1993

American families : policy issues

DaVanzo, J

Population Index

DaVanzo, J., Rahman, M Omar, Wadhwa, K.T. (1993). American families : policy issues. Population Index 59(4):547-566

CURRENT ITEMS

AMERICAN FAMILIES: POLICY ISSUES

Julie DaVanzo, M. Omar Rahman, and Kul T. Wadhwa*

Abstract: Increases in the number of children living in single-parent (usually female-headed) households and in the proportion of mothers who work outside their homes have raised concern in the United States about the effects of these trends on the well-being of children and the possible need for policy intervention. This paper discusses the arguments for and against policies that affect families. We review a number of such policies and what research suggests about their likely effects. The policies discussed herein include those concerning child support, welfare, income taxes, child and dependent care, family leave, family planning, programs to improve parenting skills and family function, and economic growth.

There have been dramatic demographic changes in the last four decades that affect many aspects of American family life. Those that are particularly relevant to this discussion are (1) the substantial increase in the percentage of single-parent (especially female-headed) households, due both to high rates of divorce and increases in the proportion of births occurring outside marriage, and (2) the steady increase in work outside the home by women at all stages of family formation. In a companion paper (DaVanzo and Rahman 1993), we reviewed the nature of these trends and the concerns they raise about the well-being of many Americans, especially children.

In this paper, we discuss issues relating to the role of public policy as a response to these fundamental transformations in American families. We discuss the arguments for and against policy intervention in family issues; preventive versus ameliorative policies; and some key policies that may affect families, the rationales behind those policies, and their likely effects.

Should Public Policy Be Involved in Family Issues? Arguments for and Against Policy Intervention

In most modern societies, the state has taken on or assisted with some of the functions historically performed by families, providing services including education, health care, and aid to dependents. The rationale is that every individual benefits when other members of society are helped. Reductions in crime occur when people are educated, there are improvements in public health when contagious diseases are controlled, and economic productivity is maintained when the current generation of children is able to join the work force. Another rationale for such public policy measures is the premise that the changes that have taken place in the last few decades have resulted in somewhat dysfunctional family structures, with deleterious effects for many individuals, particularly children, and perhaps for society as a whole. Some feel that families are not doing a good job of dealing with these issues, and that there is accordingly a need for public policy intervention.

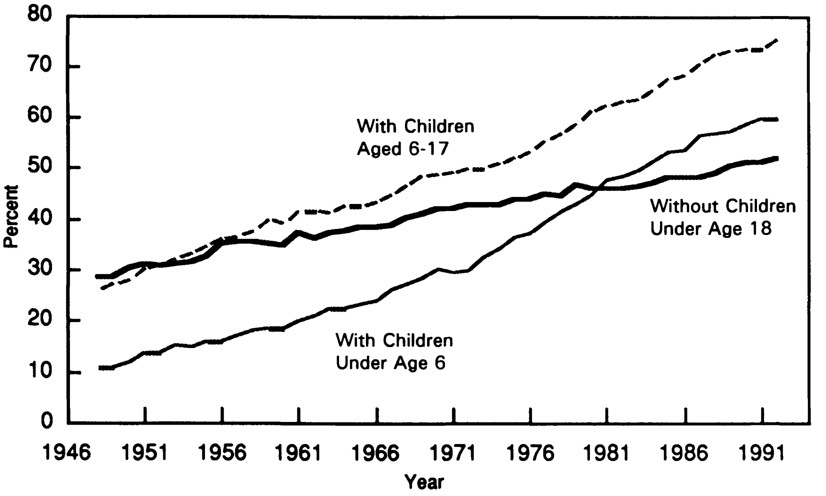
Concern about the decline in some aspects of the well-being of children has focused on the purported consequences of (1) the rise in single-parent families, which many believe

* RAND, 1700 Main Street, Santa Monica, CA 90407-2138. Address correspondence to DaVanzo.

POPULATION INDEX

VOL. 59 **WINTER 1993** NO. 4

LABOR FORCE PARTICIPATION FOR MARRIED U.S. WOMEN OVER AGE 16 WITH AND WITHOUT CHILDREN UNDER AGE 18: 1946-1992



SOURCE: Julie DaVanzo and M. Omar Rahman, "American Families: Trends and Correlates", Population Index 59(3), Fall, 1993. (A companion paper appears in this issue).

OFFICE OF POPULATION RESEARCH, PRINCETON UNIVERSITY
POPULATION ASSOCIATION OF AMERICA, INC.

US ISSN 0032-4701

leads to greater poverty (at least in the short run) and, possibly, social maladjustment for children, and (2) the rise in women's labor force participation, leading to worries about the lack of adequate parental supervision of children. There is concern that children in these "dysfunctional" family arrangements may become less productive adults, reducing future economic growth and imposing substantial costs for income maintenance and health care, as well as those costs associated with crime and delinquency. For example, the current generation of middle-aged adults ought to have a strong interest in investing in today's youth, whose future incomes will help pay for Social Security and health care programs for their elders. However, children (the group at the heart of this concern), are not an organized political force,[1] while the older population has been very successful in demanding public attention and generating support for its own needs. Some commentators have claimed that a falling share of households with young children, coupled with increases in those made up of older people, has resulted in a reordering of public priorities in favor of the elderly (Preston 1984).

Many Americans are uncomfortable with public policies and programs that deal with family issues for a variety of reasons. With regard to policies and programs that benefit children (and hence families with children), some would argue that people choose to have children and should, therefore, bear the consequences of those decisions. As Loeber and Stouthamer-Loeber (1986, p. 128) note: "Some people think *any* type of intervention in families undermines people's right to privacy." Furthermore, some feel that family structure *per se* does not have much of an effect on children's well-being. More recent studies do suggest that earlier studies overstated the adverse consequences of being born to a teenage mother or living in a single-parent family; nonetheless, these children still appear to fare worse in a number of dimensions (DaVanzo and Rahman 1993). There is also the question of whether some public programs merely substitute for familial support. For example, an analysis of the Unemployment Insurance program shows that unemployment compensation displaces familial support by as much as 30 cents to the dollar (Schoeni 1992). Studies have shown that home-based health care tends to displace private support. Hence, government programs may, to some extent, discourage intrafamily transfers.

