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Shelter Poverty in Massachusetts, 2000-2007: An Overview

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SHELTER POVERTY IN MASSACHUSETTS

2000-2007

AN OVERVIEW

Prepared by

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The analysis utilized special tabulations of 2005-2007 American Community Survey PUMS data prepared by Roy E. Williams, Senior Research Analyst, Massachusetts State Data Center.

The views expressed herein are not necessarily those of the Hyams Foundation, The Massachusetts State Data Center, or the University of Massachusetts Boston.

Nearly half of all renter households in Massachusetts – 415,000 households – are “shelter poor.” After paying for their housing, they do not have enough resources left to meet their non-shelter needs for food, clothing, medical care, transportation, etc., at even a minimal level of adequacy. The median income of these shelter poor renters in Massachusetts is only \$14,000 a year. This is just 16 percent of the median family income for Metro Boston (AMI).

Shelter poverty is a more realistic approach to assessing affordability than the conventional 30 percent of income standard because it takes into account the cost of non-shelter necessities and taxes in Massachusetts for households of various sizes and types.*

The shelter poverty approach does not reveal a more serious problem than the conventional 30 percent of income standard. However, it does provide a more finely honed instrument for identifying which segments of the population have the most serious housing affordability problems. For example:

- About 55 percent of larger renter households with three persons or more are shelter poor, compared with about 45 percent paying over 30 percent of their incomes. This is because many families with children cannot realistically afford 30 percent of their limited incomes for housing if they are to meet their non-shelter needs adequately.
- More than 60 percent of renter households headed by a person of color are shelter poor, compared with a little over 40 percent of white-headed households. Measured on the conventional affordability standard, there is still a racial disparity (57 percent for households of color versus 46 percent for white households). However, the shelter poverty figures are more realistic because they take into account the facts that households of color on average have lower incomes and larger sizes than do white renter households.
- About 55 percent of female-headed renter households are shelter poor, the same percent who are paying over 30 percent. However, these are not entirely identical populations: specifically, some of the shelter poor are single-parent families with housing subsidies that still do not leave them with enough for their families’ non-shelter needs; while some of those paying over 30 percent are higher-income single women who are not shelter poor because they can realistically afford to pay somewhat over 30 percent.
- Between 2000 and 2007 the number of shelter poor renters increased by 75,000 households, a 22 percent jump. This occurred even though the total number of renters actually went down by 71,000 households as many renters moved into homeownership.
- In 2007 about 18 percent of homeowners – about 290,000 households – were shelter poor, a decline of two percentage points since 2000. Over 25 percent of homeowners of color were shelter poor compared with a little under 18 percent of white homeowners.

* See the Methodological Note at the end of this report for an explanation of the shelter poverty concept of affordability and how it is computed.

