

Children and Family Income

By Thomas J. Woolter, Jr.*

BECAUSE CHILDREN ARE very unevenly distributed among families, their opportunities for development are very unequal. This article concerns the maldistribution of children and income in nonfarm families with income from wages or salaries only.¹ Nearly half these children are in the one-seventh of the families which have three or more children, and the other half are in about one-third of the families which have one or two children. Almost half the families have no children (table 1, chart 1).

On a comparable unit basis, income of families without children (half the families) averages more than twice that of families with three or more children (including half the children). Stated another way: With the same total family income, the family without children can either maintain twice as high a level of living as that with three or more children or can accumulate savings. In fact, owing to the association of low incomes and high birth rate, the average total family income of childless families is higher than that of families with three or more children even before dividing by family units.

Inadequacy of income to supply the needs for a satisfactory level of living is an element in a very wide range of problems and a consideration in determining numerous social policies. The family allowances adopted or proposed in many countries are designed to lessen the economic handicaps of families with children. These considerations apply to the determination of wage rates, one school of thought going so far as to advocate a "family wage" adjusted to family needs rather than to productivity. Similar problems are involved in considering the adequacy of survivor benefits under the Social Security Act, prevailing scales of assistance grants, and the question whether unemployment benefits should be graduated upward with family size. Such con-

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¹Unless otherwise indicated, all statements in this article relate to nonfarm families with only wage or salary income, 1939. For sources of the data, definitions, and classifications see the appended technical note.

siderations also have played a major part in determining the scale of allowances for dependents of men in the armed forces and of compensation to families of men killed or disabled in military service, and in appraising the effects of exemptions from income taxes because of dependents. Analysis of this character also demonstrates the need for maintaining widely available tax-supported services in public health and education to equalize the opportunities of families with children.

Distribution of Children and Income

Children are proportionately more numerous in families at the bottom of the total income scale than at the top. Among families in which both husband and wife are present, more than half (55 percent) of the children are in families with less than the median total family income (\$1,487) (table 2). This distribution results primarily from the disproportionate number of no-child families with more than the average income and of families with three or more children and less than average income. Half the families without children have incomes of less than \$1,563, while half

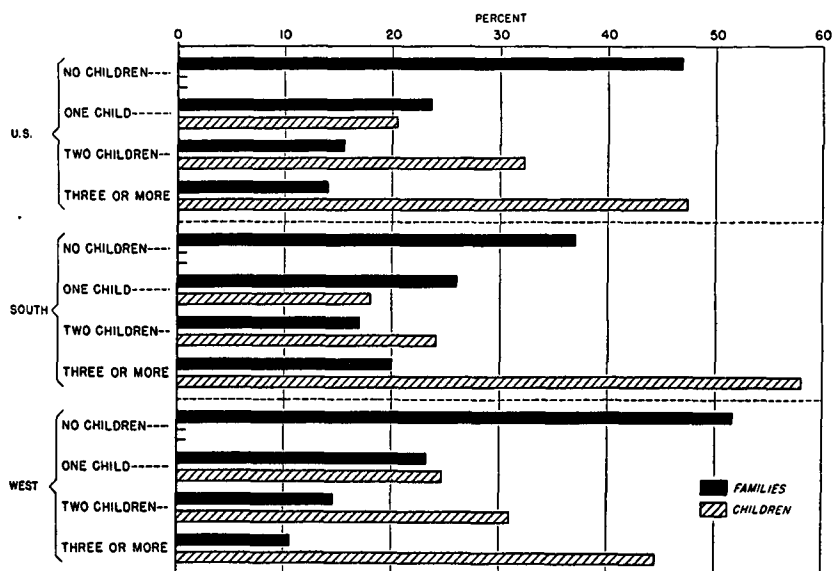
the families with three or more children have incomes of less than \$1,223.

The causes which underlie the association of low incomes with large families are the subject of many volumes. Various complex factors contribute to the result. Among these are the different family attitudes of different occupational groups, the improvidence sometimes associated with ignorance and low income, and the occurrence of maximum family responsibilities when parents are relatively young—before they have reached the peak of earning capacity, which comes late in middle age (table 3).

