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The experience of financial strain among families with children in the United States

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Introduction

The economic crisis of 2008-9 brought new faces of financial hardship in the American media. The images broadcast on television were not only the accustomed accounts of the inner-city poor, but also featured were middle-income people with jobs and nice houses in the suburbs. Suddenly, economic vulnerability has become more inclusive than any time since the Great Depression.

Beyond journalistic accounts and surveys of varying quality, systemic information on the extent and nature of the crisis for American families remains very scattered. In this paper, we use data from a nationally representative sample of families collected in the summer of 2009 (the USA Pilot Survey) to examine how the impact of the crisis was being experienced by families. More precisely, we pose three questions: (1) To what extent are American families feeling financially strained, and to what extent are their perceptions of strain linked to the current the economic crisis?; (2) What is the nature of the families' financial difficulties?; and (3) How economically vulnerable are American families, that is, how much reserve do they have to withstand temporary economic setbacks? In particular, we are interested in examining the depth and spread of financial strain and to relate them to dimensions of vulnerabilities in the lives of American families.

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In addition to data from the USA Pilot Survey, we also complement the analysis with data from our own study “Families in the Middle” collected during 2008 and 2009.

1. Background

The textbook definition of an economic recession states that GDP growth must be negative for two consecutive quarters or more. The United States recorded four consecutive quarters of sharp negative GDP growth starting with the third quarter of 2008 (it recorded again a positive growth in the third quarter of 2009). As such, the 2008-9 recession entered the books as the worst one since the Great Depression of the 1930s. Although the Great Recession, as the downturn is now being called, has technically ended, it clearly lingers for many families who continue to experience a shortage of economic resources, and as we shall show, continue to feel insecurity about their immediate prospects for improving their circumstances.

Two distinctive features of this recession make it especially significant. First, the impact of the recession has been extremely broad, affecting all income groups. To be sure, some groups have been more severely affected than others, as will become clear in the empirical section of this paper, but the impact extended up the economic ladder, hitting sales people, industry workers as well as bankers and engineers. The less known important feature of the crisis is that economic stresses on American families have been mounting up, and many were in a precarious situation even before the recession occurred (Treas 2010). In particular, the crisis has been so devastating because many families – especially in the middle of the income distribution – have been laboring under considerable financial strain and had little in reserve to protect them from the recent economic shock. We rapidly review below some of the economic trends of the last decade in order to provide the background to our paper and especially to understand the situation of families prior to the crisis. We then conclude this review of the literature with a brief discussion of the measurement of economic strain and vulnerability.

Increasing economic vulnerabilities: the trends in recent decades

Three major trends point to the increasing vulnerabilities of families. First, there has been the increasing income inequality; a trend observed in the past two decades in the United States and in several other industrialized countries (OECD 2008). Among families with children in the United States, the variance in income increased by two-thirds between 1975 and 2005 (Western, Bloome, and Percheski 2008). This trend has obviously put much strain on families located in the middle of the income distribution, leading numerous authors to talk about the disappearance of the middle class or more generally of the ‘middle class squeeze’ (Mitchell 2006; Weller 2006). What this means in concrete terms is that for those families in the middle of the income distribution, it has been getting harder to stay in the middle and especially to get ahead or to keep pace with higher-income families (Acs and Nichols 2010). Thus, in both absolute and relative terms, families in the middle of the income distribution are struggling more than any time since the Post-war era began.

Second, there has been the increase in job instability, including temporary employment; a trend that has substantially changed the nature of employment again not only in the United States but throughout the industrialized world (OECD 2002). In the United States, the share of temporary employment is actually smaller than in most European countries (OECD 2002), but there has nonetheless been a substantial growth in job instability, together with a decline in perceived job security (Kalleberg 2009). In addition, the financial well-being of families has been affected by an increase in the proportion of working poor families (Eley 2008) and by an increase in the volatility of family income (Acs and Nichols 2010). The security that has come from being in the “middle class” has vanished for a large portion of middle-income households.

Third, there has been the increase in household indebtedness, again a trend that appears to have been shared by numerous industrialized countries (OECD 2006; Meh et al. 2009). In the USA, the debt-to-income ratio rose steadily from 1990 (Motte and Nolle 2005). Easier access to credit and consumer pressure is among the factors behind this trend (OECD 2006, Motte and Nolle 2005). And while debt may be an ambiguous indicator of

families' economic well-being, for a non-negligible fraction of families, excessive debt can be a source of severe vulnerabilities to unexpected events (Aratani and Chau 2010).³ In particular, studies show that this excessive debt is usually combined with little or no savings making close to a third of families in the United States unprepared for financial emergencies (Ratcliffe and Vinopal 2009).⁴

These longstanding trends have significantly undermined the economic position of families to manage a sudden and sharp economic downturn. Furthermore, while some of these changes have been experienced most acutely by the familiar categories of young workers, minorities, and the less skilled, they have also been felt by a much wider spectrum of the labor force. The 2008-9 economic crisis should therefore be understood as an 'event' that aggravated and compounded pre-existing financial fissures in the working population at large.

