

Working Wives  
and  
Dual-Earner Families

---

Rose M. Rubin & Bobye J. Riney

# Working Wives and Dual-Earner Families

---

Rose M. Rubin & Bobye J. Riney

---

PRAEGER

Westport, Connecticut  
London

**Library of Congress Cataloging-in-Publication Data**

Rubin, Rose M.

Working wives and dual-earner families / Rose M. Rubin and Bobye J. Riney.

p. cm.

Includes bibliographical references and indexes.

ISBN 0-275-94682-7 (alk. paper)

1. Dual-career families—United States. I. Riney, Bobye J.

II. Title.

HQ536.R83 1994

306.872—dc20 93-5441

British Library Cataloguing in Publication Data is available.

Copyright © 1994 by Rose M. Rubin and Bobye J. Riney

All rights reserved. No portion of this book may be reproduced, by any process or technique, without the express written consent of the publisher.

Library of Congress Catalog Card Number: 93-5441

ISBN: 0-275-94682-7

First published in 1994

Praeger Publishers, 88 Post Road West, Westport, CT 06881  
An imprint of Greenwood Publishing Group, Inc.

Printed in the United States of America



The paper used in this book complies with the Permanent Paper Standard issued by the National Information Standards Organization (Z39.48-1984).

10 9 8 7 6 5 4 3 2 1

## Preface

Debate, including consciousness raising, has flourished and much has been written about the changing roles of men and women and women's increased labor force participation. However, little of this has centered specifically on husbands and wives and the effects of these socioeconomic changes on married-couple families. The objective of this book is to fill this gap with descriptive and empirical research on the economics of dual-earner families and their central role in the economy and society.

The study of dual-earner families has been of special interest to the authors for several years. This topic combines concerns for social welfare, the economic status of families, and numerous public policy issues that will have increasing importance through the 1990s. The United States has already witnessed some concern at the national policy level regarding child care, parental leave, equitable tax status for differing households, and related family issues. This text provides substantive input to ongoing dialogues about these issues that we believe will be helpful to researchers, students, decision makers, and those concerned about the welfare of families.

We want to thank those who have read the manuscript at various stages of development and have made valuable suggestions for its improvement. In particular, we acknowledge the generous encouragement and help of former professors and mentors. Carolyn Bell, professor emeritus, Wellesley College, gave us detailed feedback and important suggestions for broadening the scope of the manuscript. Her comprehensive knowledge and contributions to the literature provided both additional references

and innovative perspective on our work. We are truly grateful for her extensive and thoughtful contributions. We are also heavily indebted to Alice Milner, professor emeritus, Texas Woman's University, and Sarah Manning, professor (retired), Purdue University and Buffalo State College, for their detailed editorial comments and suggestions.

David Molina, associate professor in the Department of Economics at the University of North Texas, made major contributions to this project. He was a coauthor of material presented in Chapter 6, which was published in *Journal of Consumer Research*, and in Chapter 7, which was in an unpublished paper presented at the 1990 Western Economics Association meeting in San Diego. We express our thanks for his econometric expertise and assistance.

In addition, we acknowledge the technical assistance of several graduate research assistants: Pornpun Waitayangkoon, Roger Speas, and Ajay Babar. Their help with data analyses, literature search, and preparation of graphic materials is appreciated. Howard Hayghe, of the Bureau of Labor Statistics, was most helpful in providing unpublished data on marital and family characteristics of the labor force.

Without the contributions of each of the above, the book would have had many more deficiencies. We of course take full responsibility for the contents.

We have benefited from the ongoing support of the University of North Texas. In particular, we would like to thank the administrators and faculty colleagues in our academic departments for their encouragement and support. This project was supported in part by several faculty research grants, which facilitated our research.

Last, we wish to acknowledge and thank our families for their continuous support and encouragement.

