Subjective impact of the economic crisis on households with children in 17 European countries

In Brief

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Introduction

More than five years since the outbreak of the global financial crisis, a flurry of evidence is emerging on the effects of the ensuing economic downturn on unemployment and poverty rates in rich countries. Less is known about cross-country differences in subjective assessments of the crisis and whether adults in households with children were affected to a greater extent. To address these gaps, this paper analyses variations in the perceived impact of the economic crisis across 17 countries that belong either to the European Union or Organisation for Economic Co-operation and Development, using data from the Life in Transition Survey 2010. First, the paper establishes if perceptions of the crisis correlate with several subjective and objective measures of economic hardship across countries. Second, differences between adults in households with children and the rest are analysed controlling for both household-level socio-demographic characteristics and country-level economic indicators. Third, differences in the crisis transmission channels and coping mechanisms between adults in households with children and the rest are explored.

Cross-country variation in the perceived impact of the crisis

Perceptions of the crisis closely trail the subjective indicators of financial difficulties from two other international surveys conducted during the same year and indicate a widespread subjective impact. Nearly two-fifths (38%) of adults across 17 countries reported that the crisis had affected their household “a fair amount” or “a great deal” over the past two years (2008-2010). Perceived impact was greater on average for respondents with children in the household (48%) than for those without children (34%). In 10 out of 17 countries, the presence of at least one child under 18 significantly increased the probability of reporting an impact of the crisis.

After controlling for cross-country differences in the socio-demographic composition, perceptions of the crisis among adults with children were significantly more prevalent in countries with higher levels of child poverty, slower or more negative economic growth and lower GDP per capita. Among all respondents, adults with children in the household were more likely to report an impact of the crisis than those without children, especially in countries with higher rates of child poverty, all else being equal.

Figure 1 Subjective impact of the crisis, by presence of children (% of respondents reporting their household was affected by the crisis a fair amount or a great deal)

Source: LiTS II (2010). Population weights used. * statistically significant difference at p<0.05.
Main transmission channels of the crisis

Reduced wages was by far the most frequently reported transmission channel: one-third (34%) of respondents said that they or someone in their household had their wages cut as a result of the crisis. Adults with children (40%) were substantially more likely to cite reduced wages than adults without children (31%). Those in households with children were also significantly more likely to report reduced working hours, delayed or suspended wages, job loss by the household head, increased working hours by someone in the household, taking up additional work, and closing of family business. Overall, adults in households with children were more likely to cite at least one transmission channel, and the mean number of channels mentioned was significantly higher among adults with children.

Household coping strategies

Reducing expenditure was the most prevalent coping mechanism, adopted by 62% of all respondents and 73% of those living with children. Among adults who reported having been affected by the crisis a fair amount or a great deal, this amounts to 84% of those living without children and 89% of those living with at least one child under 18. There is evidence that adults in households with children prioritised expenditure on basic necessities, while cutting back on luxuries and holidays, but many still reported reduced consumption of staple foods as a result of economic difficulties.

Source: LiTS II (2010). Population weights used. Multiple response categories. * significant differences by the presence of children in the household at p<0.05.