ANNIE E. CASEY FOUNDATION
MAKING CONNECTIONS INITIATIVE

ECONOMIC HARDSHIP: IN MAKING CONNECTION NEIGHBORHOODS

Chris Hayes

August 2005

THE URBAN INSTITUTE
WASHINGTON, DC

ECONOMIC HARDSHIP
In Making Connection Neighborhoods

August 2005

This brief uses data from the cross-site survey of the ten Making Connections neighborhoods to compare characteristics of households experiencing measures of economic hardship over the previous year.[1] While some populations are predictably vulnerable to occurrences of hardship, we found hardship less concentrated than expected, and that income and poverty are less important than specific kinds of assets and debts for predicting hardship.

Indicators of Hardship

We created three basic indicators of hardship, based upon the three questions in the Making Connections cross-site survey asked of all respondents, concerning the incidence of family hardship in the previous 12 months:

- If any member of the household had postponed filling a prescription for drugs when they were needed, because of cost;
- If there was any time when the family was not able to pay mortgage, rent or utility bills;
- If there was any time when the family was without enough money to buy food.

If respondents did have a time when they were unable to pay bills related to housing, they were asked if they had been evicted, moved voluntarily, or had their utilities or phone shut off during this period. If respondents had difficulty in purchasing food, they were asked how frequently they had difficulty. We examined those responses for use as indicators of more severe levels of hardship. However, these levels of hardship were so uncommon that we were unable to reach any conclusions.[2]

Because not all questions were asked in the county survey, we were not able to replicate the analysis at the city/county level, although we do provide comparable statistics when possible. Difficulty in paying bills and postponement of prescription purchase are both identified in the county survey.

---

[1] The MC baseline survey was conducted in ten sites from 2002-2004. The ten sites are Denver, CO; Des Moines, IA; Hartford, CT; Indianapolis, IN; Louisville, KY; Milwaukee, WI; Oakland, CA; Providence, RI; San Antonio, TX; and Seattle, WA.

[2] We also created a simple scale indicator with a value of 0 to 3, representing the number of basic hardships experienced by the household. We used this scale in multivariate regression analysis to measure the level of hardship faced by households.

To help explain level of hardship we looked at indicators of employment and income, assets and debts, social connections, location, and race/ethnicity and immigrant status. Although we could not precisely measure poverty level, we used an approximate measure as a substitute. In addition to comparing levels of hardship across the various groups, we used multivariate regression to identify the characteristics most strongly associated with hardship.

Although hardship is common, it is rare for a household to experience all of the major hardships

Almost 40% of the households in the neighborhood survey reported experiencing at least one hardship over the previous year. 12% reported experiencing two hardships, and only 5% reported all three hardships. Even among the most vulnerable populations, such as households on welfare or food stamps, or living in subsidized housing, fewer than 10% experienced all three types of hardship in the previous year.

Hardship is more common in the MC neighborhoods than in the full metropolitan area; the chief difference is in difficulty paying bills. In the MC neighborhoods, 27% reported this problem, compared to 19% in the surrounding counties. (**Table 1)**

Table 1
Hardship Indicators

	MC Neigh-borhoods	City/ County
Hardship scale	0.62	
One hardship indicator	22%	
Two hardship indicators	12%	
Three hardship indicators	5%	
Unable to pay mortgage, rent or utility bills	27%	19%
Postponing prescriptions due to cost	17%	15%
Evicted due to non-payment	2%	
Moved voluntarily due to non-payment	2%	
Utilities cut-off due to non-payment	7%	
Phone cut-off due to non-payment	10%	8%
Belongings repossessed due to non-payment	2%	
Number of respondents	7,098	2,721

