

that predominated under Title XX and presumably still predominate. This could be accomplished by requiring state agencies to distribute more of their HSBG child-care slots to family day-care homes and less to institutional care.^{1/} Because government reimbursement rates to day-care homes are approximately 75 percent of the rates paid to centers, more children might be served with a given level of funding if a greater share of HSBG funding was directed toward non-center arrangements.^{2/} This approach would also provide the same range of child-care choices to families who rely on direct subsidies as are now available to those receiving indirect subsidies through the dependent-care tax credit.

Shifting the types of child care purchased by the HSBG program could, however, increase state administrative costs, thereby possibly offsetting to some degree the increase in child-care slots that such a shift would be intended to produce. Family day-care homes tend to be less visible and less organized than day-care centers, so greater state initiative could be

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1. In 1981, 74 percent of the children who received HSBG child care were in child-care centers, which tend to be among the most expensive of existing options. For example, in Alabama, the maximum daily rate for children placed in child-care centers receiving HSBG funds was \$11.00, whereas the rate for family day-care homes was \$4.00. U.S. Department of Health and Human Services, Report to Congress: Summary Report of the Assessment of Current State Practices in Title XX Funded Day Care Programs (October 1981), Appendix A, Table 4.
 2. Report to Congress: Summary Report of the Assessment of Current State Practices in Title XX Funded Day Care Programs.

required to provide these forms of care to HSBG families. Similarly, monitoring of family day-care establishments, to insure that state safety and quality standards were met, could prove difficult and costly. Moreover, program changes that would entail increased federal control over the use of funds would be a reversal of the recent trend toward reduced federal direction in the provision of social services.

A further step in the same direction would be to use HSBG funds to provide low-income parents with child-care vouchers redeemable at both day-care centers and some family day-care establishments. A voucher system could be set up in a variety of different ways, depending on the Congress's intent. For example, families could be charged an income-related fee for their vouchers, so that the lowest-income families paid nothing while other families paid a price that increased with income. Reimbursement differentials for different types of care could also be established, with lower reimbursement limits for lower-cost forms of care; this would recover for the state some of the savings accruing from families choosing lower-cost settings, making it possible to offer vouchers to a larger number of families. A voucher system, however, like direct funding of family day care under the HSBG program, would increase the difficulty of insuring compliance with safety and quality standards. In addition, a new administrative mechanism would be required for dispensing the vouchers themselves and collecting fees.

Increasing Targeting on Those Most in Need

Another response to the current fiscal stringency would be to target available child-care assistance more narrowly on those groups that are least capable of purchasing care in the private market. Both the HSBG program and the dependent-care tax credit could be restructured to achieve this goal.

HSBG. Eligibility criteria for the HSBG program could be imposed to place a relatively stringent income ceiling on participation in child-care programs--50 percent of each state's median income, for example. This change, however, would curtail state discretion over the use of these funds--an approach that runs counter to the direction of recent policy changes. It would also exacerbate child-care problems for relatively low-income families with incomes only modestly above the new cut-off, by eliminating them from HSBG child-care programs in those states that presently set a higher eligibility ceiling.^{3/}

The Dependent-Care Tax Credit. The subsidies provided through the dependent-care tax credit could also be targeted more toward lower-income families without increasing the total federal revenue loss.

3. Little information is available concerning how states have structured their HSBG child-care programs following the creation of the block grant and recent reductions in funding. Anecdotal evidence, however, suggests that some states have responded by reducing the maximum income criterion for eligibility for HSBG services, thus increasing the extent of targeting by income.

One alternative would be to make the sliding scale incorporated into the credit steeper than it is currently. At present, families with adjusted gross incomes (AGIs) below \$10,000 can receive a credit of 30 percent of eligible dependent-care expenses; this percentage declines as income increases, with families that have AGIs of \$28,000 or more receiving a credit equal to 20 percent of eligible expenses. The proportion of eligible expenses returned as a credit could be increased for families with relatively low incomes, and that increase could be offset by lowering the percentage for families with higher incomes or by eliminating the credit altogether for families above a specified income--perhaps, for example, an AGI of \$50,000.

The targeting of the credit on those most in need could be increased further by making the credit refundable and by incorporating an advance payment provision. While these changes would help some families of modest means, however, past experience--as noted above--suggests that many families with very low incomes would not avail themselves of such a benefit.