To measure the individual supporting power of incomes of various types of families, it is necessary to relate average income to average size of family—that is, to use a form of per capita income. For present purposes, family size is expressed in terms of family units, assigning full unit value to an adult and a half unit to a child. For example, a family with a man, wife, and three children would have two full and three half units or three and one-half units. At best this method is only an approximation of relative consumption needs. It results, however, in a conservative statement of the low unit incomes of families with children, since those incomes would appear smaller in relation to those of families without

Chart 1.—Percentage distribution of families and children in families, by number of children in family and by region¹

[Nonfarm families, 1940, with only wage or salary income in 1939]



¹For definitions of families and children, see technical note at end of article. Regions represent census regions; data for Northeast and North Central regions conform closely to United States total.

Table 1.—Families, children in families, and median family unit income, by number of children in family¹

[Nonfarm families, 1940, with only wage or salary income in 1939]

Number of children	United States			South		West	
	Percent of families	Percent of children	Median family unit income	Percent of families	Percent of children	Percent of families	Percent of children
All families:							
Total number.....	14, 751, 080	16, 398, 867	\$474	3, 729, 380	4, 784, 515	1, 718, 760	1, 584, 397
Total percent.....	100	100	-----	100	100	100	100
No child.....	47	0	592	37	0	52	0
1 child.....	24	20	508	26	18	23	25
2 children.....	15	32	429	17	24	14	31
3 or more children ²	14	48	281	20	58	11	44

¹ For definitions of families, children, and family unit income, see technical note at end of article. Regions represent census regions; data for Northeast and North Central regions conform closely to United States total.
² Average 3.9 children per family.

children if each child had been counted as one, instead of one-half, in getting the unit figure. Moreover, the variations in unit income which result from the method used are so wide that more refined scales of unit equivalents would not change the conclusions reached.

In the nonfarm wage or salary earning population, every family has (by definition) a head. Eighty percent of the heads of families are husbands whose wives are living with them. In other families a male head but no wife is present, and still others are headed by women. All these types of families vary in number of children and of "extra" adults, that is, parents, grandparents, other relatives of the head, and offspring who remain with

their parents beyond the age of 18. These last form by far the largest proportion of extra adults. The average family has 1.1 children and .5 extra adults.

Variations in family unit income result both from differences in total family income and in family composition. The most striking differences, however, are those among families with different numbers of children. The range is from \$281 for families with three or more children to \$592 for families without children—a difference of over 100 percent (table 1). These differences hold not only for man-and-wife families, but also for the broken families (chart 2). The economic disadvantage of families headed by women, especially women

Table 2.—Families and children in husband-and-wife families, by total family income

[Nonfarm families, 1940, with only wage or salary income in 1939]

Total family income	Families	Children
Total.....	12, 063, 000	15, 074, 000
\$1-499.....	1, 246, 000	1, 822, 000
500-999.....	2, 315, 000	3, 279, 000
1,000-1,499.....	2, 643, 000	3, 468, 000
1,500-1,999.....	2, 322, 000	2, 838, 000
2,000-2,499.....	1, 508, 000	1, 686, 000
2,500-2,999.....	778, 000	789, 000
3,000-4,999.....	1, 011, 000	957, 000
5,000 and over.....	240, 000	235, 000
Median income.....	\$1, 487	-----

with children, is striking. One in every eight nonfarm families is headed by a woman, and, since earnings in such families are lower to begin with, the average unit income for those with one child is \$341; for those with three or more children it is only \$151, or less than one-third the average for all wage or salary families (\$474).

If attention is centered not on averages but on the families which are both above the average in size and below the average in income, the difficulty of stretching available money to cover pressing family needs is apparent. The frequency of these families is indicated by the proportion of low unit-income families with children, since excess size in relation to total family income results in a low unit income. Table 4 and chart 3 show the distribution of all nonfarm families according to their unit income and the number of children in the families within each unit-income group. Almost one-third of all children are in families with unit incomes of \$150-299, and about 70 percent are in families whose unit incomes are below the national median of \$474.

