THE IMPLICATIONS OF CHANGING FAMILY PATTERNS AND BEHAVIOR FOR LABOR FORCE AND HARDSHIP MEASUREMENT

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March 1978

This paper was prepared for the National Commission on Employment and Unemployment Statistics. It is a draft that has not yet been through the Commission's review procedure. The authors alone are responsible for the content.

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Executive Summary

Our primary thesis is that labor force activity and productivity are attributes that adhere to the individual. Economic well-being (or lack of it), in contrast, is a function of family income from all sources and the number of persons who are dependent upon that income. An unemployment measure could only serve as a measure of economic hardship in a world where earnings constituted the only major source of income, where there was only one earner per family, and where there was a representative family size and composition. Thirty years ago, when our labor force concepts and their measurement were first designed, the world was assumed, by and large, to fit that description. Families were assumed to have one male breadwinner (the husband), plus a nonworking wife and two children. There were also few public income support programs to alleviate economic hardship.

The world has been changing since then. Recent trends in family patterns have made it untenable, if it ever was tenable, to use the unemployment rate as a measure of economic hardship. In fact, we would go so far as to say that labor-market-related hardship is more a psychological concept--the hardship that results from the diminution of self-respect and self-image of those whose offer of work is not accepted by the labor market, and the resulting damage to the perceived future labor market chances of the children of the involuntarily unemployed.

First, the relationship between individual earnings and family income has broken down. Most families now have more than one earner. Many earners have no dependents. For 30% of American families the primary economic support does not come from the earnings of a male head.

About 50% of poor families have no earners at all. But most of the rest have at least one earner (many of whom work full time all the time) and getting on for a fifth of poor families more than one. In addition, the breaking off of persons who used to be counted as dependents of primary families into families or households of their own has further weakened the correspondence. The divorce rate is now high. The remarriage rate is also high. Family membership in the U.S. today is thus constantly changing and in ways that bear no direct relation to the earnings of individuals in those families.

Second, labor force status and behavior can no longer be inferred from demographic and family status. There are full-time career workers among men, women, mothers, youths, and those over 65. There are also part time and in-and-out workers among all groups. The type of labor force participation to be expected from a worker or potential worker should be inferred from the past practice of that worker. In addition, the labor market value of that worker to society depends not on the fact that the worker is offering to contribute productive time but on the value of that time as reflected in the human capital of that worker measured by the wage rate. It also depends on what nonmarket productive time use is lost to the social product by reason of that labor market time.

We have four specific recommendations.

Recommendation I: Hardship Measurement. We believe that a major new longitudinal survey, modelled on the Michigan Longitudinal Panel Study is needed, in order to provide a comprehensive account of the material resources available to households. The Current Population Survey has not stayed abreast of new and importance changes in the sources of material support available to households and families.

The survey should aim at getting a full account of pretransfer net money income, including gross earnings, property income, self-employment income, and with deductions for costs of earning such as transportation, special tools, and care for children during working hours. In the area of transfers and taxes, all public sector programs should be taken into account: social insurance, assistance benefits, whether cash or in-kind, and all taxes levied on income or wages. Two categories of private transfers should also be taken into account: first, employee benefits not paid for by payroll deductions, such as retirement contributions or employer-paid health insurance premiums; and second, cash and in-kind transfers between households.

Recommendation II: Labor Force Measurement. We urge that a major revision take place in the form and function of our gathering of labor market data from individuals. There are two principal ways in which our current procedures are deficient. First, they do not provide the context of nonmarket productive uses of time, which is needed for interpretation of movements in paid work activity. We propose the following categories among which hours in a sample week be distributed: (a) market work, (b) work in the home, (c) child rearing, (d) school and other training, (e) job seeking.

Second, they do not provide useful categories for exploring and comparing differences in behavior among adults with respect to the paid labor market. Enough information is needed to permit the classification of adults on the basis of their previous paid work experience. We suggest the following categories. The first five categories all refer to adults aged 21-71 years of age: (a) labor force entrants, (b) prime

full-time labor force, (c) inactive adults, (d) other experienced workers, (e) other workers. The last two categories encompass those of other ages: (f) youths 16-20 years of age regardless of work experience, (g) elders over 71 years of age.

Third, the measurement of unemployment as an index of disequilibrium in the labor market should be substantially refined to make it a more reliable indicator of the amount of labor power seeking changes in their paid employment situation. We need to know the distribution of adults by productivity and, therefore, propose that current or most recent wage or earning rate be gathered for this purpose. In terms of categories for tabulation, it would be sufficient to form three groups--low, medium, and high--using half the median wage and twice the median wage to demarcate the intervals.

The survey we envisage here does not have to be designed to provide multiyear longitudinal data. The major emphasis should be on getting current statistical indicators.

Recommendation III: Small Area Statistics. We feel that data from the routine administration of the universal Food Stamp Program, augmented perhaps by limited additional reporting on the employment of members of beneficiary households, provide a very promising source of data on small areas. The basic criterion is similar to the poverty criterion. The size of benefits is directly related to the gap between a unit's income resources and the eligibility limits, so that the size of benefit can be used to infer gradations of hardship. It has been proposed that the Food Stamp Program be eliminated. But proposed reforms also have nationally uniform components whose eligibility depends on income and family size, which could provide a similar data base.

Recommendation IV: The Press Release Monthly Numbers. Our suggestion would be to replace the overall unemployment rate with three numbers. First, the incidence of unemployment among the full-time experienced labor force aged 21-71 should be noted. Second, an indicator of overall unemployment should be noted, reflecting how many hours of offered employment (weighted by the wage rates at which they are being offered) are not being accepted by the market. Third, the monthly change in the total amount of time spent in job search might be noted. To the extent that the public need a readily interpretable number reflecting the extent of economic hardship, we feel that the official poverty count should be used (preferably with the more comprehensive coverage of income suggested in Recommendation I).

THE IMPLICATIONS OF CHANGING FAMILY PATTERNS AND BEHAVIOR FOR LABOR FORCE AND ECONOMIC HARDSHIP MEASUREMENT

As the title indicates, our purpose in this paper is to discuss the impact of changing family patterns on labor force behavior. This, in turn, has major implications for the interpretation of the unemployment rate, however defined, as a measure of economic hardship.

Our thesis is that it is no longer tenable to use (even for press release purposes, let alone for the allocation of federal funds) a measure of available or unused labor resources as a measure of economic hardship or deprivation. The former is related to the characteristics of an individual, the latter to the income pooling unit (family or household) the individual belongs to.

This has always been a valid conceptual distinction. Why, then, did we ever assume that the same measure (the unemployment rate however defined) could be used as an indicator of both?

The basic conventions and procedures currently used in collecting employment and unemployment statistics--and in summarizing them for use by policy makers, scholars, and headline readers--were, except for relatively minor changes, developed more than 35 years ago. They were formulated on the presumption that the predominant mode of living was a simple nuclear family with a clearly and traditionally recognizable "breadwinner," and that most of the unemployed counted in the surveys and chronicled in the newspapers were responsible for the livelihood of nonworking wives, children, and perhaps other dependents. Even if that view was always

somewhat fictional, the proportion of the labor force made up of women and youths was stable enough to make feasible the maintenance of that fiction. Any increments or decrements in unemployment could thus be regarded as reflecting major trends affecting the breadwinners--who made up the labor force, and whose earnings also constituted the income of their families.

With respect to policies designed to alleviate economic hardship, there was general acceptance of the view that the breadwinner and his job were the cardinal objectives of public concern. Analysts looking at the issue from the resource utilization side could get away with focusing most of their attention on the stereotypical industrial worker (able-bodied, full-time, prime-aged, and male). And this focus was indeed more permissible then than now, because of the rapid growth of the service industries relative to manufacturing that has taken place since the 1950s.

As more women have been coming into the labor market and young persons have been making up a larger portion of the active labor force, observers have no longer been content to stick with the conventional interpretation of the overall unemployment rate. We are increasingly being given rationalizations for "high" rates based on compositional changes that weight more heavily the experience of "nonbreadwinners" --that is, people who are not the major earners in multiperson families. The emphasis is sometimes placed on the irreducibility of the higher unemployment experience of these groups, and sometimes on the notion that as "secondary" earners or as individuals without dependents their unemployment experience does not "matter" as much, in either a resource-wasting or hardship sense.

Whether or not the irreducibility or the relative triviality arguments can be sustained is not the issue here. The point is that we are looking at and trying to interpret statistics that are not well tuned (if they ever were) to analytically or politically useful categories. The breadwinner has become an anachronistic member of society. This has major implications for data collection and, even more, for data aggregation and presentation.

1. Major Trends in Family Patterns and Behavior

Four major trends in family patterns and behavior are of particular importance in any discussion of labor supply behavior. The first is the increasing labor force participation of women. This increase is most marked for married women including mothers of small children. The second trend, the inevitable result of the first, is the increasing incidence of two- or multiple-earner families, with its implications for widening the divergence between high-earning and low-earning families. The third trend is the product of the increasingly common pattern of divorce and remarriage --leading to substantial volatility in the composition of families over time. The fourth is the fading of the stereotypical behaviors associated with different stages in the life cycle due, at least in part, to longer life spans and an increasingly wealthy society.

We use labor force participation as our measure of the supply of labor available for employment in the market. Although we have certain recommendations in our final section about needed changes in the way labor supply data are collected and presented, we regard the current

conceptualization and measurement of labor force participation as quite adequate reflections of the major trends we wish to highlight here.

Increasing Labor Force Participation of Women

The trend that is always mentioned first in any discussion of family patterns and the labor force is the steadily increasing labor force participation of women--and, in particular, married women.

