THE UNIVERSITY OF MICHIGAN
ANN ARBOR, MICHIGAN 48109-1340
(313) 764-6270

HAROLD T. SHAPIRO
President

Winter, 1986

Dear Respondent:

I want to thank you on behalf of The University of Michigan for your cooperation in the long-lasting national study of family economics being carried out by our Survey Research Center. Only the high level of cooperation of many people like you has made this research project possible. Your participation in this study is greatly appreciated and we hope that we may continue to count on your help in this valuable research.

This is the first time in history that a whole representative sample has been followed, including the children as they leave home, so that you remain a representation of the nation as a whole as it experiences the events of history--inflation, unemployment, increasing standards of living. Similar studies have now been started in a number of other countries.

The resulting data, without any personal identifications, of course, are being used by hundreds of scientists in universities and research centers and government agencies and congressional staffs. The study continues because each additional year increases the value of the data, with more and more new families being created by those who split from existing families. There are now many parents with children also in the study, and brothers or sisters. Increasingly the family is seen as a crucial element in society, and its functioning a matter of societal concern.

You have been very generous in contributing so much time to this research and we are most grateful for your help in making the study a success.

Sincerely,

Harold T. Shapiro

Harold T. Shapiro

rdg

It gives us great pleasure to include in this report President Shapiro's well-deserved letter of thanks for your help with the University of Michigan Study of Family Economics. It was not possible for him to write personal letters to each of you since, to protect your privacy, he does not know your names and addresses.

FRINGES

In 1984 we asked those of you who were working what kinds of fringe benefits your employer provided. We thought that you might like to know what the answers were so that you can see how your benefits compare to those of other people. We will look separately at working heads of households (a category that includes both men and women) and at working wives. Except for maternity benefits, a higher percentage of heads of households get benefits than wives. However, wives didn't do too badly (see table opposite).

If you look at all families in the study including those who had no one working, more than half of all of our 6918 households in 1984 had someone in the family, either the head of the family, the wife, or both, who received a paid vacation. Nearly half had one or two family members who received medical insurance, paid sick days and some kind of retirement pay. Life insurance and dental insurance were at the bottom of the list with only 40 percent and 34 percent, respectively, of households with a member who was covered. Of course, we were only asking about fringes provided by an employer. Many people may buy their own insurance.

Fringe Benefits Received by Working People in Family Economics Study

Benefit	Percent of Working Household Heads Who Received the Following Benefits	Percent of Working Wives Who Received the Following Benefits
Medical Insurance	70.0	56.3
Paid Sick Days	64.2	63.2
Dental Insurance	46.4	34.5
Life Insurance	55.7	46.9
Paid Vacation	81.3	74.6
Unpaid Maternity Leave	47.2	74.8
Paid Maternity Leave	24.0	34.2
Retirement Pay	61.6	51.7

YOUNG AND OLD

Over the past twenty years there have been some striking contrasts between the well-being of children and the elderly. Poverty rates have fallen sharply for the elderly but not for children. Programs to help the elderly have grown while funds aimed at helping children have been cut.

In a recent paper for the National Academy of Sciences, the study staff compared the financial well-being of the members of our study who are generally too young or too old to be in the labor force: children less than fifteen years old and adults 65 or over who are mostly retired. The research was based on information from the Family Economics Study for the years from 1968 through 1982 and looked at in five-year segments: 1968–1972, 1973–1977 and 1978–1982.

The economic status of young children depends on the income of the family in which they are living, plus whatever benefits—like Aid to Families with Dependent Children—that the family may get. Most people over 65 are no longer earning money and depend on Social Security and whatever other programs they are eligible for such as Supplemental Security and, of course, what savings, investments and pensions they may have accumulated in their working years.

During the late 1960s and early 1970s the average family income of the elderly was considerably lower than that of young children and the old were more likely than the young to be living in extreme poverty. Extreme poverty means having family income 20 percent or more below the official government poverty level.