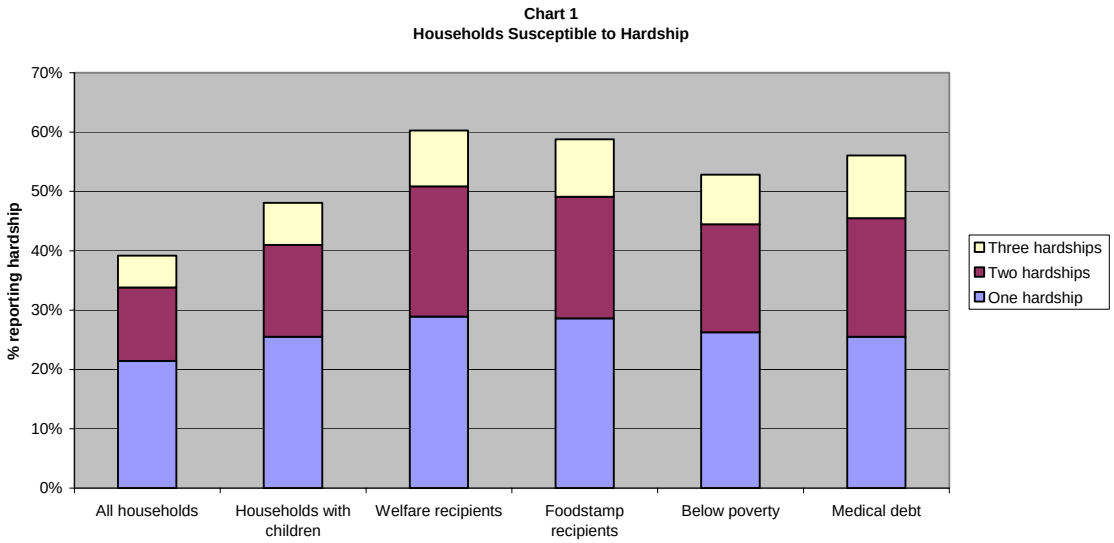
By site, households in Milwaukee were the most likely to report one more hardships (50%), followed by Hartford (46%) and Louisville (45%). The sites with the lowest reports of hardship were Oakland (29%), Seattle (28%) and Denver (32%). Denver was

significantly associated with the absence of hardship when we controlled for other factors.[3]

WHO IS MOST LIKELY TO EXPERIENCE HARDSHIP?

Households receiving welfare are among the most likely to experience hardships, but almost half of those reporting a hardship live above the poverty line.

Households below the poverty line and recipients of services for low-income households (such as welfare, assisted housing or food stamps) were more likely to report hardships than the general population—60% of households receiving welfare reported at least one hardship (**Chart 1)**. Households receiving welfare or food stamps were also more likely to report multiple hardships. Controlling for other factors, households receiving food stamps and welfare were equally associated with the experience of hardship (more than 70% of households that received one benefit also received the other).



Receipt of other helping services, such as job training or family counseling services, was not significantly associated with hardship.

Among households with incomes below the poverty level, 53% reported one or more hardships over the previous year, compared to only 32% of the households with higher incomes. However, poverty alone is not significantly associated with hardship, once we control for other factors. Although households below poverty are disproportionately

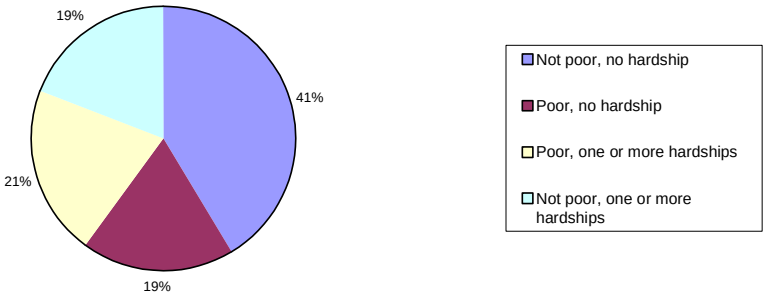
[3] In other words, except for Denver, household characteristics other than the site were better at explaining the differences in hardship. Louisville and Oakland fell just short of significance.

likely to report a hardship, 48% of the households reporting hardships were not in poverty (60% of all households were not in poverty, but almost a third reported one or more hardships) (**Chart 2**).

Households with medical debt are much more at risk of hardship.

Medical debt is the single factor most closely associated with the existence of hardship, and is also strongly associated with occurrences of multiple hardships. At least one hardship was reported by 56% of the households with medical debt. More than half of those households reported multiple hardships—20% of households with medical debt reported two hardships, and 11% reported three hardships; the level and distribution of hardship among these households is similar to households receiving welfare or food stamps. No other household characteristic, however, is as strongly associated with the presence of hardship, when we control for all characteristics.

