

1982 Report to Respondents

The 1982 Interview

You may be wondering if the family economics study will be able to survive the drastic budget cuts in Washington. So far we have, but like everyone else these days, our funding has been reduced. So, as an economy measure, we have cut the length of the 1982 questionnaire. We will not ask any new questions this year, and even some of the regular questions that ask about things that don't change often have been eliminated temporarily. The interview, you may be glad to know, will take less time than usual. However, we will continue to pay \$10 for it plus the usual \$5 for returning the postcard.

The National Science Foundation is still able to provide part of the support for the study, and we have some new sponsors as well. The Sloan Foundation has been exceedingly helpful, and we have also received contributions from the National Institute on Aging (they are interested in retirement and health), and the Food and Nutrition Service of the United States Department of Agriculture.

Parents and Children

There have been some drastic and unsettling changes in the last ten years in what we think of as the traditional American family (a breadwinning husband, a homekeeping wife, and two

children). What effect, if any, disruptions in this way of life will have on the country as a whole and on the families themselves--particularly the children--is a troublesome question. In an attempt to find some answers to it, the Committee on Child Development Research and Public Policy of the National Research Council, National Academy of Sciences, has just held a conference on families and the economy. Because the Michigan study of family economics is a major source of information on both families and the economy, Martha Hill of the study staff was asked to participate in the conference. Here are a few of the things she talked about.

Ten years ago the majority of children in this country still lived in a "traditional American family," made up of a father who worked at a full-time job and supported the family, and a mother who stayed at home, took care of the house and looked after the children. Since then, from necessity or choice, so many women have joined the labor force that only about a third of American families still fit the traditional picture. More than half of all mothers with children at home are now in the labor force, and the proportion is considerably higher for black women, women with school-age children, and mothers in single-parent households--who put in the longest work hours of all.

The growing number of one-parent households brought about by divorce and separation and never-married mothers with children is another and more extreme example of how traditional families are changing. During the 1970's alone, the number of single-parent

families increased by seventy percent, and a fifth of all the children in the United States now live with one parent only. The single parent is almost always the children's mother, since after a family breakup only about two percent of fathers keep the children.

It isn't known whether growing up in a family with no father present and a working mother will have any lasting effects on the children involved. It has been suggested that they sometimes do less well in school and have more behavioral problems than children from two-parent households, but there is no conclusive evidence that this is true. On the contrary, the fact that their mother has a job is sometimes found to have a good effect on the development of her children.

However, families consisting of a mother and children do have one great disadvantage that can cause a variety of problems--they almost always have considerably less money than two-parent families, and the income they do have is often irregular, making it difficult to plan ahead. In 1977 the national average annual income for two-parent families with children at home was \$20,651, compared to \$8,340 for families consisting of a mother and children only. Women earn less than men even in similar jobs. They also have less work experience, and in any family breakup they usually end up as the major support of their children. Child support payments from fathers are generally small and often erratic or not paid at all.

A divorce or separation is likely to have a devastating effect on the income of the woman and children involved, and the loss is usually so great that even if the mother gets a

job (or a better paying job), qualifies for some help from government programs, and receives some child support, she won't be able to make up the drop in income resulting from the divorce while she stays single. Almost half of the individuals who were constantly below the official poverty level during the last ten years lived in families with children headed by a woman.

In the long run many single mothers remarry, often in four or five years. That may not seem like a very long time to an adult, but it's a large piece of a childhood. A growing-up pattern for an increasing number of children is to go through the breakup of their parents' marriage while they are quite young, spend a number of years with their mother--often in financial difficulty--and the rest of their childhood in a more prosperous mother and stepfather family.

There is good reason to worry about the future and present of some of these one-parent children. They don't have the advantage of living with both parents and, in spite of their mother's best efforts, may live with the disadvantage of a household that is short of money and the adequate food, housing, clothing, education, and security that money provides. It would be a good idea to worry about some of the single mothers too. Many of them have a hard row to hoe.

In spite of these drastic changes in some traditional family living arrangements, the average economic situation of children (both black and white) improved at all income levels during the last ten years. However, there is still a large gap in economic well-being between black and white children, and the

gap does not appear to be shrinking. This is partly because black men in two-parent households still earn less than their white counterparts--and because more black than white children spend most of their childhood in financially deprived households headed by their mother.