# Contents

Figures and Tables	vii
Preface	xi
1 The Economics of Dual-Earner Families	1
2 Economic Change and Dual-Earner Families	7
3 Labor Force Participation and Characteristics of Married-Couple Families	17
4 Policy and Tax Responses to Dual-Earner Families	39
5 Economic Effects of Wives' Employment	53
6 Expenditures of Married-Couple Families	71
7 Impact of Wife's Employment on Family Income and Assets	97
8 Wives' Employment and the Distribution of Income	115
9 Dual-Earner Families	133

Bibliography	139
Author Index	151
Subject Index	153

# Figures and Tables

## Figures

3.1	The Changing Labor Force Patterns of Married-Couple Families, 1967–1992	18
3.2	Labor Force Participation Rates of Men, Women, Husbands, and Wives, 1890–1991	19
7.1	Mean Household Assets by Income Level and Wife's Work Status, 1972–1973 and 1986	104
7.2	Mean Household Assets by Family Size and Wife's Work Status, 1972–1973 and 1986	105

## Tables

3.1	Labor Force Participation Rates of Men, Women, Husbands, and Wives, 1890–1991	20
3.2	Number and Percent of Wives in the Labor Force, 1890–1991	23
3.3	Labor Force Participation Rates of Wives by Age, 1960–1991	25
3.4	Labor Force Participation Rates of Wives by Presence and Age of Children, 1960–1991	26
3.5	Husbands and Other Family Members in the Labor Force, 1960–1988	28



3.6	Demographic Characteristics of Married-Couple Families, 1990	29
3.7	Married-Couple Families by Joint Education Level, 1988	31
3.8	Median Money Income of Married-Couple Families in Current and Constant 1990 Dollars, 1970–1990	32
3.9	Married-Couple Families by Income Level, 1991	33
3.10	Mean Earnings in Constant 1987 Dollars of Husbands and Wives by Selected Characteristics, 1981 and 1987	35
3.11	Mean Earnings of Married Couples by Occupations of Husband and Wife, 1987	37
4.1	Estimated Impacts of Tax Changes on Married Couples, 1982–1991	45
4.2	Estimated Social Security Taxes for Married-Couple Families, 1991	48
4.3	Estimated Social Security Benefits for Married-Couple Families, 1991	49
5.1	Estimated Net Earnings of Wives in Dual-Earner Families, 1991	63
5A.1	Net Earnings Model, 1991	68
5A.2	Calculation of Net Earnings in Dual-Earner Families, 1991	69
6.1	Expenditure Shares by Wife's Work Status and Income Category, 1972–1973 and 1984	84
6.2	Total Family Expenditures by Income Category and Sample Distribution, 1972–1973 and 1984	86
6.3	Impact of Income Level and Demographic Variables on Expenditure Shares by Wife's Work Status, 1972–1973 and 1984	88
6.4	Impact of Demographic Variables on Expenditure Shares by Family Income Level, 1972–1973 and 1984	89
7.1	Mean Income and Assets by Wife's Work Status, 1972–1973 and 1986	102
7.2	Regression of Wife's Work Status, Wife's Age, Family Composition, and Home Ownership on Income and Assets, 1972–1973 and 1986	107

7.3	ANOVA for Comparison of Income and Assets by Wife's Work Status, 1972–1973 and 1986	108
7.4	ANOVA for Comparison of Assets by Wife's Work Status by Income Level, 1972–1973 and 1986	109
8.1	Regression Results for Gini Coefficients: Impact of Wife's Employment Status on the Distribution of Before-Tax Income, 1986	122
8.2	Regression Results for Gini Coefficient: Impact of Wife's Employment Status on the Distribution of After-Tax Income, 1986	123
8.3	Regression Results for Impact of Wife's Employment Status on Mean Income Before Taxes, 1986	124
8.4	Regression Results for Impact of Wife's Employment Status on Mean Income After Taxes, 1986	125

## The Economics of Dual-Earner Families

The continuing entry of women into the workplace and their labor force attachment are among the most important social and economic trends of the twentieth century. Since 1890 there has been a steady increase of women, including wives, in the labor force as a result of the shift from agricultural to market employment. More recently, wives and mothers have entered the labor force in record numbers and demonstrated remarkable staying power, thus making the economics of dual-earner families a major issue. Although working wives have substantially affected the income, taxes, expenditures, assets, and income distribution of families, research has lagged on the extent of these impacts.

