The Impact of Financial Problems on Family Relationships

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Current statistics on unemployment, bankruptcy, and credit use reveal that record numbers of families are having serious financial problems. Empirical studies indicate that the stress and conflict caused by financial problems can have detrimental effects on individuals within the family and on family relationships. Several researchers have found a relationship between financial stress and problems such as mental illness, suicide, heart and kidney disease, stroke, violent behavior, and depression. Investigators have also found an association between various forms of family violence and specific stressful conditions such as unemployment and financial problems. According to several studies, the highest incidence and the most severe cases of child abuse occur when the family is facing unemployment. Solving a family’s money problems can alleviate some of the stress and disarray within the family. The association between money problems and stress within families indicates the need to address financial problems when designing programs to support families and improve the quality of family life.

Today, families must cope with an increasingly complex economic system. Inflation, unemployment, high interest rates, and high energy costs are some of the macro-economic pressures facing families. In addition, materialism, sophisticated advertising and selling techniques, attitudes about money, easy access to credit, and limited money management skills contribute to financial problems within families. Current statistics on unemployment, bankruptcy, and credit use reveal that record numbers of families are having serious financial problems. Empirical studies indicate that the stress and conflict caused by financial problems can have detrimental effects on individuals within the family and on family relationships. An economic crisis affects individual and family

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Family Perspective
well-being. The purposes of this paper are: (1) to examine the impact of financial problems on families and (2) to recommend programs to reduce and/or alleviate financial problems.

Association Between Family Stress and Financial Difficulties

Previous studies demonstrate that families are influenced by the economic structure (Scanzoni, 1971; Brenner, 1973; Hamermesh and Soss, 1974). These studies conclude that family stability increases as income rises. For example, after interviewing 400 black households in the winter of 1968, Scanzoni (1971) concluded that economic improvement is the key to alleviating the tensions in black families. In a study analyzing the relationship between fluctuations in mental hospitalization levels and the fluctuations in the employment index in New York State, Brenner (1973) concluded that "instabilities in the national economy have been the single most important source of fluctuation in mental hospital admissions or admission rates." Furthermore, this relationship has existed for at least 127 years according to Brenner (1973). Numerous studies identify the inverse relationship between health, family, and economic problems and socioeconomic level (Mayer, 1955; Barber, 1957; Goode, 1961; Gordon, 1958).

The causal relationship between economic change and family stress is complex and has been given little systematic study. Many factors often lead to family breakdowns and frequently neither families nor counselors realize the impact of the economic stress. However, several studies relate specific family problems such as mental and physical illness, marital disharmony and divorce, child abuse and violence to financial stress (Brenner, 1973; Daly, 1977; Gil, 1971; Price-Bonham and Balswick, 1980; Prescott and Letko, 1977; Straus et al., 1980; Titus, 1981). In this paper, selected studies demonstrating this relationship are presented.

Mental and Physical Illness

Brenner (1973) found an inverse relationship between the state of the economy and mental illness when he compared the fluctuation in mental hospital admission rates with the fluctuations in the unemployment index in the state of New York. He concluded that "in New York State, for over 127 years, economic changes are probably the single most important cause of mental hospitalizations" (Brenner, 1973:243). The population most at risk for intensive psychiatric treatment, according to Brenner (1973), is the population whose way of life is threatened by economic instability. Married males between the ages of 20 and 29 and between 50 and 54 were the most likely to be admitted to mental hospitals when economic change is correlated with admission rates. Males in these two age groups are at a stage in the life cycle where they are progressing toward a higher status in their work career. An economic downturn may prevent this progression, leading to a loss in social status as well as income loss (Brenner, 1973:118).

