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## Research Brief

### Economy's Impact on Schools

**Question: What is the impact of the current economy on schools?**

**Summary:**

The current economic environment has impacted American families and the schools their children attend. Families are dealing with joblessness, increased poverty and hunger, less access to medical care, increased mental health issues, and greater instability in the family unit. Schools work with more and more students from families dealing with these issues and, at the same time, must deal with declining budgets, and fewer personnel and services for students and their families.

The long-term impact on schools is uncertain. Some suggest that the decline in school funding will lead to “reinventing” schools characterized by innovation. Others suggest that students from less affluent families will have reduced access to a quality educational experience. What is clear is that the current economy has significantly impacted schools, their programs and services, the families in their school community, and the employees who work in the schools.

#### Impact on Students and Their Families

The following section summarizes the current impact of the economy on students and their families.

**Joblessness** – Nothing defines the current economic climate more than the pervasively high unemployment rate, currently around 10%. It stands in stark contrast to the 5.0% unemployment rate in December 2007 (Bureau of Labor Statistics, 2010). While the national unemployment rate struggles to get below 10%, some regions are impacted more than others. While Michigan, the bastion of the manufacturing industry continues to have the highest unemployment rate, unemployment greater than 11% is also present in California, Nevada, Oregon, Florida, South Carolina and Rhode Island. A recent study by Bloomberg (January 2010) found most economists projecting an average unemployment rate of 10% for 2010, declining to 9.3% in 2011. The number of long-term unemployed (more than 27 weeks) rose to 5.9 million in December 2009.

Unemployment impacts some groups more than others. African-American and Hispanic workers are more likely to be unemployed than either Caucasian or Asian workers. Men are more likely to be unemployed than women. And, teenagers have one of the highest unemployment rate (over 27%) (Bureau of Labor Statistics, January 2010).

Just as serious is the underemployment of many individuals, people who can only find part-time work or whose hours have been cut. In the most recent data the number of underemployed rose to more than 9 million.

**Joblessness and Families** – Lack of employment or underemployment has serious implications for families. Not only does unemployment reduce the financial resources available to families it also impacts family structure and relationships. Being unemployed, or having a family member unemployed provokes a variety of emotions including stress, fear, anxiety, low self-esteem and depression (Ortiz & Farrell, 1993).

There is some evidence that unemployment can lead to greater instability in the family unit as it alters traditional roles and relationships. For example, women often find it easier to gain employment and this may impact relationships, decision-making and division of labor. Similarly there is some evidence that unemployment, particularly of the father, can shape the behavior of children, their self-esteem, and attitudes toward school.

The US Census Bureau (2010) reports a gender shift as a result of major job losses in the current economy. The number of women who are the only working member of the family rose for the third straight year. The number of men who were the sole source of income dropped to the lowest number since 2001 and the number of stay-at-home dads increased. As of November 2009 women held 49.9% of the 131 million US jobs. In many cases the Census Bureau reports both parents were working until one was laid off or retired, or the non-working woman rejoined the labor force after the man lost his job.

**Poverty** – The nation's official poverty rate is 13.2%, the highest since 1997 (US Census Bureau, 2009). The poverty rate for children younger than 18 was 19%, 23.2% for Hispanics and 24.7% for African-Americans. A recent report based on US



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Department of Housing and Urban Development data projected the number of people in poverty to rise by 7.5 – 10.3 million during the current recession. It also projected that the number of Americans in “deep poverty,” meaning they earn less than half of the poverty line (\$11,013), will rise by 4.5 – 6.3 million.

Poverty is often associated with urban areas but is more prevalent in rural areas. The non-urban poverty rate has exceeded urban poverty every year since data was first collected in the 1960's. Rural families headed by women have a significantly higher poverty rate, generally 10 percentage points higher than other families.

**Hunger** – A report from the US Department of Agriculture in November 2009 found that food shortages, even outright hunger, characterize the current economy. The number of Americans running out of food each month rose to 16% from 12% in the fall of 2008, the greatest change in any single year in the report's history. Food shortages are most severe among women raising children alone and among African-Americans and Hispanics.

