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## Introduction

The increased unemployment due to the Great Recession contributed to an increase in the official poverty rate. When the recession began in December 2007, the poverty rate for that year was 12.5 percent. That proportion reached 15.<sup>1</sup> percent in 2010, the highest level since 1993. However, the poverty rate only captures the proportion of families living below a

# Material Hardships During the Great Recession: Findings From the Michigan Recession and Recovery Study

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certain income threshold (e.g., in 2011 just under \$23,000 a year for a family of two adults and two children); it is only one measure of deprivation and may not fully represent hardships families face during difficult times, regardless of whether or not their income is below the poverty line.

To obtain a broader view of economic well-being, researchers have assessed

experiences of material hardship. Material hardship measures address issues such as difficulty paying bills, obtaining food, and staying housed. In this brief we explore the extent of material hardship experiences in the aftermath of the Great Recession among individuals in the Michigan Recession and Recovery Study (MRRS), a random sample of Southeast Michigan residents. We find very high levels of hardship across several dimensions. While the prevalence of hardship is higher among disadvantaged groups, rates are high even among groups we might expect to be buffered from hardship.

## What Is Material Hardship?

Conceptually, material hardship can be thought of as difficulty meeting basic material needs. Early work by Meyer and Jencks (1989) defined those basic needs as difficulty affording adequate food, shelter, and medical care, but individual studies differ in how those concepts are operationalized. For example, some studies

## Key Findings

- Almost half of respondents experienced material hardship with being behind on utility payments and food insecurity being the most prevalent.
- Almost 1 in 4 respondents report forgoing either medical or dental care in the 12 months prior to the interview.
- Though disadvantaged groups were disproportionately affected, no one was immune. 14% of respondents in high-income households have been behind on utility and/or housing payments in the previous 12 months, and 7% have experienced food insecurity.
- Nearly twice as many African Americans as non-blacks experienced food insecurity and foregone medical care. More than three times of African Americans experienced utility shut-offs and eviction/foreclosure than non-blacks.
- 40% of respondents with more than six months of unemployment over the study period, 36% of respondents with one to five months of unemployment, and 17% of those with no unemployment experienced food insecurity.

1. For more information, see <http://www.ers.usda.gov/Briefing/FoodSecurity/measurement.htm>

ask whether the household sometimes or often did not have enough to eat (e.g., Beverly, 2001). Others use scales developed by the U.S. Department of Agriculture to measure “food insecurity,” which also takes into account concerns about running out of food, changing one’s diet for cost reasons, as well as disruptions in eating caused by lack of resources.<sup>1</sup> Housing difficulties may include actual loss of housing through eviction or an experience of homelessness to living in crowded or unsafe housing units or neighborhoods. Material hardship in the realm of medical care may be indicated by a lack of health insurance or by the experience of not going to the doctor or dentist due to lack of money. Other problems that can be considered evidence of material hardship include: difficulty paying bills, telephone or utility disconnection, and not being able to afford winter clothing (Heflin, Sandberg, and Rafail, 2008).

Although one might expect experiences of material hardship to be much more prevalent among poor households because low income might lead to difficulty purchasing basic needs, a number of studies have shown only a moderate correlation between being poor and experiencing material hardship (e.g., Meyer and Jencks, 1989; Boushey and Gunderson, 2001; Iceland and Bauman, 2004).

Nevertheless, most research on material hardship has focused on traditionally more disadvantaged populations, such as welfare recipients, single mothers, and the disabled.

Among the general population, the prevalence of material hardship varies by type. Using the 1998 Survey of Income and Program Participation (SIPP), Iceland and Bauman (1997) find relatively low levels of utility and phone disconnection (1.3 and 3.9 percent respectively, although 3.8 percent of the sample reported having no phone),

slightly higher rates for not going to the doctor or dentist (6.1 and 7.9 percent), and higher proportions running out of food and/or having difficulty paying bills (11.5 and 14 percent). Eviction (0.3 percent) was a rare event, although just over five percent reported not paying their rent or mortgage at some point during the prior year (Bauman, 2003).

In the aftermath of the Great Recession, material hardship has increased. Tabulations from the Urban Institute (also using the SIPP) indicate that in 2010, just under 10 percent of all households had missed a housing payment, 10 percent of individuals did not go to the doctor due to inability to pay, 11 percent did not go to the dentist because of lack of funds, and 14 percent had missed a utility payment.<sup>2</sup> Among a sample of mothers in urban areas, experiences of material hardship during the recession increased as the unemployment rate increased (Pilkaskas, Currie, and Garfinkel, 2011). In the remainder of this brief, we provide an in-depth descriptive look at material hardship in an area that has experienced particularly high unemployment rates: Southeast Michigan. We provide estimates of the prevalence of various types of hardship by income, race, education, employment status, and family structure.