One suggestion made at the conference on families was that, considering their low earnings and long work hours, recent changes in the rules governing Aid to Families with Dependent Children (AFDC) are very hard on unmarried mothers and should be reconsidered. The new rules require that most of whatever amount of money a mother is able to earn on a job must be deducted from her AFDC payments. This makes it almost useless for her to have a job at all. Most low-income single mothers now combine a job with some government help, and even so, can barely make ends meet.

Family Economics Made Easy

Every year for the last nine years we have published a book about you based on the statistics from your interviews. As you probably know, this series of volumes is called Five Thousand American Families--Patterns of Economic Progress. Volume X will be published this summer.

As members of this study (its official name is the Panel Study of Income Dynamics), you have provided the U.S. Congress, government agencies, and social scientists at universities with an accurate history of how American families have been getting along financially for the last fifteen years. You have also helped us to correct some very widespread but inaccurate

notions about family economics, and led us to make some surprising discoveries.

Thanks to you, our computer tapes are overflowing with important statistics. However, by the time the economists on our staff have analyzed them and written them up, the result is often so technical that people without scientific training find it hard to follow. So to make your economic history available to non-scientific readers, Greg Duncan, our co-director, is translating highlights from the nine volumes into plain (or at least somewhat less technical) English and collecting them into one volume. The book isn't finished, it doesn't even have a title yet, but since it is about you we thought that you might like to hear what some of the chapters will be about. We have mentioned some of the topics to you before.

Talking to the same people year after year, as we do to you, provides surprising information about the changing circumstances of American families that does not show up in a regular, one-time interview. For instance, you would not know that many families experience very large year-to-year ups and downs in family income if you did not ask the same families every year how much money they earn.

Most people think of the rich, middle-income people, and the poor as if (barring some dramatic windfall or disaster) families stay more or less permanently in their own economic niches. In fact, although the size of the slice of the income pie going to the rich and the smaller slices going to middle-income and poor people stay about the same, there is a large

turnover in the families who get these slices.

As an illustration, we compared the incomes of the families in the study at two points in time--1971 and 1978. We listed all the families in order by income and then divided the list into five equal parts (quintiles in the language of economists). In 1971 the poorest families who were in the lowest fifth had yearly incomes under \$6,132, and those in the highest fifth had incomes of \$18,500 or more. By 1978, although the relative positions were the same, a combination of inflation and a real growth in income had pushed the income level of the lowest fifth up to include families with incomes below \$9,000, and incomes in the top fifth were at least \$32,100. In 1978, the end of the seven-year period, less than half of you (and therefore of all U.S. families) were in the same fifth you started in. Many of the changes were substantial. Only about half of the families who started in the lowest fifth were still there, and a quarter of the families who moved up from the lowest fifth had incomes by 1978 high enough to put them in the top three-fifths. Incomes were as changeable at the highest income level as at the lowest. Less than half the families that started in the highest bracket in 1971 were still there in 1978, and more than 20 percent of the movers had fallen into the bottom three-fifths. The families that started on top had only one chance in two of staying there. Similar changes occurred at all income levels. Although we looked here at only two points in time--1971 and 1978--there were certainly many more year-to-year income changes during the years in between.

Families themselves change a great deal too. Children and other relatives move in and out. There are marriages, divorces, separations, and deaths. When these changes affect the number of earners in the family, they would certainly account for some economic ups and downs. But for whatever reason, the picture that most people have of a well-ordered working life where modest advances and raises in pay occur regularly just isn't true for the vast majority of Americans.

More Discoveries

Another chapter in Greg Duncan's book will also cover a set of firmly held beliefs that you have proved to be wrong. This one is about income too--or the lack of it--in this case as it relates to poverty and welfare payments. We wrote a little about this in the 1978 report, but as it is one of the family economics study's most famous discoveries and will be an important part of the new book, it seems worthwhile to mention it again.

