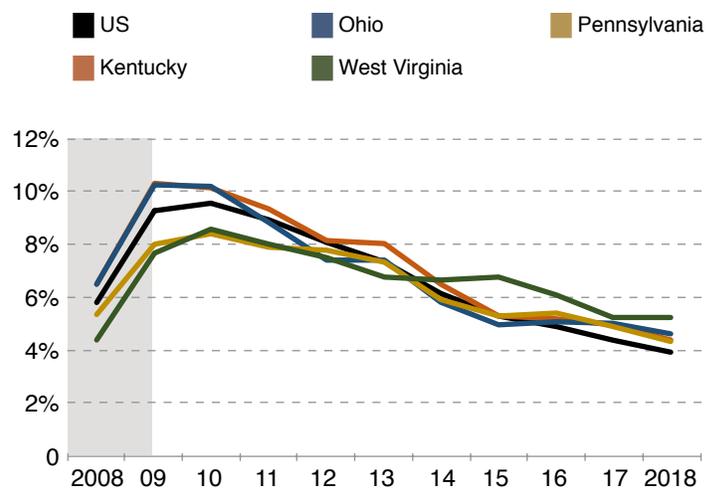
Transportation. Comments related to access to transportation can be summarized by this respondent who wrote “There are many good-paying jobs that community members would be qualified for that are in the suburbs...transportation barriers, however, prevent them from accessing those jobs.”

Skills. The obstacle of connecting people to jobs is not only about a spatial disconnect but also a skills disconnect. The skills gap, according to some respondents, is also dampening the economic mobility of LMI people. According to respondents, there are many angles to the skills gap. On the employer side, respondents mentioned that “employers report that adults don’t have the technical or social skills needed to obtain jobs” while another take was that “employers with demand for workers need to build pathways for low-skilled workers to gain in-demand skills.” Another respondent noted that brain drain was adding to the issue, explaining “out-migration of residents is continuing [while] those who are staying do not have the employment skills necessary to obtain the jobs available.” There is also a great need, according to some community stakeholders, for education and training resources to reduce the skills gap and prepare people for the jobs of today and tomorrow.

Drug Testing. Several respondents wrote that drug abuse impacts their communities in multiple ways, but as it pertains to jobs, respondents reported that employers are having a hard time filling positions because of failed drug screenings.

When asked about emerging issues that may have a positive impact on communities, a number of respondents indicated that job opportunities have grown and that the tight labor market has made it possible for more LMI people to gain employment, even for groups typically locked out of the labor market. According to one community development organization executive, “Unemployment is so low and employers are having trouble finding people, they are much more open-minded about working with marginalized groups. For example, [a person] with a felony.” The anecdotes regarding employment trends reveal there is cautious optimism about the state of job opportunities for LMI individuals.

Figure 3. Annual Unemployment Rates for Fourth District States, 2008–2018



Source: Bureau of Labor Statistics. Shaded area denotes Great Recession.

2. Affordable Housing | Affordable rental housing options are decreasing, and LMI people are feeling some negative impacts of neighborhood change.

Affordable housing was the second most-cited top concern (22 percent) for our respondents. An overwhelming 92 percent of respondents indicated the supply of affordable housing options has either decreased or has not changed in the past six months. The issue mentioned most often is the lack of or loss of affordable housing options. Some respondents provided further detail into the matter and cited factors such as **rising rents, displacement concerns, and wages not keeping pace with the cost of housing** as contributors to the decrease in affordable housing. Stakeholders expressed deep concern over rising rents and the impact is currently having on LMI people being able to secure safe and affordable housing. One neighborhood development director states that “the greatest challenge our community faces is to keep and/or provide additional affordable housing for those in need. Not only has the market changed [due to] outside investment, the increase in property values has led to increased rental prices.”