The relative financial disadvantage of families with children thus is shown

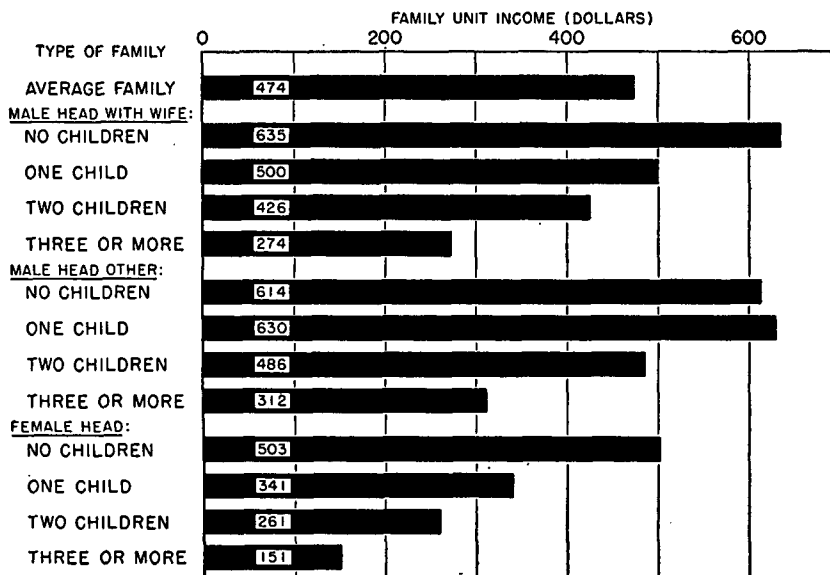
Table 3.—Median total family income and average number of children per family, by age of male family head

[Nonfarm families, 1940, with only wage or salary income in 1939]

Age of head (years)	Median total family income	Average number of children
Under 25.....	\$902	0.73
25-29.....	1, 230	1.02
30-34.....	1, 394	1.58
35-39.....	1, 454	1.94
40-44.....	1, 505	
45-49.....	1, 536	1.46
50-54.....	1, 540	
55-59.....	1, 434	.69
60-64.....	1, 326	
65 and over.....	1, 238	.31

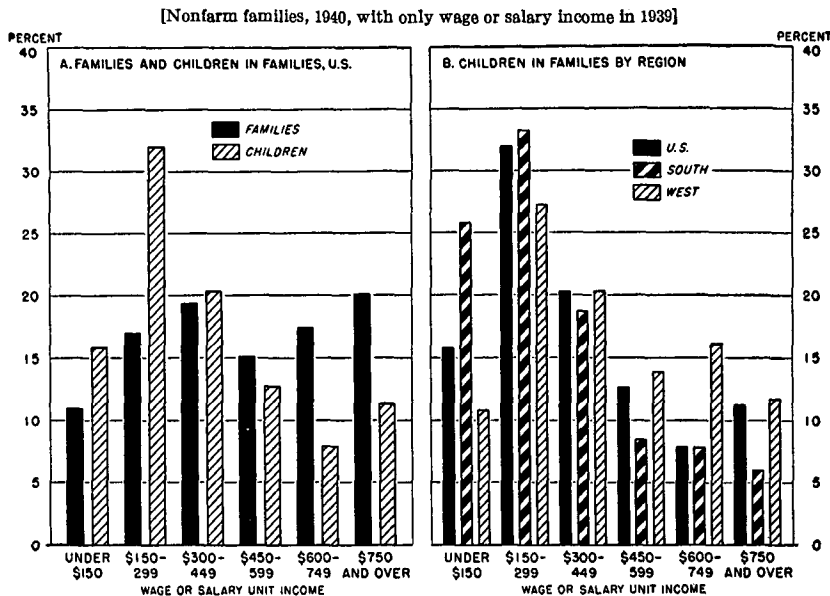
Chart 2.—Family unit income¹ of nonfarm families, by type of family

[Nonfarm families, 1940, with only wage or salary income in 1939]



¹ For definition, see technical note at end of article.