Family issues are very personal and often deal with social or moral concerns that make them particularly controversial. For example, many are uncomfortable with programs that acknowledge (and therefore may be perceived to legitimize or encourage) sexual behavior outside marriage, especially by younger adolescents. Many feel that these are issues that should be handled within the family, rather than by schools or other public programs. As another example, some feel that mothers of young children should stay home with their children and not work outside their homes. There is much discussion about the appropriateness of using government policy to favor particular family choices, as the debate on "family values" during the 1992 presidential campaign showed so vividly.

In a multicultural society like that in the United States, there is less consensus about such issues than in European countries, which tend to have more policies dealing directly with family issues (Moen and Schorr 1987). There is no consistent U.S. family policy, in part because of a lack of consensus about what the goals of such a policy should be. Instead, families are affected by a patchwork of typically uncoordinated governmental and nongovernmental programs that operate at the local, state, and federal levels.[2]

Many "family" policies subsidize one subgroup of the population at the expense of others, raising questions of equity. For example, dependent-care benefits subsidize workers with young children or with elderly parents in need of care at the expense of those without such dependents. Aid to Families with Dependent Children (AFDC) primarily benefits poor female-headed households with children, while some child-care policies benefit only working mothers or only couples with children. Other social programs or job benefits, however, such as health insurance and contributions to pensions, help older workers more than younger ones. Employers are increasingly offering "cafeteria-style", or flexible benefit, plans that enable employees to choose the "menu" that best suits their needs. Such plans enable employees to eliminate duplicate and unwanted coverage and should promote more cost-effective choices.

Policies that seek to be more universal, such as allowances directed at all families with children, have great political appeal, but they potentially benefit a fairly large portion of the population (over one-third of all households contain children under age 18); hence, their costs could be enormous. For example, the $1,000-per-child tax credit recommended by the National Commission on Children in 1991 was estimated to cost $40 billion per year (National Commission on Children 1991). As Social Security and Medicare have shown us, once such programs are in place, it is extremely difficult politically to cut them back.

Growing concern about the size of government budgets has generated proposals to reduce spending on costly government programs, including some that benefit children or the elderly. It is very expensive to expand benefits to all worthy families, and regardless of how eligibility rules are designed, all levels of government are facing budget constraints that are unprecedented in the postwar period.

Some benefits supportive of families, for example health insurance or family leave, are often provided by employers. Such programs may help firms attract workers in times of labor shortage, but may be less attractive during lulls in the economy. Critics complain that mandatory policies that require employers to provide such benefits will increase substantially the costs of doing business, making American business less competitive relative to foreign firms, and small businesses less competitive with larger ones. The United States is the only country that burdens its employers with such a high percentage of health insurance costs.

Preventive versus Ameliorative Policies

Public policies to deal with the changes in the American family can take one of two forms: (1) preventive policies that attempt to reverse or retard the demographic behaviors that are believed to lead to adverse outcomes, or (2) ameliorative ones that attempt to affect the outcomes of interest directly. Examples of the first, or preventive, type would be policies that attempt to reduce the number of births to unmarried women through sex education, family planning programs, or improved access to abortion; or reduce the probability of divorce by increasing its cost.[3] Examples of the second would be programs or policies that target transfer payments or job training to poor female heads of households. These ameliorative programs can take the form of cash transfers, in-kind benefits, or both.

Since poverty is one of the key reasons why many children are not faring well, one policy objective could be to try to increase the incomes available to poor families with children. For example, if the problem is that young mothers are unable to afford decent child care on their current incomes, they probably cannot afford many other necessities either. It may be more efficient to do something about their earning power (or supplement their incomes) and let them arrange child care for themselves, especially if one presumes that mothers are likely to be the best judges of quality in a local and personalized service market.

On the other hand, there are a number of reasons to consider tackling the problems of children directly. First, there is no guarantee that increased family incomes will benefit the child, although evidence suggests that parents do spend a significant portion of increased income on their children (Lazear and Michael 1988). Second, lack of income *per se* may not be the only reason some families are having difficulty raising children. They may lack information about services, or be without adequate parenting skills. In addition, direct programs may benefit society as a whole: drug programs can reduce crime and health services can improve public health. These benefits justify providing the service even if individuals are not spending their own money to obtain it. It was for these types of reasons that food stamps and Medicaid were added as complements to AFDC several decades ago. One strategy for helping people perceived to be in need is to provide in-kind benefits or to mandate that cash benefits be used for particular purposes.

The high costs of ameliorative programs are often an impetus to efforts to encourage preventive ones. This is particularly true for ameliorative programs from which many individuals do not expect to benefit directly at sometime in their lives (e.g., contrast AFDC with Social Security). For example, programs to prevent adolescent pregnancy may be less expensive than the estimated $20 billion spent in 1988 on welfare, Medicaid, and food stamps for unmarried teenage mothers and their children (Mott Foundation 1991). Similarly, prenatal care, especially for high-risk groups, could reduce the need for publicly funded neonatal care for indigents.

It can be argued, however, that some ameliorative programs may unintentionally change incentives. For example, programs such as AFDC that attempt to improve the lot of children of unmarried mothers may decrease the cost of a woman becoming an unmarried mother, though the evidence suggests that these effects are relatively small and by no means account for the extent of the increases in female-headed households or in nonmarital childbearing (Moffitt 1992). (In fact, average per-recipient inflation-adjusted benefit levels for AFDC have fallen since 1968 and total real benefits from AFDC, food stamps, and Medicaid have fallen since the mid 1970s. Rather, it is the increase in the number of female-headed households that has led to the overall increases in real expenditures on these programs.) Some recent policy proposals have sought to remove such incentives and to modify the behavior of the beneficiaries in more desirable directions, although this raises inevitable questions of what are "socially acceptable" behaviors and whether "social engineering" is an appropriate role for government. For example, some welfare-reform proposals do not provide additional benefits if a woman bears a child out of wedlock while on welfare, or withhold benefits if parents do not pay their rent. Some would argue that such incentives will encourage more responsible behaviors, while others contend that such provisions punish children for their parents' actions.

