

**Economic Instability and Child Health:
Evidence from the Aftermath of the Great Recession**

Ariel Kalil and Lindsey J. Leininger
University of Chicago

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Abstract

The Great Recession initiated a major social transformation in American life and understanding its consequences on children's health is vitally important. Our paper examines these consequences using brand-new data: the Michigan Recession and Recovery Study – Child and Youth Study (MRRS-CYS). The MRRS-CYS is a primary data collection effort that gathered uniquely rich measures of family economic conditions and child health for approximately 450 children in Southeast Michigan over the years 2009-2011. The study is among a very few that can provide insights regarding the link between economic instability and child health specific to the most recent downturn – a key contribution given that extant findings based on less-severe business cycle fluctuations are inadequate for informing current policy. The paper will also explore whether the association between economic instability and child health differs for blacks versus whites, taking advantage of the roughly equal sample representation of the two racial groups.

EXTENDED ABSTRACT

Purpose and Orientation

The “Great Recession,” which officially lasted from December 2007 through June 2009, represents the worst U.S. economic downturn since the 1930s. Millions experienced wage cuts, layoffs, and long-term unemployment. Economically vulnerable families, who do not have substantial assets, also experienced increased housing instability due to these labor market changes and the collapse in housing values. As a result, poverty rose and foreclosures, evictions, and homelessness increased. Two years after the official end of the recession, in a recovery that has often been described as anemic, the economic problems created by unemployment and the housing crisis persist. In short, the Great Recession and its reverberations have resulted in levels of economic distress unprecedented in modern times. And the most vulnerable members of society – notably, minorities and children – have disproportionately suffered. Fifteen and one-half million children lived in poverty in 2009, up from 14.1 million in 2008. Income for African-American households fell by 4.4 percent from 2008 to 2009 (U.S. Census Bureau, 2010) and the black unemployment rate is about twice as high as that for whites (U.S. Bureau of Labor Statistics, 2010). The current economic situation is likely exacting an especially high toll on black families, potentially unravelling decades of black economic progress.

The Great Recession and its aftermath represent a major social transformation in American life and understanding its consequences on children’s health is vitally important. Researchers and policy makers have long been concerned that economic distress may negatively impact child health, in part through family stress and reduced parental investments in behaviors that promote optimal child health. But remarkably little empirical research exists on this topic, primarily resulting from a lack of data availability: The vast majority of population-based studies do not include the necessary measures of child health and family economic conditions and the potential mediators linking the two.

Our paper relies on a unique data collection effort that covers a broad range of in-depth information for children and their parents living in settings that have been among the hardest hit by the recession. Specifically, we will use a sample of approximately 450 African-American and white children living in Southeast Michigan. Their parents are participating in the ongoing “Michigan Recession and Recovery Study” (MRRS) conducted at the National Poverty Center (NPC) at the University of Michigan. Two waves of the MRRS have been fielded, the first in 2009 and the second in 2011; our associated child sample, the Michigan Recession and Recovery Study – Child and Youth Study (MRRS-CYS), was first incorporated in the 2011 wave of the MRRS. Data from the 2009 wave of the MRRS are currently available and data from the 2011 wave – including the CYS sample – will be available by December 2011. Sample members have been severely affected by the recession: Michigan has one of the highest rates of unemployment and home foreclosures in the country. Approximately 1 in every 160 houses in Southeast Michigan is in foreclosure (Realtytrac, 2010) and the unemployment rate was 13.4% in August 2010. Mirroring national trends, Detroit-area black families have been disproportionately affected; in 2008 the unemployment rate for blacks in Wayne county (where Detroit is located) was about 32%, compared to about 14% for whites (American Community Survey, 2009).

Our paper will be especially timely in light of evidence from the 2010 Child Wellbeing Index (CWI), which finds that progress in the quality of life for America's children has fluctuated since 2002 but began a decline in 2008, reaching new lows in 2010. The Great Recession is expected to erase virtually all progress for children since 1975 in the domain of Family Economic Wellbeing. Importantly, the adverse outcomes associated with stressful childhood

experiences do not dissipate with age (Currie, 2009); indeed, poor health in childhood is highly predictive of poor health in adulthood (Case, Lubotsky, & Paxson, 2002). Thus any deleterious impacts on child health arising from the current economic climate are likely to compound well into the future.