The measurement of financial strain and economic vulnerability

The financial strain experienced by families can be assessed in two different ways: from an objective perspective (e.g., actual income loss and inability to meet current financial needs) and a subjective one (e.g., perceived adequacy of one's financial situation, worries over one's financial situation) (Voydanoff 1984).⁵ This subjective component is in fact referred to in the literature with a variety of terms including "economic strain" (Whelan et al. 2001), "perceived economic pressure" (Mistry et al 2008), and "perceived financial wellness" (Joo & Garman 1998). The subjective evaluation of financial strain is thus

³ Excessive debt was defined in this article as a total family debt greater than or equal to 40% of total family income.

⁴ In this article, a family was categorized as unprepared for financial emergency (or as asset poor) if it did not have enough resources (liquid assets and net worth) to live at the federal poverty level for three months. The figure of one-third corresponds to the percentage of asset-poor families when liquid assets are considered.

⁵ More specifically, Voydanoff (1984) suggests that the more general term 'economic distress' encompasses the following components: employment uncertainty, economic deprivation, and economic strain.

dependent on one's own perception of needs and wants in relation to one's income, including one's subjective expectation for a desired standard of living (Budd 2010).⁶

In contrast, the concept of economic vulnerability embodies a more objective measure of financial strain. It may encompass the experience of poverty, but it may also extend to other forms of deprivation and to related risks (Whelan and Maitre 2010). For example, while some authors define financial vulnerability solely using monetary indicators such as assets, income, or wealth (for example, see Weller and Logan 2009; and Weller and Sabatini 2007)⁷, others use a broader set of indicators related to, for example, assets, education, housing, budget, and healthcare (in the case of Wheary et al. 2008). Other objective measures used in the literature include those related to material, financial, or economic hardship (McKernan, Ratcliffe, and Vinopal 2009; Mayer and Jencks 1989; Treas 2010; and Whitbeck et al. 1997).

In what follows, we draw on two sources of data to document the subjective and objective experience of financial strain among American families. And while our data clearly reveal a strong income gradient (with strain and vulnerability being more prevalent among the low-income families), they also reveal the spread of economic distress to middle-income families.

2. Source of data and methods

For this paper, we draw upon two different sources of data. The primary source being the USA Pilot Survey, an online survey that was carried out by the Knowledge Networks (KN) for the National Center for Family & Marriage Research of Bowling Green State

⁶ Because of one of the objectives of the US Pilot Survey was to test the implementation of questions on financial strain in an online survey, we provide in appendix more detailed information on how financial strain has been captured in the literature.

⁷ More precisely, Weller and Logan (2009) define economic security solely in terms of financial wealth and its adequacy to cover an unemployment spell and/or medical emergency. Weller and Sabatini (2007) instead restrict their definition of vulnerability to various indicators related to homeownership.

University in the summer of 2009. KN started to recruit a panel of respondents in 1999 and has since regularly been updating its methodology, for example, to sample respondents from cellular phone users. The sample used for this paper is tantamount to a nationally representative sample of the USA population.⁸

The sub-sample of the USA Pilot Survey used for this project comprised of over 1000 adults who have a child younger than 18 years old residing with them at home. The survey was administered online in August 2009 (households without computers and/or internet access were provided with online access for the purpose of the survey). Of the 1855 cases sampled, 1169 respondents completed the survey resulting in a 63.0% cooperation rate. In addition, a question on health insurance was subsequently fielded to respondents in September 2009 with a cooperation rate of 86% (1003 out of 1169 respondents completed the survey).

The second source of data comes from our ongoing Families in the Middle (FIM) project, which collected data from a small sample of families in two American cities in 2008 and 2009.⁹ The first data collection took place in a mid-size city in the Greater Philadelphia area (in Pennsylvania) between April and September 2008. For this survey, respondents were recruited from two middle-schools and resulted in a sample size of around 250 parents with at least one child age 11 to 14 years old. The second data collection took place in the city of Tacoma (in Washington State) between May and December 2009. For this second site, various recruitment channels were used including middle schools, online advertisements, etc., and resulted in a sample size of around 150 parents.¹⁰ And while

⁸ A series of weights were also provided. All the results reported in this paper used these weights.