There is considerable difference in opinion about whether government policies or the state of the economy are likely to have much effect on the demographic trends that have led to an increasing proportion of children living in single-parent families. While some, e.g., Bane and Jargowsky (1988), argue that low fertility, declines in marriage rates, and high divorce rates appear to be well-entrenched phenomena that are relatively insensitive to government policies and the existing economic climate, others conclude that both policies and the economy may affect some demographic behaviors. For example, studies have found that receipt of AFDC and Medicaid benefits increases the probability that a pregnant teenager will continue her pregnancy and keep the baby (Leibowitz, Eisen, and Chow 1986; Serrato 1990); that family planning programs, school-based clinics, and access to abortion can reduce teenage fertility (Hayes 1987; Serrato 1990); and that changes in employment opportunities for women have been one reason for the long-term decline in fertility and for cyclical variations therein (Butz and Ward 1979).

Some Key Policies That Affect Families

In this section we discuss some main policies in place or under current discussion that may affect families, the rationales behind those policies, and their pros and cons and likely effects. Topics discussed herein include:

(1) child support by non-custodial parents,
(2) welfare,
(3) income taxes,
(4) child and dependent care,
(5) family leave,
(6) family planning and abortion,
(7) programs to improve parenting skills and family function, and
(8) economic growth.

Child Support by Non-Custodial Parents

As noted in DaVanzo and Rahman (1993), the primary cause of the decline of family income following divorce is the inadequacy of child support by the non-custodial parent, typically the father. Efforts to increase the income available to female-headed families through better enforcement of child-support orders have become quite popular politically because they can (1) increase the income available to children, (2) potentially reduce welfare payments (and hence save government money) (e.g., see Meyer 1993), and (3) serve as a deterrent to the fathering of children out of wedlock. Mandatory child support may also increase fathers' child-rearing roles, though there are questions about whether mandatory child support automatically deducted from wages will lead to greater involvement by fathers in the same way that voluntary payment is associated with greater contact with children (e.g., see Beller, Graham, and Hernandez 1993).

A number of states are experimenting with mandatory child support, withheld automatically from the paycheck of the non-custodial parent, and are establishing simple rules for determining support levels. The 1984 Child Support Amendments authorized mandatory wage withholding of child support when the absent parent is delinquent in making payments, and required states to develop guidelines for establishing child-support awards. There has also been discussion of using the Internal Revenue Service (IRS) to help collect payments from nonpaying fathers. These approaches raise a number of practical problems, including the feasibility and administrative burden of trying to keep track of the non-custodial parent. Given the potentially high geographic mobility of non-custodial parents, cooperation and coordination among the states is needed. There are also potential problems with self-employed fathers and fathers who never married.

The Family Support Act of 1988, which mandated stronger state child-support enforcement programs, attempts to deal with some of these problems. It requires automatic withholding of child support, periodic review of support orders (so that the award keeps up with increases in the cost of living), improvements in states' efforts to establish paternity, and better efforts to track and monitor support payments within and across states. It also authorizes a demonstration project to provide education, training, and job services under the Job Opportunities and Basic Skills Training (JOBS) Program to non-custodial parents who are unable to pay child support because they are unemployed. Some states (e.g., Wisconsin) have experimented with making the parents of unemployed teenage fathers responsible for supporting their grandchildren, but this has proven to be difficult to enforce.

Research has shown that new child-support collection guidelines have the potential to increase child-support income considerably, but they may only have modest effects in reducing poverty and welfare dependence in the absence of efforts to increase the number of awards (e.g., by establishing paternity) (Garfinkel, Oellerich, and Robins 1991). However, a child-support assurance system that includes a uniform child-support standard, automatic wage withholding, minimum standards for child-support benefits, a wage subsidy for the custodial parents, and a surtax on custodial parents who receive a public subsidy is likely to significantly reduce poverty as well as welfare caseloads (Garfinkel et al. 1990).

Welfare

Aid to Families with Dependent Children (AFDC)

Female-headed households with children have lower incomes not only because they lack the father's income, but also because single mothers earn lower wages than married fathers and work fewer hours on average. Poor mothers who are not currently married are eligible for Aid to Families with Dependent Children (AFDC) and for the related programs of food stamps and Medicaid.[4] The last provides health-care benefits that are often superior to those that would otherwise be available to low-income families. In 1984, over half of non-elderly single-parent families received some kind of public assistance and over one-quarter received AFDC, food stamps, and Medicaid (and often other benefits as well). By contrast, only 18% of non-elderly two-parent couples received any benefits from public programs, and most of these were benefits other than AFDC, food stamps, or Medicaid (Moffitt 1992).

In about half the states, AFDC benefits have been extended to poor two-parent families through the AFDC-U or AFDC-UP (unemployed parent) program, in an attempt to eliminate any incentive for a couple to split up in order to qualify for welfare. Studies have estimated, however, that such incentives account for no more that 10% to 15% of the changes in family structure in the last several decades (Moffitt 1992). Nonetheless, extension of welfare benefits to married couples with children can help reduce child poverty, since around 40% of poor children live in two-parent families.

AFDC alone is not sufficient to bring a family's income above the poverty line. In 1987, across U.S. states, AFDC benefits ranged from 13% to 79% of the federal poverty income level (Axinn and Stern 1987) and two-thirds of the states paid less than 50% (Van DeVeer 1987). Furthermore, as noted above, average real (i.e., inflation-adjusted) AFDC benefits per recipient have fallen since 1968 and total real per-recipient benefits from AFDC, food stamps, and Medicaid have fallen since the mid-1970s. Although AFDC alone might not be sufficient to bring a family's income above the poverty line, the value of the package of AFDC, food stamps, and Medicaid often exceeds that available to poor households from low-wage jobs, especially after payment for child care, medical insurance, transportation, and other work-related expenses. Widows with nonadult children, who comprise a relatively small fraction of all single mothers, are also eligible for Survivors Insurance (SI). In 1983, AFDC and SI accounted for an average of 15% of the income of mother-only families for whites and 25% for blacks (McLanahan and Booth 1989).

Early welfare programs were designed to provide widowed mothers with dependent children with enough money to live on so that they did not need to work outside their homes. These programs deemed mothers of young children "unemployable", and heavily "taxed" any earnings by reducing welfare benefits. It is now much more socially acceptable for mothers of young children to work. Many current government programs strongly seek to encourage work and discourage welfare dependency. As noted in DaVanzo and Rahman (1993), most studies have concluded that once a child is beyond infancy, there are no net adverse effects of having a working mother. Furthermore, there are now many more single-parent families than in the past, and the vast majority of them are not the result of the father's death.