**TABLE R1
RENTER HOUSEHOLDS
WITH AFFORDABILITY PROBLEMS
MASSACHUSETTS, 2000-2007**

	Number of Households (thousands)		Percent of Households		Change 2000-2007		% of All		Median Income 2007
	2000	2007	2000	2007	number	percent	2000	2007	
ALL									
TOTAL	935.8	864.6			-71.2	-7.6%	100.0%	100.0%	\$ 33,400
SHELTER POOR	340.3	415.2	36.4%	48.0%	74.9	22.0%	100.0%	100.0%	\$ 14,000
PAYING 30%+	376.2	427.5	40.2%	49.4%	51.3	13.6%	100.0%	100.0%	\$ 17,900
PAYING 50%+	185.4	236.6	19.8%	27.4%	51.2	27.6%	100.0%	100.0%	\$ 10,900
LATINO									
TOTAL	94.6	114.3			19.7	20.8%	10.1%	13.2%	\$ 19,000
SHELTER POOR	57.9	79.3	61.2%	69.4%	21.4	36.9%	17.0%	19.1%	\$ 14,300
PAYING 30%+	43.4	70.5	45.9%	61.7%	27.1	62.5%	11.5%	16.5%	\$ 15,600
PAYING 50%+	23.6	42.0	25.0%	36.7%	18.4	77.8%	12.7%	17.8%	\$ 9,800
BLACK*									
TOTAL	80.8	83.0			2.2	2.8%	8.6%	9.6%	\$ 26,100
SHELTER POOR	39.0	49.0	48.2%	59.0%	10.0	25.8%	11.4%	11.8%	\$ 14,400
PAYING 30%+	36.8	47.6	45.5%	57.3%	10.8	29.5%	9.8%	11.1%	\$ 17,000
PAYING 50%+	19.2	28.1	23.8%	33.9%	8.9	46.1%	10.4%	11.9%	\$ 10,200
ASIAN-AMERICAN*									
TOTAL	46.4	51.2			4.8	10.4%	5.0%	5.9%	\$ 40,200
SHELTER POOR	21.0	24.1	45.3%	47.1%	3.1	14.8%	6.2%	5.8%	\$ 12,800
PAYING 30%+	21.1	24.7	45.6%	48.2%	3.6	16.9%	5.6%	5.8%	\$ 16,400
PAYING 50%+	12.0	14.7	26.0%	28.7%	2.7	22.2%	6.5%	6.2%	\$ 9,000
WHITE*									
TOTAL	707.7	608.1			-99.6	-14.1%	75.6%	70.3%	\$ 36,600
SHELTER POOR	220.1	258.3	31.1%	42.5%	38.2	17.3%	64.7%	62.2%	\$ 13,900
PAYING 30%+	272.4	280.2	38.5%	46.1%	7.8	2.9%	72.4%	65.6%	\$ 18,800
PAYING 50%+	129.2	149.1	18.3%	24.5%	19.9	15.4%	69.7%	63.0%	\$ 11,500
*NON-LATINO									
NON-WHITE**									
TOTAL	228.1	256.6			28.4	12.5%	24.4%	29.7%	\$ 25,300
SHELTER POOR	120.2	156.9	52.7%	61.2%	36.7	30.5%	35.3%	37.8%	\$ 13,900
PAYING 30%+	103.8	147.2	45.5%	57.4%	43.4	41.9%	27.6%	34.4%	\$ 18,800
PAYING 50%+	56.2	87.5	24.6%	34.1%	31.3	55.6%	30.3%	37.0%	\$ 11,500

**ALL MINUS WHITE NON-LATINO

SOURCE: COMPUTED FROM DECENNIAL CENSUS 2000 AND AMERICAN COMMUNITY SURVEY 2005-2007 PUMS DATA
BY MICHAEL E. STONE, U MASS BOSTON
MARCH 2009

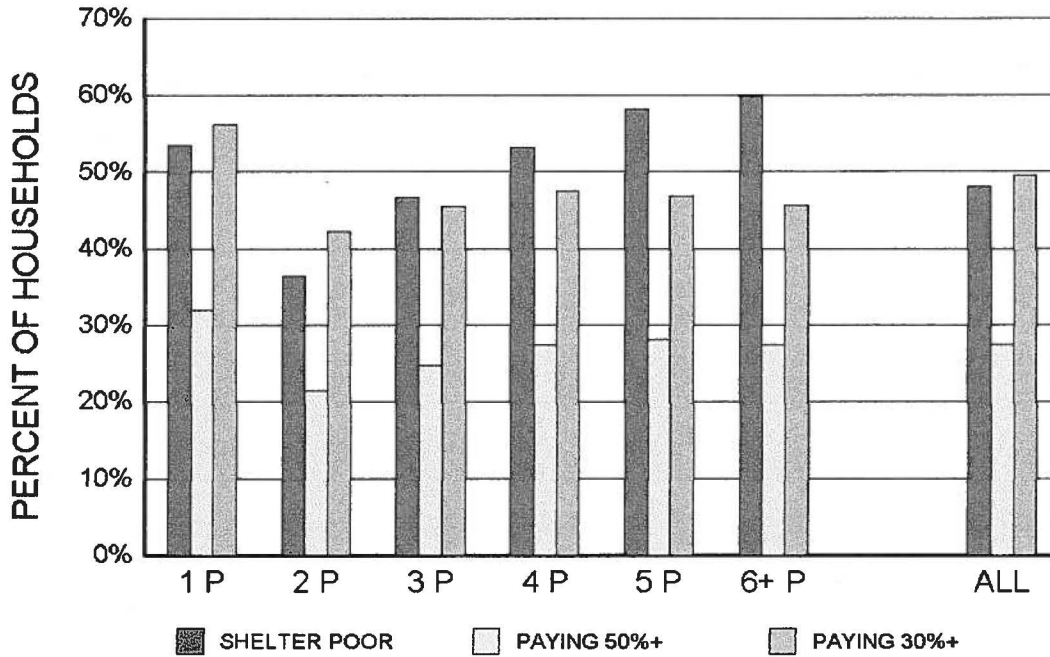
**TABLE R2
RENTER HOUSEHOLDS
WITH AFFORDABILITY PROBLEMS
MASSACHUSETTS, 2000-2007**

