



THE HUNGER CENTER OF NORTH TEXAS

An initiative of the North Texas Food Bank

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THE HUNGER CENTER
OF NORTH TEXAS

Mission:

Build knowledge to fight hunger.

Methods:

Basic Research

Program / Partnership Development

Evaluation

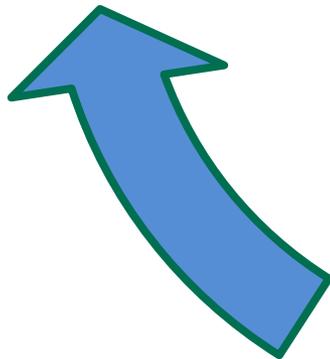
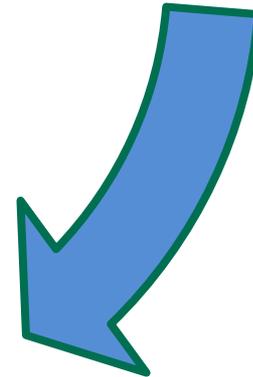
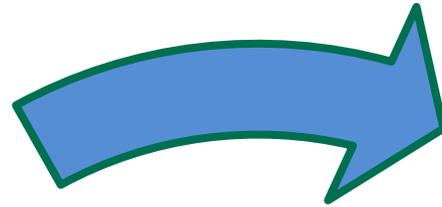


THE HUNGER CENTER
OF NORTH TEXAS

Financial
Security

Food
Security

Health



Financial Literacy and Food Security in Extremely Vulnerable Households

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Southern Methodist University, Department of Economics

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Food Security Levels

USDA Household Food Security Survey Module

Food Secure

High
Marginal

Food Insecure

Low
Very Low

All U.S. Households

USDA - 2013 Estimate

Food Secure

85.7%

Food Insecure

14.3%

Households in Poverty

USDA - 2013 Estimate

Food Secure

57.9%

Food Insecure

42.1%

Households > 185% of Poverty

USDA - 2013 Estimate

Food Secure

93.3%

Food Insecure

6.7%

Food Security

If poverty \neq hunger...

If income doesn't tell the whole story...

- What else can put a household at risk?
- Which risk factors can we respond to through integrated services?

Financial Literacy

US Government Accountability Office definition:

Financial literacy is the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges associated with life events such as a job loss, saving for retirement, or paying for a child's education.

- Economists have paid increasing attention to
 - **Measurement** of financial literacy
 - **Consequences** of financial illiteracy
- We know
 - Financial literacy is low across countries, demographic groups, and income levels
 - Financial illiteracy is consequential

Research Method

- Cross-sectional survey of 1,009 individuals at 38 North Texas Food Bank (NTFB) Partner Agency food pantries.
- Survey locations throughout the Dallas area and in several rural communities.
- Administered in both English and Spanish.
- Participants given a \$20 Walmart gift card for their time.
- Data collected from March - September 2014.

Data Collected

- USDA Food Security Survey Module (long-form)
- Demographics
- Employment and income sources
- Food sources
- Health
- Social networks
- Experience with the criminal justice system

and...

Financial literacy questions, covering:

Knowledge (e.g. how well you understand how interest rates work)

Practices (e.g. whether you use a budget, how often you review bills for accuracy, if you pay bills with a checking account, etc.)

Confidence (e.g. how confident you are in your ability to manage your money)

Beliefs (e.g. whether money management is an important value for you)

Questions were adopted from established survey tools.

Financial Literacy Index

These four elements were combined to generate a single score – an index of **financial management skill** or **financial literacy**.

- **Knowledge** (0-10)
- **Practices** (1-5)
- **Confidence** (0-40)
- **Beliefs** (0-20)

The index is normalized to have a mean of zero and a standard deviation of one.

Econometric Model

α

Dependent Variables

- Food insecure vs. food secure
- Very low food secure vs. not very low food secure

β

Control Variables

- Demographics (age, gender, race, immigrant, primary language, education, marital status, household size)
- Resources (income, debt, assets, safety net participation)
- Food sources
- Zip code
- Financial literacy index

θ

Estimation Techniques

- Ordinary Least Squares
- Instrumental Variables (GMM, Probit)

Results

The researchers found economically and statistically significant causal effects.

1 standard deviation increase in financial literacy (less than movement from the 25th to 75th percentile) = **18 percentage point decrease in probability of being food insecure**

1 standard deviation increase in financial literacy (less than movement from the 25th to 75th percentile) = **20 percentage point decrease in probability of being *very low* food secure**

Results

If we can generalize to all food insecure households in the U.S. in 2013...

**1 standard deviation
increase in financial literacy**
(less than movement from the
25th to 75th percentile)

=

Food insecure
households decrease
from **17.5 million** to
14.4 million

**1 standard deviation
increase in financial literacy**
(less than movement from the
25th to 75th percentile)

=

Very low food secure
households decrease
from **6.8 million** to
5.5 million

Conclusions

- Stronger financial management skills can significantly enhance food security.
- Among the four factors tested, financial *practices* are the most important. They produce the largest positive effect from the smallest improvement in score.
- Aligning services that support stronger financial management with food assistance is a good investment in long-term household food security.

Next Steps

Broaden the Scope - The study population is a special, self-selected group – food pantry clients. Food insecurity is a broader experience. We are exploring opportunities to replicate the survey in the general population.

Apply the Findings - The North Texas Food Bank is the largest and most connected nonprofit service organization in our area. We have unique opportunities to:

- Form strategic partnerships with organizations that fund or provide effective financial capability services
- Raise the profile of these critical services
- Help ensure that food insecure households have access to them

Service Innovation in the Dallas Area



2012 Dallas Assets and Opportunity Profile

- This report has helped focus efforts and build momentum. A regional Asset Funders Network chapter now exists.



Data Driven Decision Making (D3) Institute

- Capacity building for agencies serving the working poor

Working Family Success Project

- Training and investment in an evidence-based, integrated service model



Common Outcomes Project

- An effort at aligning goals and performance measures across service types, including financial education



Dallas Information Exchange Portal (IEP)

- A data sharing platform that will enable unprecedented service integration among nonprofit organizations



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