Recent Welfare Reforms

The major recent welfare reform effort is the Family Support Act (FSA), which was passed in 1988. The FSA seeks to eliminate the incentives present in earlier income-support programs that discouraged work and were perceived to encourage welfare dependency. The FSA requires each state to set up JOBS programs that include job searches, work experience, and education and training for welfare mothers. Failure to participate in these activities can result in a loss of welfare benefits. The program is also supposed to provide child-care support and transportation to eliminate these obstacles to work, and to provide child-care and Medicaid benefits for a year to those leaving welfare to join the work force. This provision recognizes that health care is an important benefit that may make many women hesitant to leave welfare, especially since their post-welfare jobs may not include such coverage. Under the FSA, states are required to give JOBS priority to the groups at highest risk of long-term welfare dependency (e.g., parents under age 24 who have not completed high school). However, many provisions of the program have proven to be costly and have not been adequately funded. Furthermore, jobs have been scarce in the current economy, and there is considerable difference of opinion about whether the government should become the employer of last resort for welfare recipients who are unsuccessful in finding employment in the private sector.

JOBS was modeled in part after Greater Avenues to Independence (GAIN), a welfare-to-work, or "workfare" program begun in California in 1985 and currently the nation's largest welfare-to-work program. GAIN requires that poor mothers and some jobless fathers with children who are at least three years old go back to school or look for a job. A recent evaluation of GAIN suggests that the program can increase the earnings of welfare recipients and save government money, but that it is least effective in areas where jobs are scarce and where the welfare population has little education or recent job experience (Friedlander, Riccio, and Freedman 1993).

Many recent welfare-reform proposals, however, have put less emphasis on training and supportive services, and more on reducing the welfare rolls and the costs of public assistance. These proposals have been frequently combined with efforts to modify the behavior of the recipients. An example of a proposal containing these features is the welfare-reform initiative, Proposition 165, which was recently on the ballot in California. This proposal would have reduced welfare payments to dependent mothers with children by 10% immediately and by another 15% after six months for any household with an able-bodied adult. It would have required teenage mothers to continue living with their parents and would cut their grants if they dropped out of school. No extra benefits would have been available for children born while the mother was on welfare. Furthermore, increases in welfare benefits would have been tied to the state's revenue growth, rather than occurring automatically with increases in the cost of living. Welfare families moving to the state would have been given only a level of benefits equal to that received in their previous area of residence. A number of other states, including Wisconsin, New Jersey, Massachusetts, Ohio, and Vermont, are experimenting with or considering similar types of incentives. Some states, such as Maryland, have proposed additional features such as withholding benefits if parents fail to pay rent, do not get preventive medical care for their children, or if the children are truant from school (Kosterlitz 1992). Conservatives argue that such incentives will encourage more responsible behavior. Many liberals, however, believe that such incentives have little effect and see such proposals as punishing children for their parents' behavior; furthermore, they worry that without provisions to improve participants' job skills, such programs will do little to deal with the underlying causes of poverty. Moreover, states such as Wisconsin that have experimented with similar types of behavior modification incentives have sometimes found them difficult to enforce (Kosterlitz 1992).

Income Taxes

In recognition of the private costs and social benefits of raising children, several policies have sought to increase the disposable income available to families with children. Some of these, such as the Earned-Income Tax Credit (which was increased substantially in 1990), benefit the working poor who might otherwise apply for welfare. The new Clinton budget plan (passed in August 1993) enlarges the credit beginning on January 1, 1994; for the first time, it will also apply to workers with no children and to those whose children live with the other parent. Other proposals have not been restricted to families in which at least one parent works, and some have proposed tax credits for all families with children, regardless of income or family structure. For example, the bipartisan National Commission on Children, chaired by Senator Jay Rockefeller, recommended a $1,000-per-child tax credit (refundable to those who owe no taxes) for all families. This would replace the current dependent exemption. One rationale for such a policy is that the dependent exemption for children has not kept up with inflation and has declined dramatically as a percentage of per capita personal income (from an average of 42% in 1948 to 11% in 1990). Furthermore, a tax credit is seen as more progressive than an increased exemption, since the value of the latter increases with income. The estimated cost of a tax-credit program is $40 billion per year. Given this hefty price tag, some feel that such a program should be a substitute for, rather than a supplement to, welfare; in that case, however, poor children would not be helped any more than those not in poverty.

Tax policy can also affect marriage and whether wives work. The United States is one of only several industrialized countries that bases federal income taxes on family, rather than individual, income. Under current U.S. tax law, many two-earner couples pay more in taxes than they would if they were single. This may discourage both working by wives and marriage for couples where both partners want to work (Stapleton 1992). Moreover, under the new Clinton tax law, this "marriage penalty" has increased, making divorce an economically beneficial option for some couples who want to reduce their taxes. Hence, the federal tax system no longer takes into account the fact that providing a given standard of living is more costly for women working outside their homes. Lazear and Michael (1988) estimate that when the mother works outside the home the family requires 25% to 30% more income to maintain the same standard of living they would have if she weren't working. This extra income covers lost home production and expenses directly related to employment, including child care (although a portion of child-care expenses is deductible).

Child and Dependent Care

Rationales for Policies Regarding Child Care

Recent demographic and economic changes have made child care a matter of concern for many Americans. Rising women's wages, the greater difficulty of supporting a married-couple family on only the husband's earnings, and the increasing number of unmarried mothers have led to more mothers working outside the home sooner after giving birth. As seen in our companion paper (DaVanzo and Rahman 1993), the proportion of working mothers with children under the age of six has risen from 11% in 1948 to 60% in 1991. In addition, over half the children under six with working mothers are cared for by nonfamily members (Marx 1989; Hofferth et al. 1991), and it is expected that this trend will continue (Hofferth and Phillips 1987).