	Number of Households (thousands)		Percent of Households		Change 2000-2007		% of All		Median Income 2007
	2000	2007	2000	2007	number	percent	2000	2007	
ALL									
TOTAL	935.8	864.6			-71.2	-7.6%	100.0%	100.0%	\$ 33,400
SHELTER POOR	340.3	415.2	36.4%	48.0%	74.9	22.0%	100.0%	100.0%	\$ 14,000
PAYING 30%+	376.2	427.5	40.2%	49.4%	51.3	13.6%	100.0%	100.0%	\$ 17,900
PAYING 50%+	185.4	236.6	19.8%	27.4%	51.2	27.6%	100.0%	100.0%	\$ 10,900
FEMALE									
TOTAL	484.6	478.4			-6.1	-1.3%	51.8%	55.3%	\$ 26,200
SHELTER POOR	207.7	263.6	42.9%	55.1%	55.9	26.9%	61.0%	63.5%	\$ 13,300
PAYING 30%+	221.8	262.0	45.8%	54.8%	40.2	18.1%	59.0%	61.3%	\$ 15,900
PAYING 50%+	115.4	152.4	23.8%	31.8%	37.0	32.0%	62.2%	64.4%	\$ 10,400
ELDERLY									
TOTAL	176.7	154.1			-22.6	-12.8%	18.9%	17.8%	\$ 16,100
SHELTER POOR	62.7	72.7	35.5%	47.2%	10.0	15.9%	18.4%	17.5%	\$ 9,800
PAYING 30%+	88.7	88.6	50.2%	57.5%	-0.1	-0.2%	23.6%	20.7%	\$ 14,000
PAYING 50%+	43.3	50.6	24.5%	32.8%	7.3	16.9%	23.4%	21.4%	\$ 9,900
NON-ELDERLY**									
TOTAL	759.1	710.6			-48.5	-6.4%	81.1%	82.2%	\$ 38,700
SHELTER POOR	277.6	342.5	36.6%	48.2%	64.9	23.4%	81.6%	82.5%	\$ 15,400
PAYING 30%+	287.5	338.9	37.9%	47.7%	51.4	17.9%	76.4%	79.3%	\$ 19,900
PAYING 50%+	142.1	186.0	18.7%	26.2%	43.9	30.9%	76.6%	78.6%	\$ 11,300

