CHAPTER 5

The Changing American Family

Corbis

Among the trends that have shaped the American family over the course of the century, one of the most important has been the rise in female participation in the labor force as more opportunities have opened up for women to work and more women have taken advantage of those opportunities.

For most of the 20th century, the prototypical American family was a married couple with children in which the wife did not work for pay. But for decades now this traditional one-breadwinner, one-homemaker family has made up a declining share of families, as more wives have entered the paid labor force and as single-parent families have become more widespread. At the beginning of the 21st century, fewer than a third of all families are married couples in which the wife does not work outside the home. This means that a majority of American families face—and in consequence the Nation faces—different opportunities and different challenges from those of a society of "traditional" families.

The changes in the American family, viewed over the entire span of the 20th century, have been dramatic (Table 5-1). In 1900, for example, about

TABLE 5-1.—*Contrasting American Families Then and Now*

Item	1900[1]	1950	1998[2]
Households by type (percent)			
Family households	(3)	89.2	69.1
Married couple	(3)	78.2	53.0
Male householder, no wife present	(3)	2.7	3.8
Female householder, no husband present	(3)	8.3	12.3
Nonfamily households	(3)	10.8	30.9
Average household size (persons)	4.8	3.4	2.6
Households with seven or more people (percent)	20.4	4.9	1.2
Living arrangements of children by family status (percent)[4]			
Two-parent farm family	41	17	(5)
Two-parent nonfarm family			
Father breadwinner, mother homemaker	43	56	24
Dual earner	2	13	44
Single-parent	9	8	28
Not living with parent	5	6	4
Males and females by marital status (percent)			
Males aged 15 and over			
Married	54.6	68.9	58.0
Divorced	.3	2.0	8.2
Widowed	4.6	4.2	2.5
Never married	40.3	24.9	31.2
Females aged 15 and over			
Married	57.0	67.0	54.9
Divorced	.5	2.4	10.3
Widowed	11.2	12.0	10.2
Never married	31.2	18.5	24.7
Median age at first marriage			
Men	25.9	22.8	26.7
Women	21.9	20.3	25.0
Life expectancy at birth (years)			
Men	46.3	65.6	73.9
Women	48.3	71.1	79.4
Infant mortality rate (deaths per 1,000 live births)	99.9	29.2	7.2
Labor force participation rate of women (percent)	20.0	33.9	60.0
Women in the labor force by marital status (percent)			
Single	66.2	31.9	26.8
Married	15.4	52.2	53.1
Widowed, divorced, or separated	18.4	16.0	20.0

[1] Infant mortality rate is for 1915.
[2] Labor force participation rate of women is for 1999.
[3] Not available.
[4] Data for 1900 and 1950 are from Donald J. Hernandez, *America's Children*, The Russell Sage Foundation, 1993.
[5] Less than 2 percent and included in nonfarm totals.

Sources: Department of Commerce (Bureau of the Census); Department of Labor (Bureau of Labor Statistics); and Department of Health and Human Services (Centers for Disease Control and Prevention), except as noted.

80 percent of children lived in two-parent families with a mother or stepmother who worked on the farm or at home. Fewer than 10 percent of American children lived in one-parent families. The typical home had few of today's conveniences (only 8 percent of dwelling units had electricity in 1907), and many women sewed their own clothes and gave birth in the home rather than in a hospital. Women early in the century married younger, had more children, and died younger than women today. Ten percent of children died in infancy, and average life expectancy for both men

and women was less than 50 years. The average household had close to five members, and a fifth of all households had seven or more. Job opportunities for women who did not live on farms were limited as much by custom as by physical demands: only a fifth of all women worked for pay, and those who did were mainly single and poor.

The average family today enjoys many advantages that its counterpart of a century ago did not. As we have seen in earlier chapters, the material standard of living of the average family is much higher now than it was then. People are more likely not only to live longer but to remain healthy into retirement as well. It is partly because of these very advances, however, that families today face a different set of challenges than did families 100 years ago. In particular, the expansion of opportunities for women to work for pay, and the greater desire of women to seek such work, have added a new challenge to the perennial one of having adequate resources to meet family needs. That new challenge is how to balance the material gains from more hours of paid employment against the desire to reserve time for the responsibilities and enjoyments of family life.

This chapter examines these two challenges. It begins with an overview of some of the key trends that have created the modern American family: the rise in female labor force participation, changes in family formation and dissolution, and improvements in health and longevity. It then explores the emergence of a diverse set of family types, focusing on differences in incomes and in time spent at work. The remainder of the chapter explores the challenges these different kinds of families face—and their policy implications. This discussion is organized in two parts. The first discusses the "money crunch": the financial constraints that still burden many families despite the remarkable growth in the American standard of living. This problem is more likely to confront single-mother families and one-earner couples than two-earner couples. The second part discusses the "time crunch": the shortage of time to devote to family needs that results from the increased participation of parents, especially mothers, in the paid labor market. This problem affects a vast number of families, including many for whom the money crunch is less pressing. The chapter also discusses recent favorable trends in family incomes and reviews some of the Administration's policies designed to address the money and time crunches.

Key Trends Shaping the American Family

Among the many trends that have affected the American family over the course of the century, three have been particularly important. The first is the rise in female participation in the labor force as more opportunities have

opened up for women to work and as more women have taken advantage of those opportunities. The second is not a single trend but a set of related changes in how families form and dissolve, which have contributed to the growing prevalence of single-parent families. The third is improvements in health and life expectancy that have made care for older relatives—and providing for their own retirement—increasingly important issues for heads of families today. Many other kinds of households—including people living alone—are also part of American society and face challenges of their own, but this chapter focuses primarily on those challenges that affect families with children.

Female Labor Force Participation

Women have always worked, whether on the family farm, in the home, or in the paid labor force. What distinguished the 20th century was the enormous increase in the proportion of women who work for pay. In 1999 about three-fifths of the female population aged 16 and over were in the labor force (either employed or looking for work). This is three times as high as the female labor force participation rate in 1900. And the participation rate of women aged 25-44—those most likely to be balancing work and child rearing—has risen severalfold, from less than 20 percent in 1900 to over 75 percent today (Chart 5-1). The participation rate of women in this age group with children under age 18 has been somewhat lower than the overall rate but has shown a similar pattern of increase. Over the past 25 years the share of working mothers in this age group who were employed full-time has been roughly 71 percent.

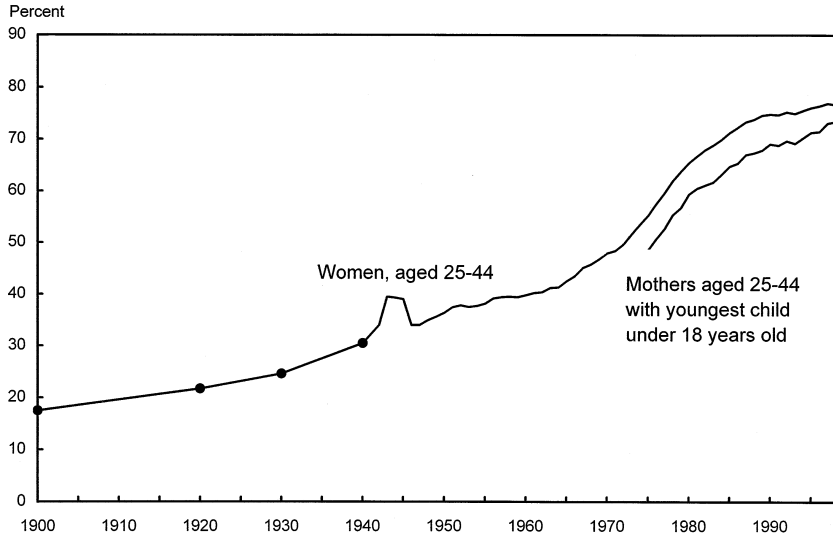
Many factors have contributed to this growth in women's participation in the paid labor market, including increases in education and wages for women, the opening up of more opportunities for women to work, and changes in family structure. As a result of higher labor force participation rates and later marriages, a larger proportion of women than ever before experience a period of independent living and employment before marriage. This gives them greater attachment to the labor force and increases the chances that they will continue to work, or return to work, after they marry and start a family.

Family Formation and Dissolution

Marriage remained a fairly universal experience throughout the 20th century. Among the population 15 years old and over, the proportions of both men and women who are married are roughly the same today as a century ago, although lower than in the 1950s and 1960s. Only 6 percent of women aged 45-64 in 1998 and 12 percent of women aged 35-44 had never been

Chart 5-1 **Labor Force Participation of Women**

Roughly four-fifths of younger women are in the labor force today, whereas roughly four-fifths were not in 1900. Women with children are also working in greater numbers.

