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Children with disabilities and trajectories of parents' unsecured debt across the life course

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ABSTRACT

Prior research shows that having a child with a disability is economically burdensome for parents but we know little about whether this burden extends to unsecured debt. In this study, we examine the link between having a child with a disability that manifests between birth and age 4 and subsequent trajectories in unsecured household debt. We have three key findings. First, we find that having a child with an early-life disabling health condition is associated with a substantial increase in indebtedness in the years immediately following the child's birth, and that this association persists net of a range of potential confounders. Second, we find that parents do not quickly repay this debt, such that parents of a child with a disabling health condition have different trajectories of unsecured debt across the life course than do parents of children without a disabling health condition. Third, we find that the association between early-life child disability and debt is stronger for more severe conditions, such as those that require ongoing medical treatment. The results of this study are informative for understanding an important aspect of economic functioning—indebtedness—for parents of children with disabilities, as well as the causes and correlates of rising unsecured debt in the U.S.

1. Introduction

Rising levels of consumer debt in the United States have generated scholarly and public concern about the link between rising debt and population health. To date, much of this discussion has focused on debt as a stigmatizing financial stressor that undermines physical and mental health (Drentea, 2000; Drentea and Lavrakas, 2000; Drentea and Reynolds, 2015; Dwyer et al., 2011; Keese and Schmitz, 2011). But while there is a long tradition of research on the recursive relationship between social status and health across the life course (Adler and Ostrove, 1999; Haas, 2006; Palloni, 2006), scant research on the association between debt and health has considered whether debilitating health problems increase indebtedness. In this paper, we ask how having a child with an early-life disability that manifests by age 4 is associated with trajectories of parents' unsecured debt (i.e., debt that is not linked to an asset or investment in human capital) across the parents' life course.

In the United States, it is difficult for individuals and families to financially cope with debilitating health problems (Hacker, 2008; Sullivan, 2008). This is particularly true for families who have a child with a disability, where costs include not only medical treatment, but also child care and other services. Thus, not surprisingly, a long line of research shows that having a

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child with disabling or debilitating health conditions is associated with declines in family socioeconomic status (income, employment), and that this disadvantage accumulates across the life course (see Hogan, 2012). More recently, scholars have argued that debt is an important and distinct marker of family socioeconomic status (Drentea, 2000), and yet little is known about the link between child disability and debt. In a context of rising access to credit, it seems plausible that many families likely have little choice but to take on debt—either directly through credit card debt, or indirectly due to medical bills, which may pile up and accrue high interest rates (Hacker, 2008; Sullivan et al., 2000). However, no research to our knowledge has examined how having a child with a disability influences levels and trajectories of unsecured debt across the parental life course. As rising unsecured debt has increasingly come to substitute for shrinking public benefits (Sullivan et al., 1999, Sullivan et al., 2000), addressing this question is critical to understanding the dynamics of inequality and health in the United States.

In this paper, we draw from insights from the Life Course Perspective (Elder, 1985; Elder et al., 2004), and ask how having a child with an early-life disabling condition is associated with trajectories of unsecured debt across the life course. Our focus on trajectories of debt—rather than debt at a single point in time—allows us to interrogate key theoretical assumptions of competing perspectives on the role of debt in the United States. On the one hand, access to credit—and debt—can provide parents with an economic lifeline from which to draw in the event of an unexpected health shock such as having a child with a disability. If this debt is then easily repaid, it can be a valuable resource for those whose finances are otherwise strained. On the other hand, having a child with a disability may perpetually increase the need for credit and lead to higher debt burdens across the life course—both because high interest rates and fees on unsecured debt make it difficult to pay down the balance, particularly for those who can only afford the minimum monthly payment, and because having a child with a disability creates long-term, rather than short-term expenses. This is particularly worrisome because high indebtedness that continues into older ages diminishes the accumulation of assets, and can delay retirement (Mann, 2011). To address these questions, we use nationally representative, longitudinal data from the National Longitudinal Study of Youth 1979-cohort (NLSY-79) and the Children of the NLSY-79 (CNLSY-79), and hierarchical linear models (HLM) to examine the effects of both the presence and severity of early-life childhood disability on trajectories of parents' unsecured debt across over the course of the child's childhood.

2. Background

The Life Course Perspective stresses the importance of examining lives as they unfold in historical time and social context, and provides a useful framework for understanding the economic consequences of having a child with disability. Over the past several decades, legislation such as the Americans with Disabilities Act (ADA) and the Individuals with Disabilities Education Act (IDEA) has sought to improve the lives of children with disabilities. However, families of children with a disability continue to struggle with the economic burden of care (Hogan, 2012) in a social context where medical costs are high, and the social safety net has gradually contracted. For example, average out-of-pocket medical expenses have increased steadily over the past several decades (Paez et al., 2009), and the parents of children with disabilities pay thousands more per year in health care expenditures than parents whose children do not have disability (Newacheck et al., 2004). Moreover, changes in the social safety net have also created economic challenges for families with disabled children. Historically, social safety net programs such as SSI have buffered the economic impact of children's disabilities (Lukemeyer et al., 2000). However, the Personal Responsibility and Work Opportunity Act of 1996 (PRWORA) set stringent work requirements to attain some welfare benefits, and reduced the number of disabled children eligible for SSI and Medicaid, thereby exacerbating the economic consequences of having a child with a disability (Lukemeyer et al., 2000).

In this context, prior research shows that parents who care for children with disabilities face a double economic disadvantage. First, parents struggle with the high costs of medical care, treatment and rehabilitation for their children, and often have difficulty accessing quality medical care (Rogers and Hogan, 2003). Some estimates show that parents of children with disabilities spend upwards of $5000 per year in out of pocket medical expenses (see Stabile and Allin, 2012 for review). Second, having a child with a disability is also associated with missed work, lowered employment and lost wages (Brandon and Hogan, 2004; Hogan, 2012; Stabile and Allin, 2012), due primarily to time constraints and caregiving needs. This is especially true for mothers, who bear a greater share of caregiving responsibility than fathers (Hogan, 2012). Whereas estimates vary, some studies suggest that having a child with a disability reduces mothers' odds of employment by 15 percentage points and, among the employed, reduces work hours by fifteen hours per month (Stabile and Allin, 2012). Having a child with disability is also associated with an increased risk of housing instability and homelessness (Curtis et al., 2010, Curtis et al., 2013). Parents of children with disabilities are therefore often caught in a vicious economic cycle of high costs and lost income: they are faced with expensive rehabilitation, treatment, and care services, and also often have to forgo income in order to provide care. For example, mothers of disabled children are both more likely to fall into poverty and less able to leave poverty and exit welfare than mothers of children without a disability (Brandon and Hogan, 2004).

2.1. Debt and child disability

Although previous research demonstrates the socioeconomic consequences of children's disabilities for parents, no research has examined whether and how children's disabilities may influence parental debt accrual. This is particularly important given that unsecured debt, or debt that is not tied to assets—such as, credit card debt, debt owed to financial