

Severe Housing Cost Burden and Hardship in Working Families

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The prevalence of critical housing needs among working families has been documented (Center for Housing Policy, 2002), yet few studies have examined the effect of high housing costs on material hardships that families may experience. By definition, for a given level of family income, the larger the proportion of income spent on housing, the less a family has available to spend on necessary and discretionary items. For some families, housing expenses may be so high that they incur hardships, such as food insecurity or difficulty paying utility bills, or they forgo health care. Some research has suggested that unaffordable housing (housing comprises at least 30 percent of income) limits families' abilities to meet basic needs.

The potential link between severe housing cost burden and material hardships is important, because it may represent a pathway by which housing costs could indirectly affect the broader well-being of families and their children. Prior research has shown that financial hardship, as measured by poverty status, is related to poorer well-being among parents (*e.g.*, Conger et al., 1992) as well as to poorer child well-being (*e.g.*, Duncan & Brooks-Gunn, 1997). Therefore, while not all families experiencing high a severe housing cost burden are poor, it is reasonable to expect that hardships experienced by these families may negatively affect family members' well-being.

In the present study, we use data from a recent, nationally representative survey, the National Survey of American Families (NSAF), to examine whether working families facing a severe housing cost burden are more likely than other working families to endure material hardships. We also examine the socioeconomic and demographic factors that are associated with experiencing a severe housing cost burden and material hardships. We focus on *working families*, in which family earnings exceed \$10,712 (the full-time minimum wage equivalent) and comprise at least half of income, and in which incomes are less than 120 percent of local area median income (AMI). While this study excludes the poorest and wealthiest U.S. families, it does include families with a broad range of incomes. *Severe housing cost burden* occurs when mortgage or rent payments exceed half of a family's total income.

Our approach is primarily descriptive; we test for statistical links between severe housing burden and material hardships. The descriptive analyses provide information about the incidence of material hardships among working families with and without a severe housing cost burden, as well as the incidence of severe housing cost burden and material hardships among important socioeconomic and demographic population subgroups. Our findings are further informed by a series of multivariate logistic and ordinary least squares regression analyses, which convey information about how socio-economic and demographic characteristics are independently related to the probability of experiencing a severe housing cost burden and material hardships.

Summary of Findings

Working families facing a severe housing cost burden are more likely than other working families to endure material hardships such as food insecurity or lacking health insurance. Facing a severe housing cost burden is related to a greater likelihood of experiencing five of nine

hardships measured by the NSAF. Specifically, working families with a severe housing cost burden are more likely than other working families to:

- experience food insecurity (38 percent compared with 31 percent);
- have someone in the family who lacked health insurance at some time during the prior year (37 percent versus 29 percent);
- be crowded (12 percent versus 6 percent) and;
- lack a car (19 percent versus 10 percent).
- receive public or private assistance (43 percent versus 35 percent);

These differences largely reflect the greater poverty among working families with a severe housing cost burden.

On the other hand, working families with a severe housing cost burden are equally likely as those without to have been unable to pay their rent, mortgage, or utility bills at some time in the previous 12 months. It may be that, if housing or utility bills are the largest and least flexible budget items, families with a severe housing cost burden make compromises in other areas. Working families with and without a severe housing cost burden are also equally likely to have a family member who postponed medical or dental care or filling a prescription during the previous 12 months and to have a family member who lacks a usual source of medical care or who uses the emergency room as a usual source of care.

Severe housing cost burden and material hardships are more common among socio-economic and demographic groups that have traditionally been considered to be disadvantaged. We found that severe housing cost burden and material hardships are more common among the following groups of families than among other families:

- Low-income and poor families,
- Families living in lower-cost neighborhoods,
- Racial and ethnic minority families,
- Immigrants (particularly non-citizens),
- Large families,
- Non-married families,
- Families with an adult survey respondent with lower levels of educational attainment, and
- Younger families (particularly those in which the adult survey respondent is between the ages of 20 to 29).

Severe housing cost burden is more common among working families living in states and regions with high housing costs such as New York in the Northeast (10.5 percent) and California and Colorado in the West (9.0 and 6.0 percent, respectively) and less common in states with low housing costs, such as Mississippi and Alabama in the South (2.0 and 0.9 percent) and Michigan and Minnesota in the Midwest (2.0 and 2.6 percent). Material hardships, on the other hand, are less prevalent in wealthier states like Massachusetts and Michigan and more prevalent in poorer states like Texas and Florida. Severe housing cost burden is also more prevalent among working families living in metropolitan areas than among working families living in non-metropolitan areas (4.8 versus 1.6 percent).