In addition to providing results specific to the most recent economic downturn – a key contribution given that extant findings based on less-severe business cycle fluctuations are inadequate for informing current policy – data collected during and after the Great Recession will provide more variation within families over time in economic conditions than is typical in observational data. Consequently, the increased variation will enhance our statistical power relative to comparably sized studies. Moreover, our data are unusual in their racial composition (roughly evenly split between African-American and white children), which will permit exploration of the strikingly higher rates of parental job loss for minority families. As such, we will be able to analyze the extent to which the disproportionate impact of adverse economic events contributes to increasing racial disparities in children's health.

Specific Aims

The primary objective of this paper is to examine the link between economic instability and child health, assessing whether any observed association is mediated by changes in material resources, consumption, housing instability, and/or parents' mental health and parenting behavior. A second aim is to examine whether the relationship between economic instability and child health is moderated by race. Alternatively stated, we are interested in whether the consequences of economic instability differ for black versus white children.

Data and Methods

We will use data collected from the 2009 and 2011 waves of the MRRS combined with data from the 2011 wave of the MRRS-CYS. The dependent variables of interest reflect health care access and utilization and health status. Health care access and utilization measures include the following: insurance coverage (public, private, none); having a usual source of care; having received a routine health checkup in the past year; and having received any care for behavioral, emotional, or mental health needs over the past year. Health status measures include: parent-reported health status (excellent, very good, good, fair, or poor); the presence of repeated or chronic pain; whether the child had any recent accidents/injuries; the number of activity-limited days due to illness in the past two weeks; and the number of bed days due to illness in the past two weeks. The key exposure of interest is parental job loss, an important measure of family economic instability. Given the rich longitudinal data we will have on job loss – monthly information dating back from 2007 – we will be able to create nuanced measures of the key exposure, allowing for the exploration of a dose-response relationship between it and child health.

Multivariate regression will be used to generate estimates of the primary relationship of interest net of the confounding influences of demographic and household characteristics. Logistic, poisson (or negative binomial, depending on the results of requisite tests of fit), and ordinal logistic specifications will be used for the dichotomous, count, and ordinal outcomes, respectively.

To test the mechanisms linking economic instability and child health, we will estimate multivariate regressions in which potential mediating mechanisms are the dependent variables. For example, we will estimate the influence of parental job loss on parent-child relationships, marital quality, expenditures, and the like. If we find evidence that parental job loss predicts these factors, we will then add those measures as independent variables to the models in which

children's health outcomes are the dependent variables, and examine whether the inclusion of these mediating mechanisms reduces the association between parental job loss and children's health. As stated above, we are also interested in knowing whether the impact of parents' job loss on child health outcomes is different for black and white children. These questions will be tested by including interaction terms between race and job loss. A related exercise will decompose the (hypothesized) lower levels of outcome attainment witnessed among black children relative to white children into two parts: an "endowment" effect, which quantifies the differences between black and white children in their respective endowments of inputs contributing to optimal health; and a "differential impact" effect, which assesses whether the endowments exert differential impacts for black versus white children. This exercise will be executed using standard multivariate Oaxaca decomposition methods (Oaxaca, 1973).

Conclusions and Policy Relevance

The economic costs of child poverty total about \$500 billion each year due to lost productivity and increased health and criminal justice expenditures (Holzer, 2010). By increasing parental joblessness, the Great Recession deepened child poverty, thus imposing higher long-term fiscal and economic costs for the United States and underscoring the need for cost-effective policy responses. The current economic and policy environment is unique: While the stimulus bill instituted large increases in social welfare spending, mounting concerns over the federal deficit dictate prioritization in future spending. Our belief is that this paper in concert with future studies using the MRRS-CYS will provide new data that will be critical for guiding government policymakers as they allocate funds where they are most needed.

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