Intergenerational Transfers During the Great Recession: The Relationship Between Marital Status and the Familial Safety Net

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Is there a relationship between marital status and the type of familial economic support received during times of hardship, such as a recession? Family-based support networks are an important safety net, but are particularly tested during a recession if the recession's impact afflicts potential recipients and donors alike. Are there observed differences in how the safety net works for married vs. divorced couples, or for other marital statuses, during a recession? Questions like these are pertinent to basic economic concerns, such as how recessions affect demographic disparities in well-being, and how individuals and families cope with economic shocks.

An extensive literature has documented pronounced demographic differences in unemployment over the business cycle. A particularly robust finding, for instance, is that the onset of a recession exacerbates unemployment for younger workers more than it does for older workers. But the resulting generational disparity in well-being might be mitigated by transfers from parents to children, which flow primarily from high to low income households (Laferrere & Wolfe, 2006) and from parents to children (e.g., Altonji, Hayashi & Kotlikoff, 2000, Cox, 2007, Cox and Raines 1983, McGarry & Schoeni, 1995, McGarry & Schoeni, 1997, Soldo & Hill, 1995) Do divorced parents play a different role than married parents in providing a safety net ? Are they more likely to be in need themselves and are they less able to provide stabilizing economic help?

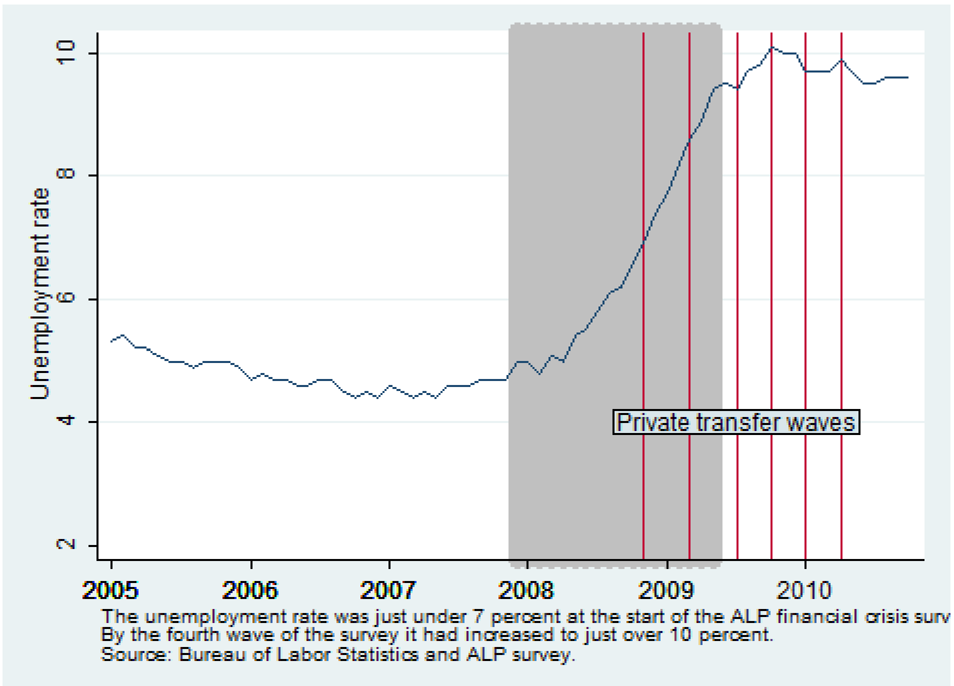
A recession in particular can cause complications in what otherwise might be reliable family insurance. (Fafchamps, 2011) Previous work using the ALP data has shown that while family members do respond to recession-related economic shocks such as unemployment with increased transfers, when multiple generations of a family are affected by the recession, the incidence of transfers decreases (Cox and Way, 2013). Marital status and in particular marital disruption such as divorce, may change the potential sources of financial help, or may be related to the likelihood of being called on to help when a family member is in financial difficulty. The ALP is particularly suited to help answer these questions.

