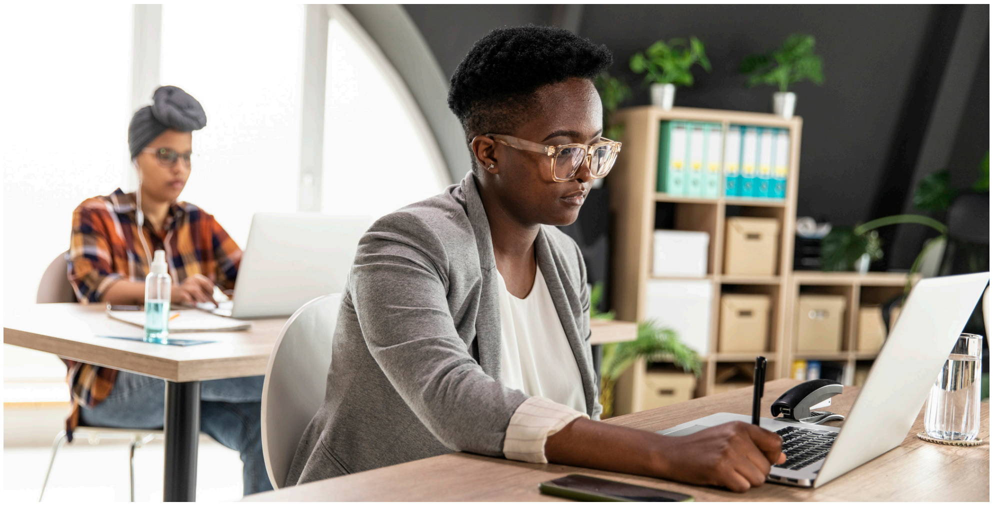
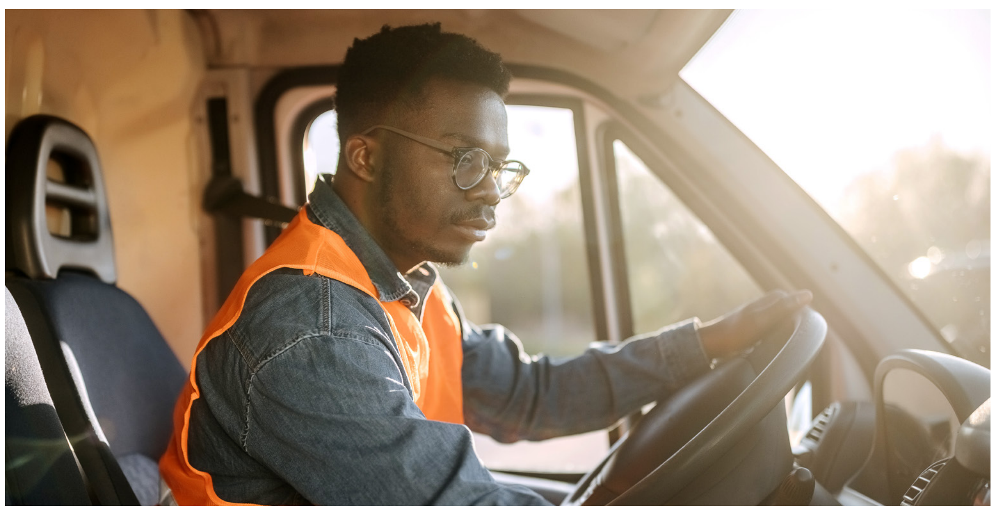
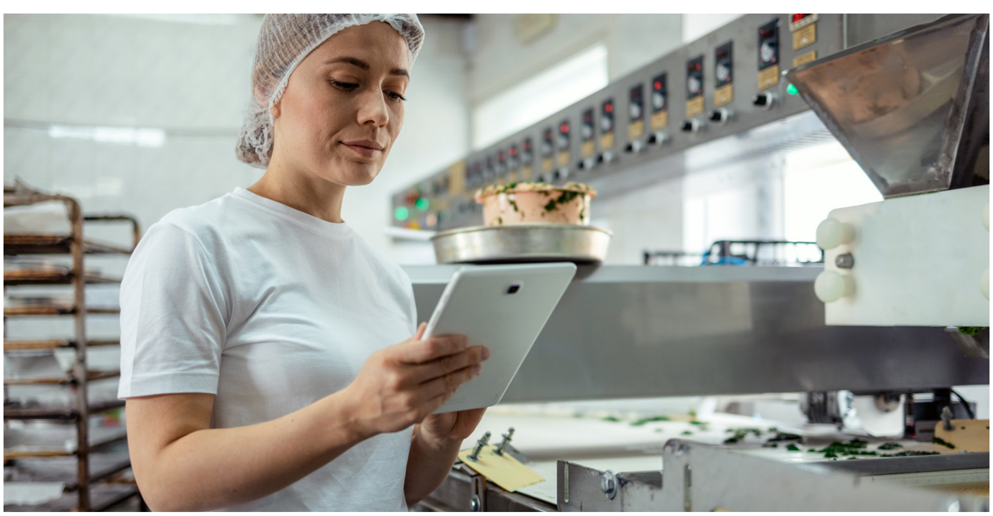
When every dollar counts: Inside the economic struggles of workers who earn low to moderate incomes

