Inflation adds burden to households already struggling to cope with lingering effects of the pandemic, and the tight job market challenges hiring and retention in some sectors: Findings from the Community Issues Survey 2022

By Matt Klesta
Senior Community Development Analyst

The Federal Reserve Bank of Cleveland’s Community Issues Survey collects information semiannually from direct service providers to monitor economic conditions and identify issues impacting low- and moderate-income (LMI) households in the Fourth District—a region that includes Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. In March 2022, we surveyed more than 500 service providers who directly serve LMI individuals and communities across our District and received 84 responses (16 percent response rate). The results of this survey, summarized here, provide insights into how organizations and the households they serve are faring as they continue to navigate effects from the COVID-19 pandemic and the growing impact of inflation.

The views expressed in this report are those of the author and are not necessarily those of the Federal Reserve Bank of Cleveland or the Board of Governors of the Federal Reserve System. The responses expressed in this report reflect the perspectives of those responding to the survey; they do not necessarily represent the perspectives of all organizations within the Fourth District.
KEY FINDINGS

• Job availability for LMI workers continued to rise; nearly 80 percent of respondents indicated an increase in the six months prior to the March survey. This is up from 58 percent in the March 2021 survey and 72 percent in September 2021.

• The availability of affordable housing continues to decrease, a majority of respondents said. This has been a consistent trend since the first Community Issues Survey in 2018 and has been exacerbated by the current tight housing market.

• Over the past six months, financial well-being for LMI people decreased, primarily because of inflation impacts, while access to credit is unchanged, reported a majority of respondents.

• Looking ahead, respondents expressed concern about the impact of inflation on LMI households’ finances.

• For nonprofit organizations, demand for services remained high, funding remained steady and elevated because of the American Rescue Plan Act and other federal and state monies, and capacity declined slightly because of hiring and retention challenges stemming from the tight job market.

Economic Conditions in LMI Households: An Overview

To assess the economic conditions for LMI households in the Fourth District, we asked service providers to tell us how the availability of jobs and affordable housing, access to credit, and overall financial well-being has changed for the households they serve during the past six months. As shown in Figure 1, most survey respondents reported increasing job availability, decreasing affordable housing availability and financial well-being, and no change to access to credit since September 2021.

Figure 1. Change in the Economic Conditions of LMI Households in the Six Months Prior to March 2021

<table>
<thead>
<tr>
<th>Share of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Jobs</td>
</tr>
<tr>
<td>Availability of Affordable Housing</td>
</tr>
<tr>
<td>Financial Well-Being</td>
</tr>
<tr>
<td>Access to Credit</td>
</tr>
</tbody>
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Note: Due to rounding, totals may not add up to 100
Source: Author’s calculation from Community Issues Survey responses

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 4)], 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 section.
We build a diffusion index from each survey question so we can observe trends in responses over time (Figure 2). The trend that most stands out is the sharp increase in the availability of jobs as the country exited COVID-19 lockdowns: the trend continues in this most recent survey. The availability of affordable housing, on the other hand, shows a steady decline, as more respondents indicate decreases rather than increases. Like the index reflecting the availability of affordable housing, the remaining two indices, financial well-being and access to credit, remain below zero, as more respondents indicate worsening conditions than improving conditions, although access to credit is declining at a slower rate. It remains to be seen how increasing interest rates impact access to credit going forward. For the availability of jobs, the recovery is in full force, but the other three indices indicate LMI households will continue to experience serious challenges.

Figure 2. LMI Household Indices

Top Issues Impacting LMI Households in the Fourth District

Survey respondents were asked what issues most impacted the welfare of LMI households within the past year. Replies to this question, along with anecdotes about how these issues have played out in the community, fell into three main categories: the tight labor market, the decline in affordable housing, and inflation.

