ST **Special Topics in Welfare Reform**

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Issues of Housing Affordability and Hardship among Cuyahoga County families leaving welfare Quarter 4, 1998 - Quarter 3, 1999

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Introduction

This special topics report examines the housing experiences of families leaving welfare. Specifically, the report examines their ability to pay for housing, the degree to which they experience housing problems and the conditions in the neighborhoods surrounding their homes. The report shows that the majority of families leaving welfare face housing hardships and relatively few receive housing assistance to help with their rent burden. Families leaving welfare also experience residential mobility rates that are well above the national average. However, their moves tend to be within a limited range of distressed neighborhoods that are distant from the locations of job growth and economic opportunity in the region. The heavy rent burden carried by former welfare families, their residential instability, and their concentration in poor neighborhoods has implications for housing and welfare policy.

The primary focus of welfare reform is to move families from welfare to work. Most states recognize, though, that families continue to require assistance to achieve employment stability or meet their basic needs. In fact, in Ohio, families leaving welfare can receive ongoing help with transportation to work, childcare, and specific costs of getting a job. Most families also remain eligible for food stamps and Medicaid to meet basic needs for nutrition and health care. Another basic need has received little attention in the new welfare programs; that is the need for decent, stable housing.

Housing affordability, quality and location can affect the welfare-to-work transition. Families that have severe difficulty paying for housing face daily logistical problems that

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interfere with work and family stability. Their ability to manage their meager income is constrained when most of it has to go for housing expenses. Moreover, families with low earnings may be confined to sub-standard housing in distressed neighborhoods at considerable distance from job opportunities. Such locations can increase time and commuting costs of working, subject the family to influences not conducive to work and prevent the wage earner from participating effectively throughout the regional labor market.[1]

One reason that welfare policy has failed to address housing needs is that housing programs and welfare programs tend to be operated by different agencies at Federal and local levels. Nevertheless, there is considerable overlap between the populations they serve. Approximately half of assisted housing residents received public assistance prior to welfare reform, but this percentage is expected to decline as families leave welfare for work. [2] Despite the relatively high rate of welfare reliance among consumers of housing subsidies, most welfare families receive no housing subsidies but pay for their own housing in the private marketplace. Only one-third of welfare recipients are estimated to receive housing assistance nationwide and the proportion served is even lower in many large cities.[3]

Families leaving welfare compete with other low-income renters for a short supply of subsidized and otherwise affordable housing. A study by the Department of Housing and Urban Development (HUD) found that the housing needs of renters, and especially renters with extremely low income (at or below 30 percent of the area median income) are at a record high and are getting worse.[4] Housing shortages were more heavily concentrated within the very low-income families, since the number of housing units this group can afford to rent declined by almost 370,000 units between 1991 and 1997.[5] Moreover, the low-cost housing that they can afford is concentrated in distressed neighborhoods that are isolated from economic opportunity.[6]

Housing affordability and access to housing programs differs depending upon local economic conditions and housing markets. Fair Market Rent (FMR) is set by the Federal Government and reflects the 40th percentile of rent paid by recent movers into standard quality rental units. The FMR in the Cleveland area is $619 a month for a two-bedroom apartment.[7] The housing wage is what families would need to earn so that they could afford fair market rent and not exceed the threshold of 30 percent of income going to housing. In Ohio, the housing wage far exceeds the minimum wage.[8] In fact, one would need to earn $10.10 an hour at 40 hours a week, or work almost 80 hours a week at the current minimum wage of $5.15 an hour.[9]

Methodology

This analysis of the housing issues draws upon an ongoing, longitudinal study of families leaving cash assistance in Cuyahoga County. Each quarter, beginning in quarter 4, 1998, all families who leave cash assistance for at least 2 months are identified from agency records (this identification of quarterly exit cohorts will continue through quarter 1, 2001.)

