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Issue Brief | 2021-1 | April 2021

Financial strain and material hardship in the New England states during the COVID-19 pandemic

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Abstract

In this brief, the authors use U.S. Census Pulse data to document changes in resources used to pay regular bills during the COVID-19 pandemic. They also examine how food insecurity and late or skipped housing payments are impacting individuals across the region. Findings suggest that although many have lost employment income and hardships are persistently high, New Englanders are generally faring better than those living in other regions.

Key Data Items

- The New England experience of financial strain during the COVID crisis largely mirrors that of the nation as a whole. During the period of the study (April–December 2020), 47.0 percent of New England households faced some sort of loss of employment income, similar to the national rate (47.6 percent), and the share of New England households relying solely on regular sources of income (38.9 percent) is similar to that of the nation as a whole (37.0 percent).
- Relative to the rest of the nation, New England has fared well on material hardship indicators. During the period of the study, 7.6 percent of New Englanders experienced food insufficiency, compared to 10.1 percent nationally, while 6.4 percent of New Englanders were not current on housing payments, compared to 7.5 percent nationally. Nonetheless, this represents troubling rates of economic hardship across the region.
- Within New England, Connecticut and Rhode Island have the highest rates of material hardship (14.0 and 13.7 percent, respectively, experienced either food insecurity or delayed housing payments) and are most similar to national levels (14.9 percent). New Hampshire and Vermont have the lowest levels of material hardship at 9.8 and 9.3 percent, respectively.
- During the study period, changes from one week to the next are generally not statistically significant.

Introduction

In this brief, we use 21 waves of the U.S. Census Bureau's Household Pulse Survey (April–December 2020) to examine financial strain and material hardship in New England during the COVID-19 pandemic.[1] We examine household financial strain by analyzing the extent to which families lost income or are relying on atypical sources to meet their needs. We then examine two key indicators of material hardship: (1) food insecurity and (2) missed or late housing payment. New England appears to be faring better than other regions, but within the region, disparities between states are evident.

[1] All analyses are weighted.

Material hardship and financial strain provide an important indication of households' economic situation at a given time. Material hardship is an important indicator because unlike the official poverty measure, which only measures dollars of income in relation to a theoretical standard, material hardship highlights when immediate demands for necessities such as food or housing exceed all available household resources (income, in-kind transfers, savings, credit, support from family and friends). Financial strain can be thought of as a warning light indicating that material hardship may lie ahead. In this issue brief, financial strain is indicated by reliance on alternative sources to pay bills, and material hardship is indicated by missed bill payments and food insufficiency.

Measures of Financial Strain

We make use of two of the Pulse survey's measures of financial strain: number of households that have lost employment income and percentage of household income derived from regular-income sources. For the first, respondents were asked, "Have you or anyone in your household experienced a loss of employment income since March 13, 2020?" Respondents who responded yes were marked as experiencing some kind of lost income from work. We recorded any loss in employment income (for example, reduction in hours), not just instances in which someone became fully unemployed.

For the second, we asked respondents, "Thinking about your experience in the last seven days, which of the following did you use to meet your spending needs?" They then selected all that applied from a list of (1) regular income sources, (2) credit cards or loans from institutions, (3) money from savings or sale of assets, (4) loans from friends or family, (5) unemployment insurance benefit payments, (6) stimulus (economic impact) payment, and (7) money saved as a result of deferred or forgiven payments. We recoded these items into three mutually exclusive categories for easier comparison: (1) households meeting their spending needs with their regular, pre-COVID sources of income only, (2) households meeting their spending needs exclusively with nonregular sources of income, and (3) households meeting their spending needs using a mix of regular and nonregular sources of income.

Measures of Material Hardship

The Pulse survey contains two key measures of material hardship: food insufficiency and inability to pay for housing.

Food insufficiency is measured by a question that asks, "In the last seven days, which of these statements best describes the food eaten in your household? Select only one answer. (1) Enough of the kinds of food (I/we) wanted to eat; (2) Enough, but not always the kinds of food (I/we) wanted to eat; (3) Sometimes not enough to eat; (4) Often not enough to eat." Responses in categories 3 and 4 were used to code households as food insufficient.

