The Importance & Impact of Cars for Family Economic Success

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This webinar is sponsored with a grant from the Annie E. Casey Foundation and is one of a series of webinars about working cars for working families. December 9, 2010
Presenter – John Van Alst

• Joined NCLC in 2006 as a Staff Attorney at the Center’s Washington, DC Office.
• At NCLC John specializes in issues related to car sales and finance.
• Prior to joining NCLC John work for seven years as an Attorney with Legal Aid of North Carolina.
• While at Legal Aid he focused primarily on consumer issues. He was also the Chair of the North Carolina Consumer Law Task Force.
• Research economist and manager of the research team in the Community Affairs department.
• She joined the Richmond Fed in June 2010, prior to which she was an assistant professor at the University of Illinois at Urbana-Champaign.
• Urvi specializes in Labor and Demographic Economics and Consumer Finance.
Professor Blumenberg's research examines the effects of urban structure--the spatial location of residents, employment, and services--on economic outcomes for low-wage workers, and on the role of planning and policy in shaping the spatial structure of cities.

Dr. Blumenberg has investigated the relationship between the spatial structure of urban areas and economic equality; gender and U.S. local economic development planning; neighborhood economies and welfare dynamics; the travel behavior of welfare recipients and immigrants; and interagency-collaboration.

Professor Blumenberg teaches courses on planning history and theory, urban poverty, transportation and economic development, and urban policy.
Martin started Vehicles for Change (VFC) in April 1999 with a $30,000 grant from Precision CertiPro Warehouse, an auto parts distributor. The program awarded its first car in Carroll County, Maryland, awarding 5 cars per month. Martin has directed an expansion that included Baltimore City and 12 other Maryland counties, most of Virginia, and Washington, DC. VFC has changed the lives of more than 10,000 individuals through the awarding of more than 3,300 cars. Today 35 to 45 cars are awarded monthly.

VFC was selected as a “best practice” organization in a national study completed by the “National Economic Development and Law Center”.

In 2005 Martin started Freedom Wheels, a retail used car business. A fully owned subsidiary of VFC Freedom Wheels netted in $260,000 in 2010 and gross sales of $1.3M and provided a net income of $314,000 for VFC. He was selected as the University of Baltimore 2007 Social Entrepreneur of the Year and the Baltimore Visitors and Convention Bureaus “Sales Person of the Year” award.

Martin co-authored a book on Social Enterprise titled *Effective Social Enterprise: Practical Advice and Best Practices from Leaders in the Field* and serves on the Baltimore Workforce Investment Board.
Agenda:

• Urvi- Setting the Stage
  – Questions
• Evelyn- Existing Research
  – Questions
• Marty- Putting faces to the research
  – Questions
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For more information

• To subscribe to the listserv of those interested in Cars and Working Families just go to: http://lists.nclc.org/subscribe/ and check the Auto Ownership, Finance, and Policy list

• Visit the following website:
  – National Consumer Law Center’s Auto Page:
    • http://www.consumerlaw.org/issues/auto/index.shtml
Importance and Impact of Cars for Family Economic Success

Urvi Neelakantan
Outline

• Motivation: why focus on cars for working families?
• Research
  • Identifying research needs and primary research questions
  • Getting to the answers
    • Overview of existing research
    • What we need to conduct further research
      • Data
      • Analysis
• Conclusion
Why focus on cars for working families?

The majority of workers drive to work

- Over three-fourths of workers 16 years and older drive alone to work.
- Between 1990 and 2000, the share of people driving alone increased, while the share of all other categories decreased.

Means of Transportation to Work (2000)

- Drove Alone: 76%
- Carpool: 11%
- Public Transit: 5%
- Other: 8%

Source: Journey to Work: 2000, Census 2000 Brief
Why focus on cars for working families?

Transportation is a significant expenditure

- Transportation is second only to housing in share of average household expenditures.
- A third of transportation expenditures is for vehicle purchase; another third for gasoline and motor oil.
- Expenditure shares are nearly constant across income levels.

Source: Transportation Energy Data Book, US Department of Energy
Identifying research themes: selected responses from last event

Theme 1: Benefits

• “We would be interested in seeing data regarding the impact of a car on a families success.”

• “… the impact a car can have on a families' success.”

• “Long term benefits of providing vehicles to low income families.(Did they maintain the vehicle, get a better job, get off Social Services, etc.)”

• “Earnings after 12 months of car ownership lifestyle impact family impact.”