Increased life expectancy of the older population potentially increases the number of adult children with responsibilities for aging parents. Research suggests that some middle-aged women reduce their work effort to care for their elderly parents or parents-in-law (Wolf and Soldo 1992). Recently, some child-care programs have been extended to cover all legal dependents.[5]

As a result of these trends, government involvement in the provision and regulation of dependent care has become an important political issue. The arguments for public subsidy of dependent care are several. First, subsidized child care may make possible greater participation of mothers of young children in the labor force; these women's earnings can be used to support themselves and their children. Child-care subsidies can reduce welfare costs by providing an incentive for employment among potential welfare recipients. Several studies (Connelly 1992; Blau and Robins 1989) show that labor force participation is negatively related to child-care costs. An additional benefit of many dependent-care programs is the creation of employment for those who provide care, although the wages paid to such workers tend to be very low. Furthermore, organized child care has provided a natural medium for both preschool development of cognitive skills and nutritional improvement, providing a more enriching environment for some children than they would experience if they were left with older siblings, neighbors, or even alone (latchkey kids).[6]

Opponents argue that government involvement in dependent care hinders the processes of a free market system—that such care is like any other consumption good that should be purchased according to market prices—and that parents know what is best for themselves and their children and should be free to choose the type of child care that they prefer. The costs of conforming to government regulations may also lead providers to increase prices and therefore reduce access. Some oppose subsidies for child care because they feel that young children should be at home with their mothers.

Supply and Demand Subsidies

Even people who believe that the government should have some role in dependent care often disagree about what that role should be. One debate concerns the extent to which government funds should subsidize the supply of dependent-care services (provider-oriented policy) versus the demand for those services (consumer-oriented policy) (Robins 1992).

Supply subsidies are given to dependent-care providers, who in turn can reduce the price of their services. During 1984-1985, it is estimated that 60% of children under six years of age were in child-care arrangements outside their own homes and thus theoretically affected by such policies (Marx 1989). Supply subsidies are also used to raise and standardize the quality of services. One example is the Child Care Food Program, which provides funds to licensed child-care centers that meet certain nutritional standards. Proponents of tying supply subsidies to federal standards for child care argue that there is a direct correlation between specific features of child care (such as staff training, space, safety, and staff-child ratios) and the emotional, social, and psychological development of children. However, Waite, Leibowitz, and Witsberger (1991) show that parents may not be willing to pay much for the characteristics that indicate quality care (e.g., high staff-to-child ratio, and trained teachers) as defined by child development experts. Parents do appear to have preferences regarding convenience and shared religious or cultural values. Part of the problem is the lack of agreement about what constitutes good care, and therefore, whether the government should be setting standards that must be attained before providers can receive government subsidies. Most people would agree that stable arrangements with experienced care givers taking care of relatively small numbers of children in a healthy, safe setting are desirable, but reaching a consensus on the details is difficult. Furthermore, child-development research suggests that children's needs vary with their age (Waite, Leibowitz, and Witsberger 1991). A high adult-child ratio is particularly important for infants and toddlers, while the stimulation provided by other children, trained adults, and appropriate equipment is important for older preschoolers. In trying to ensure uniform quality, costs will inevitably rise, and this may decrease access for low-income families. Opponents contend that government designation of providers as subsidy recipients unnecessarily restricts consumer choice. For example, Walker (1992) has shown that a rise in price in the regulated sector leads to increased use of the unregulated sector.

Demand subsidies go directly to parents and allow them to spend the money for any type of care they choose. Some parental costs for child-care services are offset with tax credits or deductions. Taxpayers can then use the money on varied forms of child care. The Child and Dependent Care Tax Credit is an example of a demand subsidy. This credit is an attempt to provide families with more income to take care of their dependents without the government becoming directly involved in the provision or supervision of that care, and it does not favor particular types of dependent-care arrangements. However, there is no requirement in this program that the increase in income be used for expenditures benefitting dependents, though evidence suggests that a substantial amount of family income is spent on children (Lazear and Michael 1988).

Tied up in this debate is the question of whether government should stress expanded access to dependent-care providers, focus on the issue of affordability, or address quality-of-care concerns. Demand subsidies primarily address issues of consumer choice and access, while supply subsidies address affordability and quality-of-care issues. To some extent these are competing goals. If all child-care centers employed only trained child-care specialists, the cost would rise, making it uneconomical for some families to use such care. Moreover, supply subsidies are tied to federal criteria to standardize child-care quality, while demand subsidies allow parents to seek out providers that they personally favor. This, in turn, promotes a myriad of child-care arrangements of varying quality.

Federal Funding and Programs

Currently, most funding for child-care programs comes from the federal government, although states and even some cities, towns, and businesses also provide some support.[7] Since there is no single agency responsible for coordinating child-care programs, the relative contribution of each level of government is unknown. The majority of federal child-support money is actually administered by state agencies. With the exception of Head Start, for which states must meet certain standards in order to receive federal funds, quality control is left up to individual states. The result is a large variation in requirements. For example, of the 28 states that stipulate a maximum child-staff ratio for infants under six months, the ratio varied from 3:1 to 12:1 in 1988 (General Accounting Office (GAO) 1989). States also differ substantially in their overall tax policies and in the types and amounts of subsidies offered. Of the 29 states that offered a child-care tax subsidy in 1988, the maximum benefit varied from $39 in Arizona to $1,440 in Minnesota. Total state spending concerning child care varied from $0.55 per child under 18 in Idaho to $47.71 in California. The District of Columbia, however, spent far more than any state—$108.38 per child.[8]

The GAO (1989) estimated that in 1988 federal spending for child-care or related services exceeded $6.6 billion, and was provided by 46 different programs. However, four programs accounted for 89% of the total: the Child Care Food Program (9%), the Social Services Block Grant (10%), Head Start (18%), and the Child and Dependent Care Tax Credit (52%).

The Child Care Food Program, which was expanded in 1975 from day-care centers to include family and group day-care homes, provides subsidies for nutritional assistance to child-care providers serving needy children. Subsidies are provided only when the providers are in compliance with state quality regulations. Opponents argue that financially ineligible children are also benefiting from the subsidies because the subsidies are given directly to the providers, who in turn sometimes pass on the benefits. But preventing this may lead to increased costs and administrative complexity, reducing the number of child-care centers that participate. Lower participation rates in the food program were observed when a means test was implemented (Kahn and Kamerman 1987).

The Social Services Block Grant (SSBG) is a federal program administered by the states that provides direct subsidies for the care of low-income children. With the SSBG, the state can either pay the provider or give parents a subsidy that is used to purchase care; the choice of demand or supply subsidies is at the independent discretion of each state. Opponents contend that because the SSGB is provided to the states without any constraints and reporting requirements are minimal, the program contributes to inconsistent child-care policy with inadequate standards and regulations. Kahn and Kamerman (1987) assert that many states have reduced their efforts at monitoring and enforcing standards or have lowered the original federal standards. But proponents emphasize that this subsidy allows for a far wider range of options because quality is a subjective criterion.