Table 1 shows the relative labor force participation of men and women in 1955, 1964, and 1976. These three years are chosen for this and subsequent tables showing trends because they each come at the same period of the business cycle (the first year of the upturn) and they roughly reflect decade-to-decade changes. (All statistics shown, unless otherwise noted, are from the March Current Population Survey for the appropriate year.) As can be seen, the male civilian labor force grew from 44.5 million in 1955 to nearly 56.4 million in 1976, while the female civilian labor force grew from 20.5 million to 38.4 million. Whereas in 1955 only 31.6% of the civilian labor force were women, in 1976 women accounted for 40.6% of the nation's nonmilitary working force.

Table 1 also shows the labor force participation rates of men and women according to their marital status. Participation rates for divorced, widowed, and separated persons stayed relatively constant between 1955 and 1976 for both men and women. Participation rates for single workers increased about 5 1/2 percentage points for men and 12 1/2 percentage points for women. For married persons the figures are startling. Participation rates for wives rose from 27.7% to 45.0% between 1955 and 1976--an increase of 17.3 percentage points, or almost two-thirds. Rates for husbands, in contrast, decreased from 90.7% to 82.4%.

TABLE 1

PARTICIPATION IN THE CIVILIAN LABOR FORCE,
BY SEX AND MARITAL STATUS,
1955, 1964, 1976

	1955		1964		1976	
	(thous)	(%)	(thous)	(%)	(thous)	(%)
Total	65,023	59.3	73,091	58.7	94,773	61.6
Men	44,475	85.3	47,679	81.0	56,359	77.5
Women	20,548	35.7	25,412	38.7	38,414	47.3
Single						
Men	8,276	61.2	8,617	50.8	12,552	66.7
Women	5,087	46.4	5,781	40.9	9,083	58.9
Married, Spouse Present						
Men	34,064	90.7	36,898	87.8	39,444	82.4
Women	10,423	27.7	14,461	34.4	21,554	45.0
Divorced, Widowed, Separated						
Men	2,976	60.7	2,933	56.3	4,164	63.3
Women	4,643	39.6	5,157	38.7	7,181	40.9

Source: U.S. Department of Labor and U.S. Department of Health, Education, and Welfare, Employment and Training Report of the President (Washington, DC: U.S. Government Printing Office, 1977), Tables A-1, A-4, B-1.

Table 2 shows labor force participation rates for adult women between 1955 and 1976, disaggregated by age as well as by marital status. The participation rates for single women decreased except for the youngest age group shown (those in the age bracket 25-34 years), for whom labor force participation increased modestly. For the divorced, widowed, or separated, participation increased somewhat for all three age groups. For those with husbands, the startling increase noted above is reflected in the behavior of each age group, but is most marked for those aged 25-34 years. Their labor force participation rate almost doubled until, by 1976, half the married women aged 25-34 were in the labor market.

What about these married women? Is their increased participation due to the fact that fewer families have children? Table 3 tells the story. The increase is certainly not restricted to, and in fact is not most pronounced for, those with no children under 18 years old. The most conspicuous increase is for those with children under six, increasing from 22.7% in 1955 to 36.6% in 1976. The 1976 participation rate for those with only children under six was greater than for those with older children as well--probably reflecting the fact that these are younger women and thus the most susceptible to changing mores.

Multiple Earner Families

The statistics in Tables 1-3 lead one to expect to find steadily increasing proportions of multiearner families, including increased proportions of husbands who are not the sole support of their wives and children. Table 4 attests to the validity of this expectation. Of

TABLE 2

LABOR FORCE PARTICIPATION RATES OF WOMEN, BY MARITAL STATUS AND AGE

	1955	1964	1976
Single	46.4	40.9	58.9
25-34 years	80.9	87.2	84.5
35-44	81.2	83.0	76.4
45-64	74.8	71.3	70.8
Married, Spouse Present	27.7	34.4	45.0
25-34 years	26.0	30.6	49.8
35-44	33.7	39.4	54.3
45-64	29.0	39.5	44.3
Divorced, Widowed, Separated	39.6	38.7	40.9
35-34 years	60.5	60.3	72.0
35-44	64.6	63.7	71.2
45-64	53.3	60.4	58.2

Source: Employment and Training Report of the President, 1977, Table B-2.

TABLE 3

PARTICIPATION IN LABOR FORCE OF WIVES, HUSBAND PRESENT, BY PRESENCE AND AGE OF CHILDREN

	1955		1964		1976	
	(thous)	(%)	(thous)	(%)	(thous)	(%)
No children under 18 years	5,227	32.7	6,545	37.8	9,860	43.8
Children 6-17 years only	3,183	34.7	4,866	43.0	7,270	53.7
Children under 6 years	2,012	16.2	3,050	22.7	4,437[a]	36.6[a]
Children under 6 years only	927	15.1	1,408	23.6	2,503[a]	38.7[a]

[a]1975 figures.

Source: Employment and Training Report of the President, 1977, Table B-4.

TABLE 4

EMPLOYMENT STATUS OF HUSBANDS, BY EMPLOYMENT STATUS OF OTHER FAMILY MEMBERS, 1955,1964,1976

	1955 (%)	1964 (%)	1976 (%)
Husband in labor force	100	100	100
Family member(s) in labor force	39.9	47.6	58.9
(Wife only in labor force)	(23.9)	(28.8)	(39.3)
Family member(s) employed	38.2	44.3	54.8
Husband employed	100	100	100
Family member(s) in labor force	39.6	47.3	58.9
(Wife only in labor force)	(23.6)	(28.6)	(39.1)
Family member(s) employed	38.0	44.3	55.0
Husband unemployed	100	100	100
Family member(s) in labor force	48.8	54.4	60.6
(Wife only in labor force)	(31.3)	(36.6)	(44.6)
Family member(s) employed	42.4	44.4	50.8

Source: Employment and Training Report of the President, 1977, Table B-3.

husbands in the labor force in 1955, nearly one-quarter had wives in the labor force and 40% had one or more family members working or looking for work. By 1976, 40% had wives in the labor force and nearly 60% had one or more family members who belonged to the labor force. The steadily increasing numbers of family members in the labor force, it should be remembered, have been accompanied by decreasing average family size.

If we look at husbands who have jobs, we see the incidence of multiple earner families. Already in 1955, 40% of the husbands who were employed had at least one family member in the labor force, and almost as many (38%) had at least one family member working. In 1976, almost 60% of employed husbands had a family member(s) working or looking for work and 55% had at least one family member holding a job.

Other earners in the family have also provided increasing insulation against the consequences of job loss by the husband. In 1955, 42.4% of unemployed husbands had family members who did have jobs. By 1976, more than half the unemployed husbands had family members who were employed. Table 5, in fact, highlights an interesting contrast. Of the husbands who were employed in the first quarter of 1977 (this includes the very small number of men who headed families and did not have wives), over 56% had at least one family member who also had a job. Of the employed women who headed families, in contrast, only 31% had someone else in the family also with a job. The unemployment figures show an even more sobering contrast. Of the unemployed men who headed families in the first quarter of 1977, nearly half had someone in their family with a job. Of the unemployed women heading

TABLE 5

EMPLOYED AND UNEMPLOYED PERSONS BY FAMILY RELATIONSHIP AND PRESENCE OF WORKING RELATIVES, FIRST QUARTER 1977

Family relationship	Total (thous)	With no employed person in family (%)	With at least one employed person in family (%)
Employed, total	87,434	39.3	60.7
Employed, in families[a]	76,220	30.4	69.6
Husbands[b]	38.234	43.8	56.2
Wives	20,515	10.4	89.6
Relatives in h-w families	10,761	7.2	92.8
Women who head families	3,862	68.7	31.3
Relatives of women who head families	2,848	29.2	70.8
Employed, not in families[c]	11,214		
Unemployed, total	7,838	41.8	58.2
Unemployed, in families[a]	6,729	32.2	67.8
Husbands[b]	1,975	51.6	48.4
Wives	1,520	17.5	82.5
Relatives in h-w families	2,044	12.9	87.1
Women who head families	418	81.8	18.2
Relatives of women who head families	772	35.5	64.5
Unemployed, not in families[c]	1,109		

[a]In primary families only.

[b]Includes a small number of men who are separated, widowed, divorced, or never married and head families.

[c]Includes unrelated individuals and a small number of persons in secondary families.

Source: Janet L. Norwood, "New Approaches to Statistics on the Family," Monthly Labor Review (July 1977), p. 33.

families, only 18% had a family member with a job. So, if a breadwinner is defined as someone with dependents who is the only family member in the labor market, a higher proportion of working women who head families now fill that role than working husbands.

Table 6 enables us to assess the consequences of these trends within the context of all American families. In March 1976 there were 56.2 million families in the U.S. Of these, 84% were husband-wife families, just over 13% were headed by women, and somewhat under 3% were headed by men without wives. The predominant family pattern is clearly still the husband-wife family. Only 21% of them, however, are four-person families (meaning that only 18% of all families are the husband-wife-two-children variety).

In 30% of these husband-wife families the husband was the only earner in 1975, in 42% there were two earners, and in 15% there were three earners or more. In nearly 10% of them the wife had the largest earnings in 1975. Putting the whole picture together--including the families headed by women and the families with no earnings--we find that the principal economic support of almost 30% of all American families does not come from the earnings of the male head.

Volatile Family Composition

As we saw in Table 6, the husband-wife combination is still very much the predominant form of family. It does not mean, however, that the same husbands remain married to the same wives, that children remain attached to the same husband-wife combination, or that only a small minority of people ever belong to a single-parent family. In fact, all this is far from being the case in the United States today.