• “Updated information on the impact of auto ownership on homeless and transitional families.”
Identifying research themes: selected responses from last event

Theme 2: Financing

• “Data regarding families' ability to get a car at fair terms ...”
• “Additional info on alternative lending products to affordable car loans, and the interest rates charged to low-income individuals. More info on predatory lending practices.”
• “…impact the "Cash for Clunkers" had on the ability of the working poor to purchase a used car at a reasonable price and also the greatly reduced number of donated cars ...”
Theme 3: Car ownership in a broader policy context

• “Cost analysis of Federal fund assistance invested in private transportation for rural communities and how it relates to job retention vs. utilizing cash assistance programs.”
Primary research questions

• What is the impact of car ownership on household economic well being?
  • Ability to get different types of jobs
  • Tenure in jobs

• What are the financing barriers to car ownership among low income households?
  • Evidence of discrimination in lending practices?

• How does supporting car ownership fit into the context of other policies focused on low-income households?
What do we know so far?

• Transportation services, particularly cars, can lead to enhanced economic outcomes (Blumenberg and Waller, 2004)
• Car ownership is important for individuals and families who make several trips in a day (Blumenberg, 2004)
• E.g. single mother goes to work, takes child to school, and shops)
• Car owners have higher employment rates and shorter unemployment spells (Holzer et al, 1994; O’Regan & Quigley, 1999; Raphael & Rice, 2002)
• Evidence of car ownership on wages is mixed (Ong, 1996; Raphael & Rice, 2002)
• Car ownership has a positive effect on the employment of minorities (Raphael and Stoll, 2001)
Information needed for further research

- Data on low income households who own cars
- Data on *comparable* households who do not own cars
- Measures of economic well being for both sets of households (e.g., employment status, income, assets, debts, independence from social services)
- **Impact of car ownership on household economic well being**
  - Measure of the gap in economic welfare between the two sets of households
  - Analysis to identify factors contributing to this gap
    - If the households are otherwise comparable, then should be able to identify effect of car ownership
    - Mechanism/framework/empirical test that supports effect of car ownership on well being
- **Financial barriers to car ownership among low income households**
  - Comparison of the two sets of households to identify possible factors (e.g. access to credit)
Information needed for further research

- Evidence of discrimination in car lending practices
  - Can borrow techniques from large literature on discrimination in lending for other products and services
  - Need data on creditworthiness of borrowers (debt burden, loan-to-value ratio, income, credit history)
  - Need data on denial and default rates from lenders
  - Possible evidence of discrimination:
    - Higher rates of denial for borrowers of identical creditworthiness who belong to a different segment of the population
    - Equal rates of denial observed between two segments of population with different levels of creditworthiness (Ferguson and Peters, 1995)
Conclusion

• Aggregate-level data highlights importance of car ownership

• Research shows positive correlation between car ownership and employment outcomes

• Further research needed to quantify:
  • Long-term economic benefits of car ownership for low-income households
  • Financial barriers to car ownership
  • Costs and benefits of supporting car ownership in the context of other policies

Call for proposals to carry out further research
Importance & Impact of Cars for Family Economic Success

Evelyn Blumenberg
UCLA School of Public Affairs
December 9, 2010
Importance & Impact of Cars for Family Economic Success

1. Travel Patterns of Low-Income Families

2. The Auto Advantage

3. Automobiles and Economic Opportunity
Travel Patterns of Low-Income Families

- Auto Ownership
- Travel Mode
- Trip Purpose
- Commute Distance
- Trip Chaining
Automobile Ownership

• Most low-income persons live in households with cars.

• Auto ownership varies substantially by race/ethnicity.

• Members of low-income households have less access to household vehicles than members of higher income households.
% Persons in 0-Vehicle Households by Poverty Level (2006-08)

% Persons in 0-Vehicle Households
by Poverty and Race/Ethnicity (2006-08)

NH White
- Poverty: 14%
- Above Poverty: 3%

Black
- Poverty: 35%
- Above Poverty: 10%

Asian
- Poverty: 22%
- Above Poverty: 6%

Hispanic
- Poverty: 21%
- Above Poverty: 7%

Reliable Access to Cars

Reliable Use of Car
Ratio: Cars to Drivers

Source: 2009 National Household Travel Survey.

Reliable Car

“Maybe we should try getting by with just one car.”

The New Yorker, August 29, 2005
Travel Mode

• Low-income persons are less likely to travel by car than higher income persons.

• They are more likely to walk and to use public transit.

• Transit riders are disproportionately poor.
Travel Mode by Income

Source: 2009 National Household Travel Survey.
Annual Person Transit Trips by Income

Source: 2009 National Household Travel Survey.
Trip purpose: most trips are for non-work purposes
Distribution of Trip Purposes
Low-Income Households (Less than $25,000)

- Home, 37%
- Shopping/errands, 20%
- Social/recreational, 12%
- Work, 8%
- School/daycare/religious, 6%
- Transport someone, 6%
- Meals, 5%
- Other*, 6%

*Other: family business, medical, and other

Source: 2009 National Household Travel Survey.
Commute distance: income and travel distance are positively related
Average Person Trip Length by Income

Source: 2009 National Household Travel Survey.
Trip Chaining

• There is a substantial amount of trip chaining—stringing trips together in a single tour.