The low supply of affordable housing options for those who need it most is a problem across the country.³ According to National Low Income Housing Coalition, Ohio has a supply of 43 affordable rental homes per 100 extremely low income (ELI) renter households, Pennsylvania has 42 per 100, and Kentucky has 53 per 100. West Virginia is faring better with 61 homes per 100 ELI renter households. Although, the nation as a whole has lower rates of affordable rental housing (37 affordable rental homes per 100 ELI renters) than the Fourth District states, the shortage of affordable rental housing remains a concern throughout our district. Consensus among the respondents indicates that LMI people are struggling to earn what they need to afford housing as rents continue to increase. As mentioned previously, our respondents have not seen wages rise with improved employment in the community, and “there are more people in need of affordable housing products because they do not earn the median income of the market place unless they work two jobs,” one director of a neighborhood development organization shared.

Looking to the future, a number of respondents voiced concerns that displacement will be an issue because of rising rents. A number of survey respondents noted that investments made in some neighborhoods comes at a cost to LMI residents living there. An officer of a nonprofit housing developer noted that “the continued gentrification of neighborhoods without having a plan for creating or maintaining affordable housing options” will continue to have a negative impact on LMI communities.

3. Opioid Abuse | The economic and social effects of opioid abuse continue to be widespread.

Opioid abuse has been a persistent issue throughout the Fourth District according to respondents—it was the third most-cited top concern (12 percent) regarding the welfare of LMI communities in the past year. According to respondents, **opioid abuse has affected the labor force and the well-being of families, and the demand for social services has increased.**

In response to a survey question intended to gauge the breadth of effects of the opioid epidemic, nearly two-thirds (62 percent) of respondents stated that the opioid crisis has impacted their organizations in some manner, compared to 64 percent last year. Some respondents noted that the opioid crisis is a challenge to the daily routine for their organizations, as employees have tend to family members experiencing addiction while also dealing with loss of clients to overdose. According to one foundation executive, “the opioid epidemic has resulted in more children and families in need of support from the human services sector.” A healthcare professional reported seeing “patients and families affected by the crisis in our hospitals and emergency departments daily, with increased readmission rates.” For those in recovery from opioid abuse, barriers to resources, such as “lack of access to treatment due to transportation issues,” magnifies the challenge, one respondent noted. Other respondents noted the growing demand for addiction recovery housing in the community.

Respondents' comments also provided insight on the impact opioid abuse is having on the labor market. One community service provider mentioned that finding workers “will continue to be a problem with the on-going drug addiction problems in the community.” This sentiment was shared by other respondents as well, with many mentioning how businesses are struggling to find workers who can pass drug screenings. Respondents further commented that the shortage of workers who can pass a drug screen is leaving available job opportunities unfilled and impeding economic development growth. An economic development professional in southeastern Ohio expressed that “the publicity about high levels of opioid use and overdose in our region have dissuaded a number of firms from locating or expanding here. That’s a catch-22 for us because one of the largest drivers of opioid use appears to be people’s lack of hope of having a positive economic future.”

The additional impacts of opioid abuse that respondents cited are many. Financial strain caused by families losing their highest earners and the effects of absent parents are concerns. One respondent reported “an increase in the number of grandparents raising grandchildren without the financial support.” These family changes have ripple effects, including “additional children in the child welfare and court system due to inadequate parenting and increased challenging behaviors in preschoolers.”

How are organizations that serve LMI communities faring?

Community development organizations play an important role in the economic mobility of the LMI communities that they serve, and that is why we also asked respondents to provide insight into changes in the issues impacting their organizations in the past six months (Figure 4). Sixty percent of respondents indicated that demand for services has increased during this period. Some of the services reported to be in high demand during the past six months include those pertaining to obtaining skills training, locating affordable housing, and securing funds for home repairs or business startup. Although demand has increased, funding and capacity to serve clients has decreased or remained unchanged, according to 77 percent and 74 percent of respondents, respectively. The reasons for these decreases include cuts in federal funding and the shifting priority areas of funders. Decreases in funding were also attributed to

changes in the federal income tax law—specifically, the Tax Cut and Jobs Act—which dis-incentivized contributions from individual donors. The decrease in capacity is linked to the decrease in funding among some organizations, resulting in staff reductions or program cuts. On the positive side, 83 percent of respondents state that their organizations have started a new initiative in the past year. Because of funding cuts, organizations have been forced to prioritize when developing new strategic plans, deciding on areas of focus, and reviewing their target markets and where services are needed. To continue to learn more about organizations that serve LMI communities, we continue to monitor trends in demand for services, funding, and capacity over time through the organization indices (Figure 5).

