

# Family instability and the risk of material hardship

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The fiftieth anniversary of the War on Poverty this year has sparked discussion on many fronts. Researchers and policymakers have been taking stock of the nation's progress in addressing disadvantage, and much of the public conversation has focused on changes in the official poverty rate, with some attention paid to poverty estimates using alternative poverty measures. Those who follow poverty trends know that the official federal poverty measure obscures much of the progress that the social safety net has made in reducing poverty, because it does not include in-kind benefits in its resource measure. The Supplemental Poverty Measure introduced in 2010, which includes the value of programs such as the Supplemental Nutrition Assistance Program and the Earned Income Tax Credit, shows decreases in poverty and substantial declines in deep poverty as a result of public expenditures. Much less attention has been paid to direct measures of material well-being, such as food insecurity, medical hardships, housing hardships, and difficulty in paying bills.

What does examining material hardship add to the national conversation about our collective progress in the War on Poverty? First, income poverty measures indicate only whether households have been brought up to a particular income level that is deemed sufficient to meet their material needs.<sup>1</sup> In contrast, material hardship measures look at what people actually have, and whether their material needs are

indeed being met. Second, material hardship measures have their own credibility in political discussions, as scholars on both the left and right agree that the provision of basic needs is distinct from meeting an income standard.<sup>2</sup> Finally, it has been established that although income and material hardship are related, they are in fact different, and therefore require different measures.<sup>3</sup> Many poor households do not experience material hardship, and some households with incomes above the poverty line do.

Prior research documenting levels of material hardship has largely relied upon cross-sectional data, which cannot be used to examine transitions or persistence in areas of material hardship. The exceptions are data on nonrepresentative or specialized populations such as the Women's Employment Survey or the Fragile Families and Child Wellbeing Study.<sup>4</sup> To add to this knowledge base, I examine material hardship in 2010 and 2011 using the nationally representative Survey of Income and Program Participation (SIPP), with a particular focus on demographic group differences between short-term and persistent experiences of material hardship. These data also offer an interesting feature of timing, since the first interview period occurred just after the official end of the Great Recession, while the second interview period was one year into the economic recovery. In order to develop a conceptual model of how demographic group membership might translate into risk of material hardship, I first review previous literature on levels of material hardship and poverty, and what is known about short-term versus long-term exposure.

The material hardship measure that is most clearly documented is the food insecurity measure created by the U.S.

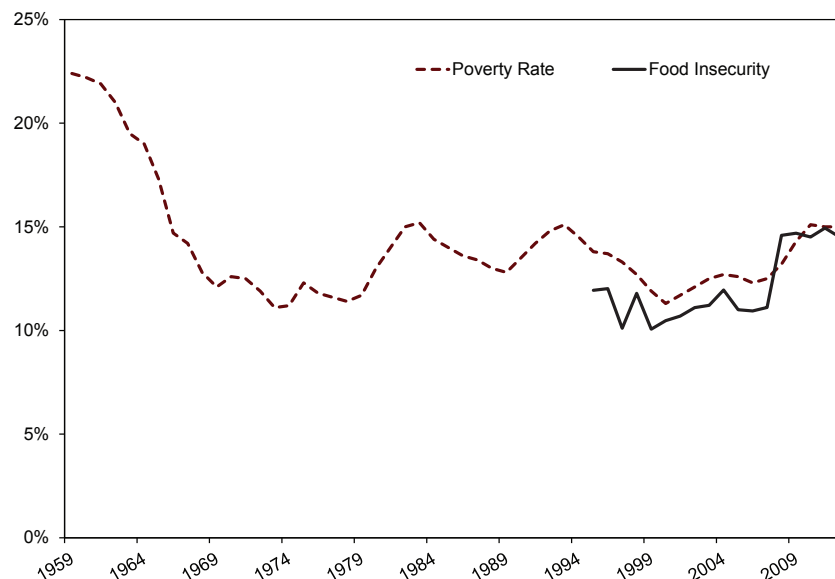


Figure 1. Trends in U.S. poverty rate and food insecurity rate.