Expanding Federal Support

Expansion of federal support of child care could entail increases in direct expenditures, tax expenditures, or both. While federal support could be increased through the creation of a new program--for example, the voucher system noted above--another possibility would be expansion of one or more of the three largest current federal programs: the Human Services

Block Grant (HSBG), Head Start, and the dependent-care tax credit. Any expansion, however, would require higher taxes or greater deficits unless offsetting reductions were made elsewhere in the budget.

HSBG. Expansion of HSBG child-care funding would be straightforward in some respects, since the state agencies that operate the program have substantial experience with day-care programs and since the program (at least in its former, Title XX form) focused on the provision of such services to the population of low-income very young children that is currently growing rapidly.

A number of difficult issues would arise, however, if HSBG funding was increased. Because of the Reconciliation Act of 1981, HSBG no longer includes a set-aside for day-care services; unless such a set-aside was re-established, funneling of additional funding into child-care services could not be guaranteed.^{4/} Similarly, the 1981 act removed the two targeting provisions of then-Title XX: a fairly generous income ceiling for eligibility and a set-aside for public-assistance recipients. The absence of such provisions could limit the Congress's ability to channel additional child-care funds to the growing population of very young children in poverty. Targeting requirements or set-asides could be re-established, however.

4. Anecdotal evidence suggests that child-care services have borne a disproportionately large share of recent HSBG funding cuts.

If historical precedent was followed, additional child-care funding under HSBG might be directed primarily into center-based care for pre-school children--those aged 3 to 5--unless provisions were added to the law to encourage additional diversification of child-care services. Channeling all funding into preschool center care would leave unaddressed the growing needs for infant and after-school care. The Congress could address these needs by requiring that a specified proportion of additional funds be channeled into infant care, after-school care for elementary-school children, or both. If collaborative arrangements with local education agencies were fostered, encouraging after-school care could be a cost-effective alternative, in that social service agencies could reduce overhead by making use of school facilities underused in the after-school hours.

Head Start. Expansion of Head Start might be easily implemented, given that Head Start programs are already well established in a large number of communities. Expansion of Head Start would also have the advantage of targeting the additional funds toward the rapidly growing population of low-income children. Unless the program was fundamentally restructured, however, the additional services would be limited to 3- to 5-year-old children.

If Head Start funding was increased, the Congress could choose between expanding the number of eligible children receiving the current mix of services or providing longer hours of care to the number of children now

served. In addition, if longer hours were established, they could be provided at either current or reduced levels of service intensity. The effects of these alternatives--for example, their impact on the employment of mothers, cost per child served, or quality of care--are unclear, however.

Dependent-Care Tax Credit. Unlike current direct expenditures for child care, tax expenditures--that is, the revenue loss--under the dependent-care tax credit will automatically increase if the growing number of eligible families make use of it.

If the Congress decided to increase tax expenditures under this credit beyond the increase that will likely occur in the absence of policy changes, one option would be to increase the maximum expenditures eligible for the credit in the case of infant care--perhaps care during the first year or 18 months of life--because infant care of a given level of quality is substantially more expensive than comparable care for toddlers. Currently, the maximum expenditure eligible for the credit if only one child's care is considered is \$2,400 per year--roughly \$9.60 per work-day over 50 five-day work weeks. To purchase family day care at a child-to-caretaker ratio that many parents and child-development experts would consider adequate for an infant would cost considerably more than this. For example, the cost of one caretaker caring full-time for two infants would generally be at least \$4,100 per year per infant; if three infants shared one caretaker, the cost would generally be at least \$2,750 per child.^{5/} Accordingly, increasing the maximum expense eligible for the credit could improve the access of moderate-income families to infant care of that quality.