WORKER
PERSPECTIVES

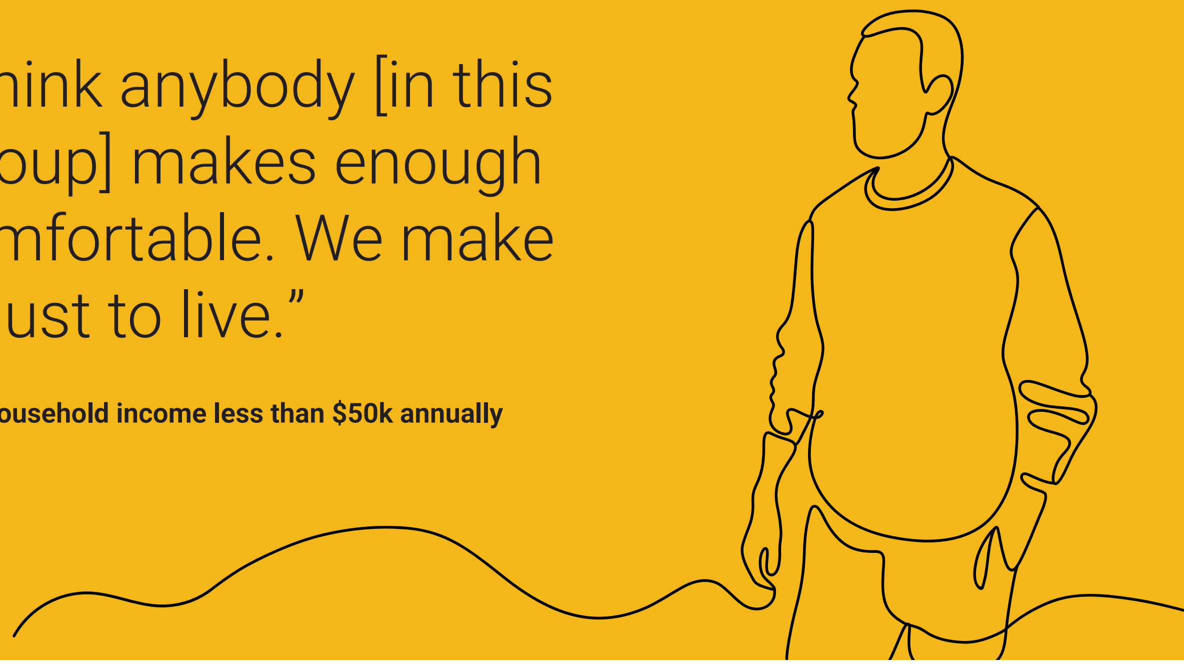
- Sarah Miller, Merissa Piazza, Elizabeth Simpson, and Kristen Broady







