

WHEN ENDS DON'T MEET: DEBT AND ITS IMPLICATIONS FOR LOW-INCOME WOMEN



Kristin S.
Seefeldt,
*University of
Michigan*

OVERVIEW

- Brief review of prior research on “making ends meet”
- Data and methods of study
- Trajectories over time
- Strategies for making ends meet
 - Use of debt
- Expectations for assistance
- Conclusions

WHY STUDY LOW INCOME WOMEN DURING A RECESSION?



- Need new information on how low income families manage economically:
 - Much of what we know is based on studies conducted prior to or in the immediate aftermath of welfare reform
 - Cohort of families with no/very limited experience with public assistance system
- First test of safety net during economic downturn:
 - Potential to exacerbate inequality
 - Long recession, very sluggish recovery

INCOME PACKAGING

**Public
Assistance**

**Informal
Employment**

**Formal
Employment**

Help from social
network

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graph TD; A[Public Assistance] --> B[Informal Employment]; C[Formal Employment] --> B; D[Help from social network] --> A; E[Help from private agencies] --> C;
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The diagram illustrates the concept of income packaging. It features three main categories of income sources arranged horizontally: Public Assistance, Informal Employment, and Formal Employment. Below Public Assistance, the text 'Help from social network' is positioned with an arrow pointing upwards towards the Public Assistance category. Similarly, below Formal Employment, the text 'Help from private agencies' is positioned with an arrow pointing upwards towards the Formal Employment category. Additionally, there are arrows pointing from both the Public Assistance and Formal Employment categories towards the central Informal Employment category, indicating that these sources contribute to or are packaged into informal employment.

Help from
private agencies

POLICY CHANGES

1996 Welfare Reform; EITC Expansions



~~Public Assistance~~

Informal Employment



Formal Employment
(+ tax benefits)

Help from social network

Help from private agencies

WHAT HAPPENED?

- Welfare caseloads declined
- Employment rates for single mothers increased
 - Precise reasons unclear
- Descriptive welfare leaver studies
 - Work is low-paying and unstable
 - Significant proportions have health, mental health, and other “barriers” to employment
 - Small but growing proportion of single mother families are “disconnected”

SINCE THEN....

- Two recessions, most recent one with a slow recovery
- Employment insecurity, both in jobs on the lower and higher end of the income distribution (e.g., Hacker, 2006; Kalleberg, 2009)
 - Contract and temporary work
 - Lack of benefits



QUESTION

- Coupled with changes in the safety net, what do these larger issues mean for the economic coping strategies of the poor, and even how we think about who is poor?

DATA AND METHODS

- **Qualitative interviews with 45 women who have been interviewed yearly in the period 2006-2011**
- **Sample is mostly:**
 - **Low income**
 - **Single mothers**
 - **African American**
 - **Detroit residents**

WHY DETROIT/MICHIGAN?

- Southeast Michigan hit hard by this recession:
 - High unemployment rate
 - One of the highest rates of home foreclosures in the country
 - But in mid to late 1990s had lower than average unemployment
- Welfare system in the middle in terms of generosity and strictness
- “Excellent” environment in which to understand how families manage during this difficult time

HOW IS SE MICHIGAN DIFFERENT FROM CALIFORNIA?

- Relatively few immigrants
- State is losing population
- No time limits until relatively recently
- Smaller proportion of child only cases



POTENTIAL LESSONS

- Understand how traditionally disadvantaged groups are faring
- Understand the experience of those who have lost significant ground during the recession
- Is Detroit/Michigan the “canary in the coal mine?”

LOW INCOME WOMEN IN THE RECESSION

TODAY'S PRESENTATION

- What are the different trajectories of low/moderate income women over the course of the recession and recovery?
- What are their economic coping strategies, and how are these strategies shaped by the resources available to them?
- What are their expectations for assistance, and what are the implications for our safety net?