TABLE 6

FAMILIES IN THE UNITED STATES, MARCH 1976

Characteristics	Total (thous)
All families	56,245
Husband-wife families	47,308
Other families	
Headed by women	7,452
Headed by men	1,485
Husband-wife families	47,308
Family size	
2 persons	17,027
3 persons	9,858
4 persons	10,122
5 persons or more	10,301
Family earners (1975)	
None	4,684
1 earner: Total	15,664
Husband	13,962
Wife	1,246
2 earners: Total	19,749
Husband and wife	16,683
3 earners or more: Total	7,211
Husband and wife	5,652
Family member with largest earnings (1975)	
Husband	36,744
Worked year round, full time	28,178
Wife	4,468
Worked year round, full time	2,801
Other relative	1,402
Worked year round, full time	854

Source: Norwood, p. 32.

The divorce rate is now between 30% and 40% and rising.[1] The remarriage rate is also rising. In 1970, it was 31.7% for women aged 55-64 years, 45.2% for women aged 50-54, and 52.5% (over half) for women aged 45-49. The average duration between first and second marriages (very few marry more than twice) is about five years. Thus, although only about 16% of American families in 1976 were not husband-wife families, a much higher proportion can expect to go through that status at some time. A substantial proportion of the nation's children, in consequence, also go through the experience of living with a single parent.[2] Bane has estimated that as many as 46% of American children may experience marital breakup at some point during their upbringing.[3]

Another important factor in family membership volatility is the rapidly increasing incidence of one-person families--for most people, again, a transitory status. Households, as we have mentioned, have been getting smaller for a long time, and have now fallen below three persons per unit. A substantial part of the change in the past has been due to fewer children in the home, and even earlier still, to the virtual elimination of servants, apprentices, etc. But in recent years there has been a rapid increase in one-person households. There was a 40% increase in such households from 1970 to 1976, as compared to only an 11% increase for multiperson households. Numbers of solitary male households grew by nearly 57% over the same period while other male-headed households increased by only 8%. Solitary females increased their numbers as much as the already-noted female family heads (both increased by nearly one-third). By contrast, the population of adults in their own household increased

by only 12% during the six year period. Much of the disproportionate increase is accounted for by those under 35 and with at least a high-school diploma. Both the permanence and meaning of this important shift are proper subjects for study, but the phenomenon itself is sufficient to raise questions about dependency patterns that may persist across separate households. When one-person households were a fairly small stable fraction and concentrated among the older population, it posed a minor problem for interpreting unemployment data; when it is increasing rapidly among the young, it cannot be ignored.

These trends obviously exacerbate the lack of correspondence between the economic hardship of families and the employment or earnings status of individuals. The increasing proportion of wives going into the labor force produces more multiearner families. Even when account is taken of the added costs of a second earner (child care, possibly a second car, additional clothing), such families are on average distinctly better off than single-earner families of the same size and composition, and far and away more affluent than the vast majority of single-earner single-adult families. To the extent that the assortative mating pattern prevalent in the U.S. pairs persons with similar earnings potential, family income inequality is further increased. At the same time, the increasing incidence of divorce (with its concomitant of increased incidence of single-adult families) means that a larger proportion of our population experiences at some point the peculiar economic vulnerability of the single-adult family.

Labor supply measures cannot be designed effectively to take these factors into account and still retain any validity as labor market

indicators. By the same token, neither job programs nor wage legislation are appropriate tools for the economic hardship associated with various family circumstances.

Growing Variation in Behavior at Various Life-Cycle Stages

Another stereotype that has simplified the measurement and analysis of the labor force, and that shows evidence of breaking down somewhat in real life, is the traditional life-cycle progression--first completing one's education, second entering the labor force and working throughout the prime years, and last retiring (enjoying "leisure") when old. There is evidence that people would like to sprinkle these three activities more evenly throughout their lives. Best, for instance, quotes the results of a survey he undertook to look into life pattern preferences.[4] Admittedly this was a small sample (791 employees of Alameda County, California) but the results are suggestive:

> Workers were asked to consider three broad scheduling options: the "linear life plan," a straight progression from school to work to retirement; the "moderate cyclic plan," a straight progression through school, reduced retirement, and periods of extended free time in mid-life; and the "full cyclic plan," reduced schooling during youth, reduced retirement, and extended periods of schooling and free time throughout all stages of work life. The percentage results were as follows:

	Personal first choice	View of others' first choice	First choice for societal well-being
Linear	20.7	29.8	19.5
Moderate cyclic	33.0	43.5	32.0
Full cyclic	46.3	26.7	48.6

As Best notes, in terms of personal preference and overall societal well-being, about 80% of the respondents rejected the traditional life-cycle pattern.

More and better longitudinal data are necessary before we can say anything definitive about what changes are actually occurring in people's responses to the different "passages" of life. The evidence we do have, however, combines with the trends already documented of increasing labor force participation on the part of women to suggest that the traditional orderly progression is giving way to more flexible patterns.

Let us first discuss the education and labor force activity of youth (which we shall define as those aged 14 to 24 years because that is the breakdown used in the 1977 Employment and Training Report of the President from which we are drawing our basic statistics).

Table 7 shows the increasing relative numbers of youth in the population and in the labor force. Youth made up 16 1/2% of the civilian labor force over 14 in 1955, 19% in 1964, and a full 25% in 1975.[5] This is, of course, consistent with the prevalence of husband-wife families with three earners or more (shown in Table 6). The labor force participation rate of youth rose from 49% to 54% over the whole 1955-1975 period, and between 1964 and 1975 it rose almost 10 percentage points. Some speculation of the meaning of this trend is in order.

TABLE 7

LABOR FORCE STATUS OF CIVILIAN YOUTHS 14 TO 24 YEARS

	1955	1964	1975
14 years and over			
Population (thous)	117,441	134,152	161,902
In labor force (thous)	65,892	74,119	94,003
Labor force participation rate (%)	56.1	55.3	58.1
Youth 14-24 years			
Population (thous)	22,192	31,421	43,153
As % of population over 14	18.9	23.4	26.7
In labor force (thous)	10,861	14,207	23,232
As % of labor force over 14	16.5	19.2	24.7
Labor force participation rate (%)	48.9	45.2	53.8

Source: Calculated from the Employment and Training Report of the President, 1977, Tables A-1 and B-6.

The process of entry into the labor force has always been treated as indistinguishable from the process of leaving the student body and, indeed, in the past the shift from schooling to work was a once-for-all transition for the vast majority of people. Anecdotal evidence suggests that current reality is more complicated, and that there may increasingly be a groping around in-and-out process for many of today's youth before they choose a long-term job path. There is evidence that the young are quite sensitive to market signals about how much and what kind of schooling pays off,[6] but young workers may well have a different idea of what "paying off" means from their elders. Without dependents and with their youth, a job with current earnings adequate for their current wants (a car, skiing on weekends) may be fine. Paying off in the lifetime career sense may be a measure that many workers become interested in at a somewhat later stage.

The aggregate data we do have certainly show an increasing tendency for youth to mix labor force participation with school enrollment, suggesting no hurry on the part of many to finish the education and training phase of their lives. This in turn suggests, given any presumption of rationality on their part, that they are in no hurry to settle into a long-range job commitment.

Table 8 shows for 1955, 1964, and 1975 the school enrollment of youths by age grouping and sex. The proportion enrolled in school increased for each age category for both sexes. This may not be considered surprising, since we know the overall educational level of the population is

TABLE 8

SCHOOL ENROLLMENT OF CIVILIAN YOUTHS, BY AGE AND SEX

	1955	1964	1975
14-17			
Population (thous)			
Male	4,622	7,055	8,501
Female	4,547	6,923	8,265
% enrolled			
Male	88.6	94.4	94.6
Female	85.2	91.8	92.6
18-19			
Population (thous)			
Male	1,770	2,434	3,891
Female	2,135	2,842	4,133
% enrolled			
Male	42.5	50.1	50.0
Female	22.5	33.7	44.2
20-24			
Population (thous)			
Male	3,797	5,596	8,833
Female	5,321	6,571	9,530
% enrolled			
Male	18.1	23.8	26.4
Female	6.1	10.9	18.7

Source: Employment and Training Report of the President, 1977, Table B-6.

rising for each successive generation. Table 9 shows, for the same years, labor force participation rates by age grouping, sex, and enrollment status. Let us look first at the patterns for those enrolled in school. The trend in participation rates was generally stable or downward between 1955 and 1964. Between 1964 and 1975, in contrast, the participation rates of those enrolled increased substantially for both sexes and every age group.

For those not enrolled the trends are different. The 14-to-17 year olds form a small and odd group that are not of great interest here. For the other two age groups we see a slight downward trend for men, due in part surely to the discouraged worker phenomenon resulting from high prevailing unemployment rates for youth, but in part possibly also--since the trend is in the same direction as that for men in general--to the more flexible work patterns expected of men by society. The female rates--again like the rates for women in general--show a rising trend, particularly since 1964.