## MRRS Data

We use data from the first wave of the Michigan Recession and Recovery Study (MRRS). A stratified random sample panel survey of working age adults in the Detroit Metropolitan Area (primarily African Americans and Whites), MRRS data provide an accurate snapshot of the metro area. The MRRS completed hour-long, in-person interviews between October 2009 and April 2010 with

914 adults between the ages of 19 and 64 (response rate of 82.8 percent). The survey gathered detailed information about employment, income, education, household composition, health and mental health, and basic household demographics.

The MRRS also contains numerous measures of material hardship, including various aspects of housing instability, food insecurity, foregone medical care, and difficulties paying bills, each explained further below. While results from the MRRS generalize back to the working age population of Southeast Michigan, our findings may also reflect trends in other areas of the country that have been hard hit by the recession and which have experienced slow recoveries.

## Hardships Among MRRS Respondents

While the SIPP data (discussed above) has been used to generate estimates of the prevalence of material hardship in the nation as a whole during the Great Recession, the Michigan Recession and Recovery (MRRS) data allow us to examine the metro Detroit area—an area hit particularly hard by the macroeconomic contraction of 2007-2009—in detail. Other briefs in this series have examined employment problems, housing problems and social safety net use in the wake of the Great Recession. Here, we examine eight types of material hardship:

- + Losing housing through eviction or foreclosure
- + Moving in to live with someone else because of financial difficulties
- + Being behind on housing payments (either rent or mortgage)
- + Having utilities shut off because of inability to make payments
- + Being behind on utilities payments

2. See <http://blog.metrotrends.org/2012/01/family-friends-communities-support-networks-reduce-hardship/>

- Having a phone shut off because of inability to make payments
- Experiencing food insecurity
- Foregoing needed medical or dental care because of inability to pay

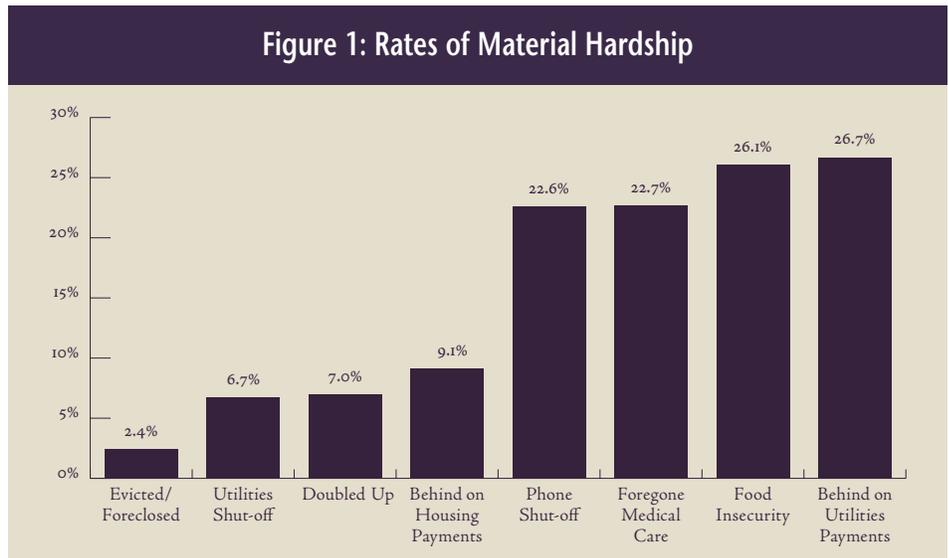
*1 in 2 respondents report experiencing some type of material hardship.*

We find that material hardship is widespread among MRRS respondents, with 48 percent of respondents report experiencing at least one of these forms of material hardship.

The most common material hardships experienced are being behind on utilities payments and experiencing food insecurity. Over a quarter of respondents are behind on utility payments during the twelve months prior to being surveyed. Over a quarter of respondents have also experienced low food security, according to a modified version of the USDA's six item food security measure.

Nearly a quarter report having had a cell phone or landline disconnected in the twelve months prior to interview. In addition, nearly a quarter report that in the last twelve months they had foregone the care of a doctor or dentist because of inability to pay.