Chart 2
Hardship and Poverty
(percent of all households)



We tested the effect of several other types of debt on hardship, including credit card debt, car loans and education loans. Only education loans also had a significant effect on hardship, although it did not have as pronounced an impact as medical debt and hardship. Because amount of debt was not broken down by type in the survey, we were unable to test the relative scale of debt among the groups.

Households with children are more likely to experience hardships, while elderly households are less likely.

Households with children reported hardships in higher numbers; households with children are more likely to report one or more hardships than households without children, although when we control for other factors the contribution to the number of hardships experienced is small. Overall, 48% of households with children reported one

or more hardships, compared to 31% of households without children. The survey shows that households with children are more likely to be poor, which may partially explain the apparently higher levels of hardship in these households. However, when controlling for other factors, the presence of children emerges as more closely associated with hardship than income below the poverty level.

Households consisting of only elderly reported fewer hardships; controlling for other factors, elderly households were much less likely to experience hardships (**Chart 4**). Only 20% of elderly households reported at least one hardship. Elderly households were less likely to report hardships than households with an income over $30,000, households with savings for use in an emergency, or homeowners. Elderly households in the survey are not much more likely than the general population to be associated with more assets, with the exception of a significantly higher homeownership rate[4] but the low level of hardship reported by this group is striking; elderly renters reported a hardship rate of only 22%. Possibly the elderly have an advantage in the combination of assets not possessed by other groups we identified.

Employment and insurance help avoid hardship, but not very much.

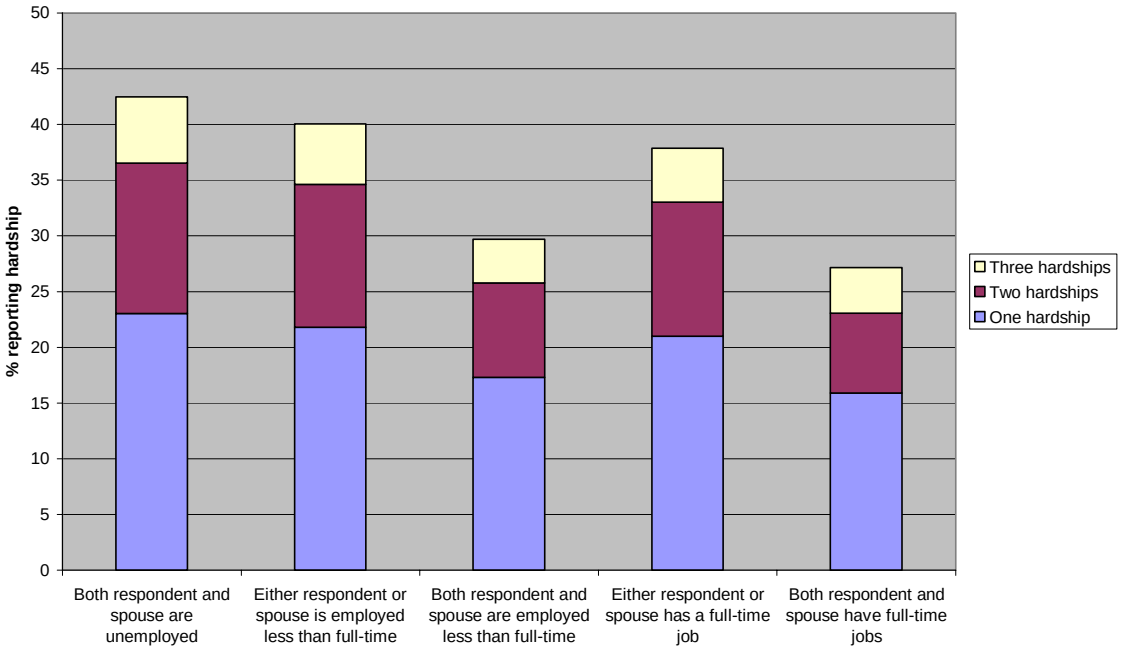
Households where both the respondent and spouse were unemployed reported at least one hardship 42% of the time. Where one or the other was employed, the hardship rate was 40%, and where one or the other had a full-time job (and the other was unemployed), the hardship rate was 38%. These rates differ significantly from households where both are employed (a hardship rate of 30%) or both have a full-time job (27%), indicating that a two-income household has a better chance of avoiding hardship than a household with a single income, even if based upon full-time employment.[5] However, controlling for other household characteristics, the double-income has only a weak effect (the number of households with two incomes is less then 20% of those surveyed). (**Chart 3**).