The Head Start program, begun in 1965 as part of President Johnson's Great Society, is a child development and education program for disadvantaged children, intended to raise their future prospects. Many parents with children in Head Start are now looking for work or are currently employed, and are in need of care for their children beyond the limits of the program. Head Start is therefore working in conjunction with other providers to better meet those needs. All children living below the poverty line are eligible for Head Start. However, in 1990, the program reached only 20% of them. Additional funding is needed, not only to increase the number of participants, but also to maintain program quality. Some research has demonstrated good long-term outcomes for children who go through the program (Darlington et al. 1980). Since participants seem to be more likely to finish school and have jobs and are less likely to become pregnant as teenagers, they are less likely to become the head of a poor family themselves or to need remedial education later on. Some have estimated that every dollar invested in Head Start saves $6 in special education, repeated years of school, welfare, and crime costs (Children Now 1989). Others have suggested that the 6:1 benefit ratio is a severe overestimate and that evaluations of Head Start actually show mixed results (see Kahn and Kamerman 1987). A recent study, using state-of-the-art methodology that controls for the selectivity of participation in the program, finds that Head Start generally has positive effects on a broad range of child outcomes, but that the effects differ across racial and ethnic groups (Currie and Thomas 1993). Head Start has a high staff-to-child ratio and dedicated and well-trained staff. It is unclear whether less-intensive programs would be as cost-effective. Moreover, the prospects for expansion while maintaining quality remain questionable.

The Child and Dependent Care Tax Credit (originally the Child Care Tax Credit, but subsequently expanded to include other dependents) is a demand subsidy that provides a tax credit for working individuals for the care of their legal dependents; the money may be used at their discretion. These benefits have grown dramatically and account for almost all of the $2.1 billion increase in federal assistance for child care between 1977 and 1988 (GAO 1989). All families with some tax liability can receive 20% to 30% (depending on income) of dependent-care costs. If the income of a family is $10,000 or less, the credit is worth 30% of expenditures on dependent care; the rate declines one percentage point for every additional $2,000 of income until it is held constant at 20% for families with incomes above $28,000. In 1993, the maximum amount of dependent-care expenses to which the credit could be applied was $2,400 for one dependent and $4,800 for two or more. This program is mildly progressive in that low-income families receive a slightly higher percentage credit. However, higher-income households have been able to claim an increasingly larger share of the benefits because such families tend to pay more for dependent care. Families that do not pay federal income tax cannot claim the credit. Proponents of tax credits argue that they enable more women to work outside the home, thus increasing the gross national product. Averett, Peters, and Waldman (1992) conclude that the tax credit has led to increases in the hours supplied to the labor market by married women with children under age six.[9] But reducing child-care costs and tax benefits also reduces the opportunity cost of having children and thus may increase fertility (Blau and Robins 1989). Others (Hofferth and Wissoker 1992) are concerned that subsidizing paid care will result in families relying less on their own resources. To date, there is little evidence substantiating either of these possibilities.

Federal spending on child care increased from $4 billion in 1977 to $6.6 billion in 1988 (in constant 1988 dollars). Almost the entire increase, as mentioned previously, resulted from expanded use of the Child and Dependent Care Tax Credit by higher-income families. The GAO estimated that in 1977 about 83% of the total was received by low-income families, but that by 1988 this figure had fallen to 53%. Although funds for low-income families' child-care tax credits increased, the increase has been outweighed by a decrease in the Social Security Block Grant and other child-care purchase programs. Thus, 3% less was spent on programs designed to specifically help low-income families in 1988 compared with 1977 (GAO 1989).

Since 1987, legislation has been introduced at a rapid rate at both the federal and state levels (Robins 1992). Many bills have called for new programs or increased spending under existing ones. For example, under the Family Support Act (FSA) of 1988, states are supposed to provide child-care services to those participating in the JOBS program. Under FSA/JOBS, welfare recipients are also supposed to be provided with up to one year of child-care aid as transitional help after becoming employed, though the funding for this has been inadequate. Also, with increased participation in the work force of mothers on welfare, Head Start is also receiving additional funds to expand in accordance with the national goal of serving all eligible low-income children by 1994.

Child-care legislation enacted in 1990 allocates an additional $22 billion to child-care-related programs within a five-year period. A Child Care and Development Block Grant will provide $2.5 billion to the states to expand the supply of care and education as well as help families pay for care. Other allocations include an expansion of the Earned-Income Tax Credit ($12.4 billion), a child-health tax credit ($5.2 billion), child-care assistance to mothers on welfare ($1.5 billion), and a refundable tax credit for families with children under age one ($0.7 billion) (Blau 1991). This spending increase is especially noteworthy when one considers the efforts to trim the overall federal budget.

Family Leave

Another set of policy initiatives tries to involve employers in accommodating the family responsibilities of their employees in the form of family leave, typically unpaid leave that would be available for childbirth, the arrival of an adopted child, or serious illness of a child, spouse, or parent. As more women work full-time outside the home, the demands of the workplace increasingly come into conflict with the demands of the family, both for women and for men. Employers seem to be becoming more sensitive to the fact that their employees have to make tradeoffs between family and work responsibilities. As with all other pro-family initiatives, this also raises a number of issues.

The changing demographics of the workplace have prompted many individuals and groups (e.g., labor, trade, family, and civil rights organizations) to pressure the government to establish leave policies that will assist Americans in meeting their obligations both to their careers and to their families by lessening the degree of conflict between the two. Several writers (Kamerman and Kahn 1987) point out that until recently the United States was alone among industrialized nations in not having some form of parental leave provision. In Sweden, nine months of paid leave are provided by the government to one parent of each newborn infant (Moen 1989), and many other countries have a minimum paid leave period for working women (Kamerman 1988).

In the United States, a number of states, localities, and businesses have had leave policies for several years, but these policies vary considerably. Therefore, proponents of family leave have deemed a national policy necessary to guarantee a consistent minimum standard.

