Balancing parenting time and employment

In 1967, approximately two-thirds of children in the United States had at least one parent at home full time, compared with only one-third of children in 2009. Does this shift indicate that parents are spending less time with their children? In "Time for children: Trends in the employment patterns of parents, 1967–2009," researchers Liana E. Fox, Wen-Jui Han, Christopher Ruhm, and Jane Waldfogel discuss trends in income, work hours, and parenting time over the past four decades (National Bureau of Economic Research, Working Paper 17135, June 2011).

The researchers analyzed March Current Population Survey (CPS) data from 1967 through 2009, University of Michigan Time Use in Economic and Social Accounts data for 1975, and BLS American Time Use Survey data for 2003 through 2008 to discover trends in the amount of time parents were spending at work and taking care of their children. They analyzed data for children living in single-parent and two-parent households by whether the child had all parents working full time and full year, at least one parent home part time or part year, or at least one parent who was home full time and full year.

The results of their analysis indicate a smaller proportion of children live in a household with a nonworking parent than in the past. The proportion of children in single-parent homes who had a nonworking parent decreased from 47 percent in 1967 to 27 percent in 2009, while the proportion of children living in two-parent homes who had a nonworking parent declined from 67 to 37 percent during the same period.

The amount of time parents spent with children, however, actually increased slightly. The time use data indicate that, in order to make more time to spend with their children, parents may have reallocated time to child care that would otherwise have been spent on other activities. The researchers hypothesized that some parents in two-parent households may be using a "tag team" approach to taking care of their children. The data also show, not surprisingly, that mothers without a job spent significantly more time in primary childcare than their employed counterparts. However, in 2003–2008, both employed parents and at-home parents spent more time with their children than did their counterparts in 1975. The researchers also found that parents in single-parent homes are more likely to be employed than are parents in households with two parents.

According to the study, younger children are more likely to have a nonworking parent, but the proportion of young children with a stay-at-home parent has declined. In 2009, 40 percent of children under age 5 had at least one parent at home full time and full year, compared with 72 percent in 1969.

The authors also investigated another component of raising children: family income. In 2009 dollars, family income for two-parent homes increased 61 percent, from $57,854 in 1967–1976 to $93,348 in 2000–2009. Over the same time period, one-parent family income increased from $23,949 to $29,157, an increase of only 22 percent. The researchers used this data to determine whether parents are being pushed or pulled into the labor force—that is, whether the parents find it necessary to work to avoid a decline in income, or whether they join the labor force because of the prospect of increased family income. The data imply that working single parents are more likely to have been pushed into the job market, whereas members of two-parent households tended to have been pulled into employment by attractive income opportunities.

Flows of capital

According to standard economic theory, there should be a net flow of savings from more developed countries to less developed countries because the marginal returns on capital are greater in the less developed nations. However, history has shown that capital does not always flow in that direction. Indeed, in the current global economy, it appears that capital is, on the whole, flowing "upstream" (that is, from less developed market economies to more developed market economies). For example, in the 1960s and 1970s, the U.S. current-account balance was not far from zero. However, the United States began to save less and less, and in 2006 the Nation's current-account deficit peaked at 6 percent of gross domestic product.

Economist Simona E. Cociuba sheds light on the international flow of capital in "Upstream Capital Flows: Why Emerging Markets Send Savings to Advanced Economies" (*Economic Letter*, Federal Reserve Bank of Dallas, May 2011). The article includes a basic description of how capital flows work:

> Capital flows are streams of surplus savings channeled into

> or out of a country. . . . Any savings not invested domestically is sent abroad in the form of goods and services. . . . A country with a current account surplus is a net lender. . . . In exchange for this capital outflow, the country increases its holdings of foreign assets by an equal amount.

International Monetary Fund data show that, most of the time, *private* capital does tend to flow to economies that are less developed. However, once nations' reserve assets are counted in the equation, it becomes clear that the overall flow of capital is from emerging market economies to wealthier economies and that this has been the case since 1999. Cociuba mentions three possible causes of capital flowing in this direction: (1) precautionary savings spurred by memories of the Asian financial crisis, (2) the shortage of safe assets in less developed economies, and (3) the tendency for some less developed countries to amass substantial foreign exchange reserves because of a desire to maintain competitive currencies and to grow their economies through exports. Given that there are large imbalances in the international flow of capital, there are talks of country-specific policy tools to help economies manage large inflows of capital and also of short-term capital controls that are not country specific; however, it is debatable which policies are better and how effective they are. □