---

[4] Homeowners as a group report hardship at a higher rate than the elderly, and homeownership does not stand out as a significant factor in avoiding hardship, when considered with other household characteristics. See below.

[5] Where both are employed, but neither full-time, the hardship rate is 35%, not significantly different from a household where only one has a full-time job.

Chart 3
Employment status of respondent and spouse



More questions in the survey were asked concerning the respondent's job history. If the respondent was employed, but had been in the job for one year or less, the hardship rate was 48%, while only 29% of households where the respondent had been in the job for 2 or more years reported a hardship.[6] The differences among these characteristics are significant, indicating that the recently employed are actually worse off than the unemployed. However, if the respondent had worked every week in the previous year, the hardship rate was only 31%.

When controlling for other factors, the employment-related factor most strongly associated with the incidence of hardship is job tenure of a year or less, and the characteristic most strongly associated with avoidance of hardship is steady employment for every week over the previous year. It would be interesting to examine the differences between the unemployed and the recently employed groups, to identify reasons for the lower hardship levels among the former—for instance, the unemployed may be able to use support services unavailable to the employed.

[6] We also looked at whether full-time employment made a difference, and found that, all other factors being equal, full-time employment was better than unemployment or part-time employment, but the most powerful distinction was still based upon job tenure—full-time employment of one year or less was worse than unemployment.

Only 31% of households in which the family has insurance through work reported one or more hardships. Given the low-levels of hardship reported by households with family insurance, and the substantial role played by medical debt in predicting hardship, it might be expected that insurance would be strong factor in avoiding hardship. However, when controlling for other factors, the effect of insurance is either weak, or not significant at all. The positive effect of insurance through employment is secondary to related factors such as the number of weeks worked in the previous year, and whether the employment was a new job or had been held for 2 years or more.

Those reporting an income of over $30,000 reported fewer hardships, with 23% reporting one or more hardships. The overall positive effect of the higher income level was less than that of elderly-only households or the existence of savings to use in an emergency. Those reporting interest income also reported fewer hardships (this group is moderately associated with the higher income group).

Homeownership is not a protection against hardship, but some other assets are.

Homeowners were less likely to report any hardship; only 28% of homeowners reported at least one hardship, while 45% of renters experienced hardship. The difference between owners and renters is significant, but considered together with all other household characteristics homeownership is not significant. Homeownership significantly reduces the likelihood of experiencing one particular hardship, difficulty in buying food, although several other factors are stronger. The level of monthly housing costs, whether for renters or owners, is not significantly associated with reported hardship, either.[7] The results appear to be somewhat counter-intuitive; while incidence of hardship is lower among homeowners, we found that other household characteristics common to owners were more significant.

