

Housing costs and child functioning: Processes through investments and financial strains



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ABSTRACT

This study used family investment and family stress theories to illuminate mechanisms through which housing costs may affect low-income children's psychosocial and cognitive functioning. Using longitudinal data from the *Three City Study* ($N = 1898$), path analyses found support for the investment perspective, with housing and neighborhood contexts mediating associations between higher housing costs and greater behavioral functioning and academic skills. These benefits of higher housing costs were somewhat offset by negative direct associations with children's functioning, although these were not explained by financial strain. Results revealed that receipt of government housing assistance disrupted these pathways. Few differences in patterns emerged between young children and adolescents. Policy implications and future research directions are discussed.

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1. Introduction

The combined impact of the Great Recession and the housing market crisis has forced many families, particularly low-income families who were hardest hit by the economic downturn (Annie E. Casey Foundation, 2011), to revise their budgets and rethink their housing investments. Housing is a direct investment in family and child well-being (Bradley & Corwyn, 2004), and research shows that high quality housing in safe neighborhoods is integral for children's well-being (Leventhal & Brooks-Gunn, 2000; Leventhal & Newman, 2010). Although housing is an important investment, and paying more for housing may buy higher quality housing in better neighborhoods, housing costs are also a primary source of financial strain for many families (Iceland & Bauman, 2007). Indeed, national statistics indicate that the proportion of families who pay over 30% of their income for housing, a rate considered to be a high cost burden, has risen dramatically in recent decades from 18% in 1975 to 38% in 2005 (Holupka & Newman, 2011; Joint Center for Housing Studies, 2011). Families with limited financial resources face particularly acute challenges in accessing affordable housing (Murray, 1997), with 83% of low-income families spending more than 30% of their incomes on housing costs in 2005 (Holupka & Newman, 2011).

Given the importance of housing in the lives of children and families and the challenges families, particularly low-income families, face in accessing housing that fits their budget, it is surprising that limited empirical research has assessed how housing costs influence families and

children. Drawing from well-established investment and stress theories of family resources (Gershoff, Aber, Raver, & Lennon, 2007; Guo & Harris, 2000; Yeung, Linver, & Brooks-Gunn, 2002), this study developed and tested a conceptual model assessing mechanisms through which housing cost burden affects child functioning in low-income families.

1.1. Theoretical frameworks linking housing cost burden to children's development

The amount that families pay for housing may have a variety of repercussions for parents and children. Spending a substantial portion of family income on housing costs might provide high quality homes characterized by environments free of toxins and safety hazards as well as supportive neighborhoods that afford educational opportunities and promote social capital. In fact, numerous studies using data from the American Housing Survey find that families with higher housing cost burdens lived in better quality homes, with limited structural and safety problems, and in neighborhoods with less noise and crime (Chi & Laquatra, 1998; Emrath & Taylor, 2012; Holupka & Newman, 2011). The association between cost and quality reflects the family investment perspective that is grounded in economic theory (Becker, 1991). This model of family resources posits that parents invest their money and time toward developing the human capital of children, arguing that greater investments will yield more productive and successful children (Foster, 2002). In the realm of housing, this model suggests that spending a greater proportion of income on housing will buy better quality in terms of both housing and neighborhoods, which in turn will promote children's development.

On the other hand, high housing costs may inhibit investments in other realms. By spending a larger proportion of family income on

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housing, families with high housing cost burdens will have limited resources to purchase other basic necessities such as medical care or food, or to afford extras such as enriching activities for children. Research shows that children, particularly low-income and young children, experience more material hardship when they live in areas of the country where housing and cost of living are more expensive (Chien & Mistry, 2012; Harkness & Newman, 2005). This pathway reflects the family stress theory, which explains how a lack of economic resources induces financial strain and difficulty affording basic family necessities, in turn negatively affecting parents and children (Conger et al., 2002; Linver, Brooks-Gunn, & Kohen, 2002; McLoyd, 1990; Mistry, Lowe, Benner, & Chien, 2008). This theory suggests that families spending a larger amount of family income on housing costs will experience greater financial strain, in turn impairing child functioning (Elder, Eccles, Adelt, & Lord, 1995; Jackson, Brooks-Gunn, Huang, & Glassman, 2000). Together, these two theoretical frameworks suggest that higher housing cost burdens may promote counteracting forces on families and children. Our conceptual model, shown in Fig. 1, represents these competing forces.