> “I don’t think anybody [in this focus group] makes enough to be comfortable. We make enough just to live.”
>
> **–Participant with household income less than $50k annually**



Gathering worker perspectives

What does it mean to ‘tighten your belt’ when you’ve already run out of notches? In 2025, in an economic moment where unemployment was low by historical standards, job growth and job hiring had moderated (US Bureau of Labor Statistics 2026), and inflation remained elevated (Board of Governors 2026), the cost-of-living pressures have been felt unevenly across the economy. The affordability discussion and debates of a “K-shaped” economy, where different segments of the population experience fundamentally different economic recovery, have been widely discussed in national news recently (Stephens and Perry 2025). These narratives suggest that low- to moderate-income (LMI) households are experiencing economic discomfort and financial instability (Dalton et al. 2021).[i] It is with this economic context that the Federal Reserve renewed our Worker Perspectives research to see how LMI workers and job seekers have experienced these economic shifts in costs and employment, and how these perspectives influenced household decisions and labor market behaviors. Understanding these ground-level realities strengthens the Federal Reserve’s ability to monitor labor market dynamics tied to its dual mandate.

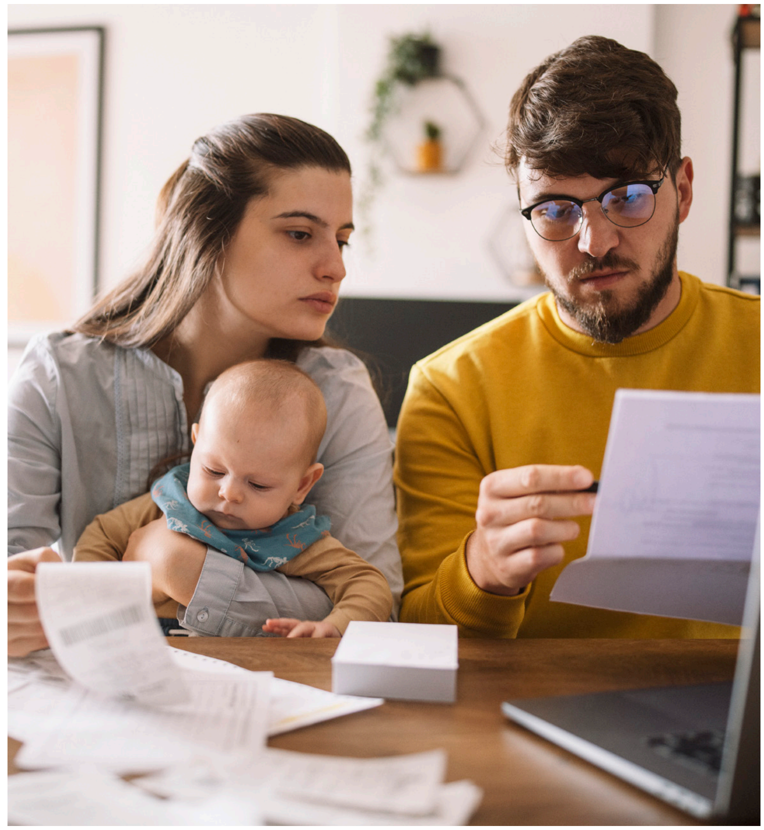
Collecting qualitative data from 63 workers and job seekers across the country with a household income of $85,000 or less,[ii] this research conducted 11 focus groups, two of which were conducted in Spanish (for more information on the methodology see Appendix B)[iii], to capture lived experiences and direct perspectives from workers and job seekers. Through these conversations, the research aimed to learn how workers in LMI households are balancing income against persistent cost-of-living pressures and navigating employment opportunities in a moderated job market (Brave et al. 2026). Have they changed their consumption behavior to account for these issues? What is driving their employment decisions? And what is their confidence in the future of the economy or their employment opportunities?