Between the first five-year period and the second one, the poverty rate both for children and the elderly dropped. The percent of children in the population who were poor went from a 7.8 percent average for 1968–1972 to a 6.2 percent average for 1973–1977, and the percent of elderly who were poor dropped from 16.5 percent to 9.3. In the same period, the number of children and elderly living in extreme poverty also declined.

From the second five-year period to the third the trends in poverty differed for the young and old. While the elderly managed to hold on to the financial gains they had made in the previous five years, the young did not. The number of poor rose from 6.2 percent of children under age 15 to 7.6 percent, almost where it was in the initial five-year period, and the number of them who were extremely poor also rose by more than two percent. There had been a complete reversal in the relative economic standing of the young and old, and the elderly were not only doing better financially than the very young but their incomes were more stable as well.

This shift in economic well-being between old and young was partly due to improvements in the Social Security system. At the same time, funding fell far short of keeping up with inflation for programs like AFDC (Aid to Families with Dependent Children), which benefit children.

The rise in the economic well-being of the elderly hasn't been equally beneficial for all. Thanks to the important and growing role played by Social Security, people have been better off at retirement in recent years than they used to be and this raises the average income for the whole group. In fact, the income of all elderly individuals including the very old tends to drop a little over time. However, a substantially smaller fraction of old people are at the

bottom rungs of the income ladder in the 1980s than they were in the late 1960s. Poverty rates for children, particularly black children, showed little corresponding improvement.

The government programs that make up the "safety net" have operated more effectively for the elderly than for children, and to some extent the elderly have been able to help themselves avoid poverty. They have exhibited considerable political power in improving their own lot by lobbying for such things as protecting the policy of adjusting Social Security to inflation.

During the whole period studied, neither the oldest nor the youngest members of society were nearly as well off as the people in between and the gap seems to be growing. So, if one were attempting to even things up financially, it wouldn't have to be by redistributing some income from the old to the young but a redistribution toward both these groups from the middle group of the population.

THE 1986 INTERVIEW

This year our questionnaire will return more or less to normal—if you can remember what normal is. We will not ask you about your fringe benefits or assets as we did in 1984. There will not be an interview with wives as there was in 1985. We will not ask the family-related questions again except of new heads of households and new wives and a quick update for the rest of you on any family changes that may have happened since the 1985 interview. The 1985 family questions were a great help to us in straightening out our records and, now that our family listings are up to date, we want to try to keep them that way.

The only new questions this year will be a short series about family health which we hope will be easy and even interesting. Otherwise, the 1986 interview is made up mostly of the old, familiar economic questions and shouldn't take very long.

We are grateful for your patience in not complaining (much) about the last two years of long and complicated interviews. You should find the 1986 version more restful.

ASSETS

To find out how well-protected you and your family were financially, we asked you in the 1984 interview to estimate the cash value of various things that you, or other members of your immediate family, own. Here are some answers that we thought might interest you; however, this information has not been weighted yet so we can only say that it is true of all the 6918 families who were in the study in 1984, but not necessarily of the whole U.S. population. Weighting is a mathematical process which, among other things, adjusts for sample design and panel losses and determines what fraction of the U.S. population each family in the study represents.

We started by asking if you owned any real estate other than your main home, such as a second house, rental property, or land. A little over 15 percent of you owned one or more of these. Based on the estimates of the owners, the average cash value of this property was $51,000. Then we asked about boats and things on wheels. Almost three-quarters of you own a car, a truck, a motor home, a camper, a trailer, a boat, or more than one of these, with

an average cash value of $6,000. Ten percent of our respondents owned all or part of a farm or business. The average estimated cash value of these holdings was $125,300.

Turning to your financial assets: 18 percent of you owned some stocks, with an average value of $24,000. We lumped checking, saving and money market accounts together and 68 percent of you owned, on average, $10,300 worth of these. We also combined bonds, trusts and the cash value of life insurance in one question. Nineteen percent of you owned one or more of these assets, with an average value of $17,400.

At some time in the past about 14 percent of you have inherited an average of $26,000. But 18 percent of you expect to inherit much more than that during the next ten years, an average expectation of $62,500. Almost half the families in the sample also have some debts, averaging about $3,000.