Housing hardship is determined based on answers to the questions "Is this household currently caught up on rent payments?" and "Is this household currently caught up on mortgage payments?" Households that answer no to either question are considered to be experiencing some housing hardship. During April through July of our survey period, the question was collapsed into a single question: “Did you pay your last month’s rent or mortgage on time?”

We included two additional measures. Households were considered to experience one form of material hardship if their answer on either the food question or the housing question earned a coding of insufficiency/hardship. Households were coded as experiencing both forms of hardship if their answers on both questions earned a coding of insufficiency/hardship.

Geography

We follow the conventional definitions of regions and divisions used by the U.S. Census Bureau[2] and report aggregates for the Midwest, West, and South. In order to highlight New England, we report aggregates of the two regions that comprise the Northeast: the Middle Atlantic (New Jersey, New York, Pennsylvania) and separately for the six New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont).

Findings

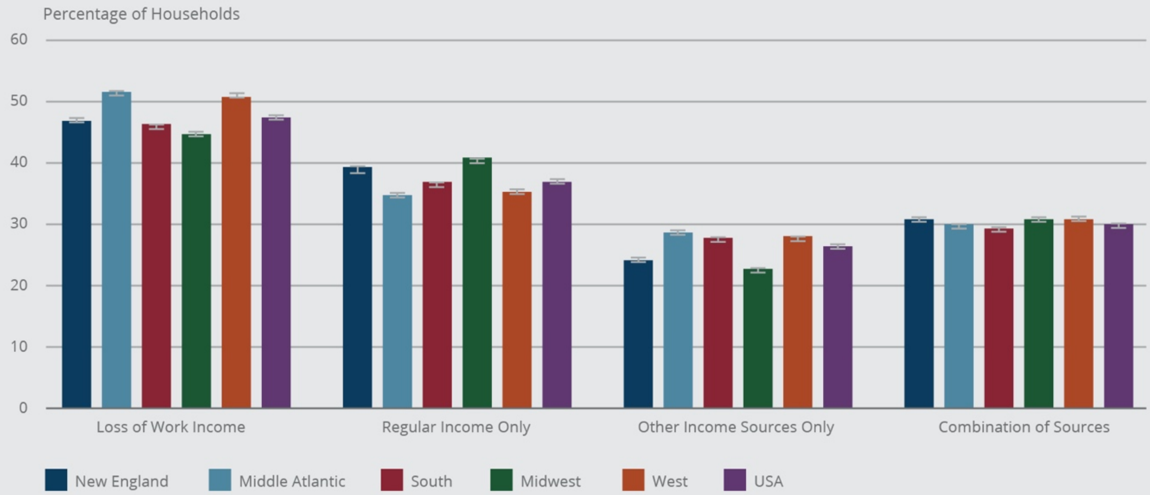
We find that in terms of financial strain, New England mirrors the nation as a whole, with 47.0 percent of New England households facing some form of lost employment income during the study period, compared to 47.6 percent nationally. Across U.S. geographic areas, those rates range from a low of 44.8 percent in the Midwest to a high of 51.4 percent in the Middle Atlantic (see Figure 1).

In terms of reliance solely on regular sources of income, New England (38.9 percent) is similar to the nation as a whole (37.0 percent). Nationally, rates range from a low of 34.6 percent in the Middle Atlantic to a high of 40.5 percent in the Midwest. New England also has a notably low percentage of households relying exclusively on nonregular resources to meet their spending needs, only 24.0 percent, which is below the national rate of 26.6 percent or the regional high of 28.6 percent in the Mid Atlantic. Among the New England states, Connecticut, Massachusetts, and Rhode Island report similar levels of financial strain, higher rates than Maine, New Hampshire, and Vermont (see Figure 2).

[2] U.S. Census Bureau, 2010.

