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The Hidden Costs of the Housing Crisis

The Impact of Housing on Young Children's Odds of Success



Without a safe, stable home to call their own, young children face tremendous obstacles to the critical cognitive, behavioral and social development that occurs during their earliest years, concludes Joydeep Roy of the Economic Policy Institute in a paper for the Partnership for America's Economic Success. Unfortunately, an increasing number of children ages zero to five lack such safety and stability, thanks to sharp increases in housing costs for both owners and renters, and the foreclosure crisis and accompanying credit crunch. While skyrocketing foreclosure rates have taken center stage in the media, a quiet crisis that threatens the ability of young children to learn and thrive has been taking place for many years. The impact of poor housing on children's educational success means this crisis will have reverberations for society as a whole for decades to come.

“Children of all ages suffer the negative consequences of a lack of stable, affordable housing and a supportive home environment. Children under 5, however, are particularly vulnerable.”
—Joydeep Roy, Economic Policy Institute

37.52	AmWoodl	.801	13	71.99	-23	72.97	37
35.00	AREnot	.601	7	86.04	-1.16	131.00	35
37.72	AmSitter	.72	19	59.00	+42	59.47	37
27.35	AmLower	cc	41	34	+03	41.54	27
29.53	APlasticK	.24	15	36.25	+75	46.10	29
20.54	AmeriCap			25.24	-06	29.65	20
23.27	AmaDing			37.81	-58	38.86	23
31.43	AmeriCap			4.18	-74	63.08	31
31.12	AmeriCap			1.01	-08	16.50	31
31.12	AmeriCap			1.01	-08	16.50	31



7	86.0
19	59.0
cc	41.3
35	36.2
25	25.2
37	37.8
31	63.0
31	16.5

For every one of us, a home is much more than four walls and a roof. Within those walls, we not only eat and sleep, but also learn, form and maintain relationships with family and neighbors, develop our habits and personalities, and even organize around common goals. These activities comprise essential tasks of early childhood and have serious implications for kids' later health and economic well-being. While it's impossible to completely isolate housing from the host of factors that affect educational outcomes, evidence points clearly to the major role that it plays in determining a young child's long-term chances of success. For example, research suggests that children who experience frequent moves during their youngest years are far less likely to graduate from high school.

Children who move at least three times between the ages of 4 and 7 are 13 percent less likely to graduate from high school.

Affordability crises

Many American families have been entrenched in one housing crisis or another since long before the word *subprime* became a household term. Low-income families—or those living at or below 200 percent of the poverty threshold—are particularly at risk. For a family of three, 200 percent of the poverty threshold is an annual income of \$31,500.

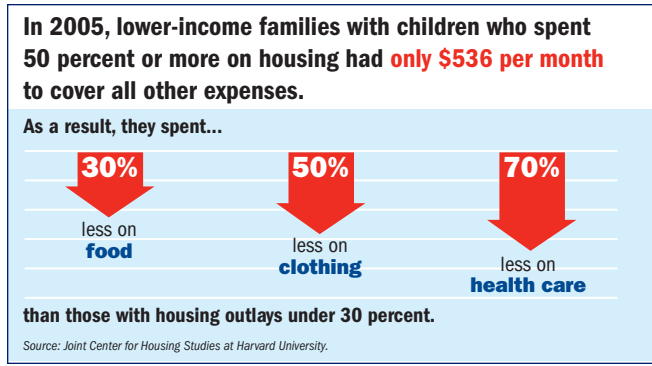
As of 2005¹:

- In 44 states, more than half of low-income families with children were “housing-burdened,” spending 30 percent or more of their income on housing. This put them at risk of having to make difficult tradeoffs among necessities such as food, child care and health care to pay their mortgage or rent;

- In ten states, at least two-thirds of low-income families were housing-burdened;
- In four states, including California, three quarters or more of such families were burdened.

While a recent estimate by First Focus puts the number of children and youth who are losing their homes through foreclosures at 1.95 million, reverberations from the crisis are being felt by countless others through the rental markets. Many renters are being evicted from their homes when their landlords go into default. Others are being squeezed by increased demand in the low-cost rental market. That market is already tight, due to a combination of few low-end market-rate units and a dearth of subsidized units. Those entering the rental market because of the foreclosure crisis add many thousands to those looking for affordable places to live.