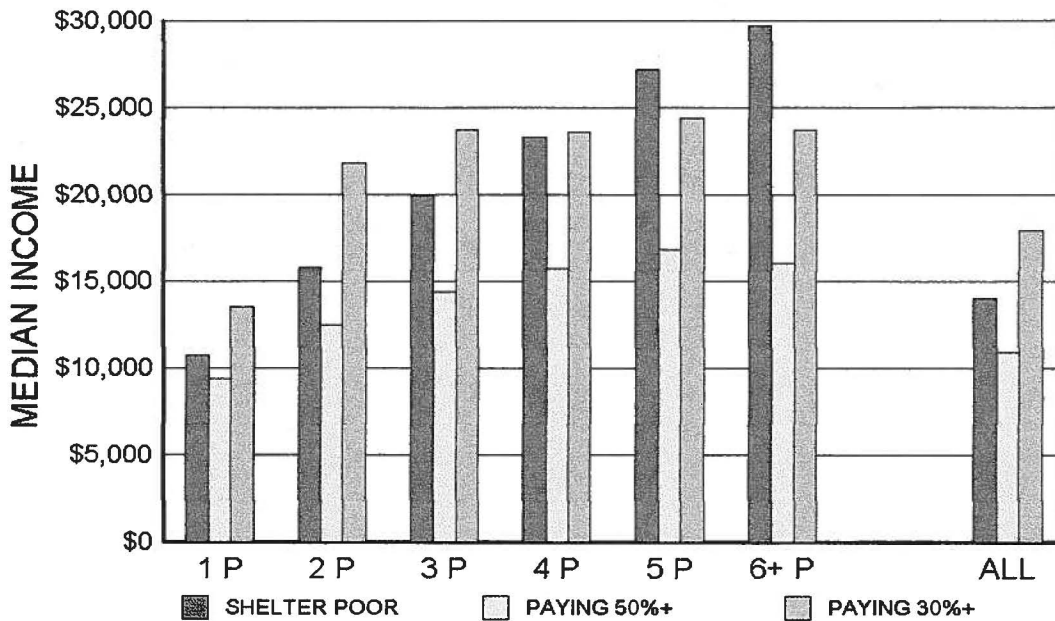
**ALL MINUS ELDERLY

SOURCE: COMPUTED FROM DECENNIAL CENSUS 2000 AND AMERICAN COMMUNITY SURVEY 2005-2007 PUMS DATA
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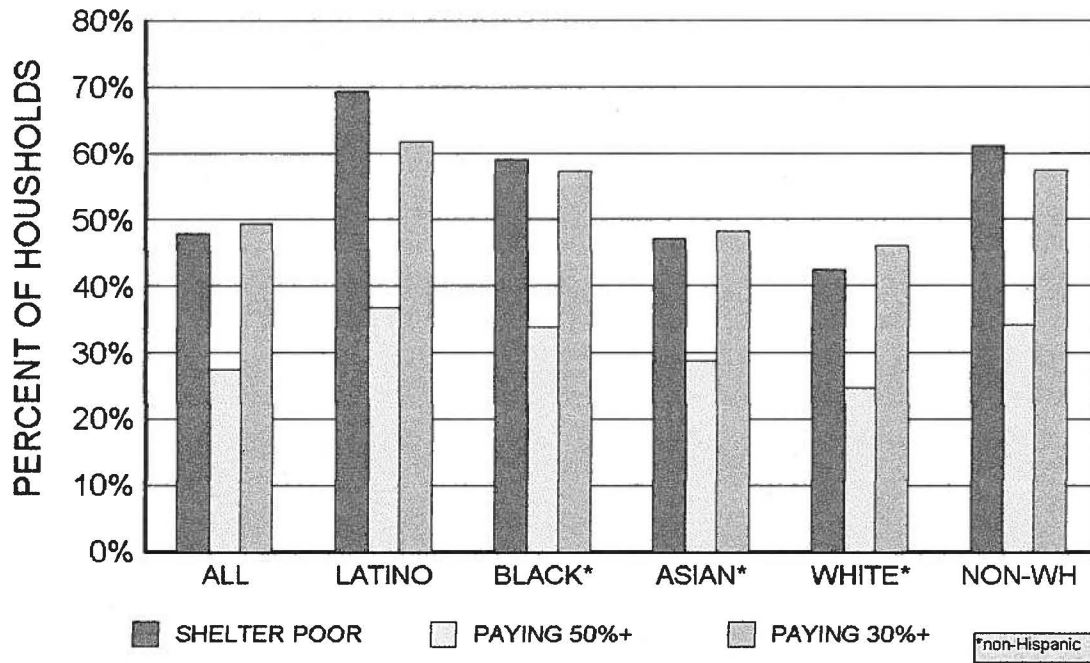
RENTERS WITH AFFORDABILITY PROBLEMS BY HOUSEHOLD SIZE, MASSACHUSETTS, 2007