Chart 3.—Percentage distribution of families and children in families, by wage or salary unit income



by three different methods of relating family income to the children to be supported: (1) with respect to *total* family income, 55 percent of all children in husband-and-wife families are in families with less than the median income (table 2); (2) with respect to the number of children in the families, the average unit income of the families with three or more children is only half that of families without children (table 1); and (3) with respect to families classified by unit income, more than two-thirds of the children are in families with less than the national median unit income (table 4).

Regional and State Differences

Both family composition and income vary widely in different parts of the country. Table 5 and chart 4 show such variations in family structure by residence, race, and region. The residential classification demonstrates the tendency of urbanization to reduce the size of family in number both of children and of adults. Urban families averaged only .9 of a child per family as against 1.6 in farm families, and 2.4 adults as against 2.5 in farm families.

Regional and State variations in nonfarm family composition are largely the result of a combination of the degree of urbanization and the family customs of the area. For instance, urbanization is not as far advanced in the West as in the North-

east, but the greater proportion of single-person families and of older couples in the West reduces the average size of family considerably below that of the Northeast. Pennsylvania, which is as urban as Ohio, has larger families because of the family patterns of the miners, who constitute a large proportion of the families in Pennsylvania villages and small cities; and Utah, which is more urban than Montana, has considerably larger families because of the Mormon influence.

Chart 1 shows the deviations of the South and the West from the United States in the proportion of families having 0, 1, 2, or 3 children; patterns for the Northeast and North Central regions are so similar to that for the United States as a whole that they have not been charted separately. In the South only 37 percent of all families had no children, while in the West more than 50 percent had

no children. In the South 20 percent of the families had three or more children and included 58 percent of all the children; in contrast, only 11 percent of the families in the West had three or more children, and these families included 44 percent of all the children.

Chart 3 also shows the regional variation in the distribution of children according to family unit income. In the South, as would be expected, the concentration of the children in the lower-income families is considerably greater than in the Nation as a whole; in the West, it is somewhat less.

In general, the low-income States are likewise the States with the largest number of children per family (chart 5). There are, therefore, very wide variations among the States in average family unit income, which ranges from \$218 in Mississippi to \$586 in New York and \$620 in Nevada.

Farm Families and Incomes

Although it is not possible to present an analysis of farm incomes comparable to the nonfarm wage or salary incomes, information from other sources indicates that farm incomes are even smaller than those of nonfarm families and farm families are larger. It has already been noted (table 5) that farm families include more children and more adults. In 1940, agricultural income was estimated at 7 percent of the total national income and the agricultural population at 23 percent of the total. In that year, 30 percent of all the Nation's children were in the farm population. While a considerable number of farm families have some non-agricultural income, it is not sufficient to counterbalance the fact that the proportion of the population on farms is more than three times as great as the proportion of income earned from farms.

Table 4.—Families and children in families, by family unit income

[Nonfarm families, 1940, with only wage or salary income in 1939]

Family unit income	United States			South		West	
	Percent of families	Percent of children	Cumulative percent of children	Percent of families	Percent of children	Percent of families	Percent of children
Total.....	100.0	100.0	-----	100.0	100.0	100.0	100.0
Under \$150.....	11.0	15.8	15.8	19.7	25.8	6.8	10.8
150-299.....	17.0	32.0	47.8	22.4	33.2	14.7	27.2
300-499.....	19.4	20.3	68.1	22.0	18.7	18.1	20.3
500-599.....	15.1	12.7	80.8	11.9	8.5	17.0	13.9
600-749.....	17.4	7.9	88.7	12.5	7.8	20.9	16.1
750 and over.....	20.1	11.3	100.0	11.5	6.0	22.6	11.7

Furthermore, within the farm population there is the same tendency toward concentration of children in low-income families. The farming sections which have the largest families are those of the Cotton South, the Appalachian and Ozark Mountain areas, the Lake States cut-over area, and the Mexican Border. In all these areas, farm incomes are relatively low. If, therefore, it had been possible to include farm families in the national distributions of unit income, the concentration of children in low-income families would have been more pronounced than that which has been shown by the analysis for nonfarm families.

