



Family structure and the economic wellbeing of children in youth and adulthood[☆]



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ABSTRACT

An extensive literature on the relationship between family structure and children's outcomes consistently shows that living with a single parent is associated with negative outcomes. Few US studies, however, examine how a child's family structure affects outcomes for the child once he/she reaches adulthood. We directly examine, using the Panel Study of Income Dynamics, whether family structure during childhood is related to the child's economic wellbeing both during childhood as well as during adulthood. We find that living with a single parent is associated with the level of family resources available during childhood. This finding persists even when we remove time invariant factors within families. We also show that family structure is related to the child's education, marital status, and adult family income. Once we control for the child's demography and economic wellbeing in childhood, however, the associations into adulthood become trivial in size and statistically insignificant, suggesting that the relationship between family structure and children's long-term, economic outcomes is due in large part to the relationship between family structure and economic wellbeing in childhood.

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1. Introduction

The importance of family structure as it relates to outcomes for children is one of the most frequently investigated topics in the field of social demography. Descriptively, many studies show that children who grow up with married biological parents fare better in nearly all domains, including economically, cognitively, and emotionally, than those with parents who separate or divorce during their childhood or who live with a parent who was never married (Amato, 2000; Bjorkland et al., 2007; Gruber, 2004; McLanahan and Sandefur, 1994; Nock, 2000; Ribar, 2004). These differences persist even after controlling for a variety of demographic and socioeconomic factors (McLanahan and Sandefur, 1994; Ribar, 2004).

Most research to date examines the relationship between family structure and outcomes measured during a child's youth and adolescence, such as educational attainment (e.g., Astone and McLanahan, 1991, 1994; Biblarz and Raftery, 1999; McLanahan and Sandefur, 1994; Thompson et al., 1994), cognitive test scores (Gennetian, 2005) and psychological distress and smoking (Ermisch and Francesconi, 2001). Many of these outcomes are chosen because they are considered indicators of

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the child's success as an adult. Few US studies directly examine the relationship between family structure during a child's youth and outcomes for that child once he/she reaches adulthood (Fronstin et al., 2001). Those that do frequently make use of retrospective data (e.g., Biblarz and Gottainer, 2000), have missing information on important potential mechanisms such as family income (e.g., Lang and Zagorsky, 2001), or focus on educational outcomes alone (e.g., Case et al., 2001; Francesconi et al., 2010; Ginther and Pollak, 2004).

This paper adds to the extant literature on family structure and children's outcomes in the US by addressing some of the potential weaknesses in the prior literature. First, we examine the links between family structure during a child's youth and the child's economic wellbeing both in childhood and in adulthood. To do so, we use a data source, the Panel Study of Income Dynamics (PSID), that allows us to tie the resources available to a child while growing up to the economic success of the same child once he/she becomes an adult. These data were not collected retrospectively, but, instead, were gathered over the course of the more than 40 years the PSID has been in existence. Second, we have information on the child's educational attainment, marital status, and total family income in adulthood, factors that have never been considered together within the same study. We use them to identify the mechanisms that explain the relationship between family structure and adult economic wellbeing. Third, we have information on the maternal family structure for the first 18 years of a child's life. This is important for two reasons. It allows us to examine a much wider array of family structures – including divorced mothers who remarry and divorced mothers who do not remarry – and to determine if there is heterogeneity in the estimated associations across these diverse structures. Using a wider window also means we are much more likely to classify children as living with a single parent than we would using a single year of data. Much of the previous literature on family structure and children's outcomes was based on the living arrangements of the child during a particular year of the child's life. For example, in their classic study, McLanahan and Sandefur (1994) define the family structure of a child based on the mother's marital status in the child's 16th year. Wolfe et al. (1996) demonstrate that choosing a single point in time to capture family circumstances will produce misleading results.

Our study replicates the literature showing that single parenthood reduces the economic resources available to children while they are growing up. Economic resources, compared to parental behaviors, have been shown to be an important mechanism explaining the relationship between single parenthood and educational outcomes for children (Thompson et al., 1994). Our study suggests that the reductions in economic wellbeing associated with family structure that a child experiences in his/her youth have lasting effects across the life-course affecting educational attainment, marriage, and ultimately one's total family income in adulthood. In fact, our results show that once we control for the child's demography and economic wellbeing in childhood, the association between family structure in the child's youth and the child's economic wellbeing in adulthood disappear suggesting that the consequences of family structure on long-term outcomes of children are largely the result of economic experiences in childhood.

Family structure is not randomly assigned; therefore, it is extraordinarily difficult to establish causal estimates of the impact of single parenthood. Associations may lack causal interpretations due to bias generated by omitted variables (Bjorklund et al., 2007; Bjorklund and Sundstrom, 2006; Francesconi et al., 2010; Ginther and Pollak, 2004; Ribar, 2004). It has been well established that single parenthood is associated with a number of characteristics that might affect family income. If one fails to account for these omitted variables, then estimates of the effect of family structure will also include the indirect effect of family structure that operates through these omitted variables. These problems rightly leave the literature on family structure and children's outcomes vulnerable to criticisms related to internal validity. Without a controlled experiment that randomly assigns family structure, establishing causal estimates is exceedingly difficult.

Our results, like those in the previous literature, are subject to this limitation. We use a difference model to remove any bias created by time-invariant omitted variables correlated with family structure and family income measured when the child was young. Nevertheless, the results for the child's economic wellbeing in his/her youth are still vulnerable to bias generated by omitted time-varying factors, such as maternal mental and physical health. Furthermore, all of our results on adult outcomes are susceptible to this criticism. Therefore, our results might be described most accurately as “descriptive regressions;” a term Ginther and Pollak (2004) use in their work on this topic.

While the estimation challenges that have only been partially addressed in the literature are important to document so as to improve our current understanding of the issue, it is equally important to note that policymakers in the United States continue to place great emphasis on marriage, particularly for the low-income population. One can see this in the Temporary Assistance for Needy Families (TANF) program where the goals include promoting healthy marriages and discouraging out-of-wedlock pregnancies. Arizona, Arkansas, and Louisiana have implemented laws that create a covenant marriage option for couples. Covenant marriages require counseling before a couple can divorce and a no-fault declaration is not an option for dissolution. Thus, while it can be difficult to generate causal estimates of the impact of family structure on children's outcomes, it remains an important social policy topic and is, therefore, worthy of more scholarly attention.

2. Theory

Growing up in a single-parent family can reduce the economic wellbeing of children through a number of channels. Many of the long-term economic effects of family structure operate by reducing the child's human capital accumulation, which would reduce the child's productivity as an adult (Becker, 1993). Perhaps the most straightforward channel involves the potential reduction in resources provided by one parent compared with two. Married parents have higher average family

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