RENTERS WITH AFFORDABILITY PROBLEMS BY HOUSEHOLD SIZE, MASSACHUSETTS, 2007

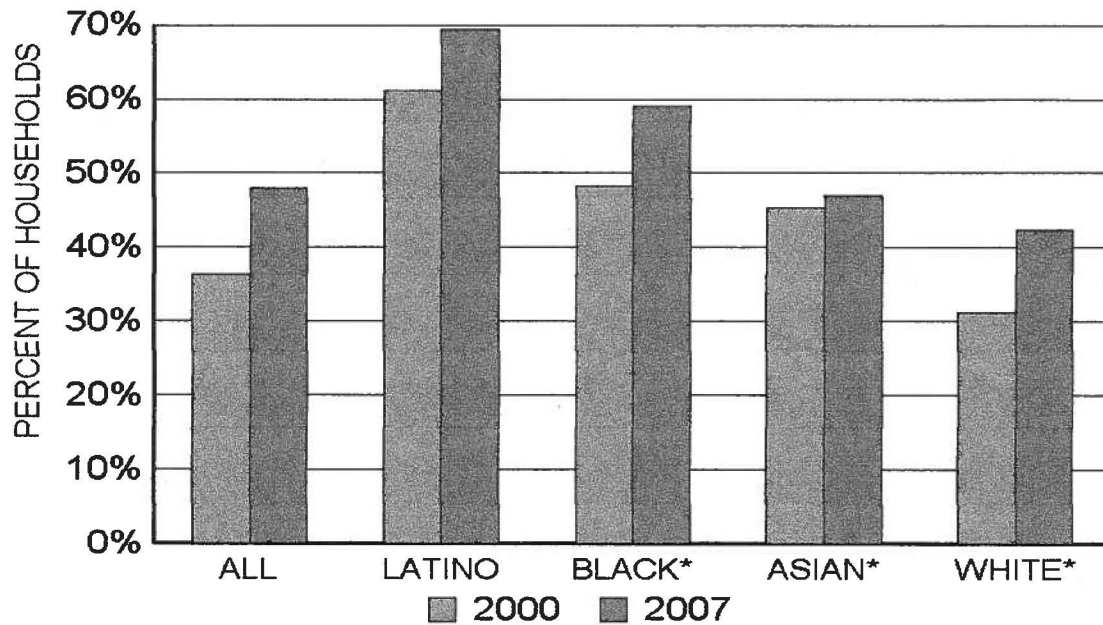


RENTERS WITH AFFORDABILITY PROBLEMS BY RACE/ETHNICITY, MASSACHUSETTS, 2007



RENTERS SHELTER POOR

BY RACE/ETHNICITY, MASSACHUSETTS, 2000-2007



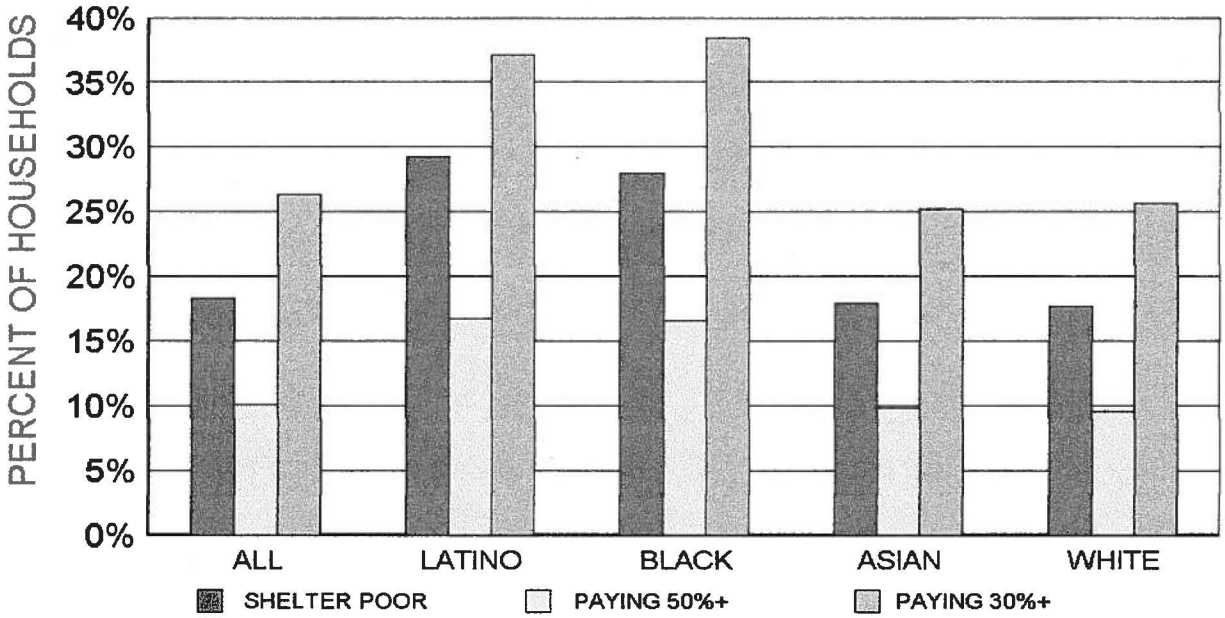
HOMEOWNER HOUSEHOLDS WITH AFFORDABILITY PROBLEMS MASSACHUSETTS, 2000-2007

	Number of Households (thousands)		Percent of Households		Change 2000-2007		% of All	
	2000	2007	2000	2007	number	percent	2000	2007
ALL								
TOTAL	1,508.9	1,584.2			75.3	5.0%	100.0%	100.0%
SHELTER POOR	310.2	290.3	20.6%	18.3%	-19.9	-6.4%	100.0%	100.0%
PAYING 30%+	398.6	417.6	26.4%	26.4%	19.1	4.8%	100.0%	100.0%
PAYING 50%+	143.9	159.5	9.5%	10.1%	15.5	10.8%	100.0%	100.0%
LATINO								
TOTAL	26.3	43.4			17.1	64.8%	1.7%	2.7%
SHELTER POOR	8.6	12.7	32.9%	29.2%	4.0	46.5%	2.8%	4.4%
PAYING 30%+	8.9	16.1	33.7%	37.1%	7.2	81.6%	2.2%	3.9%