What can we conclude from all this? Increasing enrollment has not been accompanied by decreasing labor force participation. Taken overall, and particularly for the 20-to-24 year old group, schooling and work in the labor market seem increasingly to be going together for substantial numbers of the nation's youth.[7] This should not be taken to mean, however, that those under 25, as a group, have a weaker commitment to the labor market than older workers. The fact that labor force participation rates for those not enrolled are moving in a similar way to those of the working age population as a whole is consistent with there being a substantial proportion of youth whose labor market behavior is not different in kind from that of

TABLE 9

LABOR FORCE PARTICIPATION RATES OF CIVILIAN YOUTHS, BY SCHOOL ENROLLMENT, AGE, AND SEX

	1955 (%)	1964 (%)	1975 (%)
Enrolled in school			
14-17			
Male	28.9	24.7	29.1
Female	16.4	16.8	26.2
18-19			
Male	43.9	36.0	42.0
Female	28.1	25.2	41.1
20-24			
Male	41.7	48.0	51.2
Female	42.0	37.8	55.1
Not enrolled			
14-17			
Male	81.4	68.8	67.8
Female	44.4	41.1	43.1
18-19			
Male	94.8	92.0	91.2
Female	61.9	60.2	66.9
20-24			
Male	96.7	96.6	93.5
Female	48.6	51.8	66.6

Source: Employment and Training Report of the President, 1977, Table B-6.

their elders. Our point is that, with respect to their labor market behavior, youth (in common with other groups) should not be regarded as a homogeneous group.

The second major stage of the life cycle that deserves serious attention in any discussion of the labor force effects of family trends and behavior is the mid-life stage. As we have already noted, increasing numbers of women of all ages are entering the labor force. Other factors, in our view, are beginning to combine with this trend in such a way that we can expect increasing numbers of both men and women to make distinct shifts in their working patterns during their prime-age adulthood.

First, when two members of the same family agree that each has the right to pursue a career, compromises are bound to be necessary to the extent that they cannot both pursue their "best" job opportunities at the same time or in the same place. (Mothers entering the labor market when their children are grown can be regarded as a special case of this general point.) When fewer women worked and when working women were considered the exception, these compromises were included in the women's role--leading to a fairly stable pattern of second-best for the "secondary" earners throughout their adult lives. Expanding job opportunities for women, and the new recognition that both earners should have equal opportunity (if not at the same time, at least one after another) can be expected to result in an increasing proportion of the labor force of both sexes making major employment shifts to accommodate the career needs of their spouses.

Second, there is increasing evidence that people in their middle years (particularly now that life expectancies are so high) want or need a major career shift for psychological reasons. If, in economic parlance, a variety of job experiences during one's working life is a normal good, the increasing incidence of two-earner, two-income families will enable more people to indulge this preference. The expansion of adult education is certainly at least in part a consequence of this trend, and can be expected to strengthen it. In October 1976, for instance, 1.6 million persons 35 and over were in school. Three-quarters of them were in college, most of the rest were in trade or vocational school, with a small number (4%) in elementary or high school. Men and married women each accounted for two-fifths of those enrolled, women without husbands present accounted for the remaining fifth.[8] Table 10 shows, for various age groupings, the number of these older students enrolled and their labor force participation rates. The numbers for men and women are quite similar. More people are back-to-schoolers between the ages of 35 and 44 than later (especially women), which is consistent with more people going back to school immediately after raising their children than later. The labor force participation of all the back-to-schoolers is high--in the 70-90% range for all groups except married women husband present (60%), and women 50 years and over (59%). Here again, the point we want to stress is that labor force behavior within different age and status groups can no longer be treated as homogeneous. People from similar age and sex groups are doing different things with their lives.

The final stage in life is old age. The traditional response to old age, of course, is complete retirement. As with the traditional responses

TABLE 10

LABOR FORCE STATUS OF PERSONS AGED 35 AND OVER IN SCHOOL, OCTOBER 1976

	In School		In HS or College[a]		In Trade/Voc School[b]	
	Total (thous)	Percent in Labor Force	Total (thous)	Percent in Labor Force	Total (thous)	Percent in Labor Force
Both sexes	1,604	73.3	1,253	75.5	351	65.2
35 to 39 years	536	75.9	447	76.3	89	74.2
40 to 44 years	359	78.6	284	79.6	75	74.7
45 to 49 years	261	75.4	217	78.3	44	(c)
50 to 54 years	230	74.3	180	75.0	50	(c)
55 years & over	218	54.6	125	59.2	93	48.4
White	1,399	73.6	1,083	75.8	316	65.8
Black & other	205	70.7	170	72.9	35	(c)
Men	646	85.0	510	87.1	136	77.2
35 to 39 years	240	88.3	209	88.0	31	(c)
40 to 44 years	146	89.0	121	91.7	25	(c)
45 to 49 years	114	84.2	91	85.7	23	(c)
40 years & over	146	76.0	89	79.8	57	(c)
Women	958	65.3	743	67.6	215	57.7
35 to 39 years	296	65.9	238	66.0	58	(c)
40 to 44 years	213	71.4	163	70.6	50	(c)
45 to 49 years	147	68.0	126	73.0	21	(c)
50 years & over	302	59.3	216	63.9	86	47.7
Married, husband present	622	60.4	487	61.6	135	56.3
Other marital status	336	74.4	256	78.9	80	60.0

[a]Includes a small number enrolled in elementary school.

[b]In the Current Population Survey, these schools are called "special schools."

[c]Percent not shown where base is less than 75,000.

to earlier life-cycle stages, responses to this stage may be starting to vary. Longer life expectancies, increasing recognition of the rights of the elderly, and the consequences of the dropping birthrate on the age distribution can all be expected to stimulate such a trend. A 1970 Social Security Administration survey found that half the men subject to compulsory retirement would rather have gone on working.[9] The relatively sudden recent passage of legislation raising the compulsory retirement age also testifies to growing public support for allowing the elderly to go on working.

It is true that historically the labor force participation rates of the elderly have been declining steadily. It is also true that the work response of the elderly seems to be very elastic to changes in the incentive structure facing them. Benefits to retired workers and their dependents from both private and public retirement systems have been increasing in generosity faster than transfer payments to other sectors of society until now the elderly are treated much more generously by our tax and transfer system than any other groups.[10]

We do not expect the work effort of the elderly to expand dramatically, but it is clear that the declining birthrate and the financial troubles of the Social Security System will stimulate taxpayers in the younger cohorts to consider changing the work incentive structure facing the elderly in the direction of encouraging work. As the elderly include more and more dual earner families, policy questions concerning program benefit eligibility for spouses who differ in age and/or health status are

also inevitable. Such developments could well lead to an increase in the supply of part-time and/or part-year workers who are experienced and have reliable work habits--unlike the traditional concept of the occasional worker.

2. Measures of Hardship and Deprivation

How hardship is to be measured depends, of course, on the definition we give to it. This section discusses different types of hardship and examines deficiencies in our measures of hardship variously defined.

Chronic Versus Acute Hardship

The term "hardship" is normally understood to mean economic hardship --falling on hard times. Economic hardship can be chronic and persistent, or acute and temporary.

Chronic hardship is what most people have in mind when they think of poverty--long-term suffering from low income. The state of poverty, it would generally be agreed, is characterized by access to too few resources to enable those dependent on those resources to participate adequately in society. This includes the very important component of poor families being unable to provide for their children full access to the opportunities available to the rest of society's children to develop their human capital to its full potential. Clearly, a temporary spell of unemployment taken by itself does not induce such poverty. Unemployment may contribute to chronic hardship if prolonged and frequent, but it is not the only or even the major influence.

Table 11 shows the relationship to the labor market of families below the official poverty line in 1975. (The official measure of poverty has serious deficiencies which we discuss below, but it is adequate for our purposes at this stage of the argument.) It shows that many poor families are out of reach of labor market conditions good or bad. It also shows that many such families have members whose work effort in the market is substantial but who cannot command sufficient earnings to take their families over the poverty line. On the one hand, over 50% of poor families in 1975 were headed by someone not in the civilian labor force and 40% contained no earners. On the other hand, about 20% of the heads of poor families worked all year round (most of them full time) and 21% of poor families contained more than one earner. The involvement in the labor market of those counted as poor by the official definition has been declining over the last decade. This is partly due to the increasing incidence of separate family formation by relatives who used to be counted as dependents. It is also partly due to a decline in real terms in the income level officially designated as the poverty cutoff.

Acute hardship is produced by an unexpected, major, and sudden interruption in an income source. It is independent of both absolute income levels and the source of the income loss as long as it is a significant share of the total. Acute hardship can certainly be induced in a high income family if it has undertaken fixed dollar obligations accounting for most of its income stream and has exhausted its readily available credit lines. Such a family may possess durable goods and assets, but the wealth is not very liquid and the hardship caused by

TABLE 11

THE LABOR FORCE CHARACTERISTICS OF POOR FAMILIES, 1975

	Thousands	Percent
Poor families	5,450	100
Number of earners		
0	2,174	39.9
1	2,069	38.0
2	883	16.2
3 or more	295	5.4
Employment status of head		
Employed	2,154	39.5
Unemployed	505	
Not in the civilian labor force	2,791	51.2[a]
Work experience of head		
Worked	2,745	50.4[a]
50-52 weeks	1,070	19.6
(full time)	(860)	(15.8)
27-49 weeks	591	10.8
1-26 weeks	1,084	19.9
Did not work	2,675	49.1
In armed forces	30	0.6

[a]The apparent inconsistency is because not in the labor force is a survey week measure, working is measured on an annual basis.

Source: U.S. Department of Commerce, Bureau of the Census, Characteristics of the Population Below the Poverty Level: 1975, Current Population Reports Series P-60, No. 106, June 1977.

even a 20% to 30% reduction in current income is significant. Moreover, acute hardship may have ripple effects on other families dependent upon either legally binding or voluntary interfamily transfers--elderly parents, for example, or children away from home.