The use of Food Stamps continues to rise. The number of families using food stamps has grown by 32% between 2007 and the end of 2009. The increase has been most pronounced in rural areas, where 14.6% of residents receive food stamps. While use of food stamps is high, only about two-thirds of those eligible actually apply for food stamps. Among those receiving food stamps, over 70% do not receive any other form of public assistance.

**Homelessness** – The number of homeless families has increased significantly the last three years. Data from the Department of Housing and Urban Development found that 72% of homeless students live doubled-up with another family or live in hotels or motels, 28% were unsheltered “living in places not designed for human habitation.” Schools are required to enroll and educate homeless children who reside within their boundaries (McKinney-Vento Act, 2002). While difficult to get accurate information on the homeless, a Goldman Sachs report identified 1.1 million families with children in deep poverty and having “housing instability and homelessness” (Sard, 2009). Two examples illustrate the problem. Hennepin County, MN (Minneapolis) reported a 30% increase in the homeless in the past year and homeless shelters in Connecticut turned away 30% more families due to lack of bed space.

**Medical Care and Health Insurance** – Nearly 20% of the US population lost health insurance coverage since January 2008 according to the Centers for Disease Control and Prevention (2009). Lack of insurance is closely tied to unemployment. Other data however shows that the number of children enrolled in some government health insurance program rose from 34.2% in 2008 to 37.4% in 2009.

**Parent Schedules** – As families struggle to deal with unemployment and underemployment, a trend has emerged where parents often work six or seven days a week, occasionally working two or more jobs even on the same day (CNN, 2009). Never taking a day off takes a toll on individuals and related family members. One report on this phenomenon described the number of teachers who hold a second job on the weekend or in the evening, impacting both their family and their teaching responsibilities.

**Mobility** – The decline in housing values and the weak housing market have also impacted the mobility of families. The US Census Bureau (2009) reported that the number of Americans who moved declined over prior years. Traditional boom states like Florida and Nevada have more people move from than to them. While the total US population grew a modest 0.86% it was the slowest growth this decade. California experienced the fourth-lowest growth rate since 1900.

People often can't sell their home or have a difficult time getting credit to buy a new home. Demographers from the US Census Bureau reported that because the recession has been national rather than regional, there are few places that might provide greater opportunity for families. Texas emerged as the one exception with steady population growth, accounted for by the relatively low 8% unemployment rate.

**Teen Job Market** – Unemployment among teens is more than 27% (January 2010). The Labor Market Center at Northeastern University and a nationally recognized expert on teen unemployment reported “proportionally, more kids have lost jobs in the past few years than the entire country lost during the Great Depression.” The problem is that older workers are crowding teens



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out of entry-level jobs in retail and construction. Older workers are working longer so that teens now make up just 3.2% of the labor force, down from more than 9% in the 1970's.

Many teens rely on minimum wage entry-level jobs to fund participation in high school activities. Some families rely on the income from working teens to feed and clothe the family. The absence of these jobs for teens has begun to impact the ways in which teens can participate in the routines of school life.

**Changes in the Job Market** – A recent cover story in *Business Week* described the “Disposable Worker,” a growing phenomenon in the workplace (January 2010). These workers were described as flexible, working fewer than 40 hours per week, treated as independent contractors, receiving no fringe benefits. Such workers provide employers with tremendous flexibility but provide workers with tremendous instability and uncertainty. Data from the Bureau of Labor Statistics recently found that about 26% of Americans work such “nonstandard” jobs.

The implications for employees and their families are significant. The absence of benefits such as medical care and paid vacations, absence of a predictable schedule, and tenuousness of continued employment add uncertainty and unpredictability to the family environment.

### Impact on Schools and School Programs

Each of the topics discussed earlier has implications for schools. This section summarizes the things that have emerged most profoundly.

**School Lunch Programs** – The National School Lunch Program is more popular than ever. Children from families with incomes at or below 130% of the poverty level are eligible for free meals (breakfast and lunch). The number of students participating has risen by 425,000 the past year. There is evidence that many high school students who qualify for the school lunch program never apply to avoid the stigma that may be attached to participation. School districts are struggling to provide the free lunches. Many school lunch directors report that the subsidy from the US Department of Agriculture provides for each meal is insufficient to provide a quality meal.

