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◆ FAMILIES Working Longer Hours

by Lucy Gorham

Most families are "running faster to stay in place." That's the central story revealed in our recent study for the Joint Economic Committee of the Congress. Inflation-adjusted income of two-parent families with children continued to increase (on average) in the 1980s, but at a sharply slower rate than in earlier decades. For example, the "real" income for such families increased, on average, by only 6 percent in the 1980s compared to increases of over 30 percent in the 1950s and 1960s and 12 percent in the 1970s.

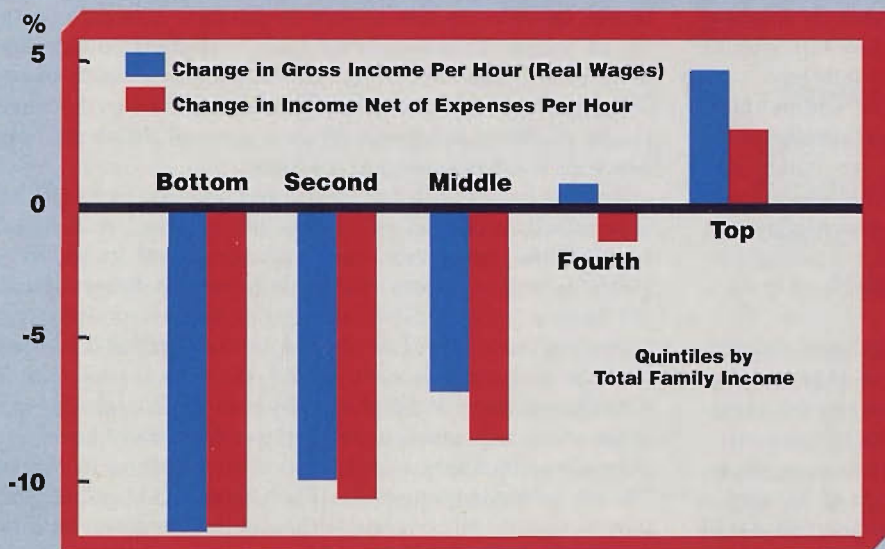
The numbers for the decade of the 1980s reveal that in 1989, 80 percent of two-parent families in 1989 were working longer hours without any improvement in living standards compared with similar families in 1979. In these families, wives, during the 1980s, increased their annual hours of work by 32 percent over the decade. However, a large part of the increased income the wives earned was offset by a decline during the decade in the hourly pay earned by husbands.

Trends in Family Income

Because family incomes have continued to grow throughout the 1980s, some have suggested that the problem is one of perception rather than economic reality.

Higher incomes are generally seen as indicating higher living standards, but this may not always be the case. If families must put more effort into earning income, or spend more in the process of earning additional income, then living standards may fall even as gross financial incomes rise. This is precisely what appears to be happening for the vast majority of two-parent families with children. Using two different calculations, it appears that most families are indeed "running faster to stay in place."

Figure 1 80 Percent Have Lower Income Net of Expenses Per Hour



The first measure is inflation-adjusted wages, used by economists when comparing standards of living. It is income per hour, *net of work expenses*, which includes work and work expenses.

By the yardstick of real wages, the standard of living declined. Only for families in the top 20 percent was the standard significantly higher in 1989 than in 1979.

This calculation tends to understate the decline because it assumes that all the extra income is used for improving the family's standard of living. There are many additional costs, such as child care, which are not included in the true picture of living standards. When both measures are used, for, the standard of living of the bottom 80 percent of families improved between 1979 and 1989 (Figure 1).

Hourly Pay Lower And Higher

For husbands across 80 percent of the family income distribution, lower or showed no improvement in 1989 compared with 1979. Only for husbands in the top quintile was there an increase. As a result of these differential losses, the standard of living distribution, wage inequality among husbands increased.

The story for wives is somewhat brighter. For the bottom quintile, except the bottom quintile of the family income distribution, the second and third quintiles were quite modestly higher. For most families, on average the decline in the standard of living increase in hourly pay for wives.

Wives' Earnings Reduced Income Inequality

Between 1979 and 1989, inequality in family income rose. The share of income to the upper two quintiles rose while the share to the lower three quintiles fell. Some have argued that this increase in family income inequality is attributable to the role of wives' earnings. Other factors were it not for wives' earnings, income inequality would have been observed.

For example, if wives' earnings in 1979 were zero, the bottom quintile of families would have been 10 percent poorer. If the top quintile would have been 5 percent richer. If wives' earnings were even greater.

Lucy Gorham is Professional Staff Member and Majority Staff of the Joint Economic Committee.

ERFOLD

a graphic look at key economic figures

FAMILIES ♦

Hours For Limited Gains

Ham and Lee Price

age rates, the "real wage," a common yardstick
ards of living. The second measure is the change
and it adjusts family income for both hours of

rd of living for the bottom 60 percent of families
percent was the change in gross income per hour

problem of family living standards, however,
earned by more hours of work can be spent on
The process of working more hours also creates
must be subtracted from gross income to get a
hours of work and work expenses are accounted
80 percent of families declined or showed no
e 1).

family income distribution, hourly pay either was
when compared with the pay of husbands in
ile of the income distribution did hourly pay
ses and gains at the bottom and top of the wage
ds increased over the decade (Figure 2).

r. Hourly real wages increased for wives in all
ome distribution. However, the increases for the
st. While the real hourly pay of wives increased
the hourly pay of husbands was greater than the

Equality

ill income increased: the share of income going
ave going to the lower three quintiles declined.
family income inequality over the past decade is
our results indicate that the opposite is the case:
equality would have increased even more than

ere ignored, the income share going to the bot-
0 percentage points lower, while the share going
ntage points higher. In 1989, the effect of wives'

and Lee Price is Senior Economist for the
ttee, U.S. Congress.

Hours of Paid Work for Husbands and Wives

Husbands and wives exhibited strikingly different patterns of paid work hours. Given the large and divergent changes in hourly pay noted above, the lack of change in husbands' hours of paid work is as notable as the large increase in wives' hours for all income levels.

While husbands did not work significantly more hours for pay in 1989 when compared with husbands in 1979, wives clearly did. When we consider both the increase in the share of wives working and the greater number of hours they worked per year, all wives together worked an average of 32 percent more hours in 1989 than in 1979. The largest increases in hours were made by wives at the lower end of the family income distribution.

Future Prospects

The past decade of stagnation has given a majority of American families only unattractive economic choices. Some have been able to run faster to stay in place, increasing hours of work at the expense of time with family and community. Others have simply fallen behind, as their incomes are eroded by poorly paid or inadequate work opportunities.

Addressing this problem will require profound changes in the labor market, raising the rate of growth in wages for both men and women. Without such changes, the most likely forecast for the coming decade is for continued economic stress on a majority of families. □

Copies of this study may be obtained by writing to the Joint Economic Committee, SD-G01, Washington, DC 20510. Ask for "Families on a Treadmill."

Figure 2

Inflation-Adjusted Wage Rates Have Declined For Many