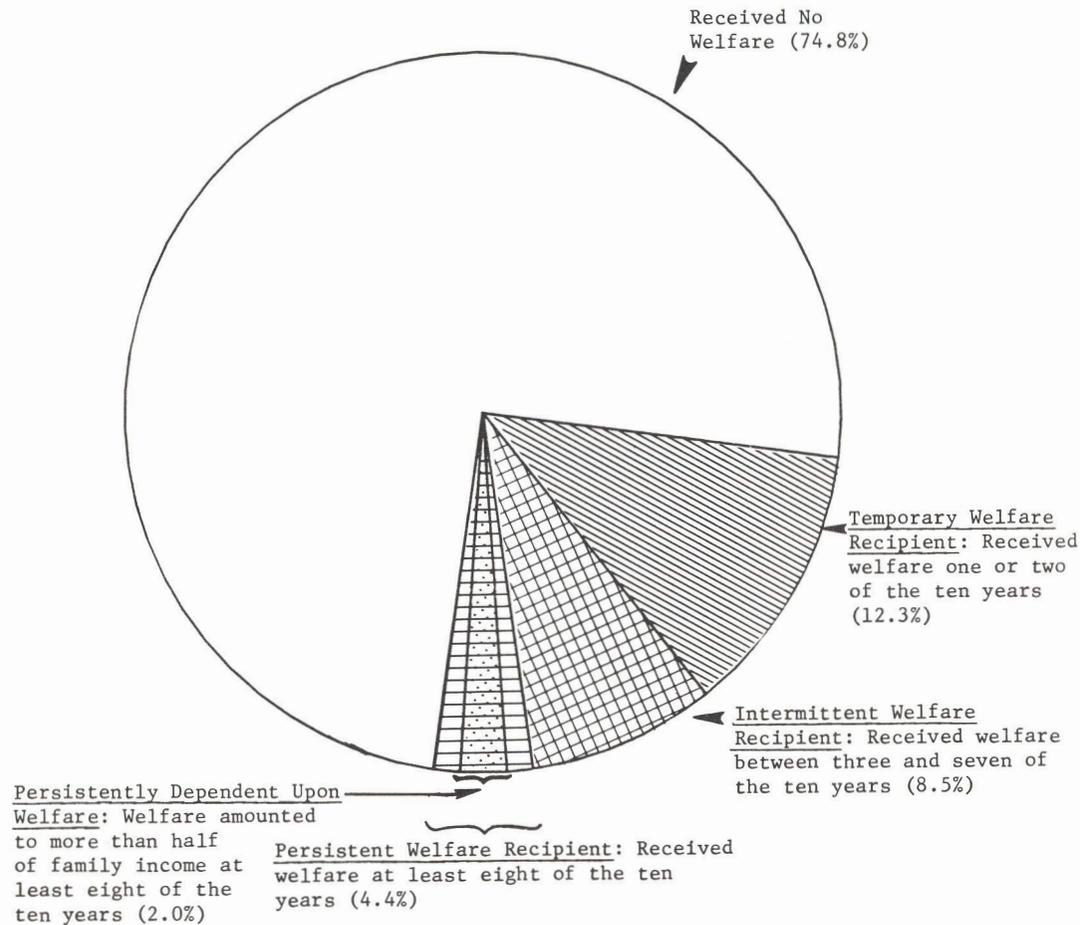
About the same number of families receive some government help each year. This has led to the belief that the same people are always in need, that families with low incomes in one year are also short of money in the next, and that they and their children after them will probably always be trapped in poverty and dependent on government help. Thanks to you, we know that this is hardly ever true, but it's such a dramatic story that people go on believing it anyway.

In at least one year out of a recent ten-year period, more than a quarter of all the individuals in the United States

lived in families that received some assistance from one or more of the following government programs: Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), the food stamp program, and other general assistance programs. The Medicaid, housing assistance, and child nutrition programs were not included in these calculations. If they had been, the astonishingly high number of welfare users might have been even higher. However, as you can see from the chart, almost half of these people were one-time welfare users and needed help temporarily (at most two years out of the ten, usually less), probably to tide them over some immediate family crisis like an illness, or losing a job, or a divorce. Another somewhat smaller group were intermittent users and went on and off welfare several times during the ten years, and a still smaller number used some sort of government help for about eight out of the ten years. None of these three groups relied on welfare for as much as half of their income but mixed it with money from a variety of other sources--mostly earnings from jobs. Many people find it surprising that in the majority of families who get help from government programs the head of the family has a job but, at least temporarily, earns too little at it to support the household.