Although housing costs are a major expense for all families, affordable housing is a particularly acute challenge for families with limited financial resources. Low-income families spend a greater proportion of their income on housing than middle- and upper-income families, with a higher likelihood of experiencing housing cost burden (spending more than 30% of their income on housing) or severe burden (more than 50%; Turner & Kingsley, 2008). Low-income families are also more likely to experience poor quality housing, with physical deficiencies and safety hazards, and to live in neighborhoods with fewer resources and more limited social capital than their advantaged peers. Low-income families are similarly more likely to experience financial strain, lacking the economic resources to afford basic necessities such as food, medical care, and other household goods (Brooks-Gunn & Duncan, 1997; Mayer, 1997). Thus, we argue that our proposed conceptual model is particularly relevant for economically disadvantaged families. On the other hand, low-income families may have access to public resources, such as subsidized housing, that may lower their housing costs and mitigate relations with housing and neighborhood quality and financial strain. Similarly, access to resources such as subsidized food, medical care, and early education costs may free up economic resources for disadvantaged families' housing and other needs. Given differences in cost of living, limited public monies that leave many eligible families unable to access public resources, and unique preferences and circumstances across families, there is tremendous variability in low-income families' budgets, access to quality housing and neighborhoods, and financial behaviors (Edin & Lein, 1997). This paper sought to explore this variability, analyzing individual differences within low-income families to assess how housing costs are associated

with children's well-being through housing quality, neighborhood quality, and financial strain.

1.2. Linking housing cost burden, neighborhood and housing contexts, and financial strain to child and adolescent functioning

Empirical research that has examined associations between income and child functioning in nationally representative datasets has found support for both the investment and stress theoretical perspectives (Gershoff et al., 2007; Guo & Harris, 2000; Yeung et al., 2002). Findings from these studies indicate that greater economic resources promote enhanced cognitive skills or academic achievement as well as greater emotional and behavioral functioning among children, with investments consistently predicting children's cognitive outcomes and stress consistently predicting children's behavioral functioning. However, these studies have not focused on a quantified investment that a family might make, such as housing costs, which may be related to child functioning through competing theoretical pathways. Below, we review research related to each aspect of our proposed model.

1.2.1. Do high housing costs buy better housing and neighborhood quality or greater financial strain?

Despite a substantial body of economic literature on housing costs, limited research explores what housing costs may purchase for families. Most recently, analyses of the American Housing Survey revealed that cost burdened families were less likely to live in homes with structural or safety hazards (Emrath & Taylor, 2012), a relationship that emerged across income groups (Holupka & Newman, 2011). However, only non-poor families experienced better neighborhoods (assessed using subjective ratings of the neighborhood as "a place to live") with higher housing cost burden (Holupka & Newman, 2011). The stress perspective has also received some limited empirical support in this realm. Harkness and Newman (2005) analyzed the effects of geographic cost of living and housing market differences and found that among poor families with young children, higher costs of living and more expensive housing markets were associated with heightened material hardship in the domains of food and medical care. Beyond this work, there is very limited information concerning whether low-income families' spending on housing successfully buys better housing and neighborhood contexts, or induces stress by putting strain on the family budget, consequently hampering the ability of parents to meet other basic family needs.

1.2.2. Housing and neighborhood quality predicting child functioning

In contrast to the limited empirical connection between housing costs and our proposed processes, there is ample evidence from extant research that housing and neighborhood quality are important predictors of children's functioning. Poor physical and structural housing quality is often characterized by environmental toxins, the presence of rodents, or safety deficiencies of the unit (Newman, 2008). Poor quality housing contexts have been associated with cognitive deficits from early childhood through adolescence, including decreased language skills, lower IQ and standardized test scores, and school dropout (Evans, 2004, 2006; Krieger & Higgins, 2002). Poor quality housing is also predictive of increased behavioral problems and psychological distress in children and adolescents (Coley, Leventhal, Lynch, & Kull, 2012; Evans, 2006; Evans, Saltzman, & Cooperman, 2001), in part due to the psychological stress and detriments in parenting experienced by parents in poor quality housing (Coley et al., 2012).

Similarly, an extensive base of research has linked neighborhood characteristics to child functioning. Neighborhood quality, often operationalized through the presence of higher income, more educated, and more prestigiously employed versus poor or unemployed residents (Leventhal, Dupéré, & Brooks-Gunn, 2009), is thought to affect children's functioning through the availability of institutional resources like educational and social programs, relationships or support networks,

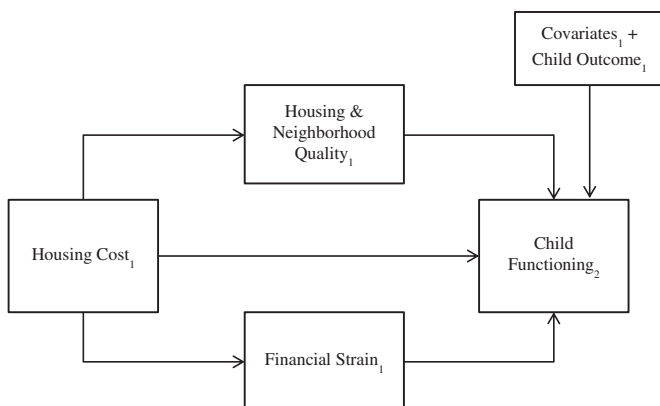


Fig. 1. Conceptual Model.

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