PAYING 50%+	4.0	7.3	15.4%	16.8%	3.2	79.7%	2.8%	4.6%
BLACK*								
TOTAL	38.7	47.9			9.2	23.7%	2.6%	3.0%
SHELTER POOR	11.9	13.4	30.7%	27.9%	1.5	12.8%	3.8%	4.6%
PAYING 30%+	13.5	18.4	34.9%	38.4%	4.9	36.0%	3.4%	4.4%
PAYING 50%+	6.4	8.0	16.5%	16.6%	1.6	24.7%	4.4%	5.0%
ASIAN-AMERICAN*								
TOTAL	31.7	53.5			21.7	68.4%	2.1%	3.4%
SHELTER POOR	9.1	9.6	28.8%	18.0%	0.5	5.3%	2.9%	3.3%
PAYING 30%+	9.6	13.5	30.2%	25.2%	3.9	40.7%	2.4%	3.2%
PAYING 50%+	3.6	5.3	11.4%	9.9%	1.7	46.0%	2.5%	3.3%
WHITE*								
TOTAL	1,407.7	1,434.4			26.7	1.9%	93.3%	90.5%
SHELTER POOR	280.5	253.9	19.9%	17.7%	-26.7	-9.5%	90.4%	87.5%
PAYING 30%+	366.6	367.2	26.0%	25.6%	0.6	0.2%	92.0%	87.9%
PAYING 50%+	129.9	137.7	9.2%	9.6%	7.9	6.0%	90.3%	86.4%
*NON-LATINO								
NON-WHITE								
TOTAL	101.1	149.8			48.7	48.1%	6.7%	9.5%
SHELTER POOR	29.7	38.0	29.3%	25.3%	8.3	28.0%	9.6%	13.1%
PAYING 30%+	32.0	50.5	31.6%	33.7%	18.5	57.9%	8.0%	12.1%
PAYING 50%+	14.0	21.7	13.9%	14.5%	7.7	54.7%	9.7%	13.6%

