

## THE FAMILY AS ECONOMIC UNIT

*by Heather L. Ross and Isabel V. Sawhill*

Looking at the family over the long sweep of history, it is clear that its old economic functions have been changing in character and diminishing in importance. These shifts have large, but often ignored, implications for both the family and American society.

In an early, pre-industrial stage, technology was limited and unchanging. Most economic activity took place within the household, and production and distribution were organized by custom and tradition. High mortality rates and low productivity meant that on the farms and in the towns life was short and living conditions were harsh—an existence which was accepted fatalistically. In this society the family played a central role, since economic and social status were defined by birth, family ties, and local custom. Most importantly, the family was a productive unit, and physical strength—typically a male attribute—was an essential element in survival.

During the industrial stage of development, going from the 18th century to the present, new technology and the benefits of specialization caused production to shift from home to factory. In Western Europe and America, living standards rose, death rates fell, and individuals felt a greater sense of control over their environment and their social institutions. Social status was determined increasingly by one's occupation and less and less by membership in a particular family. To some extent, the family itself became a more specialized unit whose major responsibility was the creation and socialization of children. But because it had been stripped of some of its basic economic functions, the family was no longer the central institution in society.

Today's declining fertility, the loosening of kinship ties, and the shrinking of the "extended" family into its present "nuclear" form can be viewed as adaptations to industrialization. Children

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are no longer needed to help on the farm or to provide for one's old age. Smaller families are more mobile and less costly to support. At the same time, as a vestige of an earlier era, the household remains an economically primitive organization; roles within the family continue to be somewhat dominated by custom and tradition—examples being the often arbitrary division of tasks between men and women and the continued authority of the male head of household.

During this current stage, however, the family continues to play a crucial but unpublicized economic role in redistributing resources. In the industrialized world, East or West, the family, not the state, is still the major agency for transferring money from those who work (primarily male breadwinners) to those who do not or cannot (primarily dependent women and children). In America, government accounted for \$74 billion in such one-way transfers in 1970, private charity accounted for \$20 billion, and the family for \$313 billion. Indeed, as economist Kenneth Boulding has suggested, much of the nation's nagging poverty problem stems from the inability of individual families to fill this role of supporting dependent citizens, as in the case of many female-headed households.

The shift from the "productive" to the "distributive" household is now a matter of history. It is of interest only because it places recent family trends in some perspective. Futurologists have made it fashionable to speculate about a further shift, but it is difficult to substantiate these projections.

A third stage of family development is still unfolding. We may speculate that its inception came with the recent extension of technology to those responsibilities which have remained

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rooted in the family—especially control over reproduction—and that its fruition will be marked by equality between the sexes, and families operating largely as consumption (income-pooling) units.

The present “distributive” family will become at least partially obsolete in America if and when (1) fertility declines to the point where a large proportion of families contain few or no children, (2) women’s job opportunities increase to the point where the present male-female division of labor has little economic justification, and (3) child-care and household tasks are increasingly turned over to specialized institutions, or living and working arrangements change the focus of such activities.

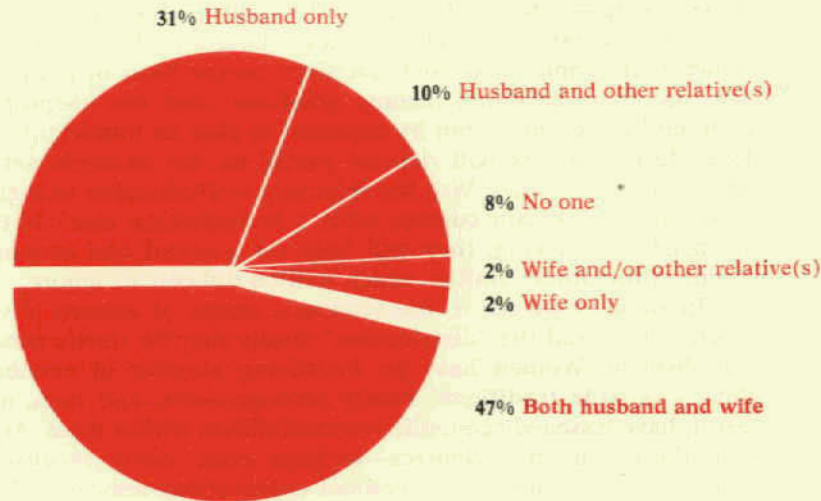
### **Smaller Families, Larger Incomes**