Figure 1. Household Financial Conditions by Region

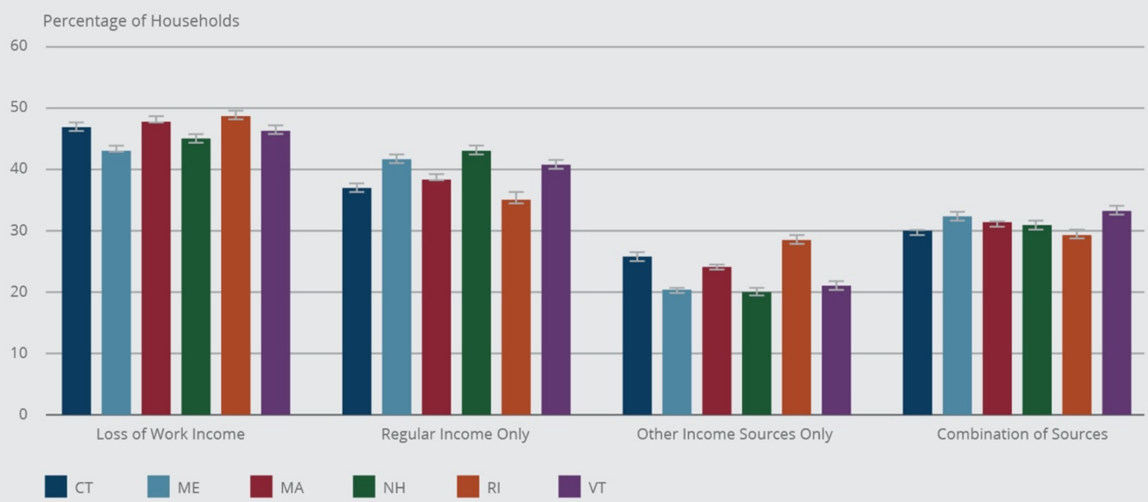
Financial Strain by Region



Source: U.S. Census Pulse Survey data, April–December 2020.
Note: Error bars represent 95 percent confidence interval.

Figure 2. Household Financial Conditions in New England States

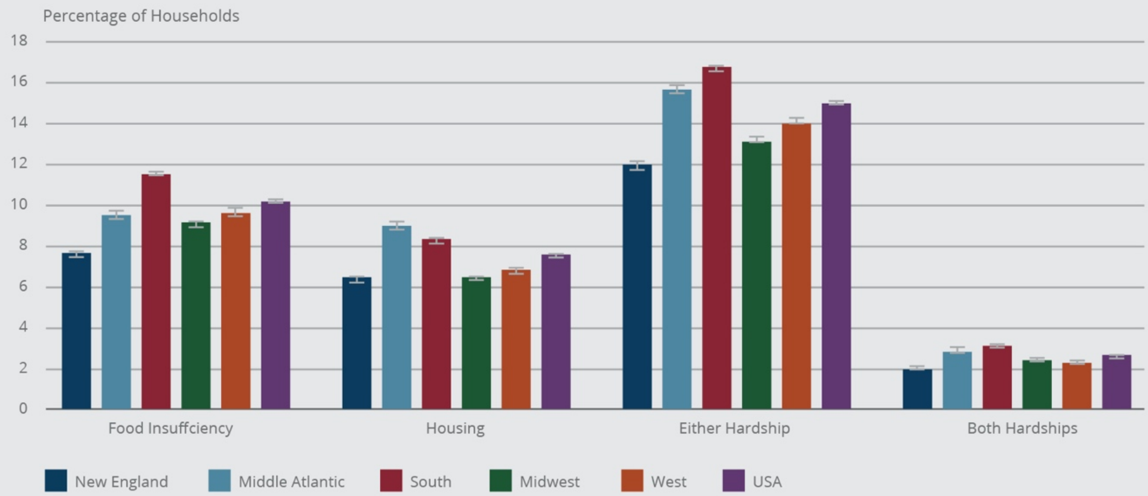
Financial Strain in New England



Source: U.S. Census Pulse Survey data, April–December 2020.
Note: Error bars represent 95 percent confidence interval.

Figure 3. Material Hardship by Region

Hardship by Region



Source: U.S. Census Pulse Survey data, April-December 2020.
Note: Error bars represent 95 percent confidence interval.

