

Economic consequences of marital dissolution in Italy: findings from European Community Household Panel

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1. Introduction

Compared to literature in other countries, there are only few studies on the life conditions of separated and divorced Italians. The reason for this is surely attributable to the low diffusion of marital instability in this country (Istat 2002), which makes the issue less urgent in terms of public policies. Besides, the relative rarity of the phenomenon discouraged in depth empirical studies that are at risk of investigating small and highly selected groups of population. According to National Statistic Institute (Istat) data, on 2002 the total divorce rate was equal to 13,1 divorces out of 100 marriages, far below the levels registered in the northern and central Europe, often higher than 50% (Eurostat, 2003).

Anyway the phenomenon is rapidly growing, considering that only seven years before (1995) the total divorce was 8%. Similarly the total separation rate increased from 15,8% in 1995 to 25,7% in 2002. Then, we can hypothesize that in the next future the population share of those who directly (partners) or indirectly (children and partners' original families) experience these events will significantly grow.

The diffusion speed of the phenomenon can catch the country unprepared to cope with some of the problems associated with marital instability. Generally speaking, family career interruption introduces complex elements that, if not properly controlled, can negatively, and sometimes irreversibly influence the life course of people. Therefore is necessary to analyze the consequences of separation on the economic status of the dissolved couples.

In Europe most of the debate around this topic show that women, more than men, are worse-off after a divorce (Jarvis & Jenkins 1999, Smock *et al.* 1999, Uunk 2004). Up to now, studies on Italian situation seems to agree with international literature and the lone mother condition is actually associated with the risk of financial situation worsening and of poverty entry (Del Boca, 2003; Barbagli and Saraceno, 1998). Family and social networks can play an important role in this perspective. The new living arrangement after separation is in facts important even in determining the economic outcome. Provided that at least one member of the couple has to find a new allocation, the original family, and parents especially, can provide substantial support thus alleviating the effects of separation. The social network is also an important resource for those experiencing a marital disruption, providing both material and psychological support.

With this work we aim to analyze economic impacts of marital separation in Italy from subjective and objective point of view using data from the European Community Household Panel (ECHP). In this abstract, we present preliminary results; after a descriptive analysis, we use a Difference-in-Differences estimator combined with Propensity Score Matching techniques (DD-PSM).

2. Data

In this paper we use data from the European Community Household Panel to investigate the relationship between marital disruption and the subsequent economic situation. We provide both a descriptive and a causal analysis, the latter consisting of a Difference-in-Differences estimator combined with Propensity Score Matching techniques (DD-PSM). ECHP provides a rich information on individual and household income. Moreover, households are asked about many aspects of the economic situation such as housing and environment quality, possession of durables, arrears, and lifestyle quality. Then we are provided with both an objective (income) and a subjective evaluation of the economic situation of households. One technical issue is the definition of the event

of interest: we can consider the marital status and, in particular, people that pass from married to separated, but it is not clear whether people are registered as “separated” only when their separation has been legally acknowledged or even when there is a consensual split of couple (without any legal acknowledgment).

This creates many problems and as a matter of fact, we find several inconsistencies with this variable and the living arrangement of separated individuals. This inevitably affects also information on household income (considering that it is defined as the sum of all personal incomes of all household members). An alternative approach is disregarding the marital status and looking at the spouses' residence: if they stop living in the same household, they can be regarded as separated, but even in this case the definition has some drawbacks as phenomena like *living apart together* and *commuting marriages* may incorrectly be regarded as separations (we expect anyway that these phenomena still have a low diffusion in Italy).

3. Preliminary results

The descriptive analysis based only on the first seven waves of ECHP suggest us that gender has a strong impact on the economic situation of individuals after separation; as found in literature, separation makes the situation worse for women. We can see this from table 1: the household monthly income increases after separation for men, and it decreases for women; and if we consider the other subjective data we see that women find more difficulty to afford various costs related to house and to some payments.

TAB. 1. Economic situation one year before and one year after separation.

	Male		Female	
	Before	After	Before	After
Total monthly net household income (equivalised)	3238,4	3313,7	2823,6	2217,7
Ability to make ends meet:				
with difficulty	54,2	55,2	60,9	74,8
without difficulty	45,8	44,8	39,1	25,2
The household can afford:				
keeping its home adequately warm	80,2	80,2	79,8	73,9
replacing any worn-out furniture	41,7	38,5	42,1	30,4
paying for a week's annual holiday away from home	65,6	60,4	65,2	53,9
buying new, rather than second-hand, clothes	88,5	87,5	91,2	80,8
eating meat, chicken or fish every second day, if wanted	92,7	91,7	93,8	93,9
having friends or family for drink or meal at least once a month	76,0	82,3	82,6	77,4
The household has been unable to pay:				
schedules rent for the accommodation	4,2	7,4	2,6	2,6
schedules mortgage payments	0,0	1,0	1,7	0,0
schedules utility bills, such as electricity, water, gas	7,3	7,3	5,2	7,8
hire purchase installments or other loan repayments	5,2	3,1	6,1	4,4

Interpretation of these results has to be cautious since self selection can severely bias the true causal relationship between marital dissolution and economic consequences. Individuals experiencing a marital split are in fact possibly different with respect those not incurring a separation in terms of other background characteristics such as age, education level, employment, income, living arrangement and social network prior the event. In order to control for this background variables we use a propensity score matching technique combined with a difference-in-differences estimator (see Rosenbaum and Rubin, 1983; 1984; Heckman *et al.* 1997).