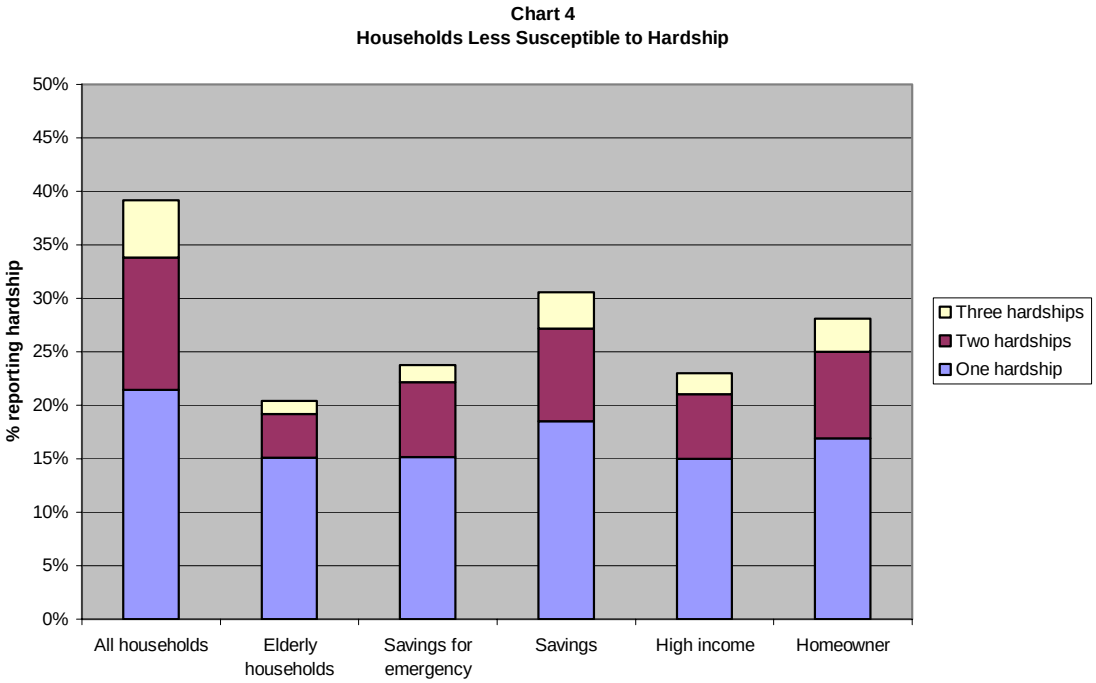
Respondents who reported having access to savings for use in an emergency were more likely to avoid hardship. Only 24% of households with such resources reported one or more hardships. When controlling for other factors, it was closely associated with the lack of hardship, though not as strongly as elderly-only households or race and immigrant status (discussed below). Just having a savings account had a much weaker, but significant, positive effect; only 31% of those with a savings account reported one or more hardships.[8] Respondents were more apt to have savings they would use in an

---

[7] Monthly housing costs do not reflect the burden of housing costs relative to household income, which probably accounts for its lack of significance in this brief. Household income in the survey was reported in ranges of $5,000 and topcoded at $30,000, and we did not feel that we could create a reliable measure of relative housing cost burden with the data.

[8] Respondents were asked if they were saving for the future for a variety of purposes, including for emergencies. They were asked separately whether they had a savings account.

emergency if they also had been employed in the same job for two or more years. (**Chart 4**).



By comparison, households with the highest level of income, an indicator of greater economic security, also reported low rates of hardship (23%), but were more weakly associated with avoiding hardship, while homeownership had no significant association, when considered with other household characteristics. A possible explanation for this set of findings is that more readily available assets, in the form of savings, are more important for avoiding short-term incidences of hardship.

Asian and other non-Hispanic immigrants are less likely to experience hardship, but natives are more likely.

Compared to the other racial or immigrant-status groups, Asian and other non-Hispanic immigrants are the least likely to report a hardship. Only 23% reported at least one hardship, a much lower rate than the 33% of whites who reported hardships (**Table 2)**. Even when controlling for the influence of other characteristics, this group stands out as being significantly less likely to report a hardship. Because almost 60% of this group is located in Oakland or Seattle, there may be some geographic effect associated with these results. Households in Oakland are also less likely to report a hardship, for

example, although when controlling for other factors the impact of race and immigrant status is greater than geographic location.[9]