DATA

The ALP is an internet-based study that, during the waves used in this paper, surveyed about 2,500 respondents. The panel began in January 2006, and over 50 surveys had been completed or were in the field by the time the financial crisis survey began in November of 2008. Respondents were asked monthly to complete web-based questionnaires, with response rates ranging between 76% and 80% for the financial crisis surveys (Hurd and Rohwedder (2011)).

The special survey on the financial crisis was initiated just as the recession was intensifying, and administered regularly soon thereafter. The financial crisis modules used in this study, identified as survey numbers 57, 63, 85, 92, 107 and 117, generated innovative panel information on private transfers. Figure 1 shows the relationship between the timing of these surveys and the deepening of the recession in its effect on unemployment. In addition, there are several waves of the ALP during this timeframe that were not focused on the financial crisis per se, but that nonetheless contain information pertinent to private transfer behavior, most notably the income and wealth modules, high-quality survey instruments patterned after those in the Health and Retirement Study.

Figure 1 – ALP Financial Crisis Modules Timing During Great Recession



Respondents were asked in each wave if they had been affected “a lot”, “a little” or “not at all” by the recession, and if they indicated “a lot” or “a little”, they were then asked if they had received financial help. A parallel question was asked about the effect of the recession on family members, and if they had given affected family members help.

INITIAL DESCRIPTIVE EVIDENCE

Table 1 shows my initial look at the patterns of giving and receiving based on marital status. The table uses summary data for only married or divorced respondent from the six surveys identified above, showing that while the two groups are similar in how affected by the recession they or their family members were, divorced respondents were more likely both to give and receive transfers.

Table 1 – Recession's Impact and Financial Transfers, by Marital Status

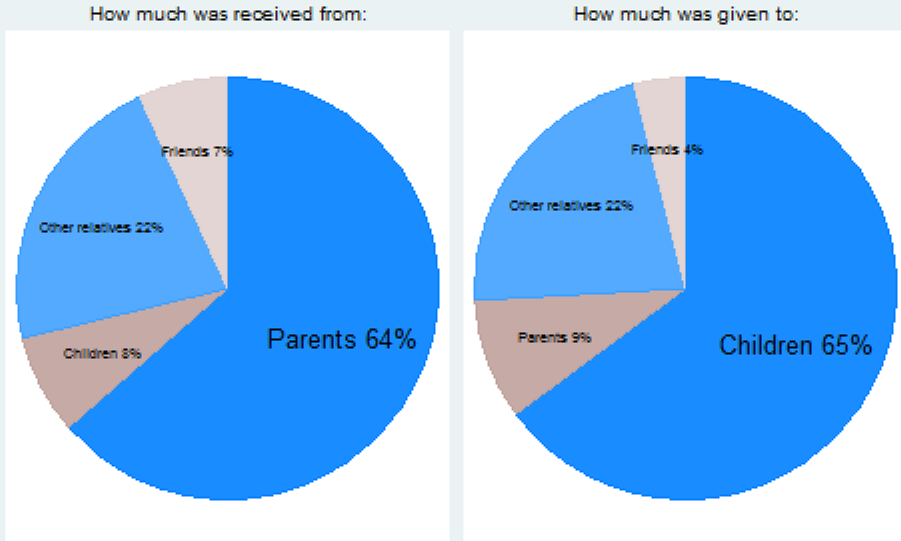
Variable	Married N=1297	Divorced N=283
Affected a lot by Recession	0.430	0.406
	0.495	*0.492*
Received Transfer	0.134	0.276
	0.341	*0.448*
Amount received	$6,815 (n=174)	$6,282 (n=78)
	$11,486	*$9,427*
Family affected a lot by Recession	0.476	0.473
	0.500	*0.500*
Gave transfer	0.417	0.488
	0.493	*0.501*
Amount given	$9,583 (n=539)	$7,724 (n=138)
	$23,089	*$18,473*

Note: Data is summarized across 5 waves of the ALP between November 2008 and April 2010. Affected a lot and Family affected a lot =1 if respondent reported being affected a lot in any of the waves. Received transfer and gave transfer=1 if a transfer was received or given in any of the waves. The amounts are summed across the waves. Standard Deviations are italicized below the means. Respondents only asked about transfers is they responded in the affirmative that they (or their families) were affected a lot or a little by the recession.