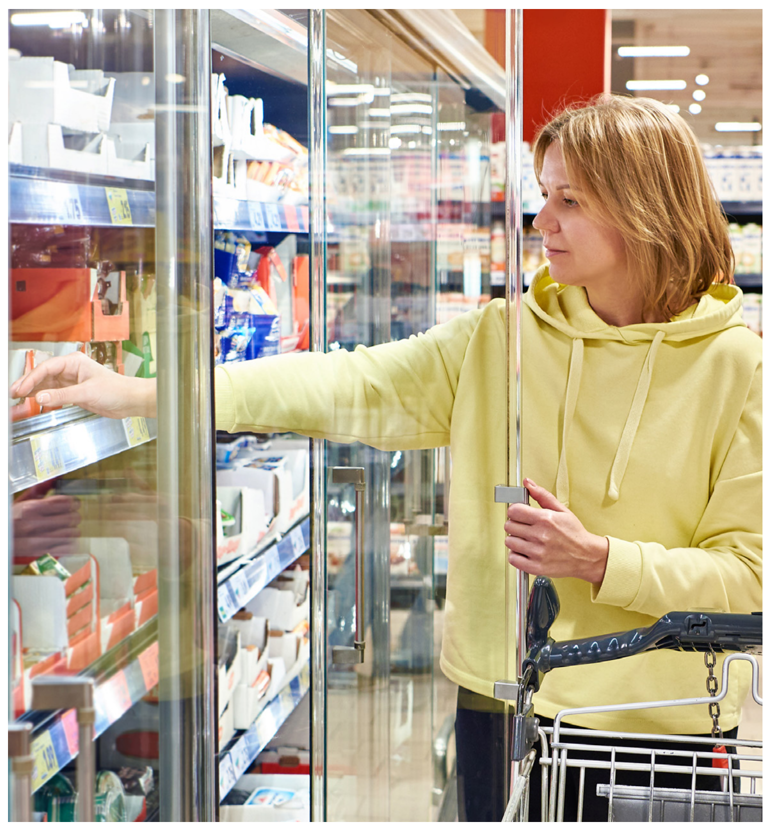
Key findings from the Worker Perspectives research

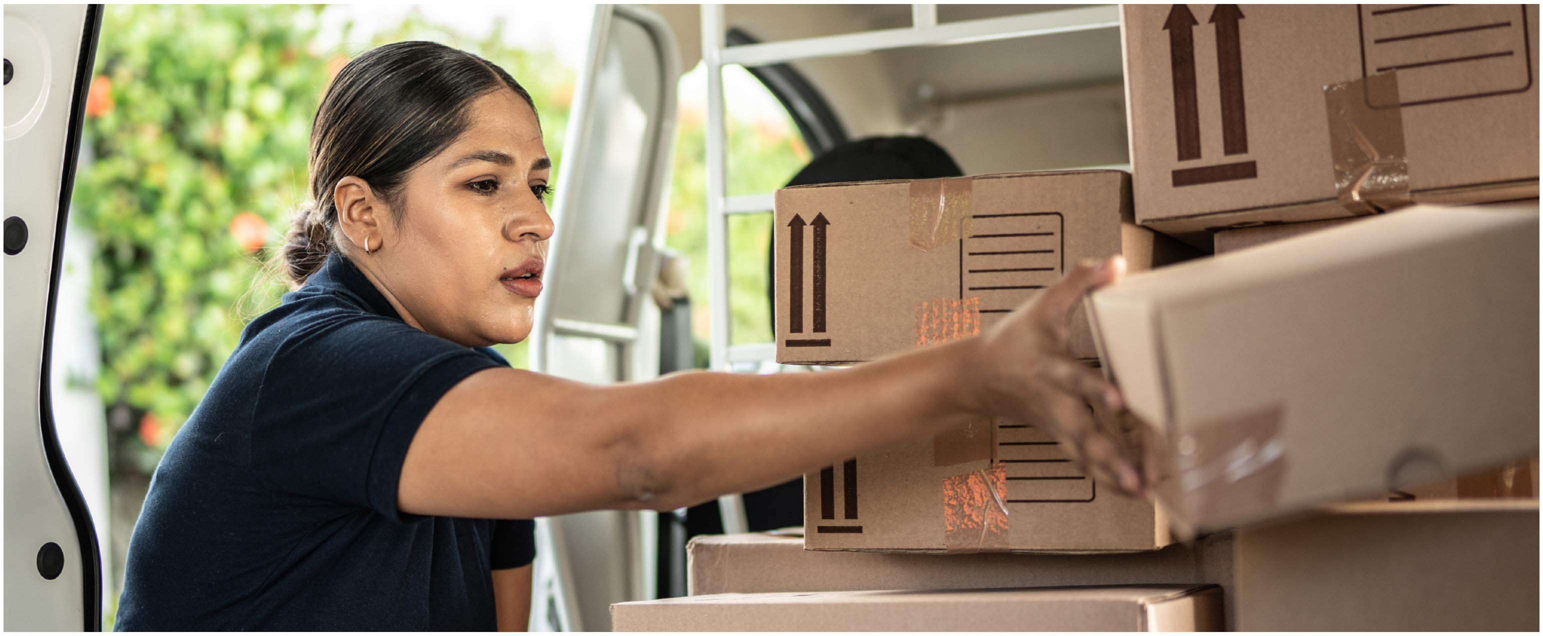
> Sometimes I do fall behind just with basics like food and things of that nature…but now I work two jobs and I have a family of five. So, I do have to make things stretch throughout the month and things of that nature, but I do make enough to survive. However, it's barely working.
>
> **—Participant with household income between $50k-$60k annually**