⁹ Data were also collected from five Canadian cities. Information on this project can be obtained from: <http://soci.ucalgary.ca/fypp/research-projects/families-new-millennium>

¹⁰ While a paper version of the questionnaire was used for the East coast city, an online version was instead used for the West coast city. The recruitment strategies used in the two sites also differed, which may have affected the comparability of the demographic and socio-economic composition of the sample in the two sites.

these two samples cannot be considered nationally or even locally representative, as will be seen below, the results come very close to those obtained with the USA Pilot Project.¹¹

Our approach is largely descriptive. Our aim is to understand the economic crisis and related financial strain as experienced by families and especially to understand the extent to which their financial situation places them in a particularly vulnerable situation. We proceed in three steps. First, we examine the prevalence of financial strain in relation to income and also in relation to recent changes in the economic situation of families. Second, we then examine the covariates of financial strain in order to highlight its protective and risk factors. Finally, we categorize respondents based on their income and perception of financial strain and examine in more detail the nature of their financial difficulties and their degree of economic vulnerability.

3. Results

The perception of financial strain

As discussed earlier, there are various ways that researchers have tried to capture the perception and experience of financial strain among families. The question asked in the USA Pilot survey and in the FIM project was “How well do you currently get by with your family’s income,” with possible answers ranging from “with great difficulty” to “very easily.” Results appear in Table 1.

Table 1. Distribution of respondents according to how well they currently get by with their family’s income

(in percent)

	US Pilot (Aug 2009)	Greater Philadelphia, PA (Apr – Sept 2008)	Tacoma, WA (May - Dec 2009)
With great difficulty	15.0	14.4	11.9

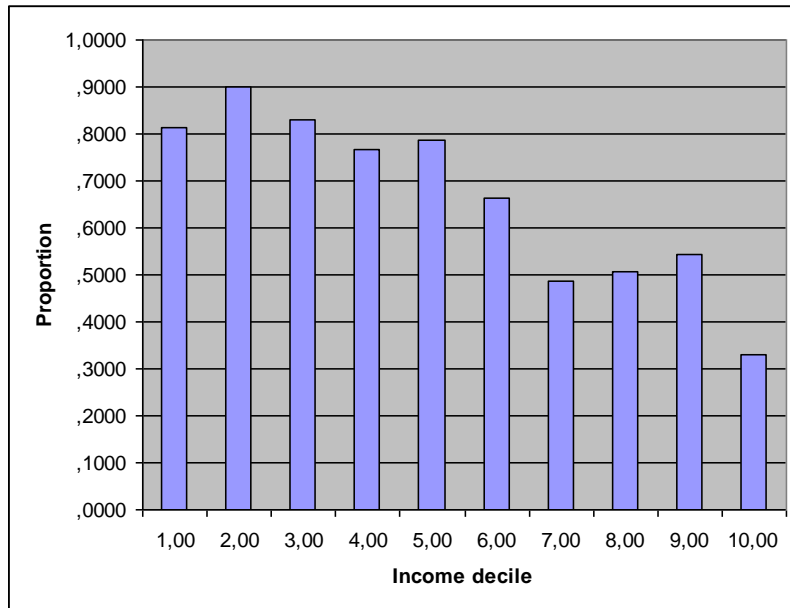
¹¹ In both cities, in addition to quantitative data, qualitative data were obtained from a sub-sample of families. In this paper, we only make use of the quantitative data.

With difficulty	52.2	53.3	45.9
Easily	29.2	28.4	36.3
Very easily	3.6	3.9	5.9
Total	100.0	100.0	100.0
(N of cases)	(1168)	(229)	(135)

These results already highlight the financial strain experienced by the average family with around two-thirds of respondents saying that they were getting by with difficulty or great difficulty. Similar results were also obtained in the FIM project (although the small sample size of the two FIM sites makes the estimates less precise).

Behind this average family, the perception of financial strain obviously varies greatly according to one's income. Figure 1 below shows the percentage of respondents saying that they managed with great difficulty or with difficulty to the above question by income decile (based on their adjusted household income).¹²

Figure 1. Percentage of respondents reporting financial strain by income decile.



¹² We adjusted for family size by dividing the household income by the square root of household size as it is routinely done in the literature. We note, however, that other equivalence of scale is available and would give slightly different results.

What it reveals is the great spread of financial strain across the income distribution. The graph shows not only the expected income gradient, but more importantly, it reveals that it is only at the very end of the income distribution that the perception of financial strain is considerably lower. In contrast, among respondents with a middle income (fourth to sixth decile), more than 60% said to be experiencing financial strain. Obviously, the perception of financial strain, as captured in our data, is a subjective measure that is partly dependent on the families' abilities to cover basic needs and on the families' expected standard of living. This is an important point to keep in mind since it may help explain the relatively high percentage of high-income families reporting financial strain. Still, what these data clearly show is that the perception of financial strain is by far not restricted to the poorest households.