Among working families, both severe housing cost burden and other hardships appear to be driven by socio-economic disadvantage and by families' age.

Severe housing cost burden and material hardships are more common among working families with children than among working families without children. Among working families, 5 percent of those with children experience a severe housing cost burden, compared with 3 percent of those without children. This difference persists even after controlling for differences in socioeconomic and demographic characteristics that might also be related to the likelihood of experiencing severe housing cost burden.

Moreover, many material hardships are more common when children are present than when they are not. For example, working families with children, when compared to those without children, are more likely to experience food insecurity (35 versus 19 percent) and more likely to have had trouble paying their mortgage, rent, or utility bills at some time during the prior year (20 versus 9 percent).

However, similar percentages of working families with and without children have (1) postponed medical or dental care or filling a prescription, and (2) used the emergency room as their usual source of care or had no usual source of care.

Severe housing cost burden and other material hardships are more common among working families that are crowded (more than two people per bedroom) than among other families. This is not surprising since crowded working families are more likely than other working families to be poor (26 percent, compared with 4 percent of non-crowded working families), and, as previously noted, poor working families are more likely than others to have a severe housing cost burden. Additionally, compared with non-crowded working families, crowded working families are less likely to be homeowners (19 versus 64 percent), are slightly more likely to live in expensive neighborhoods, have shorter tenures in their current homes, and have larger families.

However, after controlling for family income, neighborhood quality (as proxied by the median value of owner-occupied housing), the number of children in the family, and other relevant factors, crowded working families are actually *less* likely to experience severe housing cost burden than non-crowded families. This finding could indicate that crowding may be a strategy that some lower-income families use in order to spend a lower portion of their income on housing and to avoid other hardships (though they still have a higher likelihood of experiencing food insecurity and lacking a car, even after controlling for family income and other socio-economic and demographic factors).

Severe housing cost burden and material hardships are more common among marginally employed and non-working families than among working families. Marginally employed families are those in which earnings do not exceed \$10,712 and earnings comprise at least half of income; in non-working families, there is no income from earnings. More than half of marginally employed working families (59 percent) experience a severe housing cost burden, compared to four percent of working families. Marginally employed families were also almost twice as likely to experience eight of the nine material hardships.

Conclusion

Material hardships are more common among working families and marginally employed families that experience a severe housing cost burden than among those without a severe housing cost burden. Thus, severe housing cost burden can join poverty and parental education as markers for experiencing significant hardships.

The association between severe housing cost burden and hardships is primarily due to the fact that many of those families with severe housing cost burden are poor or near-poor and have relatively low education levels. Thus, in the foreseeable future, unless poverty rates decline substantially and parental education increases, many working families will continue to experience a severe housing cost burden. Moreover, those with a severe housing cost burden will be more likely than other working families to experience a wide variety of other hardships.

Although policy implications based on our analyses must be inferred with caution due to the limited subset of families studied here and due to the cross-sectional nature of the data, material hardships are clearly more common among working families with severe housing cost burden than among those without. This finding is not surprising, since the more families spend on housing, the less income they have remaining to spend on other necessities.

Another policy-relevant concern related to severe housing cost burden is the quality of housing and neighborhoods. Unfortunately, in our study, we do not know which working families in our study with a severe housing cost burden also live in inadequate housing. Furthermore, some families whom we did not classify in this study as having severe housing cost burden may live in inadequate housing due to their inability to afford the rent or mortgage payments of better quality housing.

Since severe housing cost burden appears to be a marker of disadvantage, it may be appropriate to target policies toward *low-income* working families with a severe housing cost burden. Many of these families may have chosen (or have been forced) to forgo other necessities in order to pay their rent or mortgage. Providing housing assistance may be one possible route for helping low-income families avoid hardships. Indeed, one review of the literature finds that housing subsidies improve child and adult health outcomes by enabling families to meet basic needs such as food and health care (Bratt, 2002). Other avenues could include providing assistance in the areas of other hardships they are experiencing, such as addressing food insecurity or health care needs.

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