Economic issues of dual-earner families are of interest to researchers, policymakers, and families, but no single text has comprehensively analyzed the effects of labor force participation of married women on the economic status of households. This book fills that void by providing a historical perspective and presenting the findings of empirical research on the economic impacts of wives' work status. Most previous studies do not distinguish the work status of employed wives. The empirical chapters of this text present comparative analyses of the economics of three types of married-couple families, in which the wife is employed full-time or part-time or is not gainfully employed. Because most employed husbands work full-time, we do not make a comparable distinction for husbands and our analyses use full-time employed husbands. We emphasize the period beginning in the early 1970s, when real income growth declined and increased numbers of wives continued to enter the labor force.

The topics on dual-earner families addressed in the following chapters include an overview of their status, the changing impacts of federal income taxes, their costs of having two earners rather than one, their allocation of expenditures, their income and assets, and their effect on the inequality of income distribution. Several of these analyses compare dual-earner with husband-only-earner married-couple families, and some also distinguish among full-time and part-time working-wife families compared with nonemployed-wife households. Throughout the book, reference to one-earner families indicates a husband-only-earner.

## **BACKGROUND**

The unparalleled rise in women's labor force participation has had far-reaching implications for families and for society. After an extended period of economic growth, wages in general stagnated after 1973 and concurrently wives' employment grew substantially. During this period, the increasing prevalence of two-earner families was the factor that maintained the level of average household income. Significant increases in the number and share of dual-income families occurred, as labor force participation of wives expanded even more rapidly than that of other groups of women. The dual-earner family is now more prevalent than the one-earner, with husband and wife employed in almost 60 percent of all married-couple families. Only 17 percent of married couples are one-earner, with the rest having other or no earners.

Changes in the employment status of wives affected the financial resources of dual-earner married couples compared with other households. In 1990, the median income of dual-earner families was 55 percent higher than when only the husband worked: \$46,777 compared with \$30,265 (U.S. Bureau of the Census 1992). In general, dual-earner families are younger and better educated, have fewer children, and have higher total incomes than one-earner families.

Although dual-earner family income is higher than one-earner income, researchers (Lazear and Michael 1980; Michael 1985) have found that dual-earners do not appear to have a much higher standard of living. This is primarily due to the high costs related to wives' employment and increased taxes. Living standards may be viewed as having two components, purchased goods and services and production within the home. Recognizing that wives still make the major contribution to within-household production and its significant importance to family living standards, our research focuses on wives' market interaction and their financial contributions to the family. Wives' contribution to the household produc-

tion function is, however, indirectly recognized in the examination of home-production opportunity costs of their employment.

The growth of the two-earner family emphasizes the importance of the household as the unit of analysis in studies of the distribution of income. It also indicates that family earnings may be a more appropriate index of well-being than individual measures of income (Smith 1979). The transformation in work roles raises important issues for family employment decisions, such as the opportunity costs and tax impacts of having two earners, comparative household expenditures, comparative income and assets, and the effect of dual-earners on the distribution of income. Our detailed studies of these questions employ data from the Consumer Expenditure Surveys (CE).

## **SOURCE OF DATA**

Data for the empirical analyses of chapters 5 through 8 are from the Consumer Expenditure Survey (CE) Interviews conducted by the Bureau of Labor Statistics (BLS). The CE interview, initiated by the BLS in 1934–1936, was conducted decennially through the 1972–1973 survey. CE data are collected from a national probability sample of households designed to represent the total civilian noninstitutional population (Garner 1988). In the 1972–1973 survey, 20,000 households were interviewed on a quarterly recall basis, with the same households remaining in the sample for four quarters, so data for a full year were derived for each household.

Since 1980, the survey has been conducted on a continuous rotating panel basis, with 5,000 households interviewed quarterly for five consecutive interviews, with each quarter treated as an independent sample (Gieseman 1987). Within the sample, 20 percent of the respondents are replaced with new households each quarter. This generates a continuous design of the current data base. Data collected in the CE survey represent approximately 95 percent of all household expenditures (Gieseman 1987). The survey contains detailed information on expenditures, income, assets, and liabilities of households, as well as an array of socioeconomic and demographic characteristics.

Data files drawn from the CE samples include married-couple families under the age of sixty-five, and only nuclear families in which no other persons lived with the family. Our data files include only complete income reporters.<sup>1</sup> In these samples, the husband worked full-time and the wife worked either full-time or part-time or did not work.

