



PUBLIC TRANSFERS AND MATERIAL HARDSHIP IN THE GREAT RECESSION

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December 2013

This is the first in a new series of research briefs by Princeton University's Center for Research on Child Wellbeing (CRCW) and Center for Health and Wellbeing and the Columbia Population Research Center (CPRC) and The National Center for Children and Families (NCCF) at Columbia University. The briefs look at the impacts of the recent "Great Recession" on low-income families' and children's wellbeing. These briefs distill findings from analyses of the Fragile Families and Child Wellbeing Study. Please direct questions or comments to Christopher Wimer, Director of Special Projects at CPRC, at cw2727@columbia.edu.

It is now well understood that the Great Recession that began in December 2007—and officially ended in June 2009—was the worst episode of unemployment in the United States since the Great Depression. We also know that the impacts of the recession were felt unevenly, with job losses falling disproportionately on younger workers, minorities, and lesser-educated Americans. What we don't know is how the Great Recession affected the material hardships experienced by disadvantaged families and how well government programs were able to staunch the bleeding. The results indicate that the recession did indeed lead to spikes in material hardships, but that things would have been quite a bit worse if not for the response of the social safety net.

In a new paper, the Columbia Population Research Center's Natasha V. Pilkauskas, Janet M. Currie, and Irwin Garfinkel put these questions to the test. Using data from the Fragile Families and Child Wellbeing Study (see Text Box), the authors examine associations between unemployment, material hardship and government transfers. The Fragile Families study provides a unique window into the impacts of the Great Recession, as data were collected from these families when their children turned nine years old, which happened between 2007 and 2009—precisely the years over which the Great Recession fell.

The Fragile Families and Child Wellbeing Study follow a cohort of nearly 5,000 children born in large U.S. cities between 1998 and 2000 (roughly three-quarters of whom were born to unmarried parents).

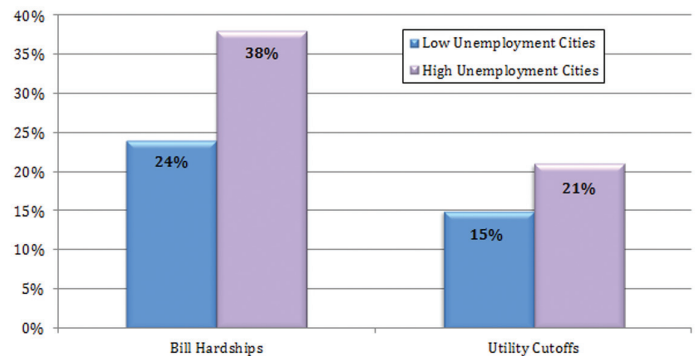
The Study consists of interviews with both mothers and fathers at birth and again when children are ages one, three, five, and nine, plus in-home assessments of children and their home environments at ages three, five, and nine. The interviews collect rich information on attitudes, relationships, parenting behavior, demographic characteristics, health (mental and physical), economic and employment status, neighborhood characteristics, and program participation. The in-home assessment collects information on children's cognitive and emotional development, health, and home environment. Several collaborative studies provide additional information on parents' medical, employment and incarceration histories, religion, child care and early childhood education.

By taking advantage of variation in the unemployment rate over time and across cities, the authors examine the impacts of the recession on material hardships and receipt of government transfers. Specifically, the authors look at hardships across five domains: a) food hardship; b) inability to pay bills; c) housing insecurity; d) medical hardship; and e) utilities being cutoff. Government transfers also fall into five categories: a) Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps); b) Unemployment Insurance; c) Temporary Assistance to Needy Families (TANF); d) Medicaid; and e) public or government-subsidized housing. So what were the effects of the Great Recession on hardship and government transfers, and how do the two interact?