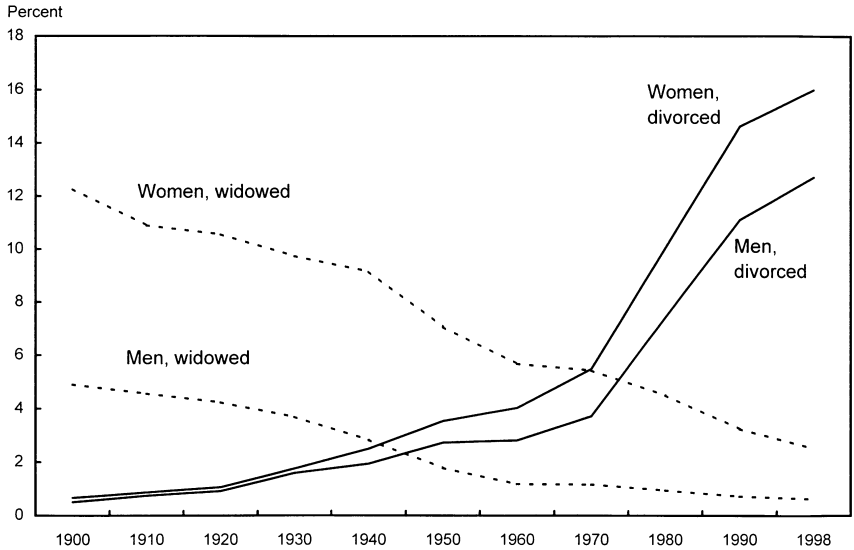


Note: Annual data are available only since 1942. Dots indicate decennial census data.
Sources: Department of Commerce (Bureau of the Census) and Department of Labor (Bureau of Labor Statistics).

married. However, one study found that women today are spending a smaller fraction of their adult lives married than did their counterparts a few decades ago. A much larger proportion of children are being born to unmarried mothers. As a result, the share of children living in one-parent families increased from 9 percent in 1900 to 28 percent in 1998.

Several strands of evidence suggest that people are spending a smaller fraction of their lives married than in 1900. First, people are marrying slightly later. In 1900 the typical first marriage was between a woman of 22 and a man of 26; now the typical bride is 3 years older and the groom nearly a year older. Second, divorce rates are much higher today than at the beginning of the century. In 1900, among those aged 35-54, widowhood was far more common than divorce. Over the century, the probability of being a widow in this age range declined markedly, while the probability of being divorced rose (Chart 5-2). The divorce rate, which jumped from around 10 per 1,000 married females per year in the mid-1960s to more than 20 per 1,000 in the mid-1970s, has drifted down slightly since then but remains high. A third reason why people spend a smaller fraction of their lives married is that life expectancy is longer today relative to the typical duration of a marriage. The net result of all these forces is that only 56 percent of the population aged 15 and over are married today, rather than 68 percent as in 1960. Thus it is probably not surprising that the proportion of children living in single-parent households has risen dramatically.

Chart 5-2 **Shares of Population Aged 35-54 Who Are Widowed or Divorced**
A smaller share of middle-aged Americans, men and women, are widowed now than in 1900, but far more of both sexes are divorced.



Source: Department of Commerce (Bureau of the Census).

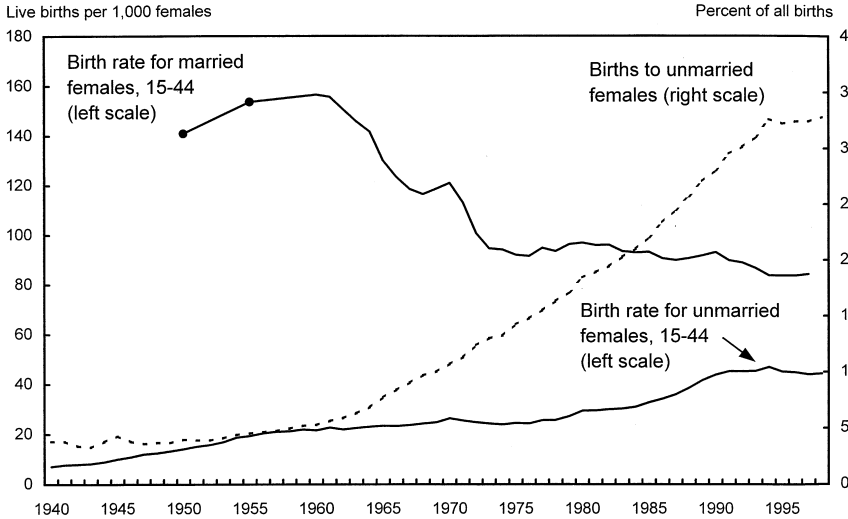
The increased prevalence of single-parent households is also related to the rise in out-of-wedlock births. For unmarried females aged 15-44, the number of births per 1,000 women increased dramatically from 7.1 in 1940 to 46.9 in 1994, but it has since stabilized and begun to decline, reaching 44.3 in 1998 (Chart 5-3). In contrast, this measure of the birth rate among married women has been dropping since the baby-boom of the 1950s and 1960s, although it remains nearly twice that of unmarried women. As a result of these trends, the share of all births that were to unmarried women of all ages increased eightfold, from 4.0 percent in 1950 to 32.8 percent in 1998, although this figure has begun to level off in recent years. Some of this increase reflects lower marriage rates generally, and some reflects the rapid increase in the late 1980s and early 1990s in out-of-wedlock births, including those to teens. (The Administration's efforts to reduce teen pregnancy are discussed later in this chapter.)

Life Expectancy and Health

The life expectancy and health of Americans increased dramatically over the 20th century. Major public health initiatives (such as immunization campaigns, better sewage systems, and education about hygiene) as well as medical advances (from antibiotics to pacemakers to bone marrow transplants) have led to the virtual eradication of numerous diseases and conditions that once contributed to high death rates and low life expectancy. For example, technological innova-

Chart 5-3 **Birth Rates for Married and Unmarried Females**

The share of out-of-wedlock births soared after 1960 but have recently stabilized. Meanwhile the birth rate for married females has fallen to about twice that for unmarried females.



Note: Annual data for birth rate for married females are available only since 1960; dots indicate previous years with available data.

Source: Department of Health and Human Services (Centers for Disease Control and Prevention).

tions, better obstetrical care and nutrition, more widespread access to prenatal care, and greater use of antibiotics all contributed to tremendous improvements in the health of mothers and infants. The infant mortality rate dropped by more than 90 percent over the century, from 99.9 per 1,000 live births in 1915 to 7.2 per 1,000 in 1998. The maternal mortality rate dropped similarly: whereas in 1900 more than 80 women died from pregnancy-related complications for every 10,000 live births, by 1997 this rate had fallen to less than 1 death for every 10,000 live births—more than a 98 percent decline. Advances also have been seen in other areas. Death rates from coronary disease have declined by 51 percent since 1972, improved sanitation has dramatically reduced typhoid and cholera in the United States, and the widespread use of vaccines has eliminated smallpox and polio.

These improvements have meant longer life spans for most Americans. Over the century, the average life span in the United States increased by 30 years, and one study attributes five-sixths of that increase to advances in public health such as vaccinations and food safety. Life expectancy at birth for a woman rose from 48.3 years in 1900 to 79.4 years by 1998. For men it rose over the same period from 46.3 years to 73.9 years. Older Americans now have longer remaining life expectancies as well. Whereas the average 60-year-old white man in 1900 could expect to live almost to age 75, by 1998 a man of that age could expect to live almost to age 80. Combined with the recent declines in fertility behavior, these changes in life expectancy have led

to an increasing share of the population that is elderly—a trend that will continue as the baby-boom generation ages.

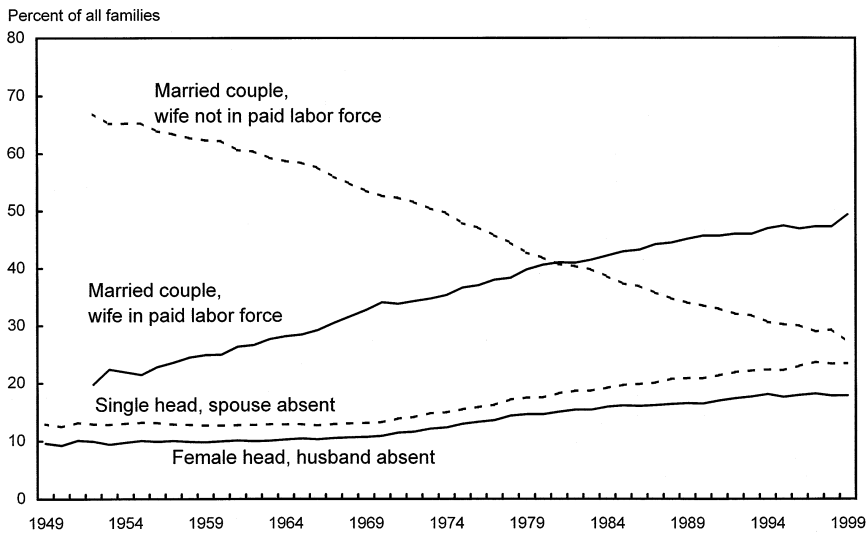
Increasing Diversity Across Families

Income and the time to enjoy it are two key components of economic well-being. In principle, the strong growth in productivity and the resulting growth in real wages over the past century, described in Chapter 1, could have allowed material standards of living to increase while simultaneously allowing families to work shorter hours. But in fact, the substantial increase in female labor force participation and the increase in the proportion of households headed by single females mean that there are more families with working women, and many women are working more hours. These trends also mean that there is now a greater diversity in family structure as well as differences in incomes and hours of work among family types.