Each exit cohort is tracked for thirteen months. For this study, an exiter is defined as an assistance group whose OWF cash assistance case was open for at least 1 month and then closed for at least 2 consecutive months. The assistance group must have at least one adult over the age of 18 and all members of the assistance group must exit and not transfer to a new assistance group in the two-month period. The month of exit is the first month in which the assistance group does not receive an OWF check. Administrative records containing information on monthly welfare benefits (including case closing codes) and quarterly employment and earnings are compiled for all of the exiters for the year prior to and following the exit. This report covers exit cohorts from quarter 4, 1998 and quarters 1, 2, and 3, 1999. A total of 14,474 assistance groups left cash during this time period. There were 15,292 adults and 28,773 children in these groups. Since a few families left welfare more than once during the study period, the unduplicated count of assistance groups leave welfare in a year is slightly lower at 13,923. .

From this universe, a random sample of 577 families was drawn for a survey interview. The number of interviews completed with quarter 4, 1998 and quarters 1, 2, & 3, 1999 assistance groups was 385 and the response rate was 67 percent. Even though 33 percent of the sample were not interviewed, most had their home address confirmed by interviewers. There were no significant differences in the demographic characteristics of the respondents and non-respondents. The current sample size of 385 produces statistical estimates that have a margin of error of approximately ± 5 percent. Subsequent reports will have larger interview samples and increased accuracy. Weights have been assigned to each respondent to reflect their probability of selection into the survey sample and, unless otherwise noted, all results coming from the survey data are weighted to represent the population of assistance groups that left welfare during the study period.

Survey interviews covered many topics including several related to housing. Respondents were asked whether they lived in public or subsidized housing units or received a Section 8 voucher or certificate. The survey also included questions about housing costs and associated hardships the respondents may have endured in the 6 months after their exit. Respondents were asked for sources and amount of household income for the month prior to the interview. Income from all sources was combined to determine total household income.

The Department of Housing and Urban Development (HUD) has defined "rent burden" as spending more than 30 percent of income on housing related expenses (rent, gas, and electricity). [10] Those with severe rent burdens spend more than 50 percent of income on housing related expenses. The respondents were also asked how much they spent on housing related expenses in the previous month. Using this amount, as well as the total household income, we were able to calculate the percent of income spent on housing and thus determine if the respondents met the HUD definitions for rent burden.

Since a significant portion of the analysis relates to neighborhood, the definition of neighborhood is important. Most research on neighborhoods has used the census tract as

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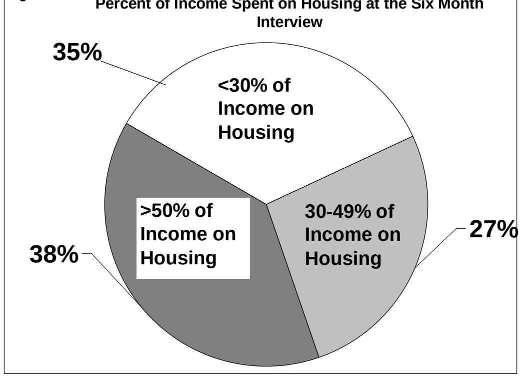
the operational unit. We have done studies in Cleveland to determine the degree to which resident defined neighborhoods compare with census tract boundaries and find that residents vary markedly in the perceptions of neighborhood boundaries.[11] Nevertheless, our studies also reveal that social indicators calculated on resident defined neighborhood units do not differ markedly from those calculated on census geography. This is due to the fact that contiguous census tracts are often similar in their social conditions and make-up. Since residents generally draw their neighborhood boundaries smaller than census tracts, they typically encompass parts of a few tracts in their maps. Based on our previous work, therefore, we feel fairly comfortable using census tract as a proxy for neighborhood in the Cleveland region. Using GIS (geographic information system), all addresses used in this study were geocoded to a specific latitude and longitude coordinate. Census tracts were then assigned using these coordinates. The last known address in the administrative data was used for their address at the time of exit, and the address given by the respondent during their interview was used as their sixth month address.