What is, however, not clear from this analysis is whether the financial strain experienced by families was a result of the economic crisis or whether it was instead more structural and possibly resulting from financial difficulties experienced prior to the crisis. In order to shed some light on this, we asked respondents in the USA Pilot Survey, "Have the last 12 months been better, worse or the same when it comes to the financial situation of your family?" Results reveal that the financial situation of families has been worse for about half of the respondents while it has remained the same for 38% and improved for 11% of them (data not shown here). What those results also reveal is that the worsening of one's financial situation – in combination with one's current income – has a very large impact on the perception of financial strain (Table 2). Among those whose financial situation worsened in the past year and who currently have a low income, the percentage reporting financial difficulties reaches 97%. With a high income (and also a worsened financial situation), the corresponding figure is 66%. Interestingly, even among those whose financial situation has improved in the past year, the percentage reporting financial difficulties reaches 70% for the low-income group and 32% for the high-income group.

Table 2. Percentage of respondents having experienced financial strain¹ by level of income and changes in their family’s financial situation in the past 12 months (USA Pilot survey).

(in percent)

	Low income	Medium income	High income
Worse	96.7	84.5	66.2
The same	72.9	61.2	30.6
Better	69.6	52.5	31.6

Note: 1- Where the perception of financial strain is captured by the question, “How well do you currently get by with your family’s income?” Those defined as being financially strained are respondents who answered this question by stating that they were managing “with difficulty” or “with great difficulty,” as opposed to those defined as being financially non-strained who answered this question by stating that they were managing “easily” or “very easily.”

The covariates of financial strain

Income is obviously a key covariate of financial strain; however, it is not the only factor to matter. Table 3 presents data on the percentage of respondents experiencing financial strain according to selected socio-economic characteristics. In parallel to the income gradient observed above, we now observed an educational gradient with respondents with a lower education being much more likely to experience financial strain than others. However, even among those with a bachelor degree or higher, half of them reported experiencing financial strain. Results also show that having a higher number of earners in the family is a protective factor against financial strain. But again it is worth noting that even when both spouses are working, there are still 61% of respondents saying that they experience financial strain.

Table 3. Percentage of respondents experiencing financial strain¹ according to various socio-economic characteristics (N = 1168) (USA Pilot survey)

Characteristics		Percent
Education	Less than high school	84.0
	High school diploma	75.8
	Some college ²	70.7

	Bachelor degree or higher	50.1
Homeownership	Yes	63.8
	No	77.6
Number of earners ³	Zero	88.4
	One	68.0
	Two	61.3
Family income ⁴	Low	84.9
	Middle	73.0
	High	47.2
Health insurance ⁵ (self)	Yes	63.1
	No	86.1

Notes:

- 1- See Table 2 for the definition of financial strain.
- 2- Including associate degree (i.e., 2-year college degree)
- 3- There was no question in the survey on the number of earners in the family. The data here are derived from the questions on the employment status of the respondent and his/her spouse (if applicable). It ignores the fact that there may be another adult in the household (for example, a grown-up child) who may also be contributing to the family's income.
- 4- Where low income is defined as belonging to the first to third income decile, middle income as belonging to the 4th to 6th decile, and high income as belonging to the 7th and higher decile. For this, we used the household income (adjusted for family size).
- 5- In the survey, information is also available on health insurance coverage of the spouse (if applicable) and the children. We, however, only use here the information on whether the respondent had health insurance.

The above results are simple bivariate. When a multivariate analysis is instead carried out, the results suggest that being married, having a higher education, having a high income, and having a health insurance are all protective factors against feeling financially strained (see Table 4).

Table 4. Results from the logistic regression predicting the likelihood of feeling financially strained (N = 983)¹.

		<i>Exp(B)</i>	<i>Sig.</i>
Gender	Male	1.004	
	Female	1.000	
Age	18-29 years	1.000	
	30-44	.844	
	45 and over	1.178	
Race/ethnicity	White non-Hispanic	1.000	
	Black non-Hispanic	.657	*
	Other non-Hispanic	1.364	
	Hispanic	1.946	***
Marital status	Married	1.000	
	Common-law	1.948	**
	Other	1.536	*
Number of children	Number	1.014	
Respondent's education	Less than high school	2.088	*
	High school diploma	1.818	***
	Some college	1.386	
	BA degree or more	1.000	
Home ownership	R is a homeowner	1.097	
Number of earners	Zero	2.390	**
	One	.877	
	Two	1.000	
Family's income	Low income	4.309	***
	Middle income	2.416	***
	High income	1.000	
Health insurance	R has health insurance	.560	*
	Constant	2.423	
Pseudo R-square (Cox and Snell)		0.165	

Where "R" refers to the respondent.