Brenner also concluded that the stresses of economic downturns fall most heavily on the lower socioeconomic strata; lower socioeconomic groups are vulnerable to economic instability resulting from disruptive changes in the economic system. The higher socioeconomic groups have more material and emotional resources available to deal with life problems. This is one reason, according to Brenner (1973), that the lowest socioeconomic groups show the highest rates of mental hospitalization.
Even during periods of prosperity, people at the bottom of the socioeconomic ladder are more likely to experience depression, attempt suicide, and have other mental health problems than those who are comparatively well-off (Titus, 1981). Although the majority of suicides are explained by noneconomic factors, poverty can be a contributing factor in developed societies where values are to a large extent based on the possession of material goods. Hamermesh and Soss (1974) developed an economic theory of suicide. In a time series study, they found that suicide rates decrease with increased income for all but the youngest age group; cyclical decreases in economic activity produced proportionate increases in the suicide rate. The suicide behavior of older people was significantly more sensitive to unemployment than that of younger people. Financial problems are often associated with alcoholism and drug addiction (Brown, 1979). According to the records of thirty years of counseling at R. J. Reynolds Industries, alcohol and other drug abuse accounted for one-third of the counseling while financial problems accounted for one-fourth of the counseling. However, in one-third of the cases, those who were problem drinkers were also those with financial problems.

The stress caused by financial problems can contribute to poor physical health. Williams (1974) found that health care problems increase when there is not enough money for the services of doctors and dentists, or for medicine. A study conducted by Steinberg et al. (1981) at Johns Hopkins University found that unemployment-related stresses contributed to heart and kidney diseases, strokes, the more violent behavior of homicide and suicide, and higher rates of admissions to mental hospitals. Scholzman and Verba (1978) found a high level of anxiety, pessimism, depression, and insomnia in the unemployed individuals they studied. A study at Brown University revealed a higher proportion of physical problems including cases of arthritis, high cholesterol levels, high blood pressure, diabetes, peptic ulcers, and heart attacks among the unemployed than in the general population (Titus, 1981). These studies demonstrate that the impact of unemployment is not confined to financial loss; the unemployed individual and family also suffer physical and psychological effects as well.

Marital Disharmony and Divorce

Several studies have examined the relationship between economic conditions and marital instability and/or divorce. In a national survey sponsored by General Mills in 1974, over half the families interviewed admitted that they fought about money often (Daly, 1977). Money means different things to different people; it may symbolize power, security, prestige, or love. Often spouses value money differently; what is reasonable spending behavior to one is extravagant to the other.

Divorce and marital problems are often part of the extreme financial problems which lead to bankruptcy. Heck (1981) found a positive and significant relationship between a state's divorce rate and its bankruptcy rate. Bankruptcy studies indicate that a much higher proportion of bankrupts are involved in divorce than in the general population (Herman, 1965; Matthews, 1969; Ulrichson, 1982). In the Purdue study of bankrupts (Sullivan, 1982), 12% of the sample said marital problems were the most important cause of bankruptcy.

Recently the term “feminization of poverty” has been used to reflect the fact...
that an increasing number of female-headed families is living at or below the poverty level. Although all family members suffer economically after a divorce, it is most disastrous financially for women and children. According to Buehler and Hogan (1980), the financial need of one-parent families is their greatest problem. A large number of previously nonpoor wives and children suffer downward economic mobility following a divorce. When Hoffman (1977) compared three marital status categories (women who were continuously married from 1968 to 1974, women who were divorced or separated in 1974, and men who were divorced or separated in 1974), he found that “real incomes of married couples increased 21.7% in contrast to decreases of 29.3% for divorced women and 19.2% for divorced men” from 1968 to 1974. When comparing living standards using the ratio of income to family needs as a measure of overall economic well-being, Hoffman (1977) found that divorced women had a 6.7% reduction in standard of living compared to a 16.5% gain for divorced men and a 20.8% gain for married couples. Female-headed families constitute an increasing share of the poverty population. Over the 24-year period from 1959 through 1983, female-headed families have grown from less than one-fifth of the poverty population to over one-third. One-half (50.3%) of all related children under the age of 18 in female-headed families were below the poverty level in 1977 compared to only 8.5% in families with a male head (U.S. Bureau of the Census, 1978). In addition, female-headed families are more vulnerable to long duration unemployment (Moen, 1979). Female heads are less likely than men to have the training and experience for rapid re-employment. Furthermore, female heads lack job search skills and are less willing to move in order to get a job (Moen, 1979).

