

FINANCIAL PROBLEMS OF LOW INCOME FAMILIES

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Before entering into a discussion of the financial problems of low income families there are two points which I feel need to be defined:

1. What is a low income?
2. Who are the low income families?

What is a low income? For the purpose of this discussion low income families are those living in New York City who had incomes below the amount required to meet the cost of The Family Budget Standard¹ in 1956. In the table below² are listed the amounts required in 1956 dollars to purchase the foods and services described in this Standard, as well as to pay taxes, for each size of family and the percentage who were below this level. Public assistance allowances effective at this time are also listed.

Size of family	Cost of Budget Standard 1956 prices	Percent of family units below the Budget Standard 1956	Public Assistance Allowances 1956	
			No Emp.	With Emp.
2 persons	\$3,172	27.6	\$ 1304	1653
3 persons	3,744	18.1	1514	1863
4 persons	4,264	21.7	2080	2429
5 persons	4,784	33.5	2519	2867
6 or more	5,876	55.1		
Total		26.7		

Unrelated individuals, i. e. single person units, 60.6 percent had incomes below The Standard. An adequate income for a small family will be inadequate for the larger family.

It must be noted that in defining low income several factors have been considered. (1) Time (1956), (2) Place (N. Y. City), and (3) Family Size. Also, a yardstick "A Family Budget Standard", has been used to relate the income required to the actual income by family size. In addition, there is another factor that enters into the adequacy of income by family size - the life cycle status. This factor will be referred to later in this presentation.

In New York City, "The Family Budget Standard" is used by most community agencies as a basis for assessing the economic status of a family. Casework agencies use the Standard as a diagnostic tool in determining if the financial problem is a real one - that of inadequate income or if it is related to emotional or psychological problem. This is a necessary step in counseling on problems of financial management and determining fees consistent with ability to pay for services rendered. Public agencies in New York City use this yardstick in determining eligibility for free services, the fee to be paid where there is ability, and the contributions expected from legally responsible relatives for the support of an applicant or client for Public Assistance.

Major problems are evident for two groups in New York City - the family whose income is less than "The Standard" and more than the amount on which eligibility for Public Assistance is determined. Also the family that meets the financial eligibility requirement for Public Assistance but refuses to apply. This latter group is classified as the impoverished.

As to the factors of time and place, if, for example, an income of less than \$4200 (1956) for a family of four persons in New York City is defined as a low income, this amount would not necessarily be a low income elsewhere in the U.S.A. The cost of living based on the C.W.F.B.³ in 1959 varied from a low of \$5370 per year in Houston, Texas, to \$6567 in Chicago, Illinois-- approximately a \$1200 difference. The cost for New York City was \$5970. Thus place as well as time and family size is a factor in defining the adequacy of an income level.

There is one more factor to consider in evaluating the adequacy of the level on income - that is the use of a yardstick. The purpose for which the yardstick was developed must also be evaluated. Only then can the adequacy of income be measured for a specified level of living.

Now that low income - for the purpose of this discussion - has been defined, we turn to the next question.

Who are the Low Income Families? These families in New York City are the ones with income less than the amount required to meet the Family Budget Standard. They may receive their income from wages, pensions, resources, Social Security, Public Assistance, support payments, alimony, or a combination these sources.

These families may be large or small, young or old, complete family units or the family of a "broken home".

The size of the family, the position of the family in the life cycle (usually indicated by the age of the head), the time and place of residence as well as the amount of the income, are all factors that will enter into the classification of a family as a low income or other income level.

The next question, which is the topic of this discussion - What are the financial problems of these low income families? On the basis of data from various sources, the problems may be grouped according to the classification of the low income groups.