TRAJECTORIES

1. **Chronically poor**
2. **Downward movers**
3. **Stable (for now) low- wage workers**
4. **Higher income, but teetering**



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CHRONICALLY POOR

- Unwed mothers with low education levels
- Occasional receipt of TANF, although for short periods of time
- Sporadic to occasional work in the formal sector
- Health, mental health, and domestic violence problems, encounters with criminal justice system

COPING STRATEGIES

- **Subsidized or very low-cost housing**
- **Odd jobs and work in the informal economy**
- **Non-payment of bills (debt)**

SHANICE

Owes \$1500 to utilities

- I mean, I'm going to need to pay it because when I eventually get to the point when I'm owning a home I'm going to have to get it turned on in my name. But, I just worry about stuff as it come. Let every thing stress you out, you be running around like a chicken with your head cut off. So when that point comes, you know, when I need to, I'll say maybe I'll give y'all five or six hundred dollars and get on the payment plan, I don't' know what I do, but I'll wait.

NICHELLE

Owes \$5,000 to utility company:

- Just because of the winter bills went up so high every month, and the social services had paid some of it...but it's not enough. And by the time the next bill comes around, um... it's just because really, the winter bills, because they're so much. I mean, I'm getting bills that are \$500 a month. So it's like, you pay something on it and then the next bill comes.

OTHER SOURCES OF DEBT

- Old car loans
- Cell phone bills
- Parking tickets, moving violations, and drivers' responsibility fees



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DOWNWARD MOVERS

- On welfare/single mothers when children very young, but over time accumulated extensive work histories in moderately well-paying jobs, often with benefits
- Experienced job loss due to layoffs or injuries; reduction in hours and/or pay
- Fight to receive benefits
- Largest group
- **Access to credit cards and mortgages**

COPING STRATEGIES

- Using Food Stamps; UI and disability- but often after contestation
- Taking on and accumulating debt
- Going back to school => debt



YVETTE

“I basically like used the credit cards for gas, groceries, um, you know, just things like living things that I didn’t have the money on my paycheck to pay it because I had to pay bills. And so, then I had got just too dependent on my credit cards being there to get me out of the bind every two weeks when my paycheck wasn’t stretching.”

GENEVA

“Oh yeah, my credit is terrible. And I’m not helping it any by my mortgage being late. I mean, there’s nothing I can do, though. I thought about bankruptcy but I, I uh, can’t come up with the money to file for bankruptcy [Laughs] until maybe income tax time. Maybe I can do it there. Try and stay afloat. And I really don’t want to be bankrupt. I just don’t want to do that.”

SHARON

What I did last week was, I called the credit cards I already have. I called and said, hey, you know, I'll transfer this balance over here if you give me this rate for this period of time. And they seem to be buying onto that....[in reference to her Excel spreadsheet] ..this is my July bills. Like these ones are zeroed out. But they're being real sticklers on the interest rate, so I'm not using them. But this one... I only got a two dollar balance on there. But I just worked out a promotional interest rate with them and took out a cash advance on that one. So I'm not going to pay any interest on that one until August '09, and I had to pay 35 bucks to transfer the balance.

\$20,000 in credit card debt

PUBLIC BENEFITS

- **Most eventually received some public support, but not without difficulty:**
 - Very limited experience dealing with public programs;
 - Lengthy period of time before they became eligible for help;
 - Employers contested UI and workers' comp claims.

GOING BACK TO SCHOOL

- Return to school in hopes of finding a new job (or a better job)
- For some, Pell Grant is a lifeline
 - Difficult to finance education and living expenses on just the Pell
 - Proprietary schools are expensive
- Start to take out loans



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LOW WAGE WORKERS

- Very small group because over time, more slide down
- Rely heavily on friends and family for help, although their network's ability to help decreases
- Have difficulty maintaining assistance such as child care, food stamps, and medical
- Also owe for old bills, credit cards

ASSISTANCE

Puzzled as to why they lose assistance, since in their minds, nothing has changed- except the prices of necessities:

- They just told me I didn't qualify anymore, I, even though I'll go on the [web]site to try to check and see and the [web]site says that I do qualify. But they don't give it to me. So I don't know. I mean, [my employer] doesn't offer [health insurance at the job either, so. *Kendra*
- They say I make too much. They don't give me anything. They won't even give me...um they cut me off of everything, child care and health insurance. *Janelle*

SUPPORT FROM FAMILY AND FRIENDS

- In 2006, only 6 women received significant monetary/in-kind contributions from friends and family;
- Over time, that support eroded:
 - People who were the sources of support lost jobs
 - Other family members became reliant on support, respondents believed they needed to step back

SOURCES OF HELP HIT BY RECESSION

- “Everyone else is in the same boat as me.”

