Family & Children's Trust Fund OF VIRGINIA

SYSTEMS OF TRAUMA:
ECONOMIC TRAUMA

ISSUE BRIEF SUMMARY

Economic trauma refers to a sustained stressful impact or emotional pain of one's experience with lack of financial opportunities and poverty. Whether living in urban, suburban, or rural settings, people face the reality of economic downturns: being laid off, being unable to find a job, having difficulty supporting a family, or seeing the closing of community organizations or local services on which they depend. When this economic downturn causes stress over an extended period, this creates economic traumatic stress. Living in low-income communities and povertystricken households often causes stress in and of itself. Poverty compromises an individual in multiple ways, from lack of educational and occupational opportunities to an increased risk for a life of crime and dependency on government programs, all of which can expose families to chronic stress. Children often receive the brunt of poverty's impact, becoming at-risk for poor health, impaired learning, and disrupted cognitive, emotional, and physical development. Children in low-income communities face significantly more adverse experiences and environmental factors than children from a higher socioeconomic status.[1]

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GLOSSARY:

Poverty line: a measurement system used by the Census Bureau that sets money income thresholds that vary by family size and composition to determine who is in poverty. The 2018 figure for a family of four is $25,100, while the figure for a family of two is $16,460.

Deep poverty: people reporting income less than one-half of the poverty threshold

ALICE: an acronym coined by United Way that stands for Asset Limited, Income Constrained, Employed. The ALICE population represents people who work and earn more than the official Federal Poverty Line, but less than the basic cost of living.

POVERTY IN THE UNITED STATES

Measured poverty is more prevalent in the United States than in most of the rest of the industrialized world. In 2014, the U.S. poverty rate was almost twice as high as in Scandinavian countries, and at least one-third higher than the United Kingdom, Ireland, Germany and Canada. For these rates, poverty is measured by the percentage of people earning less than half the national median income.[2] According to the Census Bureau, 39.7 million Americans were poor in 2017, just over 12.3 percent of the population.[3] These official figures represent the number of people whose annual family income is less than an absolute "poverty line" developed by the Census Bureau. However, many researchers believe that this official method of measuring poverty is flawed because income does not capture the myriad of assets and expenses families have. For example, the poverty line does not account for work-related expenses, such as childcare, but also overlooks refundable tax credits or the value of noncash transfers such as food stamps and housing vouchers. Furthermore, the poverty line does not vary geographically, despite significant variances in cost of living across the United States.

Despite flaws in these measurement systems, nearly half of the 40 million people under the poverty line in the United States live in "deep poverty" which the United Nations defines as people reporting income less than one-half of the poverty threshold. The U.N. released a special report in 2017 on extreme poverty and human rights in the United States, which documented homelessness, unsafe sanitation and sewage disposal practices, as well as police surveillance, criminalization and harassment of the poor. The rise in poverty was found to disproportionately affect people of color and women. The report concluded that the pervasiveness of poverty and inequality "are shockingly at odds with [the United States'] immense wealth and its founding commitment to human rights."[4]

HISTORY

In the late 19th and early 20th centuries, unrestricted capitalism in the United States led to rapid economic expansion. This was characterized by widening class disparities and far-reaching economic insecurity among the poor, a combination that contributed to the crisis of the Great Depression. Due to this crisis, our modern welfare state was born. Social Security, unemployment insurance, and federal family assistance all began in the 1930s. While public assistance primarily benefited and bolstered the white middle class with housing and education assistance, it also uplifted many of the poor through Social Security for the elderly, monthly stipends for single mothers and the disabled, and a minimum wage for workers. The safety net was later expanded to include food stamps, public housing and health care.

But since the 1970s, the safety net has considerably diminished. Labor regulations protecting workers have been rolled back, and funding for education and public programs has declined. The poor have been the hardest hit. With welfare reform in 1996, poor single parents with children now have a lifetime limit of five years of assistance and mandatory work requirements, with few exceptions. Due to the imposing obstacles to getting on welfare the number of families on welfare declined from 4.6 million in 1996 to 1.1 million in 2017. However, the decline of welfare recipients has not meant a decline in poverty.[4] On top of these rising economic inequalities, housing, medical and higher education costs have significantly grown. Seventy years of consistent appreciation in housing values, combined with stagnant wage growth, has caused a nationwide crisis of housing affordability in major cities, and an intensification of wealth and racial inequality.[5] Moreover, the cost of higher education has surged more than 538 percent since 1985.[6]

Intersections of Poverty

Poverty Rates: the data below reflect the percentage of people who fell below the poverty line - $24,860 for a family of four - in 2017.[7,8]

Group	Poverty Rate
Overall	12.3
Indigenous	25.4
People with Disabilities	24.9
Black / African American	21.2
Latinx / Hispanic	18.2
Children	17.5
Women	13.6
White	8.7

ADVERSE CHILDHOOD EXPERIENCES

Between 1995 and 1997, the Centers of Disease Control (CDC) and Kaiser Permanente's Health Appraisal Clinic performed a study to explore the effects of childhood abuse and neglect on later-life health and wellbeing. The study found that Adverse Childhood Experiences (ACEs) are strongly related to the risk of illicit drug use, domestic violence, financial stress, attempted suicide, and early initiation of sexual activity. ACEs were also found to increase the risk of cardiovascular diseases, depression, fetal death, alcoholism, and liver disease.[9]

Not only do ACEs increase the risk for financial stress in later life, but poverty is a strong reinforcing factor in the accumulation of ACEs and subsequent toxic stress correlated with unfavorable health outcomes in adulthood. A growing body of evidence indicates that poverty is highly concurrent with ACE exposure and that children living in poverty are more likely than their peers to experience frequent and intense adversities. However, it is important to note, poverty is not another ACE, but a structural issue governed by economic factors. Although people living in poverty are at greater risk, ACEs occur across the socioeconomic spectrum. Better-off families often have sufficient material resources and social, emotional or practical support to counter the negative effects of ACEs.[10]

POVERTY & FAMILY VIOLENCE

- Child Abuse: Higher income inequality across US counties was significantly associated with higher county-level rates of child maltreatment. Further research has shown that children from low socioeconomic status families are three times as likely to experience physical child abuse and five times more likely to experience more severe physical harm than their non-poor counterparts.[11] However, this data comes with some caveats. Researchers have consistently cited concentrated neighborhood disadvantages such as high poverty, residential instability and high unemployment rates as a risk factor for child abuse. However, because of these community risk factors, along with societal and systemic factors, wealthier families are not under the same scrutiny that brings families of lower socioeconomic status, particularly those families of color, to the attention of child welfare authorities.[12]

- Intimate Partner Violence: Poverty and the increased stress it causes can exacerbate family violence dynamics.[13] Unemployment is consistently cited as a risk factor for intimate partner violence (IPV). Additionally, relying on low-paying part-time employment—often multiple jobs—can lead to income instability and high stress, and has therefore been linked to IPV. Many community factors associated with poverty are risk factors for IPV including overcrowding, high unemployment rates, low social capital (lack of institutions, relationships, and norms that shape a community's social interactions), poor neighborhood support and cohesion, weak community sanctions against IPV (e.g., unwillingness of neighbors to intervene in situations where they witness violence) and high density of alcohol vendors. Furthermore, financial insecurity is one of the greatest reasons that survivors stay in or return to abusive relationships. Economic abuse is present in 98 percent of abusive relationships—including blocking access to financial assets, ruining their partner's credit, controlling phone contracts and sabotaging their partner's employment.

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Resources

Additional Information

Links to resources accompanying each section of this brief are available at www.fact.virginia.gov/ systems-of-trauma

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