A neighborhood condition level index was developed to quantify and compare the conditions in the neighborhoods in which welfare leavers lived. The index was comprised of six indicators: rate of births to teenager mothers, rate of births to unmarried mothers, substantiated child maltreatment rate, delinquent tax parcels rate, median housing unit value, and median value of single family homes.[12 13] These were chosen because of the availability of the data at the census tract level. Although they represent only a limited set of neighborhood conditions, they have been shown to be correlated with each other and with general perceptions of neighborhood health and quality.[14] For each indicator, all of the census tracts in the county were ranked and then divided into quartiles. Each quartile was then assigned a whole number value from 1-4 with 1 being the bottom 25 percent or "best" census tracts for that indicator and 4 being the top 25 percent or "worst" census tracts. An average score for the six indicators was then calculated for each census tract. Using the geo-coding, the respondents were matched with their census tract "score". The score at the time of exit was then subtracted from the score at the six month interview to determine if those who moved at some point between their OWF exit and the six month interview moved to better, worse, or comparable neighborhoods. Additionally, the overall index scores for all of the six-month address (regardless of whether or not the respondent had moved) were ranked and divided into quartiles.

Findings

Housing Affordability: The government has defined "rent burden" as spending more than 30 percent of family income on housing related expenses (rent, utilities, etc). Altogether, 65 percent of families who left welfare exceeded this threshold (see Figure 1). Severe rent burden involves spending 50 percent or more of income on housing related expenses and 38 percent of respondents exceeded this criterion.

Figure 1



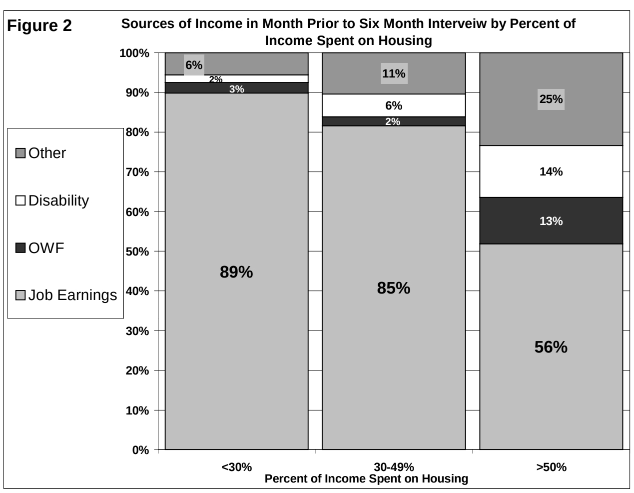
Housing subsidies are the major policy approach to reducing financial housing hardships but only 24 percent of the respondents reported receiving some form of housing assistance. This assistance was of two types with 11 percent living in public or subsidized housing units and13 percent receiving Section 8 vouchers or certificates. The vast majority of the families who left welfare were not receiving any type of public help in paying for their housing at the time of the six-month interview.

The excessive rent burden among families leaving welfare was a result of most respondents having very low incomes. Table 1 compares median earnings and income for respondents who have, by Federal definition, no rent burden, moderate rent burden, and extreme rent burden in paying for housing There is a $850 difference in the median monthly earnings between the no rent burden and extreme rent burden group.

TABLE 1 Respondent Earnings and Income in Month Prior to Six Month Interview by Percent of Income Spent on Housing

Percent of income spent on housing	Median earnings from job in previous month	Median income in previous month
<30% of income	$1,450.00	$1,450.00
30-49% of income	$1,100.00	$1,200.00
>50% of income	$600.00	$700.00

When the families at the three levels of rent burdens are compared on their sources of income, the most notable difference is in the proportion of income from employment (see Figure 2). Households that spend less than thirty percent of their income on housing report that employment is the source of 90 percent of their income. Families who are spending more than 50 percent of their income on housing reported only 56 percent of the household's entire income coming from job earnings. Because their earnings were low, relatively larger portions of their income were from OWF cash, disability payments and other forms of unearned income.



Low wages are primarily responsible for families' inability to keep their housing expenses at an acceptable level relative to their income. Although 87 percent of the respondents worked at some point in the first six months after they left OWF, as seen in Figure 3, half were not earning enough per hour or working enough hours per week to raise their family above the U.S. Poverty Threshold. Those who work the traditional 40-hour work week need to earn over $6.50 an hour to be above the poverty line.