Where * p < .10; ** p < .05; *** p < .01 (two-tailed)

Note: The number of cases is smaller than the original sample size because the question on health insurance was answered only by a subsample of respondents.

Considering the large importance of a family's income in the likelihood of experiencing financial strain, we combine these two pieces of information in the rest of the paper to distinguish four subgroups of respondents: (1) those feeling financially strained and having a low income; (2) those feeling financially strained and having a medium income; (3) those feeling financially strained and having a high income; and (4) those not feeling financially strained.¹³ We then proceed to contrast and compare these four subgroups in an attempt at better understanding the nature of their financial difficulties and their degree of economic vulnerability.

The nature of the families' financial difficulties

Data on whether or not families experienced financial strain give us only an indication of the families' actual financial difficulties. In the FIM project, respondents were also asked whether they had problems in the last 12 months paying for specific items. The results in Table 5 point to the severity of the families' financial problems with close to half the families feeling financially strained, saying that they had problems paying for their mortgage or rent, their utilities, and their loans. Moreover, more than 40% said that they had problems paying for food.¹⁴ What these results suggest is that the families' financial problems are therefore not restricted to paying for luxuries but extend also to basic goods.¹⁵ This is in line with statistics showing, for instance, an observed increase in the use of food bank users across the country (Keen 2008; Simkins 2010).

¹³ When using the data from the FIM project, we, however omit, the income dimension in view of our small number of cases and only compare those feeling financially strained with those not feeling financially strained.

¹⁴ Again, the small sample size may render these estimates less precise and may account for some of the observed differences between the two FIM sites.

¹⁵ A similar point was made by Treas (2010) in her analysis of the 2004 version of the General Social Survey.

Table 5. Percentage responding that they had problems (some, a lot, or enormous problems as opposed to no problem) in paying for specific items according to their perception of financial strain¹ (FIM project two American sites)

(in percent)

	Greater Philadelphia, PA		Tacoma, WA	
	Financially strained	Non-financially strained	Financially strained	Non-financially strained
Paying the rent or mortgage	48.3	4.1	43.4	3.5
Paying for utilities (water, gas, electricity, heating)	52.6	11.0	58.4	1.8
Paying for food	42.0	4.1	48.1	0.0
Paying for health care	34.5	11.3	48.7	12.3
Repaying loans	55.6	11.1	65.3	8.9
Making needed new purchases	78.2	32.4	88.3	17.5
N of cases	(155)	(74)	(78)	(57)

Note: 1- See Table 2 for a definition of financial strain.

Respondents in the USA Pilot were also asked if they had experienced various events in the past 12 months; events which could be indicative of various degrees of financial strain. Results appear in Table 6 below. Some of these events are quite dramatic, and the percentage of respondents having experienced them is therefore quite small. Still, there are undeniable differences between the four subgroups with about 5% of respondents feeling financially strained having experienced bankruptcy and foreclosure as compared to almost none for those not financially strained. Similarly, having to refinance one's mortgage was much more frequent among those feeling financially strained, reaching close to 15% as opposed to around 5% for those who were not financially strained.¹⁶ The most frequent event, however, was having to sell something to make other payments reaching 37% among those feeling financially strained and having a low income.

¹⁶ Similar results were reported in the 2004 United States General Social Survey. For example, among respondents who had experienced financial insecurity, 16% said that they had to pawn valuables to make ends meet (Treas 2010). The corresponding figure increased to 26% for those who said that they had fallen behind on rent or mortgage.

Table 6. Percentage of respondents answering that they had experienced the following events¹ according to their perception of financial strain² (USA Pilot survey)

	Financially strained			Non-financially strained
	Low	Medium	High	
We declared personal bankruptcy	1.6	5.5	5.1	1.1
We put our house up for sale or had to move	8.6	6.4	10.5	4.4
We had to refinance our mortgage	13.5	15.1	12.3	5.3
We experienced a foreclosure on our house	5.2	4.5	4.2	0.0
We had to sell something (e.g. car, television) to make other payments	36.9	15.2	17.8	2.3

Notes:

1- It should be noted that for these questions, there was a non-negligible percentage of respondents who replied “not applicable.” These are not taken into account here.

2- See Table 2 for a definition of financial strain.