Diversity in Family Structure

Traditional one-breadwinner, one-homemaker married couples have been declining as a share of all families, from 67 percent in 1952 to 27 percent in 1999 (Chart 5-4). Rising female labor force participation has increased the proportion of all married-couple families in which the wife works, and these

Chart 5-4 **Composition of Families by Family Structure**
The share of "traditional" families with a nonemployed wife has declined by more than half since 1950, whereas that of two-earner families has more than doubled.



Note: A family is two or more related individuals who reside together.
Source: Department of Commerce (Bureau of the Census).

now account for roughly half of all families. Reflecting the trends in marriage and divorce discussed above, the share of all families headed by a single householder with no spouse present (predominantly single-parent families) increased from 13 percent to 23 percent between 1949 and 1999. Although most children living in single-parent families live with their mothers, the share of single-parent families headed by fathers has more than doubled since 1975 and stood at 19 percent in 1999. It is estimated that more than a third of all children do not live with their biological fathers (Box 5-1).

Box 5-1. The Importance of Fathers

Although the proportion of single-parent families headed by the father is rising, the mother has typically been the custodial parent in such families. For this reason, and because of the higher incidence of poverty in female-headed families, the discussion of single-parent families in this chapter focuses on single mothers. An important issue for such families is the link between children's well-being and the absence of the father.

It is estimated that 36 percent of American children live apart from their biological fathers; about 40 percent of children in fatherless households have not seen their fathers in at least a year. Before they reach age 18, more than half of America's children are likely to have spent a significant portion of their childhood living apart from their fathers.

Yet there is strong evidence suggesting that the presence of a father matters:

- Children under age 6 who live apart from their fathers are about five times as likely to be poor as children with both parents at home.
- Girls without a father in their life are two and a half times as likely to get pregnant and 53 percent more likely to commit suicide.
- Boys without a father in their life are 63 percent more likely to run away and 37 percent more likely to abuse drugs.
- Children without father involvement are twice as likely to drop out of high school, roughly twice as likely to abuse alcohol or drugs, twice as likely to end up in jail, and nearly four times as likely to need help for emotional or behavioral problems than those with father involvement.

The absence of a father has effects beyond those on his own children: it can affect communities as well. About 4.5 million children in 1990 resided in predominantly fatherless neighborhoods in which more than half of all families with children were headed by single mothers.

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Box 5-1.—*continued*

Although most fathers can afford to pay child support (an estimated 74 percent of noncustodial fathers have incomes above the poverty level), about 2.8 million men are "dead-broke," noncustodial fathers, most of whom do not pay child support. Administration efforts aimed at helping these fathers to work and support their children are detailed later in this chapter.

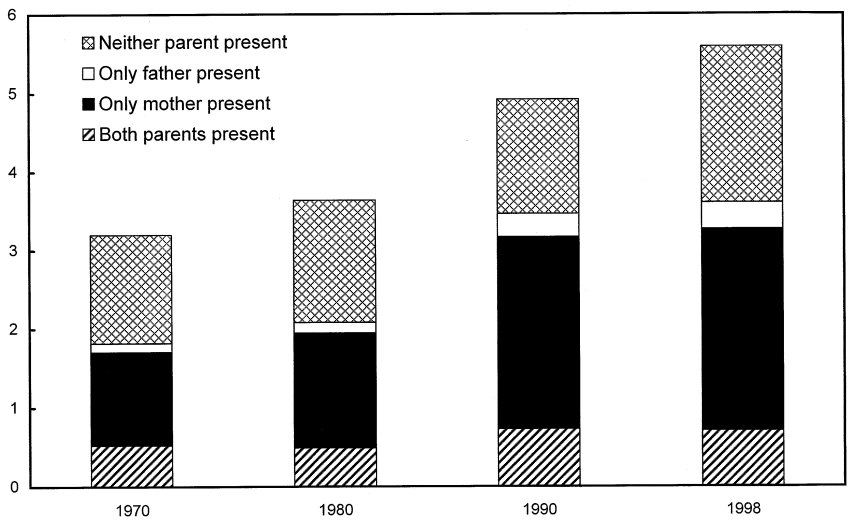
Increasing life expectancy has also changed the structure of the family. For example, over 70 percent of adults aged 30-54 in the early 1990s had living relatives who spanned three or more generations, and over 40 percent of adults aged 50-59 had living family members from four or more generations. In addition, nearly 2.4 million families now have more than two generations living under one roof. Longer life expectancy has meant that more grandparents are able to watch their grandchildren grow to adulthood. And younger generations are facing caregiving responsibilities for older relatives. A 1997 survey estimated, for example, that 22 percent of all U.S. households provide care for an elderly person.

At the same time, grandparents have also become more important as caregivers—including primary caregivers. Over the last three decades, for example, the share of children under age 18 living in a household headed by a grandparent has risen by more than 70 percent (Chart 5-5). Most of the

Chart 5-5 **Grandchildren in Grandparents' Homes by Presence of Parents**

A larger share of children today live in households headed by a grandparent. The proportion of these children who share the home with neither of their parents has increased since 1990.

Percent of children under 18 who live with a grandparent



Source: Department of Commerce (Bureau of the Census).

increase in this share during the 1990s was from an increase in the share of children living in households with neither parent present. Between 1980 and 1990, by contrast, the increase came mostly from children living in grandparent-headed households with just a single parent present. The share of such households with a single father present, although small, continued to grow in the 1990s.

Consistent with the focus of the chapter, this discussion has emphasized family types likely to have children present. It is important to recall, however, that American households cover a much wider range of diversity than this (Box 5-2).

Diversity of Income and Hours of Work

An examination of income growth among families with children by family type reveals important differences among two-earner married couples, one-earner married couples, and families headed by single females. To some extent these differences represent choices about how many hours to work and how many to leave free for other things. But they may also reflect underlying differences in education or other factors that affect earnings opportunities.

Box 5-2. The Diversity of American Households

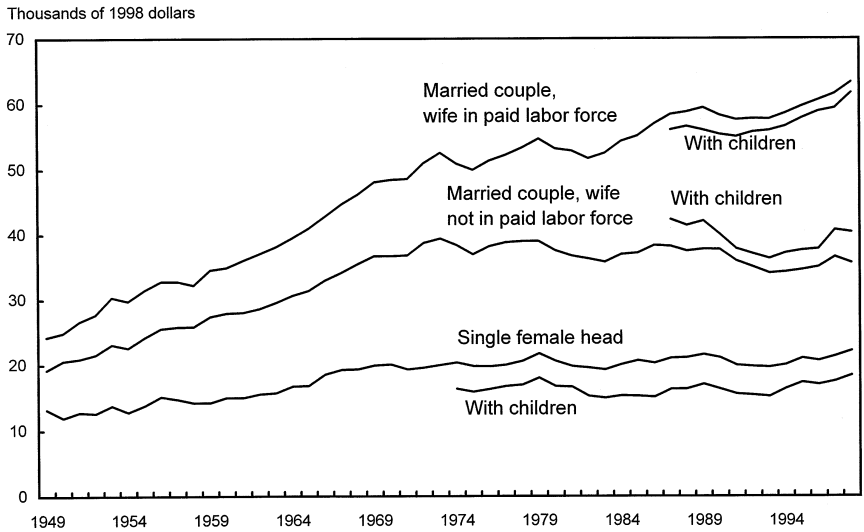
The Census Bureau defines a family as two or more people related by birth, marriage, or adoption who reside together. A household, by contrast, is defined as any person or group of people who occupy a single housing unit. Thus households include single people and groups of unrelated people who reside together.

In 1970 the proportion of households fitting the traditional definition of a family (a husband, a wife, and their children) was 40 percent; by 1998 only 25 percent of households fit that definition. The number of Americans living in unmarried-partner households is large and growing rapidly. From 1994 to 1998 the number of married-couple households increased by 2 percent, while the number of unmarried-partner households increased 16 percent. In 1998 about 1.7 million, or 1.6 percent, of households were same-sex partnerships.

The fraction of individuals choosing to live together outside of a formal marriage rose dramatically in the second half of the 20th century. One study reports that only 3 percent of women born between 1940 and 1944 had lived in a nonmarital cohabitation by age 25, whereas for women born 20 years later, 37 percent had cohabited by that same age. In fact, despite lower marriage rates and a later age of first marriage now than several decades ago, evidence indicates that individuals are still forming coresidential relationships at about the same point in their lives.

For the past 50 years, the median income of two-earner couples has been higher than that of one-earner couples, which in turn has been higher than that of families headed by a single female (Chart 5-6). Moreover, the gap between the median income of two-earner couples and that of the other family types has widened, both in absolute dollars and in percentage terms.

Chart 5-6 **Median Family Income by Family Structure**
The median income of the typical two-earner married couple has exceeded that of other family types for at least half a century and continued to grow strongly after 1973.