## OVERVIEW OF BOOK

The focus of this book is a comparison of the economics of dual-earner families with those of one-earner families. Chapter 2 presents economic theories and the social and economic causes of women's and wives' labor force participation. The impacts of the macroeconomic factors of inflation and wage stagnation on family income emphasize the relationships between dual-earner families and the changing U.S. economy. In Chapter 3, historical employment patterns are presented as background for discussion of the growth and development of dual-earner families. We compare the characteristics of dual- and one-earner families by socioeconomic and demographic characteristics.

In chapters 4 and 5, we present analyses and alternative scenarios of the tax treatment and employment decision making of married-couple families. The structure of federal taxes influences wives' contribution to household disposable income, and therefore to living standards. Chapter 4 is a historical overview of the major income tax policies and changes that have differently affected dual-earner and one-earner families. Costs of working generate major barriers to having two earners in the family. In Chapter 5 work-related expenditures and opportunity costs of employment of dual-earner families are discussed, with tax data and average child care costs used to calculate wives' net monetary contribution to the household.

Chapters 6 through 8 examine the comparative economic statuses of one-earner and dual-earner families, presenting the results of our empirical studies. In particular, analyses of full-time and part-time employed wives provide insights on the economic differentials between families. In these chapters, we employ several different methodologies, including descriptive and analytic statistics. Discussions of the econometric methodologies are in the chapter appendixes.

Analyses of the impact of wives' changing work roles on family expenditure patterns are presented in Chapter 6. We compare wife's work-related costs for married-couple one- and two-earner families, matched by family composition and income level. We further explore real standards of living, with analyses of expenditures of one-earner families compared with dual-earners in which the wife works full-time or part-time.

Higher-income dual-earner families might be expected to have higher savings and greater asset accumulation than one-earner families. Chapter 7 presents this issue with analysis of pre-tax and after-tax income and four types of asset data for families with the three types of wife's work status. The growth of dual-earner families has also changed the income distribution and degree of equality or inequality among different types of families.

Chapter 8 contains an analysis of the impact of wives' earnings on income distribution and inequality. We present analyses of the distribution of pre-tax and after-tax income and earnings for the three types of married-couple families.

In Chapter 9 we present our conclusions and projections for families and society. We explore the implications of the shift toward dual-earner families in terms of their lifestyles and enhanced economic security. While public policies, particularly tax policies, have significant effects on the economics of dual-earner families, causality also runs in the opposite direction. The growth of dual-earner families should be a determining factor in future policy-making.

The major objective of this book is the identification of trends and delineation of significant changes in the economic status of families. The analyses, particularly the comparative analyses of different types of families, provide much-needed input to policies that will affect the future of American families.

## NOTE

1. The BLS defines complete income reporters as follows: "In general, a consumer unit who provided values for at least one of the major sources of its income, such as wages and salaries, self-employment income, and Social Security income. Even complete income reporters may not have provided a full accounting of all income from all sources" (U.S. Department of Labor 1987; Jacobs et al. 1988).





## Economic Change and Dual-Earner Families

The importance of women's employment to the economy and to family income has undergone significant change. Increase in women's labor force participation has been particularly notable among wives, generating significant growth in the number and share of dual-income families. By the late 1970s the typical husband-wife family in the United States had two wage earners. In 1980, just over half of married women were in the labor force, making the dual-earner family more prevalent than the husband-as-sole-earner family. By 1990, the percentage had increased to 60 percent (U.S. Bureau of the Census 1990).

Wives' increased employment affected the underlying fabric of families and society. At the microeconomic level, the growth of wives' employment generated more need for child care services, wider availability of household credit, and broader affordability of housing. It also promoted household technology and influenced shopping habits and household time allocation. At the macroeconomic level, this major social change influenced the distribution of income and wealth and income tax revisions. Such changes affected consumption patterns, living standards, and markets for goods and services, and also restructured the conditions for economic and other policy-making. Increased employment of wives has generated pressures for change in both private and public institutions that remain largely predicated on the concept of a society dominated by one-earner families (Smith 1979).

The objective of this chapter is to examine increased employment of women and wives in the light of economic theory and the changing