Similar contrasts between the different subgroups of respondents are also observed in their answer to the question as to whether in the past year anybody in their family had needed to borrow money to make payments on a bill. About half of the respondents who said that they were feeling financially strained said that they had to borrow money as opposed to less than 10% for those not financially strained (Table 7). Furthermore, among people who had to borrow money, borrowing from other family members appears to have been the most frequent strategy (data not shown).

Table 7. Distribution of respondents on the question, “In the past year, has anybody in your family needed to borrow money to make payments on a bill?” according to their perception of financial strain¹ (USA Pilot survey)

(in percent)

	Financially strained			Non-financially strained
	Low	Medium	High	
Yes	67.0	43.8	35.5	8.7
No	33.0	56.2	64.5	91.3
Total (N of cases)	100.0 (299)	100.0 (284)	100.0 (201)	100.0 (383)

Note: 1- Where the perception of financial strain is captured by the question, “How well do you currently get by with your family’s income?” Those defined as being financially strained are respondents who answered this question by stating that they were managing “with difficulty” or “with great difficulty,” as opposed to those defined as being financially non-strained who answered this question by stating that they were managing “easily” or “very easily.”

The economic vulnerability of families

When families are confronted to a sudden loss of income, their savings could obviously be crucial in allowing them to cope with the situation and to smooth-out their consumption. Yet, what we know from other sources is that a non-negligible percentage of low- and middle-income families have no savings account or very little savings (Aratani and Chau 2010). In the USA Pilot, we asked families how many months they thought their family could manage without borrowing money if somebody in their household were to lose his/her job. The results (Table 8) highlight the vulnerability of families which are feeling financially strained with as many as 57% of them answering ‘none’ to the question on savings (among those with a low income) as opposed to 9% for those who are not feeling financially strained. In fact, the large majority of those feeling financially strained -- regardless of their income -- have only 3 months or less of savings. These results are very important considering that numerous authors have defined being financially secured as having savings or liquid assets to cover three months of expenses (Ratcliffe and Vinopal 2009).

Table 8. Distribution of respondents on the question, “If somebody in your household were to lose his/her job (including yourself), how many months do you think your family could manage without borrowing money?” according to their perception of financial strain¹ (USA Pilot survey)

(in percent)

	Financially strained			Non-financially strained
	Low	Medium	High	
None	56.8	37.6	27.0	9.3
1 to 3 months	31.5	48.8	53.0	35.9
4 to 5 months	5.3	7.4	10.2	20.4
6 months or more	6.4	6.2	9.8	34.4
Total	100.0	100.0	100.0	100.0
(N of cases)	(299)	(284)	(201)	(383)

Note: 1- See Table 2 for a definition of financial strain.

Another way of capturing the vulnerability of families is to look at their feeling of job security, since while having a job is not a guarantee against financial strain, it is definitively a protective factor. In the USA Pilot, we asked respondents how concerned they were that they or somebody else in their family might be out of work and looking for a job in the next 12 months. The results in Table 9 once again highlight the vulnerability of those feeling financially strained with a much higher percentage of respondents saying that they were very concerned that somebody may lose a job (as compared to those not feeling financially strained) and a higher percentage indicating that this had already happened. Additionally, as with the other results, there is also a clear income gradient among those feeling financially strained.

Table 9. Distribution of respondents on the question, “How concerned are you that in the next 12 months you or somebody else in your family might be out of work and looking for a job?” according to their perception of financial strain¹ (USA Pilot survey)

(in percent)

	Financially strained			Non-financially strained
	Low	Medium	High	
Very concerned	22.7	19.4	17.5	3.9
Somewhat concerned	41.9	52.0	53.7	45.2
Not at all	21.5	19.6	21.3	49.0
It has already happened	14.0	9.1	7.6	1.9
Total (N of cases)	100.0 (299)	100.0 (284)	100.0 (201)	100.0 (383)

Note: 1- Where the perception of financial strain is captured by the question, “How well do you currently get by with your family’s income?” Those defined as being financially strained are respondents who answered this question by stating that they were managing “with difficulty” or “with great difficulty,” as opposed to those defined as being financially non-strained who answered this question by stating that they were managing “easily” or “very easily.”

As discussed earlier, the other dimension of the families’ financial vulnerability that has been documented in the literature is their rising level of indebtedness. We do not have precise data on this in the two surveys, but respondents in the FIM project were asked if they, or any member of their family, had problems in the last 12 months repaying loans. We already provided data on this item earlier, but the data are broken down here by the actual level of problem (Table 10). What we see is that among those financially strained, around 60% said that they had problems repaying loans, including about one-quarter having a lot or enormous problems.