Figure 4. Change in Community Organizations Operations, March 2019

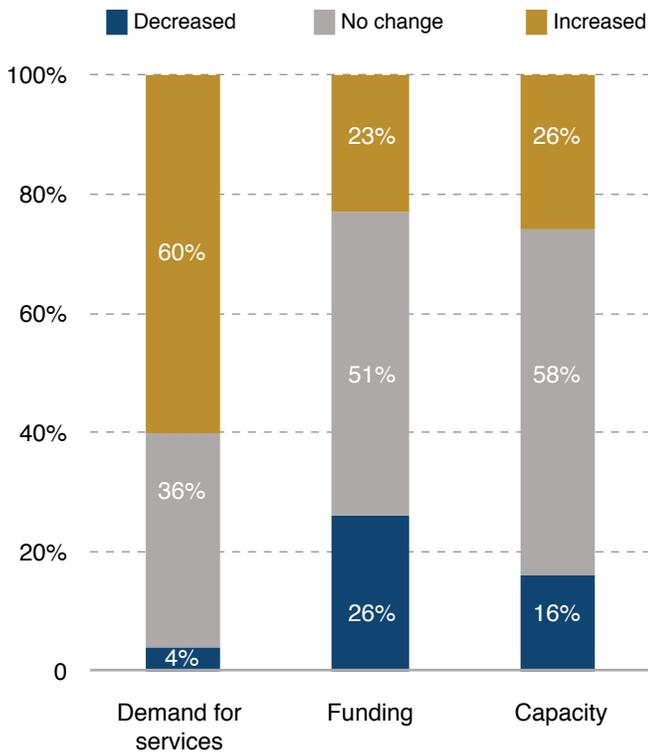
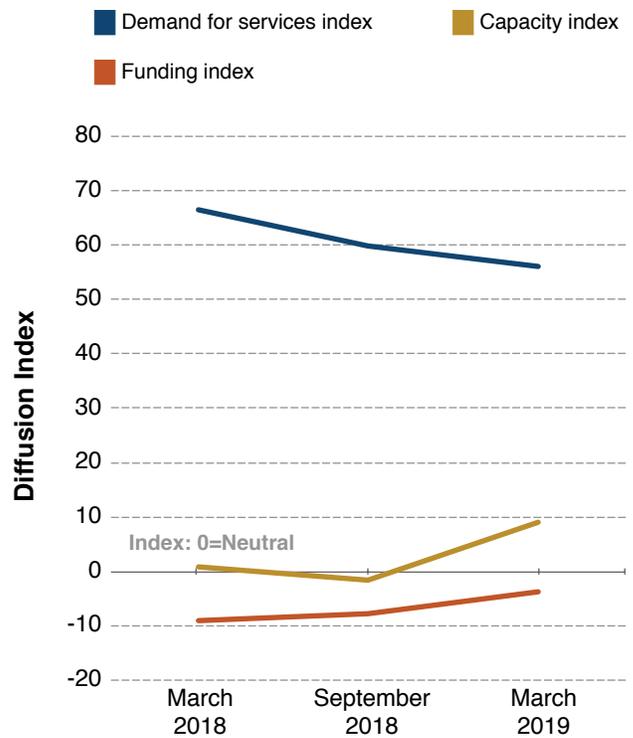


Figure 5. Organization Indices*



*See Diffusion Indices sidebar and survey methodology for more details

Emerging Trends in the Fourth District

Respondents were optimistic about increased collaboration among stakeholders to address community challenges but concerned about potential changes to policies serving LMI populations.

Several respondents mentioned they are encouraged by the increased collaboration among diverse organizations to tackle issues affecting LMI communities. Rather than working in silos, organizations are moving toward collective action by teaming together to meet community needs, eliminate duplicative services, and improve program outcomes and delivery. Lead Safe Cleveland is one example of cross-sector collaboration. The initiative brings together policymakers, residents, advocates, researchers, and funders to draft and pass legislation that requires homes be lead safe before renting and includes seeding a loan fund to support remediation when necessary. The sentiment among many respondents was that they were seeing more frequent coordination and partnerships among diverse organizations. As an economic development practitioner in Ohio noted, “Appalachian Ohio is beginning to coalesce around a set of strategies and a plan to advance its economy...that hasn’t happened before.”