Material Hardship Rises with Unemployment

As the unemployment rate rises, so too does material hardship. As Figure 1 shows, 38 percent of fragile families had trouble paying bills in high-unemployment cities. In comparison, only 24 percent of fragile families had trouble paying bills in low-unemployment cities. These numbers are purely descriptive, however, and do not account for a host of factors that might differentiate families in low- and high-unemployment cities. But when Pilkauskas and her colleagues looked at the same families over time, it turns out that the story is much the same. As families experience increasing unemployment in their own cities, their chances of experiencing material hardship also increase. Specifically, for every one-percentage point jump in the unemployment rate, a family's chances of experiencing a hardship jump by up to 16 percent. This suggests that a 5-10 percent rise in unemployment—precisely what we just experienced in the Great Recession—increases the odds of experiencing hardship by almost 50 percent. Not all hardships increased in response to rising unemployment, though. It turns out that the increases in hardship were entirely driven by two types of hardship: trouble paying bills and having one's utilities cut off. Food, housing, and medical hardships were not found to increase with unemployment rates.

Figure 1: Material Hardship in Low and High Unemployment Cities



Source: Pilkauskas, Currie, and Garfinkel (2012). Low-unemployment cities are those where the unemployment rate was less than 4 percent. High-unemployment cities are those where the unemployment rate was greater than or equal to 9 percent.

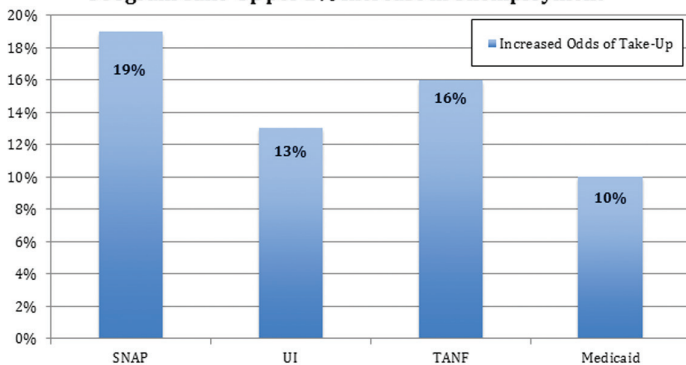
Use of Government Transfers Also Rises with Unemployment, and Likely Kept Hardship from Rising Further

Could use of the social safety net explain why such hardships did not increase? The authors performed similar analyses to those described above, but this time looking at take-up of government transfer programs. Of the five programs studies, take-up rose with unemployment for four: SNAP, UI, TANF, and Medicaid. Figure 2 shows the rise in the odds of receiving each type of transfer assistance for every one percent increase in the unemployment rate. Like with the analyses of material hardship, these numbers are based off of an examination of the same families over time, as they experience living in cities where the unemployment rate is changing.

So what do they find? The odds of SNAP take-up rises by 19 percent for every one percent rise in unemployment and by 13 percent, 16 percent, and 10 percent for UI, TANF, and Medicaid, respectively. Unemployment did not seem to be a driver of receiving public housing assistance.

The authors estimate the mitigating effects of one safety net program—SNAP, formerly known as Food Stamps—on food hardship. Using estimates from the literature that estimate the causal effect of SNAP on food insecurity, they simulate what food hardship would have been in the absence of the SNAP increases that they found. The results indicate that absent SNAP, food hardship would have been nearly twice as high as they observed in the data.

Figure 2: Increased Odds of Government Transfer Program Take-Up per 1% Increase in Unemployment



Taken together, the research described here shows that material hardship increases dramatically when unemployment rises as it did in the Great Recession. The social safety net, however, also responded to rising unemployment. If not for those programs, material hardship would have risen even faster.

References

Pilkaskas, Natasha V., Janet M. Currie, and Irwin Garfinkel (2012). The Great Recession, Public Transfers, and Material Hardship. *Social Service Review*, 86(3), 401-427.

This research summary is a brief description of key findings from work carried out under the Russell Sage Foundation's Great Recession Initiative. More detail about that initiative and the projects funded can be found on the RSF website at russellsage.org/research/social-effects-great-recession.

Russell Sage has also co-sponsored a website to disseminate scholarly work on the effects of the Great Recession—the Recession Trends website can be found at stanford.edu/group/recessiontrends/cgi-bin/web.

In addition to a data-graphing utility that allows users to graph trends in key recession-related indicators, the research summaries, along with the more detailed working papers and research briefs can also be found at the Recession Trends website.