1. Beginning with the group whose income is adequate to meet the Standard - information and data from studies of families in this income level list these problems:
 - a. Debt entanglements - primarily for electrical equipment and appliances⁴
 - b. High costs of food, housing and medical care⁵
 - c. Installment debts - families do not plan for themselves⁶

2. Families with income less than The Standard but more than Public Assistance. These families have the same problem as previously stated but their problem is intensified due to less income. In Counselling these families, usually they must reduce their Standard to that which is comparable to the Public Assistance Standards for the basic items of maintenance (food, clothing, and household supplies, and furnishings) in order to meet the costs of other budget items and taxes and at the same time remain solvent. Families with income adequate to meet the Standard may also be reduced to the Public Assistance level for the basic items during the period of debt liquidation.

3. Families receiving Public Assistance. These families are a vacillating group - on and off public assistance depending on economic conditions of the time, employment, health status, and age. "In January 1957 there were nearly one half million persons receiving Public Assistance in New York State. (In New York City in January 1961 there were approximately 335,000 persons on Public Assistance). These families and individuals comprise a hard core of the total low income population. In addition to the problems of old age and long-term physical and mental disabilities, current health problems beset more than one half of the adult recipients. Even if the adults receiving Public Assistance were able to work, many have such limited educational backgrounds that it would be difficult for them to find adequate employment. In many cases, poor health and inadequate education were accompanied by marital difficulties and other problems of family living."⁷

Information from a study of expenditures of a selected sample of Public Assistance cases⁸ (18 complete returns from the 50 selected cases) indicates the types of problems this group encounters. Expenditures were classified on the basis of over or underspending of the allowance budgeted for a specific item as well as for items not included in the budget.

All 18 families paid the rent as budgeted

Expenditures in excess of the amount budgeted

Food - 14 families
 Utilities - 4 families
 Cleaning Supplies - 18 families
 School Supplies - 6 families
 All items - 13 families (only 5 indicated debts)

Expenditures less than the amount budgeted

Clothing - 13 families

Expenditures for items not included in the budget

Household Replacements - 11 families (Equipment & Supplies)
 Laundry Allowances - 10 families (allowances may be granted on special basis)
 Insurance - 9 families (average \$3.92 per month) (of 40 incomplete returns, 17 families carried insurance with an average cost of 65¢ a week)
 Medicine Chest Supplies - all 18 families (an allowance for these items was added to the budget in 1953)

This study showed that families spent an average of \$10 a month for items not included in their budgets or approximately 10 per cent of the average grant (\$104.50).

These families, due to the tightness of the relief grant, must resort to the most costly forms of credit. While Public Assistance policy in New York is flexible and makes provision for more needs of families, practice in making funds available lags behind due to administrative "red tape".

Public Assistance families in general in New York City are, however, in a better position financially than those in the lower income range below the "Family Budget Standard". Special needs such as actual rent, medical care, special foods and clothing, household replacements, are met as needed by the relief recipient.

4. The impoverished family - those with incomes below the Public Assistance Grant. "In New York State this group is 56% of all low income units in 1949. The vast majority of impoverished families as well as the low income, in 1949, were 'normal' white families (male head and wife present) with the family head under 65¹². High level employment in the past 11 years may have altered this situation. "The socio-economic characteristics of the low income and impoverished group are the same with larger proportions of broken families, unrelated individuals, non-white units, and aged."²

The problems will be the same as families on Public Assistance, however intensified by the lowered income.

A study of selected Income Management Cases in St. Paul, Minnesota,⁹ indicated that the median per capita income of these families was \$40.50 a month versus the per capita Public Assistance Allowance of \$60.98 (1957 costs).

- a. The Standard of housing was good in only 4 of the 26 cases; 14 had less than fairly good.
- b. "The Family Status" (housing condition, housekeeping facilities, adequate equipment and furnishings¹⁰) was good in 3 cases; less than fairly good in 13 cases.
- c. The findings pointed out that "almost half of the families applying for counselling on Income Management have a "family status" less than acceptable. Their housing may be sub-standard and their household equipment and furnishings may be low or exhausted to the point where health and decency are difficult to maintain."

In general, all low income families are faced with the problem of being able to purchase the level of living they desire that they should expect to attain in the United States at the present time. The families in New York City with less income than required for the "Family Budget Standard" may be said to have truly inadequate income. These families cannot purchase the items which they desire - their goals are set too high and therefore they are faced with insurmountable debts.