Pros and Cons

Supporters argue that such policies promote greater job satisfaction, decreased turnover, and long-term job loyalty. Proponents, including American Bar Association President John J. Curtin, Jr., contend that failure to provide leave results in costs to society in terms of increased claims for unemployment compensation, increased need for AFDC and Medicaid benefits, and increased disruption and training costs for employers (McMillion 1991). Furthermore, a potential benefit of such policies, such as the economic implications of fewer children dropping out of school, may appear many years later and not be captured by the particular employee and employer who incur the cost of the program.

Opposition to parental leave policies primarily comes from the business community, which is concerned about lost productivity, health insurance costs for employees on leave, replacement training, and other adjustment expenses. Small businesses may not be able logistically to handle such absences and may respond to mandated parental-leave provisions by discriminating against employees with dependent family members. But studies in the more than 20 U.S. states that already provide such leaves show that in some cases the costs have not been as high as feared and that the expense of hiring replacements may actually exceed that of keeping jobs open for experienced employees. Some commentators (Kamerman and Kahn 1987; Cherlin 1988) have also pointed out that parental leave amounts to a subsidy for selected groups of workers with young children or with elderly parents in need of care; these groups would be subsidized by individuals without dependents or those who have made alternative arrangements for the care of their family.

Federal Involvement

Congressional involvement with a family-leave bill began as early as 1985. Early versions of the measure would have applied to companies with as few as 15 employees who had worked for at least three months for the company, but these versions proved too controversial. The number of employees was raised to 50 to accommodate the interests of small business; in 1990 such a bill was approved by Congress but vetoed by President Bush. Further compromises to business interests were made in the 1992 version by allowing them to deny the benefit to the top 10% of their work force. President Bush vetoed the measure again, stating that he refused to place another government mandate on business, and proposed a marketplace solution instead: $500 million in tax credits to businesses that allowed workers to take time off for family matters.

President Clinton favored the concept of a national family-leave policy during the 1992 Presidential campaign and signed the Family and Medical Leave Act (FMLA) into law as one of his first official acts. The measure, which took effect on August 5, 1993, is identical to the one President Bush vetoed in 1992. Under the FMLA:

(1) Employees can take up to a total of 12 weeks of unpaid leave within a 12-month period for the birth or adoption of a child; to care for a child, spouse, or parent with a serious health condition; or for the worker's own serious illness.
(2) Employees must be returned to their old job or an equivalent position when they return to work.
(3) Employers must continue to provide health benefits during the leave.

However, many businesses and workers are not covered by the FMLA:

(1) Companies with fewer than 50 workers are exempt.
(2) Companies are allowed to deny leaves to salaried employees within the highest-paid 10% of their work force if the leave would create "substantial and grievous injury" to business operations.
(3) Only workers who have been employed for at least one year and for a minimum of 1,250 hours (25 hours a week) are covered.

For a number of reasons, the FMLA is not likely to greatly increase the amount of family leave taken:

(1) Many individuals, especially the working poor and single mothers, are unlikely to take advantage of leave policies because they cannot afford to go without pay.
(2) The small-business exemption covers a large percentage of employees and the vast majority of employers. Lenhoff and Becker (1989) show that because most firms are small, 95% of employers will be exempt from the FMLA.

(3) Large companies often provide quite generous parental-leave policies anyway (Sheinberg 1988). A recent study (Silverstein 1992) found that 83% of employers already give guaranteed leave to mothers. Also, private disability policies must include maternity leave and, in some states (New York and California), women can use state-funded disability payments for maternity leave (Leibowitz, Klerman, and Waite 1991).

(4) Despite various accounts of employment loss and position demotion, job continuity for women does not appear to be a major problem. Klerman and Leibowitz (1993) show that nearly 90% of women working full-time who return to work after a pregnancy return to their previous employer.

Proponents of family leave also emphasize difficulties of job continuity in such circumstances as caring for ill family members and one's own illness. They argue that many Americans were unaware of their rights under previous state leave laws, and that the FMLA has improved overall knowledge of both current state and national leave policies (Saltzman 1993).

Family Planning and Abortion

One type of policy that may affect family structure and child well-being concerns family planning. Although family planning programs can be controversial politically, they have been shown to be effective in reducing the number of unplanned pregnancies (Hayes 1987). These programs have a high benefit-to-cost ratio because children whose births are planned tend to be healthier and require less public assistance throughout their lives. In addition, planning pregnancies reduces the need for abortion. In the absence of increased support for family planning, restrictions on abortion, such as the ban on federal funding of Medicaid abortions through the Hyde amendment, are likely to keep the number of unplanned pregnancies high. Several studies (Lundberg and Plotnick 1990; Serrato 1990; Singh 1986; Trussell et al. 1980) have found that abortion funding affects the number of abortions.

Programs to Improve Parenting Skills and Family Function

We have already noted that some policies designed to help families and children have focused on women who are at risk of having economic difficulties in raising children—pregnant and parenting teens and single mothers—and have attempted to provide them with improved employment prospects. Some programs also recognize that such women may have other difficulties, and attempt to strengthen parenting skills through parent education or home visitation programs. A number of studies have concluded that deficient parenting skills are more important than family structure *per se* in explaining juvenile behavior problems and delinquency (summarized by Loeber and Stouthamer-Loeber 1986). President Clinton's new economic program (passed on August 6, 1993) includes a family preservation program that will give money to the states for early intervention and support programs for troubled families (Lauter 1993). A recent study (Olds et al. 1993) suggests that frequent home visitation by nurses during pregnancy and the first two years of a child's life can significantly reduce many health and social problems and that the benefits (in terms of averted expenditures for other government programs and increased tax revenues from participation in the work force) exceed the costs.

In addition, schools are being called on to provide services that in the past were provided or arranged by families. These include school breakfast and lunch programs, after-school child care for primary school students, "character" (ethics) and family life education, health and family planning services, and child care for students who are parents. However, this diversification of effort may detract from schools' ability to provide the best possible education.

Economic Growth

Many of the needs of families that policies are designed to address are the result of poverty. It does appear that children growing up in single-parent households fare worse on a number of outcomes, both in the short- and the longer term, than those living with two parents. The problems faced by single-parent families are, however, in large part related to the lower income of such households. Lower income also increases the likelihood of divorce or out-of-wedlock childbearing, which are the reasons why so many children live in single-parent (particularly female-headed) households. Increasing incomes in the lower end of the income distribution should help reduce the number of such families and alleviate some problems associated with them. Higher incomes for men are likely to mean more marriages, less out-of-wedlock childbearing, and possibly less divorce. For parents who do divorce or have never married, economic growth, coupled with better child-support enforcement, should mean greater support by noncustodial parents as well as greater earnings for custodial parents.