It is already obvious that women’s economic position has been changing rapidly. The proportion of women in the labor force increased from 25 per cent in 1950 to 43 per cent in 1970. Currently, more than *half* the married women with school-age children are working, and each generation of women is spending an increasing proportion of the family life cycle in paid employment. In addition, there is evidence that over the longer run, women’s earnings have risen relative to men’s. Far more women are financially independent than ever before. Along with these labor-force trends, we find that younger women are planning much smaller families than in the past, and the fertility rate has dropped from 3.6 births per thousand women in 1961 to about 2.0 in 1971.

The increased employment of women appears largely due to an expansion of job opportunities in predominantly “female occupations” (e.g., white-collar work). Thus, current decisions about family size are closely related to the job opportunities available to women, which are an important determinant of the “cost” of children. Moreover, as the market earnings of women increase, a greater demand is created for day care, prepared foods, commercial laundries, and other market substitutes for those services historically provided by wives within the home. This trend also provides the basis for a reallocation of duties between husbands and wives, although there is little evidence that men are taking on child-care and other domestic tasks as women enter the world of paid work. This disequilibrium has undoubtedly contributed to the strains that modern marriages face.

These social trends appear likely to shape the future character of the family. But, once set in motion, they may set up a dynamic and partially self-generating reaction which also needs

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**EARNERS IN HUSBAND-WIFE FAMILIES, 1973**


Source: *U.S. Working Women*, Bulletin 1880, Bureau of Labor Statistics, U.S. Department of Labor, 1975.

to be considered. For example, as "two-paycheck families" become the norm, two things are likely to happen.

First of all, society will adjust to their existence with changes in hours of work, living arrangements, availability of supportive services, and the like, making the "two-paycheck" pattern more attractive.

### Keeping Up with the Two-Paycheck Joneses

Second, there will be strong economic pressures on single-earner families who will find themselves increasingly at a competitive disadvantage in terms of standards of living. It is difficult enough to keep up with the Joneses under normal circumstances, but when both Joneses are working it becomes virtually impossible. In 1974, the median income in younger families with a working wife was \$15,000, compared with \$12,000 where there was only one earner (even though wives' participation in the work force goes down as the husband's income goes up and women earn only about 60 per cent of what men do).

More and more families may be discovering that their economic welfare is tied up as much with the ratio of earners to non-

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earners in the household as with wage levels. This doesn't mean that all families will forfeit the choice of children and full-time homemaking—in fact, affluence could itself enable an increasing proportion of families to choose these “luxuries.” But it has been shown that people make such decisions on the basis of their *relative*, not their absolute, income positions; and the keeping-up-with-the-Joneses effect can be expected to play an important role. Thus, future trends will depend partly on the example set by upper-income families. Will the relatively well-educated women in these families remain content with a homemaking role? If they do insist on working, they will help set a social and economic standard for other families which will be difficult to ignore.

In sum, as we see it, the economic status of women is very much in flux, and the “distributive” family may be slowly becoming obsolete. Women have an increasing number of economic choices outside traditional family arrangements, and men, as a result, have lessened economic responsibilities within them. Along with these economic changes—perhaps even partly *because* of them—cultural norms and personal expectations appear to have been shifting. What we find, then, is that people are moving in and out of marriage more freely than in the past because marriage is less and less bound up with social and economic status. Rising divorce rates may be viewed as an indicator of changing personal aspirations, coupled with greater economic opportunities for women.

The future of the family will be shaped by how people respond to these changing circumstances. The growing financial independence of women will certainly affect individual decisions pertaining to marriage, divorce, childbearing, and household formation—decisions which are likely to result in continued growth of female-headed families. However, at some point this growth is likely to level off. Once women have achieved a greater measure of economic independence, and family roles and responsibilities have adjusted to the new realities, those marriages that continue to form and endure will be based—to a greater degree than ever before—on the personal satisfactions they provide husband and wife and not on economic needs.