

ECONOMIC VALUE OF MARRIAGE, FAMILY AND RELATIONSHIP BREAKDOWN

Thank you for this opportunity to speak about marriage and family.

Considerable social science data supports the value of healthy stable marriages for individuals. Summarising the mountains of research, Professor William Doherty concluded:

For adults, a stable, happy marriage is the best protector against illness and premature death, and for children, such a marriage is the best source of emotional stability and good physical health.

Few areas of social science have shown such clear, consistent findings over four decades of research.

The research also indicates positive economic benefits for adults and children, and for society as a whole. Let me summarise some of the studies.

Employment and household wealth

The advantages of marriage extend beyond physical and mental health. Using data collected between 1979 and 2004, researchers from the American and Haifa Universities show that marriage results in a “positive effect of men’s motivation” in the workforce, producing behaviours that “signal reliability to employers.” The study found that married men worked more hours per year, with a 12 per cent wage gain upon entry into marriage and an 18 per cent gain in continuing marriage, relative to remaining never married.

Being married has a significant effect on household wealth. Drawing on 25 years data collected between 1968 and 1992, scholars at Cornell and Washington Universities found that “marriage financially benefits both men and women” and that the benefit is much “more important for women than for men.” The study revealed “marriage in early adulthood doubles the odds of affluence.” For older individuals, wedlock conferred an even more pronounced advantage. A 15-year study of 9,000 people in the US found that those who married and stayed married built up nearly twice the net worth of people who stayed single.

According to one study, unmarried adults experience a 63 per cent reduction in total wealth relative to those who are married.

The same study suggested that remarriage appears to mitigate, but not eliminate, the harmful financial impact of separation and divorce. Subsequent research indicated that “ever-married women have a poverty rate that is roughly one-third lower than the poverty rate experienced by never-married women.”

A Canadian poll revealed that divorce had a significant adverse impact on individuals, with 35 per cent going into debt, 22 per cent having to seek financial support from family and friends, 28 per cent having to sell household items or personal assets, and 27 per cent having to sell or redeem financial investments.

Employment and wealth are also linked to the chances of a single woman marrying after the birth of a child, according to a study by US sociologists. The higher the man’s earnings, the more likely the couple will marry.

Prior to the 'Global Financial Crisis' and the collapse of much of the US residential property market, Department of Housing and Urban Development economist, Darryl E Getter, concluded that divorce and separation were the economic variables likely to cause a default on home mortgage payments. In Australia it has also been observed that the rate of home ownership for separated fathers and mothers is vastly lower than for parents who are still together.

Divorce has long been connected with the 'feminisation of poverty'. Beginning with Lenore Weitzman's studies in the mid-1980s, family scholars have observed the adverse consequence of marriage breakdown for many women. While re-partnering has allowed women to recover their financial position, their opportunities are often limited. Spousal support after separation and divorce remains very low in many countries.

While it is widely asserted that divorce impoverishes women but enriches men, the latter has been questioned. Using national American data, sociologists have concluded that "most men who separate do not experience gains in their living standards" and that the majority are financial losers from the process. The increased incidence of 'shared parenting' in which children spend more time with both parents has changed the situation for many fathers. Professor Patrick Parkinson notes:

Whatever the situation may have been in the 1970s and 1980s, the situation now is that many men as well as women suffer from the loss of the other partner's income when relationships breakdown. While the economic impact of separation and divorce on women and men depends greatly on both their pre-separation circumstances and their post-separation household composition, it is evident that in most cases both parents will suffer a loss in standard of living as long as both are having to meet the housing needs of the children in their separate households, with the duplication of housing cost, furnishings and appliances, and other such expenses, without suffering a significant loss of living standards.

The negative impact of divorce and subsequent singlehood has also been demonstrated in an Australian study of people aged 55 to 74.

Conversely, a study of 100,000 people living in Britain and the US found that a happy marriage is worth an extra \$150,000 in the bank.

Being married has also been associated with better welfare outcomes. A study of 128,775 'assistance groups' (households), 95 per cent of which were headed by a mother, in the Tennessee 'First Families' welfare program between 1996 and 2001, found that the married had better outcomes and were less likely to enter the system.