Demographic Trends and Policy Issues in the Future

It seems unlikely that there will be important reversals in the next few decades of many recent demographic trends:

- Women, including those who are mothers of young children, are likely to continue working outside their homes. Indeed, many women say that they would work or work more if they could find acceptable child care. Policies that would increase the compatibility of working and caring for children, or reduce the costs of child care, are likely to lead to even higher rates of labor force participation by mothers of young children (Connelly 1992).[10]
- Economic opportunities for women are likely to continue to reduce the incentive to marry and have children, or at least lead to delayed marriage and childbearing, and may keep divorce rates fairly high. It is unlikely that we will see important reversals in the trend toward nonfamily living.
- There will be continued shifts in the proportions of children and older people in the population, with fewer of the former and more of the latter. Even if there are no further decreases in fertility, the current age structure of the population implies that the proportion of the population that is elderly will continue to grow.

However, growing awareness of AIDS, increased support for family planning, and easier access to abortion may lead to reductions in out-of-wedlock childbearing in general and by teenagers in particular. It is possible that we may see a reversal in the trend toward an increasing proportion of births occurring outside marriage.

As a result of the demographic trends of the last four decades, the situation for the elderly may be considerably different when the Baby Boom generation itself is old. The lower fertility (and greater proportion who are childless) of the Boomers compared with their parents means fewer children that older people can rely on for physical care and emotional and financial support. Furthermore, the much higher rates of marital disruption and out-of-wedlock childbearing experienced by the Baby Boom generation may weaken intergenerational ties, especially for men, since research suggests that children who grew up in single-parent households may give less assistance to their fathers in the parent's old age (Lye et al. 1992). As a result of these factors, there is likely to be a substantial increase in the demand for nonfamily care for the elderly.[11]

Families are likely to continue being the locus of care for the young, but intergenerational ties to the older generation appear to have weakened and may continue to do so. It is important, therefore, that program planners and policymakers recognize the changes that are occurring in American families and their impact on nearly all aspects of American life.

ACKNOWLEDGMENTS

The preparation of this paper was supported by institutional funds from RAND, with additional support from RAND's Population Research Center grant (P50 HD12639). Special thanks are due to Jim Hosek, who suggested that we write this paper and has provided useful comments and guidance along the way. Also, we thank Frances Goldscheider, Jacob Klerman, Arleen Leibowitz, Lorraine McDonnell, Robert Schoen, Jim Steinberg, Mary Vaiana, Robert Valdez, and Gail Zellman for their very helpful suggestions, comments, and advice; the journal's referees for their insightful comments; Jodi Heilbrunn for valuable research assistance; and Gloria Gowan for patiently and cheerfully typing and revising numerous drafts.

NOTES

1 Furthermore, due to declines in fertility and increases in nonfamilial living, only 35% of households in the United States in 1990 contained a child under age 18 (U.S. Bureau of the Census 1990), compared with 50% in 1960 (Preston 1984). Not only have there been decreases in the number of people who are parents of young children, but this group votes at a much lower rate than people who do not have young children (Preston 1984). Moreover, a number of parents of young children are immigrants who are not eligible to vote. For example, in a recent survey in Los Angeles, only 3% of Salvadoran-born parents with school-aged children were U.S. citizens (Valdez, Andrews, and DaVanzo 1992). In addition, because of migration patterns, grandchildren are unlikely to live in their grandparents' districts and hence to benefit directly from their political support. There has, therefore, been a decrease in the proportion of voters with a direct interest in supporting public programs that benefit young children and their parents.

2 This variety of programs does provide some natural experiments for studying program effects. However, as Moffitt (1992) points out, differences across states and regions in outcomes such as family structure may reflect unmeasured religious and cultural factors related to differences in programs. Some recent studies have used fixed-effects models to net out the influence of unobservable differences across areas (e.g. Jackson and Klerman 1993). These models essentially consider only the influences on variation over time within areas.

3 In fact, many policies currently or recently in place have had the opposite effects of those discussed. In the 1980s and early 1990s, there were a number of efforts to restrict access to abortion; these were sometimes accompanied by efforts to reduce funding for family planning. Divorces are generally much easier to obtain than in the past. Some believe that AFDC and improved economic opportunities for women lead to reduced probabilities of marriage and increased divorce, though the magnitude of the latter effect appears to be fairly small (Moffitt 1992).

4 Eligibility for food stamps is based on family income and assets, independent of family type or marital status. In most states, among the non-aged and nondisabled, AFDC receipt is the main criteria for Medicaid eligibility, though many states allow some benefits to non-AFDC female-headed households or to children in poor families with major medical expenses (Moffitt 1992).

5 Most of the discussion in this section focuses on child care, but some of the arguments also apply to other dependents (e.g., elderly parents).

[6] There are substantially fewer latchkey children (under 14 years of age) than is popularly believed, and they are generally alone for only a short period of time each day (Cain and Hofferth 1989). Most self-care children are not from low-income, single-parent families; on average they tend to be around age 13, white, middle-class children who live in rural or suburban areas. There is still much debate about the effect on children of the lack of immediate adult supervision.

[7] For an overview of the wide variety of local child-care programs, see Marx (1989).

[8] The various state tax subsidies and programs are described in Robins (1992).

[9] However, their approach (Tobit estimation) does not allow effects to differ on whether women work, and if so, how much. Recent research (reviewed by Heckman 1993) suggests that effects are greater on the former than on the latter.

[10] However, increased female labor force participation reduces the number of female relatives who can provide free or low-cost care for the children of working mothers; this could slow the increase in the number of mothers who work.

[11] As discussed in DaVanzo and Rahman (1993), women's caregiving for their elderly parents does not seem to be reduced when they work or if they work more hours. Instead, the causation seems to be the reverse: women with caregiving responsibilities are less likely to work, or work fewer hours. Hence, based on current evidence, there is no strong reason to presume that further increases in women's labor force participation will substantially reduce the amount of caregiving that they provide to their parents. Nonetheless, increased responsibility for aging parents may lead to further stress.

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