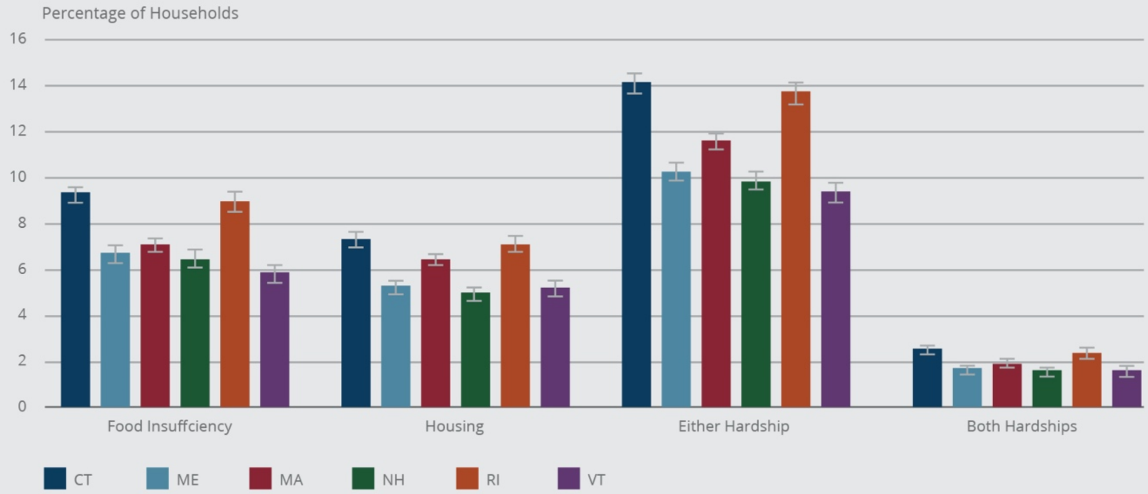
New England faces less material hardship than the rest of the nation by most measures, a pattern consistent with pre-pandemic observations of food insecurity.[3] While 11.9 percent of New England households report either food insufficiency or late housing payments, that figure is 14.9 percent nationwide (see Figure 3). Only 7.6 percent of New England households report food insufficiency and only 6.4 percent report housing payment difficulty, compared to 10.1 percent and 7.5 percent nationally.

Among the New England states, Connecticut and Rhode Island have the highest rates of material hardship (14.0 percent and 13.7 percent, respectively) and are most similar to the nation as a whole. New Hampshire (9.8 percent) and Vermont (9.3 percent) have the lowest rates of material hardship.

[3] Coleman-Jensen et al., 2020.

Figure 4. Material Hardship in New England States

Material Hardship within New England



Source: U.S. Census Pulse Survey data, April-December 2020.
Note: Error bars represent 95 percent confidence interval.

Conclusion

Taken together, our findings suggest that the New England region is faring no worse than the nation in terms of financial strain and material hardship. While it is beyond the scope of this brief to assess why regional differences emerge, it is unsurprising that New Englanders are less often experiencing financial challenges or material hardship, given that the region has a reasonably high average income and high educational attainment relative to the nation.[4] The affluence that keeps rates of financial strain and material hardship low in ordinary times may, in conjunction with Federal relief policies, have buffered the region from dramatic increases during the pandemic. Interestingly, however, each of the New England states outpaced the nation in terms of peak numbers of unemployment insurance claims filed as the recession unfolded. The region, especially Maine and Vermont, were initially quite hard hit. These claims suggest families were able to access additional funds through the Coronavirus Aid, Relief, and Economic Security (CARES) Act that may have helped stave off worse economic outcomes.[5]

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[4] See, for example, such U.S. Census Bureau tools as QuickFacts.
[5] Clifford & Mattingly, 2020.

Though these findings may seem to be good news for the region, the reality is that during the onset of the pandemic, rates of material hardship were high. Even in New England, nearly one in eight households reported food insufficiency or trouble with housing payments, and nearly half of all households suffered at least some income loss as a result of the pandemic. These numbers are staggering and illustrate the vast economic consequences of the pandemic-induced recession. As the pandemic continues and the economic crisis persists, it is important to elevate issues of financial strain and material hardship and focus attention on how they were kept at bay through the CARES Act early on and later through other relief efforts. Public policy is a powerful determinant of households' ability to live materially secure lives in normal times, and it can respond to amplified need during crises. The dual crises we are currently experiencing—the pandemic and the recession—simply make this easier to see. Many families will need substantial relief to avoid such ramifications of financial distress as increased debt, eviction, and worsened health due to reduced access to healthy food and healthcare. Only with that assistance will they be able to participate in and contribute to the economic recovery as the virus abates.