Family Income and Population Policy

This concentration of children in low-income families has disturbing possibilities for the size and quality of future generations. Since nearly half of the children are growing up in a relatively few larger families, and since most of these families have an extremely thin margin of security, there tends to be a vicious circle in this segment of the population: children in large families with low incomes lack adequate opportunities for development and grow up to be disadvantaged parents of another disadvantaged generation.

There are those who, without examining all aspects of this problem, propose family limitation in the low-income families as the only solution. Such a proposal presents the other horn of the dilemma; namely, that

Table 5.—Persons in all families, by age, color, residence, and region, 1940, and median nonfarm wage or salary income, 1939, by region

Color, residence, and region	Persons (in thousands)		Average per family		Median nonfarm wage or salary income	
	18 years and over	Under 18 years	18 years and over	Under 18 years	Total	Per family unit
United States, total.....	83, 578	39, 353	2. 39	1. 13		
White.....	76, 206	34, 673	2. 41	1. 09		
Nonwhite.....	7, 372	4, 680	2. 26	1. 44		
Urban.....	49, 336	19, 219	2. 38	. 83	\$1, 380	\$474
Rural nonfarm.....	16, 451	8, 730	2. 28	1. 21		
Rural.....	17, 791	11, 404	2. 52	1. 61		
Northeast.....	23, 750	9, 589	2. 50	1. 01	1, 575	525
North Central.....	26, 086	11, 452	2. 37	1. 04	1, 441	502
South, total.....	24, 745	14, 567	2. 40	1. 41	965	330
White.....	19, 168	10, 895	2. 43	1. 38	1, 228	419
Nonwhite.....	5, 577	3, 672	2. 31	1. 52	505	179
West.....	8, 997	3, 745	2. 17	. 90	1, 454	555

family limitation has already spread to such an extent that, except for the temporary wartime rise, the population of the United States is barely replacing itself. Urban areas are already below the replacement level and rural areas not far above. Thus, any marked general extension of family limitation would bring with it all the depressing economic effects which accompany a declining population.³

It would be the counsel of defeatism to propose a social policy which would admit inability to devise a system for maintaining, with democratic opportunities, a sufficient number of children to replace, and to some extent increase, the numbers in the

³ Myrdal, Gunnar, *Population, A Problem for Democracy*, 1940; Lorimer, Winston, and Kiser, *Foundations of American Population Policy*, 1940.

present generation. Those who look forward to healthy expansion in the economy and enrichment of culture would prefer to see an increase in the adequacy of the support of families rather than a further decrease in the proportion of children. Policies which contribute to this result would include a wide variety of measures designed to raise the level of private income, to extend the availability of tax-supported protective and developmental services for promoting public health, public education, and public welfare, and to improve the system for underpinning the security of family incomes. While this article does not propose to develop the various policies for increasing the general level of family incomes or of diversifying the field of tax-supported services, certain relationships of family security to the child population may be outlined.

Special Insurance and Assistance Implications

It has already been noted that the combination of large size with low income allows a very thin margin of security for the families in which a substantial proportion of the coming generation is growing up. Occurrence of such combinations of size and income in any considerable proportion of the families creates a reservoir of insecurity just above the relief level in which the accumulation of savings is almost impossible and the satisfaction of the normal needs for family comfort and child development is extremely difficult. The number of such families varies according to the relative movement of wages and prices but is never negligible, and, in periods of general economic maladjustment

Chart 4.—Average number of persons per family, by color, residence, and region, 1940