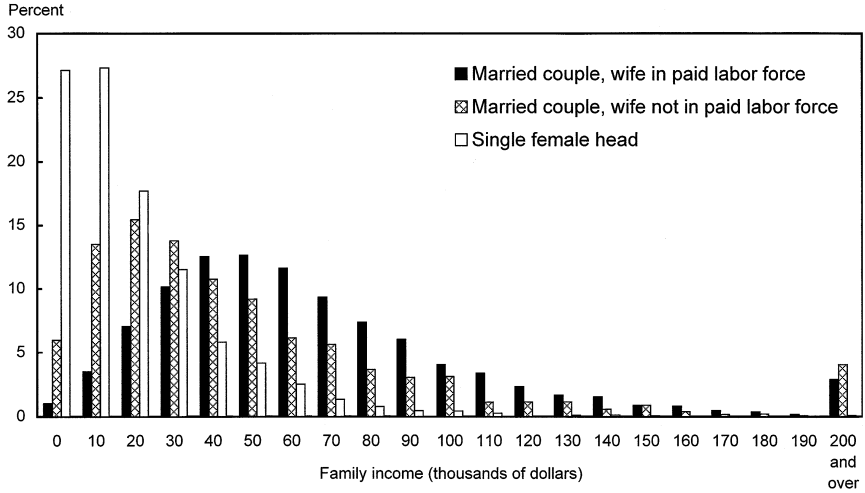
Note: A family is two or more related individuals who reside together.
Source: Department of Commerce (Bureau of the Census).

Although many measures of income inequality have stopped rising in recent years, the real median income of married-couple families where the wife is not in the paid labor force is less than three-fifths that of married-couple families where the wife works for pay. Recent increases have brought the real median income of female-headed families in 1998 above its previous peak in 1979, although that income is only a little more than a third the median for two-earner couples. To a great extent, of course, these differences reflect factors other than family type. As emphasized below, wives in two-earner couples are likely to have greater earnings opportunities than wives in single-earner couples. And single mothers tend to be younger and less educated than married mothers, with the result that their earnings are likely to be lower as well.

Median incomes provide one perspective on differences in income by family type, but they necessarily conceal the extent of income variation within each family-type grouping. Among families with children, there is considerable overlap between the distributions of income for each family type, par-

ticularly in the lower income ranges (Chart 5-7). The distribution of female-headed families with children, however, is more concentrated in the lower income range.

Chart 5-7 **Income Distributions for Families with Children by Family Structure, 1998**
A larger share of two-earner couples have high incomes, while the distribution of female-headed families is skewed toward lower incomes.



Note: Data are for a sample of civilian families with primary female aged 18-55 and children under 18. The incomes on the horizontal axis represent ranges of income (e.g. 10 is $10,000 - $19,999). A family is two or more related individuals who reside together.
Source: Council of Economic Advisers tabulation of Current Population Survey data.

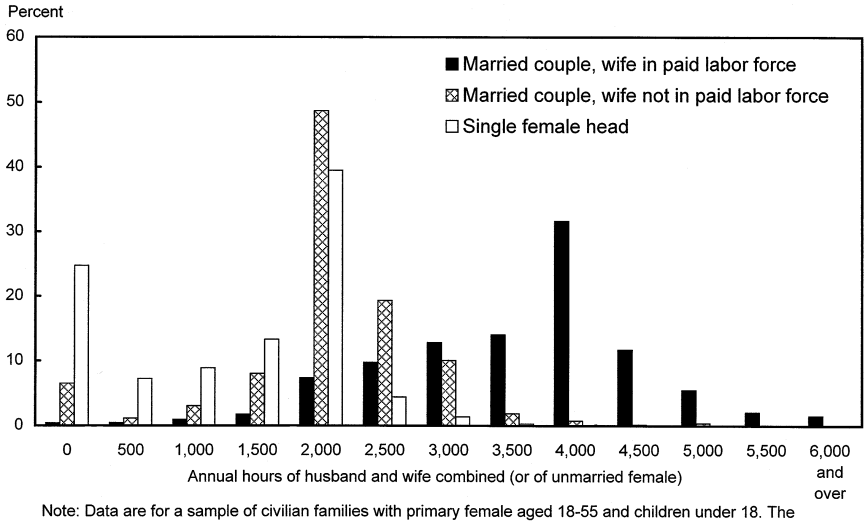
The income differences across families shown in Chart 5-7 are due largely to differences in earned income from employment, not differences in wealth or transfer payments (such as welfare payments). In 1998, wage and salary earnings represented 87 percent of income for the average married-couple family with children and 69 percent for the average female-headed family with children.

Differences in hours worked are a major factor accounting for differences in income across family types. Not surprisingly, dual-earner couples devote more total hours to work than the other family types, on average, and have the highest concentration of families in the portion of the distribution with the most hours worked (Chart 5-8). Among single-earner family types, husbands in single-earner couples work more hours on average than single mothers.

The Rising Earnings of Women with Children

The typical mother today now contributes significantly more earnings to family money income than did her counterpart several decades ago. The median earnings of single mothers with children rose from $4,800 to $12,000 (in 1998 dollars) between 1968 and 1998, and among working sin-

Chart 5-8 **Distribution of Annual Hours Worked by Families with Children, 1998**
Within each family type, the modal number of hours worked is about 2,000 per worker. Many two-earner couples work 4,000 hours a year or more, leaving limited time for other activities.



Note: Data are for a sample of civilian families with primary female aged 18-55 and children under 18. The hours on the horizontal axis represent ranges of hours (e.g. 0 is 0 - 499). A family is two or more related individuals who reside together.
Source: Council of Economic Advisers tabulation of Current Population Survey data.

gle mothers the median rose from $11,300 to $15,000. The median earnings of all wives with children rose from zero (more than half had no earnings) to $10,400 during this same time period, and from $7,600 to $18,000 for working mothers. As a result, married working mothers' earnings today represent 30 percent of the couple's combined earnings, compared with only 15 percent in 1968. In addition to raising average family income, mothers' earnings have dramatically increased the proportion of families who are well off. The share of working wives earning more than $20,000 rose from 14 percent to 43 percent between 1968 and 1998, and the share of single working mothers earning above $20,000 rose a smaller (although still sizable) amount, from 21 percent to 37 percent. Among married couples, wives' earnings have had a big effect in increasing the proportion of wealthy families: in 1998 only 18 percent of all men earned more than $60,000, but when wives' earnings are included, 37 percent of all married couples with children had combined earnings above $60,000. In contrast, among families headed by single women, only 2 percent had earnings above $60,000.

Thus, although most women now contribute to family income, there are pronounced differences across different types of families. These differences in mothers' contributions can be traced to differences both in wages and in hours of work.

As discussed in Chapter 4, women's wages have risen over time, in part because of rising skill levels. But single mothers have experienced slower wage

gains and have considerably lower wage rates, on average, than married mothers who work. The lower wages of single mothers are related in large measure to their lower average educational attainment than married mothers who work. Across all family types, about one-third of mothers have a high school diploma but no college. However, single mothers and wives who are not working are much less likely than working wives to have graduated from high school, although as a group each has made substantial strides in raising their educational attainment over the past three decades (Table 5-2). Furthermore, a smaller share of single mothers than of married mothers who work have at least some college,

TABLE 5-2.—*Educational Distribution of Women with Children*

[Percent]

Item	Single women		Married women who worked in previous year		Married women who worked in previous year	
	1969	1999	1969	1999	1969	1999
Less than high school diploma	51	19	34	21	32	8
High school diploma, no college	35	35	47	33	46	32
At least some college	14	46	20	46	22	60
Total	100	100	100	100	100	100

Note:—Data are for a sample of civilian families with primary female aged 18-55 and children under 18.
Data for 1999 are based on highest diploma or degree received; data for 1969, on the number of years of school completed.
Detail may not add to totals because of rounding.

Source: Council of Economic Advisers tabulations of March Current Population Survey data.

although the increase in the single mothers' share since the late 1960s has been large. In contrast, employed wives have strikingly higher levels of education than all others, so that a portion of the stronger growth in median incomes for these families shown in Chart 5-6 is due to their higher and rising educational attainment, which feeds into their higher wage rates.

The rising incomes of mothers are also a function of their rising hours of work, and here, too, single mothers differ from married mothers on average. Thirty years ago single mothers worked longer hours than married mothers, and thus their hours have risen less over time. For example, the share of single mothers working full-time rose 11 percentage points, to 67 percent, between 1968 and 1998, whereas the share of married mothers working full-time rose 18 percentage points, to 52 percent. The increase in full-time work arose almost entirely from women entering the labor force in greater numbers, not from a switch from part-time to full-time work: between 1968 and 1998 the proportion of single mothers who worked rose from 69 percent to 82 percent (Table 5-3); that of married mothers increased from 51 percent to

TABLE 5-3.—*Share of Women with Children Who Worked in Previous Year, by Education*

[Percent]

Item	Single women		Married women		All women	
	1969	1999	1969	1999	1969	1999
Less than high school diploma	63	64	50	52	52	57
High school diploma, no college	74	82	51	75	53	76
At least some college	79	90	53	79	55	82
All	69	82	51	75	53	77

Note:—Data are for a sample of civilian families with primary female aged 18-55 and children under 18.
Data for 1999 are based on highest diploma or degree received; data for 1969, on the number of years of school completed.