However, between one and two percent of Americans are persistently poor and depend on government help for more than half of their support over many years. These people have a hard time finding work and need long-term government help or, for some, job training. They tend to be either over 65, disabled,

TEMPORARY WELFARE RECEIPT AND PERSISTENT WELFARE DEPENDENCY
IN THE UNITED STATES, 1969-1978



poorly educated, female, black, without job skills, or perhaps several of these things together. This group of long-term welfare users also includes a great many single mothers with young children and, of course, the children themselves; unfortunately, a large fraction of the poorest individuals in America are children. These families are not likely to need welfare permanently. When her children get older, a single mother has more freedom to try to find a job and get back on her financial feet; and, contrary to another widely held belief, children who grew up in families that depended on welfare seem to be no more likely than otherwise similar young people to need it themselves when they leave home. The use of welfare does not appear to be a habit, or a trap, that is handed down from one generation to the next. The majority of welfare users do not count on this help for long-term total support, but rather treat it as a kind of emergency insurance to tide them over while they dig themselves out of some temporary financial hole, or as an intermittent income supplement when times are hard.

Affirmative Action?

Although the incomes of working blacks have risen a great deal during the past twenty years or so, only young black men are much better off than they used to be, relative to the earnings of white men. In 1959 the average earnings of black men were only half those of whites. Now they earn three-quarters as much. Until recently black women, even though they have more work experience, earned less than white women, but now

their earnings are almost equal. However, both groups of women earn only about three-fifths as much as white men. This is exactly the same relative position that white women were in thirty years ago and that women have been in since biblical times, if the following quotation from the Old Testament is any indication:

The Lord spoke to Moses and said, "When a man makes a special vow to the Lord which requires your valuation of living persons, a male between twenty and sixty years old shall be valued at fifty silver shekels. If it is a female, she shall be valued at thirty shekels."

Leviticus 27:1-4 New English Version

The recent overall improvement in the economic position of black men relative to white men is not distributed evenly among them but is due mostly to the gains made by young men just starting out. Black men who have been in the labor force for some time have made very little progress in closing the earnings gap between themselves and white workers. Even the young black men who start out so well seem to lose some of their comparative advantage over time.

Recently we made a four-year study of the black and white workers in the survey who were aged 25 to 54. We found that more than ten percent of white men were doing well enough financially to keep them in the top fifth of all earners for the whole four years. The chances of white men staying at the top for so long were five times greater than they were for black men and white women. For black women, the chance was just about non-existent.

For the same four-year period, eight percent of white male workers were persistently in the bottom income category, compared to two and a half times that number (twenty percent) of blacks. The figures for women were even more dismal. About a third of white women and half of black women were consistently among the country's lowest earners.

In trying to figure out statistically why these differences in earnings exist, the fact that white men averaged nearly two more years of education than black men appeared to account for about forty percent of the earnings gap between them, but no explanation could be found for the remaining sixty percent.

When black and white women are compared to white men, only a third of their income differences can be accounted for by differences in education or work experience, or even by time spent out of the labor force, or absent from work by women with family responsibilities. Most differences in earnings between men and women, whether black or white, occur because women tend to congregate in jobs that are traditionally poorly paid. Women who plan to be in the labor force intermittently may choose these jobs because they are easy to move in and out of. Or women may be brought up to expect low paying service jobs. Or perhaps employers are still discriminating against women.

To sum up, the relative economic position of black men, particularly young ones, has improved substantially, but it is still not on a par with white men. The economic position of black women workers, however, has nearly caught up with

white women, but the earnings of all women are still way below those of either black or white men, and there seems to be no explanation for a large portion of this gap.

Less discrimination, perhaps due to affirmative action pressures, may have helped to narrow the earnings gap between young black men and their white counterparts, but it hasn't done much for older black men or for either white or black women, who still have a long way to go to catch up.