Financial circumstances

The adverse impact of divorce on the separating partners often has a significant flow-on effect on their children. There is a greater risk of lower occupational status and financial hardship, lower income and living in public housing, homelessness, and the accumulation of fewer assets. The diminution of parents' income has direct economic and material consequences for many children. They are more likely to depend on welfare, especially if pre-divorce family income was low. According to the Organisation for Economic Cooperation and Development, 75 per cent of women who applied for welfare benefits in the

US in the late 1980s did so because of a disrupted marriage or relationship. Julia Heath concluded her study by observing that “changes in family structure are by far the major cause of initial spells of poverty among female-headed households.” An Australian study found that the extent to which a divorce was detrimental financially on women correlated with the relative levels of education of the former spouses. Mothers with low education, formerly married to a husband with high education, experienced the greatest losses. As a consequence, their children are at greater risk. Hence, the Australian welfare agency, Anglicare, reported sole parenthood as the number one risk factor for child social exclusion in 2012.

Reflecting on the body of research, Fiona McAllister writes:

These findings are of great importance, because those sceptical or unaware of the studies of the effects of divorce on children claim that observed differences are the result of economic factors. Accordingly, they argue that children suffer because the standard of their living falls. While it is undoubtedly true that the fall of economic standards has attendant short-comings, for example, change of housing or moving school, it must be recognised that the evidence from research suggests that other factors are in play. Emotional disturbance and stress are particularly notable in the critical early years of childhood.

The consistency of the findings over decades of research is telling. Yet these risks are hardly known by most people, and little time and effort is devoted to assisting couples and their children make the best choices for their future fulfilment.

The economic benefits of marriage

Marriage benefits individuals economically. It also benefits society. As a wealth generating institution, married couples create more economic assets on average than singles and cohabiting couples. In studying the effect of marital history on retirement income, researchers found that those who had been continuously married had significantly higher levels of wealth than those who had not: For those who never marry, there was a 75 per cent reduction in wealth; and for those who divorced and didn't remarry, the reduction was 73 per cent.

Through the economies of scale and specialisation that marriage offers, couples receive a wealth bonus. They also tend to invest and save for the future. And because of their responsibilities and societal expectations, married men, on average, earn more than single men with similar education and job experience, whereas the contrary might have been thought true. As the Noble Economics Laureate, Gary S Becker, contends, working longer and more regularly helps a worker to increase productivity to obtain additional income; and this effect flows to the broader economy. According to other US data, twice as many married fathers (32 per cent) worked 45 hours or more per week compared to cohabiting fathers (16 per cent). Similar trends are evident in other nations.

The benefits are not restricted to men. Using an income-to-needs ratio, continuously married women have been found to be significantly better off. The economic benefits are greater for women than they are for men. In the US, households headed by single women have consistently lagged behind those headed by the male, breadwinner households by 43 per

cent for the past six decades. The differences are compounded by the fact that dual couple households also have the flexibility to gain a further full-time or part-time income.

Particularly children feel the impact of marriage. Married households have higher incomes when children are present; non-marital households have lower income when children are present. The economist, Robert Lerman, concluded from his studies “the 1971- 1989 trend away from marriage among parents accounted for nearly half the increase in income inequality and more than the entire rise in child poverty rates.”

The benefits for individual couples multiply and compound in the economy. The increase in income per year for married men, for example, estimated in the US at 0.9 per cent, is almost as much (75 per cent) of the income increase for years of experience on-the-job. The ‘marriage premium’ – the economic benefits flowing from marriage – has been identified in South Africa, Australia, France, Germany, Israel, Luxembourg, Switzerland, the UK, Norway, the Netherlands, Italy and Canada. However, the ‘marriage premium’ diminishes in stepfamilies, according to another economic study.

