

Population Association of America/ Association of Population Centers

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Recession and Recovery: How Are Americans Affected?

In 2010, American families are facing the worst economy since the Great Depression. Despite recent improvements, the stories and statistics confirm the recent downturn.

- » By December 2009, 15.3 million people were unemployed bringing the unemployment rate to 10.0 percent, twice as many as were unemployed at the start of the recession in December 2007. (Bureau of Labor Statistics)
- » The nation's official poverty rate in 2009 was 14.3 percent, up from 13.2 percent in 2008. There were 43.6 million people in poverty in 2009, up from 39.8 million in 2008. (U.S. Census Bureau)
- » In September 2009, the U.S. Census Bureau reported that the number of people without health insurance coverage rose from 45.7 million in 2007 to 46.3 million in 2008.

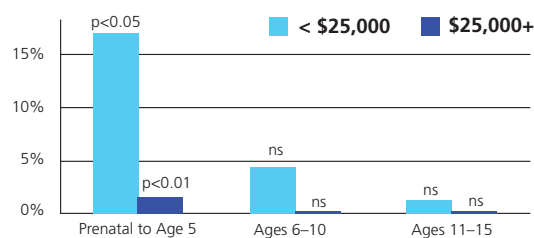
Headlines and policymakers tend to focus on macro economic indicators, paying far less attention to indicators of individuals' well being. Population scientists have developed a richer set of statistics to measure the conditions of people. Population scientists are helping answer the question: How are children, young adults and the aging faring during these tough economic times?

The Long Reach of Childhood Poverty

According to the Census Bureau, nearly one in four (24.5%) children under five lived in poverty in 2009. When looking at food insecurity, the Federal Interagency Forum on Child and Family Statistics found that roughly 22 percent of children 17 and under lived in households that were food insecure at times in 2008--the highest percentage recorded since monitoring began in 1995.

- » Studies have shown that poverty in early childhood is associated with poorer brain development, which can compromise a child's life chances.
- » Using data from the Panel Study of Income Dynamics, population scientists have demonstrated a positive correlation between income increases in early childhood (prenatal to age five) and future earnings and work hours. These associations are much stronger for children in low- than higher-income families.

Increase in Adult Earnings Associated with a \$3,000 Annual Increase in Income



Duncan, July 2010

Impact of the Economic Downturn on Young Adults

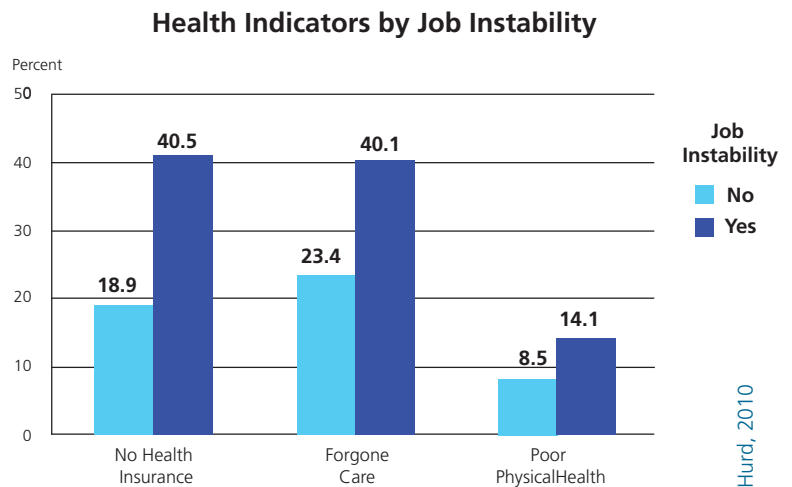
The unemployment rate for the civilian population 25 years and older more than doubled for all levels of educational attainment between December 2007 and December 2009. For people 25 years and older with some college or associates degrees, the unemployment rate rose from almost four in December 2007 to nine percent in December 2009. (Bureau of Labor Statistics) Young adults, age 19-29, have the highest uninsured rate of any age group in the United States. In 2009, this age group comprises 30 percent of the overall uninsured population. (Kaiser Family Foundation)

- » The economic recession has hit young adults hard by increasing their unemployment and job instability, leading them to move back home with their parents, postpone marriage, defer starting a family and delay finishing college.

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- » In 2008, the National Longitudinal Study of Adolescent Health (Add Health) found almost 20 percent of their young adult population (24-32) was unemployed, while another 10 percent experienced instability. (e.g., laid off at multiple jobs). Approximately 25 percent were in debt and almost 16 percent were living with their parents.
- » The study showed that young adults who moved back in with their parents were protected economically. However, living with their parents did not protect them from the negative health and attitudinal effects of the recession.
- » Young adults who experience unemployment and job stability are more likely to lack health insurance, forego health care, have increased stress, experience trouble sleeping and have poor physical health. (Add Health, 2008)



How Does the Economic Downturn Affect Older Americans?

The recession dealt a heavy blow to retirement accounts, leaving many older adults worried about their retirement security. In 2010, retirement account assets remain 17 percent below their peak value in 2007. (Urban Institute) According to a recent Pew Institute study, 63 percent of workers ages 50 to 61 say they might have to postpone expected retirement.

- » In November 2008, 13 percent of people over 40 reported experiencing financial distress. In April 2010, 36 percent had reported financial distress at some point since November 2008.
- » In 2009, 89 percent of households with heads 51 years old or older who had lost income as a result of becoming unemployed reported reducing spending and 50 percent of households reported reducing savings. (RAND American Life Panel (ALP) survey)
- » According to ALP, in any given month, the recession has created financial distress for about 15 percent of households headed by people over the age of 40. This stress occurs from falling behind on mortgage payments, negative home equity, foreclosure, or unemployment of the responder or his/her spouse. For younger households (40 – 49) 19 percent experienced financial distress compared to only three percent of individuals 70 years and older. In addition, 17 percent of lowest income respondents reported financial distress while 11 percent of the highest income reported similar distress.
- » The ALP survey found that depression has affected households from all ages and income groups.

Summary of Key Conclusions and Policy Implications

- » Providing low-income parents a \$3,000 annual increase in income for seven years between prenatal and the fifth year is estimated to increase adult earnings by 17 percent when the child reaches adulthood. This suggests that income transfer programs such as the Earned Income Tax Credit and the child tax credit might be better targeted on families with very young children.
- » The most recent recession has led to high unemployment and job loss among young adults. In turn, young adults are suffering from less access to health care; poor physical, emotional and mental health; greater reliance on public assistance; increased material hardship; lower household income and higher debt; and diminished optimism and possibly smaller family sizes.
- » For households over 40, among those not experiencing job loss, 15 percent report problems with depression. Among those with job loss, about 30 percent report problems with depression.