It is important to note that families with lower socio-economic status are more vulnerable to marital dissolution. Many studies have detected an inverse correlation between socioeconomic status and the probability of divorce (Bumpass and Sweet, 1972, 1975; Carter and Glick, 1976; Glick and Norton, 1971; Pope and Mueller, 1976; Price-Bonham and Balswick, 1980). Osberg (1984) commented that “family disunity may help sustain poverty but in most cases it appears that poverty preceded, and itself helped to cause, family dissolution.” Osberg cautions against concluding that poverty is predominantly the result of family relationship problems.

Research has been done on the psychological consequences of divorce (Hetherington et al., 1978; Howrigan, 1975; Weiss, 1976). These studies indicate that one-parent families have special needs, and in many cases, their financial needs are overwhelming.

**Child Abuse and Violence**

Although domestic violence occurs in families at all levels of socio-economic status, research findings support the hypothesis that reported domestic violence is more prevalent in families with a low socioeconomic status (Gelles, 1974; Gil, 1971; Straus et al., 1980). Studies consistently show that domestic violence is related to social stress in families. Investigators have found an association between various forms of family violence and specific stressful conditions such as unemployment and financial problems (Gill, 1971; Prescott and Letchko, 1977; Straus et al., 1980). Although there are many causes of child abuse and often a combination of factors leads to child abuse, in reported cases there appears to be a correlation between child...
abuse and the financial status of the family. According to the 1977 Annual Report on Child Abuse by the American Humane Association, in reported cases of abuse of children five years of age and under, 87% of the families had incomes of less than $11,000. In a study of 2,143 families in 1975 which examined the interrelatedness of stress, income level, and incidence of abuse, Straus et al. (1980) found that families earning $6,000 to $20,000 are most affected by the stress which leads to child abuse, causing the rate of abuse to rise. Families earning $6,000 to $20,000 find it difficult to cope with economic stress; many do not qualify for public assistance and they do not have the financial resources to manage stress. One impulsive purchase by the poor family may place severe stress on the family for a long period of time; because of their limited income, it is imperative that they be good managers.

Delapidated, overcrowded housing, common characteristics of low-income families, is a factor which contributes to child abuse (Pelton, 1981). Family size is also a factor in the case of violence toward children. Gil (1971), Straus et al. (1980), and Pelton (1981) all mention the significance of family size in families where abuse occurs. Straus et al. (1980) found that the rate of abuse is 300 times greater for families with two children than for those with one child. Each additional child brings hardship to the family and places demands on the already limited financial resources.

Problems of economic stress are especially great for the single mother. When the stress of low income is combined with the responsibilities of homemaker, single parent, and work outside the home, violence toward the children may occur. A number of studies point to the fact that mothers abuse children more than fathers do (Bennie and Sclare, 1969; Gil, 1971).

Another factor contributing to child abuse is the degree of employment, especially of the father. According to several studies, the highest incidence and the most severe cases of child abuse occur when the father is employed only part-time or is unemployed (Gil, 1971; Prescott and Letko, 1977; and Straus et al., 1980).

While economic factors are not the sole cause of child abuse, it does appear that some types of economic conditions are more prone to produce violence in the form of abuse to children.

Recommendations

The studies reviewed indicate that stress caused by economic factors can have a detrimental impact on families. Agencies and organizations committed to helping families need to be aware of the impact of financial problems. Families facing stress need assistance; addressing a family’s financial problems may alleviate some of the stress within the family. Efforts made by different agencies and support groups may be organized in the following three directions: (1) presenting wholistic programs which include both financial and family counseling; (2) targeting the populations in need of assistance, specifically the poor, the unemployed, female-headed families, middle-income families and young families; and (3) coordinating efforts of support groups within the community and finding vehicles to get the support to those in need.