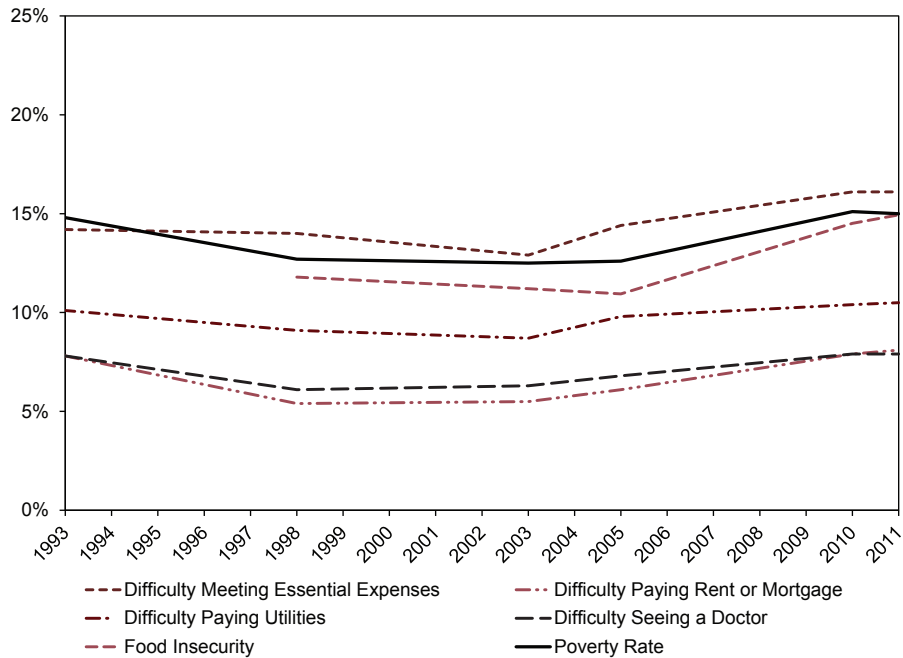


Figure 2. Poverty and hardship: 1993–2011.

Department of Agriculture, and added to the Current Population Survey in 1995. Figure 1 shows the U.S. poverty rate from 1959 to 2012, and the food insecurity rate from 1995 to 2012. The U.S. poverty rate decreased steadily from 1959 until the early 1970s then remained steady for a decade, before increasing dramatically during the economic recession of the early 1980s. Poverty declined slowly over the mid- to late 1980s, then rose again in the early 1990s. A period of extended economic growth again brought poverty down to historically low levels in the late 1990s, only to have it rise again in the short recession in the early 2000s, and then subsequently increase sharply. The pattern in poverty rates is not, however, echoed in food insecurity rates. Food insecurity levels were below those for poverty by 1 to 2 percentage points from 1995 until 2008, when food insecurity exceeded the official poverty rate by just over 1 percentage point. From 2009 to the present food insecurity and poverty are within 0.50 percentage points of each other.

Another dataset, the Survey of Income and Program Participation (SIPP), allows us to look at a wider set of material hardship measures. From the SIPP, we have consistent measures of a broad range of material hardship over nearly two decades, as shown in Figure 2.<sup>5</sup> For a point of reference, the poverty rate is shown as a solid line. Levels of reported difficulty paying rent or mortgage (housing hardship), and difficulty seeing a doctor (medical hardship) look very similar over the period, dropping to a low level by 1998 and staying stable through the early 2000s, then rising again later in the decade. In 1993, about 10 percent of households reported difficulty in paying utilities. The level declines slightly during the robust economic period of the late 1990s and the early 2000s, but only to a low of 9 percent in 2003, before slowly creeping upward in 2005, and then rising to the earlier 1993 high in 2010. What is interesting about utility hardship

is the how consistently it is reported through both good and bad economic periods. Difficulty meeting what the respondent identified as the household’s “essential expenses” is reported by a higher percentage than those that meet the federal criteria for poverty in all survey periods except 1993; approximately 15 percent of all American households struggle to meet their basic needs.<sup>6</sup> The U-shaped curve indicates that any progress made during the strong period of economic growth at the turn of the century has been lost as a result of the Great Recession.

### Material hardship over time

I use data from the Survey of Income and Program Participation to explore changes over time in material hardship.<sup>7</sup> I look specifically at five areas of material need: essential expenses, medical care, food, utilities, and housing.<sup>8</sup> Figure 3 shows how many participants reported hardship in each area in 2010 only, in 2011 only, in both years, or in neither year. For all categories of material hardship, of the proportion reporting the hardship at either time point, about half of those experiencing it did so only at that time point, and half experienced it at both time points. The most common hardship reported is difficulty meeting essential expenses; about 22 percent report this problem in one or both years. Medical hardships are the second most common hardship reported, followed by food insecurity and utility hardships. Housing cost hardships were the least common, with about 90 percent of all households able to pay the full amount of their rent or mortgage in the last 12 months, and only around 10 percent unable to do so in one or both years. Overall, each of the hardships was reported at a slightly higher rate in 2011 than in 2010, but the differences were not statistically significant.

