Wellness Check: Financial Instability among Families with Infants and Toddlers

Findings from the Well-Being and Basic Needs Survey

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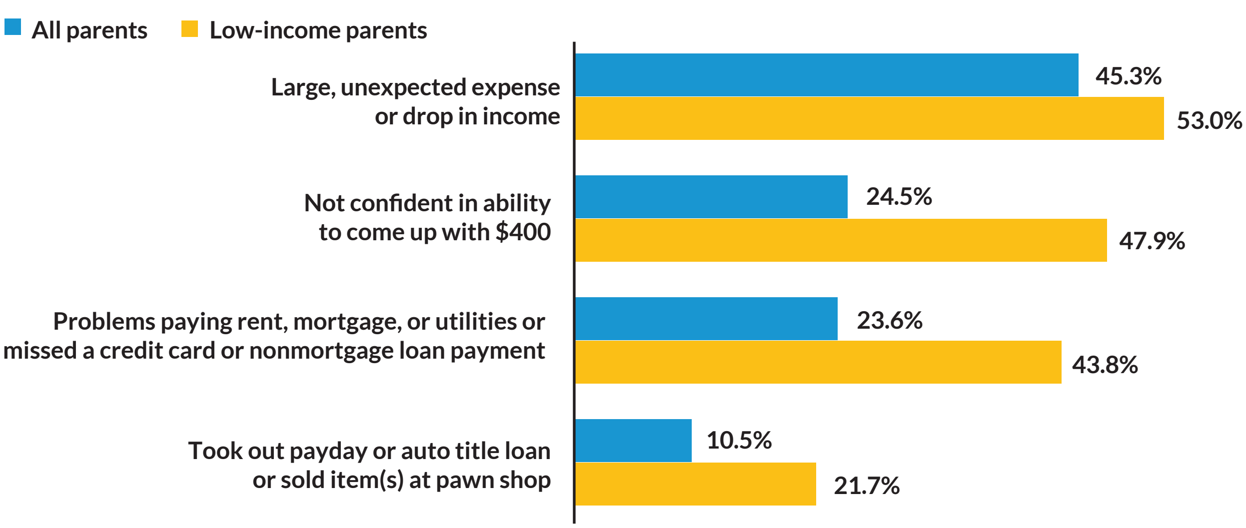
Families with infants and toddlers face significant, ongoing child-related expenses, such as daycare, diapers, and formula, that can strain household budgets. Couple these with unexpected shocks, such as a medical bill for a sick child or lost wages from caring for a sick child (i.e., no paid leave) and a lack of emergency savings, and it's easy to see how families with young children—even against a backdrop of low unemployment and an improving economy—struggle with financial instability.

We turned to data from the Urban Institute's Well-Being and Basic Needs Survey to understand financial instability among parents of young children, which can have short- and long-term consequences for children's development. This nationally representative survey of adults ages 18 to 64 was conducted in December 2017/January 2018 and again one year later.[1]

The survey found that a significant share of parents of young children (under age 3) face financial challenges. Compared with all parents of young children, low-income parents of young children are substantially more likely—in some cases twice as likely—to face these challenges (figure 1).[2]

FIGURE 1

Financial Shocks Experienced in the Past 12 Months by Parents with Children under Age 3, Overall and by Income



Source: The Well-Being and Basic Needs Survey.
Notes: *N* = 1,131. Low-income *n* = 651.

- More than 4 in 10 parents experienced either a large, unexpected expense or drop in income in the past year. Among low-income parents, the share is more than 5 in 10.
- A quarter of parents were not confident in their ability to come up with $400 if an unexpected expense arose within the next month. Among low-income parents, this share is nearly twice as high.
- Nearly a quarter of parents had difficulty paying household and other regular bills in the past 12 months, including rent, mortgage, utilities, credit card, or a nonmortgage loan. Among low-income parents, the share is nearly doubled.
- About 1 in 10 parents relied on a high-cost alternative loan—payday or auto title loans—or sold items at a pawn shop to cover expenses. Among low-income parents, this share is doubled. Payday and auto title loans carry high interest rates, sometimes up to 400 percent.

How Can Policymakers Support New Parents?

New parents—particularly those with limited incomes—need effective buffers to withstand financial shocks, develop resiliency, and become financially stable. Here are steps policymakers can take.

Establish a Universal Income Floor

Though the social safety net offers vital housing, medical, and food assistance, these programs can't guarantee a stable income or a job with adequate wages. Several places, including Stockton, California, Ontario, Canada, and Finland, have experimented with pilot projects that would provide families with income to meet basic needs. Ensuring incomes don't dip below a specific threshold or floor would mean fewer families struggling to pay basic household bills or falling into debt.

Strengthen Worker Protections and Social Insurance

Workers who experience irregular hours and pay, job displacement, or contract or contingent work face risks to their monthly incomes. Policies that protect workers from unpredictable work schedules and pay, as well as expanding unemployment insurance and providing other forms of social insurance to cover broader worker needs could help families withstand financial shocks and stabilize their finances.

Encourage and Incentivize Emergency Savings

Research shows that low-income families can and do save for emergencies, particularly when given incentives. Government, nonprofits, and employers are experimenting with matched emergency savings programs for workers through different mechanisms: a tax-time savings bonus, rounding up purchases and depositing the difference into a savings account, and special "sidecar" emergency savings accounts attached to 401(k) plans. Policies that support innovative approaches to helping workers save can protect families against financial shocks and hardship.

Additional Reading

The Well-Being and Basic Needs Survey
Urban Institute **https://urbn.is/2HmcOQa**

Stabilizing Children's Lives: Insights for Research and Action
Gina Adams, Urban Institute **https://urbn.is/2Ww6HvD**

Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities
Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga, and Emma Cancian Kalish, Urban Institute **https://urbn.is/2IEgzQU**

What Would It Take to Ensure That Every Family Can Achieve and Maintain Financial Security?
Caroline Ratcliffe, Caleb Quakenbush, and William J. Congdon, Urban Institute **https://urbn.is/2PVQkX5**

[1] Total sample size of parents ages 18 to 64 living with children under age 3 surveyed in December 2017/January 2018 or December 2018/January 2019 was 1,131. Some respondents participated in both rounds of the survey.
[2] "Low income" is below 200 percent of the federal poverty level.

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