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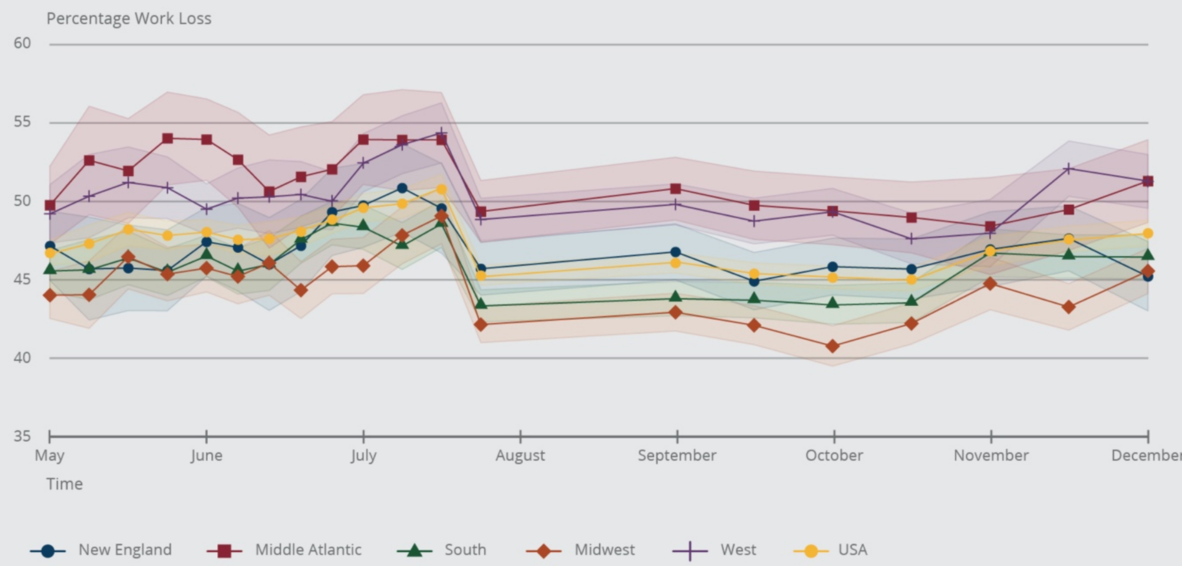
Acknowledgements

The authors thank Patrick Cooney and Luke Shaefer at the University of Michigan; Sara Chaganti, Prabal Chakrabarti, Erin Graves, Sarah Savage, Anna Steiger, Jeff Thomson, and Catherine Tonsberg at the Federal Reserve Bank of Boston for their feedback on an earlier draft; and Francesca Forrest for copyediting.

Appendix: Trends over Time

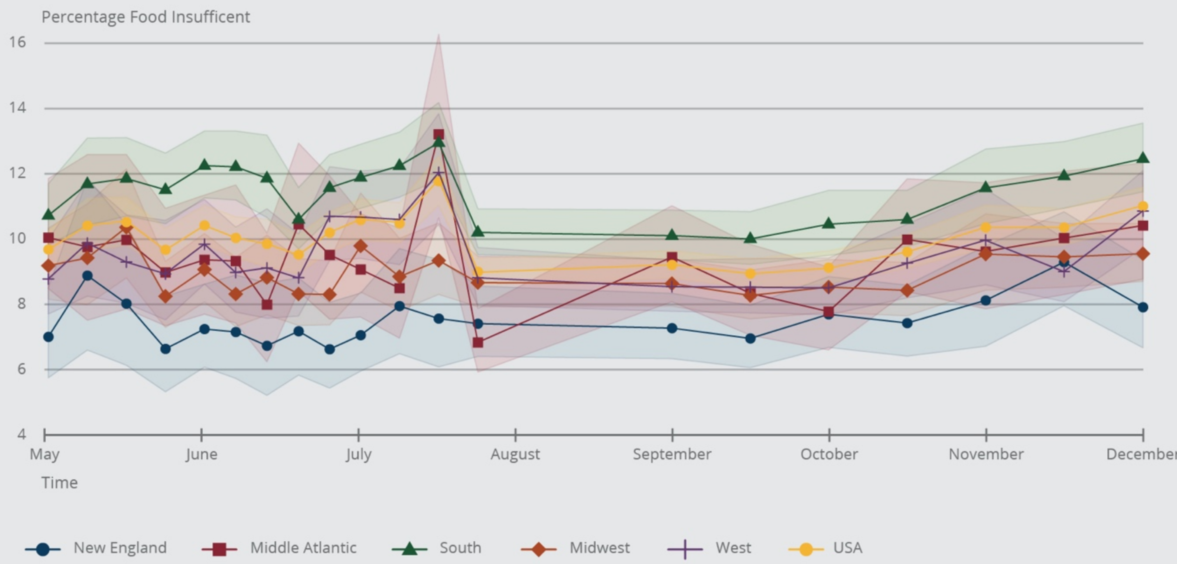
The figures in this appendix provide a wave-by-wave representation of the key measures used in this brief. Note that due to relatively large confidence intervals, it is difficult to discern much change at the regional or state level over time.[6]