Table 2
Indicators of Hardship, by Race and Immigrant Status

	Hispanic				Asian and Other		Total
MC Neighborhoods	**Immigrant**	**Non-immigrant**	**White**	**Black**	**Immigrant**	**Non-immigrant**	
Hardship scale	0.63	0.68	0.53	0.73	0.32	0.72	0.62
One hardship indicator	21%	22%	18%	26%	16%	23%	22%
Two hardship indicators	14%	13%	10%	15%	5%	16%	12%
Three hardship indicators	5%	6%	5%	6%	2%	6%	5%
Unable to pay mortgage, rent or utility bills	25%	28%	22%	34%	11%	28%	27%
Postponing prescriptions due to cost	15%	18%	16%	18%	9%	23%	17%
Evicted due to non-payment	2%	2%	2%	2%	1%	1%	2%
Moved voluntarily due to non-payment	2%	2%	2%	3%	0%	2%	2%
Utilities cut-off due to non-payment	7%	6%	6%	9%	3%	8%	7%
Phone cut-off due to non-payment	9%	11%	8%	15%	4%	10%	10%
Belongings repossessed due to non-payment	2%	4%	1%	3%	1%	2%	2%
Number of respondents	1,040	1,039	1,745	2,381	579	314	7,098

Asian and other non-Hispanic natives, however, were more likely to report hardships than the general population. Overall, 45% reported hardships, just under the 47% of African Americans who reported hardships. When we control for other factors, though, belonging to the Asian and other non-Hispanic natives group is significantly associated with hardship, while being African American is not.

Hispanic immigrants and natives report hardship at virtually identical rates, 40% and 41%, respectively. Neither characteristic is significantly associated with hardship when we control for other factors.

Previous research has found that immigrant families, particularly families with children, are susceptible to hardship.[10] The difference in our findings may be the based upon unique characteristics of the Making Connections neighborhoods surveyed, or may be explained by the different experiences and resources of immigrants based upon their country of origin. However, we found that overall, immigrants were less likely than natives to report one or more hardships—35% for immigrants versus 41% for natives, a significant difference.

[9] Seattle is not a significant factor, and Oakland falls just short of significance.

[10] For instance, Capps (2001) found both poverty rates and concerns about the availability of food were higher for children of immigrants than for children of natives. In addition to lower hardship rates, we found in our survey population that immigrants overall were slightly less likely to be poor.

Everyone is equally likely to delay prescription purchases due to cost.

Seventeen percent of the respondents reported that they had postponed the purchase of needed prescriptions due to cost, indicating that it was not an uncommon problem. Households with medical debt were more likely to report this hardship than any other group (32%), but while this result is significant, medical debt is not a strong predictor of this hardship. In addition, families with insurance coverage through work were only slightly less likely to postpone prescription purchase than the general population (14%), though the difference is significant.

Lack of access to a pharmacy does not appear to be distorting the results for this hardship measure, since 89% of households reported using a pharmacy; households that had not used a pharmacy were no more likely to report delaying prescription purchase than other households. A higher percent of households that found pharmacies "difficult to use" delayed a prescription purchase (31%), but sample sizes are too small to support further analysis of this subgroup.

No combination of factors explained more than a small part of the incidence of this hardship, suggesting that other factors, not addressed by the survey, are more important.

The worst off are more apt to receive help

This analysis also looked at the extent to which the household was a 'help-giver' or a 'help-getter.' Help-giving households tend to provide help to family and friends. Help-getting households tend to receive help from family and friends. Not surprisingly, both were significant in the model, help-getters being more likely to have experienced hardship, and help-givers being less likely to have experienced hardship. Approximately 37% of households that experienced one or more hardship received help.

Among households that experienced one hardship, 33% were help-getters, and 48% of households that had experienced all three types of hardship were help-getters. Not surprisingly, households with increased need are more likely to get help from social connections.

No combination of factors gives us the complete picture

Even the most influential set of factors we identified explains only a small part of the incidence of hardship. The weak ability of chosen indicators of income, assets, debts, poverty, and use of formal helping services to predict hardship suggests that while some groups may be better protected against economic hardship and some groups more susceptible, the risks are not confined to any particular segment of the population. While the poorest households are vulnerable to hardships, households above poverty and those with employed adults also experience hardship.