A tight labor market has increased wages and increased opportunities but made hiring difficult in certain sectors

Numerous respondents mentioned workforce shortages creating a tight labor market, which leads to increasing wages and movement in the labor force as people change jobs for better opportunities. In March 2022, job openings nationally totaled 11.5 million, a new record high (Mena, 2022). One respondent noted, “employers are knocking down our door for help with their hiring needs, particularly for entry- and lower-level jobs. Wages and benefits have increased significantly, and employers are more willing to provide additional support such as transportation assistance and more flexible scheduling.” One way to see how wages have been changing over time is by using the Atlanta Fed’s Wage Growth Tracker. In March 2022, the average of the median wage growth increased six percent, the highest increase since the Atlanta Fed began calculating it in March 1997.

With US job openings near record highs, we asked respondents what might be preventing LMI households from participating in the labor market (Mutikani, 2022). The three most common responses were as follows:

1. Lack of affordable childcare
2. Concerns about loss of government benefits (for example, benefits cliffs)
3. Lack of affordable or accessible transportation options (for example, high car prices or long public transportation routes)

The most often cited reason, the lack of affordable childcare, disproportionately impacts women. One respondent shared that “the lack of childcare… [is] hurting low-income families—for women it means not being able to return to work.” A December 2021 Cleveland Fed report analyzing results from the US Census Bureau’s Household Pulse Survey (HPS) found childcare and eldercare to be a primary reason for women not joining the workforce (Schweitzer and Widra, 2021).
As the tight labor market increases wages, many sectors struggle to maintain their workforce. According to one respondent, “In the nonprofit sector...many organizations discuss the challenge of hiring or maintaining staff. The availability of jobs in this sector increased because competition was attracting [the nonprofit] workforce to other opportunities.” Nonprofits are particularly sensitive to wage increases because they mostly rely on donations and grants, unlike traditional businesses that can raise prices on the goods or services to cover wage increases. Also, nonprofits are often funded by government contracts that pay a certain amount; those contracts do not allow nonprofits to raise their wages (Schultz, 2021). In healthcare, a sector in which “job openings due to the pandemic are at an all-time high,” many frontline workers “left to work in other health-related jobs (sales or clinical research).” Others “left to join staffing agencies that paid them over double the hospital-based job.”

Rising inflation disproportionately impacts LMI households’ finances

When we asked respondents to comment on why financial well-being for LMI households declined, the overwhelming answer was inflation. In April 2022, inflation as measured according to the Consumer Price Index, increased at an 8.3 percent annual rate (Guilford, 2022). This was down slightly from an 8.5 percent annual rate in March, but remains near a 40-year high and continues to push up the price for necessary goods such as gasoline (+43.6 percent), food (+9.4 percent), electricity (+11.0 percent), shelter (+5.1 percent), and apparel (+5.4 percent) (US Bureau of Labor Statistics, 2022). For LMI households, which operate on already constrained budgets, price increases at these levels can drastically increase their financial hardship (Horwich, 2022). According to the 2020 Consumer Expenditure Survey, households in the lowest income quintile spend 14.3 percent of their income on food, 42.9 percent on housing, and 15.2 percent on transportation. As a comparison, households in the highest income quintile spend 10.7 percent of their income on food, 31.9 percent on housing, and 14.6 percent on transportation (US Bureau of Labor Statistics, 2021). For those living in rural areas, where owning a car is essential to getting to work, one respondent commented that “increasing gas prices will really impact those who are employed. Forty percent of our labor force drives over 40 minutes to work every day. Many of those drive 50–75 miles. Putting gas in the tank has become very expensive.” Another respondent noted that “in a rural area, a car is essential. Used cars are more expensive now and [seemingly more affordable] junkers are likely to break down.”

How are LMI households coping with rising inflation?

According to our respondents, 55 percent said they were struggling, being more selective about purchases, or doing without. One respondent commented that “a lot are doing without. One family I know can’t afford a new heating system and is using small electric heaters and a wood stove. Others go without water or utilities all together. Food pantries continue to be in high demand.” Nearly a quarter of respondents mentioned families’ turning to community agencies and other programs designed to bridge the gap between income and needs. In the March 2022 HPS data for Fourth District states, nearly 15 percent of households with annual incomes under $50,000 said they sometimes or often do not have enough food to eat. For households making more than $50,000, that share is under four percent. However, another respondent cautioned that “those who do not qualify for income-based assistance are the population that seems to be the hardest hit, as they do not have any outside assistance to help address the gap between household income and living expenses.”