While many respondents are positive about the increased collaboration among organizations, there are concerns about potential changes to federal and state programs that provide critical assistance to LMI households. A workforce development professional in Ohio believes that “the new work requirements for Medicaid recipients will adversely impact those on the insurance,” and a number of respondents voiced concerns about the proposed changes to the Supplemental Nutrition Assistance Program (SNAP) that would make eligibility requirements more restrictive and put many households at risk of losing these benefits.

Another policy that is getting attention from community stakeholders is the Opportunity Zones program, which provides tax incentives for investors who make long-term investments in designated LMI places (also a product of the Tax Cut and Jobs Act). Many respondents were positive about the potential impact these program investments can have in LMI places but expressed concern about implementation. A neighborhood development professional is cautiously optimistic, suggesting that “opportunity zones can be transformative but could create displacement challenges. I hope that the program is given ample opportunity to make an impact in areas that are otherwise challenged.”

Summary

Results from this survey reveal that job opportunities are improving in the Fourth District for LMI communities but financial security concerns—particularly good pay—remain a challenge. The overall financial well-being of LMI people has been slow to improve through the recovery. Stakeholders voiced concerns about declines in affordable housing options, a situation which many attribute to rising rents and wages not keeping pace with housing costs. There is hope among survey respondents that the tight labor market will put upward pressure on wages. We will continue to track conditions in LMI communities and engage with community stakeholders on issues impacting the economic mobility and resilience of LMI communities in our District and beyond.

Survey Methodology

The Federal Reserve Bank of Cleveland developed this survey tool to elicit perspectives from community stakeholders that directly serve LMI communities and individuals about key issues impacting the economic mobility and resiliency of those populations. In March 2019, the online survey was distributed to 618 individuals working in organizations in the Fourth District; 180 completed the survey. The following tables show the type of organizations that provided responses to our survey and in which states the organizations were located. Please note the responses reflect the perspectives of those responding to the survey; they do not reflect the perspectives of all the organizations within the Fourth District or those of the Federal Reserve Bank of Cleveland.

Respondents by Organization Type		
Community service provider*	58	32.2%
Government entity	42	23.3%
Neighborhood and housing development organization	37	20.6%
Foundation/Funder	16	8.9%
Other	11	6.1%
Workforce/Economic Development	10	5.6%
Community Development Financial Institution	6	3.3%
	180	100.0%

* Community service providers include organizations such as community action agencies and social service organizations.

Respondents by State

	Population in District (2018)	Survey Response (March 2019)
Ohio	68.5%	71.1%
Pennsylvania	19.1%	20.0%
Kentucky	11.5%	6.7%
West Virginia	0.9%	2.2%
	100.0%	100.0%

Survey Methodology: Diffusion Indices

The replies of survey respondents to questions related to the conditions of the LMI communities they serve and the organizations they represent are calculated to build the LMI Community Index and Organization Index. The calculation and example that follow are a guide to better understand the information provided in the indices:

Diffusion Index = $(I - D) * 100$

I = increase (% of observations)

D = decrease (% of observations)

Index > 0 indicates improving conditions

Index = 0 is neutral

Index < 0 indicates worsening conditions

Example: A decrease in the index from 40 to 20 would indicate that conditions have still improved but that more respondents are stating that conditions are worsening.

Endnotes

- ¹ Direct service providers generally refer to those organizations that work directly with low- and moderate-income communities via assistance with job or workforce training, applying for a loan, securing housing or food assistance, or other health and human services.
- ² The Federal Reserve Bank of Cleveland is the Fourth District of the Federal Reserve System and comprises all of Ohio, western Pennsylvania, eastern Kentucky, and the panhandle of West Virginia. The District covers 169 counties and approximately 17 million residents.
- ³ *The Gap: A Shortage of Affordable Homes. March 2019. National Low Income Housing Coalition.* Extremely low-income households are those whose incomes are at or below the poverty guideline or 30 percent of their area's median income.

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