Families headed by someone from their mid-forties to mid-fifties seem to be at their most prosperous. They had considerably more money tied up in the things we asked about than the sample as a whole. This is a mixture of having had time to accumulate, and living during a period of history when it was relatively easy to save.

At retirement age, people appeared to have unloaded extra real estate, cars, boats and so on, but of course the older people are a different generation. They may have had fewer of these things to begin with, as they grew up in a less prosperous period. However, their financial assets were still intact and on average they owed less money than the rest of the sample.

Finally, we thought it would be interesting to divide the sample into fifths according to their income ranking (quintiles) and compare the assets that people had at various income levels. However, to go through all five quintiles might get boring so we've looked only at the lowest and highest brackets (see table). In 1984 the lowest fifth included families with incomes up to $7,600. The highest included families with $36,600 and above. When the data are weighted, these numbers may change a little. "Above" includes some very high incomes. Since we are a national sample, we have the same income distribution as the country as a whole. Usually about 10 percent of sample families have annual incomes of $50,000 or more, and there are a few families with incomes over $200,000.

Though more or less the same number of families are in each income quintile every year, these income brackets often do not contain the same individual families. As we have learned from you, there is a great deal of movement up and down the income ladder from year to year.

FAMILY INCOME QUINTILES

Assets	Highest Fifth: Annual Income of $36,600 and More		Lowest Fifth: Annual Income of $7,600 and Less	
	Percent of Families in This Income Group Who Own This Asset	Average Dollar Value of This Asset Among the Owners	Percent of Families in This Income Group Who Own This Asset	Average Dollar Value of This Asset Among the Owners
Other Real Estate	34.0%	$72,600	4.0%	$28,800
Vehicles, Boats	92.2	10,000	32.1	1,900
Farm/Business	22.0	177,500	2.4	89,500
Stocks	45.2	32,900	2.2	15,700
Checking, Savings, Money Market Accounts	93.7	18,200	31.8	3,700
Bonds/Insurance/ Trusts	35.2	32,000	5.1	7,100
Inheritances	22.6	42,700	7.4	9,100
Expected Inheritances	28.5	80,400	9.1	36,300
Debts	58.5	4,400	29.1	2,200

UPDATE ON OUR INTERNATIONAL CONNECTIONS

We told you last year that studies based on this study are underway in Sweden, the Netherlands, West Germany and Australia. Since then a new one has started up. It is operated jointly by the Grand Duchy of Luxembourg and the University of Nancy in France. The directors of this new study recently came to Ann Arbor to visit us and see the Family Economics Study in operation.

The directors brought a sample questionnaire with them. Many of their questions would be very familiar to you except that they sound more romantic in French. Besides the regular economic questions we ask, there were also very detailed household questions that were not borrowed from us: they started by asking whether there was running water in the kitchen, hot water, or a bathroom and then continued with 29 questions about what household and recreational equipment was owned, ranging from a refrigerator and washer-dryer to a TV, hi-fi, recording and photographic equipment, a camper and a wonderful sounding gadget called a housekeeping robot, whatever that is. If the family is thinking of buying a car, they are asked what nationality car, what make and model they would most like to buy. It is unclear whether this is a model the family is just dreaming about or might actually purchase. There are many more questions about household expenses, installment purchases, debts, and whether or not the respondent has trouble making ends meet.

The same families will be visited again next year and the directors hope eventually to expand the study to cover more of France. These were all in-person interviews, and that is the way the respondents want to keep it. When those with telephones were

offered the convenience of a telephone interview next year, most turned it down firmly. The interviewer's visit was apparently a social event not to be missed.

Most of the countries that are doing family studies similar to ours hope that some day a system of international coding can be invented that will make it possible to compare data across countries and, if you like, create one vast international family economics study. It's a dramatic idea but not likely to happen soon, although work has already started on it.

ONE-PARENT CHILDREN

Although recently the divorce rate has leveled off slightly, during the past 15 years or so the number of divorces and separations rose steadily. This brought about a dramatic increase in the probability of an American child spending at least part of his or her childhood in a household headed by one parent—usually the mother. Estimates put the number of these one-parent children anywhere from a quarter to half of all children with the frequency much higher for black than for non-black children.