The economic costs of separation and divorce

The retreat from marriage has had profound economic consequences. This occurs in a number of ways. There are the direct costs of divorce, including the courts and associated services. Marital dysfunction and family breakdown often leads to other social problems with significant costs to communities. It is estimated in the UK that each child with untreated behavioural problems costs an average of £70,000 by the time they reach 28 years of age – 10 times the cost of children without behavioural problems. As many non-married parents have little or no independent income, welfare costs have burgeoned. Many people who would otherwise contribute to the economy through their taxes, savings and investments have become dependent upon government for their livelihood. It is partly why welfare reform has been pursued in most nations over the past two decades. Professor Patrick Parkinson observes:

The costs of family instability are not just borne by individuals. They are, to a significant extent, borne by the taxpayers who provide income support for many parents and their children, pay substantial administrative costs in ensuring income transfers through the child support system, and bear more of the costs of caring for the elderly than would be necessary if a greater number of marital and quasi-marital relationships remained intact.

Separation and divorce compound the costs of an ageing population, as many people who divorced in the aftermath of the introduction of no-fault laws reach retirement and old-age. Traditionally, the burden of caring for the young and the elderly has fallen disproportionately on women. A consequence of divorce is more women in the workforce, leaving less time to care, and a greater burden on government services. Many divorced individuals also enter retirement themselves with reduced financial resources. As Professor Parkinson notes, “it is only in the last few years that the full impact of the divorce revolution on the aged population of western societies has begun to be felt.”

Divorce and non-marital childbearing also increase child poverty.

According to one US study, black child poverty rates would have been 28.4 per cent rather than 45.6 per cent, and white child poverty rates 11.4 per cent rather than 15.4 per cent, had family structure not changed between 1960 and 1998.

Much of the cost associated with the profound social changes of the past few decades are borne by the public purse, as households multiply and many individuals are left the poorer and unable to meet the financial demands. More significantly, the growth of a non-married and less child-centred society slows economic growth. Recent American analysis reveals that economic growth in the US is a fraction of the pre-1960s era because of the breakdown of marriage.

The combination of proportionately fewer children and the fact that up to 20 per cent of them is ill-equipped to compete in the modern economy compounds the problem, according to recent studies. It is estimated that the GDP growth due to natural population growth is now half what it was four decades ago. Similarly, the contribution of human capital, which ranged from 0.5 per cent to 1.5 per cent of annual Gross Domestic Product growth up until the about 2008, will be wiped out mostly with the retirement of the baby boomers and their replacement with “neglected and undercapitalised generations.”

As the proportion of married couples with children decreases as a proportion of all families, the economic impact of marriage declines. This has been the story of the past two decades in the US: after median family income doubled from 1947 to 1977, it has slowed recently; and family income inequality has increased significantly. Hence, median household income of married couples has been estimated to be twice that of divorced households and four times that of separated households. In an age of heightened concern for the environment, US researchers have concluded that separation and divorce has led to less efficient use of energy and resources and bigger expenditure on utilities, largely as a consequence of the increased demand for additional housing.

Describing family breakdown as a pressing social policy problem, Professor Parkinson wonders how long before governments are forced to confront the costs:

As long as public finances in western societies were healthy, the growing costs of family instability could be absorbed. However, Europe and the United States, in particular, are both facing a crisis in terms of government debt and the affordability of social welfare provision.

These costs are substantial. An Australian Parliamentary Inquiry estimated that the direct cost of marriage and relationship breakdown in 1998 was at least \$3 billion per year, and as much as \$6 billion when indirect costs were included. Recent estimates have put the cost as high as \$14 billion. This is similar to overseas findings. The Canadian Institute for Marriage and Family found the costs to that country to be around \$7 billion a year. The British Relationships Foundation put the cost of family breakdown at £37 billion annually while the Centre for Social Justice estimated that it was £20 billion per year. A more recent study put the costs as high as £46 billion a year. A US study concluded that the social costs for more than a million couples’ divorcing each year was \$33.3 billion – or \$125 million for every

million people in the country. For New Zealand, the cost has been estimated at over \$1 billion per year.

This is why the Australian government has embarked on a Stronger Relationships trial. When family dysfunction and relationship breakdown cost nations billions of dollars a year, prevention deserves greater attention. A recent UK study found that for every £1 spent on relationship education services, there was an £11 return. It highlights the fact that every dollar spent on prevention saves many dollars in services later.

ENDS

References to the research cited above is taken from *'Maybe I Do'* (Connor Court, 2012)