Financial Characteristics and Stress of Parents in Jail: Investigating Parent's Incarceration and Family Financial Stress and Practices

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Introduction

Mass incarceration in the United States has become a major social, political, and economic issue, even more so recently as public dialogue has questioned the arresting behavior of police and the incarceration policies of state and local authorities. There is growing evidence of the long- term effects of incarceration on post-release financial and social well-being of formerly incarcerated individuals and their families (Hairston, 1998; Turney & Schneider, 2016; Western, 2006). This is especially concerning because the majority of incarcerated individuals are parents of children under 18 (Sawyer & Wagner, 2020; Shanahan & Agudelo, 2012).

These concerns have led to reentry educational programs that address the financial, housing, and intra-family issues faced when moving back into community settings. However, critical reviews of comprehensive reentry programs by Doleac (2019) and Doleac et al. (2020) point out that the few randomized control evaluations of reentry programs fail "to detect meaningful effects on recidivism." This contrasts with Davis et al. (2013) finding that educational programs *while* incarcerated can significantly reduce recidivism and raise the probability of post-release employment.

It is in this context that we explore the financial practices and concerns of *jail*-incarcerated parents and draw conclusions about the implication of findings for financial literacy education in jails. Jail-based financial education programs are a challenge to construct and offer because jail stays are short, jails typically holding individuals awaiting hearings and those sentenced to shorter than one-year terms. In contrast to the average 2.6 years spent in state prisons in 2016 (Kaeble, 2018), individuals spent an average of 26 days in jail in 2017, with larger jails reporting higher averages (34 days) compared to smaller jails (15 days) (Zeng, 2019).

The short stays in jail are inconsistent with education programs that presume continuity over several class-periods of interaction between presenters and students. Our analysis, by presenting

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evidence on the financial challenges facing jail-incarcerated individuals, argues for financial education focused specifically on this population.

Study Population

The data for this study come from parents incarcerated in a Midwest County jail. Incarcerated parents of at least one child aged 3-12 voluntarily enrolled in a pilot program that provided "Enhanced Visits" by young children with their incarcerated parent through video devices (Charles et al., 2021). The pilot program hypothesizes that by reducing the travel and jail environment stress of in-person jail visits and enabling parental-child sharing and communication in the child's home, stronger parent-child bonds will develop, improving post-incarceration outcomes for children and parents. The caregivers of the children, primarily the other parent, but sometimes another relative or friend, were also part of the study. Prior to the intervention, the incarcerated parent and caregiver each completed a survey that included questions about their demographic characteristics, education, prior incarceration of their own and family members, pre (current for caregivers) incarceration employment and income and their personal financial practices and concerns.

The intent of the financial practices and concerns questions was to learn more about the financial stresses that face these parents and caregivers, to understand the relationship to pre-incarceration characteristics, and to ascertain the commonality in financial concerns of parents and their children's caregivers. We assess the financial well-being of jailed parents and caregivers of their children estimating a holistic measure developed by the Consumer Financial Protection Bureau (CFPB, nd) which reflects the individual's sense of financial management and control. Drawing on findings by Kelley et al. (2018) of negative effects of financial stress on marital satisfaction, we also examine how these measures of financial well-being and stress related to the adults' relationships. Our intent in exploring this more comprehensive definition of financial well-being and its correlates is to lend insight into the diversity of financial practices reported by this population and how observed differences in subjective well-being can influence financial education of family members *while one parent is incarcerated*.

Demographic and Financial Characteristics

The questions asked of incarcerated parents and the caregivers of their children derived from studies of subjective financial stress, psychological well-being, and family relationship of other economically vulnerable groups (Robb, 2017; Heckman et al., 2014, Hosek & Wadsworth, 2013; Wang & Pullman, 2019). Data on financial practices and concerns of both incarcerated parents and of the caregiver of their child provide a unique opportunity to explore the concurrent financial characteristics of incarcerated individuals and of their community family members. The majority of caregivers were interviewed within a month of the incarcerated parent, but no longer than four months later.

This is a financially challenged group of households—one-third of jailed fathers reported an annual household income prior to incarceration below $25,000, a threshold below the $26,200 poverty threshold in 2020 for a family of 4; the average household size of these men was 3.73 prior to incarceration. As has been reported for other low-income groups (Acs & Gallaher, 1999) these families rely on income from a variety of sources other than employment--borrowing from friends, legal and illegal work, and government assistance.