**Need for Health Care and Other Social Services** – The social issues discussed in the first part of this report (joblessness, hunger, poverty, lack of health care, homelessness) have increased the need for access to in-school health care and other social services. At the same time, the decline in school funding has resulted in reductions in the number of school nurses, social workers, and school counselors. Some schools have established Parent and Family Centers that provide families with up-to-date information about free or low cost health care services in the community. In some communities the schools worked with social service agencies to locate service centers on school campuses. The recession has also forced other governmental units to reduce services and in many communities fewer social support services are available to the public.

**Enrollment Changes** – The impact of unemployment and the housing crisis on families has resulted in some families moving in with parents or other relatives. As a result some more affluent school districts find themselves enrolling greater numbers of less affluent students from families qualifying for a greater number of services like the School Lunch Program or subsidies for participation in co-curricular programs. For less affluent districts this often means even greater numbers of students needing services. Many schools report significant changes in enrollment near the beginning of each month, when rent is due or leases expire.

Schools report enrollment fluctuations as jobs decline, families' relocate, and governmental services are reduced. Fewer families can mean fewer tax dollars and the need to reduce school and district programs and services even further.

**Shift from Private to Public School** – Some families are enrolling their children in public schools rather than private as a result of the recession's impact. A study by the US Department of Education reported that private school enrollment has declined by about 2.5% during the past two years. The Association of Independent Schools reports the demand for financial aid has increased significantly and that some families are no longer able to pay for a private school education.



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**Fees for Student Activities** – In response to declining budgets many school districts are adopting or increasing fees for participation in student activities. While some states (California, New York, Oklahoma) require that any school-sponsored co-curricular activity be available free-of-charge, others consider such activities as “non essential” and therefore not funded.

The budget reality has led many school districts to adopt participation fees, often called pay-to-play, in an effort to avoid cutting programs. One of the effects of such fees is often to reduce participation. When Montgomery County Public Schools (MD) increased fees from \$20 to \$30 in fall 2008, more than 20% of students stopped participation (Washington Post, 2009).

Most schools with fees for participation in school activities provide scholarships for eligible students. At the high school level students are frequently unwilling to apply for such scholarships. Some schools ask parent booster clubs to raise funds to subsidize student activities.

Many schools are also looking at ways to reduce the costs of school proms. They include lowering expectations for student dress, reducing ticket prices, or holding events on school property. Some schools asked local businesses to provide discounts for flowers and tuxedos. Some provided dress exchanges where young women could get a prom dress for little or no cost. Others worked with businesses to subsidize the cost of the event.

**Family Stress and Schooling** – Joblessness, hunger, poverty, and homelessness all create stress on families. Even when still working many parents report stress related to fear of job loss and having an uncertain future. The stress felt by adult family members is transferred to students and their schooling.

**Student Employment** – Even as the jobless rate among teenagers is increasing many teens still find employment. Because of other stressors on the family unit many students are working longer hours, or more than one job, in order to provide income for their family. In some cases principals report that students are dropping out of school, or leaving school earlier in the day, in order to work.

**Anxiousness Among Employees** – School employees are not immune from the issues discussed earlier. In many states there have been reductions in staff. The uncertainty about future employment has raised anxiety among school personnel. Some employees are dealing with the loss of a job by a spouse, significant other or extended family.

### Impact on Educational Policy

Part of the response to the current economic malaise has been to use some of the stimulus money from the federal government to support schools and their programs. Each state decides the use of the money but the implications for schools is significant.

**School Funding** – Virtually every state faces budget shortfalls including funding for schools. Some states have begun to look for funding from private foundations (South Carolina), some are looking at raising fees (Hawaii), or delaying services such as after school and summer school classes. Some districts are considering selling ads for the sides of school buses or selling advertising space for billboards on school grounds. Even in Texas where the economy is sounder than most states, 51 school districts asked voters for property tax increases to support schools in November 2009. Only half of the increases were improved.

In data collected from partnership principals in spring 2009 more than two-thirds reported that the current economy has resulted in reductions in personnel and programs. The loss led to fewer course offerings, larger class sizes, and fewer program options. In some cases teachers were asked to teach courses not previously taught, to use fewer books and other materials, and to teach additional classes. Principals said that these changes negatively impacted staff morale.