The National Low Income Housing Coalition has determined that minimum wage is not adequate income to afford the fair market rent for a two bedroom apartment in any state, metropolitan area or county in the United States.[15] Figure 3 also shows the disparity between welfare leavers wages and their ability to spend no more than 30 percent of their family income on housing. Only 13 percent of the respondents earned enough or worked enough hours to meet the Ohio housing wage ($10.10 per hour for a 40 hour work week.) In fact, the majority of the respondents fell significantly short of achieving the Ohio housing wage and would have to work more than one full time job at the current rate of pay to avoid a housing hardship without subsidy.

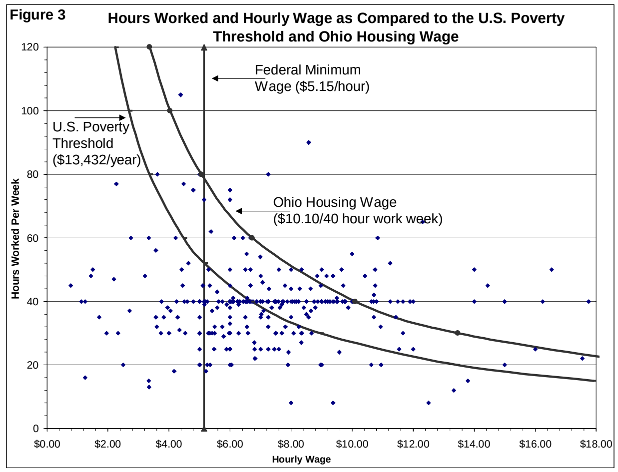


Figure 3 Hours Worked and Hourly Wage as Compared to the U.S. Poverty Threshold and Ohio Housing Wage

Using these findings we attempt to estimate the gap between the income of welfare leavers and their ability to pay fair market rent.[16] We use 30 percent as the percent of income that should be paid for rent. Sixty percent of the sample had a housing affordability gap. For these families, the mean monthly housing affordability gap is $332. In other words, the average former welfare family with a rent burden would need $332 more income per month to pay fair market rent. Figure 4 provides further detail on the distribution of the size of the gap. It can be seen that for 17 percent of the families with a rent burden, there is over a $500 monthly difference between fair market rent and 30 percent of their income. For 18 percent of families the gap is between $401 and 500. Twenty-six percent of the families experience a gap of $301-400. The gap is $201-$300 for 17 percent, and $200 or less for 22 percent of the families.

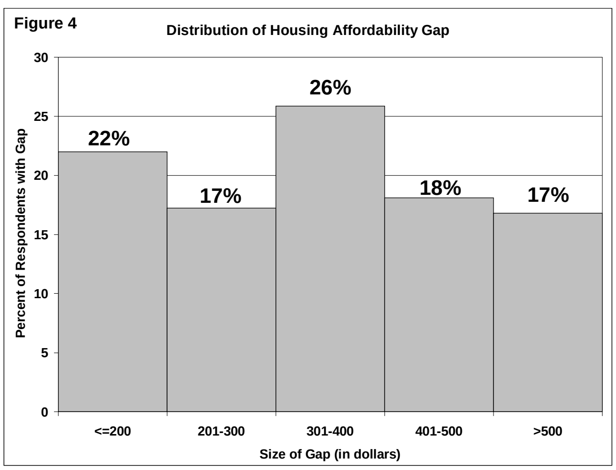


Figure 4 Distribution of Housing Affordability Gap

<u>Housing problems</u>: In addition to the burden of having to pay an excessive proportion of income for housing, many former recipients experienced other housing problems (Figure 5). Families that spent a high proportion of their income on housing consistently experienced more hardship in maintaining that housing.[17] Frequent moving can have