Table 10. Distribution of respondents on the question: “In the last 12 months, have you or any member of your household had problems repaying loans” according to their perception of financial strain¹ (FIM project, two American sites)

(in percent)

	Greater Philadelphia, PA		Tacoma, WA	
	Financially strained	Non-financially strained	Financially strained	Non-financially strained
No problem	44.4	88.9	34.7	91.0
Some problems	28.9	9.7	36.0	9.0
A lot of problems	14.1	1.4	10.7	0.0
Enormous problems	12.7	0.0	18.7	0.0
Total	100.0	100.0	100.0	100.0
(N of cases)	(155)	(74)	(78)	(57)

Note: 1- See Table 2 for a definition of financial strain.

Furthermore, asked what, if anything, about their financial situation worried them, 65% of the financially strained, as opposed to 22% of the non-financially strained, said that paying for credit card or loan debt worried them (in the Greater Philadelphia sample) (data not shown).¹⁷

Finally, when examining the families’ financial problems and vulnerabilities, it is worth keeping in mind that some of the financial strains experienced by families may be the results of rising level of consumerism: a trend that may have left families trying to “keep up with the Joneses” and to live above their means. In the FIM project, we asked respondents if, in recent years, they had taken on more debt than they should have in order to pay for items like a bigger home or an expensive car or other types of luxuries. Among the financially strained families, 39% answered yes to this question, as opposed to 29% for the non-financially strained families (in the Greater Philadelphia sample, data

¹⁷ The comparable figures for the Tacoma sample are 51.3% and 28.1% respectively.

not shown here).¹⁸ So, while consumer pressures may be part of the explanation for the families' financial strain, it is obviously not the sole reason.

4. Discussion and conclusion

The 2008-9 recession had a large impact on the American society, affecting the lives of millions. What was, however, new about this recession compared to others experienced in the recent decades is that it was not confined to the poor and inner-city residents, but impacted a wider segment of the population, including families with a middle-income and even beyond. The recession also highlighted the increasing economic vulnerabilities of families who in previous decades might have felt relatively immune to an external shock such as the loss of a job or a drop in income through reduced hours of work and reduced overtime. Many families, even with dual earners, are now feeling on the precipice of economic decline.

Data collected in the summer of 2009 for a nationally representative sample of American families (the USA Pilot Study) provide a picture of the extent to which perceptions of economic hardship extend beyond the poor and near poor well into the middle of the income distribution. Of course, we do not have data to compare families by income over time, but there is a growing literature that attests to the fact that more families in the middle are struggling economically. Although some of these pressures may have come from growing pressure to purchase new consumer goods, there is evidence from our surveys (and qualitative in-depth interviews that we conducted in the two U.S. sites) that most families are living quite modestly and that the majority are managing their limited resources very well (Iverson et. al. 2010). This paper and the larger study from which the data are drawn show that many middle income families are finding it difficult to invest adequately in their children. As public expenditures in the United States for children are more constrained, the responsibility of investing in health and education are being off-loaded to parents. While the poor may receive subsidies for these critical expenses,

¹⁸ The question was not asked in Tacoma sample.

middle-income families are expected to manage through savings. However, the notion that middle income families can stockpile for emergencies may be becoming a thing of the past, especially in a world that requires ever larger investments in childcare, health, and education.

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APPENDIX: The measurement of financial strain in various surveys and studies

1. USA surveys

- **General Social Survey (ICPSR 25962):** “We are interested in how people are getting along financially these days. So far as you and your family are concerned, would you say that you are pretty well satisfied with your present financial situation, more or less satisfied, or not satisfied at all?” (asked every year from 1972 to 2008) ([VAR: SATFINa]).
- **General Social Survey (ICPSR 25962):** “During the last few years, has your financial situation been getting better, worse, or has it stayed the same?” (asked every year from 1972 to 2008) ([VAR: SATFINb]).
- **General Social Survey (ICPSR 25962):** “Did any of the following financial matters happen to you during the last year... 1. Went bankrupt (declared personal bankruptcy); 2. Car, household appliances, or furniture repossessed; 3. Pawned or sold-off valuables to make ends meet; 4. Pressured to pay bills by stores, creditors, or bill collectors; 5. Major worsening of your financial condition” (asked in 1988-91 and 2004) (variables FINAN1 to 5).
- **General Social Survey (ICPSR 25962):** “Now I am going to ask about specific hardships. Did any of the following occur to you since (CURRENT MONTH), 2003?... 1. Fell behind in paying your rent or mortgage; 2. Evicted from your apartment/house; 3. Had your utilities (water, heat, or electricity) shut off; 4. Unable to purchase needed food; 5. Unable to afford needed medical care; 6. Lacked health insurance coverage (e.g., Medicare, Medicaid, Blue Cross, an HMO, etc.); 7. Had to temporarily live with others or in a shelter or "on the street"; (asked in 1988-91 and 2004) (variables HRDSHP1 to 7).
- **National Commission on Children (ICPSR 9595):** “How often, if ever, do you worry that your total family income won’t be enough to meet your family’s expenses and bills? Would you say you have worries like this... 1. All the time; 2. Most of the time; 3. Some of the time; 4. Just now and then; or 5. Never.” (variable V229)
- **National Commission on Children (ICPSR 9595):** “Now. I’d like to ask how much trouble you have paying for particular kinds of expenses. Do you have a lot of trouble, some trouble, just a little trouble, or no trouble at all paying for... a. Food for your family; b. Clothes for your family; c. Your rent or mortgage; d. Doctor bills, medicine and other health care expenses; e. Child care” (variable V. 231).
- **New York Times Poll:** “Thinking about your household income, would you say that it is more than enough so that you can save money or buy some extras, just

