THE GREAT RECESSION AND THE PRIVATE SAFETY NET

Christopher Wimer
Columbia Population Research Center

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This brief is part of 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 at cw2727@columbia.edu.

Introduction

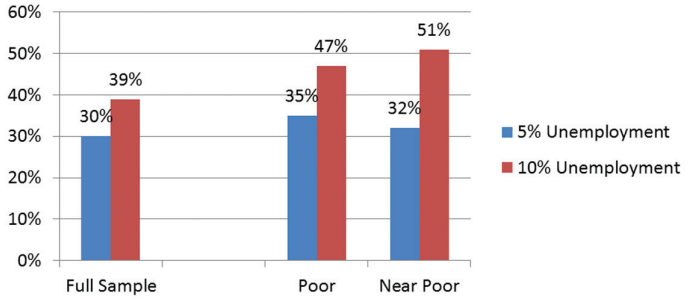
The Great Recession originated in financial and housing markets, but eventually led to large spikes in unemployment and eventually a decrease in families' market incomes. Research on the response of government policies such as unemployment insurance and the Supplemental Nutrition Assistance Program has shown that these programs responded relatively robustly to the crisis, and blunted some of the rise in family poverty that might have occurred in their absence. But what about the private safety net? Government programs are not the only actors that can step in when times are tough. Also important are the roles played by people's family and friends, who are often the first called when a family experiences an economic crisis.

In a recent paper, Princeton University's Aaron Gottlieb and Columbia University's Natasha Pilkauskas and Irwin Garfinkel provide some of the first insights into how families' private safety nets responded to the Great Recession. Using data from the Fragile Families and Child Wellbeing Study (FFCWS) [See text box], the authors investigate whether the Great Recession was associated with increased transfers to parents of young children by anyone other than the child's father. Two key findings emerged: 1) Increased unemployment was associated with greater receipt of private financial transfers, as well as greater dollar amounts of such transfers; 2) This association was greatest for poor and near-poor mothers, both for receipt of transfers and their amounts. Moving from 5 percent to 10 percent unemployment, the simulated effect of the Great Recession, was found to increase the probability of a private transfer by approximately 9 percentage points overall, by 12 percentage points for the poor, and by 19 percentage points for the near poor.

Higher unemployment is associated with increased receipt of private financial transfers, as well as increased dollar amounts of such transfers. Overall, nearly 3 in 10 families in the Fragile Families study received a private financial transfer, and the average amount received was a bit over $700. For every one-percentage-point increase in the unemployment rate families were about 10 percent more likely to have received a financial transfer. This was true even after controlling for a host of demographics, health and mental health status, substance abuse, and other characteristics.

The authors then simulated the effect of the Great Recession by estimating private transfer rates at 5 percent and 10 percent, about the magnitude of change seen in the Great Recession. Overall, moving from a 5 percent unemployment rate to a 10 percent unemployment rate increases the predicted probability of receiving a transfer by 9 percentage points, from 30% to 39% (see Figure 1). Increased unemployment was also associated with greater amounts of transfer dollars received.

Figure 1: Private Financial Transfers by Unemployment Rate



Lower-income families were most likely to experience an increase in private transfers in response to high unemployment. As can also be seen in Figure 1, when analyses were run by families' income levels, the largest effects were found for those below the poverty line and the near poor (those with incomes between 100% and 200% of the poverty line). For the poor, moving from 5 to 10 percent unemployment increases the odds of receiving a transfer by 12 percentage points, from 35% to 47%. For the near poor, moving from 5 to 10 percent unemployment increases the odds of receiving a transfer by fully 19 percentage points, from 32% to 51%.

Taken together, these finding suggest that the Great Recession activated not just the public safety net but also the private safety net. Low-income families, who we know from other work were hit particularly hard in the Great Recession, were often able to call on friends and family members for help. While other research has shown the critical role played by assistance from government programs in the economic downturns, this research highlights the importance of also understanding the private networks of those struggling with their economic conditions.

Source: Gottlieb, A., Pilkauskas, N., & Garfinkel, I. (2014). Private Financial Transfers, Family Income, and the Great Recession. Journal of Marriage and Family. 76, 1011-1024.

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The Fragile Families and Child Wellbeing Study follows 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.

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 9 years old, which happened between 2007 and 2009 – precisely the years over which the Great Recession fell.