The traditional structure of American families has clearly undergone some changes and if growing up in a father-absent household causes any lasting difficulties for the children involved, it is important to know what they are.

Many researchers have looked at possible effects on children of their father's absence on such things as behavior problems, learning difficulties, school performance or dropping out of school, loss of income and being on welfare. This research has had mixed results. Some researchers thought they had found evidence that growing up in a one-parent household created problems, but others found no effects at all. Some of this research was based on samples that were too small. Some of it concentrated on sons, ignoring the effect on daughters of growing up without their father. Other researchers were only interested in how single-parent households affected young children.

Because the Family Economics Study is well suited to family related research, the study staff decided to try to identify any problems that might have affected teenagers as a result of spending two or more teenage years in a household headed only by their divorced or separated mother. They also hoped to discover if any problems traceable to that kind of upbringing lasted into adulthood after these young people had left home to start their own households.

We looked at various possible effects that having an absent father might have on children and also checked to see whether teenagers in these families were likely to leave home to start their own households earlier than children in two-parent families. Were they more likely to have unstable marriages themselves, have children at a younger age, become single mothers with children, or have difficulty finding work? Our search was limited to economic and demographic outcomes. As you know, we do not attempt to measure psychological characteristics.

Surprisingly, having divorced or separated parents and growing up in a family headed only by their mother seemed to have very little effect on the achievement of the young people involved, either as teenagers at home or later in their own households. They did not show unusual tendencies toward leaving home early, having unstable marriages, becoming single mothers with children or having trouble finding work. The economic achievement of white

women seemed to suffer a little from growing up without a father, but the economic achievement of black women was not affected at all. In fact, there was no consistent support across sons and daughters, blacks and whites for any of these hypotheses and very little evidence of real problems except for one—lack of money. Although his children doubtless miss him, the greatest measurable deprivation caused by a father's absence appears to be the absence of his income. Even if his family gets some child support, it is often inadequate and irregular. Many single women with children cannot earn enough to support them, and these families are chronically short of money.

Growing up in a mother-only household does go along with loss of income which may well lead to practical problems, such as taking on jobs that interfere with school work or not being able to afford college or other special training that might lead to future job opportunities. But on the whole, teenagers who live with their mothers seem to get along as well as those who live with both parents, and one-parent families are so frequent these days that young people may no longer feel embarrassed about having a father who lives elsewhere.

Increasing the amount of child support where possible would go a long way toward easing the financial difficulties of families headed by single mothers, even if it did not do away with problems entirely. As we told you last year, steps have been taken to collect more child support from those absent fathers who now pay less than they can afford, or nothing at all.

A FEW STATISTICS

The Study of Family Economics is beginning its nineteenth year. There will be 7,032 families to interview next spring and summer plus whoever may have left home since we last talked to you. Four hundred twenty-nine new panel families were added to the sample in 1985. They were mostly grown-up children who moved out of their parents' homes to start their own households. There were considerably more young people leaving home in 1985 than there have been in recent years. The job market may have improved enough so that more of them could afford to live on their own.

Your address postcards are coming in at a great rate so the above figures may be out of date by the time you read them. If you haven't sent your postcard in yet, please do.

The National Science Foundation still funds the study with help, at present, from the Department of Health and Human Services, The National Institute on Aging, The National Institute for Child Health and Development, and the Ford Foundation.

In 1985, articles based on our (your) data appeared in *The American Journal of Socioloogy, The Journal of Marriage and the Family, The Review of Economics and Statistics, The Annals of the American Academy of Political and Social Sciences* and *The Journal of Human Resources.* Papers about you were presented at a National Academy of Sciences workshop and at a meeting of the Association for Public Policy. Since most universities and research centers in this country use our data tapes, your statistics have probably figured in many more books, articles, papers and PhD theses than we know about. Without you none of this research would have been possible. We, and many hundreds of other people, are most grateful for your help.

Very best wishes for a happy and prosperous 1986 from all of us on the study staff.