Appendix Figure 1. Work Income Loss by Region

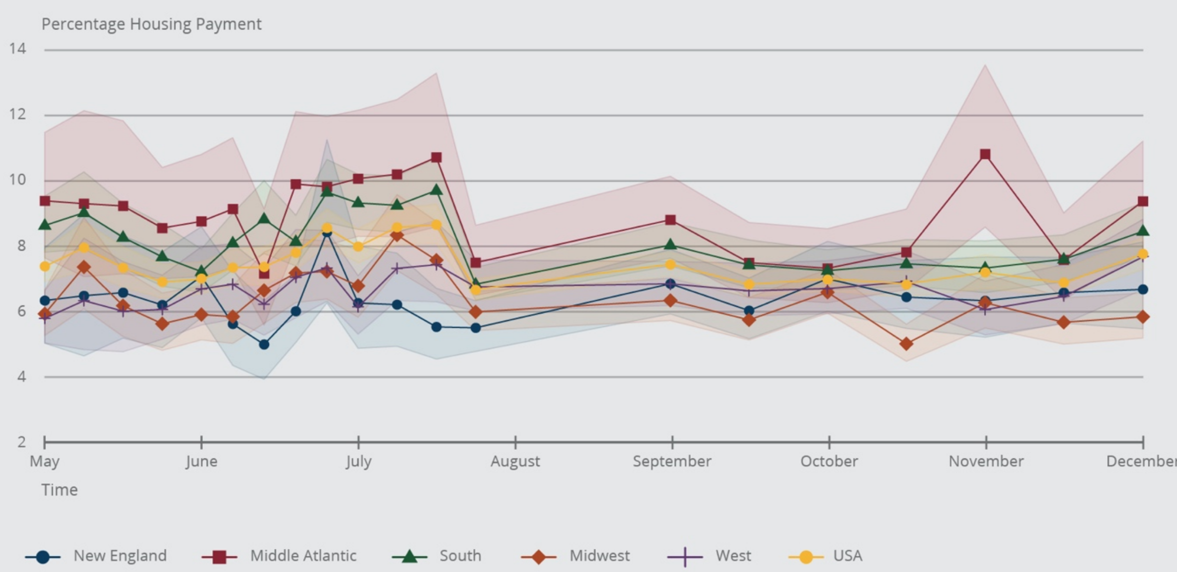


[6] For a more detailed assessment of changes over time for hardship measures using Pulse data, see Cooney & Shaefer, 2021.