- enough to meet your bills and obligations, or is it not enough to meet your bills and obligations?” (fielded in various monthly polls including in June 2009)
- **New York Times Poll:** “How would you rate the financial situation in your household these days? Is it very good, fairly good, fairly bad, or very bad?” (fielded in various polls including in April 2009).
 - **Three-City Study:** “During the past 12 months, how much difficulty did your household have paying bills? Would you say... 1. no difficulty at all; 2. a little difficulty; 3. some difficulty; 4. quite a bit of difficulty, or 5. a great deal of difficulty” (note that other questions are also included in the module on financial strain).
 - **The USA Pilot Study:** “How often do you worry that your total family income will not be enough to meet your family’s expenses and bills?” (included in the August 2009 survey; ICPSR #26542-v1 and ICPSR 26544-v1)

2. USA studies

- **Mayer and Jencks (1989), measure of material hardship based on the inability to afford food, housing and medical care (10 variables).**
- **Cook and Kramek (1986). Measure of economic hardship:** number of times that a family had any of the following experiences in the past year: a) been unable to afford food; b) been unable to pay the rent; c) had gas or electricity cut off; d) been unable to afford medical care; e) been unable to afford a dentist; f) was (currently) experiencing three or more of the housing; problems discussed earlier, such as a leaky roof and malfunctioning plumbing or heating.
- **Mistry et al. (2008) measures of perceived economic pressure:** (1) Difficulty meeting financial needs (“These days I can generally afford to buy the things we need”); (2) Difficulty meeting financial wants (“We never seem to have enough money to buy something we’d like to have or go somewhere just for fun”).
- **Treas (2010) indicators of financial hardship from the 2004 GSS:** pressured to pay bills, unable to afford medical care, valuables pawned to make ends meet, utilities shut-off, unable to purchase needed food, homeless, car/ furniture/ appliance repossessed, eviction, and bankruptcy.
- **Whitbeck et al. (1997) indicators of family economic pressure:** (1) two items: whether the family had difficulty paying its bills, and the extent to which the family had money left over at the end of each month; (2) seven items in which the parent was asked whether the family had enough money for the kind of home, clothing, furniture, car, medical care, and leisure activities they would like to have; (3) 27-item checklist of economic adjustments that the family may have

made because of financial need (e.g., used savings to meet expenses, sold possessions or cashed insurance policies, postponed medical or dental care).

3. Non-USA surveys

- **Eurobarometer 2001 (56.1)** (Q153): “How well do you get by with your household’s income?” (1. With great difficulty; 2. with difficulty; 3. easily; 4. very easily).
- **Eurobarometer 2001 (56.1)** (Q9): “In the last twelve months, have you, or any member of your household, had problems in... 1. paying the rent or mortgage; 2. paying the water, gas, electricity, or heating bills; paying for food; repaying loans (other hand for housing)”
- **Eurobarometer 2007 (67.1):** (QB2) “In your opinion, what would be the lowest net monthly income that your household would need to have in order to make ends meet, given the present circumstances and composition of your household?” and (QB3) “Is the total net monthly income of your household higher, lower or more or less the same as this figure?”
- **Eurobarometer 2007 (67.1):** (QB4) “Which of the following best describes how your household is keeping up with all its bills and credit commitments at present? (1. I am/we are keeping up without any difficulties; 2. I am/we are keeping up but struggle to do so from time to time; 3. I am /we are keeping up but it is a constant struggle; 4. I am/we are falling behind with some bills and credit commitments; 5. I am/we are having real financial problems and have fallen behind with many bill sand credit commitments”
- **European Community Household Panel:** “Thinking now of your household’s total income, from all sources and from all household members, would you say that your household is able to make ends meet?” (Whelan et al. 2001 interpret this question as a measure of economic strain).