Household Economy

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Abstract

Debates about poverty—the nature of poverty, the measurement of poverty, and appropriate responses to poverty—are at the core of a great deal of research, policy debate, and political discussion. Since the 1950s the prevalence of poverty in the United States has been measured against a national poverty income line that is recalculated every year. A great deal of poverty research concentrates on income levels: how these are assessed, and their implications for family and individual well-being. Furthermore, access to a number of poverty programs is based on the poverty line or a related measure of income.

At the same time, there is increasing interest and debate concerning the construction and meaning of household expenditures—in particular, how poverty households undertake spending. While the discussion of budgets is just one part of a much larger literature on household economy, the study of household budgets and expenditures, particularly for low-income families, illuminates how poverty incomes affect families, and how families in a consumer society cope with the implications of their low income. Key questions include the following:

- Can households meet basic expenditures on poverty incomes? Are US households in poverty able to support their basic needs, and, if not, what is that gap between income and expenditure?
- Do poverty incomes subject households to material hardship, and, if so, what are the experiences of hardship? To what extent overall does material hardship mark family life in the United States?
- Along what dimensions do the expenditures of low-income families vary? How do regional differences, different household needs, and other factors put pressures on impoverished US families?

INTRODUCTION

Debates over the nature and appropriate responses to poverty are at the center of political and policy debates in this post-welfare-reform and post-recession era. These discussions and social responses to poverty are closely related to how we measure poverty, what we know or think we know about impoverished people, and how much the presence of poverty in our

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society is a social responsibility. The poverty line, the most common measure of poverty in the United States, presents many problems. It takes little account of regional differences, variations in family need, and rural–urban differences.

On the other hand, while there are good reasons to avoid using expenditure data to determine poverty level, and, in particular eligibility for human services, how families in poverty spend their limited resources can illuminate the problems they face and the coping strategies they deploy. Through an understanding of household expenditures we can learn what low-income families can do for themselves and where are they most in need of assistance or larger social change.

For example, the amount a household spends on any good or service may reflect multiple problems including families' difficulties in purchasing what they need when the needed goods are not available nearby, as in areas of scarce food availability (Walker, Keane, & Burke, 2010), scarce medical care, or scarce low-cost housing (Lein & Shexnayder, 2007). Budget data may reflect time constraints on families. Low-income households, often trying to meet the demands of multiple jobs at a distance from home, are short on both time and transportation resources (Burton, Lein, & Kolak, 2005; Vickery, 1977) that would allow them to shop more effectively, seek help from multiple agencies (Edin & Lein, 1998), or reach a larger pool of jobs. Household budgets and expenditure patterns illuminate the ways in which expenditure and income interact. While they are neither, taken by themselves, an adequate measure of poverty, together they illuminate the reasons low-income households cannot make ends meet and the consequences.

A methodological note: The collection of budget and expenditure data presents a different set of problems than the collection of income data. Budget and expenditure data are more scattered among data sources, can vary considerably among households, and vary substantially among regions of the country. Therefore, budget studies, as we see subsequently, tend to rely on mixed methods approaches to research, combining small-scale qualitative work with more quantitative analyses. Such studies have also been useful in the illumination of the diverse streams of income—some of it unreported—on which low-income households draw.

FOUNDATIONAL RESEARCH

Budget Research and "No-Win" Poverty: Can Low-Income Families Meet Basic Expenses?

Low-income households in the United States draw on income from both welfare programs and low-wage jobs. However, mixed methods approaches to understanding household budgets indicate that, in large urban areas, low-income families can neither sustain their households solely on welfare income nor on the income from a single low-wage job. Edin and Lein (1997) interviewed over 400 families in four cities in the United States using a semistructured set of questions over multiple interviews to understand the details of low-income families' income and expenditures. They discovered that there remain substantial gaps between welfare-reliant families' expenditures and their welfare-based income. Low-income wage-reliant families faced an even larger gap, largely caused by their increased expenditures due to the demands of paid employment (e.g., child care, transportation, workplace clothing). Allegretto (2006) also reported that the earnings of low-income employment-reliant families often, depending on the community, fail to meet the demands of expenditure.

Households fill this gap between income and expenditure in complex ways that have been the subject of a growing body of research. They may draw on a range of social service agencies to fill the gaps between needed expenditures and income. These include food and nutrition programs, programs that pay a portion of utilities, programs that provide specialized medical care, clothing programs, and a host of others (Edin & Lein, 1998). They may work multiple jobs, some of them informal. They experience, as we see below, material hardships.