Rising home prices, the increase of investor purchasers, and rising rents are concerning

Record low housing inventory continues to create serious repercussions for LMI households. Respondents commented that sharply increasing home prices caused previously affordable units to be redeveloped and resold or rented at higher prices. They express concern that “more investors are buying up single-family housing in the LMI [price] range.” One respondent cautioned that “if not managed properly, these structures can become eyesores as investors move to maximize their return without concern for reinvesting in these units and neighborhood stability.” Increased investor activity has been observed in Cuyahoga County, where in 2020 nearly half of the home purchases made on Cleveland’s east side were made by investors (VAPAC, 2022). LMI “buyers just can’t compete in this current housing market; they’re being squeezed [out] of the market.” One respondent observed that “we currently have over 40 LMI clients who are prequalified to purchase a home but just can’t find one to buy. I’ve never seen anything like this before and I’ve been doing this for 26 years.” To maintain housing affordability in Cincinnati, a local agency outbid more than a dozen investment firms to purchase 195 houses. The agency plans to resell to LMI households (TRD Staff, 2022).

Renters are particularly impacted by changes to the housing market because renting households often have lower incomes and greater housing burdens (that is, the share of income paid toward housing). The 2020 5-year American Community Survey data confirm this (US Census Bureau, 2020b). Nationally, 39 percent of all households earn less than $50,000. For homeowners, that share is 29 percent; for renters, that share is 57 percent. Regarding housing burden, ideally, no more than 30 percent of income should be paid on housing. For homeowners with or without a mortgage, the share paying less than 30 percent of their income on housing is 73 percent and 87 percent, respectively. For renters, the share paying less than 30 percent of their income on housing only 51 percent. In fact, 40 percent of renters pay more than 35 percent of their income on rent. For this reason, the current increase in rents can have a particularly detrimental effect on LMI households.

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1 Based on calculations by Cleveland Fed staff from https://www.census.gov/programs-surveys/household-pulse-survey/data.html. $50,000 is our rough estimate of low- and moderate-income households based on 80 percent of the national annual median household income of $67,000.
The Zillow Observed Rent Index is a helpful tool for examining how rents are changing. Figure 3 shows the index for eight Fourth District metro areas and the United States. From 2014 to 2020, the average increase was 3.5 percent per year. In 2021, the increase jumped to 10.4 percent; through March 2022, it has increased an additional 8.0 percent. The Columbus Metropolitan Statistical Area (MSA) saw the largest increase since 2014 (47 percent), while the Pittsburgh MSA saw the smallest (27 percent).

How are organizations that serve LMI households faring?

We asked nonprofit organizations in the Fourth District to describe how demand for their services, funding, and capacity to serve their constituents have changed in the past six months (“increased,” “decreased” or “no change”). Most respondents noted an increase in demand (73 percent) but no change in funding and capacity (Figure 4).

Figure 5 presents a diffusion index to show trends in organizations’ operations over time. Between September 2021 and March 2022, demand for services has remained high, funding remained steady and elevated because of American Rescue Plan Act funds and other federal and state monies, and capacity declined slightly because of hiring and retention challenges stemming from the tight job market.

Regarding demand for services, some attribute increases to an improving economy: “We work to connect women to opportunities in nontraditional fields such as manufacturing and construction. As companies have started to look for more untapped pools of talent, we have seen an increase in interest in our services.” Others, such as those affiliated with healthcare systems, attribute increases to patients seeking routine care that had been put off during the pandemic and “worsening [health] conditions due to delayed care and lifestyle changes during COVID-19.”