Encouraging Greater Employer Involvement in the Provision of Child Care

Business tax incentives are the principal vehicle through which the federal government could encourage employer participation in the provision of child care, although new loan programs could also be adopted. It is important to note, however, that recent surveys indicate that only a small share of employers would be likely to become involved in providing child-care for their employees, even if current incentives were expanded, unless almost all of their increased costs were reimbursed through reduced tax liabilities.^{6/}

In lieu of the present practice of deducting child-care contributions as business expenses, a tax credit could be designed that would allow employers to claim a specified percentage of incurred child-care expenditures against their tax liability. Such a tax credit would have to be substantial, however, to provide a greater benefit than is already available to firms through the deductibility of child-care costs, and would thereby increase the associated revenue loss. Unlike some state tax provisions, the credit would need to be available for partial as well as full subsidies of employees' child-care expenses, since partial subsidies are the norm in employer-sponsored arrangements. In addition, a broad definition of allowable expenditures that

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5. Assuming 5 days per week, 9 hours per day (to include one hour of commuting time for the working parent), 50 paid weeks per year, compensation at the minimum wage, and employer payment of the employer's share of payroll taxes.
 6. U.S. Department of Labor, Women's Bureau, Child Care Centers Sponsored by Employers and Labor Unions in the United States (1980) and Child Care Information Service, Survey of Employer-Sponsored Child Care Programs (1981).

included, for example, expenditures for information and referral services and for contracts made with third parties to provide child-care services for employees, would offer employers flexibility in designing programs of child care support tailored to the particular needs of their employees.

As an alternative to tax incentives, a low-interest loan program could be established that would serve both nonprofit and profit-making organizations. Loans could be made available to assist with the start-up costs of establishing a child-care program for employees, such as those associated with constructing or renovating a child-care facility, purchasing equipment, obtaining technical assistance, and paying initial operating expenses. This approach would likely be particularly appealing for small businesses that might otherwise not have the cash available to establish a child-care program. It would, however, add to total federal credit activity--a matter of growing concern--in addition to requiring direct federal expenditures for the interest-rate subsidy.

These approaches would result in either greater revenue losses or increased direct federal expenditures. In the case of tax expenditures, the costs would probably be relatively small, since few firms would likely take advantage of these subsidies unless they were substantial. The specific costs of expanded tax incentives are difficult to estimate, however, because they would depend largely upon the number of additional employers claiming child-care tax benefits. The cost of a low-interest loan program would depend on the interest rate charged, the cost of federal borrowing, and the volume of loans made annually.

Encouraging Employment Changes to Lessen Reliance on Non-Family Care

Reliance on non-family care might be reduced in some cases if employed parents had greater flexibility in arranging their work schedules. Increased availability of part-time work, flexible work hours, and job-sharing might all lessen reliance on non-family care, including, in some cases, publicly supported care. For example, some parents of children in elementary school might choose to work about three-fourths of full time if given the option to do so, in order to be home to care for their children during the after-school hours.

While many aspects of job flexibility could probably not be influenced easily by a federal initiative, changes in federal tax law might have an appreciable impact on the availability of part-time employment. Anecdotal reports suggest that one barrier to seeking part-time employment in some cases is loss of valuable benefits, such as employer contributions to health insurance and pension plans. Such employer contributions are currently deductible from an employer's taxable income, and deductibility could be made contingent on offering a prorated benefit package to part-time employees. For example, deductibility could be made contingent on offering all employees working at least 20 hours a week benefits comparable to those of full-time workers, with the employer's contribution proportional to hours worked by each employee.

The net impact of such a change, however, is not clear. While some employers might continue to permit workers to change to part-time status,

others might respond to the increased cost of part-time employment by reducing the availability of part-time positions or by offering part-time positions only for a smaller number of hours per week than the minimum at which eligibility for fringe benefits was mandated.

OPTIONS FOR CARE OF THE DEPENDENT ELDERLY

Federal support for care for the moderately disabled elderly is now provided on a limited basis, both through the traditional social service programs and the major health care programs, Medicare and Medicaid.^{7/} Dependent care for the elderly as discussed here includes housekeeping and homemaker services, home-delivered meals, respite care, and adult day care.^{8/} Most but not all of such services are home-based. The term "home-based care" as used here, however, should be broadly interpreted to refer to social services that help the elderly remain in their homes rather than being institutionalized--including, in some cases, center-based services.

