The Kansas City Fed’s LMI Survey

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THE KANSAS CITY FED’S LMI SURVEY
Purpose of the Survey

- Desire by Community Development and Bank-wide to keep finger on the pulse of the LMI community
- Desire to gather information on most critical and emerging issues to guide research and outreach
- Original intent was to compile existing, on-going data on the LMI community, but the information was severely lacking
- The Kansas City Fed sought, then, to collect the information itself
Survey Design

• Gauges the perceptions of directors or other senior staff of organizations providing services directly to LMI individuals or families
  
  • Survey target is the population of such organizations in the Tenth District
    – About 1,000 survey requests distributed quarterly
    – Generally about 150 completed

• Potential survey respondents are actively recruited and vetted to ensure they deliver services directly to LMI population
Survey Design

• Seven basic questions
  – Most inquire about the LMI population
    • Overall assessment of economic and financial conditions
    • Demand for services
    • Job availability
    • Availability of affordable housing
    • Access to credit
  – Others about responding organizations
    • Funding
    • Nonfinancial capacities (e.g., volunteers)
Survey Design

• Respondents are asked about conditions relative to
  – Previous quarter
  – Previous year
  – Expectations for following quarter

• Rolling benchmark: answers are
  – Better (more, higher)
  – Worse (less, lower)
  – About the same
Survey Design

• **Index**: %better - %worse + 100
  
  – Index takes values between 0 and 200
  – 100 in neutral
  – < 100 indicates deterioration in conditions
    • Any number below 100 indicates deterioration, even if the index is rising
  – > 100 indicates improvement in conditions

• **Example**: 10% say job conditions are better, 50% the same, and 40% worse
  
  – Index value is 10 – 40 + 100 = 70 (deterioration)
Actual Survey Example: Job Availability

Index (Neutral = 100)

Next Quarter Projection

Relative to Previous Quarter

Relative to Previous Year

Source: Kansas City Fed LMI Survey
Quarterly LMI Survey Report

• Presents index values from current and three most recent surveys
• Uses survey commentary and answers to special questions to provide context to the numbers
Primary Benefits of the LMI Survey

• To the KC Fed
  – Provides guidance for community development research and outreach
  – Provides insights on this very relevant community for policy deliberations

• To Organizations serving the LMI, Policy Makers, and the Wider Community
  – Allows for the assessment of current conditions and needs
  – Provides insights on emerging issues
  – Assists in better understanding the communities they serve
THE LMI COMMUNITY IN RECESSION AND RECOVERY: RESULTS FROM A NEW SURVEY (FORTHCOMING, FEDERAL RESERVE BANK OF KANSAS CITY ECONOMIC REVIEW, Q1, 2013)
Purpose of the Paper

• Primary
  – How did the LMI community fare during the recession and recovery?

• Secondary
  – Validation of the survey with other Fed Bank surveys and external data
Annual Growth in Real GDP

Annual Percent Change

Source: U.S. Bureau of Economic Analysis

1980 - 1985

4.5 7.2 4.1
Historical Recessions

% Change from Peak Employment

Source: U.S. Bureau of Labor Statistics; Haver Analytics
Inflation-Adjusted Family Income, by Quintile

Index: 2001 = 100

- Lowest Quintile
- Second Quintile
- Third Quintile
- Fourth Quintile
- Highest Quintile

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U.S. Job Growth and the LMI Job Availability Index

Thousands of Jobs

U.S. Job Growth (left axis)

KC Fed LMI Job Availability Index (right axis)

Index: 100 = Neutral

Thousands of Jobs

U.S. Job Growth

KC Fed LMI Job Availability Index

Index: 100 = Neutral

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Other Issues Highlighted by LMI Survey Reports

• Relatively tighter labor market for low-skilled jobs

• Disconnect between growing sectors and job skills of the LMI
Employment Growth by Income Cohort

Index: 2001=100

Source: Author’s calculations using data provided by the U.S. Bureau of Labor Statistics.
Note: Each point on the chart shows total employment by occupation group relative to its level in 2001.
Other Issues Highlighted by LMI Survey Reports

• Lower-skilled jobs filled by higher-skilled workers out of work
• Credit histories
• Criminal histories (especially drug charges)
• Transportation and childcare needs
• Change in residency
• Job readiness
• Significant turnover noted
Federal Reserve Bank LMI Affordable Housing Indexes

Index: Neutral = 50

Kansas City

Dallas

Philadelphia

Boston

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Source: Federal Reserve Banks of Boston, Philadelphia, Dallas, and Kansas City.
Note: The Kansas City LMI Affordable Housing Index was adjusted to be consistent with other reserve bank indexes (50 = neutral).
Federal Reserve Bank LMI Demand for Services Indexes

Note: In this chart, higher numbers indicate a greater demand for services, so unlike the other charts from reserve bank surveys, higher numbers indicate deteriorating conditions. The Kansas City Fed’s LMI Survey results were adjusted to be consistent with this concept. A value of 100 would indicate that all respondents reported that the demand for their services had increased.
Participation in the SNAP (formerly food stamps) Program

Source: United States Department of Agriculture, Food and Nutrition Service
Lowest Quintile Nominal Income Growth and Growth in Consumer Prices
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