

Father Hunger: An Economic View of Delinquent Fathers

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Chapter 1: Introduction

The climbing number of unwed mothers, the number of fathers in prison, and the ever-expanding divorce rate is continuing to generate significant amounts of research and analysis in the area of family dynamics. According to the National Center for Health Statistics, four in every ten babies were born to unwed mothers in 2007, with historic data suggesting that the number would continue to rise.¹ The purpose of the current analysis is to provide a brief look at the possible economic implications delinquent fatherhood is having on an already battered economy. Because of data constraints, our analysis reflects all children growing up without a father net of those whose father is deceased.

Table 1: Historic Out-of-Wedlock Births and Fatherless Children

Year	Total Births ('000)	Total Births to Unwed Mothers ('000)	Out-of-Wedlock Birth Rate	Number of Children without Fathers ('000)*
2000	4,059	1,347	33%	19,142
2001	4,026	1,349	34%	18,382
2002	4,022	1,366	34%	18,637
2003	4,090	1,416	35%	19,112
2004	4,112	1,470	36%	19,497
2005	4,138	1,527	37%	19,919
2006	4,266	1,642	38%	19,923
2007	4,316	1,715	40%	18,631
2008	4,247	-	-	19,064
2009	4,136	-	-	19,261
2010 -	-	-	-	19,700

* Includes children living with neither parent and children living with mother only (net of widowed mothers).

Sources: U.S. Census Bureau, 2011 Statistical Abstract; U.S. Census Bureau, Current Population Survey

¹ <http://www.cdc.gov/nchs/data/databriefs/db18.htm>

This analysis will not look at the social burden that delinquent fathers place on society due to their increased utilization of social services and correctional facilities (see Scafidi [2008]). Rather, we will look at the long term fiscal impacts these fathers are having on their children.

We will analyze the children of delinquent fathers by first linking the average education level of these children to future income streams and seeing how these differ from children growing up in traditional two-parent homes. The resulting earnings differential will then be run through an input-output model to capture the associated ripple effects, and a simple with-and-without analysis² will be conducted.

Table 2: 2010 Breakdown of Children with Delinquent Fathers

Family type	Description	Children
Living with mother only	Married spouse absent	1,073,000
	Widowed	624,000
	Divorced	5,316,000
	Separated	2,727,000
	Never married	7,543,000
Living with neither parent	No parent present	3,041,000
Total number of children with delinquent fathers	(net of children with widowed mothers)	19,700,000

Source: Census Bureau, "Living Arrangements of Children Under 18 Years (2010)"

Table 2 simply shows the breakdown of the 19.7 million children by family type. The Row labeled "Married spouse absent" would include military mothers whose spouse may be called to active duty. Though we recognize that these fathers are not necessarily delinquent, we were

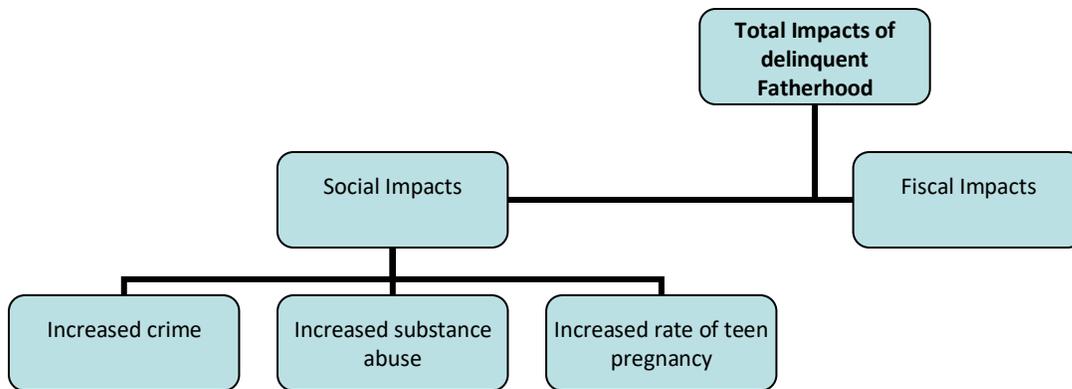
² With-and-without analysis simply shows the impact measures occurring under different scenarios. In this case, it compares families in which the father is present with the children, and those in which the father is absent during the upbringing of the child.

unable to disaggregate that figure. The second to last row labeled “No parent present” captures children growing up with grandparents, those in foster care, *et cetera*.

Through the advent of more advanced database management software, longitudinal data sets are becoming more widely available. Nonetheless, many of these data sets do not have the requisite variables for providing a comprehensive analysis. Most published data sets have a two-year lag in reporting, which is why much of the current analysis will focus on the problem as it was, not in terms of where we are today. Our intention is to use the data and research that are available, but wherever data are lacking, conservative assumptions will be identified and implemented.