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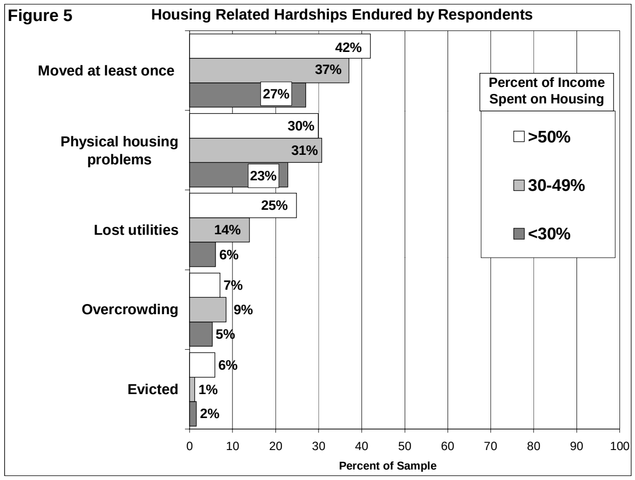
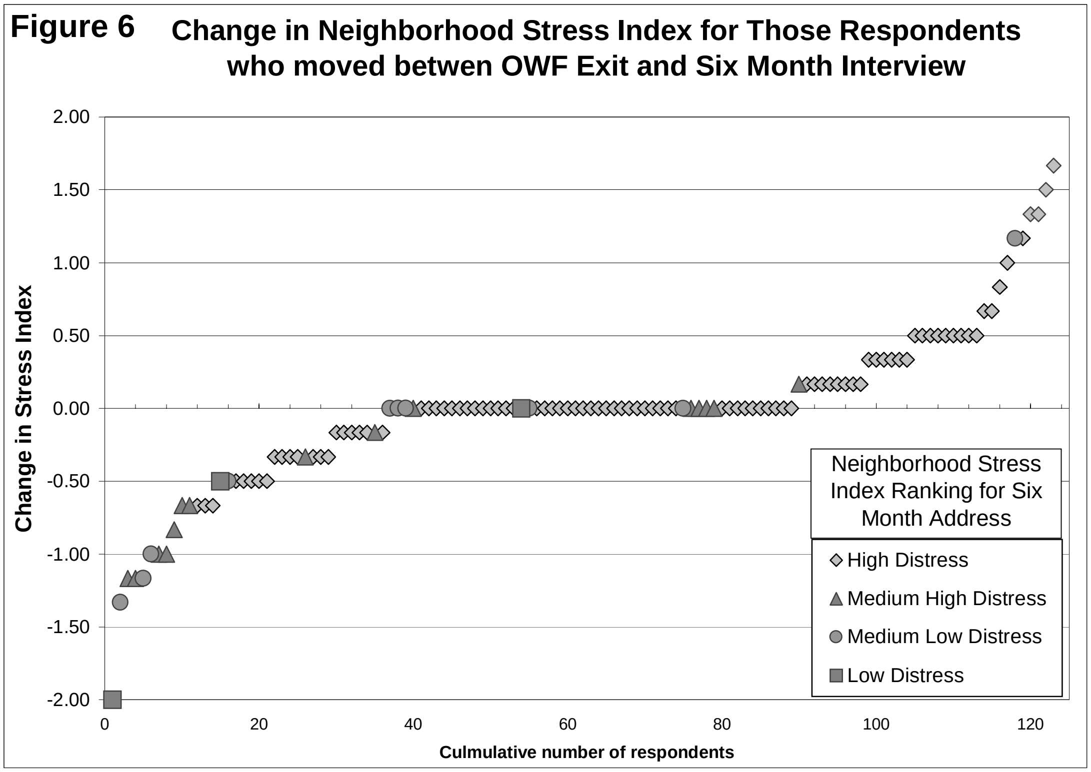
negative impacts on family stability, including job retention, and the children's education.[18] Thirty-five percent of the respondents moved in the six-month period after leaving welfare. This is a very high rate of mobility relative to the general population, with roughly 8 percent of the population moving in a six-month period.[19] Those who spent the highest percentages of income on their housing were also most likely to move. For instance, 42 percent of those paying more than 50% of their income moved in a 6-month period. Moreover, respondents with a rent burden experience more problems with plumbing, heat, insects and rodents and other signs of neglect or disrepair. Other housing problems such as being evicted or losing utilities are also 3 to 4 times as common among respondents paying more than 50 percent on housing compared to families who spent less than 30 percent. Overcrowding was generally not a problem for any of the groups. While only 2 percent reported that they had been homeless or lived in a shelter at some point in the same time period, it is important to note that these are the hardest groups to locate. It may be that a portion of the sample not interviewed was homeless, in a shelter, or living with other family or friends when the survey was conducted.