In order to minimize the decline in funding many states used federal stimulus money to supplement school budgets. The stimulus funding, however, is not recurring and merely deferred decisions on reductions. A Government Accounting Office report released in December 2009 reported that 63% of states used their school stimulus money to retain jobs and avoid layoffs. The report described the post-stimulus year as “the cliff,” a time when the funding decline will force significant program and personnel reductions.



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**School Policy** – The need for additional funds for schools has made the federal *Race to the Top* funds attractive to most states. In order to be considered for some of the \$4 billion in funds states must adopt many changes in education policy. Many states have adopted changes to meet the February 2010 deadline. Some of the requirements include linking teacher evaluation to student achievement, increasing the number of charter schools, and providing for state take-over of chronically under performing schools. One state, Michigan, raised the dropout age to 18.

The grim economic reality has made these changes attractive to most governors and state legislatures despite the fact that many of the changes dramatically alter education policy. While not uniformly embraced the reforms have the potential to significantly alter the priorities and functioning of schools.

#### Summary

The data included in this Research Brief paints a grim picture of the impact of the current economic recession. It is important to note that courageous principals throughout the country continue to work every day to serve their students and the families in their school community.

The data included in this report was gathered in December 2009 and January 2010. The trends discussed in the report are clear, even as the specific data may change throughout the coming months.

#### Online Resources:

**Bureau of Labor Statistics Employment Data** – Recent data about employment is available at this site.

<http://www.bls.gov/news.release/empsit.nr0.htm>

**Impact of Father's Unemployment on Adolescents** (Ortiz & Farrell, 1993)– This article discusses the impact of parental unemployment on adolescents.

[http://findarticles.com/p/articles/mi\\_m2248/is\\_n112\\_v28/ai\\_14777827/](http://findarticles.com/p/articles/mi_m2248/is_n112_v28/ai_14777827/)

**Working Seven Days Becomes the Norm for Some** – In this article CNN discusses the phenomena of parents working multiple jobs up to seven days a week.

[www.cnn.com/2009/LIVING/02/23/seven.days.irpt](http://www.cnn.com/2009/LIVING/02/23/seven.days.irpt)

**In Tough Job Market, Teens are Suffering Most** – This article provides data about teen unemployment.

<http://www.time.com/time/magazine/article/0,9171,1952331,00.html>

**The Disposable Worker** – This article from *Business Week* discusses changes in the job market and the decline in full-time, long-term employment.

[http://www.businessweek.com/magazine/content/10\\_03/b4163032935448.htm](http://www.businessweek.com/magazine/content/10_03/b4163032935448.htm)

**Homeless Resource Exchange - US Department of Housing and Urban Development** – This site provides multiple resources for addressing homelessness.

<http://www.hudhre.info/index.cfm>

**Number of Homeless Families Climbing Due to Recession (Sard, 2009)– Center on Budget and Policy Priorities** – Recent data about homelessness is available at this site.

<http://www.cbpp.org/cms/index.cfm?fa=view&id=2228>

**Poverty Data – US Census Bureau** – This site reports on the most recent poverty data.

<http://www.census.gov/hhes/www/poverty/poverty.html>

**Rural Poverty at a Glance – US Department of Agriculture** – Information about rural poverty is provided at this site.

<http://www.ers.usda.gov/Publications/RDRR100/>



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**National Center on Homeless Education – SERVE Center at University of North Carolina at Greensboro** – This site provides links to information and services for homeless students.

<http://www.serve.org/NCHE/m-v.php>

**Families and Work Report from Family and Work Institute** – This report discusses the changing workforce.

[http://www.familiesandwork.org/site/research/reports/Times\\_Are\\_Changing.pdf](http://www.familiesandwork.org/site/research/reports/Times_Are_Changing.pdf)

**US Census Bureau Current Population Survey** – This site links to current data o family income, poverty and health insurance.

<http://www.census.gov/cps/>

**Economy Impacts Staffing, Family Factors (2009 Principals' Partnership Poll (Armistead & Williamson, 2009))**

This article reports the results of a poll of high school principals asked to discuss the impact of the economy on their schools.

<http://www.principalspartnership.com/feature709.html>

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