In the six months prior to this period in jail, 90 percent of incarcerated fathers had been employed, most in formal pay jobs and with average full-time hours. While the range in reported monthly earnings is large, $72 to $15,000, the average hours and earnings among those who had worked imply prior average hourly earnings of $14 for incarcerated fathers and $18 for caregivers. Equally likely compared to fathers prior to incarceration to have worked and to have worked full-time, caregivers' work is more likely to be associated with a formal pay structure. Incarcerated mothers were less likely to have worked and less likely when working to report full-time hours.

The financial vulnerability of this group is indicated by their limited access to sources of emergency support—credit cards, friends from whom they can borrow. These families' lack of protection against financial emergencies is demonstrated by the large percentage who have been contacted by a collection agent, had bank accounts closed, and utilities cut off. Most have borrowed from friends, have had a hard time paying off debts, and have sought but been turned down for bank loans. These were experiences uniformly experienced by both incarcerated parents and caregivers.

Given these indicators of financial vulnerability of this sample, it is not surprising that at least two-thirds of respondents agreed or strongly agreed with the statement "I stress about my finances." This includes for a large percentage stress over money owed. While the majority agree they are confident they can construct a financial budget, 45% of jailed parents and one third of caregivers say they never have done so.

We asked respondents to indicate their felt levels of overall financial stress and satisfaction, each asked using a Likert scale from 1 to 10 with higher numbers denoting greater financial stress or greater satisfaction.[9] Table 1 shows means on this scale; notable is that incarcerated fathers and caregivers report similar average levels of stress/satisfaction while incarcerated mothers indicate greater distress on both measures.

Holistic Measure of Well-being

We use these data to estimate our key measure of financial well-being. This measure is based on the Financial Well-Being Scale (FWBS) developed by the Consumer Financial Protection Bureau's (CFPB). The CFPB measure seeks to incorporate key aspects of a person's sense of financial wellbeing, with suggested survey items representing these central components (Consumer Financial Protection Bureau, 2017).

- Having control over day-to-day, month-to-month finances.
- Having the capacity to absorb a financial shock.
- Being on track to meet your financial goals.
- Having the financial freedom to make the choices that allow you to enjoy life.

We follow the precedence of Urban & Collins (2020) who estimated what they label a "pseudo" FWBS measure by identifying questions that approximate the items suggested by CFPB. The Appendix table lists the 10-items in the CFPB's FWBS score, the 5 questions Urban & Collins (2020) argue are comparable, and the seven items from our survey of incarcerated parents and caregivers. We use these items to estimate what we label the unobserved "latent financial well-being" (LFWB) of individuals, a measure that reflects their ability to deal with (or negotiating out of) difficult financial events. Cronbach alpha, which is a measure of the internal consistency of items, is 0.733 for our sample, a value considered to indicate good reliability among items in measuring an underlying common characteristic (Tavakol & Dennick, 2011).

An important feature of the CFP's FWBS estimation is the use of Item Response Theory (IRT) to estimate the FWBS latent parameter.[10] IRT has long been used in educational testing to measure a latent "ability" variable that is not directly observable but its measurement being the goal of educational tests (Bichi & Talib, 2018; Himelfarb, 2019). IRT estimates this unobservable "ability" characteristic based

[9] The summary question about financial stress and satisfaction were adapted from Prawitz et al. (2006).
[10] We use Stata in the IRT estimation (Acock, 2008)

upon the *pattern* of responses to questionnaire items each of which measures only a component of the ability the test is designed to measure. The key assumption underlying the use of IRT by CFPB, Urban & Collins (2020) and in the present study is that individuals' (unobserved) sense of financial well-being is determined by the pattern of responses to questions about their financial practices and concerns.