Source: Council of Economic Advisers tabulations of March Current Population Survey data.

75 percent. (The proportion of married mothers working part-time increased substantially less, from 17 percent in 1968 to 23 percent in 1998.) Married mothers have dramatically increased their hours of work, but they continue to work somewhat less than single mothers.

A portion of the higher average earnings growth for married mothers relative to single mothers arises from the positive correlation between education and hours of work: well-educated women work longer hours. Well-educated women have also increased their hours of work the most over time. From 1968 to 1998, the proportion of mothers with less than a high school education who worked increased from 52 percent to 57 percent. For mothers with at least some college, in contrast, the proportion increased from 55 percent to 82 percent. Several factors shape the decision to work for pay. On the one hand, the potential to earn a high wage makes work attractive, and thus the well-educated should have greater incentive to work. On the other hand, higher earnings and higher husbands' incomes tend to lessen the need to work long hours—this "income effect" provides an incentive for women to consume more leisure or home time with their children. Highly educated women tend to be married to high-income men, and thus the husband's higher income induces the family to place a greater value on the wife's home time relative to paid employment. Over time, however, the effect of husbands' incomes on wives' hours of work has declined. Thus, highly educated women with children have increased their employment rate the most over time, and today they have the highest rate among women with children. The outcome is that highly educated women, working many hours and earning high wages, have contributed very significantly to the number of families

in the upper tail of the income distribution. For these families, incomes are high, but so, too, are hours of work (Box 5-3).

In sum, the growth of female hours of work and female earnings has had different effects on different family types. For married mothers, strong growth in wages and hours worked have been a primary source of family

Box 5-3. Women Professionals, the Rat Race, and the Time Crunch

As shown in Table 4-1, the proportion of women in many professional occupations has risen dramatically since 1950. As recently as 1979 only 10 percent of doctors and 13 percent of attorneys were women, but by 1999 these percentages had increased to 25 percent and 29 percent, respectively. The female share of enrollment in professional schools has been rising and exceeded 40 percent in 1996. To the extent that female professionals who are married have husbands who work full time, this growing professionalization of the female work force has created a time strain for many American families. There is little evidence that human resource systems originally designed for men with stay-at-home wives have adapted to ease this strain by offering jobs with shorter working hours. On the contrary, work hours among college-educated employees have been trending upward over the last several decades.

One of the reasons for some firms' reluctance to abandon existing work norms is their use of "rat race" work practices. In many professional settings, members of the professional group benefit from the productivity of other group members, yet these contributions to productivity are difficult to measure and reward directly. Firms instead find that a worker's willingness to work long hours often serves as a proxy for valuable yet hard-to-observe characteristics such as commitment and ambition. In response to this use of work hours as a screening device, workers will tend to overwork as a means of signaling to management their ability and willingness to contribute.

For example, in a survey conducted at two large Northeastern law firms, associates (young attorneys) and partners alike were in agreement that "billable hours" and especially "willingness to work long hours when required" were important factors in promotion to partner. Not surprisingly, associates at these firms worked long hours. Also not surprisingly, associates felt overworked: most indicated that they would gladly forgo their next raise in exchange for the opportunity to work fewer hours. Nonetheless, most associates indicated that they would be much more willing to work fewer hours if all other associates also agreed to cut back. Of course, firms might be reluctant to abandon these work practices unless they can develop other effective means of screening junior employees.

income growth over the last 30 years, even though married women's earnings on average still account for less than a third of the couple's earnings. The wages of female family heads have not grown as rapidly over time, so that, despite working many hours, their earnings lag behind those of married women.

Challenges Families Face

Over the century just ended, the American family experienced many positive changes that have resulted in richer lives for many parents and their children. Family income has increased dramatically and poverty has decreased. People live longer and are much healthier. Over the past few years, the gains from a strong labor market have been shared widely and fairly equally. Other favorable recent developments include a fall in teen pregnancy and out-of-wedlock birth rates and a stabilization of divorce rates. Despite this general prosperity, however, family income inequality remains high, and many families are experiencing a "money crunch" that makes it difficult to meet basic family needs. Many of these families have incomes that fall below the poverty threshold, but the perception of a "money crunch" is by no means limited to families officially classified as poor.

Perhaps an even greater number of families today are experiencing a "time crunch." With more women working more hours, the amount of family time devoted to work has increased, while that available for leisure and other family activities has declined. This time crunch affects a wide range of families from poor single mothers to prosperous two-earner couples.

This section explores the challenges facing American families as they deal with the money crunch and the time crunch. In each case, an analysis of the dimensions of the challenge and how it affects different kinds of families is followed by a discussion of policies that address that challenge.

The "Money Crunch"

Despite the increases in female labor supply and earnings discussed above, a large number of families with children—both married and female-headed—belong to what are sometimes called the working poor. Those families with incomes in the lower tail of the distribution in Chart 5-7 are the most likely to suffer from the money crunch. Based on the distributions in the chart, in 1998, 8 percent of families with working wives, 27 percent of families without working wives, and 64 percent of female-headed families had incomes below $25,000 (about 1.5 times the poverty line for a family of

four). These families, whose incomes have lagged behind the general advance, are at the epicenter of the money crunch.

Families headed by single females tend to have fewer financial resources than other families, and the number of children living in such families has grown substantially. Whereas families headed by single females made up only 10 percent of all families with children in 1970, in 1998 that figure was 22 percent. In 1970, just 11 percent of all American children under 18 years of age lived in such families; in 1998, 23 percent did. About half of all African American children under age 18 live in single-mother households, up from 30 percent in 1970. The fraction of white children living in single-mother households rose from 8 percent in 1970 to 18 percent in 1998. And as discussed earlier, the percentage of children living with grandparents has also been increasing in recent decades.

Divorce and out-of-wedlock childbirth are two events that contribute directly to lower incomes for female-headed families. It is estimated that 22 percent of women who get divorced experience a 50 percent or more decline in family income. Also, never-married mothers are much less likely to have a child support award than divorced mothers (44.1 percent versus 75.6 percent in 1995), and for those who have received child support payments, the annual amount received by never-married mothers is much less than that received by divorced mothers ($2,271 versus $3,990 in 1995).

Reflecting these low income levels, poverty rates for families headed by single females with children under age 18 are very high: 38.7 percent of these families were poor in 1998, compared with 6.9 percent of married-couple families with children. Although the job is not finished, this Administration has championed policies to increase the rewards from work and reduce poverty, including the expansion of the earned income tax credit, welfare reform, and the creation of the State Children's Health Insurance Program. These policies have contributed to improving living standards for lower income families, and the overall poverty rate has dropped from 15.1 percent in 1993 to 12.7 percent in 1998. These official poverty rates are based on a definition of income that does not include the earned income tax credit, Medicaid, food stamps, or other noncash benefits. An experimental poverty measure incorporating improvements proposed in a 1995 report by the National Academy of Sciences (a measure that does include the earned income tax credit and noncash benefits) shows an even larger drop.

Adequate income is certainly essential for families to develop a sense of economic well-being, but that sense of well-being may also be influenced by whether the family can meet what it perceives to be its consumption needs. As technological change has lowered the relative cost of food and freed up income for other expenditures over the course of the century, incomes have risen and

consumption patterns have changed, resulting perhaps in a perception of increased consumption needs. In 1950 about 30 percent of a typical family's expenditures were for food, and about 10 percent were for clothing. By 1997 those percentages had fallen to 14 percent and 5 percent, respectively. But other expenses have taken up the slack. The typical family now spends a greater share of its income on housing than in the past, and entirely new forms of consumption have become standard. Today, about 90 percent of households have automobiles, up from 59 percent in 1950, and the typical family has two motor vehicles and two television sets. Consumers have had the discretionary income to buy such goods as CD players, videocassette recorders, and personal computers. It is estimated that, in 1997, 35 percent of households owned a personal computer, 61 percent had a cordless phone, and 88 percent had a video recorder. Some of these goods that might once have been thought luxuries have become increasingly difficult for a family to do without. For example, to the extent that newly created jobs are in the suburbs rather than the inner cities, a car becomes a near necessity. And children who lack access to a computer at home may suffer an increasing educational disadvantage compared with their peers who have computers.

Meanwhile the same health and demographic trends that have increased longevity also confront many more families with the need to care for their elderly relatives. Although the elderly at any particular age are healthier today than in the past, they are likely to require more care over more years, in part because they are living longer and because medical advances can keep the very ill alive longer than before. This care often becomes the responsibility of their adult offspring.