To move from the very limited support of home-based care that currently exists at the federal level to a more comprehensive program could be

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7. Although care for the dependent elderly is normally considered a social service, it is also closely linked to home-health care services and any discussion of options for change needs to consider this relationship. Home-based services and home-health care probably need to be coordinated to function as a viable alternative to institutional care, for example.
 8. Adult day care may serve as a less expensive alternative to comprehensive companionship and homemaker services provided on an individual basis. The over 700 current adult day-care programs, provide a great variety of types of services and setting. Consequently, the specific design of a federal program would determine its cost.

very costly--as much as \$12 billion in 1984--if home-based care was available and used by all moderately disabled individuals.^{9/} While such an amount would be only a small portion of the over \$209 billion projected to be spent by the federal government on the elderly in 1983, it nonetheless would represent a large expansion of outlays during a period of cutbacks in many discretionary programs. Although some reduction in federal expenditures might be generated by returning a portion of the institutionalized population to their homes, overall federal costs would increase substantially, since the persons served would include many who are not now institutionalized. In addition, costs would rise considerably through the 1980s, if the number of moderately disabled elderly without other sources of support increases as expected.

Provision of some home-based services by the federal government could be accomplished with varying degrees of cost. One option would be to maintain the current level of expenditures, perhaps with changes in the targeting of benefits. Alternatively, additional care could be financed by reducing outlays in related health and social-service programs for the elderly. Although direct provision of services without such offsets would

9. This estimate assumes that as many as 6 million elderly individuals currently not receiving federal support for home-health services could be eligible at an average cost of about \$2,000 each. The \$2,000 estimate is based on costs of 52 visits from a home health aide. Visits from nurses or therapists would be considerably more expensive, however. Moreover, delivery of meals and additional visits by home-health aides might also be needed to keep some individuals in their homes. Alternative services such as adult day care might also be funded, perhaps at slightly lower per capita costs.

raise total federal costs, they could be controlled by limiting eligibility or restricting the benefit package. Finally, care for the dependent elderly could be subsidized indirectly through the personal income tax system. Tax benefits for such care would also be costly in terms of lost revenues, but would tend to limit the extent of direct federal involvement. Consequently, four general approaches are discussed below:

- o Maintaining the current level of services;
- o Funding additional social services by reallocating federal expenditures;
- o Expanding the federal role through direct provision of services; and
- o Expanding the federal role through tax benefits for caregivers.

Maintaining the Current Level of Services

In a period of budget austerity, the Congress may wish to maintain the current level of federal commitment--or restrict it further.^{10/} Families may be viewed as the more appropriate source of support, with the federal government only protecting the elderly against acute health-care needs (through Medicare) or institutional care for those who cannot afford it (through Medicaid). Another reason to limit the federal role is that home-based care is now often provided informally by relatives and friends, and increasingly the private sector is developing such services. In such a setting, increased federal provision of services might raise the costs of such

10. The impact of P.L. 97-35 on Medicaid, and of P.L. 97-248 which added hospice coverage under Medicare, may result in a gradual expansion in this area without further Congressional action. Since such a trend cannot be predicted at this time, the discussion in this section assumes that, under current law, home-based care will remain a limited portion of Medicaid and Medicare expenditures.

care by establishing stringent reimbursement standards, which in turn could affect choices in the private sector. Moreover, federal provision might merely substitute for private support that would otherwise have occurred.

Home-based care services provided through Medicaid, Medicare, the Human Services Block Grant (HSBG), and the Older Americans Act could be coordinated and limited to a more carefully defined subgroup of the elderly. For example, if all aid were redirected into the Medicaid program, care would be targeted on those with low incomes. Further, care could be reserved for only those with the most severe handicaps, so that it would be more likely to function as a substitute for institutional care.

Funding Additional Dependent Care By Reallocating Federal Expenditures

Arguments for home-based care often are based on the fact that the relative lack of federal support for such services compared to institutional care may distort the choice of health care toward institutionalization, resulting in increased costs to the federal government over time. Higher expenses in the short run from providing more home-health benefits for the elderly might be offset by lower future costs if fewer people entered institutions. The prospect of these long-run savings underlies much of the support for federal provision of home-based care.

To the extent that home-based and related services could prevent or delay institutionalization for some persons, expanding them might preclude the overbuilding of nursing homes that might be stimulated by increases in

the number of elderly. Since home-based care requires much less capitalization, it could more readily be expanded or contracted in response to changes in the demand for services.

If provision of home-based care was combined with careful assessment of persons in institutions to return some patients to their homes, care at lower cost might be provided for some who currently are given institutional support through Medicaid.^{11/} Moreover, since the elderly generally wish to remain in their homes if care is available there, home-based care may also be preferable from their point of view.