Figure 5 Housing Related Hardships Endured by Respondents



Neighborhood Conditions: The cost of housing relative to their earnings determines, to a great extent, where low-income people can live. This constraint on neighborhood choices can turn into a negative effect on employment and family wellbeing if families are confined to locations with poor job access, social isolation and difficult social circumstances. Using the neighborhood condition index (described in the methodology section), we determined that 68 percent of the respondents were living in neighborhoods with the highest levels of distress. Eighteen percent were living in slightly better, but still distressed, neighborhoods. Only 11 percent lived in fairly good neighborhoods and only 3 percent of the respondents were living in the best neighborhoods in the county according to the condition index.

Even though a high proportion of families moved during their first six months off welfare, movement did not generally lead to better neighborhood circumstances. Of these movers, the majority (44 percent) moved to neighborhoods with identical scores on the neighborhood condition index. As shown in Figure 6, most of this group was going from one highly distressed neighborhood to another. Twenty-nine percent of the movers went to neighborhoods with improved (negative change) scores on the condition index. However, most of those who moved to "better" still remained in the census tracts with the highest levels of distress in the county. Two families moved into the neighborhoods with the lowest level of distress in the county. Of those who moved to more distressed



neighborhoods (positive change on the index), almost all moved to or within the areas with the greatest distress.

Neighborhood location can also affect job access and it has been shown that the supply of affordable housing is limited in areas of job growth.[20] The fact that former welfare families tend not to live near areas of employment opportunities can be seen in the map below of the metropolitan labor market (Appendix A). The locations of the most significant job growth are shaded in this map of the Cleveland-Akron labor markets.[21] Most former welfare families cannot afford the rents in these areas where job openings are clustered and therefore face additional spatial and social barriers to raising their earnings.

Conclusions and Policy Implications

Paying for housing is clearly the biggest financial burden faced by families leaving welfare and their budgets are stretched to the point that they are extremely vulnerable to crisis. These crises can disrupt employment and destabilize families. Low earnings and high housing prices result in a large discrepancy between income and the ability to pay for decent housing. In fact, we estimate that approximately 8354 Cuyahoga County families who left welfare in the one-year period studied could not pay fair market rent without exceeding 30 percent of their income. The average housing affordability gap was $332 per month.

The availability of housing vouchers or tenant based rental assistance has been expanding gradually, in part in response to welfare reform. For example, in Cuyahoga County 642