Consumption of formal and informal care by the elderly has increased substantially. From 1987 to 1996 the number of nursing homes increased 20 percent, and the use of home and community-based care is growing rapidly. The population receiving such care is becoming older and increasingly frail. The proportion of nursing home residents over age 85 increased from 44 percent in 1987 to 49 percent in 1996, and that of residents with limitations in three or more standard activities of daily living (a common measure of frailty) rose from 72 percent to 83 percent over that period. The average cost of a nursing home is now more than $40,000 per year, and for those admitted to a nursing home at age 65 or older, the average length of stay is 29 months for women and 23 months for men. Nearly 50 percent of the costs of long-term care are paid out of pocket by nursing home patients and their families, and Medicaid bears most of the remaining costs. The implications for family time of increased care for elderly relatives are discussed in the next section.

Thus, as the typical market basket affordable by most families changes, it may be appropriate in characterizing the money crunch to expand our notion of family needs beyond such traditional, basic purchases as food and clothing to the acquisition of certain standard consumption goods like automobiles and telephones. The crunch is even tighter when the rising costs of educating children and caring for elderly parents is factored in.

Finally, the changing trends in the labor force participation of family members have given rise to increasing costs of working outside the home, such as child care, additional work expenses (for meals in restaurants, dry cleaning services, and so on), and transportation costs. It is estimated, for example, that just from 1986 to 1993 direct expenditure on child care rose 23 percent, after adjusting for inflation, for families with a preschool-age child and a working mother.

Boosting the Financial Resources of Families to Lessen the Money Crunch

Since 1993, families in each fifth of the income distribution have experienced solid and roughly equal percentage gains in income. In part this balance reflects the strong overall performance of the economy, but it also reflects a number of specific policies to make work pay for lower income working families facing a money crunch.

Expansion of the Earned Income Tax Credit

In 1993 the President signed into law a major expansion of the Earned Income Tax Credit (EITC), a refundable credit that is designed to reduce the overall tax burden of low-income workers. Because it is refundable, workers can receive the full credit to which they are entitled even if it exceeds the income tax they owe, and people generally receive the credit as part of their income tax refund. The EITC is not currently included in the definition of money income used to compute the official poverty rate. However, calculations based on an alternative income concept that does include the EITC show that the credit lifted more than 4.3 million Americans out of poverty in 1998—more than double the number in 1993. The EITC lifted more than 2.3 million children out of poverty in 1998. And over 40 percent of the decline in child poverty (computed using the alternative income concept) between 1993 and 1998 can be explained by progressive tax relief, especially the EITC. The President has proposed a major expansion of the EITC in his fiscal 2001 budget, to make the credit even more effective in rewarding work for families.

Increases in the Minimum Wage

The minimum wage was increased in two steps in 1996 and 1997 from $4.25 per hour to $5.15 per hour, boosting the wages of 10 million workers. The combined effects of the minimum wage and the EITC have dramatically increased the returns to work for families with children. For example, between 1993 and 1998, families with two children and one wage earner who worked full-time at the minimum wage experienced a 26 percent ($2,700) increase in their real income as a result of these two policies alone. Research examining the impact of minimum wage increases has shown that about two-thirds of workers affected by earlier minimum wage increases were adults—predominantly women and minorities—and that about one-third of the increase went to families in the lowest tenth of the family earnings distribution. Thus minimum wage increases can help reduce poverty among low-wage workers. Given recent tight labor markets, job opportunities are plentiful, and American families are benefiting from the higher minimum wage.

Welfare Reform

The welfare reform law signed by the President in 1996 dramatically changed the Nation's welfare system into one that requires work in exchange for time-limited assistance. The law contains strong work requirements, comprehensive enforcement of child support awards, and support for families moving from welfare to work. To assist people making this move and to support low-income working families, the Administration has addressed a range of logistical and financial challenges typically faced by such families.

Welfare-to-work grants help move long-term welfare recipients (mainly mothers) and certain noncustodial parents (mainly fathers) in poor areas into unsubsidized jobs, enabling them to work and support their families. Recent efforts have extended these services to a broader group of low-income noncustodial fathers, many of whom may have been wanting to contribute to the support of their children but lacked the means to do so. To encourage hiring and retention of long-term welfare recipients, employers are eligible for the welfare-to-work tax credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent in the second year.

New housing vouchers that subsidize the rents of low-income Americans are helping families move closer to new jobs, reduce a long commute, or secure more stable housing; new transportation grants are helping communities and States develop flexible transportation alternatives for welfare recipients and other low-income workers. New policy guidance allows States to use the more generous welfare rather than food stamp asset tests in determining food stamp eligibility for those on welfare, making it easier for low-income working families to own a car and still receive food stamps.

The 1996 welfare reform law invested an additional $4 billion over 6 years to provide more child care assistance for families moving from welfare to work and for other low-income parents. (Child care assistance is discussed further below.) The new State Children's Health Insurance Program provides funds to help States expand health care coverage of uninsured children, and new Medicaid rules allow States to expand Medicaid to cover more low-income families who work, including more two-parent families.

Finally, Individual Development Accounts (IDAs) empower low-income families to save for a first home, to enroll in postsecondary education, or to start a new business.

As a result of welfare reform and the strong economy, by June 1999 the number of welfare recipients nationwide had fallen to 6.9 million, 51 percent less than in 1993. That number represents 2.5 percent of the total population, the lowest proportion since 1967. All 50 States met the overall work participation requirements of the welfare reform legislation. Twenty-seven States were awarded bonus funds for their superior results in reforming welfare. Reports by the 46 States competing for the bonus indicate that more than 1.3 million welfare recipients nationwide went to work in the 12-month period from October 1997 through September 1998. Retention rates are also promising: 80 percent of those who got jobs were still working 3 months later. States reported an average earnings increase of 23 percent for former welfare recipients, from $2,088 in the first quarter of employment to $2,571 in the third quarter. Among those remaining on welfare, the proportion working has nearly quadrupled, from 7 percent in 1992 to 27 percent in 1998.

At least one independent study confirms these conclusions, finding that almost 70 percent of welfare leavers said they went off welfare because of increased earnings or a new job. When women move to paying jobs, they develop the skills needed to produce higher sustainable incomes over their lifetimes and to reduce the intergenerational cycle of dependency. In addition, the Administration's initiative to reduce teen pregnancy (Box 5-4) plays a role in breaking the cycle of dependency and increasing the well-being of families by reducing the number of children born to teen mothers.

Social Security and Medicare

Social Security is a key source of income for most recipients: in 1996 it was the main source of income for 66 percent of beneficiaries; it represented at least 90 percent of income for 30 percent of beneficiaries; it was the sole source of income for 18 percent. Social Security benefits provide 81 percent of total income for those in the lowest fifth of the income distribution of the elderly, and they are the largest single source of income for all but the

Box 5-4. The National Strategy to Reduce Teen Pregnancy

From 1980 to 1991 the overall birth rate to teens aged 15-19 rose from 53.0 to 62.1 per 1,000. Since then, however, this trend has been improving. Nationwide, this rate declined by 18 percent from 1991 to 1998, and teen birth rates have fallen in every State and across ethnic and racial groups. For a subset of this group, girls aged 15-17, the 1998 birth rate was at its lowest on record. In addition, teen pregnancy rates are at their lowest since 1976, the earliest year for which data on this group are available. Yet despite these recent improvements, teen pregnancy remains a problem, since the financial resources and opportunities of unwed teens and their children are significantly less than those of other families.

Each year more than 900,000 pregnancies occur among American teenagers. A collection of studies on teen parenthood found that roughly four-fifths of teen mothers end up on welfare. The children of adolescent mothers were found to have poorer health outcomes and were 50 percent more likely to be of low birthweight. In addition, the sons of adolescent mothers were found to be 2.7 times as likely to be incarcerated as the sons of mothers who delayed pregnancy, and the daughters of adolescent mothers were one-third more likely to become teen mothers themselves.

On January 4, 1997, the President announced a comprehensive national strategy to reduce teen pregnancy in this country. The new initiative, led by the Department of Health and Human Services (HHS), responded to a call from the President and the Congress for a national strategy to prevent out-of-wedlock teen pregnancies. It also responded to a directive, under the welfare reform act, to ensure that at least 25 percent of communities in this country have teen pregnancy prevention programs in place. Key efforts under this initiative include the following:

- *Implementing New Efforts Under Welfare Reform.* Under the welfare reform law signed by the President on August 22, 1996, unmarried minor parents are required to stay in school and live at home, or in an adult-supervised setting, in order to receive assistance. The law encourages the creation of Second Chance Homes, supportive and supervised living arrangements that provide teen parents with the skills they need to become good role models and providers for their children, giving them guidance in parenting and in avoiding repeat pregnancies.
- *Supporting Promising Approaches and Building Partnerships.* The Administration continues to support innovative teen pregnancy prevention strategies tailored to the unique needs of communities. HHS-funded programs supporting teen pregnancy prevention have been established in about 34 percent of the 4,752 Census-defined communities in the United States. In addition, HHS has built part-

continued on next page...

Box 5-4.—*continued*

nerships aimed at reducing teen pregnancies with national, State, and local organizations.