Chapter 2: Economic Methodology

Total costs of delinquent fatherhood would appropriately capture the loss in productivity and the social burden placed on taxpayers. For research focusing on the social costs of delinquent fathers, see McCord and McCord (1958), Wells and Rankin (1991), and Scafidi (2008). The aforementioned studies focus primarily on the increased burden to society through the increased need for social programs and the generational effect family life has on children. Our focus, however, is on the fiscal impacts, that is, the lost earnings and reduced productivity of the workforce due to delinquent fathers.



We begin with data from the National Longitudinal Survey of Youth. As shown by McLanahan (1999), children from one-parent homes are 16% more likely to drop out of high school. We conservatively assume that students from either single parent or two-parent families who do finish high school will persist through the remainder of the education system at comparable rates. Table 2.1 below shows the educational attainment levels of children from one-parent versus two-parent homes.

Table 2.1: Educational Attainment for Children in One- and Two-Parent Homes

Education Level	One-Parent	Two-Parent
<HS	29.0%	13.0%
HS	35.5%	43.5%
Some College	14.3%	17.6%
Vocational	12.0%	14.7%
Associate's	7.0%	8.5%
Bachelor's	1.5%	1.8%
Master's	0.5%	0.6%
Professional	0.1%	0.1%
Ph.D.	0.1%	0.1%

Source: McLanahan (1999); U.S. Census Bureau, "Survey of Income and Program Participation."

Based on these data, we calculate that the average years of education for a child growing up in a one-parent home is 11.5 years, as opposed to a child in a two-parent home, who has an average 12.1 years of education. Though this difference causes only a minor income disparity between children in one- and two-parent homes, the total effect is quite large when the number of

children is taken into account. Obviously, both individuals will be making less upon entrance into the job market and more at retirement age, but the earnings difference throughout their careers is significant. Using the well-tested Mincer earnings profile, we calculate the average annual earnings of a child from a single- parent home to be \$31,535, while the child from the two-parent home can expect \$34,682. Moreover, the earnings gap between the two also grows over time, as is seen in Table 2.2.

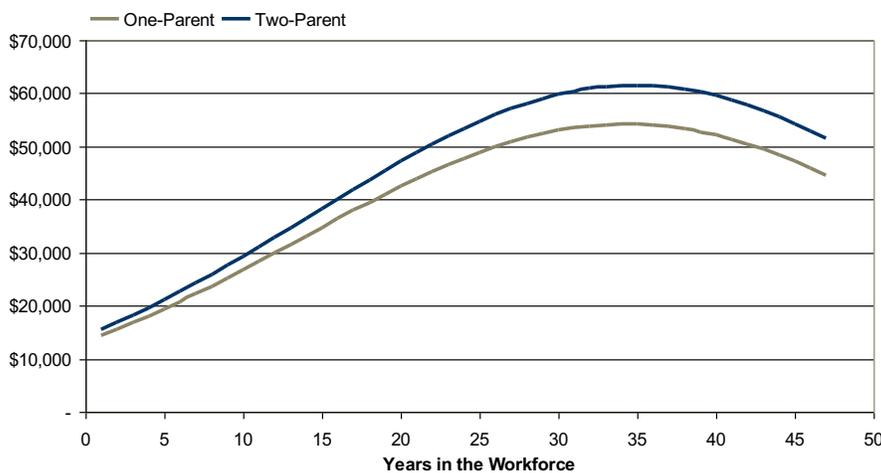
Table 2.2: Earnings Profiles and Differences

Year	One-Parent	Two-Parent	Difference
1	\$14,386	\$15,551	\$1,165
2	\$15,563	\$16,847	\$1,284
3	\$16,795	\$18,207	\$1,412
4	\$18,081	\$19,630	\$1,549
5	\$19,420	\$21,113	\$1,694
6	\$20,807	\$22,654	\$1,847
7	\$22,240	\$24,249	\$2,009
8	\$23,715	\$25,894	\$2,180
9	\$25,226	\$27,585	\$2,358
10	\$26,770	\$29,315	\$2,545
11	\$28,340	\$31,079	\$2,739
12	\$29,931	\$32,871	\$2,940
13	\$31,535	\$34,682	\$3,147
14	\$33,145	\$36,506	\$3,361
15	\$34,754	\$38,333	\$3,579
16	\$36,353	\$40,155	\$3,801
17	\$37,936	\$41,963	\$4,027
18	\$39,492	\$43,747	\$4,255
19	\$41,013	\$45,498	\$4,485
20	\$42,491	\$47,205	\$4,714
21	\$43,916	\$48,859	\$4,943
22	\$45,281	\$50,450	\$5,169
23	\$46,576	\$51,968	\$5,392
24	\$47,793	\$53,403	\$5,609
25	\$48,925	\$54,746	\$5,821
26	\$49,963	\$55,988	\$6,025
27	\$50,901	\$57,122	\$6,220
28	\$51,733	\$58,138	\$6,406
29	\$52,451	\$59,031	\$6,580
30	\$53,053	\$59,794	\$6,741
31	\$53,532	\$60,421	\$6,889
32	\$53,887	\$60,909	\$7,022
33	\$54,114	\$61,254	\$7,140
34	\$54,211	\$61,453	\$7,241
35	\$54,179	\$61,504	\$7,325