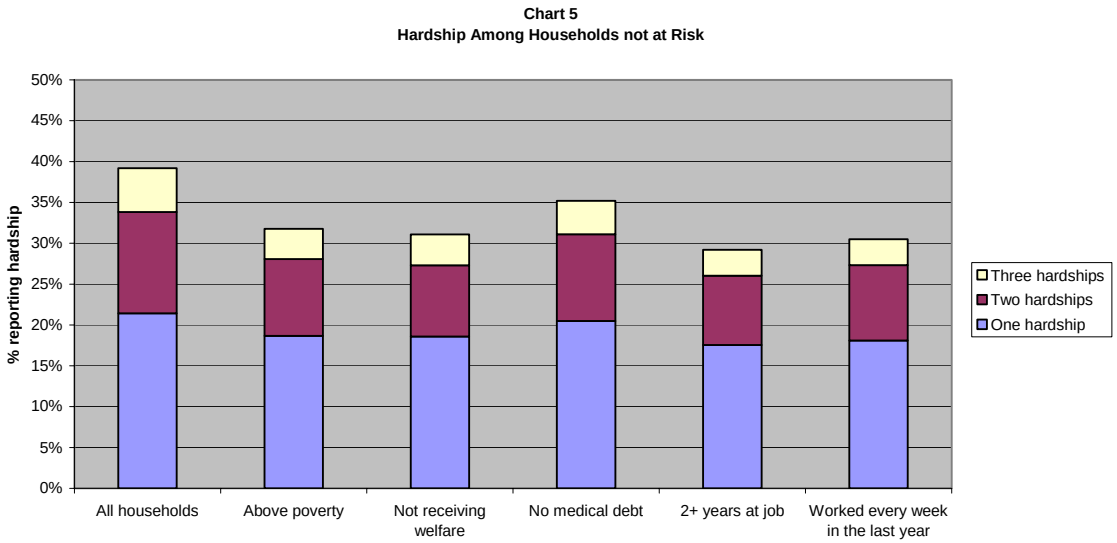
Most Influential Factors (in descending order of influence)	
Most likely to report hardship	**Least likely to report hardship**
Households with medical debt	Asian and other non-Hispanic immigrants
Employed, but one year or less in the same job	Elderly households
Asian and other non-Hispanic natives	Households with savings for emergencies
Households receiving welfare/food stamps	Households with an income over $30k
Households that receive help from others	Households that give help to others

Chart 5 shows the levels of hardship reported among the households that are not among the most vulnerable—households above poverty, with no medical debt, and where the respondent has job tenure. While hardship levels are lower than average, they are still substantial.

Where the effects are concentrated, however, the most important individual factors (other than race and age), when considered with all other household characteristics, are not poverty, full-time employment or homeownership, but the burden of debt and the availability of savings, influencing the incidence of hardship across income levels and ethnic identity. For instance, the hardship rate for households above poverty is 32%. For households above poverty but with medical debt, the hardship rate is almost 50%. The hardship rate for households that rent is 46%. If that household has savings for use in an emergency, the reported hardship rate is 31%. Households with an income of $30,000 or more have a reported hardship rate of 23%. High-income households occupied by owners have a hardship rate of 20%. Among high-income households with savings for an emergency (owners and renters), on the other hand, only 13% reported one or more hardships.

Obviously, combinations of positive factors work together to lower hardship rates, and combinations of indicators of distress are associated with high levels of hardship. The

evidence that homeownership, for example, is less influential than emergency savings does not mean that homeownership is not influential, but that homeowners are vulnerable to hardship, and savings have a more immediate impact on avoiding