Families whose incomes are adequate to meet the cost of the "Family Budget Standard" have some margin for meeting their goals if they "Plan" their expenditures. All families can benefit from guidance on how to manage money but the low income in particular need assistance. This group as a whole are handicapped by lack of education and require personal guidance, not just visual aids. Most families, and in particular the low income group, have not faced up to how much they actually earn, or spend, or that it takes to live; they have a fear of the unknown and therefore do not set about to plan their spending; they are tied down to credit - a pre-arranged budget; their fixed expenses have little or no margin for the day to day needs; and many are caught in financial "Booby Traps" with their installment purchases.

If families want to achieve their goals they need to face up realistically to their financial situation evaluate their resources; keep a spending record, establish a financial place - one that earmarks immediate and long term plans. Then perhaps they may replace some of their anxiety with action. They, in all probability, will need guidance in making such a plan. "Evaluation of their plan with spending patterns of other families of the same size, income or stage in the family life cycle, will be helpful in their own money management plans. A comparison of these patterns shows that families can look forward to making adjustments

as they progress through the marriage cycle and their economic position changes. A knowledge of what to expect can help them plan better for the future."¹¹ A knowledge of the patterns of spending, social trends which suggest the probable basis for credit buying, the real and related problems that arise due to money difficulties as well as the change in family relationships as the family moves from the "Beginning Cycle" thru the cycle of the "Expanding Family" to the "Contracting Family" cycle¹² will be helpful to those who counsel families in financial management. There is evidence that many families want information and that some are conscientiously trying to do a good job in fulfilling the family's needs and desires. The challenge is up to us, the Consumer Counsellors, to provide the information and the guidance to the families that see the need for such help and to find a way to motivate other families to see the need for planning their spending.

FOOTNOTES*

¹A Family Budget Standard, 1955 Community Council of Greater New York, 345 East 45th St., New York 17, N. Y. (not available, in process of revision)

²A Study of "Low Income Families in N. Y. State in 1949", Interdepartmental Committee on Low Incomes. State of New York (Reports dated 1957, 1958, 1959)

³The Interim City Worker's Family Budget, 1959. Monthly Labor Review, August 1960, Reprint No. 2346. Bureau of Labor Statistics, U. S. Department of Labor.

⁴Credit and Buying Habits of Low Income Families - The Bureau of Applied Social Research, Columbia University, 605 West 115th St., New York City (In process of publication)

⁵Report on Consumer Council Activities, 1959-1960. Metropolitan N. Y. Consumer Council, 1710 Broadway, N. Y. 19, N. Y. (Attention: Ralph R. Renter, Asst. Educational Director)

⁶How to Stretch Your Money - Sidney Margolius, Public Affairs Pamphlet No. 302. Price 25¢

⁷The Problem of Low Income Families, A Progress Report to the Governor. New York State Interdepartmental Committee on Low Incomes, February 1958²

*Problems of Low Income Families - Paper presented by Eleanore T. Lurry, Chief of BSS, Community Council of Greater New York, at the Annual Conference, Council of Consumer Information, St. Louis, Missouri, April 7, 1961

⁸A Study of Expenditures in a Selected Sample of Families Receiving Public Assistance, 1947. Home Economics Program, N. Y. City Department of Welfare 1947 (unpublished)

⁹A Study of Housing and Household Facilities in a Selected Sample of Income Management Cases, Mrs. Helen E. Hughes, Home Economics Consultant, Family Service of St. Paul, Minnesota, 1957.

¹⁰Social Stratification in Plains Community, Wayne Wheeler, published by the author, 1949, page 49 (listed in ⁹ page 3)

¹¹Using Spending Patterns from Expenditure Studies as Guides, Lucille F. Monk, Family Economist. Outlook Conference, November 1958, Institute of Home Economics, ARS-USDA, Washington 25, D. C.

¹²The Family in a Money World, Frances L. Feldman, Family Service Association of America, 215 - 4th Avenue., New York 3, N. Y. Price \$2.50