Tamara

- “Everybody struggling, you know, it’s been a time, like with my mom, [before] I could go to her and be like, ‘you know, mom, I need like \$100, you know, until I get paid.’ But now she’s complains, so I guess the point is ‘don’t ask me.’ Like we was at the store yesterday and I was saying something and she said, ‘I ain’t got no money for you.’ ... She said, ‘I ain’t go not money’ I’m like, ‘uh-oh.’ I said, ‘do you need anything?’ She said, ‘No, I’m straight.’ But she normally be grabbing everything, but I know she didn’t get anything [at the store].”

Carol

DEBT AND ITS REPERCUSSIONS

- K: are debt collectors calling to ask that you make payments?
- A: humph, yes. (laughs)
- K: ok. How do you handle that?
- A: Tell them the same thing, I don't have it right now. Just... tell them the same thing, and they still going to call . just tell them that I don't have it.

(Adrienne)

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HIGHER INCOME

- Handful of women with income between \$70,000 and \$120,000
- Married, college educated
- Very little to no savings
- No equity in their homes; also saddled with student loans for themselves and their children
- One job loss away from losing everything

HELEN

- So we're still praying. Still living in a house by the grace of God. Although we're behind, the bank is working with us. Um and it's...and you're going to hear me say this a lot, it's just by the grace of God...that we are still existing. I mean I wake up every morning saying 'thank you' because I know it's nobody but God that leaves us in that house with a roof over our head, and me being the sole income, that my daughter made it through her first year of college.

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ASSISTANCE FROM PRIVATE AGENCIES

- Notion that private agencies and their services are for those who are “really poor”:

And the schools, they give a drive where the kids have to bring a canned good, three or four canned goods. I shop, I buy so many, a case, for them to take to school... To give to the poor. We poor, but we giving to the poor too, because there are people poorer than us.

Raeanne

INCREASED USE OF FOOD PANTRIES

- Over time, increased willingness to go to churches, food pantries, seek out emergency aid from nonprofits



EXPECTATIONS FOR ASSISTANCE

- More jobs at better pay rates
 - The cost of everything is going up, but pay is not
- Very limited expectations about help from the public safety net; hope that what exists won't be cut further
- Understand that debt needs to be paid off; eventually hope to repair their credit
- Over time, an increasing awareness that their situation was much different from those in decision-making positions, and that they were being left behind

LACK OF COMPASSION

- “That when they, when they’re making decisions like, cutting off Medicaid and Food Stamps, they’re not considering if it was them. Or someone you loved. Because if I was a rich person I wouldn’t just say “I’m going to cut off Medicaid and Food Stamps,” because I’ve been poor before or I’ve been struggling. Or just even if I, even if I never struggled just, just a compassionate person understands another person’s situation, you know what I’m saying? So, like, how could you just say you going to cut off Food Stamps and you don’t care about none of these kids out here who got to eat? Like...I’m the type of person that if I don’t care about you, I will care about your kids. If I’m not going to feed you, I will feed your kids.” *Shanice*

CONCLUSIONS

- **Families with children**
 - We know that instability can harm children's development
- **Stresses on parents**
 - Both because of job loss and turnover but also because of lack of help in the interim and the high levels of debt they accrued

CONCLUSIONS

- Re-thinking of U.S. safety net → what do we need, given changes in the labor market and the different profiles of people who are affected by these changes?
 - Instability becoming a hallmark for average American worker (Gosselin, 2008; Hacker, 2006)- but particularly for most vulnerable;
 - Yet, much of the safety net is tied to outdated notions of employment/ who needs help

CONCLUSIONS

- For low and moderate income women who had to rely upon the labor market as the primary source of support, using another tool of the market – debt- may be the most reasonable course of action for staying afloat financially
- Debt used to make up the difference when other sources of income women packaged together did not meet their needs
- Better housing and employment opportunities may be hindered by low credit scores and a record of debt

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