Less common are: being behind on rent or mortgage payments in the previous twelve months (one in ten respondents); "doubling up" or moving in with someone else in order to save money on household expenses in the previous twelve months (7%); having a utility company turn off gas/electricity/oil because of inability to pay in the previous



twelve months (7%); and being evicted or foreclosed upon (2%).

The hardships we examine can be grouped into four types: 1) housing related (behind on housing payments/eviction/foreclosure), 2) phone/utility related (behind on payments or shut-off of either), 3) food related (food insecurity), and 4) health care related (foregone medical care). Of those respondents who noted at least one hardship, 41% experienced hardship of only one type; 30% experienced two types of hardship; 20% experienced three types of hardship; and 9% experienced all four types of hardship.

### Distribution of Hardships in the MRRS Sample

While material hardship is prevalent among all respondents, ages 19 to 64, it is unequally distributed. Respondents from groups traditionally thought of as disadvantaged disproportionately experience hardship, although even some groups traditionally thought of as more advantaged also experience hardship at non-negligible rates.

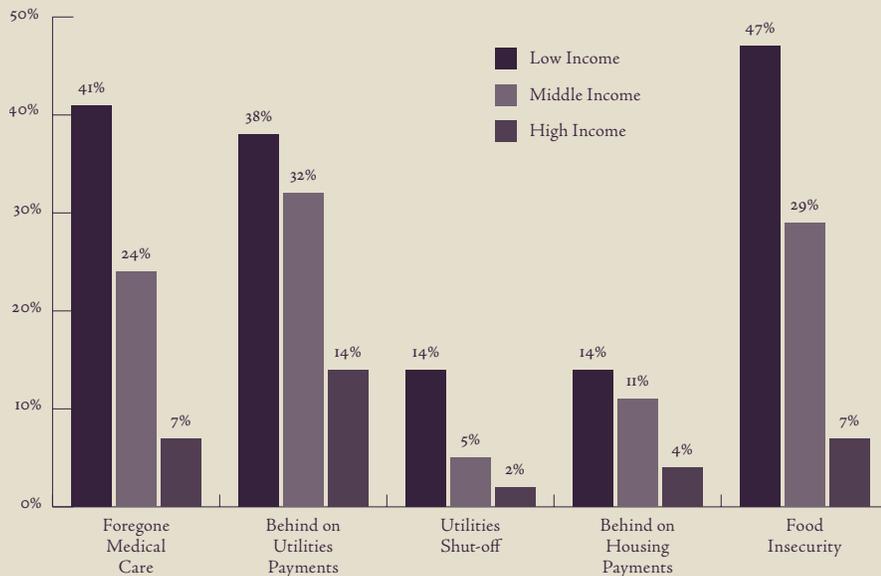
We first examine hardship by the household's income to needs ratio. The income to needs ratio is created by dividing

a household's income by the federal poverty standard for the given household size.

An income to needs ratio of exactly one indicates that the household in which the respondent lives has an income is equivalent to the poverty line. Income to needs ratios equal to or lower than one indicate that the household is poor; households with ratios above one are not poor.

We divide the sample into respondents living in households with income to needs ratios below two (twice the federal poverty line, or just under \$44,000 in 2008- the year we measured income- for a family of two adults and two children); those living in households with income to needs ratios between two and four; and those living in households with income to needs ratios greater than four (just under \$88,000 for a family of four in 2008). We call these groups "low income," "middle income," and "high income." For three of the measures- foregone medical care, delinquent utility payments, and food insecurity- those with low income have far higher rates of hardship than their counterparts in the middle and high income groups. However, some measures of hardship are fairly high even among people with middle and high income, people who are often presumed to have sufficient resources to cover their basic