Both incarcerated parents and caregivers were asked about financial practices and concerns. From the items in the Appendix Table we estimate an IRT score, transformed, as is standard, to a scale with a mean of 50 and range for 20 to 90. Table 2 shows how the transformed IRT score, what we label "latent financial well-being" (LFWB) for these incarcerated parents and caregivers varies across the three groups. Table 3 looks at the independent predictive effects of selected factors on LFWB. Column 1 shows that age has no significant effect of LFWB. Incarcerated mothers have significantly lower LFWB scores, suggesting their lower level of financial management and control. However, when having family income below $25,000 in the pre-incarceration period is included (col.2), the effect of being an incarcerated mom falls in size and becomes nonsignificant. We include a measure of math based on earlier work that indicated performance in math in school was predictive of later understanding of retirement income (Herd et al, 2012). We include an indicator of having a checking or savings account now, which Urban & Collins (2020) include in their FWB analysis as an indicator of inclusion in and access to financial markets. "Having utilities shut-off" is hypothesized as a signal to individuals about short-term lapses in financial management, thus initiating better financial management. The first two variable have no predictive value for our sample, but the latter appears to be a strong predictor of poorer financial management. Finally, LFWB is not associated with having a job now or prior to incarceration.

Our estimation of LFWB, which is based on indicators of financial management and outlook comparable to those advocated by the CFB, shows a range of management skills among incarcerated parents and caregivers, with the LFWB of incarcerated mothers significantly lower than for fathers or caregivers. This scale is strongly associated with income, suggesting the not surprising interaction between income and having better financial management skills. The absence of a jobs effect implies these skills are not tied to a specific income generating activity.

Relationship of Financial Stress to Financial and Family Well-being

With evidence that stress increases for jailed parents during incarceration, we ask whether a higher LFWB, that is underlying greater financial management and control skills, modifies stress of these parents while incarcerated. Table 4 shows that it does. We hypothesized that confidence in the caregiver's financial management skills would reduce the incarcerated parent's stress. It does not. While older incarcerated parents are less stressed, the caregiver's age has no influence. We also hypothesized that the parent's loss of a job would increase stress while the caregiver having a job would have the opposite effect. In addition, we expected that having lived with their children prior to incarceration would increase the stress of being apart. These expectations are not born out. That income has no effect on stress implies its effect is through associated financial management skills and practices. We also expected that parents who had a child support order would be more stressed when their ability to pay was potentially reduced by incarceration. Surprisingly, it appears that those who don't pay court ordered payment are less stressed. One possibility is that not paying child support is a cause of both their incarceration (for nonpayment) and a more laid-back sense of financial responsibility.

A unique aspect of our analysis is that the survey asks both incarcerated parents and caregivers about their relationship to the other. We use the Inventory of Family Feelings Survey (IFF) measure which the project provides. The IFF is a 38-item, self-report measure of family relationships measuring the strength of positive feeling. Scores can be viewed "as falling within three categories: low (0-23), middle (24-31), and high (32-38)." (Lowman, 1987). For the general population, the middle of the scale (26 to 29) denotes a percentile score from the 40th to the 65th percentile.

For jailed parents the mean IFF score is 24.4, which shows a marginal "middle relationship" with the caregivers. However, for caregivers the average IFF score is only 16.9, indicating a poor relationship with the jailed parents. We do not know if this represents pre-incarceration relationships or a jail-effect.

The financial satisfaction question, which asks "how satisfied are you with the *present* financial situation of your family," is closest in reference period to the IFF items and so we look at that relationship. Incarcerated parents' financial satisfaction level and IFF are significantly positively associated ($p < 0.10$). This is consistent with Dew et al. (2021) who found that financial disagreement within the family is the strongest disagreement type to predict negative family relationship (e.g., divorce), relative to other common disagreements.

Conclusions

While the small number of respondents in this study makes it difficult to draw causal relationships, the findings suggest the potential value of financial education for jail-incarcerated individuals and their family. Findings add to our knowledge of jail-incarcerated individuals, notably the diversity of financial skills and financial concerns, both important to structuring financial literacy education.

The pilot study from which these data come aims to enhance visits by children with a parent in jail in order to strengthen family ties and reduce recidivism. The relationship between the study's measure of family relationships and financial satisfaction confirms other studies' finding of this connection, and is evidence for the importance of paying attention to financial concerns in building family relationships.

An important component of this study was our estimating what we label the LFWB scale for this financially challenged population. This scale shows a distribution of underlying financial management practices with which incarcerated parents entered jail. We find that the LFWB is a strong predictor of financial stress while incarcerated, acting through pre-entry family income. The sense by individuals whether they can manage their family finances if enabled to do so is a major if not the primary determinant of in-jail financial stress.