Renters are inherently more vulnerable than homeowners, and shocks in the housing market can hit them especially hard. They are also more likely than owners to be low-income, leaving them less of a cushion when times are hard. While the current foreclosure crisis illustrates this fact all too well, lack of access to affordable rental housing is hardly a new phenomenon. Nearly ten years ago, the U.S. Department of Housing and Urban Development reported that 5.4 million American families were “in a housing affordability crisis,” paying more than half of their income for rent. Severe housing burden continues to affect renters in every state in the country. The percentage of families with young





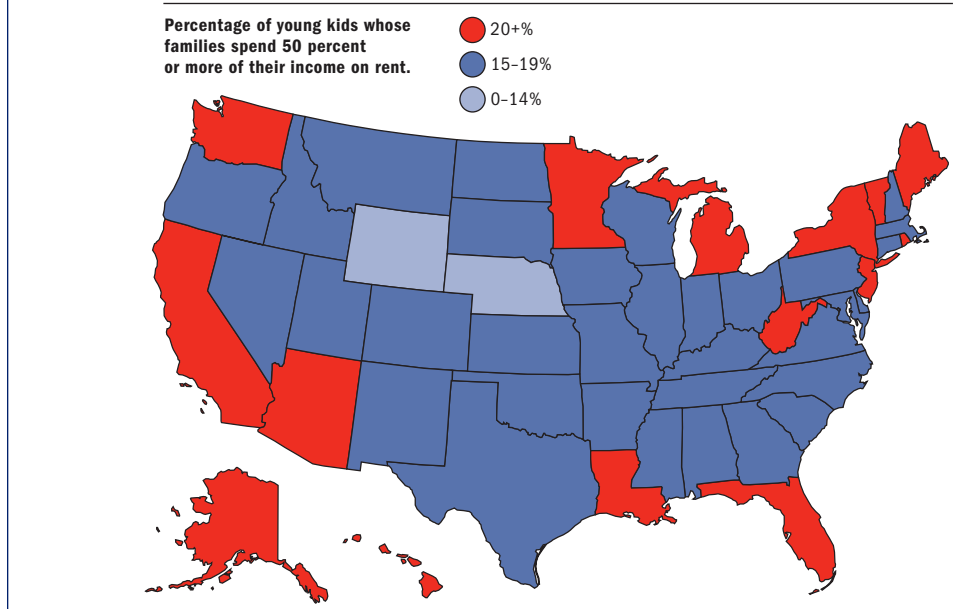
children paying over 50 percent of their income in rent ranges from just over one in ten in Nebraska to nearly one in every four in New York.

Young children need a stable home.

Established routines and familiar surroundings provide young children with an important sense of comfort and security. Even a change in naptime or regular babysitter can disrupt sleep and cause temporary behavioral problems. When a young child is unexpectedly and repeatedly thrust into unfamiliar settings, those effects can become much more severe. Studies have shown that children who are bounced around from one care provider to another are likely to have impaired playing capacity as preschoolers—one predictor of later social and academic performance. On average, these children also make less academic progress in first grade. Of course, children are generally resilient and capable of adjusting, but when multiple moves are involved, that capacity can be diminished. Indeed, one rigorous study found that subjecting young children to multiple moves significantly reduces their odds of high school graduation, even after controlling for other factors affecting school attainment. Among kids studied, an average of 82 percent graduated from high school. However, mobility sharply changed those odds²:

- With three moves at any point in childhood, the probability fell very slightly to 80 percent;
- When the three moves happened during adolescence, the probability fell to 74 percent; and

Figure 1. Severe Housing Burden: Renter Families with Children Under 6³



Severe rental burden is defined as a family spending 50 percent or more of its income on rent.

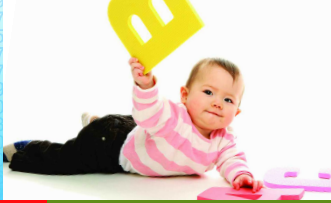
- When the moves took place in early childhood (between ages 4 and 7), the probability of graduation dropped to just 71 percent, or 13 percent below the baseline of 82 percent.

Low-income children move three times as often as their peers, and this has been shown to be particularly damaging for children who are otherwise vulnerable. While kids can be remarkably resilient in the face of adversity, children with multiple risk factors have less of a cushion—financial, psychological, physical and emotional—to help them survive frequent moves

The impact of mobility on academic performance is surprisingly strong.

