



## WASHINGTON UPDATE

July 26, 2010

Volume 29- Issue 14

### **Impact of Recession on American Families Discussed at Congressional Briefing**

On July 12, the Population Association of America (PAA), with co-sponsorship from COSSA, presented a session on Capitol Hill, Recession and Recovery: How Are Americans Affected?

Speaking at the event were: Michael Hurd, Director of the Center for the Study of Aging at the RAND Corporation; Kathleen Mullan Harris, Distinguished Professor of Sociology at the University of North Carolina, Chapel Hill; and Greg Duncan, Distinguished Professor in the Education Department at the University of California, Irvine. Matt Stagner of the University of Chicago moderated.

Following the sequence of the "Curious Case of Benjamin Button," Hurd began by discussing the effects of the recession on the elderly and near-elderly. Using data from the RAND American Life Panel Study and the Health and Retirement Study, Hurd indicated that the recession has created financial distress for about 15 percent of this segment of the population. This stress occurs from falling behind on mortgage payments, negative home equity, foreclosure, or unemployment of the responder or his/her spouse. However, Hurd also noted that the impact has varied in the population aged 40 or older. It is younger households who are more affected, 19 percent in the 40-49 group compared to only 3 percent in the over 70 cohort. Lower income people also have suffered more.

Americans, according to Hurd, have adjusted to the financial problems by reducing their spending. Again, however, there are age variations, with those under 50 more severely cutting back, while those in the over-50 category spending about the same as they were before. People have also become more pessimistic about the future and there are few indications of improved expectations for the economy. This has led to depression and retirement postponements.

Harris a former PAA President, focused on the impact of the economic downturn on young adults. Using data from the Adolescent Health (AddHealth) Survey, which she

directs, Harris focused on the respondents, who are now 24-32 years old.

She discovered that the recession's unemployment and job loss has led to young adults to: move back home with their parents, postpone marriage, defer starting a family, and delay finishing college. The downturn has also created difficulties in getting or paying for medical care for these young adults.

According to the Survey, almost 20 percent of this population was unemployed in 2008, another 10 percent suggested their jobs were unstable, and almost 16 percent were living with their parents. As a result, about one-fifth to one-quarter of these folks lost their phone service and could not make their utility payments. Approximately 20 percent were in debt.

Over four-in-ten of those young adults facing job instability did not have health insurance or did not get health care when they needed it. About one-seventh of these folks were in poor physical health and about four to six percent were having mental health problems. These young adults mirrored their middle-aged counterparts in holding pessimistic views of the future, reflected in decisions to postpone or eliminate the idea of having children.

One mitigating factor to all this bad news, Harris discovered, is that moving back in with your parents protects young adults economically. However, it does not provide the same protection from the health and attitudinal effects of the recession, she concluded.

Duncan, a member of the COSSA Board and the current President of the Society for Research in Child Development, another co-sponsor of the event, focused on "The Long Reach of Early Childhood Poverty." He demonstrated that poverty in early childhood compromises a child's life chances.

Using research on early brain development, Duncan demonstrated that "brains and skills are built in a bottom-up sequence and shaped by the 'serve and return' nature of human interaction." These studies have shown that significant adversity negatively affects brain power, according to Duncan.

Duncan examined adult outcomes from the Panel Study of Income Dynamics, an NSF-supported data set that has over forty years of information on 5,000 families that have been followed during that time period. The data demonstrate, Duncan indicated, that low income in childhood significantly affects earnings, work hours, and whether or not you receive food stamps. However, he noted, this only happens for children of low income families in from prenatal to age 5. There does not appear, Duncan related, any impact for those in low income families when they are age six to 15, with the exception of receiving food stamps.

With regard to policy implications, Duncan suggested that providing parents a \$3,000 annual increase in income for seven years between prenatal and the fifth year would yield higher adult earnings and more work hours for the child. Thus, he concluded,

income transfer programs such as the Earned Income Tax Credit and the child tax credit should be targeted on the prenatal to age five periods.