The financial status and practices (i.e., the LFWB) of incarcerated women is significantly lower than that of incarcerated men and of caregivers as a group. We note that caregivers of these mothers' children were, with but a few exceptions, other women. The implications of this for post-release well-being of them and their children should be explored further. Children of incarcerated mothers are disadvantaged by their mothers' absence as well as by pre-incarceration personal finance practices that increase financial stress. Financial education targeted specifically to mothers in jail is indicated.

Our analysis suggests that short duration jail terms present an opportunity for effective financial literacy education. Post-release financial education would delay addressing concerns that already exist and may increase during incarceration, that affect family relationships and potential post-release social behaviors. It is, however, important that these financial education programs recognize the existing range of financial management practices that individuals exhibit prior to incarceration. Indeed, recognizing and building on the diversity of financial skills and practices may be especially important for short-duration financial education programs.

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Table 1
Financial Stress and Satisfaction

		Stress[a]	Satisfaction[b]
Incarcerated	mean	5.68	4.52
father	s.d	2.87	2.59
Incarcerated	mean	7.78*	2.78*
mother	s.d	2.77	2.28
Caregiver	mean	6.27	4.37*
(female)	s.d	2.63	2.75

[a] What do you feel is the level of your financial stress today? 1 – 10 (Highest stress level)
[b] How satisfied are you with the present financial situation of your family? 1 - 10 (Highest satisfaction level)
*** p<.1. Significance of difference indicated in incarcerated mother row between them and incarcerated fathers; in caregiver column between caregiver and incarcerated mothers.

Table 2
Latent Financial Well-being score

Group	N	Mean	St Dev	Min	Max
Incarcerated father	31	51.2	14.2	25	79
Incarcerated mother	11	42.6	9.5	25	59
Caregiver	33	51.3	13.5	19	79
Total	75	50	13.5	19	79

Table 3
Latent Financial Well-being Score Regression

			Own LFWBS		
			1	2	3
Status	Father				
	Mother		-8.69**	-4.86	-4.38
	Caregiver		0.08	-1.09	-0.31
Age	30+		0.71	-1.85	-0.46
Math	Worse in math			1.70	1.57
Work[1]	Has/had job			-1.49	-1.18
Income	<$25,000			-12.4 ***	-11.34***
Has a bank account					-2.90
Utilities cut off					-8.22***

[1].Employed now for Caregiver; working in 6 months prior to incarceration for incarcerated parent
***Significant at p<.01. **Significant at p<.05

Table 4
Predictors of Parent's Stress while Incarcerated
(ordered logits)

	odds ratio	st error
Parents LFWBS	*0.823****	0.050
Caregiver LFWBS	*0.972*	0.042
Parent age	0.846**	0.068
Caregiver age	1.025	0.043
Paren live with	0.644	0.896
child pre-jail		
Caregive employed	2.120	1.250
Parent employed	0.920	0.566
Income <$25,000	2.127	2.572
Child support orders		
Paid	0.227	0.218
Not Paid	0.041*	0.071

***Significant at p<.01. *Significant at p<.1

Appendix Table

Components of Latent Financial Well Being

CFPB Scale Components	Urban & Collins Adaptation	Our Scale Components
1. I could handle a major unexpected expense		
2. I am securing my financial future		2. I periodically check my credit report or credit score
3. Because of my money situation, I feel like I will never have the things I want in life	3. Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition.	3. I feel stressed by the amount of money I owe (credit cards, student loans, care payments, etc)
4. I can enjoy life because of the way I'm managing my money		4. I am confident that I can plan a financial budget
5. I am just getting by financially	5. How confident are you that you could come up with $2000 if an unexpected need arose within the next month?	5. I have enough money saved to handle financial emergencies
6. I am concerned that the money I have or will save won't last	6. Over the past year, would you say your household's spending was less than, more than, or equal to your household's income?	6. I set aside and save money out of my monthly income
7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month		
8. I have money left over at the end of the month	8. In a typical month, how difficult is it for you to cover your expenses?	8. I am usually able to pay my bills on
9. I am behind with my finances		
10.My finances control my life	10. I have too much debt right now	10. [I am/was concerned about] being behind on required payments