Sudden earned income loss is one cause of acute hardship. The extent of the hardship thus suffered, however, depends not only on what proportion of total income those lost earnings constituted but on a large number of other variables as well. Foremost among these is the degree to which the household is protected by compulsory or voluntary insurance against the risk of such interruption. Public unemployment and disability insurance benefits are clearly a response to a need felt in some degree by earners at all income levels. Indeed, the existence of private income loss insurance attests to some unsatisfied demand on the part of higher income earners. Other factors that affect vulnerability to sudden earnings loss include the flexibility of a household's expenditure commitments, the possibility of borrowing or dissaving, and the possibility of private transfers from an extended family network outside the family suffering the immediate impact.

There are currently no estimates of the incidence of acute hardship or relative vulnerability to it. The development of such measures is an important long-range research item. Better estimates of its incidence and of relative vulnerability to it are necessary, however, if

any substantial improvements in our social insurance system are to be made--in terms of what kind of catastrophes society should insure its members against and over what period benefits from social insurance programs should be paid. In particular, the conceptual issue of when acute hardship becomes chronic needs careful examination. Longer and longer benefit payment periods in the unemployment insurance system is, in our view, a program development that is due to a confusion between the two. Estimates of relative vulnerability to acute hardship are important for program and budgetary planning.

Such measurement is, admittedly, a difficult problem because it requires detailed knowledge of individual balance sheets, eligibility for public or private insurance, and the availability of funds, if needed, from extended family members. Its political importance nonetheless, at least that part of it that stems from earnings loss, is well testified to by the wide public support for unemployment insurance programs. Our current poverty measure, since it is a measure of income over a single year, catches some of it, but we should have a better idea of how much. It has been estimated, for instance, that 31% of those counted as poor in 1972, using the official annual definition, would have been considered nonpoor if a five-year definition had been used. (Complications go the other way too; 17% of those poor under the five-year definition would have been counted as nonpoor in 1972.[11])

The appropriate definition of unemployment, in our view, is an offer to work at going wage rates which is not met by an offer to employ. In this sense, unemployment can contribute to (although it is by no means

the only cause of) economic hardship whether chronic or acute. It should be noted here that unemployment so defined can cause psychological hardship as well. To the extent that persons gain a substantial part of their self-image and self-respect from their work, not having their offer to work accepted by the market--whether for macroeconomic reasons or because of discrimination--is damaging. The more frequent and persistent the unemployment the more damaging. It can induce the sense of helplessness that leads to withdrawal from active job seeking. It can also spill over to the next generation of potential workers. If, as children, they develop their expectations and aspirations from involuntarily unemployed parents, they are in danger of drawing the same conclusions about their own future chances of prospering in the labor market. The extent of unemployment is the appropriate measure of this kind of hardship. And we should emphasize that this kind of hardship is not alleviated by policies designed to provide earnings replacement.

The Measurement of Chronic Economic Hardship

The usual measure of chronic economic hardship is the official poverty count. This is a current income measure with an absolute income cutoff adjusted for family size, above which persons, families, or households are counted as nonpoor. The concept of an absolute income poverty cutoff is admittedly and inherently arbitrary. The level at which it is set should certainly bear some relation to the average or typical standard of living in a society, and should thus be increased in real terms when overall living standards rise. Perhaps it could also be softened by recognizing "layers" of poverty, much as is already done by tabulations not only of people below the poverty line, but below 125% and 150% of poverty as well. There are

major deficiencies in the comprehensiveness of the income that is included, however, which are much more serious than any arbitrariness in the concept and are in urgent need of rectification.

What is needed is an estimate of income that is a comprehensive measure of "resources commanded" and details about their sources. No national measure for which the data collection task is financially or administratively feasible is going to be perfect, but the current measure is deficient in four major and indefensible ways. It excludes all in-kind benefits (public and private), includes only a fraction of private transfers among families, does not take account of taxes paid, and ignores the major costs of working for a parent who is responsible for the care of dependent children.

First, in-kind benefits. The importance of in-kind benefits in the public transfer system has increased steadily and dramatically since the official definition of poverty was developed in the early 1960s. Their omission from the definition of income was perhaps defensible then because there were few such programs and those that existed were small. Since then, however, Medicaid, Medicare, Food Stamps, and housing subsidies have all become major programs. The outlays for the Food Stamp program in fiscal 1975, for instance, was $4.6 billion; Medicaid and Medicare now cost annually more than $25 billion.[12] In 1972, inclusion of public in-kind transfers in the income measure had the effect of halving the number of households in poverty.[13] Their relative importance has continued to increase. The extent of private in-kind benefits is also substantial. The employer-provided portion of private health insurance, for instance

is estimated at $20 billion a year.[14] To exclude such benefits clearly biases aggregate incomes downward. It also distorts income comparisons across time and across households.

Inclusion of the cash equivalent of private and public in-kind benefits in the official measure of income is, therefore, an important change that should be instituted. It is particularly important to emphasize that the inclusion of public in-kind transfers should not be done without also including the considerable job-related and other in-kind benefits enjoyed by the upper income groups.

Second, interfamily transfers. The recent sharp increases in one-person households along with the steadily increasing incidence of one-parent families have resulted largely from the undoubling of households which used, out of economic necessity, to live under the same roof. Secular increases in income, plus the increasingly generous public transfer programs, have made this undoubling possible. A substantial proportion of these households used to be counted as dependent members of other family units. It was, therefore, less important to count resources received by relatives because they were intrafamily transfers. Undoubling is now causing them to be counted as separate units. The resources they receive from relatives, however, are not counted in their income, thus artificially inflating the incidence of chronic hardship and, in particular, distorting comparisons of household income over time. This is because the increasing incidence of undoubling will increase the extent to which private transfers among relatives become <u>inter</u>household transfers and must, since those who receive them are counted as separate units, be counted as income received by those units.

The income statistics we now collect do ask for regularly required money transfers such as alimony and child support, but they are generally admitted to be seriously undercounted. It is simply not known how much interhousehold transfer is involved when separate living arrangements are established for young adults or retained for the elderly. Nor are irregular interfamily transfers (that is, those that respond to changes in current need) recorded at all, except those that slip in under the heading "gifts," another category acknowledged to be underreported to a substantial degree.

Third, the personal income tax. The effects of the tax system should also be reflected in income measures. Their omission again distorts comparisons across households. In particular, the considerable tax shelters and loopholes in the personal income tax system are available only to families well-off enough to be able to take advantage of them. Deduction of mortgage interest and taxes on owner-occupied homes, for instance, is estimated at $10 billion a year.[15] Deductions for day care, business expenses, and health expenditures all yield substantial economic benefits to the upper income groups.

Fourth, adjustment for the working adult responsible for the care of children. A two-parent family in which one parent works and the other stays at home to take care of the children is better off, most people would agree, than a two-parent family with the same money income in which both parents work, or a one-parent family in which that parent works. The first family has a major child care resource which is not reflected in the statistics and which the other two families do not have. The requisite research has not yet been done for us to be able to make any responsible

recommendation on what the magnitude of this adjustment should be. It is a complicated conceptual issue that must be solved before numerical estimates can be developed. Some idea of its magnitude is suggested by the very crude adjustment made in some recent research on a related issue--$1,510 per year per child under 6 years and $376 annually per child aged 6-14.[16]

It is important to differentiate data collected for purposes of assessing the economy as a whole from data necessary to assess program eligibility or to implement allocation formulae. The former include data collected on a large nationwide sample basis, such as the Current Population Survey and detailed longitudinal data on smaller samples. In addition to summary numbers assessing the overall performance of the economy, they provide the basis for a variety of analytic studies aimed at understanding the behavioral and environmental processes that cause hardship, and make possible the development of complex social indicators that are sensitive to the consequences of policy change. The latter require larger samples in order to achieve adequate precision for geographic subdivisions, but can be less comprehensive and detailed if there are prior specifications of the criteria from which eligibility can be inferred and allocation formulae evaluated.

Whatever the type of data, there is no inherent reason why the needed improvements in hardship measures should be combined with changes in the way we collect and display labor force data. The need for better measures of our active, idle, and potential labor resources is also urgent, but they are aimed at answering essentially different questions. To these we now turn.

3. Social Waste and Opportunity Cost

This section of the paper is concerned with the product side of the economy. The gross cost of an unemployed person from this perspective is the foregone value of the output that that person could have produced.[17] Labor market activity, however, is only one component of socially productive time use. There are many nonmarket uses of time that produce goods and services within the family or household, often indistinguishable from goods and services available for purchase in the market. We get a distorted picture of the cost incurred when someone is not employed in the labor market unless we also have information on what would be lost in the way of nonmarket productive activities if that person were to be employed. We also need an appropriate method of assessing the relative value of the work contributed in the labor market by different workers.

Comprehensive Measures of Time Use

From the social product perspective, full employment means the maximum exploitation of the nation's labor resources. Productive time use, however, is not restricted to activity in the labor market. The appropriate assessment of the loss to society from the unemployment of a potential worker, therefore, is the lost value of the output the labor market employment of that resource would have made possible minus the social cost that would be incurred by any displaced nonmarket productive activity. A comprehensive accounting of productive time use is essential before such an assessment can be made.

Nonleisure time use can be divided into five conceptual categories: (a) labor market activity, (b) productive work in the home, (c) child rearing, (d) schooling and other training, and (e) job search.