The results we get are reported in table 2 and basically confirm the findings of descriptive

analysis¹: women are highly likely to make worse their income situation after separation, more than men. The latter are even better-off after separation being their equivalent household monthly income significantly higher whereas women's income drop significantly after having splitted with their husbands.

TAB. 2. Effects of separation on several outcomes. Estimates with propensity score matching.

	Men				Women			
	Effect	St. Err.	t-value	N	Effect	St. Err.	t-value	N
<i>Total monthly net household income</i>	667,74	223,92	2,98	93	-243,38	82,64	-2,95	113
<i>Ability to make ends meet</i>	-0,03	0,10	-0,26	93	-0,25	0,1	-2,51	112
<i>Ability to keep home adequately warm</i>	-0,02	0,05	-0,48	93	-0,07	0,04	-1,95	112
<i>Ability to pay for a week's annual holiday</i>	-0,03	0,04	-0,65	93	-0,11	0,04	-2,5	113
<i>Ability to replace any worn-out furniture</i>	0,01	0,06	0,13	93	-0,09	0,05	1,81	113
<i>Ability to buy new clothes</i>	0,00	0,04	-0,08	93	-0,09	0,03	-2,67	112
<i>Ability to eating meat or fish every second day</i>	-0,02	0,03	-0,54	93	0,01	0,03	0,24	112
<i>Ability to have friends for drink or meal</i>	0,05	0,05	0,97	93	-0,05	0,04	-1,22	113
<i>Inability to pay schedules rent</i>	0,04	0,02	1,47	92	-0,01	0,02	-0,34	113
<i>Inability to pay schedules mortgage payments</i>	0,02	0,01	1,39	92	-0,01	0,01	-1,08	113
<i>Inability to pay schedules utility bills</i>	-0,01	0,03	-0,24	93	0,03	0,02	1,16	113
<i>Inability to pay loan repayment</i>	-0,02	0,03	-0,64	92	-0,01	0,03	-0,42	113
<i>Income situation compared to last year²</i>	-0,08	0,10	-0,76	93	0,43	0,13	3,28	113
<i>Exit from the job market (only workers)</i>	0,01	0,03	0,31	76	0,04	0,04	1,07	64
<i>Entry in the job market (only inactives)</i>	0,22	0,12	1,86	17	0,17	0,06	2,62	49
<i>Weekly working hours (only workers)</i>	-0,71	1,04	-0,69	70	2,59	1,39	1,87	57

This is confirmed by the subjective perception of economic status: for women there is a significant drop in the ability to make ends meet, to pay a week's annual holiday, and to buy new, rather than second-hand clothes and shoes due to marital split. Moreover they report a worsened income situation compared to previous year. This is also witnessed by the effect of separation on the transitions in the labor market. Inactive women are more likely to enter the labor force after a marital split suggesting that some of them are trying to cope with the economic shock caused by the separation.

This work is still at a preliminary stage. We aim to repeat the same analysis using all the eight waves from the ECHP in order to increase the total amount of cases. Moreover we aim to study in detail the effect of the interaction between marital split and family support. Other elaborations suggest that men are more likely to return the parental home after a marital dissolution, and this may explain why they do not suffer economically from the separation. Another important issue is the presence of children: this strongly influences the assignment of the conjugal house. Therefore mothers are highly likely to remain in the same house after conjugal separation and fathers are highly likely to leave. This can be an advantage for women in terms of housing quality but on the other hand a disadvantage in terms of income, given they need to share income with other non-productive family members. Conversely, men are forced to leave the conjugal home and find a new lodgment and the increased expenses for the new dwelling may offset the economic advantage in terms of income (unless they return the parental home).

This leads us to replicate the analysis for specific subgroups, trying to identify the most vulnerable population in case of separation. We expect, for instance, that inactive women or individuals with a poor family network are likely to experience a harsher effect of marital split than others.

¹ We use the following variables in the specification of propensity score estimation: wave, age, education level, employment status, personal and household income, number of children, presence of parents in the household, and region.

² The variable is coded in a five-point scale, where the highest value means "clearly deteriorated" and the lowest "clearly improved". Therefore a positive value associated to this item means a worsening of household income situation due to marital disruption.

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