**ALL MINUS WHITE NON-LATINO

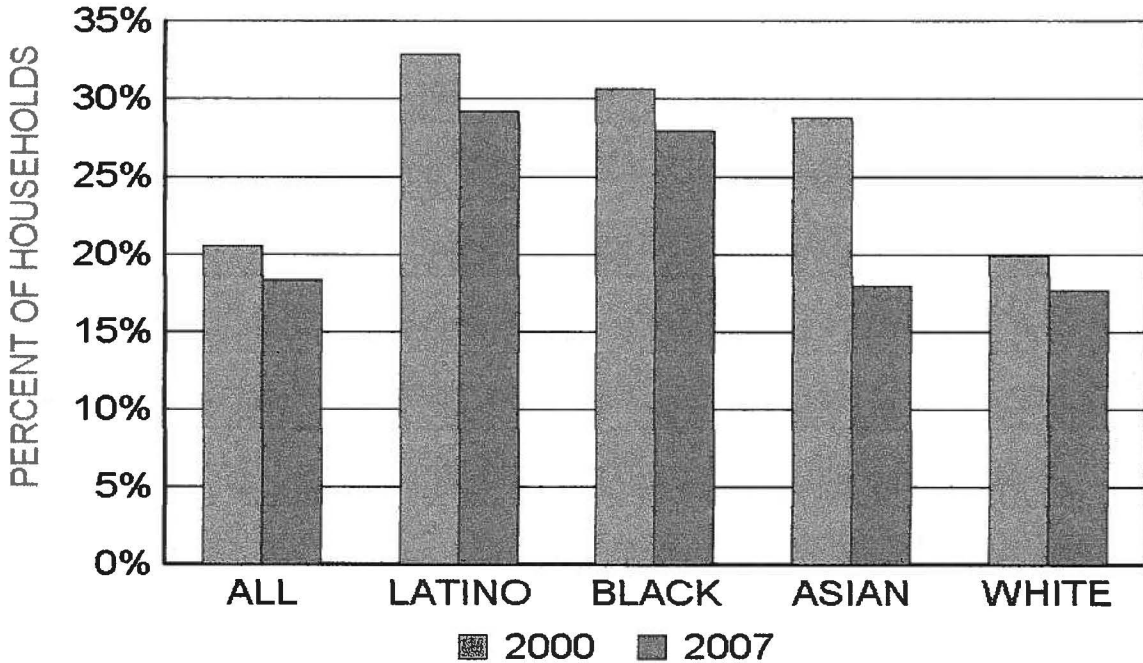
SOURCE: COMPUTED FROM DECENNIAL CENSUS 2000 AND AMERICAN COMMUNITY SURVEY 2005-2007 PUMS DATA
BY MICHAEL E. STONE, U MASS BOSTON
MARCH 2009

HOMEOWNERS WITH AFFORDABILITY PROBLEMS BY RACE/ETHNICITY, MASSACHUSETTS, 2007



HOMEOWNERS SHELTER POOR

BY RACE/ETHNICITY, MASSACHUSETTS, 2000-2007



Shelter Poverty in Massachusetts, 2000-2007

Methodological Note

The Shelter Poverty standard of housing affordability is a residual income approach that is more realistic than the conventional ratio or percent-of-income approach. It is a sliding scale of affordability, based on a sound theoretical and logical foundation, that takes into account household differences and the relationship between housing and non-shelter costs (Stone, 1993, 2006a, 2006b, 2006c).

The shelter poverty approach begins with recognition that housing costs generally make the first claim on a household's after-tax income, with other expenditures adjusting to what is left after paying for housing. A household thus has an affordability problem if, after paying for housing, it has insufficient resources left to meet its non-shelter needs at some minimal level of adequacy. Such a household is "shelter poor" – a form of poverty resulting not from limited income alone, but from the squeeze between incomes and housing costs. Shelter poverty expresses and measures how the relationship between housing costs and incomes determines not only the quality of people's housing and where they live, but also their ability to meet their non-shelter needs.

The shelter poverty approach provides a sliding scale of affordability because, in general, a larger household would have to spend more of its income to meet its non-shelter adequately than would a smaller household. It also recognizes that a higher income household of a given size and type can, on average, afford to spend more for housing, as a percent of income not just in dollars, and still meet its non-shelter needs adequately.

Three essential elements enter into operationalizing the shelter poverty concept and utilizing it to determine not only whether an individual household has an affordability problem, but the extent and distribution of affordability problems:

1. After-tax incomes;
2. Housing costs;
3. The cost of non-shelter necessities at a minimal level of adequacy.

After-Tax Income

Census Bureau datasets that are utilized for housing affordability analyses (Decennial Census, American Housing Survey, and American Community Survey) only provide before-tax household incomes, and all housing affordability studies present results by before-tax income. So it is necessary to compute personal taxes as a function of gross income and household composition to determine after-tax income available for housing and non-shelter necessities. Such computations have been carried out for an array of household types and thousand dollar intervals of gross income.