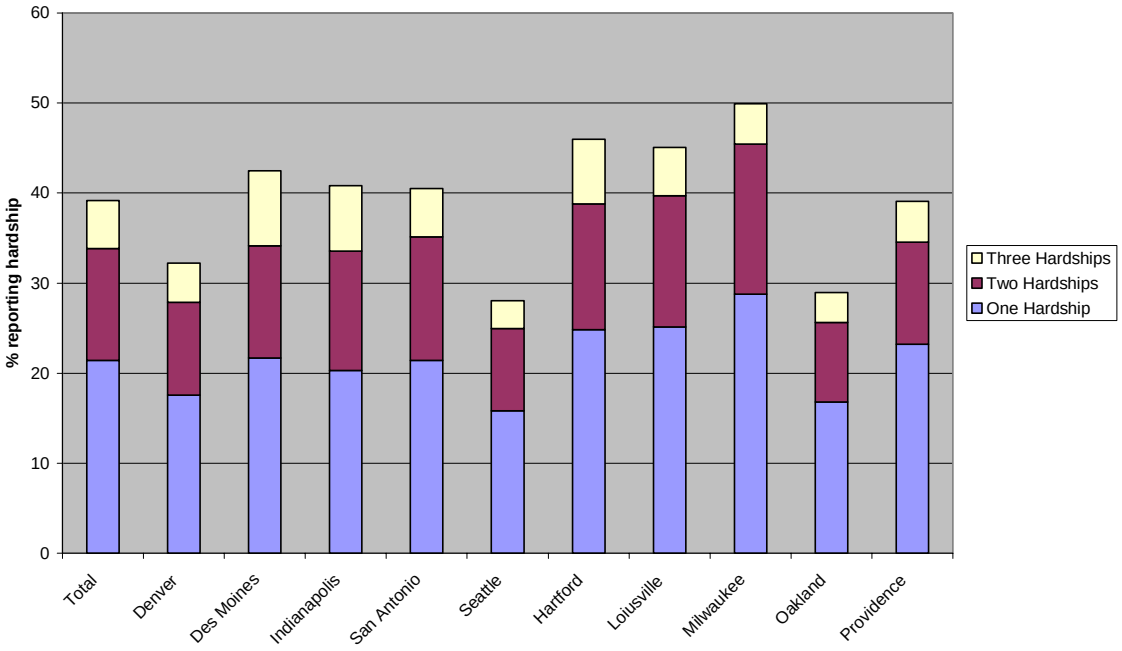


hardship.

References

Capps, Randy. 2001. “Hardship among Children of Immigrants: Findings from the 1999 National Survey of America’s Families.” Washington, D.C. The Urban Institute. Assessing the New Federalism Policy Brief B-29.

Appendix Chart A
Hardship by Site



Technical Appendix

The multivariate model was tested using the LOGISTIC procedure in SAS.

The dependent variable was NO_HARD, for which a value of 1 indicated that no hardship had been reported (according to the hardship definitions described at the beginning of this brief), and a value of 0 if one or more hardships were reported.

The indicators tested in the model as independent terms are shown in Table A1. Some variations upon the terms were tested, but unless otherwise noted these are the terms as described in the text. Estimates are given for those that were significant at the 0.05 level. LOGISTIC does not produce an r^2 as the REGRESSION procedure does, but it can calculate an approximation of the r^2 statistic. For this model, the value of the substitute was 0.2087, indicating that the contribution of the factors was measurable but not substantial.

The model was also tested with each of the major hardship conditions as the dependent variable. Various measures of goodness of fit indicated that the household characteristics provided no significant contribution to variation in these dependents.

Table A1
Household Characteristics Used in Model

Household characteristic	Estimate
Hispanic immigrant respondent	
Hispanic non-immigrant respondent	
Non-Hispanic 'other' immigrant (Asian and other non-white, non-black race categories)	-0.9092
Non-Hispanic 'other' non-immigrant respondent	
Non-Hispanic black respondent	
Elderly-only households	-0.7347
Households with children	0.1997
Households receiving welfare	0.3343
Households with an income of over $30,000	-0.5171
Household income is below the poverty level	
Households with savings	-0.2298
Households with savings available to use in an emergency	-0.6458
Households with interest income	-0.4549
Family has insurance through employment of respondent or spouse	
Respondent is a homeowner	
Monthly housing costs	
Respondent has been in job 1 year or less	0.2833
Respondent worked every week of the previous year	-0.3033
Respondent is unemployed	-0.2843
Respondent does not have a full-time job	
Family has insurance through the job of respondent or spouse	
Family has medical debt	0.7894
Family has debt from education loans	0.244
Family has credit card debt	
Family has debt from a car loan	
Family received assistance from family/friends	0.2873
Family gave assistance to family/friends	-0.2924
Family attends church	
Family attends neighborhood get-to-togethers	
Respondent is in Des Moines	
Respondent is in Hartford	
Respondent is in Louisville	
Respondent is in Oakland	
Respondent is in Denver	-0.2999
Respondent is in Milwaukee	
Respondent is in Indianapolis	