The conversations consistently carried a serious and somber tone, with workers and job seekers expressing ongoing and more recently acute concerns about rising costs, wages that are not keeping pace, and few opportunities for economic mobility. Participants spoke with rising urgency about economic struggles, noting that while they have historically been in some form of paycheck-to-paycheck financial circumstances, their situations have recently become more challenging to manage. The focus group discussions included stories of how participants' daily lives have increasingly been filled with "distress" over the choices they have to make, references to more recent focus on "survival" as opposed to mobility, and managing "overwhelming financial stress". These stressors forced most participants to focus on decisions that ensure their day-to-day survival and discussed how already strained budgets had to be stretched to make ends meet.

Due to their focus on getting from day-to-day, most were not able to pursue avenues for economic mobility. Most were in some form of job search but struggled to







attain new employment; and those who were employed expressed a sense of thankfulness for the job they had. Compensation remained a consistent job quality priority for most, while flexibility, work-life balance, treatment, and career progress remained valued elements of job quality. Beyond this, participants expressed pessimism about the economy and job market as a force outside of their control, as opposed to the agency they needed to have about their own ability to manage through tough times. Yet, when thinking about their own situation participants spoke of the need to "stay positive" to help them navigate day-to-day economic uncertainty.

Circumstances for these participants tell a story that quantitative data alone cannot fully illustrate. Understanding the full economic story is important to see where, why, and for whom persistent strain could affect the broader system. The consequences of continued daily pressures and rising instability for LMI households have broader implications for the overall economy. Effects of these conditions for a substantial share of the national population may weaken workforce participation, reduce long-term purchasing power, heighten credit default risks, threaten housing stability, and exacerbate food insecurity, as it has for participants in this research.

Stuck in survival mode

It's not so easy for wages to go up… Sometimes when you get a job, salaries are frozen for 2 or 3 years. Meanwhile, expenses keep rising.

—Participant with household income between $60k-$75k annually

Rather than focusing on economic mobility, one participant noted their sense was that realities for workers in low- to moderate-income jobs have shifted from one of seeking "success" to that of "survival." Persistent and increasingly dire financial stress over the past year dominated discussions. Participants shared challenging decisions where they were often forced to make between groceries and rent, foregoing medical coverage or treatment, and economic survival today in lieu of investments in education or skill-building that may foster economic mobility in the future. Participants shared how they were stretching already constrained household budgets to survive through stricter changes to their consumption, credit extensions, pursuing supplemental income out of necessity, and reliance (sometimes for the first time for participants) on food banks and other formal or informal safety nets.