The tight job market is especially challenging for hiring and retaining nonprofit employees

Many nonprofit organizations have been able to use extra funding to hire new staff to boost capacity, but according to the National Council of Nonprofits, employment in the sector remains down more than 500,000 from the start of the pandemic (Schultz, 2021). Many respondents note the negative impacts of the tight labor market, COVID-19 retirements, and lack of childcare options. One respondent commented that “several employees left our organization for other positions. We are currently in the process of trying to replace them. However, the new employees won’t have the knowledge and experience that our separated employees had.” Another respondent mentioned staff leaving for higher paying, less stressful jobs. The reality facing many nonprofits is that “it’s very hard to offer competitive wages and benefit packages as a nonprofit organization” and “many of our staff are working mothers who have decided to scale back.”
Another respondent very candidly explained the tight labor market’s effects on nonprofits. “In the nonprofit sector it is fairly clear that in order to keep staff, we have had to increase wages significantly over the past 12–18 months. Unfortunately, we have no way to increase revenue to keep pace. When the dust settles, there will be a massive collapse of nonprofit service providers….The influx of federal stimulus dollars only served to "prop up" the sector and allowed the industry to compete for staff with the for-profit world. Those federal and state dollars will not continue, but the payroll costs will continue on.”

Addressing community needs

We asked survey respondents to share any new programs, partnerships, products, or strategies they implemented over the past year. Two themes emerged from the responses.

Improving services for clients: streamlining access and building partnerships

Several respondents mentioned developing programs that “have done a better job of meeting recipients where they are,” helping “clients connect with services more quickly and efficiently,” or increased their “ability to serve clients remotely.” For one organization this involved hiring an outreach navigator to work directly with employees at the area’s largest employer and with residents of several housing developments to help them to navigate the process of applying for available resources. Another organization created their own app to simplify communication between clients and staff. Other organizations mentioned increased mobile outreach, electronic processing options, and online portals to streamline communication with clients and access to benefits.

Many respondents also mentioned building new partnerships. One organization consolidated back-office functions, such as accounting or IT services, with other nonprofits to cut costs. Other organizations joined forces, leveraging each other’s strengths, to design and implement more impactful programs. Still others took measures to better integrate with their region’s economic development ecosystem.

Alleviating COVID-19 impacts

Organizations have developed a wide variety of programs to mitigate COVID-19’s impacts. Some are developing affordable housing units, while others are providing emergency mortgage, rental, and utility assistance. In response to increasing used car costs, one organization has created a pre-approved, interest-free car loan of up to $15,000 for purchasing a car or refinancing a car loan with an exorbitant interest rate. According to one respondent, many of these programs have “been instrumental in preventing homelessness.”
Survey Methodology

The Federal Reserve Bank of Cleveland developed this survey tool to elicit perspectives from community stakeholders that directly serve LMI individuals and communities about key issues impacting the economic mobility and resiliency of those populations. In March 2022, the online survey was distributed to more than 500 individuals working in direct service organizations in the Fourth District; 84 completed the survey. The following tables show the types of organizations that provided responses to our survey and in which states the organizations were located.

### Respondents by Organization Type

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Count</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Community service provider*</td>
<td>30</td>
<td>36%</td>
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<tr>
<td>Government entity</td>
<td>21</td>
<td>25%</td>
</tr>
<tr>
<td>Neighborhood and housing development organization</td>
<td>12</td>
<td>14%</td>
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<tr>
<td>Foundation/Funder</td>
<td>8</td>
<td>10%</td>
</tr>
<tr>
<td>Workforce/Economic Development</td>
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<td>8%</td>
</tr>
<tr>
<td>Community Development Financial Institution (CDFI)</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
<td><strong>100%</strong></td>
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*Community service providers include organizations such as community action agencies and social service organizations

### Respondents by State

<table>
<thead>
<tr>
<th>State</th>
<th>Population in District (2019)</th>
<th>Survey Response (March 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio</td>
<td>68.5%</td>
<td>73%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>19.1%</td>
<td>18%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>11.5%</td>
<td>8%</td>
</tr>
<tr>
<td>West Virginia</td>
<td>0.9%</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

### Type of Clients Predominantly Served

<table>
<thead>
<tr>
<th>Urban</th>
<th>Rural</th>
<th>Suburban</th>
</tr>
</thead>
<tbody>
<tr>
<td>56%</td>
<td>31%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>47</strong></td>
<td><strong>26</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>
References