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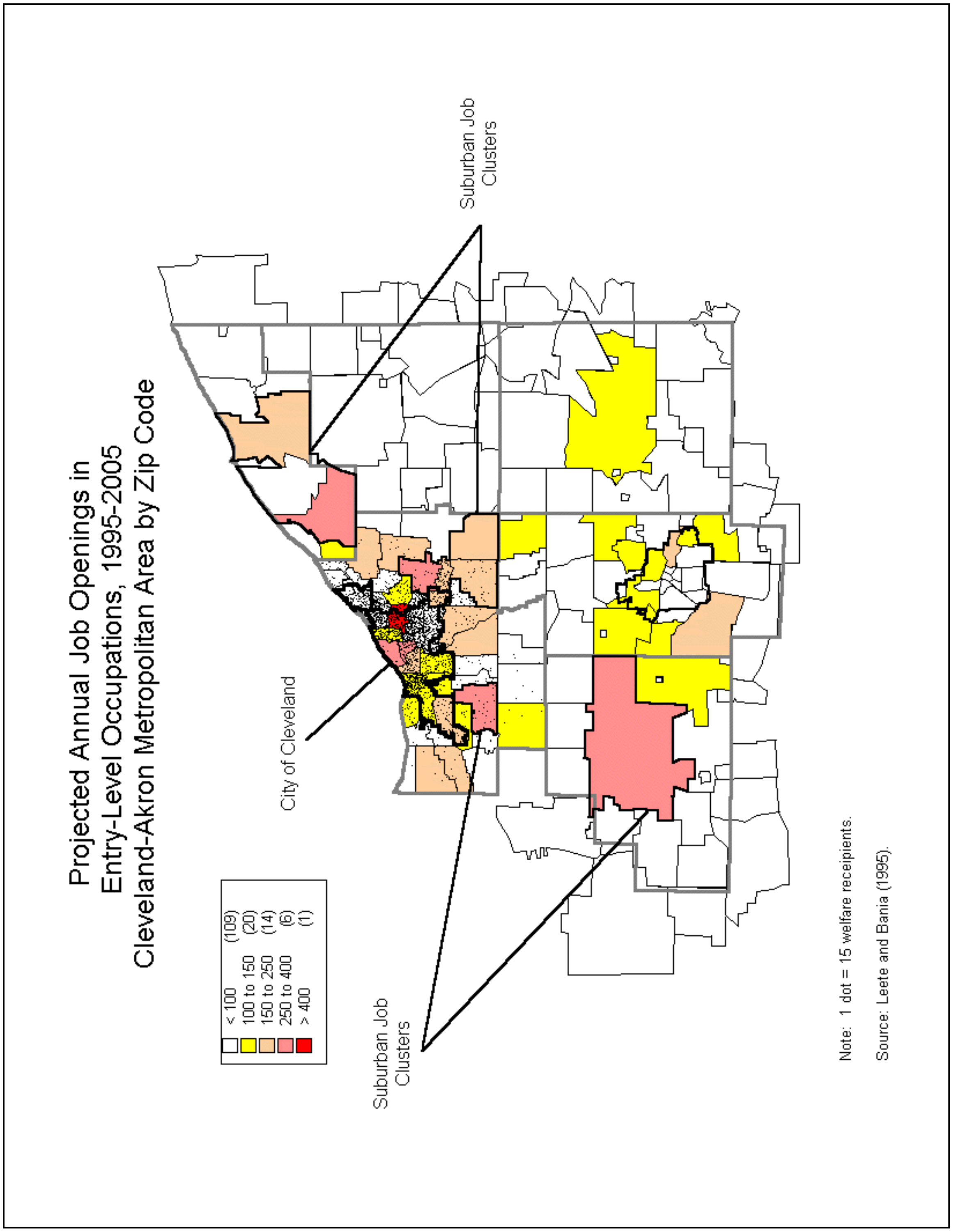
new vouchers were approved in FY 2000 and a slightly larger increase in the number of vouchers is anticipated in 2001.[22] However, there are many more families in need than can be served in public housing or through existing voucher programs at the present time. This is evidenced by the fact that only about one-quarter of the welfare leavers were getting housing assistance at the time of the survey.

In addition to reducing rent burden, housing policy has been directed at deconcentration of the poor. Housing vouchers, especially in some prominent demonstration programs such as Moving to Opportunity, are intended to contribute to employment opportunities and child development by allowing families to obtain housing in neighborhoods that would otherwise not be affordable.[23] Landlord outreach and services to support tenants' housing search are additional services that need to go along with the vouchers in order to achieve the goal of housing mobility. This study of former welfare recipients points to the necessity of such programs. Without such help, welfare families tend to move within the same set of distressed neighborhoods that are distant from job growth. Housing affordability seems to be a primary reason for this limited range of movement, but lack of information, personal preferences, and racial discrimination, may be additional factors.

The growing focus on economic opportunity in both housing and welfare policy now serves to bring these two programs into closer alignment. Compelling evidence that where families live affects their employment and the school achievement of their children comes from housing mobility experiments.[24] It is not clear if the higher levels of employment demonstrated in these programs can be attributed to the fact that families are living closer to jobs and good schools or whether other neighborhood influences are at play. Nevertheless, such findings suggest that the neighborhood environment is an important factor in the success of families leaving public assistance.

The rent burden for families leaving welfare in Cuyahoga County is severe and far exceeds the capacity of the current system of public and subsidized housing. Moreover, it is likely that inability to afford housing has limited former welfare families' access to economic opportunities. Welfare policy has recognized that families moving from welfare to work will continue to require assistance with basic needs such as nutrition, medical care, childcare, and transportation. Housing affordability and mobility are also necessary for stable employment but are not currently addressed by most welfare programs. The promise of welfare reform will not be achieved without addressing the housing affordability and housing hardships of families leaving welfare.