While much of the research in this area contrasts the budgets and experiences of welfare-reliant and wage-reliant women, most studies of these groups (Burton *et al*., 2005; Edin & Lein, 1997) find an overlap among them. Households transition between welfare and paid work, occasionally combining them. Both their income and expenditure strategies vary over time. Furthermore, recent studies explore the experiences of "disconnected" households with neither paid employment nor welfare (Seefeldt & Castelli, 2009; Shaefer and Edin, 2012; Turner, Danziger, & Seefeldt, 2006). These "disconnected" households overlap with the growing group of American households subsisting on less than $2/day/person. This group has doubled in size since 1996 (Shaefer and Edin, 2012), and we know relatively little about this growing group of households in the United States marked by disconnection and/or extreme poverty.

A decades-long literature explores—primarily through qualitative work—the ways in which families move outside the legal and regulatory system to gain added resources (Bourgois, 1989a, 1989b; Simon & Witte, 1982; Venkatesh, 2006). These strategies range from unreported work (Edin, 1993) to illegal activities such as drug sales and dealing in stolen goods. Such sources of income usually go unreported—they also entail costs that may not be clearly understood or related to an interviewer.

Furthermore, while informal household support networks can help vulnerable families meet some challenges (as indicated in ethnographic studies such as Stack's *All Our Kin*, 1974), such strategies leave families vulnerable. Often household networks cannot provide sufficient resources to truly stabilize a household. The draws on households to support their social networks can create demands that outstrip the networks' capacity (Edin & Lein, 1997; Stack, 1974).

The lack of access to key goods and services makes it more difficult for the adults in households to sustain work. As mentioned earlier, Edin and Lein (1997, 1998) identified key areas of extra expenses that support paid employment—including transportation, workplace clothing, child care. Furthermore, because most public supports, such as public housing and publicly supported medical care diminish as income increases, even low-income work can lead to increased expenses in these areas.

Inversely, shortages in food, housing, medical care, transportation, child care all create barriers to paid employment (Lein & Shexnayder, 2005). In a mixed methods approach that included work with administrative data, a survey of welfare leavers, and face-to-face interviews with leavers in six Texas communities, researchers found that lacks in any of these areas not only correlated with employment, but that the presence of multiple barriers was, in itself, a barrier.

Thus, low-income families deal with expenditures that simultaneously exceed their regular income and are necessary for their sustained employment. Neither welfare nor low-wage work is sufficient to met their budgetary demands. Furthermore, their support networks cannot ordinarily sustain the long-term expenditures necessary for stabilizing a household in employment.

CUTTING-EDGE RESEARCH

Material Hardship and Poverty: Do American Households Experience Material Hardship?

While impoverished households often face difficulties in meeting regular, ongoing expenses, they are able, in our consumer economy, to purchase some goods that have been considered luxuries in the recent past. Some researchers find that poverty is overcounted in the United States, given the consumer goods to which some impoverished households have access (Rector & Sheffield, 2011). This assessment of poverty assumes that electronic goods, for instance, should be considered evidence of an above-poverty lifestyle. However, detailed studies of household budgets illustrate the deeper financial problems faced by impoverished households and the barriers they face to maintaining economic stability.

Families facing the income/expenditure conundrum of poverty in the United States often experience some level of material hardship. A budget-based approach to poverty illuminates different aspects of the low-income experience, and also raises the question of responsibility for the experience of poverty—are families in poverty responsible for their inability to budget and spend appropriately, or are they facing a nearly impossible set of constraints?

Renwick and Bergmann (1993) examine a budget-based approach to poverty that deals with regional differences, revealing the magnitude of those differences, and estimates a higher level of poverty for single working parents. Moving beyond the notion of a uniform national poverty measure, they develop a more nuanced Basic Needs Budget that takes account of the transportation and child care needs required to support work, and considers, as well, regional differences in housing costs exploring regional vulnerabilities to material hardships. Rector, Johnson, and Youssef (1999) also suggest that assessments of poverty ought to incorporate considerations of material hardship such as food insufficiency/insecurity, inadequate housing, and lack of access to needed medical care. Overall, families, particularly in urban areas that have been the focus of much of the research on material hardship, do not have the financial resources to spend their way out of hardship. They experience food insecurity, housing problems, lack of medical care, and a range of other shortages. In many cases, these shortages compound each other in the same household.

Households and Food—Is Hunger Prevalent in the United States?

For some decades, qualitative studies have identified food insecurity as a key factor in the experience of poverty in the United States (Gunderson, Kreider, & Pepper, 2011). The study of food needs in poor families involves different definitions of the problem under consideration: food insufficiency (too little food intake) and food insecurity (the efforts and anxiety related to times of too little food). Both have ramifications for poor families (Scott & Wehler, 1998).