• Women are more likely to trip chain than men.
Trip Chaining by Sex

The Auto Advantage
The Auto Advantage

1. Geographic access to opportunities

2. Make multiple trips to varied destinations

3. Convenience

4. Safety
Improved Geographic Access to Opportunities

• Public transit service can be limited, particularly in suburban and rural areas.

• Travel by public transit takes much longer than travel by automobile.

• Job opportunities have dispersed.
Spatial Distribution of Poverty

Improved Geographic Access to Opportunities

- Public transit service can be limited, particularly in suburban and rural areas.

- Travel by public transit takes much longer than travel by automobile.

- Job opportunities have dispersed.
Job Access and Commute Mode -- Watts
30 Minutes by Transit and Auto

Source: Blumenberg and Ong (2001).
The Auto Advantage

1. Geographic Access to Opportunities

2. Make multiple trips to varied destinations – trip chaining, job search

3. Convenience

4. Safety
Trip Chaining for Job Search

- HOME
- Job site
- Job site
- Job site
- Job site
The Auto Advantage

1. Geographic Access to Opportunities

2. Make multiple trips to different destinations

3. Convenience

4. Safety
Convenience

• Leave when you want

• Door-to-door service

• Carry packages, travel with children

• Protected from the weather
The Auto Advantage

1. Geographic Access to Opportunities

2. Make multiple trips to different destinations

3. Convenience

4. Safety
Automobiles and Opportunity
Benefits of Auto Ownership

- **Employment** (Blumenberg, 2002; Brabo et al., 2003; Cervero et al., 2002; Danziger et al., 2000; Gurley and Bruce, 2005; Lucas and Nicholson, 2003; Pawasarat and Stetzer 1998; Ong, 1996; Ong, 2002; Ong and Miller, 2005; Raphael et al, 2001; Stoll, 2005)
- **Earnings** (Ong, 1996; Gurley and Bruce, 2005; Raphael and Rice, 2002; Van Ryzin, 2001)
- **Absenteeism** (Holzer and Wissoker, 2001)
- **Health** (Zogby and Malin, 2001; Ellaway, Der, Ford and Hunt, 1998)
- **Goods and services** (Clifton, 2004; Corcoran et al., 1999)
- **Social relationships** (Perrin et al., 2004)
- **More time for other activities**
- **Improved response to emergencies** (natural disasters, household crises)
- **Improved air quality** (removal of gross polluting cars)
- **Reduced public subsidies** (means-tested benefits) (Gurley and Bruce, 2005)
Cars and Working Families

- Easier job search and commute
- Arrive at work on time
- Better manage home/work responsibilities
- Higher Income
Principal Concerns: Auto Ownership

- Environmental externalities: air quality, congestion
- Other externalities: community cohesion, poor health, quality of life
  - Sprawl
- Public subsidies to roads, highways
- Excessive transportation expenditure burden
A few responses...

• Access does not necessarily mean ownership.

• Automobile access is positively associated with income; while the expenditure burden might rise, so too will overall budgets.

• Automobile ownership can result in lower housing costs.

• Programs to increase automobile access potentially can remove gross-polluting vehicles and improve air quality.
When we all can travel to where we need to go in a reasonable amount of time using modes other than the automobile, lower income families can do so too.

Until then, relegating them to inferior modes of transportation will limit their opportunities for economic success.
Thank You

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Car Donations
Sell the car for $700
Provide a 12-month loan
6-month/6,000 mile warranty
Recipients must be employed or have a job offer
3,300 Awarded since 1999
Freedom Wheels
Recipients

- 85% single mothers w/ 2-3 children
- Rural and Urban Settings
- 80% Making less than $18,000 a year
What does the car mean?

- More money
- More opportunities for children
- Better health
- Groceries
- Time spent with family

Having my car also means that I can get Jaylin to his doctor's appointments on time and we can even go somewhere and have fun when we want to! We can have a normal life again and that means a lot to both of us.
Now my three children can go on their first vacation, they do not have to carry groceries on or stand in the cold or rain waiting for the bus.

Sincerely,
One Happy Family!
“I can tell you my car got us to many a soccer contest.”

“My oldest son has been wanting to play football in our community league but we could not get him there. Now he can!!!”
Cars make a difference in so many ways that we just take for granted!!