One alternative for expanding care to the dependent elderly while limiting federal costs would be to require that any additional commitment to the elderly be funded by shifting resources from other health and social-service programs for the elderly. Funding could be cut for those social services from which fewer people are likely to benefit in the 1980s. For example, Title III of the Older Americans Act could concentrate on home-delivered rather than congregate meals. Resources could be moved away from general programs for the elderly, since this group as a whole is likely to be relatively better off in the 1980s, and into adult day care and home-based services, for example. The limited size of these programs would restrict the amount available for care to the dependent elderly, however.

11. The extent of such savings remains open to debate. A good discussion of the often-conflicting evidence is available in Health Care Financing Administration, Long Term Care: Background and Future Directions, Office of Policy Analysis (January 1981).

Funds for dependent care for the elderly could also be obtained through reducing coverage under Medicare or Medicaid. If the new benefits were provided under Medicare, however, it would be difficult to limit services, since that program covers over 29 million aged and disabled persons. If Medicaid was used instead, even a federal commitment of only \$1 billion for dependent care, for example, would displace about 12 percent of the medical services expected to be provided to the elderly under this program in fiscal year 1984.

Expanding the Federal Role Through Direct Provision
of Services to the Dependent Elderly

The Congress might wish to consider options for expanding federal participation in this area without requiring reductions in other health and social-service programs. As discussed above, such a program could cost as much as \$12 billion in 1984, but it could be designed to limit participation or benefits.^{12/} The level of expenditures necessary to provide home-based services to the elderly would largely depend upon four factors:

- o How medical eligibility would be determined;
- o Whether participation would be limited by additional criteria such as level of income;
- o Whether participants would be required to contribute to costs; and
- o What mix of health and social services would be included.

12. To put this amount in context, if such a \$12 billion program was introduced through Medicare and financed by a mandatory premium, that benefit alone would cost enrollees about \$37 per month in 1984.

Determining Medical Eligibility. Perhaps the greatest problem in controlling costs of home-based care stems from the difficulty of determining who should receive such services. Provision of home-based care by the federal government could lead almost immediately to a large increase in the number of elderly persons served by health and social-service programs unless restrictions were placed on participation.

One approach would be to limit eligibility to persons who are currently institutionalized. Such a restriction would enhance the potential for cost savings through substitution of home-based services for institutional care. The requirement might prove, however, to be less restrictive in practice than it initially appears. If institutional beds freed by such a program were immediately filled by other physically impaired elderly persons, the numbers of home-based care recipients would rise over time with no corresponding decrease in the institutionalized population--at least until all those seeking care were being served.

Income Testing and Other Restrictions on Participation. Eligibility for home-based care services could also be limited to persons in financial need for whom the cost of home-based care would be less than the cost of institutionalization. For example, less than 16 percent of all the elderly had incomes below the poverty line in 1981, so restricting aid to this group would limit the costs substantially, even if a greater than proportional share of the homebound elderly are poor.

One way to achieve such a restriction would be to provide home-based care services through Medicaid. Indeed, some of the necessary legislation is already in place. P.L. 97-35 allows states to apply for waivers to provide home-based care, but requires that such endeavors be limited to the number who could be served by institutions. Just over one-fourth of the states have been granted such waivers, but additional effort might be needed to encourage expansion in this area.

Cost-sharing by Patients. Requiring recipients of home-based care to share in the costs of services could help to limit participation and thus hold down total expenditures. Since many elderly persons may have private sources of such support--from relatives, for example--they would be less likely to seek federal help if they were charged a percentage of the costs of that aid. A cost-sharing requirement would probably be particularly important for a program that made services available to all physically impaired elderly. If services were restricted to low-income persons, the level of cost-sharing might have to be limited in order for anyone to be able to afford to participate. The cost of this type of program would depend both on the amount of cost-sharing required and on the extent to which participation would be lower in response to the cost-sharing.

The Mix of Services to Be Provided. Under the current system of home-based care, an elderly person in a particular state might, for example, receive only meal services, even if physical limitations prevented that person from performing other household chores. Such a partial approach may

fail over time to avoid the institutionalization of many disabled elderly. Thus, while only partial aid may be less expensive, it may also be unable to serve as a viable alternative to institutional care.

Not all services would have to be provided on an individual basis in the home, however. To the extent that an individual remained somewhat ambulatory, daytime supervision in a group setting--adult day care--might constitute a viable and less expensive option. Little information is available on the costs or types of persons now being served by adult day-care centers, however.