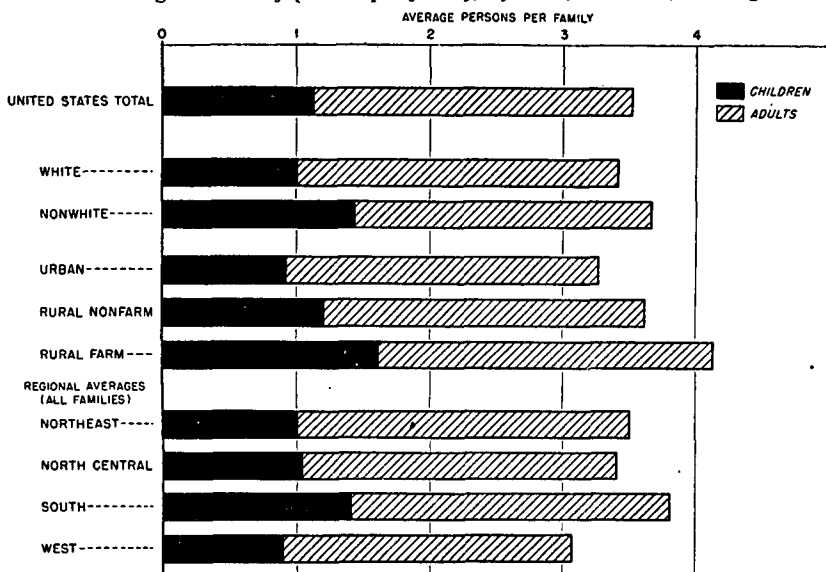
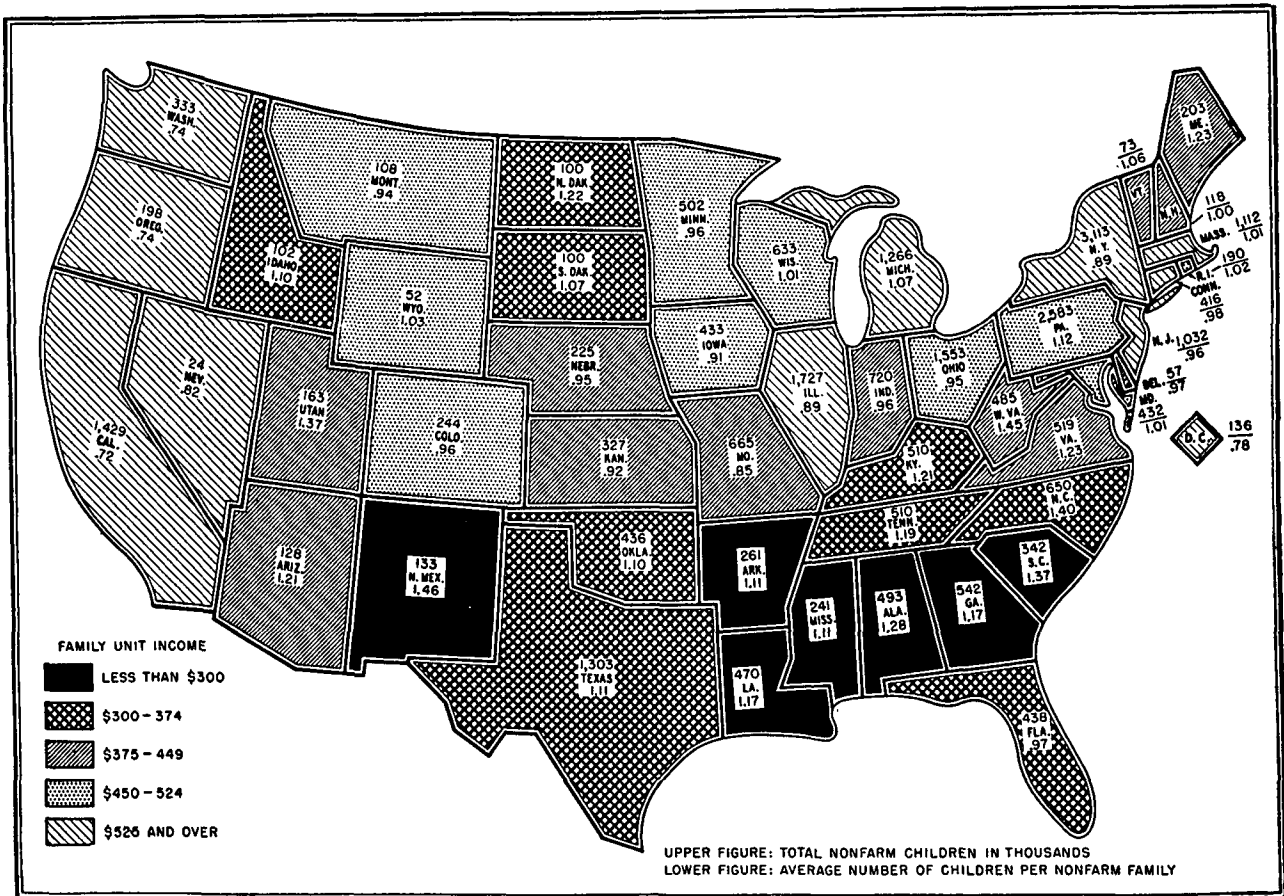