Appendix A


Projected Annual Job Openings in
Entry-Level Occupations, 1995-2005
Cleveland-Akron Metropolitan Area by Zip Code
< 100 (109)
100 to 150 (20)
150 to 250 (14)
250 to 400 (6)
> 400 (1)
City of Cleveland
Suburban Job Clusters
Suburban Job Clusters
Note: 1 dot = 15 welfare receipients.
Source: Leete and Bania (1995).

Endnotes

[1] Wilson, W.J. (1996). When work disappears: The world of the new urban poor. New York: Alfred A. Knopf.

[2] Newman, S. J. (1999). Introduction and Overview. . In S. J. Newman (Ed), The home front: Implications of welfare reform for housing (pp.123 - 148). Washington, DC: Urban Institute Press.

[3] Newman, S. J. & Harkness, J. (1999). The effects of welfare reform on housing: A national analysis. In S. J. Newman (Ed), The home front: Implications of welfare reform for housing (pp.123 - 148). Washington, DC: Urban Institute Press.

[4] Office of Policy Development and Reasearch, U.S. Department of Housing and Urban Affairs. (2000). Rental housing assistance - the worsening crisis. A report to Congress on the worst case housing needs. Available at: http://www.huduser.org/publications/affhsg/worstcase00.html

[5] As of 1997, for every 100 extremely low-income families, there were only 36 units that were both affordable and available for rent (HUD, 2000).

[6] Coulton, C., Leete, L., & Bania, N., (1999). Housing, transportation, and access to suburban jobs by welfare recipients in the Cleveland Area. In S. J. Newman (Ed), The home front: Implications of welfare reform for housing (pp.123 - 148). Washington, DC: Urban Institute Press.

[7] http://www.huduser.org/datasets/il/fmr00/hud00oh.txt

[8] The National Low Income Housing Coalition/LIHIS (1999) defines the Housing Wage as the wage a household needs to earn working 40 hours a week while also limiting housing costs to not more than 30% of their income, to afford a two bedroom apartment at Fair Market Rent. (http://www.nlihc.org).

[9] ibid.

[10] U.S. Department of Housing and Urban Development, (1992). Worst case needs for housing assistance in the United States in 1990 and 1991. Washington, DC: HUD

[11] Coulton, C. J., Korbin, J., Chan, T., & Su, M. (in press). Mapping resident perceptions of neighborhood boundaries. American Journal of Community Psychology.

[12] The median housing unit value represents the value of one unit (one single family home, one unit in an apartment building, one unit of a two-family home). The value of a multi-family unit was calculated by dividing the total market value of the multi-family building by the number of individual housing units in the building. The median value of the single-family homes represents only single family dwellings. Neither of these indicators includes public housing units.

[13] Since publ housing not included – may not accurately estimate the median housing unit value in tracts with high concentrations of pulic housing

[14] Coulton, C., Korbin, J., & Su, M. (1999). Neighborhoods and child maltreatment: A multi-level study of resources and controls. Child Abuse & Neglect, 23(11), 1019-1040

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[16] This was estimated using FMR for a 2-bedroom apartment (the average family size of only children seemed consistent with this size apartment). However, it is important to note that 28 percent of the respondents lived in households with more than four people, possibly needing a larger apartment and thus giving them an even larger housing affordability gap. Families receiving housing subsidies were not included in this analysis.

[17] Apgar, W. C., Jr. (1993). An abundance of housing for all but the poor. In G. T. Kinglsey & M. A. Turner (Eds.), Housing markets and residential (pp. 99. Washington, DC: The Urban Institute Press.

[18] Sard, B. & Lubell, J. (2000). The value of housing subsidies to welfare reform efforts. Washington, DC: Center on Budget and Policy Priorities. Available at: http://www.cbpp.org/2-24-00hous.htm

[19] The Census Bureau found that 16% of the general population moved in one year. Based upon this we estimate that approximately one half (8%) would move in six months. Faber, C. S. (2000). Geographic Mobility (Update): Population Characteristics. March 1998 to March 1999. Washington DC: U.S. Census Bureau. Available at: http://www.census.gov/prod/2000pubs/p20-531.pdf

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