Expanding the Federal Role Through Tax Benefits for Caregivers

Another broad approach for increasing the federal role in home-based social services would be to leave responsibility with families of the elderly, while providing additional subsidies for such care through the personal income tax system. Specific options include deductions or credits based on a proportion of expenses incurred for care, or personal exemptions for families providing care to an elderly relative.

The effectiveness of any tax benefit would depend on the extent to which families would be induced to provide additional support to their relatives--that is, over and above what they now provide. Would partial compensation from the government--through reduced tax liabilities--cause persons to aid their elderly relatives more? The strength of family ties is likely to be a more important determinant of such aid. Since the aged

currently have considerable contact with relatives, especially their children, the tax benefit might compensate primarily those individuals who are already providing care rather than increase the participation of other relatives. Such a tax benefit might still be desirable, however, if it extended the amount of care or the period over which relatives were able to provide support to home-bound elderly.

In addition, tax benefits for relatives who provide home-care services would vary considerably, depending on the specific provisions. If only purchased care was covered, the tax benefits would tend to be restricted to families at higher income levels. Moreover, depending on the form of tax relief, the incentives to participate could vary more with the income level of the providing family than with the needs of the elderly recipient of the services.

Deductions or Credits. Allowing deductions from taxable income or a credit against taxes for aid provided to an elderly relative would be one means of encouraging additional care. The value of deductions to taxpayers would increase with income--the higher the tax bracket, the greater the value of the deduction. Credits, on the other hand, would provide equal reductions in taxes to all taxpayers making the same contributions to their elderly relatives regardless of income. Low-income families whose tax liabilities were below the level of a nonrefundable credit would, however, receive only reduced benefits or none at all. Refundable tax credits could extend the aid to low-income families, but only to the extent that they filed for the credit.

A tax deduction or credit for providing dependent care would probably have to be available to relatives living in different households--otherwise, benefits would be restricted to a very small percentage of families. Household aid of this sort would be difficult to verify, however, particularly since aid received is not considered income to the recipients for income tax purposes and is only subject to a gift tax when an individual receives more than \$10,000 from one individual in one year.

To improve verifiability, the deduction or credit could be restricted to the purchase of home-care services for relatives--private nursing visits, for example--since there would be formal records for verifying the tax credit. This approach would discourage relatives from providing services themselves, however. Further, families with low incomes might not be able to purchase care if partial reimbursement was provided through the tax system.

Exemptions for Dependents. Another alternative would be to allow persons to treat the supported relative outside the home as a dependent, claiming a personal exemption if a given number of hours of care was provided or a minimum expenditure was made.^{13/} This would avoid the problem of placing a dollar value on time spent in caring for an elderly relative. On the other hand, such an exemption would be worth more to higher-income families than to those with low incomes, since exemptions reduce taxable income, and verifying the hours of care would be difficult.

13. This option is already available for persons who contribute more than one-half of the support of the relative. However, this tax benefit is not currently available for those who provide aid in the form of direct services.

**APPENDIX A. METHOD OF ESTIMATING THE PROPORTION OF
CHILDREN LIVING IN DIFFERENT TYPES OF
HOUSEHOLDS IN 1990**

The projections in this study of the living arrangements of children in 1990--that is, of the proportions living with both parents, with mother only, with father only, and with neither parent--should be considered only rough estimates. They were derived by a method that hinges on a possibly questionable assumption; moreover, the trends on which they are based have been somewhat erratic over the past seven years.

CBO was able to locate one relevant projection by demographers, but that projection (see Table A-1) considered all children under 18 as a group. Accordingly, the following method was devised to combine the projections in Table A-1 with projections by the Bureau of the Census of the age distribution in 1990 (Table 1) to estimate the proportion of children under the age of 6 and between the ages of 6 and 9 in each household type.

The first step in the procedure was to calculate from Table A-1 the extent to which projected 1980-to-1990 trends among all children under age 18 are expected to differ from comparable 1970-to-1980 trends. For example, Table A-1 projects that the proportion of children in mother-only households will continue to grow during the 1980s, but at a slower rate than during the 1970s. For each household type in Table A-1, a factor was esti-

mated that generated the difference between the 1970-to-1980 and the 1980-to-1990 trends.