We would argue that all these categories of nonleisure time use with the possible exception of part of category (e) are productive activities. There is no argument about category (a). Labor market activity is the traditional concept of productive work. It is also not new to recognize category (b)--work in the home including the kind of child care whose purpose is to preserve the physical health and safety of the children--as productive time use. Our point is that it is not recognized in labor supply or output statistics and is therefore frequently ignored in analyses of the benefits to be gained from moving more people into the paid labor force. We are not arguing that home production be imputed a value and added to estimates of our national product. But we are arguing that time spent in these activities must be carefully measured if we are to get an undistorted picture of the extent of our unused or underused labor resources. Child rearing plus formal schooling and other training--categories (c) and (d)--should, in our view, be counted as productive uses of time because they have as their outputs the development of human capital. There is a quality dimension as well as a quantity dimension to the labor force which is well summed up in the concept of human capital. The kinds of labor available are at least as important, according to growth experts, as the numbers. Child rearing is here defined as activity whose prime purpose is to communicate with children, enrich their experience, and contribute to their learning. Analysis of how human capital is

developed is only just beginning, but it is already clear that it needs substantial inputs of time. Child rearing behavior is obviously important in this respect because it affects the quality (and possibly the quantity) of the labor force of the future. Formal schooling and other training, similarly, are undertaken because of their potential yield of important human capital additions. Job search--category (e)--is the most problematic. We would argue that at least part of it is indirectly productive, since the process of effective labor market adjustment requires the search for and sifting of job opportunities (frictional unemployment). In any case, careful measurement of time spent in job search is essential because changes in it are good indicators of changes in relative labor market disequilibrium.

The Importance of Appropriate Measurement of Labor Market Resources

The quintessential worth of all human beings may indeed be equal. Their value in the labor market, however, is not. The value to the market economy of the loss of a potential worker's effort is equal to the value of the product lost. The current measures of employment and unemployment do not reflect this. Whether a worker is high skilled or low skilled, part-time or full-time, each worker is counted as an equivalent unit in the labor force statistics. Here, again, we get into the issue of labor force quality versus labor force quantity.

The value of a potential worker's product in the labor market depends on the return commanded by the human capital embodied in the

worker. The wage rate is the obvious measure of that return. Our view is that, labor market discrimination aside, the wage rate is the best measure that we are likely to get. There continue to be lively arguments about how adequate or not the observed wage rate is as a measure of the return to human capital. Alternative estimates have been derived from earnings functions that include variables such as age, education, training, other demographic characteristics. But the loose fits of such functions combined with the innumerable unmeasured variables make them unacceptable as realistic alternatives to the observed (or potential[18]) wage rate. Taking, then, the wage rate as the measure of a worker's marginal productivity, it is clear that the unemployment of a high wage worker is a greater loss to society than the unemployment of a low wage worker. It should be emphasized, in this connection, that the chronic economic hardship associated with low wages (sometimes referred to as "less than a living wage") is evidence of underdeveloped human capital rather than an underutilized current labor resource.

Our discussion of changing family patterns has made the point that labor force behavior is becoming increasingly varied--across age, sex, marital status, and life cycle stage--and that these varied patterns will become more prevalent in the future. This increasing heterogeneity and change over the life cycle means that labor market behavior can no longer be regarded as homogeneous within demographic groups. Not only should the actual and potential market labor force be measured by the marginal productivities (i.e., wage rates) of its members, but also by the revealed pattern of their labor force attachment. Some workers--young and old,

rich and poor, male and female--choose to work in the labor market full time all the time if they can find work. This is revealed by their past labor force habits. Others have a pattern of working part time. Still others enter the labor force for the first time or reenter it after a pause of many years. All these categories, also, are revealed by their past practice. For labor supply behavioral analysis, job market planning, or assessment of underutilized labor resources, these different categories of workers should be explicitly recognized and the employment and unemployment rates of the various groups separately calibrated. Only then can we do an adequate job of measuring how far we really are from "full employment," and assessing the most promising policies to move us closer to that goal.

These changing behavior patterns also call into question the concept of "the labor force" as it is currently used. The notion of the potential labor force as a basically stable group--composed of every able-bodied adult, all of whom are supposed to use to the full their productive capacities--is sound. The increasingly flexible behavior patterns we have described, however, can be expected to lead to more and more in-and-out labor market behavior, more and more abrupt changes in career patterns, and more and more part-time work. Under these circumstances, the usefulness of a concept that depends on whether or not someone was looking for work in the labor market during a given week is open to serious question.

4. Conclusions and Recommendations

We have reviewed recent changes in family patterns and their consequences for labor market behavior and for the relationship between unemployment and economic hardship.

Our primary thesis is that labor force activity and productivity are attributes that adhere to the individual. Economic well-being (or lack of it), in contrast, is a function of family income from all sources and the number of persons who are dependent upon that income. An unemployment measure could only serve as a measure of economic hardship in a world where earnings constituted the only major source of income, where there was only one earner per family, and where there was a representative family size and composition. Thirty years ago, when our labor force concepts and their measurement were first designed, the world was assumed, by and large, to fit that description. Families were assumed to have one male breadwinner (the husband), plus a nonworking wife and two children. There were also few public income support programs to alleviate economic hardship.

The world has been changing since then. Recent trends in family patterns have made it untenable, if it ever was tenable, to use the unemployment rate as a measure of economic hardship. In fact, we would go so far as to say that labor-market-related hardship is, rather, a psychological term--the hardship that results from the diminution of self-respect and self-image of those whose offer of work is not accepted by the labor market, and the resulting damage to the perceived future labor market chances of the children of the involuntarily unemployed.

Specific labor force participation trends we have noted are, first, the substantial and persistent trend in the direction of the increasing labor force participation of women. This trend pervades all ages and all marital statuses. It is particularly marked for married women and, within that group, for mothers of young children. In contrast to this, the labor force participation of civilian males over 16 years of age has been edging downward over the last two decades. A second noticeable trend has been in the labor force participation of youths between 14 and 24 years of age, which has also been significantly increasing. This has not been at the expense of school enrollment. On the contrary, the incidence of 14-24 year olds enrolled in school has increased, and the labor force participation of those enrolled in school has also increased. For youths not enrolled in school, labor force participation patterns have closely paralleled those of the adult civilian labor force both male and female.

The third trend we have suggested, though here we have to rely more on conjecture and anecdotal evidence combined with the definite trends noted above, is the probability of increasing variability in the behavioral responses of people to different stages in the life cycle. It may very well be that the stereotypical life-cycle pattern of education → work → retirement (leisure) is breaking down. A survey of adult male workers suggests that more than three-quarters of them feel that a mixture of these three activities throughout the life span would be more desirable not only in a personal sense but for society at large. The increasing school enrollment of youths 16-24 combined with the increasing labor force participation of the youths who are enrolled suggests, indeed, that the

transition from education to labor market activity may be more of an in-and-out fits-and-starts process than ordinarily assumed. The increasing incidence of multiearner families (a necessary consequence of the increasing labor force participation of women and youths) combined with the increasing allegiance to equality of career opportunity by sex--if not concurrently at least sequentially--can be expected to lead to mid-life career shifts. If, as seems increasingly likely, career change is also considered a desirable event on its own, this trend will be strengthened as the multi-earner family reduces dependence on the earnings of any given family member. Finally, although we do not foresee a reversal of the historical trend toward less work on the part of the elderly, increasing life expectancies combined with the decreasing relative numbers of the young whose taxes support them (plus the new respect for the rights of the elderly) may lead to increasingly varied patterns of labor force activity among the elderly also.

One important family composition trend to be noted is the increasing incidence of divorce--30% to 40% of marriages are now predicted to end in divorce. The remarriage rate is also high, but since the average time between marriages is five years, the proportion of families who can expect to go through a period of single parenthood is much higher than the 16% that are in that status at any one time. Another is the increasing incidence of undoubling--units that because of secular increases in income are now able to separate from their primary family and set up a household on their own. This includes single women with children, elderly parents, and college-age children. The rapidly increasing incidence of young

one-person households attests in particular to the importance of the third group. Household and family membership in the U.S. today is thus constantly changing and in ways that bear no direct relation to the earnings of the individuals involved.

A major policy trend that is relevant here is the increase in kinds and generosity of public income support programs that has taken place, particularly since the early 1960s. This means that direct dependence on earnings of any sort is lessened.

There are two major upshots of all this.

First, the relationship between individual earnings and family income has broken down. Most families now have more than one earner. Many earners have no dependents. About 50% of poor families have no earners at all. But most of the rest have at least one earner (many of whom work full time all the time) and getting on for a fifth of poor families more than one. In addition, the breaking off of persons who used to be dependents of primary families into families or households of their own has further weakened the correspondence. They are counted as separate units but a significant part of their incomes almost certainly comes from interfamily or interhousehold transfers, which are not counted in their incomes but in the incomes of the unit they used to be part of. Let us finally break the link between unemployment and economic hardship. Let us have measures of labor force status and utilization and measures of economic hardship that each reflect their appropriate objective.

The second upshot of all this is that labor force status and behavior can no longer be inferred from demographic and family status. There are full-time career workers among men, women, mothers, youths, and those over

65. There are also part time and in-and-out workers among all groups. The type of labor force participation to be expected from a worker or potential worker should be inferred from the past practice of that worker. In addition, the labor market value of that worker to society depends not on the fact that that worker is offering to contribute productive time but on the value of the time as reflected in the human capital of that worker measured by the wage rate. It also depends on what nonmarket productive time use is lost to the social product by reason of that labor market time.

We have four specific recommendations. Recommendations I and II deal with statistical gathering and compilation for assessing the overall conditions in the economy. Recommendation I contains specifications of needed changes in our measure of chronic economic hardship (i.e., the poverty count). Recommendation II contains our suggestions for a framework within which to collect comprehensive time use statistics plus a schema for the collection of labor force statistics. Recommendation III contains suggestions for dealing with the problem of small area statistics, particularly small area measures of economic hardship. Recommendation IV contains suggestions for presenting monthly labor force indicators to the public.