Chart 5.—Nonfarm children, 1940, and unit income of nonfarm families, 1939, by State



or specific family misfortune, considerable numbers of such families shift from self-support to at least partial reliance on public provisions for income maintenance.

That these large families do add to the problems of public assistance is indicated by their appearance in considerable numbers among the recipients of assistance. In the early 1930's, when most types of assistance were included in operations of the Federal Emergency Relief Administration, the families receiving assistance were larger than those in the general population.³ Similar differences are reflected in data of the Consumer Purchases Study of 1935.

³ Urban 2-or-more-person relief households averaged 3.8 as against 3.5 in the general population (WPA, Division of Social Research, *Urban Workers on Relief* (Research Monograph 4), p. 8). Rural relief families had a ratio of 1,036 children under 5 years of age to 1,000 women 20 to 44 years of age, as against a ratio of 697 in the whole rural population (WPA, Division of Social Research, *Rural Families on Relief* (Research Monograph 17), pp. 60-62).

Nor does the system of social insurance now in effect fully meet the needs of large families. Present programs do not cover farm workers, a class which has about the largest average family size, or domestic workers, a class with medium-sized families. In some of the States where agriculture is dominant, upwards of two-thirds of the children are in families unprotected by either unemployment insurance or old-age and survivors insurance. Furthermore, among the families with members in covered jobs, the workers with low wages or sporadic employment are those who frequently lose insured status.⁴ It is probable that in 1940 about 40 percent of all children were in families with an insured breadwinner.

The distribution of family incomes also emphasizes the failure of the present system to protect against

⁴ Trafton, George H., and Feinroth, Leonard H., "State Differences in Insurance Status Under Old-Age and Survivors Insurance," *Social Security Bulletin*, Vol. 7, No. 8 (August 1944), pp. 6-11.

certain hazards. The inability of families whose unit income is below the cost of a maintenance level of living to accumulate savings emphasizes the necessity of cash benefits to offset loss of wages when the breadwinner is temporarily or permanently disabled and of provision to help meet the emergency medical expenses which large families are the most likely to incur.

Families excluded from social insurance coverage and those which suffer financial reverses not now provided against by social insurance are likely to have to depend on assistance in time of economic misfortune. If the family includes a blind or aged person or a parent with the custody of dependent children, some member may be eligible for aid under one of the State-Federal assistance programs. If, on the other hand, the family is simply too large to meet its necessities from its income, it is dependent on the State or local general assistance, which in some places offers meager aid. The concentration of children in the low-income

States subjects them to a double disadvantage in public assistance. Although the need for assistance is proportionately greater in such States, the amount of assistance provided there is limited by the low taxpaying capacity of States and localities. In the Federal-State matching programs, and especially in aid to dependent children, the public assistance agencies in the low-income States are less able to make payments up to even the maximum which may be matched under the provisions of the Social Security Act. In several States this situation seriously limits the numbers of applicants who are accepted for assistance as well as the adequacy of the assistance provided.