- *Disseminating Information on Innovative and Effective Practices.* On October 25, 1999, the Secretary of Health and Human Services unveiled a comprehensive guide, developed in partnership with the National Campaign to Reduce Teen Pregnancy, to help communities and nonprofit organizations establish successful local teen pregnancy prevention programs.
- *Improving Data Collection, Research, and Evaluation.* The national strategy is working to improve data collection, research, and evaluation to further understand the magnitude, trends, and causes of teen pregnancies and births. Efforts are also under way to develop targeted teen pregnancy prevention strategies and to assess how well these strategies work.
- *Sending a Strong Abstinence Message.* The welfare law also provides $50 million a year for 5 years in new funding for State abstinence education programs.

highest fifth. Although only 9 percent of aged beneficiaries are poor, an additional 41 percent would be poor based on their non-Social Security income. Recognizing the importance of Social Security to the elderly, the President has proposed using the benefits of fiscal discipline and debt reduction to strengthen Social Security, extending its solvency from 2034 to at least 2050.

Medicare is the main source of health insurance for the elderly and people with disabilities, insuring nearly 40 million Americans. The elderly population is projected to double in the next 30 years as the baby-boom generation retires. At the same time the ratio of elderly persons to workers who pay payroll taxes that help fund Medicare will increase. In addition, some Medicare payments systems and benefits are outdated. On June 29, 1999, the President unveiled his plan to modernize and strengthen the Medicare program to prepare it for the health, demographic, and financing challenges it will face in the 21st century. The plan proposes to make Medicare more competitive and efficient; to modernize and reform Medicare benefits, including adding a prescription drug benefit; and to make a long-term financing commitment to the program, and in doing so extend the solvency of the Medicare trust fund until at least 2025.

Assistance with Long-Term Care

Millions of adults and a growing number of children have long-term care needs arising from a health condition present at birth or from a chronic illness developed later in life. Moreover, with the number of Americans aged 65

or older, and of those 85 or older, both projected to double by 2030, long-term care is a need that will become more pressing in the 21st century.

The fiscal 2001 budget contains, as the centerpiece of the President's long-term care initiative, a $3,000 tax credit for people with long-term care needs or their caregivers. The President's initiative contains several features in addition to the credit. It would provide funding for services that support family caregivers of older persons; improve equity in Medicaid eligibility for people in home- and community-based settings; encourage partnerships between low-income housing for the elderly and Medicaid; and encourage the purchase of good-quality private long-term care insurance by Federal employees. This initiative complements the Administration's effort to improve the quality of care in nursing homes.

Other Policies to Help Families

Millions of families with children have benefited from the $500-per-child tax credit enacted in 1997, and the 2001 budget includes additional tax relief measures, including expansion of the child and dependent care tax credit. The 2001 budget also addresses another financial concern of American families—access to affordable health care coverage—by proposing a 10-year, $110 billion investment in expanding health insurance coverage.

Tougher enforcement of child support has helped ease the economic burden on single mothers and stresses the responsibility of both parents for the economic support of their children. In 1998, Federal and State child support enforcement efforts collected an estimated $14.3 billion from noncustodial parents, a nearly 80 percent increase since 1992. In 1998, 4.5 million families received child support, an increase of 59 percent since 1992. Finally, a primary means of reducing the money crunch is to provide more individuals with the skills and education they need to raise their incomes. The Administration has therefore placed great emphasis on policies to invest in skills, as discussed in Chapter 4.

The "Time Crunch"

The historic entry of millions of women into the labor force has resulted in higher incomes for families and a new sense of career satisfaction for many women. But it has also resulted in a significant jump in the total hours that parents spend at work. Around 4,000 hours per year total, or 2,000 hours for each parent, is common for families where both parents work full-time. Those families who work that many hours or more—that is, the upper tail of the hours distribution in Chart 5-8—are most likely to suffer from the time crunch. The share of married couples in which both spouses work full-time rose from 32 percent to 48 percent between 1968 and 1998. As the sole support of their children, single parents working long hours also are likely to

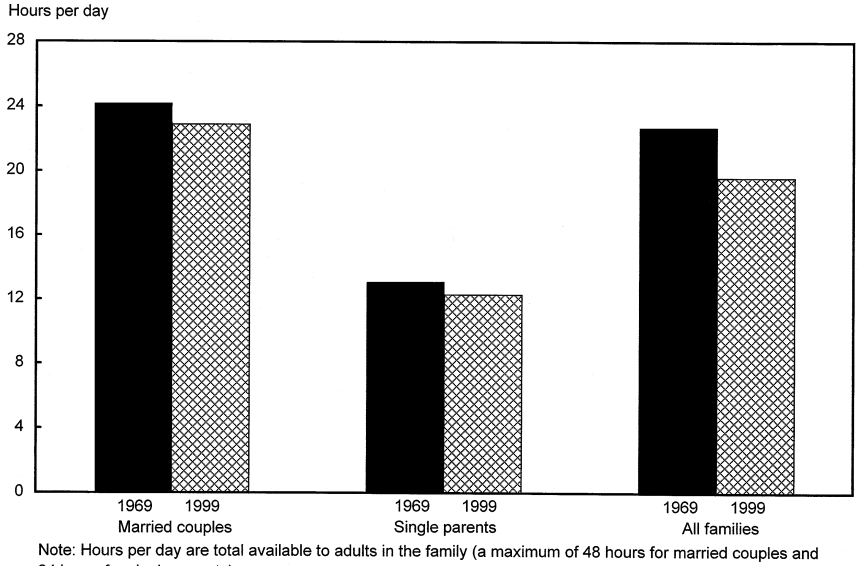
suffer from a time crunch; the share of these parents working full-time rose from 56 percent to 67 percent from 1968 to 1998.

Thus, although the choice to enter the labor market results in more material goods for families, these benefits come at the expense of home time. Evidence that families are feeling a time crunch comes from a 1995 national survey that asked whether respondents "always feel rushed, even to do the things you have to do." Thirty-three percent said yes, compared with 24 percent in 1965. The analysis of changes in parents' allocation of time in this section provides a closer look at how patterns of family care have changed as women have entered the labor force.

Time Use and Child Care

As women spend more time in paid employment and a larger share of families are headed by single parents, families have less time to devote to unpaid activities, including time with children. Between 1969 and 1999, for example, the total amount of parental time available outside of work fell in both married-couple and single-parent families (Chart 5-9). This conclusion comes from analyzing the trend in time reported in the Current Population Survey (CPS) as spent at work. To construct the time available on a daily basis, the analysis starts with 48 hours per day for married couples and 24 hours for single parents. It then subtracts the average daily amount of time spent at work plus 8 hours per parent per day for sleep. Because the proportion

Chart 5-9 **Time Available to Custodial Parents After Paid Work and Sleep**
Both married couples and single parents are finding fewer hours to spend with their children.



Note: Hours per day are total available to adults in the family (a maximum of 48 hours for married couples and 24 hours for single parents).
Source: Council of Economic Advisers tabulation of Current Population Survey data.

of single-parent families increased over this period, the average amount of family time available outside of work fell overall by even more than it did for either family type. Note that this analysis is only about time potentially available to spend with children, because the CPS does not contain information about how parents actually spend time outside of work.

The best source of information on time use comes from an analysis of time-use diary surveys conducted from 1965 to 1995. These surveys ask individuals to keep a daily record of how they spend their time during a designated day. Although rich in detail, these surveys cover a fairly small number of individuals and thus cannot be used to examine trends for subgroups of the population. To build a more comprehensive data base, the 2001 budget includes funding for the Bureau of Labor Statistics to start regular collection of time-use diaries from a probability sample large enough to provide data on subgroups.

Existing time-use diaries show that employed women spend about one-third less time on child care and household tasks than do women who are not in paid employment. The primary change in time use for women is that their increase in paid hours has been nearly equally offset by a reduction in time devoted to housework. Although men have increased their time spent on housework by about 5 hours per week, this is far less than the 11-hour-per-week reduction by women. (The study does not, however, report separate data for those who are parents.) Nevertheless, despite the assistance of husbands and despite the use of purchased inputs into home care, employed women in the aggregate still have a third less free time today than nonworking women.

The data display a 32 percent reduction in women's time spent on child care and household tasks between 1965 and 1995. This decline is mainly driven by reductions in housework activities. However, data from 1985 (the most recent year for which a detailed breakdown is available) indicate that working mothers spend 5 fewer hours per week on child care activities than do nonworking mothers (6.7 hours versus 12 hours). This suggests that the increase in the proportion of mothers working has played a role as well. Meanwhile men's time spent on child care has been constant at roughly 3 hours per week.

Undoubtedly the time crunch is worse for single-parent families (although, again, existing time-use evidence does not isolate data for this group). These families typically have lower incomes and thus are less able to purchase substitutes for their time in the home, such as home-based child care, cleaning services, or labor-saving products and appliances for the home. They also lack the assistance that a spouse provides. They may instead rely more on care provided by older relatives.

As a result of improvements in health and longevity, grandparents are increasingly a resource that parents—whether single or married—can draw on for help with child care. In a survey of grandparents caring for their grandchildren in a noncustodial relationship, over 60 percent cited the

employment of the grandchild's parents, the desire to help the grandchild's parents financially, or both as reasons for providing care. In addition, in a sample of working mothers aged 19-26 with a youngest child under 5, nearly 25 percent utilized a grandmother as the principal caregiver. As discussed in the next section, however, responsibilities for taking care of older relatives may compound the time crunch for many families.