Details about the sources and destinations of transfers reveal some interesting differences as well. Figures 2 a and b show the sources and destinations of transfers for married and divorced respondents. One clear difference is that divorced respondents who receive help as a result of recession-induced economic difficulties are more likely to be given help by their children, and less likely to be given help by their parents. This is particularly interesting given that intergenerational transfers in the United States overwhelmingly flow downward, from parents to children. It could be that marital disruption affects this flow, either directly or through another causal channel. There are underlying differences between married and divorced respondents, some of which are detailed in Table 2.

Figure 2a. Generational Flows of Private Transfers

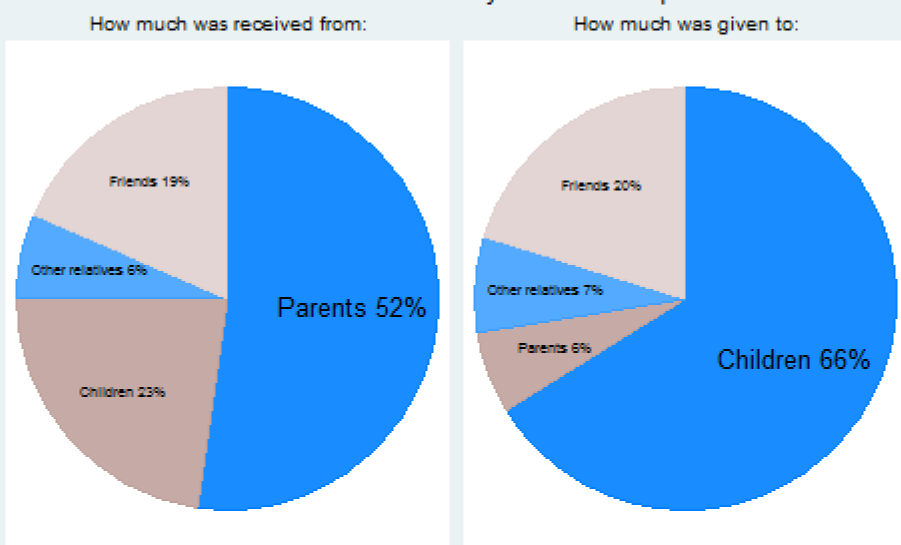
Dollars Received and Given by Married Respondents



Source/ Author's calculations from RAND American Life Panel (ALP), from November 2008 to April

Figure 2b. Generational Flows of Private Transfers

Dollars Received and Given by Divorced Respondents



Source/ Author's calculations from RAND American Life Panel (ALP), from November 2008 to April

Table 2 – Background Characteristics, by Marital Status

Variable	Married N=1297	Divorced N=283
Unemployed	0.105	0.173
	0.307	*0.379*
Age	51.99	56.30
	13.49	*10.37*
White	0.913	0.859
	0.282	*0.349*
Number of kids	1.94	1.80
	1.35	*1.40*
Education (yrs)	11.71	11.68
	2.06	*2.11*
Female	0.538	0.664
	0.499	*0.473*
Income	$87,277	$48,754
	$51,114	*$33,058*
Net Worth	$419,318	$161,793
	$1,781,686	*$478,392*
Mortgage	$129,546	$56,696
	$910,163	*$88,548*
Underwater on home	0.056	0.071
	0.229	*0.257*

Note: Data is summarized across 5 waves of the ALP between November 2008 and April 2010. Age is age in last wave utilized. All other variables were measured in January 2009. Standard Deviations are italicized below the means.

This paper will analyze these patterns and tease out others, using multivariate analysis, paying particular attention to selection issues, to discover if there are inherent differences in the familial safety nets for married, divorced and other people of varying marital statuses.

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