(Not so) upward mobility

> The American dream is just that, a dream. It's not even reachable anymore to have the house and the white picket fence.
>
> **—Participant with household income less than $50k annually**

Economic survival eclipsed economic mobility for most participants in this research. Many participants noted unstable work histories that included experiences with unemployment, under employment, taking temporary work, or being laid off. Those who were employed expressed gratitude for their jobs and a hesitation to leave their job for fear of not finding another one. Most who shared ambitions of further education largely dismissed this possibility as out of reach because of challenges balancing work and school, the costs of childcare, and the hefty price tag of postsecondary education.

Searching for job quality

> We live in society where it costs a lot to live, to survive, to eat, to [do] anything and you don't wanna take something where you [are] overworking yourself and getting the minimum pay.
>
> **–Participant with household income less than $50k annually**

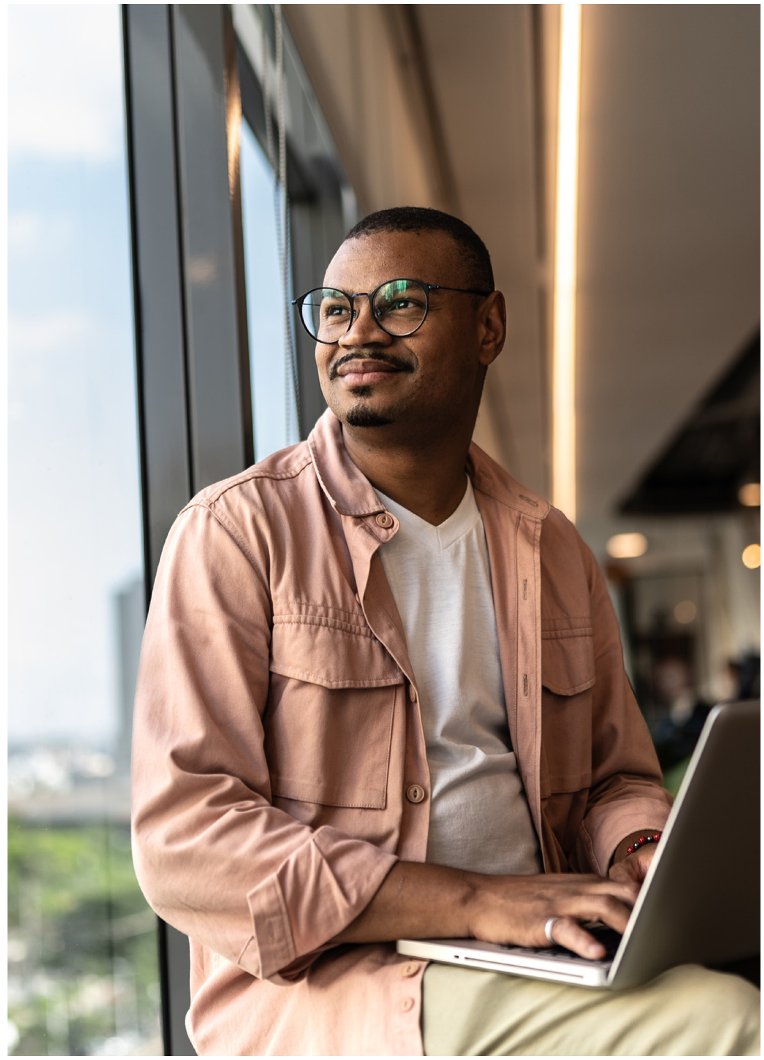
Job quality factors reinforced that compensation remained paramount, but flexibility, work-life balance, dignity, and growth remained priorities. These considerations influenced if and how participants navigated the job market. However, these factors were not discussed as baseline expectations necessarily, the participants viewed job quality elements as aspirational job attributes rather than requirements of a job that would impact their employment behavior. Additionally, long-standing barriers in job searches are further complicated by artificial intelligence and an increasing number of job scams that make navigating the job market more difficult and impact worker confidence in future opportunities.