Recommendation I: Needed Improvements in Measures of Economic Hardship. The concept of an absolute poverty level dependent only on income and family size, below which persons, families, and households are considered to be in chronic hardship, is one that, in our judgment, should be

continued. Where the line is to be drawn is inherently arbitrary but, as we have said, that arbitrariness can be softened to some degree by establishing degrees of hardship (measured by income). The way income is defined and counted in current statistics, however, is seriously distorting and improvements in this area deserve the highest priority.

The principal need for improving our measures of hardship is, thus, a data base, collected in a longitudinal survey, that provides a more comprehensive account of the material resources available to households than is now available in the Current Population Survey (CPS). Debates about absolute versus relative poverty definitions, or about geographical cost of living and other adjustments to establish equivalence across households, are of relatively little moment so long as we are using data that provide an incomplete and distorted picture the distribution of disposable resources for daily living.[19]

The Michigan Longitudinal Panel Study of Income Dynamics (PSID) has now become the data base of choice for most serious work on poverty-related issues, both because it is relatively comprehensive and because it is longitudinal. The CPS, in contrast, has a much larger sample size--one that can support studies of more disaggregated groups—but it has not stayed abreast of the new and important changes in the sources of material support available to households.

We believe that the experience gained by the PSID is adequate for the design of a major new longitudinal survey of the economic status of American households. We spell out below the major features that must be taken into account in such a survey.

The most urgent improvements needed are expansions in information asked, to bring in-kind benefits (both public and private) and transfers between households (both money and goods) into the measurement scheme. In addition, major improvements are needed in the measurement of some already covered components of money income. The survey should aim at getting a full account of pretransfer net money income, including gross earnings, property income, self-employment income, and with deductions for costs of earning such as transportation, special tools, and care for children during working hours. In the area of transfers and taxes, all public sector programs should be taken into account: social insurance, assistance benefits whether cash or in-kind, and all taxes levied on income or wages.[20] Two categories of private transfers should also be taken into account: first, employee benefits not paid for by payroll deductions, such as retirement contributions or employer-paid health insurance premiums; and second, cash and in-kind transfers between households. The latter should be recorded at source and at destination, both to avoid double counting of disposable resources and to obtain a basis for validation or for underreporting adjustments.

In addition, the basic details of the household's demographic and family composition must be collected and the survey should secure reports on the employment experience of each adult person in terms that are consistent with the time use and labor force concepts proposed in Recommendation II below.

The survey should be designed to select a sample of households and to follow, for a five-year period, the persons included. (If a person leaves the initial household, that person and any others in the new household would be also surveyed in subsequent periods. These new

"affiliated persons" would not be followed beyond the period of their affiliation.) In full operation, the survey would add a new "class" each year to replace the graduating group (i.e., those who had been in the sample for five years). As a rough approximation--based on the precision obtained by the PSID and the CPS--each class should consist of 4,000-5,000 households. The sample should be stratified to provide oversampling of households in the lower half of the income distribution. But there should be enough coverage of high income groups to support estimation of distributions covering the entire population. It is proposed that for each original household, each person (plus their new affiliated household members if they have acquired them) be surveyed annually. It may be desirable to have the survey spread throughout the year both to even out the survey work load and to provide more timely estimates of change in the hardship measures. This approach would provide the basis for a much more confident estimate of the poverty population as presently defined; more important, it would enable improved measures to be developed based on the more comprehensive definition of income we have recommended. The effectiveness of public programs and private interhousehold transactions for meeting each kind of hardship could be regularly examined. Similarly, the role of various sources of income instability and inadequacy could be studied and continuously monitored.

Such a data base would still not be adequate for good estimation of the incidence of acute hardship. It would, however, give us better estimates than we now have regarding how much of the current poverty incidence is chronic and how much is probably of the acute short-term

variety. Acute hardship comes from unanticipated and unprepared for cuts in income. It is not feasible on a national survey to try and isolate which sudden income cuts answer to this description. Such a survey would, however, be able to identify sudden income drops from a family's prevailing level of well-being. This would at least give us an upper bound estimate.

We acknowledge that the survey we have outlined for strengthening hardship measures is an ambitious one and places heavy strains on the ability of a survey to collect detailed income information. We do not suppose that all underreporting can be overcome in the survey itself. But we do feel it is possible to improve the coverage and accuracy over the current CPS so that imputations and underreporting adjustments can be made with less concern about introduction of gross error. Here again, the PSID should serve as a model. A substantial amount of further methodological work would be needed, of course, to approach the problem of employee benefits and interhousehold transfers.

We want to emphasize again the importance of a new data base for guiding and evaluating public policies aimed at relieving hardship. The new information, combined with a basis for assessing the geographical dispersion of hardship (see Recommendation III), would be a powerful addition to the information on which we now base policy formulation and implementation. A survey of this kind would also provide a basis for very sensitive aggregate performance indices and for a large variety of presently impossible behavioral studies.

Recommendation II: A Time Use, Employment, and Unemployment Survey. We urge that a major revision take place in the form and function of

The first objective is to get information on current time use of all adult persons, placing primary emphasis on productive uses of time. We propose the following categories among which hours in a sample week can be distributed:

(a) Market work. Paid employment, self-employment, on-the-job-training, unpaid family work if related to income generation, including all related travel time.

(b) Work in the home. Food preparation and marketing, house cleaning, clothing care, maintenance of home and durable goods, and child minding.

(c) Child rearing. Time spent in joint activities with children aged 0-15 years, including transportation, instruction, going to the zoo.

(d) School and other training. This includes travel time, homework, lessons taken by the hour.

(e) Job seeking. Travel time, interviewing, going to the public employment office, union hall, etc.

In connection with category (e), no distinction should be made between those who are currently employed and those who are not. Probing questions (as now) should be asked to determine the nature of the search activities engaged in (registered at public or private agency, answering classified ads, interviewed or called potential employer to follow leads, advertized, etc.). These should be followed by questions aimed at the nature of the adjustment sought--specifically, the pay and benefits sought, and the preferred hours (perhaps followed by how this compares with present or recent pay) with further specification as to whether it

our gathering of labor market data from individuals. Severing the link between labor market concepts and hardship would provide the opportunity for data on employment and unemployment to be focussed directly on the product (rather than income) aspect of the family or household.

In this regard, there are two principal ways in which our current procedures are deficient. They do not provide the context of nonmarket productive uses of time, which is needed for interpretation of movements in paid work activity. Neither do they provide useful categories for exploring and comparing differences in behavior among adults with respect to the paid labor market. Additionally, the measurement of unemployment as an index of disequilibrium in the labor market could be substantially refined to make it a more reliable indicator of the amount of labor power seeking changes in their paid employment situation.

In suggesting more specific details we must emphasize that although they represent our best judgment about promising ways to improve our data on labor power and its utilization, it is also clear that a great deal of conceptual and methodological work is needed before a practical and well-integrated survey and analysis program could be proposed for implementation. We do not minimize the difficulty of securing the information called for from survey respondents; we do emphasize the fundamental importance of doing so. Our existing labor force statistics are losing their relevance and, therefore, their value as changes take place in the interrelation of households and family structure with the labor market. The reform we recommend, drastic though it may appear, seems warranted if we are to retain, let alone improve, our understanding of contemporary labor market phenomena.

refers to a second job or the primary one. This information would make it possible to form a more precise indicator of the amount and distribution of unused labor time represented by behaviorally inferred disequilibrium.

It is sometimes objected that time-use categories are arbitrary and do not segregate conceptually clear types of activity such as leisure/work, or consumption/investment. We grant this arbitrariness but argue that our categories are no less arbitrary than the traditional ones of, say, market work and education. On-the-job leisure is not an unknown category, for example, and consumption, leisure, and investment are all mixed in with schooling. The arbitrariness is unavoidable. Nonetheless, our basic categorization is clear enough to be analytically useful.

The second type of data needed is enough information to permit the classification of adults on the basis of their previous paid work experience. We suggest the following categories.

The first five categories all refer to adults aged 21-71 years of age.

(a) Labor force entrants: Those who took their first full-time job within the last three years.

(b) Prime labor force: Those who have worked full-time at least 36 out of the past 60 months.

(c) Inactive adults: Those who have not worked (more than seven hours per week) in the past two years.

(d) Other experienced workers: All others who have worked full time for at least two years (this includes reentrants).

(e) Other workers: The residual in the 21-71 age category. Includes part-time, irregular, and miscellaneous cases who have worked for pay (more than 7 hours a week for at least a month) within the last two years.

The last two categories encompass those of other ages.

(f) Youths: Those 16-20 years of age regardless of work experience.

(g) Elders: Those over 72 years of age.

These categories are intended to exhaust the adult population and to provide groups that are meaningfully different in their labor force affiliation.[21] The categories do not depend on the somewhat subjective and often transitory state of job-seeking activity, but are grounded firmly in past labor market activity. The categories are also not defined by sex or family status, which are becoming increasingly less useful as predictors of labor force behavior. They use instead the notion that past performance is the best simple predictor of future behavior in the labor market.

Another basis for classification is also important for understanding and monitoring the utilization of labor power. We need to know the distribution of adults by productivity and, therefore, propose that current or most recent wage or earning rate be gathered for this purpose. In terms of categories for tabulation, it would be sufficient to form three groups--low, medium, and high--using half the median wage and twice the median wage to demarcate the intervals. Those with no previous earnings could be assigned to the low category. This information could then be combined with data on excess supply to calculate Perry-type indices for gauging the amount of net productivity represented by those seeking changes in the amount of their paid employment.