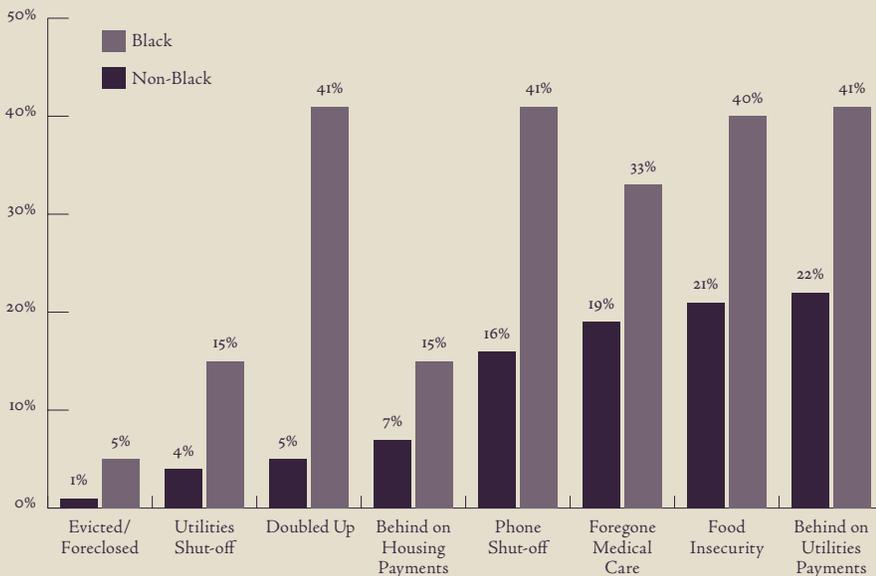
**Figure 2: Rates of Hardship by Income to Needs Ratio**



*10% of college graduates have foregone medical or dental care due to inability to pay.*

*15% of college graduates have been behind on utility payments in the previous year.*

**Figure 3: Rates of Material Hardship by Race**



needs. For example, 14% of respondents in high-income households have been behind on utility and/or housing payments in the previous 12 months, and 7% have experienced food insecurity.

In the MRRS, African Americans also experience much greater rates of hardship than their non-black counterparts. For

example, nearly twice as many African Americans as non-blacks experienced food insecurity and foregone medical care. The proportion of African Americans who experienced utility shut-offs and eviction/foreclosure is more than three times that of non-blacks.

Other groups traditionally thought of as advantaged are also experiencing high rates of hardship. For example, 10% of college graduates have foregone medical or dental care, and 15% of college graduates have been behind on utilities payments in the previous year. As expected, these rates are much lower than those of respondents who did not complete high school: 35% of those respondents have foregone medical or dental care, and 45% have been behind on utilities payments in the previous year.

The Great Recession caused high levels of unemployment for many individuals, and those who were unemployed had higher rates of material hardship. Respondents with a stable employment history (i.e., those without any unemployment over the period January 2007 and their Fall 2009/ Winter 2010 interview) had the lowest levels of eviction/foreclosure, utility shut-offs, foregone medical or dental care, and food insecurity compared to those with one to five months of unemployment and those with six or more months of unemployment.

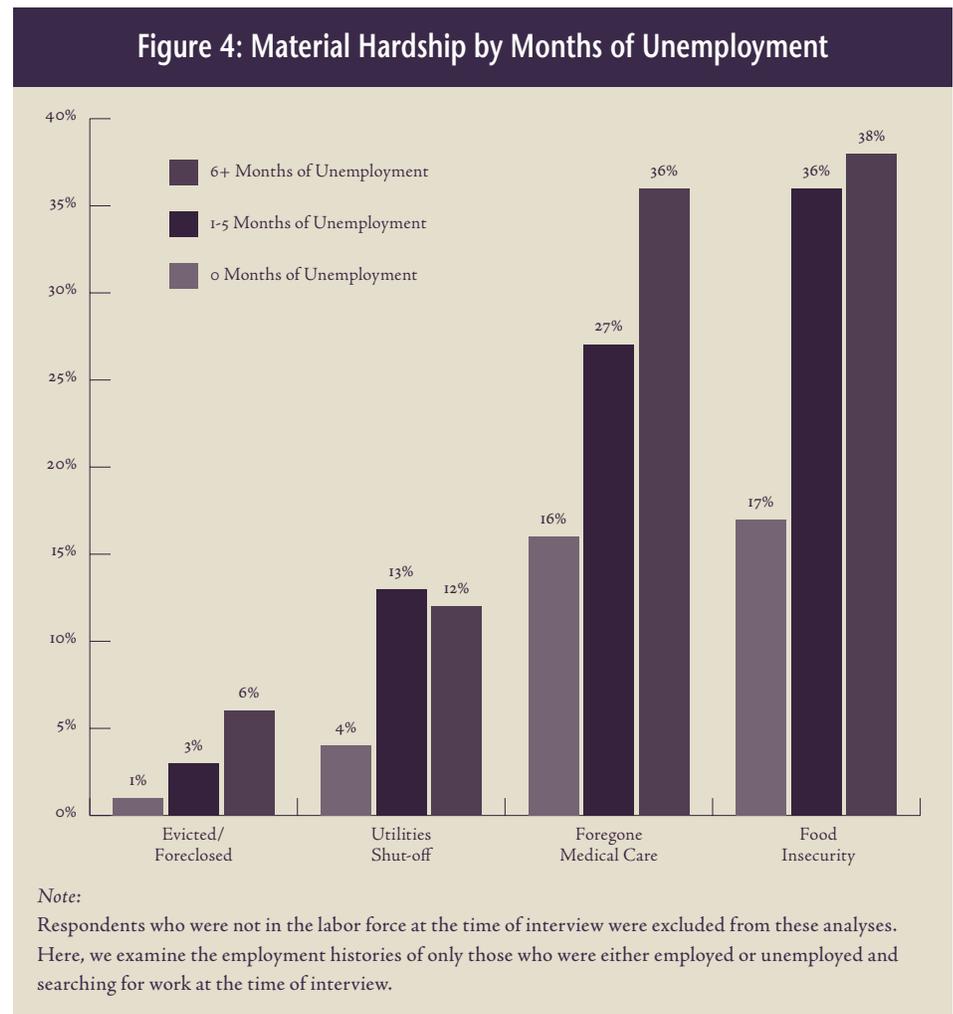
Looking at eviction/foreclosure and foregone medical or dental care, those with