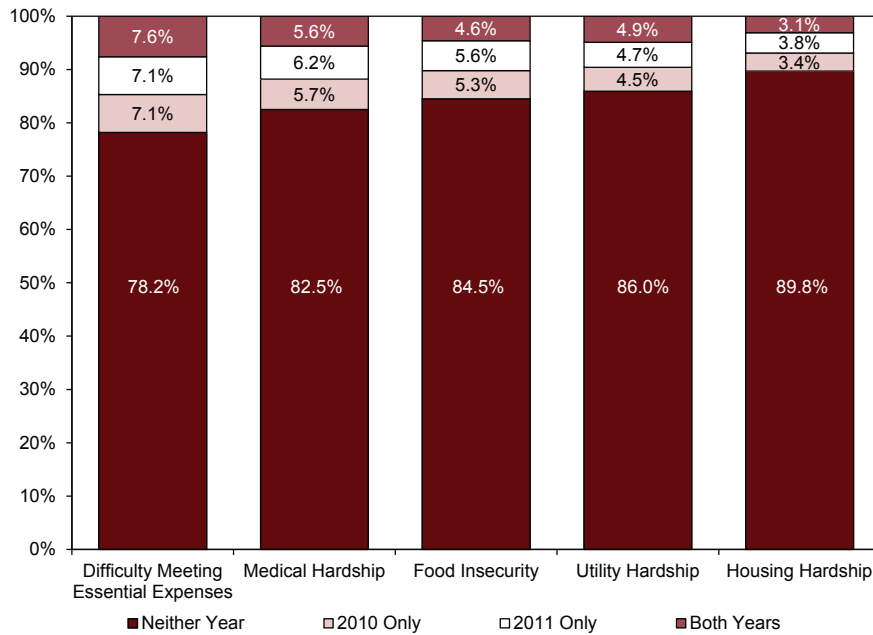


Figure 3. Short-term transitions in material hardship.

When I look at changes in hardship as a function of disability status, household size, household structure, and income, several patterns emerge. First, disability status is a clear predictor of each type of material hardship. This is likely because disability status affects labor market earnings, and also increases the consumptive demands on the households to cover additional medical expenses. Second, changes in earnings are more important than changes in total household income. Finally, while formal changes in marital status do not appear to be related to short-term changes in material hardship, the total change in the household size (the total number of adults and children) is found to be associated with a change in hardship status.

Overall, these findings suggest that about half of those who experienced a particular material hardship during one time period also experienced it during the second time period. In contrast, about 70 percent of the population is below the federal poverty line at both time periods. This means that transitions in material hardship occur more frequently than do changes in poverty status. It is also notable that the proportion exiting from each hardship domain from 2010 to 2011 is matched by the proportion entering. Thus, commonly used cross-sectional measures of material hardship have understated the proportion of the population experiencing the consequences of material deprivation, such as children growing up without enough food to eat, or having utilities shut off. We have much more to learn about the triggers associated with transitions in hardship status. It is likely that shocks associated with a period of material hardship are not the same factors that are associated with a return to economic well-being. ■

<sup>2</sup>S. E. Mayer and C. Jencks, "Poverty and the Distribution of Material Hardship," *Journal of Human Resources* 24, No. 1 (1989): 88–114; R. E. Rector, "The Myth of Widespread American Poverty," *Backgrounders* 1221, Heritage Foundation, Washington, DC, 1998.

<sup>3</sup>J. X. Sullivan, L. Turner, and S. Danziger, "The Relationship between Income and Material Hardship," *Journal of Policy Analysis and Management* 27, No. 1 (2008): 63–81.

<sup>4</sup>For information on the Women's Employment Study, see <http://www.ford-school.umich.edu/research/pdf/weschartbook.pdf>; for the Fragile Families and Child Wellbeing Study, see <http://www.fragilefamilies.princeton.edu/>.

<sup>5</sup>SIPP measures are available for 1993, 1998, 2003, 2005, 2010, and 2011.

<sup>6</sup>J. Siebens, "Extended Measures of Well-Being: Living Conditions in the United States: 2011," U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau, Washington, DC, 2013.

<sup>7</sup>Data for these analyses come from the Survey of Income and Program Participation 2008 panel. Each interview in each SIPP panel consists of a core interview, with standard questions on demographics, labor force participation, and income, as well as a topical module interview, which includes questions on topics that change within a panel from one interview to the next. Interviews are conducted every four months and each panel is interviewed 12 times over 4 years. The 2008 panel is the first SIPP panel to field the Adult Well-Being Topic Module twice within a panel, which allows for analysis of change over time. When survey weights are used, results from analyses of SIPP data are representative of the civilian, non-institutionalized population of the United States. Imputed data are used as provided within the SIPP.

<sup>8</sup>*Home hardship* indicates whether, in the prior 12 months, the household did not pay their rent or mortgage. *Medical hardship* indicates that a household member was not able to see a doctor, dentist or hospital when they needed care in the last 12 months. *Essential expenses hardship* indicates whether, in the prior 12 months, the household was unable to meet what they felt were their "essential expenses." *Utility hardship* indicates that the household did not pay the full amount of their gas, oil, or electricity bill. The *food hardship* measure is constructed from an abbreviated version of the full 18-item food security module from the Current Population Survey. Respondents that affirm two or more food security problems from a list of five are coded as food insecure.

<sup>1</sup>A. Sen, *Development as Freedom* (New York: Knopf, 1999).