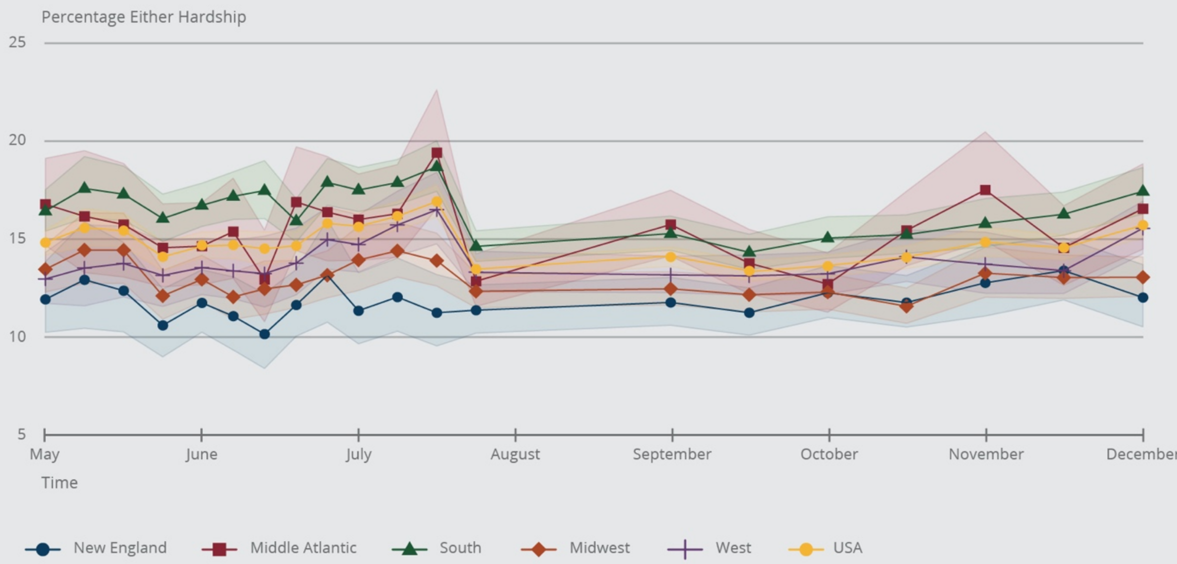
Appendix Figure 2. Food Insufficiency by Region



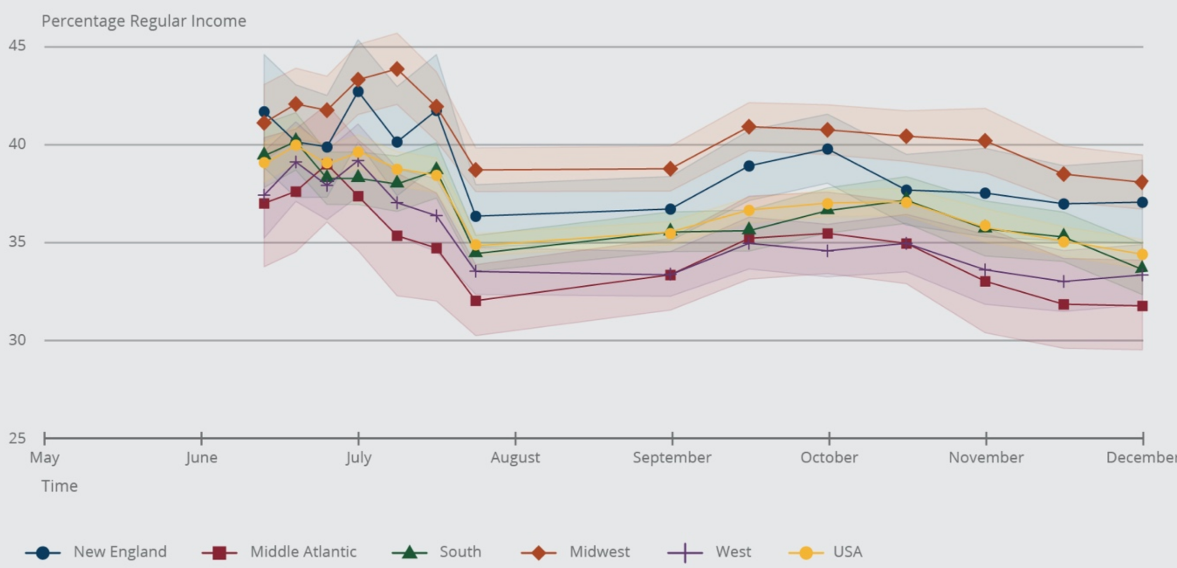
Appendix Figure 3. Behind on Housing Payment by Region