One recent study concluded that, if the high level of mobility among poor students were reduced to that of their non-poor peers, the income-based test score gap would shrink by **7%**. If the relatively high level of mobility among black students were reduced to the level of their white counterparts, this alone would reduce the black-white test score gap by **14%**.⁴

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31.12	AmeriCap			1.01	-08	49.50	31
38.88	AmeriCap			1.01	-08	49.50	38



without falling behind cognitively or socially. Approximately 39 percent of all children live in a home not owned by a family member, and are thus more likely to move frequently. Elementary school-age children living in homes owned by their families have been shown to have better home environments, higher math and reading scores and fewer behavioral problems than do children of renters, even after accounting for socioeconomic and demographic variables.

Young children need their own home. The line between excess mobility and homelessness can be a difficult one to draw. At what point is a child who has lived in three different apartments, slept on four friends' and relatives' sofas, and attended seven elementary schools in the course of two years not excessively mobile but homeless? An extreme source of stress, homelessness is linked to anxiety and depression in nearly half of all homeless children. Difficulty with social development, poor performance on achievement tests, grade repetition and behavioral problems are also all strongly correlated with homelessness. And the statistics paint a picture of the U.S. homeless population that is quite different from what many of us might envision:

- Each year, 4 to 6 percent of America's poor become homeless; in 2006, this translated to between 1.5 million and 2.2 million people;
- As of 2002, families with children represented 41 percent of the homeless population and were the fastest-growing segment of homeless;
- The "typical" homeless family is a single mother in her 20s with two young children, ages 5 or younger.

Children who are homeless or have inadequate housing may also be separated from their parents by child protective services and placed in foster care, creating additional stress. One survey of homeless families in San Diego reported 18 percent having a child placed in foster care. Homelessness is the reason for foster placement for as many as three in ten foster

One family's story

Finding a better, higher-paying job at Costco proved to be a mixed blessing for Vicki Steele, a single mother from Lorain, Ohio. No longer eligible for subsidized housing, Vicki decided to try her hand at homeownership. She had tired of putting most of her paycheck toward a house that she would never own. "I wanted a piece of the American dream," she says.

Vicki moved her daughters Alessis, then 6, and Taryn, then 15, from their well-lit Section 8 townhouse to a home that was for sale by owner. She purchased the home with their father in the hopes of cobbling together a family.

When the monthly payments on her adjustable-rate mortgage rose from \$853 to \$1,300, Vicki fell behind. She hadn't anticipated the hike, and her new salary at Costco wasn't enough to keep up. "I ended up holding the bag with the home and two girls, and I couldn't afford to pay the mortgage," she says. Sewer disruptions began to cause flooding in the basement—and Vicki had no money for repairs. Black mold grew, creating a health hazard for the girls. Both daughters were forced to change schools, and Taryn was sent to spend her senior year of high school with her grandmother in a different city.

After being forced into foreclosure, Vicki and Alessis moved—for the second time in a few years—into a dry rental.

children, yet as few as one in 50 parents of all foster children has received any housing assistance. This represents not only unnecessary trauma to children and parents, but also inefficient expenditures for states. According to one study, all 50 states and the District of Columbia currently spend more to place children in foster care and provide supportive housing afterwards as part of the effort to reunite those families than they would if they prevented foster care placements by providing supportive housing from the start⁵.



Young children need a healthy home.

Early in life, kids explore their physical environment with determination, intensity and wonder. As curiosity leads them to taste, smell and touch everything within reach, young children may crawl into a multitude of dangers. The risks—and consequences—of housing that is physically unhealthy or unsafe are particularly dire for babies and toddlers. The presence of lead and other toxins, vermin, poor ventilation, lack of plumbing, inadequate heating or cooling, and asthma triggers such as dust and mildew pose serious challenges to healthy early childhood development—and, in turn, academic achievement.

Housing quality is much less of a problem than was true 30 or 40 years ago, but it remains a real issue in many areas. For example, nearly one in four Texas families report pest infestations, with more families than in any other state also expressing concerns that their home is unsafe⁶.

In pest-infested homes, children may contract diseases, get bitten by animals sharing the floor with them or ingest the toxic chemicals used to try to get rid of the insects. As a result, children living in such homes may, by necessity, be restricted by their parents from engaging in the types of activities that promote their healthy development. Lead poisoning, the most common cause of environmental disease in children, causes reduced IQs, behavioral problems, and impaired growth and neurological development. Children under the age of 6 are especially vulnerable, as their brains and central nervous systems are still developing, and lead can interfere with this process.

Young children need room to grow and think.