Time Use and Parental Care

In 1997, more than 5 percent of households spent over 20 hours a week in caregiving for the elderly. And since nearly two-thirds of family caregivers are working, the need to balance work and family will likely increase in the 21st century. Caregivers of the elderly who are also in the paid labor force report making adjustments to work schedules and forgoing promotions, new assignments, transfers, relocations, and training opportunities. One recent study estimates that, by 2002, 42 percent of workers will provide some form of elder care.

Most of the discussion in this chapter has focused on the time and money costs of raising children and the stresses that these costs impose on families. Layered on top of this is the generational crunch: the need to stretch resources further when families have multiple caregiving responsibilities to consider as they try to maintain a delicate balance between work and family. With parents living longer, and with their daughters—the traditional providers of their care—now largely in the paid labor force, the costs of parental care are likely to become even greater in the 21st century. However, Social Security and other retirement benefits, as well as the availability of assisted living facilities, also permit more elderly people to live independently for longer.

The last 10 years have witnessed an explosion of care for the elderly outside of nursing homes, and this care is largely provided by women. From 1987 to 1997 the number of U.S. households that provided unpaid care to elderly adults more than tripled, from 7 million to more than 21 million, or from 8 percent to 22 percent of households. To the extent that more elderly adults are living on their own, much of this care will likely take place in the parent's home. The typical caregiver is a married woman with only a high school diploma and a household income of about $35,000, and the typical care recipient is most likely her mother, grandmother, or mother-in-law. However, even as more households are providing in-home care, they appear to be spending somewhat less time on that care. Today a typical caregiver spends fewer hours per week giving care. In addition, the caregiver is less likely to be residing with the recipient, and is more likely to use paid services than caregivers a decade ago.

The explosion in caregiving responsibility for parents is contributing to the time crunch that the American family is facing: 43 percent of surveyed

caregivers for the elderly say their caregiving has left them with less time for other family members. These changes surely arise in part because today's average caregiver is balancing work and family: half of all caregivers are working full-time outside the home. Among employed caregivers, one-fifth had to give up work at least temporarily, and half reported making changes to work schedules to accommodate caregiving. Surveys of caregivers underestimate the demand for parental care, however, because they cannot measure the frequency with which employed potential caregivers choose not to provide care.

In the future, the time and money commitments associated with parental care may become even more confining, given the trends identified above. The increase in the labor supply of women has been accompanied by an increase in their wages and thus the opportunity cost of their time. As employed women age and as their parents require more care, those higher wages may make these women increasingly reluctant to curtail their paid employment—thus they will face an even greater time crunch as they care for their parents. To the extent that these women have had children later in life, they may also experience the double generational crunch of caring for both children and parents simultaneously. And among those women whose children are already adults, many will have grandchildren to care for. During the 21st century, the increasing cost of elderly care will also fall on fewer children, because of the drop in fertility rates of the baby-boom generation and the rising population of the elderly relative to the working-age population. This looming increase in the time crunch may result in more substitution toward formal care, as the greater wealth of the baby-boom generation and their children may make such care more affordable. However, if the cost of that care rises relative to prices generally, these same baby-boomers are likely to experience a tightening money crunch as well.

Increasing the Flexibility of Paid Work to Lessen the Time Crunch

With a record high share of the population employed, many workers find themselves struggling to balance work and family. Women have less flexibility to respond to family needs than they once did, and men are increasingly being called on to take a greater role in child care and other responsibilities. Recognizing these changes, the Administration has supported a number of policies to increase flexibility at work and help families address the time crunch.

The Family and Medical Leave Act

The Family and Medical Leave Act (FMLA) of 1993 requires employers with 50 employees or more to provide up to 12 weeks of unpaid, job-

protected leave a year to eligible employees under certain defined circumstances. These include the need to care for a newborn, newly adopted, or foster child; for a child, spouse, or parent with a serious health condition; or for a serious health condition of the employee himself or herself, including maternity-related disability. The FMLA also requires employers to continue the employee's health benefits during leave. Employees are eligible to take such leave if they have worked for a covered employer for at least 1 year and have worked for at least 1,250 hours over the previous 12 months. Since 1993, millions of workers have taken advantage of the FMLA to spend necessary time with their families.

The experiences of both employers and employees with the FMLA were documented in national surveys sponsored by the Department of Labor. The employer survey found that one-third of employers (and two-thirds of employers in larger worksites) believed that the FMLA had had positive effects on their employees' ability to care for family members. Most employers also reported that compliance costs were small or negligible and that there was no noticeable effect on either business or employee performance. The employee survey found that the majority of those who took family or medical leave found it relatively easy to arrange; few reported concerns about job-related consequences of taking leave. This survey also found that employees with annual family incomes between $20,000 and $30,000 were more likely to take leave than employees with higher incomes, highlighting the importance of the FMLA to lower income workers.

Today, 92 million workers are covered by the FMLA. It has proved to be a significant advance in helping a larger cross section of working Americans meet their medical and family caregiving needs for children and for elderly parents while maintaining their jobs and their economic security.

The President has proposed expanding the FMLA to cover businesses with more than 25 employees (currently the threshold is 50 employees). This would extend coverage to almost 12 million more workers. He has also proposed requiring employers to allow FMLA-covered workers to take up to 24 hours of leave per year to attend parent-teacher conferences or routine doctors' appointments.

Work Arrangements That Promote Flexibility

The desire for greater job flexibility is also leading to new work arrangements between workers and their employers regarding when and where paid work is performed. An increasingly popular work arrangement is "flextime," which allows workers to vary the time they begin and end work. In 1997, 28 percent of full-time wage and salary workers had flexible work schedules. This was up sharply from 15 percent in 1991. The Federal Government has led by example in instituting flextime, allowing employees greater discretion in when they work. The President has also proposed a flextime initiative that

would allow all workers who get time-and-a-half pay for working overtime to be compensated in the form of time off for family and medical leave purposes or vacation instead of in cash.

Another approach to allowing greater flexibility on the job is working at home for pay. This arrangement is used by a small but growing share of workers. In 1997, for example, 3.3 percent of all wage and salary workers were working at home for pay, up from 1.9 percent in 1991. Another way parents share child care is by working different shifts. In order for shift work to make it easier to combine paid work and child care, however, the choice of shifts must be the worker's. In 1997, 83 percent of full-time wage and salary workers were on regular daytime schedules, 4.6 percent were on evening shifts, 3.9 percent were on employer-arranged irregular schedules, 3.5 percent were on night shifts, and 2.9 percent were on rotating shifts.

Improving Access to High-Quality, Affordable Child Care

Many parents are likely to adjust to an increase in their paid work time by increasing their use of nonparental child care providers. The availability, cost, and quality of child care are crucial to the well-being of children and to the ability of parents to balance the needs of work and family. Primary child care arrangements for preschool-age children of employed mothers in the fall of 1994 were divided roughly equally among care in the child's home (by a relative or nonrelative), care in another home (by a relative or nonrelative), and care in an organized child care facility. Since 1985 the trends have been toward a slight increase in the proportion of children receiving care in their own homes, relatively fewer children receiving care in another home, and relatively more children receiving care in an organized facility.

The Administration has consistently emphasized the importance of child care availability, affordability, and quality. Since 1993, child care funding for low-income families has more than doubled. The budget for fiscal 2001 supports a $3.3 billion increase in resources for child care, including more funding for programs benefiting poor and near-poor children and an expansion of the child and dependent care tax credit. The proposal would gradually make the credit refundable, so that it would be available to low-income working families for the first time. And it would increase the amount of the credit for middle-income families struggling to afford child care. As discussed in Chapter 4, funding for Head Start has likewise increased substantially during this Administration, and progress continues to be made toward the President's goal of enrolling 1 million children by 2002.

After-school care for children is another concern of working parents. In 1998, 68 percent of married couples with children were ones in which both parents were in the labor force, compared with 28 percent in 1970. Today, 28 million school-age children are in either married-couple families where both

parents are employed or single-parent families where the parent works outside the home; an additional 10 million children are in married-couple families where only one parent is employed. This has led to strong demand for quality programs to ensure that children are safe and learning during the hours when they are not supervised by a parent. In fact, experts estimate that during a typical week at least 5 million school-age children spend time unattended at home. This Administration has responded to this situation by increasing its investment in after-school and summer programs from $40 million in 1998 to $453 million in fiscal 2000. The President has called for a doubling of this investment in fiscal 2001.

Conclusion

The American family in the 21st century faces a different world and a different set of challenges than the family of 100 years ago. The twin problems of scarce time and scarce resources are not, of course, new, but their manifestations in our turn-of-the-millennium economy may well be. Thanks in part to greater participation of women in paid employment, families today enjoy a much higher standard of living than did families a century ago. But expectations also appear to be different today. Great changes in the economy have opened up great opportunities as well as great challenges. As people aspire to take advantage of those opportunities, changes in workplace arrangements and well-designed Federal policies can help them overcome the challenges.