It is recommended that a wholistic approach be used in working with families. Programs designed to address both interpersonal and financial problems within the family are recommended; it is important that family and financial counseling be integrated. Families may not recognize the impact of their financial situation on their
interpersonal relationships. Counselors need to address both the financial and interpersonal problems. In the spring of 1985, the Extension Service in the state of Iowa used financial and family development counselors together to work with farm families suffering from the poor farm economy. Both group presentations and individual family counseling sessions were used. In group presentations, financial advisors explained how macro-economic factors affected the family's personal financial situation; family counselors presented methods for dealing with the stress and family relationship problems. In individual family counseling sessions, financial advisors evaluated the family’s financial situation and presented alternative solutions. When families understood the development of their economic problems and realized that they did have some financial choices, communication improved and it was easier for family development counselors to work with the emotional problems within the family. Both problems were addressed in an integrated program (Moggaard, 1985). Similar integrated programs are recommended for those families suffering from stress resulting from the financial problems associated with unemployment, divorce, and low incomes.

A second recommendation is that populations in need of assistance be targeted and appropriate programs be developed for specific populations. Poverty, unemployment, and bankruptcy statistics identify populations that are having financial problems. Different programs need to be developed for different populations.

For some of these groups, temporary economic assistance might be needed before counseling becomes effective. These are families who are stretched financially in the best of times, but who are unable to recover when an unexpected or unusual expense occurs such as a large medical bill, a high utility bill, or a temporary reduction in income. These families could use one-time financial assistance such as a temporary monetary allowance or a low-interest loan to help them through the financial crisis. Financial crisis intervention is needed before effective problem-solving and stress management techniques can be presented. In addition, the programs described below are recommended for families who have been given financial assistance.

Programs developed for families at or below the poverty level need to deal with the alienation and powerlessness felt by the poor. Andreasen (1975) described the poor as feeling relatively deprived, externally manipulated, powerless and alienated. In addition, the interaction of the poor with society is inadequate due to "their preoccupation with mere survival." Andreasen (1975) and Childers (1975) described the poor as being in "an information ghetto" because they are removed from the larger society where information flows. Programs for the poor need to address these problems. These families need information in very basic budgeting, credit management, and consumer skills that will help stretch their limited resources. Research shows that the poor are less likely to use unit-pricing information, are less knowledgeable about interest rate alternatives and food prices, and are less able to utilize interest rate disclosure information (Andreasen, 1975; Ashley, 1983). In addition to consumer education, programs in managing material and non-material resources is recommended. The development of self-help groups that share resources such as sharing child care, transportation, and sewing is recommended. The "information ghetto" described by Childers (1975) also indicates that the poor
need information on services provided by the community and an effort should be made to integrate those services.

Another target population is the unemployed. Moen (1979) found that the families most vulnerable to long duration unemployment were those headed by women and those in the early stages of childbearing. The unemployed need information on where to get economic assistance, the availability of job training programs, the development of job search skills, and counseling to help them deal with the psychological aspects of being unemployed. In addition, information on how to adjust spending plans to reduced income and how to share resources with others is needed.

It may be necessary for agencies providing support to seek out the unemployed. Moen (1979) found that "unemployed breadwinners most vulnerable to extended unemployment during the recession of 1975 were those living in areas with a relatively low unemployment rate." But "job training programs (CETA) and other supports are tied to the unemployment rate; as the rate increases so do the allocations" (Moen, 1979:569). Many who need these services are not in the areas where the services are provided.

Families headed by women are vulnerable to both poverty and unemployment. Women who were divorced or separated in 1974 had money incomes about half that of married women and their families (Espenshade, 1979). According to Bane (1976), there are many reasons why female-headed families are in difficult economic straits: "loss of economies of scale," greater prevalence of divorce and death among poor families; low and irregular levels of alimony, child support, and public assistance; fewer adult earners; fewer opportunities for female heads of families to work; lower wages than men when they do work" (p. 112). Again, financial counseling programs need to be developed and part of programs designed to help these families cope with the stress and psychological aspects of divorce.