36	\$54,016	\$61,408	\$7,392
37	\$53,726	\$61,166	\$7,440
38	\$53,308	\$60,778	\$7,470
39	\$52,767	\$60,248	\$7,481
40	\$52,106	\$59,579	\$7,473
41	\$51,331	\$58,777	\$7,446
42	\$50,445	\$57,846	\$7,401
43	\$49,456	\$56,794	\$7,337
44	\$48,370	\$55,627	\$7,256
45	\$47,195	\$54,353	\$7,158
46	\$45,938	\$52,982	\$7,044
47	\$44,607	\$51,521	\$6,914
	Nominal		\$237,428
	PV		\$82,927

Using a derivative of the earnings profile developed by Mincer, the above table shows the future income stream of a child, assuming he or she enters employment at age 18. The first column in Table 2.2 shows the given year of workforce engagement. Columns two and three show the earnings profile of an individual with 11.5 years and 12.1 years of education, *i.e.*, the earnings of someone growing up in a single-parent home and two-parent home respectively. The final column shows the difference in earnings by year. Figure 2.1 shows the growing gap graphically.

Figure 2.1 Life Time Earnings of children from one- and two-parent homes



At the bottom of Table 2.2, we show the nominal earnings change and the present value of that earnings change. The nominal earnings figure sums the earnings gap for each year of the

individual's working life, and as is shown above, a child raised in a two-parent home will make \$237,428 more over the course of his or her life. However, because a dollar today is more valuable than a dollar tomorrow, we discount the future dollars to account for the time value of money. We apply a 4% discount rate, standard for long-term investments such as education. After applying this discount rate to the nominal \$237,428, we find that the lifetime earnings loss for a child growing up without a father has a present value of \$82,927. Multiplying this value by the 19.7 million children with delinquent fathers³ results in a total *present value* cost of \$1.6 trillion, or an average annual cost of \$34.8 billion.

Because we link earnings to output, it is worth noting that these lost wages may be thought of as a measure of reduced Gross Domestic Product (GDP), resulting in a lower average productivity rate for the nation's labor force. So far, we have only discussed the direct loss in earnings and national output. Based on the average propensity to consume (APC) in the United States, roughly 95% of these lost earnings would have been spent to purchase goods and services. Again, this is a conservative measure, since the less affluent tend to spend larger percentages of their income in consumption rather than investment. Since the APC for the nation includes investors, the 95% understates the APC for the average individual under analysis.

To calculate the effects of lost spending, we multiply the 95% APC by the average annual lost earnings (\$34.8 billion), which results in lost spending of just under \$33 billion. This spending

³ It is important to note that some children are captured in the data as "living with mother only: married, spouse absent." This category captures children in military families where the father has been called to active duty. To the extent that these children are captured in the analysis, our results will overstate true impacts, since these fathers are not necessarily "delinquent." That said, the number of children in this situation are expected to be small relative to the total number of children being analyzed.

would have generated income for employees in other sectors of the economy, which would have caused additional spending. These multiplier effects can be measured through the use of specialized input-output models (for more information on Input-output analysis and EMSI data see www.economicmodeling.com). Table 2.3 below shows both the direct and indirect, *i.e.*, multiplier effects, associated with the lost earnings from children with delinquent fathers.

Table 2.3: Average Annual Direct and Indirect Losses Resulting from Delinquent Fatherhood ('000)

	Labor Income	Non-Labor Income	Total Value Added
Direct	\$34,758,855	-	\$34,758,855
Indirect	\$20,243,232	\$5,051,129	\$25,294,361
Total	\$55,002,087	\$5,051,129	\$60,053,216

Source: EMSI Analyst: Input-Output Model

Table 2.3 breaks out the impacts between labor and non-labor income. Labor income is that portion of impacts generated through earnings, while non-labor income is income generated from dividends, interest, and rent. Though the direct average annual earnings loss is \$34.8 billion, the total loss once accounting for multiplier effects results in an average annual impact of \$60 billion, roughly 0.43% of the nation's total annual GDP.

Chapter 3: Conclusions

Delinquent fatherhood has a significant and negative impact on the US economy. There are 19.7 million children in the U.S. today who are growing up in single-mother homes (net of children with widowed mothers). Though this number slightly overstates the number of children with delinquent fathers, since it captures some children with military fathers on active duty, the overall figure demonstrates the growing generational problem. Children with delinquent fathers receive, on average, 11.5 years of education. Readers may rightly infer that the majority of these children will not graduate from high school, while their peers growing up in a two-parent home are more likely to. Individuals with lower education levels tend to receive lower incomes. The total average annual loss in productivity represents a \$34.8 billion loss to the national economy each year. After accounting for associated ripple effects, the total economic loss to the United States as a whole is \$60 billion per year.

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