For non-elderly households, computations are carried out for two-adult, married-couple households of two to six persons and for one-adult households of one to six persons. For these household types it is assumed that all income is from wages and salaries. FICA taxes are computed at the standard rate. Federal income taxes computations assume that households take the standard deduction and exemptions based on household size and type. The federal earned income tax credit (EITC), child credit and additional child credit are all explicitly taken into account. State tax computations take into account exemptions based on number of children, presence of young children (in lieu of childcare expenses), as well as the renter deduction, state earned income tax credit, and the limited income credit.

For elderly households, the computations are carried out for single persons and married couples. For these households income is assumed to be from social security retirement benefits up to the maximum, with any additional income coming from taxable pensions. Federal income tax computations assume the standard deduction and exemptions based on household size and taxation of a portion of social security benefits above the thresholds for total income based on household size. State income taxes are based on the standard exemption and take into account the renter deduction and the senior circuit breaker.

Housing Costs

Housing costs reported in the Census Bureau datasets are out-of-pocket expenditures for all costs including utilities. They are therefore net of any housing subsidies, i.e., any housing subsidies are explicitly incorporated into the reported housing costs.

Non-Shelter Standard

The normative standard for non-shelter necessities consists of the non-shelter, non-tax components of the Bureau of Labor Statistics Lower Budgets, updated using corresponding components of the Consumer Price Index. (For discussion of the choice of the BLS Lower Budget components, see Stone, 1993, Appendix A, and Stone, 2006c.) For the Massachusetts shelter poverty standard, the Metro Boston BLS Lower Budget and CPI have been utilized.

The BLS Lower Budget components for food and medical care do not take into account potential receipt of Food Stamps and Medicaid. To estimate the implications a sensitivity analysis has been carried out for four-person, married-couple renter households to determine how much the incidence of shelter poverty among this group would be affected if every eligible household were to receive Food Stamps and Medicaid. The process began by recomputing the shelter poverty scale as a function of income, consisting of reducing the updated BLS Lower Budget food cost element by Food Stamps as a function of income (GettingFoodStamps.org) and setting the BLS Lower Budget medical cost element to zero for those eligible for Medicaid (MassResoures.org).

Utilizing the revised shelter poverty scale for four-person families in 2007, the number of shelter poor households would be eleven percent lower if all eligible households received Food Stamps and Medicaid than if none did. The incidence of shelter poverty would be reduced by six percentage points, from 53 percent without benefits to 47 percent with. These benefits have no effect on shelter poverty among households with incomes below \$15,000; the benefits reduce but do not eliminate the gap between what they pay and what they can afford. The greatest impact is among households with incomes between \$15,000 and \$30,000: If none were to receive these benefits their incidence of shelter poverty would be nearly 100 percent; if everyone eligible were to receive benefits, the incidence would be about 70 percent.

The reality, of course, is that some but not all eligible households receive Food Stamps and Medicaid. In 2007 the “take up” rate for Food Stamps in Massachusetts was only about 34 percent, and the “take up” rate for Medicaid was about 60 percent (Boushey, Albelda and Zipperer, 2007, p. 24, Figure 4A, and p. 27, Figure 6A). These findings imply that the shelter poverty results reported herein at most overstate the number of shelter poor renters by about five to six percent and at most overstate the incidence by about three percentage points.

On the other hand, the BLS Lower Budgets did not include a component for childcare expenditures. This means that the derived shelter poverty standard assumes no out-of-pocket expenditures for childcare, i.e., the household is assumed either to receive a full childcare subsidy or has non-cash childcare arrangements. To the extent that a household does have out-of-pocket childcare expenditures, the maximum that they could afford for housing would be reduced by this childcare expenditure, i.e., they would be more likely to be shelter poor. This would have the effect of increasing computed shelter poverty, thus somewhat offsetting the potential reduction described in the preceding paragraphs. Since the effective coverage of childcare assistance in Massachusetts in 2007 was about 38 percent (Boushey, Albelda and Zipperer, 2007, p. 20, Figure 2A), the offsetting effect on shelter poverty of families failing to receive childcare assistance is not insignificant.

In sum, while non-cash benefits certainly can reduce the likelihood of being shelter poor, especially for households with incomes between \$15,000 and \$30,000, the offsetting effect of those *not* receiving one or more benefits means that taking into account actual receipt of non-cash benefits would result in only slight changes in the aggregate numbers and percents of shelter poor households as presented in this report. For the most part, these changes lie within the sampling errors of the datasets.

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