Overcrowded housing can create physical hazards for young children, and turn naptime, playtime and bedtime into difficult tasks. Children living in close quarters with family members often have difficulty concentrating as a result of the persistent noise (chatter,

television, arguments) that serves as a frustrating soundtrack to their early years. Overcrowding has also been linked to delayed cognitive development. Nationwide, one in ten children lives in a crowded home, where more than two people share a bedroom. Among low-income kids, that number is twice as high: one out of every five lives in an overcrowded home⁷.

The consequences of overcrowding become more evident as children enter elementary school. Without adequate space to read, think, focus, write and sleep soundly, children are likely to find succeeding in school a daunting task. Overcrowding has been linked with a range of challenges for school-aged children, including lower reading skills, psychological problems, behavioral problems and feelings of helplessness. For parents, overcrowding can also lead to psychological distress, making it difficult for them to form strong, healthy bonds with their children.

Young children need a safe neighborhood.

Not only the house, but also the neighborhood in which children spend their earliest years can promote or interfere with healthy early social and cognitive development. Living in nonviolent, peaceful neighborhoods helps young children get the sleep and rest they need to grow. Unfortunately, those young children most at risk are also most likely to live in neighborhoods that are neither healthy nor safe, as their families have few options. Parents living in violent neighborhoods may not allow their young children to play outside due to safety concerns. Indeed, studies show that fear of children being harmed or killed while playing outside or walking to the neighborhood park or store is a key source of stress for parents living in high-poverty neighborhoods⁸. In contrast, parents living in safe neighborhoods tend to experience less stress and exert less energy on worrying and monitoring⁹. This enables them to give more of their undivided time and attention to their children and to parent in less harsh and restrictive ways.



Later in childhood, poor neighborhoods are associated with negative peer effects, a dearth of positive role models, increased odds of engaging in delinquency, crime, drug abuse, and of becoming a teen mother, as well as increased rates of crime. When poverty is concentrated, kids experience increased adverse effects, and a harmful sense of isolation. Perhaps most critical to children's long-term success, schools in high-poverty neighborhoods tend to be income- and race-segregated, less safe, under-resourced, and much more likely to be failing.

Young children need us to act. The number of American households spending more than half of their incomes on housing is rising rapidly, and this reality does not bode well for educational attainment. Helping all families create a stable learning environment for their young children should be a priority for policy makers who are interested in bolstering academic achievement. There are actions we can take as a society to prevent children from growing up in such conditions, and to set our country, and our economy, on a better course. Proven, well-designed and affordable housing programs can help parents provide a safe, healthy place for children to learn and grow.

The Partnership for America's Economic Success was created by a group of business leaders, economists, advocates, and 13 funders, in order to document the economic impacts to the nation of proven investments in children from before birth and to age five. The Partnership is managed by The Pew Charitable Trusts.

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- 2 Haveman, Wolfe, and Spaulding (1991), "Childhood Events and Circumstance Influencing High School Completion," *Demography* 28 (1): 133-157.
- 3 PUMS, Census 2005
- 4 Hanushek, Kan and Rivkin (2004). "Disruption versus Tiebout Improvement: The Costs and Benefits of Switching Schools". *Journal of Public Economics* 88(9), August 2004, pp.1721-1746.
- 5 Harburger and White, "Reunifying Families, Cutting Costs: Housing-Child Welfare Partnerships for Permanent Supportive Housing." 2004, Child Welfare League of America.
- 6 SIPP, 2004
- 7 Vandivere, et al, *How Housing Affects Child Well-Being*, 2006.
- 8 (Kling, Jeffrey R., Jeffrey B. Liebman, and Lawrence F. Katz 2005) "Bullets don't get no name: Consequences of fear in the ghetto." In T. Weisner ed. *Discovering successful pathways in children's development: Mixed methods in the study of childhood and family life*, (Chicago, IL: University of Chicago Press, 2005).

- 9 For example, parents in Moving to Opportunity programs who moved to low-poverty neighborhoods reported less distress than their peers who remained in poor neighborhoods (Leventhal, Tama, and Jeanne Brooks-Gunn, "The Neighborhoods They Live In: The Effects of Neighborhood Residence on Child and Adolescent Outcomes." *Psychological Bulletin* 126, (no.2) (2000): 309-377). while parents living in socio-economically disadvantaged neighborhoods were more likely to perceive that their neighborhood had a negative impact on their child (Galster and Santiago 2006. "What's the 'Hood Got to Do With It? Parental Perceptions about How Neighborhood Mechanisms Affect their Children." *Journal of Urban Affairs*.)

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