one to five months of unemployment had higher rates of hardship, followed by those with six or more months of unemployment, the group with the greatest experience of hardship. Those with one to five months of unemployment and those with six or more months of unemployment experienced fairly comparable rates of utility shut-offs and food insecurity, although both groups have significantly higher rates of hardship than those with no months of unemployment.

Rates of food insecurity among those with a history of unemployment are staggering: nearly 40% of respondents with more than six months of unemployment and 36% of respondents with one to five months of unemployment experienced food insecurity. It is worth noting, however, that incidences of material hardship are not negligible even among those with no unemployment in the two and a half years preceding the interview. For example, a quarter of those with no unemployment have been behind on utility payments; seventeen percent of these respondents were food insecure.

Household structure can affect material hardship experiences, particularly in families with children. Having a spouse is thought to be a protective factor against hardship as another adult can provide income and childcare. In contrast, single parents may struggle to stretch their individual earnings to cover themselves and dependents.

Indeed, we see less material hardship among married respondents with children compared to respondents who are single parents. For example, married respondents with children report far lower rates of foregone medical care than respondents who are single parents: 14% of the former group have foregone medical or dental care due to inability to pay, compared to 38% of single parents. Married parents were



less likely to experience a phone shut-off (19% compared to 43%) or utility shut-off (3% compared to 18%); to double up (1% compared to 7%); and to experience food insecurity (24% compared to 47%).

It is worth highlighting the prevalence of food insecurity and phone shut-off among single parents: nearly 1 in 2 single parents experienced food insecurity, and the proportion experiencing a phone shut-off is nearly as high.

There is no statistically significant difference between the proportion of married parents and single parents who have been behind on housing payments (11.8% and 12.3% respectively), and the difference in rates of eviction/foreclosure is only marginally statistically significant (2% for married

*Rates of utility shut-off are more than five times as high among single parents compared to married parents. However, the two groups have comparable rates of being behind on housing payments.*

respondents with children compared to 7% for respondents who are single parents).

## Anticipated Hardship

The MRRS survey asks respondents about concerns of potential hardship with the question, “In the next two months, how much do you anticipate that you and your family will experience actual hardships such as inadequate housing, food, or medical care—not at all, a little, some, pretty much, or a great deal?” One in five respondents answer that they anticipate hardship some, pretty much or a great deal. Compared to actual experiences of hardship reported at the time of interview—with one in two respondents experiencing at least one form of material hardship—respondents appear somewhat optimistic about the future. Analysis of later waves of data collection will allow us to measure whether this optimism was warranted.

## Conclusion

Compared to the findings of earlier studies (referenced above), MRRS respondents have experienced much higher rates of material hardship across a number of different measures. Compared to recent national estimates from the SIPP (see above), MRRS respondents have gotten behind on utility payments and not seen the doctor or dentist at much higher rates. This is perhaps not surprising, given the depth of the recession in Southeast Michigan. Further, in Southeast Michigan those individuals thought to be most insulated from the recession’s negative effects—those who have not been unemployed and those who have college degrees—have not been immune from experiences of hardship.

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