Recent mixed methods and qualitative studies indicate that families in poverty experience food shortages of varying severity. In 1999, drawing on Michigan data, Corcoran, Heflin, and Seifert (1999) found that 25% of "welfare leavers"—those families leaving TANF in the post-welfare-reform era—reported that at times they had insufficient food. Thirty-six percent of this group experienced one or more of a range of problems, including food shortages, utility shutoffs, eviction, or homelessness. These figures are similar to those of a Texas study of welfare leavers (Lein & Shexnayder, 2007).

More specifically, Coleman-Jensen, Nord, Andrews, and Carlson (2010) reported that 14.5% of households in recession-era United States experienced food insecurity during the year 2010. Furthermore, households experiencing food insecurity spent 27% more on food than similar households not experiencing food insecurity. Mammen, Bauer and Richards (2009) discovered that families in states more susceptible to food insecurity engaged in strategies the authors describe as "risky" that included eating less or consuming foods of less nutritional value. Work by McLaughlin, Tarasuk, and Krieger (2003) demonstrated that cooking and food preparation strategies used by low-income women facing food insecurity were similar to strategies of more food-secure women. Thus, habits of food preparation and meal planning did not appear to protect families from food shortages. Ahluwalia, Dodds, and Baligh (1998) found that both individual- and network-level approaches helped families in their North Carolina study cope with food insecurity.

Housing Costs—Homelessness

Castner and Mabli (2010), in their comparison of families using SNAP (Food Stamps) and families eligible for the program but not using it, found that while food accounts for under 25% of household budgets, housing counts for 40% or more of the budgets of both groups. Under such pressures, low-income families continue to report evictions and periods of homelessness. Among a sample of women who had received welfare in 1997, 20% had experienced homelessness at least once in the following six years (Phinney, Danziger, Pollack, & Seefeldt, 2006).

High housing prices in metropolitan areas also require longer commutes for low-wage workers. Indeed, the cost burdens of commuting are higher for the working poor, and highly related to where they live (Tomer, Kneebone, Pentes, & Berube, 2011). In many large metropolitan areas, the cost of commuting for poor families exceeds the national median. Costs of food and other goods are also related to place of residence.

Indebtedness: Health Care Costs and Other Expenditures

Health care costs figure in household budgets in ways different from most other costs. Uninsured families often accrue substantial debt from any incident of uninsured health treatment, and most impoverished families face periods when one or another member of the household is without health insurance (Angel, Lein, & Henrici, 2006). Low-income households often struggle with the costs of health care and with the management of that debt (Seifert & Rukavina, 2006). We are now moving into a new era in health care, and we have little understanding of the affect the Affordable Care Act will have on impoverished households, in terms of both expenditures and access to health care.

Money Management in Poor Families

There is also a growing literature focused on the shortage of financial institutions that serve low-income families. Blank and Barr (2011) and Barr (2012) report on the scarcity of institutional resources to assist low-income families to manage their limited resources. This disparity in access costs low-income families time, money, and security, as they face difficulties managing their money, and often pay substantial fees for simple financial transactions.

Variation Among Low-Income Households' Expenditures

While the trends discussed so far occur among households in almost all parts of the United States, there are also considerable regional and community differences in low-income households' expenditures and budgetary needs (Allegretto, 2006). Expenditures are related to location—urban versus rural, southern versus northern—and to the supports available, both formal and informal. A growing literature explores the differences in expenditure patterns based on locale and other factors. Gringeri (2001) explores the degree to which poor families cope with poverty by combining the low wages of multiple jobs with a range of place-based strategies. These strategies depend on the nature of the labor market (Edin, 1993), the degree to which families have access to the services of a range of organizations (Edin & Lein, 1998), and the strength of family support networks.

KEY ISSUES FOR FUTURE RESEARCH

In this post-welfare reform and post-recession economy, it is clear that households in poverty are drawing on multiple complex strategies to make ends meet. Structural changes in the social safety net and in the low-wage job market complicate their situation, particularly in light of lifetime limits on cash assistance and the difficulty in finding full-time regular and well-paid employment. Reduced support in some areas for low-income housing and subsidized child care pose additional challenges in the context of a low-wage job market characterized by frequent layoffs and schedule changes and by stagnant pay. Going forward, research on the interactive effects of these challenges can help to clarify their effects on family budgets and family well-being. The increased devolution of social policy-making authority to states increases the importance of place on the budgets of low-income families, suggesting another direction for future research. Finally, the rapidly increasing number of disconnected families living in extreme poverty suggests a need for mixed methods research that focuses specifically on their budgetary challenges. We need to continue to track the ways in which policies support and challenge impoverished households; the experiences of American families with material hardships; and the strategies and approaches that both alleviate short-term hardship and stabilize families for the long term.

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