These considerations emphasize the importance of two of the recommendations of the Social Security Board for strengthening public assistance: First, the likelihood that income in large families may fall below the needs of the family suggests the appropriateness of extending Federal matching to general assistance, available to any person in need. Second, the variation among the States in family needs and in taxing capacity leads to the recommendation that the equalizing formula for all Federal grants to States for public assistance be changed to one in which the Federal matching would vary in accordance with a State's need and ability to pay.

Now, when the air is full of plans for progress, it is not too much to suggest that every State and community should reexamine its provisions for services and security for children and should balance the needs in this field with proposals for superhighways, monuments, and other plans for material improvement. Federal agencies concerned should be ready to assist in such planning. To this end, a few States—but all too few—have officially designated committees of their State planning organization to formulate recommendations in this field which may be integrated with other proposals for post-war development. The programs proposed to the States by the Council of State Governments contain strong recommendations that this course be followed. Technical planning in the fields of public health, public education, and public welfare

should, of course, proceed in the agencies which are charged with the responsibility for administering these programs. There is need at the present stage of planning development for more attention to such planning within the agencies which are concerned with children and for a greater representation of the needs of such programs in the over-all planning councils of the States and communities.

Technical Note

The analyses were based on data from the following volumes of the U. S. Census of 1940: *Population—Characteristics by Age*; *Population—Families—Family Wage or Salary Income in 1939*; *Population—The Labor Force—Wage or Salary Income in 1939*; *Population and Housing—Families—General Characteristics*; *Population—Families—Types of Families*; *Population—Families—Size of Family and Age of Head*. Except for table 5 and chart 4, the figures relate to nonfarm families with wage or salary income only. For methods of computation, see the article by the author "A Method of Analysis of Family Composition and Income," *Journal of the American Statistical Association*, December 1944.

The following definitions and classifications apply:

Family.—A private family comprises a family head and all other persons in the home who are related to the head by blood, marriage, or adoption, and who live together and share common housekeeping arrangements. A person living alone is counted as a 1-person private family. A family head sharing his living accommodations with 1 or more (but not more than 10) unrelated persons is counted as a 1-person private family. Under this definition, family members exclude persons in institutions, and lodgers, servants, guests, foster children, and wards living in the household.

Children.—All persons in the family under age 18, except those who were heads of families or their wives. In 1940, 93 percent of the children in nonfarm families were children of the head, 5 percent were grandchildren, and 2 percent, other relatives.

Adults.—Persons aged 18 years and over and persons under age 18 who were heads of families or their wives.

Wage or salary income, as reported

to the census, includes all money received in 1939 in compensation for work or services performed as employees, including tips, commissions, piece-rate payments, bonuses, etc. The value of income received in kind, such as living quarters, meals, and clothing, is not included. The income reported was the total wages or salaries before deduction was made for social insurance.

The following items were listed as types of income to be excluded from wage or salary income: (1) earnings of businessmen, farmers, or professional persons derived from profits, sale of crops, or fees; (2) sums received as unemployment compensation; (3) direct relief or charity; (4) income in kind; (5) sums received for travel and expenses incurred in travel.

Income classification of families.—This article is concerned with one classification only, i. e., (1) nonfarm families with wage or salary income only—mostly wage earners and white-collar workers; this class includes 14,750,000 families or 42 percent of the United States total. Complete income data are available for this group of families only. Other groups, distinguished by type of income and residence, are:

(2) Mixed nonfarm groups—families receiving some of their income from wages or salaries and more than \$50 additional from "other" sources.

(3) Nonfarm families without wage or salary income—families receiving income only from "other" sources.

(4) Farm families with wage or salary income only—mostly farm laborers. Their cash income is, however, not comparable to urban income, since many of them receive income in kind, such as living quarters or meals, which is not recorded either as wages or salaries or as "other" income.

(5) Farm families with mixed income—mostly farm operators who also work off the farm or whose family includes a wage-earning member.

(6) Farm families with no wages or salaries—practically all farm operators without other employment.

Total family income.—The sum of the earnings from wages or salaries of all family members.

Family unit.—One adult or two children.

Family unit income.—The wage or salary income of a family divided by the number of family units, or the median income of a group of families divided by the average number of family units in the group.