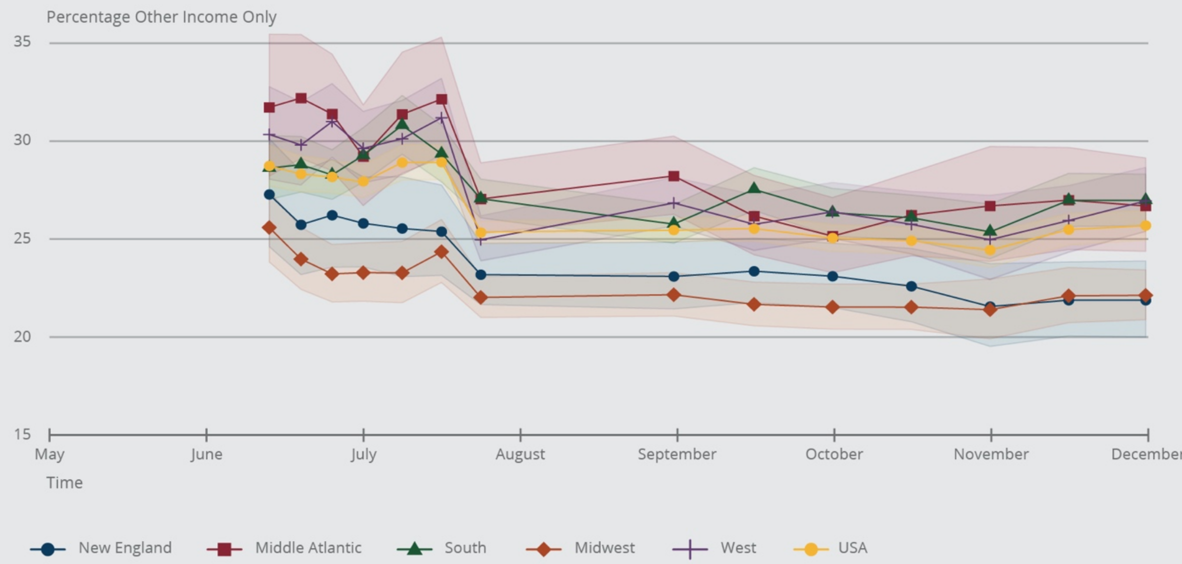
Appendix Figure 4. Material Hardship by Region



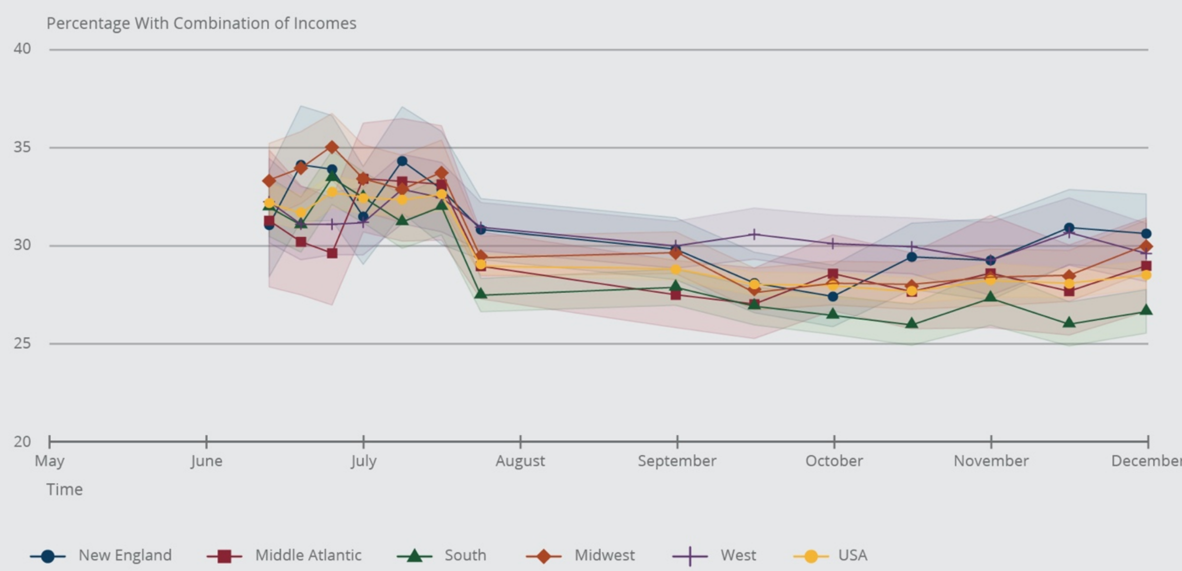
Appendix Figure 5. Regular Income Only by Region



Appendix Table 6. Other Income Only by Region



Appendix Table 7. Combination of Regular and Other Income by Region



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