

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

Conseguenze economiche della separazione coniugale in Italia: risultati dal Panel Europeo delle Famiglie

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Riassunto: Il fenomeno dello scioglimento delle unioni è in costante e rapida crescita anche in Italia ponendo una serie di quesiti sulle conseguenze che un tale evento può avere sulle famiglie coinvolte. La letteratura mostra che solitamente sono le donne a sperimentare le conseguenze economiche più negative. Tuttavia gli studi di questo tipo in Italia sono ancora scarni, data la relativa bassa diffusione del fenomeno fino ad ora. In questo lavoro intendiamo studiare l'effetto della separazione sul benessere economico misurato sia in termini oggettivi che soggettivi utilizzando i dati dell'European Community Household Panel (ECHP). Attraverso metodi di matching vogliamo stimare l'effetto causale della separazione considerando anche l'effetto dell'eventuale interazione con la soluzione abitativa utilizzata dopo la separazione dai due coniugi.

Keywords: Marital dissolution, Italy, Economic wellbeing.

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.

Anyway the phenomenon is rapidly growing, considering that since 1995 through 2002 the total divorce passed from 8% to 13,1%. 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 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). 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).

The present work is aimed to investigate more in depth this issue with some novelty. Firstly we use not only an objective measure of financial status but also some subjective wellbeing indicators. Moreover we are interested to investigate on the interaction between the economic consequences of separation and the change in living arrangement

after the event. 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 impacts of marital separation in Italy are measured using data from ECHP. In this study, we present some results using Difference-in-Differences estimator combined with Propensity Score Matching techniques (DD-PSM).

2. Data

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 on many subjective aspects of the economic situation such as housing 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 before and after the union dissolution.

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). The alternative approach we use is combining information on marital status and on the spouses' residence: if they stop living in the same household, not because of the death of a partner, they can be regarded as separated. This is the choice we adopt even if it may have some drawbacks (*living apart together* and *commuting marriages* may incorrectly be regarded as separations).

3. Results

The preliminary descriptive analysis based on the eight waves of ECHP suggests 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 decreases for women; and if we consider the subjective data we see that for women is more difficult to afford various costs related to house and to some payments, even if we can see that also men find some difficulties.

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. Moreover the trend reported in Table 1 is possibly the same of non-splitting couples. 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; Heckman *et al.* 1997).

Table 1 *Economic situation one year before and one year after separation.*

	Male		Female	
	Before	After	Before	After
Total monthly net household income (equivalised)	1788,9	2274,7	1625,3	1391,6
Ability to make ends meet:				
with difficulty	55,6	52,1	61,1	71,5
The household can afford:				
keeping its home adequately warm	83,1	82,4	82,5	78,4
replacing any worn-out furniture	45,8	42,3	42,7	33,9
paying for a week's annual holiday away from home	65,5	67,6	61,9	56,4
buying new, rather than second-hand, clothes	88,0	83,8	85,9	83,6
eating meat, chicken or fish every second day, if wanted	93,7	90,8	94,1	93,6
having friends or family for drink or meal at least once a month	83,8	82,4	79,5	77,8
The household has been unable to pay:				
schedules rent for the accommodation	2,8	3,5	2,3	3,5
schedules mortgage payments	1,4	0,0	1,7	0,0
schedules utility bills, such as electricity, water, gas	7,7	5,6	8,2	8,1
hire purchase installments or other loan repayments	4,9	1,4	4,7	2,9

Table 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>	473,33	176,33	2,68	142	-201,44	122,38	-1,65	172
<i>Ability to make ends meet</i>	0,021	0,153	0,138	142	-0,238	0,130	-1,834	172
<i>Ability to keep home adequately warm</i>	0,028	0,052	0,544	142	0,076	0,049	1,566	170
<i>Ability to pay for a week's annual holiday</i>	0,035	0,073	0,484	142	0,094	0,070	1,347	170
<i>Ability to replace any worn-out furniture</i>	0,014	0,056	0,251	142	0,088	0,056	1,558	171
<i>Ability to buy new clothes</i>	0,070	0,049	1,451	142	0,035	0,047	0,750	170
<i>Ability to eating meat or fish every second day</i>	0,028	0,037	0,764	142	-0,006	0,032	-0,186	170
<i>Ability to have friends for drink or meal</i>	0,021	0,058	0,365	142	0,047	0,053	0,891	170
<i>Inability to pay schedules rent</i>	0,000	0,024	0,000	141	-0,023	0,025	-0,920	171
<i>Inability to pay schedules mortgage payments</i>	0,028	0,020	1,433	142	0,029	0,018	1,639	171
<i>Inability to pay schedules utility bills</i>	0,035	0,032	1,098	142	-0,006	0,032	-0,180	171
<i>Inability to pay loan repayment</i>	0,049	0,030	1,637	142	0,012	0,027	0,438	171
<i>Income situation compared to last year¹</i>	-0,070	0,136	-0,516	142	0,291	0,139	2,088	172
<i>Exit from the job market (only workers)</i>	0,040	0,031	1,288	126	-0,020	0,046	-0,429	102
<i>Entry in the job market (only inactives)</i>	-0,125	0,188	-0,666	16	0,114	0,064	1,791	70
<i>Weekly working hours (only workers)</i>	0,307	1,306	0,235	114	0,755	1,059	0,713	94

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

¹ 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.

descriptive analysis²: 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 drops significantly after having split with their husbands.

This is confirmed by the subjective perception of economic status: for women there is a significant drop in the ability to make ends meet due to marital split and 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 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). In addition to this analysis we want to investigate on whether the economic effect of separation interacts with the living arrangement individuals have after marital split. We expect, for instance, that women or individuals with a poor family network are likely to experience a harsher effect of marital split than others.

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² 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.