Financial counseling services are recommended for middle-income families facing financial problems. Employers could provide this service as part of their employee benefits or nonprofit agencies could include this service in their programs. Bankruptcy studies indicate that poor money management is the leading cause of bankruptcy. Information on money management techniques should be included in the bankruptcy process and in family counseling programs. Families need information on budgeting, wise credit use, buying techniques that will stretch their limited earnings, and feasible budget cuts when there is a reduction in income. In addition, counseling on personal values about money and conflict management concerning money is also recommended.

Studies reveal that young families defined as those whose youngest child is under the age of six are especially in need of financial information. Bankrupts are young families with children, female-headed households, and low-income families. In addition, a higher proportion of bankrupts are unemployed or divorced than in the general population (Brimmer, 1981; Herman, 1965; Matthews, 1969). Moen (1979) found a relationship between the life-cycle stage (the measure of life-cycle stage was based on the age of the youngest child in the family) and duration of unemployment for both men and women. According to Moen (1979), this reflects the absence of job seniority and job skills by young parents. At the very time when financial need may be the greatest (when
children are under six), unemployed family heads lack the skills required for rapid re-
employment. Again, programs designed to address both the interpersonal problems 
and the financial problems resulting from unemployment are needed. Information on 
macro-economic conditions which have affected unemployment, providing financial 
alternatives, and family counseling are recommended. These families may need very 
basic money management and budgeting information as well as the development of 
consumer skills.

In working with different target populations, it is important that counselors and 
helpers understand the value the family attaches to money and to financial well-
being. For example, when a family loses a farm or a business, outsiders may view the 
loss as a "business failure," but the family may view it as a personal loss. In some cases, 
the loss may mean the family is breaking a generational trust, losing something that 
has been an integral part of the family for many years. The financial crisis threatens 
their human dignity and self-worth. Many go through the stages of the grief process: 
shock/denial, disorganization, volatile emotions, guilt, recognition of the loss, and 
recovery. Some individuals and families may go through anticipatory grief; they 
may start the grief process before the loss even occurs. Those providing support need 
to look for "clues" to help determine the family's needs, such as changes in appearance, 
changes in routine, withdrawal behavior, emotional problems, or depression 

The final recommendation is that a broader range of organizations be involved 
in offering these services to families, that the efforts of support groups within the 
community be coordinated, and that a vehicle be established to get the support to those 
in need. It is recommended that service organizations, civic organizations, community 
centers, and churches provide support programs for families. State extension ser-
vices could provide resource information and personnel to assist organizations in the 
development of programs and to train local volunteers and peers to work with families. 
Perhaps continuing education classes could be offered on the topics of financial and 
stress management; organizations and churches could sponsor families attending 
these classes. Employers, too, could offer financial and family counseling programs as 
well as consumer information to their employees. Interested individuals and families 
not directly involved in a crisis should be encouraged to attend programs to learn how 
to support families that are in crisis.

Agencies providing welfare services have contact with many of the families in need of 
support. Perhaps some programs could be offered by the agency or the agency could 
inform organizations and churches in the community of specific needs. Volunteer 
community resource committees could be established to coordinate programs and services 
available in the community and to provide information on the services available 
to families. This committee could also provide a hot line for crisis intervention.

Television and radio are good vehicles for reaching families about programs being offered and available support services and could also be used to present programs designed for groups. Newspapers could describe programs available to families and could publish meeting times and places on a regular basis. In addition, question and answer columns in newspapers that deal with both financial and family problems could assist families.

Statistics and research indicate that many
families are facing both financial and family stress. Community awareness and assistance is needed to help families facing stress. Research indicates that both financial and interpersonal problems in families need to be addressed in integrated programs.

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