Perseverance in the face of challenges

> So I just feel like staying positive and just kind of having that resilience that things will work through. I don't know. I know that's not how everybody thinks, but that's just how I kind of delude myself into thinking that it's just gonna workout.
>
> **—Participant with household income less than $50k annually**

Surviving day-to-day amid severe financial hardship demanded significant perseverance and self-belief. The majority of respondents expressed a split perspective—low confidence in relation to the broader economy, while maintaining personal optimism about their ability to navigate economic uncertainty. Most noted low economic confidence given rising costs of living and limited employment opportunities, but most also felt confident they would be able to find new or different employment if they needed to. However, this higher confidence was caveated that a new job would likely not meet their financial or work-life balance needs. Many discussed the importance of "positive thinking" and adopting a "different mindset" to get through what they described as increasingly challenging times, even if that thinking was illusory.

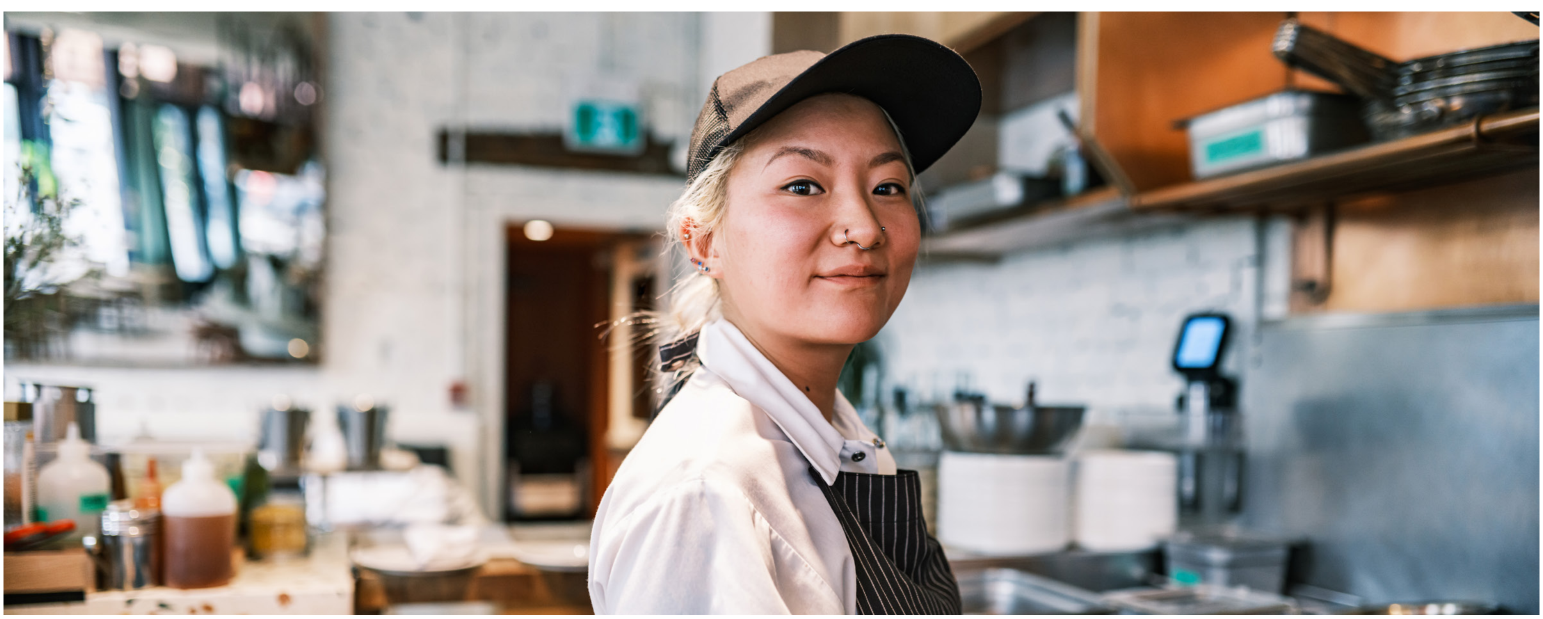
Future research



Looking to future iterations of this research, a few questions will be important to answer:

- Will a K-shaped economy concretely emerge, and if so, what long-term effects will that have for LMI household financial stability and to what degree will that impact aggregate economic and labor market trends?
- What effects will business conditions have on the job market, elements of job quality, and individuals' opportunities for economic mobility?
- To what extent will artificial intelligence disrupt job opportunities and how will these disruptions impact labor market attachment and navigation?

Answers to these questions require research that is anchored in lived experiences. Perspectives from individuals navigating challenging decisions are essential, not supplementary, for understanding labor markets, informing effective policy, and guiding strategic practice to create greater economic security for workers and to meet the future needs of employer demand.



References

Board of Governors of the Federal Reserve System. "What Economic Goals Does the Federal Reserve Seek to Achieve Through Its Monetary Policy?" Accessed June 1, 2026. https://www.federalreserve.gov/faqs/what-economic-goals-does-federal-reserve-seek-to-achieve-through-monetary-policy.htm.

Board of Governors of the Federal Reserve System. March 18, 2026. "Federal Reserve Issues FOMC Statement." https://www.federalreserve.gov/newsevents/pressreleases/monetary20260318a.htm.

Brave, Scott A., Ben Henken, Ezra Karger, and Aryan Safi. March 2026. "A Closer Look at the 'Low-Hire, Low-Fire' Labor Market with the Chicago Fed Labor Market Indicators." Chicago Fed Insights. https://www.chicagofed.org/publications/chicago-fed-insights/2026/low-hire-low-fire-chicago-fed-labor-market-indicators.

Dalton, Michael, Jeffrey A. Groen, Mark A. Loewenstein, et al. 2021. "The K-Shaped Recovery: Examining the Diverging Fortunes of Workers in the Recovery from the COVID-19 Pandemic Using Business and Household Survey Microdata." Journal of Economic Inequality 19: 527–550. https://doi.org/10.1007/s10888-021-09506-6.

King, Michael D. September 9, 2025. "No Significant Change in Estimated U.S. Median Household Income." US Census Bureau. https://www.census.gov/library/stories/2025/09/median-household-income.html

Miller, Sarah, Merissa Piazza, Ashley Putnam, and Kristen Broady. 2023. "Worker Voices: Shifting Perspectives and Expectations on Employment." Fed Communities. https://doi.org/10.59695/20230524.

Stephens, Hannah, and Andre M. Perry. December 2, 2025. "In Every Corner of the Country, the Middle Class Struggles with Affordability." Brookings Institution. https://www.brookings.edu/articles/in-every-corner-of-the-country-the-middle-class-struggles-with-affordability/.

US Bureau of Labor Statistics. February 11, 2026. "The Employment Situation – January 2026." https://www.bls.gov/news.release/archives/empsit_02112026.htm.

---

[i] More detail on the changing economic conditions is in the Appendix A: Economic context.

[ii] According to the US Census Bureau, in 2024 the median household income was $83,730, meaning 50% of the population had a household income of this amount or less (King 2025). We chose this definition of LMI, rather than the definition in the Community Reinvestment Act which refers to individuals or geographic census tracts with incomes below 80% of the area median family income, because we did not receive enough geographic information about participants to correctly identify the area median family income for their location. See more detail about participant selection in the Methodology appendix.

[iii] Participants' comments included in this research reflect personal perspectives and do not necessarily reflect those of the Federal Reserve System or the Board of Governors of the Federal Reserve. Similarly, the research presented are those of the authors; their views do not necessarily reflect those of the Federal Reserve Banks or the Federal Reserve System or the Board of Governors of the Federal Reserve.