TABLE A-1. LIVING ARRANGEMENTS OF CHILDREN UNDER AGE 18: 1970, 1980, AND PROJECTIONS FOR 1990 (Percent distribution)

Living Arrangement	Actual		Projected
	1970	1980	1990
Total Number (in thousands)	69,162	62,064	64,322
Living with Two Parents	85.2	76.6	71.0
Living with One Parent	11.9	19.7	25.0
With mother only	10.8	18.0	23.0
With father only	1.1	1.7	2.0
Living with Neither Parent	2.9	3.7	5.0

SOURCES: Figures for 1970 are from the U.S. Bureau of the Census, Marital Status and Living Arrangements: March 1980, Series P-20, no. 365 (October 1981). Figures for 1980 are from the U.S. Bureau of the Census, Characteristics of American Children and Youth: 1980, Series P-23, no. 114 (January 1982). Projections for 1990 are from Paul C. Glick, "Children of Divorce in Demographic Perspective," Journal of Social Issues, vol. 35, no. 4 (1979).

As a second step, tabulations were obtained from the decennial censuses showing the proportion of children under age 6 and the proportion age 6 through 9 living in each household type in both 1970 and 1980. For each age group and household type, the 1970-to-1980 trend was projected to 1990 to give a first estimate of the proportions of children in each type of household in 1990.

As a final step, the initial estimates of proportions in 1990 obtained in the second step were revised by applying to the projected 1980-to-1990 trend in each household type the factors derived for each household type in step 1.

The effect of this method can be illustrated by considering a single household type. The proportion of children in single-parent families has been growing in all three age groups considered: birth to 6, 6 to 10, and birth to 18. The proportion differs from age group to age group, however, as does the rate at which the proportion has been growing. This method maintains those differences, but it assumes that those differing rates of increase will all slow by comparable amounts between 1980 and 1990.^{1/}

To the extent that this assumption is incorrect, the projections used here will be in error. It is very unlikely, however, that they would be sufficiently in error to change any of the conclusions discussed in this memorandum.

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1. What is meant in mathematical terms by saying that the differing rates of growth were reduced by "comparable" amounts? The method began by normalizing the proportions (using a logit transformation). Table A-1 was used to obtain the arithmetic difference between a linear extrapolation to 1990 of the transformed proportions and the projected proportions, separately for each household type. These differences were then subtracted from linear extrapolations of the comparable proportions among the smaller age groups, also in transformed form. Reversing the transformations then yielded the projections used in Table 2.

Linear extrapolation of the transformed proportions would mean that the odds of being in a given household type would increase by the same ratio from 1980 to 1990 as from 1970 to 1980. Applying the correction factor described above changes that ratio by a multiplicative factor that is the same for all age groups but different for each household type.

The second source of potential error in these projections is that the increase in the proportion of children living in mother-only households has been erratic in recent years, particularly in the under-6 age group. The more erratic the trends, the more uncertain are any projections, because there can be substantial disagreement about the "true" trend that underlies the erratic historical pattern.

For example, between 1970 and 1980, the proportion of children living in mother-only households grew from under 10 percent to about 15 percent. This increase, however, occurred between 1970 and 1975, and the proportion remained nearly constant from 1975 to 1980. In the last few years the trend has again turned upward, and in 1982 it reached an adjusted level of about 17 percent.^{2/}

In Table 2 in the body of this report, the proportion of children under age 6 living in mother-only households is projected to rise to 19 percent by 1990, from 15 percent in 1980. The estimate of 19 percent could be criticized as either too high or too low on the basis of the erratic trend just described. For example, one might infer from the lack of increase from 1975 to 1980 that the growth in this proportion has largely ended and that the increase over the past few years is likely to be an isolated event. In that case, one might not anticipate continued growth from the current 17

2. The proportion that will be reported in forthcoming Census publications is 19 percent. Part of the increase, however, reflects a change in CPS questions that was described in Part I. If the effects of the change in questions is removed to make the number comparable to those reported in earlier years, the resulting adjusted proportion is roughly 17 percent.

percent to the projected level of 19 percent. Alternatively, one could emphasize the rapid change that occurred between 1980 and 1982 and argue that since the proportion has grown in two years by half the amount projected for the entire decade, the projected level of 19 percent in 1990 is too low.