The proposed framework would yield a great deal of information that is pertinent for understanding what is happening to labor supply, both in the paid employment sector and in the household sector. By observing movement in time use and excess supply in the various categories of adults it would be possible to make more informed judgments about the losses caused by insufficient demand for labor and about the opportunity costs of policies that affect the allocation of time, both between paid and unpaid activities and among the various categories of unpaid productive time use.

This sort of survey could be carried out within the basic framework of the Current Population Survey (i.e., a monthly survey, with a pattern of reinterviews, of a revolving panel of respondents). But we recommend that a careful study be undertaken to consider whether a substantially different design would be more effective in gathering this type of time use and work experience data. We presume that a statistical basis for monthly, or at least quarterly reporting, will continue to be required to provide timely indicators of aggregate economic performance. Perhaps the sample size could be decreased if there is a reduced need to provide detailed labor force data on small areas (see Recommendation III below). It should be added that the survey we envisage here does not have to be designed to provide multiyear longitudinal data. It should concentrate on collecting basic data for timely reporting on current labor allocation and utilization. While the data will be useful for a wide range of new analytical purposes, the major design emphasis should be on getting current statistical indicators. The more specialized national longitudinal survey samples can continue to be reserved for the analysis of individual and family labor supply behavior over time.

Recommendation III: Small Area Statistics. The problem of monitoring economic performance for detailed geographic areas has not been addressed in the main body of this paper or in the previous recommendations. It is clear that the need for timely local indicators of economic hardship and unemployment is one of the primary reasons for the establishment of this commission. We would like to suggest a wholly separate approach to this problem.

The Food Stamp program is a federal program which is universal in coverage for all and which uses a measure of current hardship for eligibility and size of benefit. We feel that data from the routine administration of this program augmented perhaps by limited additional reporting on the employment of members of beneficiary households provide a very promising source of data on small areas.

The number of units or persons receiving benefits and the total amount of benefits for a given area (such as a zip code area) could be readily used as a direct indicator of local hardship conditions. Even without modification we would conjecture that it is better than other readily achievable measures. There is some variation from place to place in participation rates, partly because of individual behavior and partly because of uneven administrative practice and outreach efforts. But to the extent that such differences come from the latter types of cause we would expect the use of Food Stamp data as a basis for fund allocation to lead directly to higher and much more uniform participation rates.

The most careful work on this has been done by Maurice MacDonald using the Michigan PSID data, from which he estimates a participation rate of just under 40%. But his estimates are for 1974.[22]

Since it was not until July 1974 that all counties had to offer Food Stamps, participation rates can be expected to have risen substantially since then. The current participation rate is not known, although it is known that there is substantial underreporting in the CPS of Food Stamp benefits received (as of other transfer income). A sample study of localities aimed at finding Food Stamp eligibles not enrolled would be a feasible way of validating and, if necessary, finding out how to modify the way we estimate participation and eligibility rates. It would also, for present purposes, provide a ready basis for inflating Food Stamp data to reflect the entire eligible group and substrata within it.

The basic criterion used for Food Stamp eligibility is similar to (although somewhat higher in level than) the poverty criterion. The size of benefits is related directly to the gap between a unit's income resources and the eligibility limit so that the size of benefit can be used to infer gradations of hardship. While it is always possible to quarrel with any specification of hardship, this one at least reflects recent legislative authority. At some cost in additional data processing, the same data for enrolled units could be used for calculating local hardship for various income cutoff levels. Some jurisdictions now use omnibus eligibility forms for Food Stamps and other income-conditioned programs which may afford additional data for such calculations.

We have so far spoken about a local area basis for the disbursement of funds designed to alleviate economic hardship. If the funds to be dispersed are for job programs for the unskilled, the Food Stamp data could also yield estimates of the extent to which the low income population who want jobs are unemployed.

We have not addressed the problem of full spectrum unemployment rates for local areas. Our only suggestion here is that data on the employment status of the Food Stamp recipient population could be used to augment the current local area estimates, which are restricted to covered employment, because the uncovered labor market is mainly the province of the low income population.

Finally, it would be possible to mandate all jurisdictions to get additional information about employment status from Food Stamp participants. This would permit monitoring the role of unemployment in fluctuations in the local hardship measure and could be used to direct employment program funds to areas where they would have maximum benefit.

In short, the Food Stamp program is a uniform, income-conditioned national program which offers an excellent basis for information about local economic hardship. It could be used to form simple or more sophisticated indices and could be augmented by minor changes in reporting requirements of beneficiaries. It has been proposed that the Food Stamp program be eliminated and this might seem to place a local area statistical program on a shaky footing. But proposed reform alternatives are also nationally uniform income-tested programs which could provide a similar data base. It seems highly unlikely that a program with as much acceptance as Food Stamps will be dismantled without the substitution of a program with similar coverage and potential for providing useful statistical by-products for local areas.

Recommendation IV: The Press Release Monthly Numbers. The public needs readily interpretable timely information on the state of the economy. How this need is to be satisfied is, admittedly, a hard problem.

As will be quite clear from the whole tenor of our paper we think the current practice of announcing the unemployment rate and then amplifying it by referring to all the women and youths that are involved is not only discriminatory but does not reflect what a labor market indicator should reflect--unused resources.

Perhaps the solution is to take the weight off any single number. Our suggestion would be to replace the overall unemployment rate with three numbers (which would be readily available if our Recommendation II is adopted).

First, the incidence of unemployment among the full-time experienced labor force (aged 21-71) should be noted. When the talents of full-time experienced workers are not being adequately exploited, everyone would agree that things are serious. Second, an indicator of overall unemployment should be noted, reflecting how many hours of offered employment (weighted by the wage rates at which they are being offered) are not being accepted by the market. Third, the monthly change in the total amount of time spent in job search might be noted.

To the extent that the public need a readily interpretable number reflecting the extent of economic hardship, we feel that the official poverty count should continue to be used (preferably with the more comprehensive coverage of income suggested in Recommendation I).

NOTES

[1]This is the percentage of first marriages for those born 1945-49 predicted to end in divorce. Paul C. Glick and Arthur J. Norton, "Marrying, Divorcing and Living Together in the U.S. Today," Population Bulletin, 32:5 (October 1977).

[2]The trends in marital disruption by death (down) have combined with the divorce trends to keep the percentages of ever-married women living with their first husbands fairly constant over this century--at about 70% for those aged 45-49 years, about 65% for those aged 50-54, and about 55% for those aged 55-64. Projections are that the divorce rate effect will begin to dominate the death rate effect by the 1990 Census. See Mary Jo Bane, Here To Stay: American Families in the Twentieth Century (New York: Basic Books, 1976), pp. 30-31.

[3]Bane, Here to Stay, Appendix Table A-4 and footnote (e) to that table.

[4]Fred Best and Barry Stern, "Education, Work, and Leisure: Must They Come in That Order?," Monthly Labor Review (July 1977).

[5]1975 appears in our statistics on youth instead of 1976 because the 1976 figures are not available in the 1977 Employment and Training Report for the breakdowns we need.

[6]Richard B. Freeman, "Over-investment in College Training?," Journal of Human Resources (Summer 1975).

[7]This may be truer for whites than blacks. Black youths' labor force participation rates have recently been declining. The Bureau of Labor Statistics monthly labor force survey is finding that, according to their mothers, a lot of these young blacks are in school. Julius Shiskin, "The Labor Market: Matching Up the Statistics and the Realitities," Challenge, 20:6 (January/February 1978).

[8]These statistics and those in Table 10 are taken from Anne McDougall Young, "Going Back to School at 35 and Over," Monthly Labor Review (July 1977), p. 44.

[9]Reaching Retirement Age: Findings from a Survey of Newly Entitled Workers 1968-70 (Social Security Administration, 1976), Research Report No. 47.

[10]Harold W. Watts and Felicity Skidmore, "An Update of the Poverty Picture Plus a New Look at Relative Burdens," Focus, 2:1 (Fall 1977; Institute for Research on Poverty, University of Wisconsin-Madison).

[11]U.S. Department of Health, Education, and Welfare, The Measure of Poverty: A Report to Congress as Mandated by the Education Amendments of 1974 (Washington, D.C.: April 1976), p. 98.

[12]Ibid., p. 32.

[13]The cash equivalent transfers included were from housing programs, Medicaid, Medicare, and Food Stamps. Robert D. Plotnick and Felicity Skidmore, Progress Against Poverty: A Review of the 1964-1974 Decade (New York: Academic Press, 1975), p. 174.

[14]The Measure of Poverty, p. 32.

[15]Ibid.

[16]Irwin Garfinkel and Robert Haveman, Earnings Capacity, Poverty, and Inequality (New York: Academic Press, 1977), p. 18.

[17]This cost is conceptually different and should not be confused with the budgetary cost of programs that pay benefits to relieve the economic hardship caused by the unemployment.

[18]For those who are currently unemployed, the last observed wage rate corrected for subsequent inflation is the appropriate measure.

[19]The single exception, as we noted in section 2 of the paper, is the problem of establishing equivalence between households in which the parent (or other adult) responsible for the care of children is working in the labor market and households in which that parent is working only in the home. This is a difficult conceptual problem which is only just beginning to be researched, so we have no specific recommendation for improvement.

[20]Theoretically, in-kind benefits should include all "public goods." We suggest, however, that the survey only concern itself with those benefits that have substantially different impacts across households. Most income-tested programs fall under this category and also the age-related benefits such as education.

[21]If the small area statistics are handled differently, as suggested in Recommendation III, there seems no particular reason, given the volunteer army, to treat the armed forces as a special category.

[22]Maurice MacDonald, Food, Stamps, and Income Maintenance (New York: Academic Press, 1977), p. 95.

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