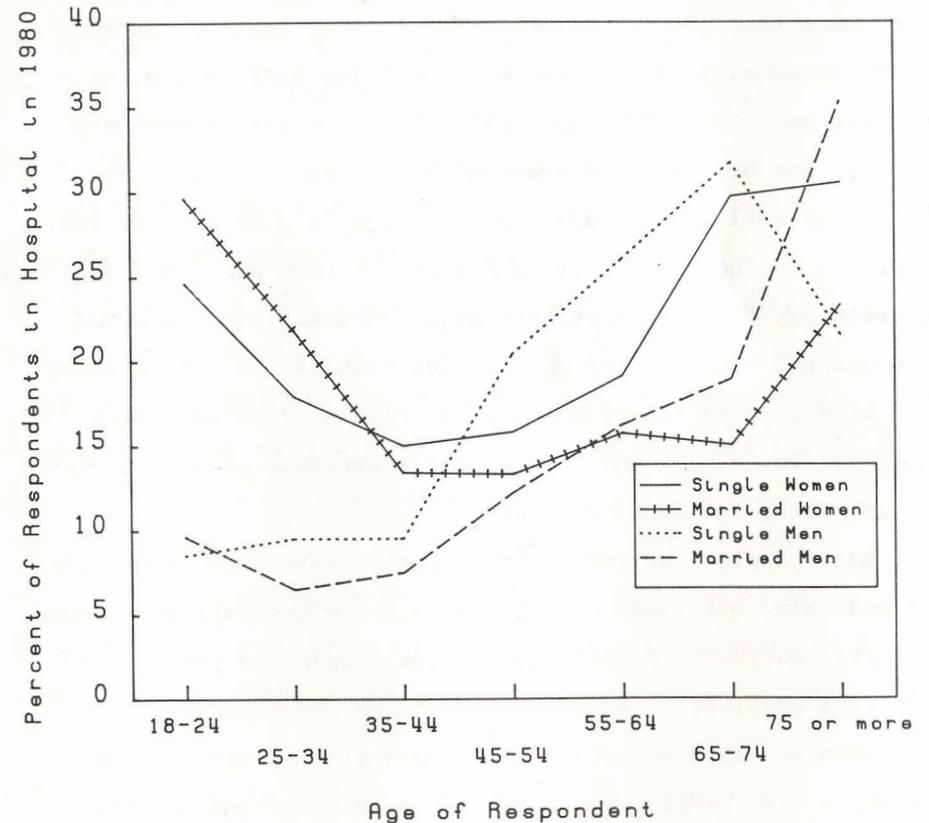
New 1981 Questions

We have included a graph based on your answers to the questions in last year's interview about nights spent in the hospital. The four lines show what percent of single men, single women, married men, and married women of various ages spent one night or more in a hospital in 1980.

Overall, an illness or injury serious enough to require hospitalization was reported more often by older people than by younger ones, by single people more than by married couples and by women more than men, but there were exceptions.

You will notice on the graph that almost thirty percent of wives between 18 and 24 reported being in the hospital in 1980. Most of these stays lasted less than six days, so we assume that a good many of them were due to childbirth, especially as days in the hospital begin to drop off sharply even before women reach 25. Childbirth may also have accounted for some of the short hospital stays reported by young single women.

ONE NIGHT OR MORE IN HOSPITAL IN 1980
BY SEX AND MARITAL STATUS



For most of their middle years, single women are much more likely to be in the hospital than married ones, and the percentage of middle-aged single men who reported a night or more spent in the hospital was much higher than for anyone else.

During middle age, married couples manage to avoid hospitals better than single men and women. Perhaps with two people in the house they encourage each other to stay healthy. However, at 65 (presumably at retirement) something happens and, as you can see, the chance of going to the hospital rises very sharply for husbands and somewhat for wives.

It is well known that people are apt to have more medical problems as they get older (and after 65 they also have Medicare to help pay for treatment that might otherwise be postponed). The graph bears this out for married couples and single women, but it's hard to figure out why the chance of being in the hospital for single men over 65 falls abruptly at an age when it is rising for everyone else.

Most people have some sort of health insurance or Medicare or Medicaid, but these do not always cover everything and some hospital patients, particularly older people and young wives, pay some hospital costs out of their own pockets.

When we asked you about days spent sick in bed at home, again, single people were more likely than married couples to report at least one sick day. Single men were slightly less likely to be sick than single women, and husbands were a little healthier than wives.

Surprisingly, the number of reports of days sick in bed at home go down as people get older--just the reverse of days

spent in the hospital. Perhaps when older people are sick enough to have to stay in bed, the doctor sends them to the hospital.

Looking Ahead

There seems to be a strong feeling among people both in and out of the government that, in spite of heavy cuts in government spending, it is very important that this study should continue somehow. Newspapers have also spoken out. The Washington Post wrote that this research is needed more than ever now, and the New York Times pointed out that the study "... would be an ideal vehicle to monitor the effects of the Reagan economic plan on individual families." This administration is indeed making drastic changes, and we hope to be able to continue the study for long enough so that, with your help, we can find out how these new policies are affecting you.

We don't know how it will work out in the long run, but for next year the National Science Foundation expects to be able to take over more of our funding, and there are plans to appoint an advisory board of eminent social scientists to suggest ways of making the study even more useful to the scientific community.

Of course, in both the short and long run the success of this project depends on you. We (and vast numbers of other people) are very grateful for your help and hope that we can continue to count on it. Many thanks and very best wishes for a happy 1982 from all of us on the study staff.

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