

# For Love *and* Money? The Impact of Family Structure on Family Income

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*Adam Thomas and Isabel Sawhill*

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## Summary

What do the half-century decline in U.S. marriage and the attendant rise in single parenthood mean for the economic well-being of children, especially children living in single-parent families?

Adam Thomas and Isabel Sawhill show how differing living arrangements can be expected to affect families' economic well-being. Married-parent and cohabiting households, for example, can benefit from economies of scale and from having two adult earners. The availability of child support for single-parent families and the marriage penalties in the tax and transfer system reduce but rarely completely offset the economic benefits of marriage.

Consistent with these expectations, national data on family income show that across all races and for a variety of income measures, children in lone-parent families (single-parent households with no cohabiter) have less family income and are more likely to be poor than children in married-parent families. Cohabiting families are generally better off economically than lone-parent families, but considerably worse off than married-parent families.

Thomas and Sawhill acknowledge the possibility that the link between family structure and family resources may not be causal. But new research that simulates marriages between existing single mothers and unattached men with similar characteristics suggests that family structure does affect family resources and that child poverty rates would drop substantially if these mothers were to marry.

It does not necessarily follow, however, that policymakers ought to, or even can, do anything about family structure. Marriage is not an economic cure-all for the complex problem of child poverty. It would be a mistake for policymakers to focus on promoting marriage to the exclusion of encouraging and rewarding work or addressing problems such as early out-of-wedlock child-bearing. Still, Thomas and Sawhill conclude that a continuation of recent declines in single parenthood, linked most recently to declines in teen and out-of-wedlock births, offers great promise for improving the economic welfare of U.S. children.

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**T**he American family has undergone considerable change over the past several decades. Between 1970 and 2002, the share of children living in two-parent families fell from 85 percent to 69 percent, while the share living in single-parent families more than doubled, from 11 percent to 27 percent. It is now estimated that more than half of all children in the United States will spend all or part of their childhoods in single-parent families.<sup>1</sup> Among such families, cohabitation—a single parent and his or her children living with an unmarried partner—has become increasingly common. About two-fifths of all children born in the early 1990s will spend at least some time in a cohabiting household.<sup>2</sup> Many analysts and policymakers view the decline in marriage and the attendant rise in single parenthood with concern because children in single-parent families tend to have substantially fewer financial resources and are more likely to be poor than children in married-parent families.<sup>3</sup>

Implicit in this concern is the belief that living arrangements affect children's economic well-being. But such a claim raises many questions. Have the decline in two-parent families and the increase in single-parent families increased poverty among children, or could poverty be a cause rather than a result of single parenthood? If policymakers could reverse the decline in marriage, what might be the economic effects of an increased marriage rate among low-income families with children? How does the increasing prevalence of cohabitation affect children's economic status? This article will take up these questions, examining evidence on the implications of changes in family structure for the incomes of families with children.

In general, our review suggests that increases in single parenthood have in fact reduced children's economic well-being. We also find that children in cohabiting households tend to fare better economically than those in lone-parent households (single-parent households with no cohabiter), but worse than those in married-parent households. We conclude that increases in marriage could be expected to improve children's economic prospects. But we also conclude that it would be a mistake for policymakers to focus on marriage to the exclusion of employment-based antipoverty strategies or of programs to address out-of-wedlock childbearing, especially among teens.

### **How Might Family Structure Affect Family Income?**

Before turning our attention to the question of *whether* families' living arrangements affect their incomes, we first consider the reasons *why* one might expect them to do so. We focus here on economic effects; in another article in this volume, Paul Amato discusses the cognitive, social, and emotional effects of alternative living arrangements.

#### **Potential Earning Power**

One obvious reason why two-parent families might have relatively higher incomes is that they contain one more potential adult earner than single-parent families. But how often do both parents in a two-parent household work? Is it possible that marriage causes secondary earners to work fewer hours or to stop working entirely, thereby diminishing—or in some cases even completely offsetting—the potentially positive effects of marriage on family income? Many researchers have investigated the effects of marriage on work.

Although American women as a whole have increasingly joined the U.S. labor force over

the past several decades, the group whose labor force participation rate has increased most rapidly is married women with children.<sup>4</sup> In more than 60 percent of marriages, both spouses now work, with the wife earning more than the husband in about a quarter of dual-earner couples. Although marriage historically has tended to reduce a couple's hours worked, usually the wife's, that effect has diminished over time. Today, it may largely be limited to groups that are relatively well-off, such as white women and wives whose husbands have high earnings.<sup>5</sup>

### Child Support from an Absent Parent

How much worse off a single-parent household is than a married-parent household depends in part on how much economic help the absent parent gives in supporting the children. Formal child support payments are the most important source of such income.

In 2001, 59 percent of custodial parents had child support awards, but only 38 percent received any support from the absent parent.<sup>6</sup> The average amount received that year by families due child support was \$3,160.<sup>7</sup> If a typical single mother were to marry a man with a minimum-wage job, and if that man contributed most of his \$9,000 in annual after-tax income to the household, then the custodial parent would clearly be better off marrying than getting child support. So although child support payments improve the economic position of single-parent families relative to married couples, they are no substitute for marriage, because most noncustodial parents provide no support at all, and those who do generally provide limited amounts.

Nonetheless, it is worth emphasizing that to the extent child support collections increase over time, as they have in recent years, they will lower the relative economic gains to the

mother and her children associated with marrying the child's father. From the noncustodial parent's perspective, the reverse is true; the more a father is required to support his biological children whether he lives with them or not, the more likely he is to avoid having a child outside of marriage. In addition, once the child is born, the father is more likely to marry, or remain married to, the mother, because he will be required to support the family in any case. In the end, al-

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### Economies of Scale

Another way in which marriage could make a family better off is through economies of scale. Some expenses—such as rent, for example—do not increase much when another adult joins the household. In 2003, the federal poverty threshold for a single-parent family with two children was \$14,824, while the threshold for a two-parent family with two children was \$18,660. According to this standard, adding a second adult to a family raises the income needed to escape poverty by less than \$4,000. If marriage increases the

income available to the family by more than \$4,000, the family will, from an “income-to-needs” perspective, be better off.

### Household Specialization

In his landmark 1981 work, *A Treatise on the Family*, Gary Becker set forth a model of household production suggesting that marriage has important implications for families’ economic well-being. Efficient households, he wrote, “have a pronounced division of labor among members.”<sup>8</sup> Becker’s thesis was

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that a household is most productive when one spouse specializes in “home production”; the other, in work outside the home. As Becker notes, in the most common such division of labor, the wife specializes in domestic work, while the husband specializes in labor-market activities. A key implication of Becker’s work (its potentially sexist aspects aside) is that marriage may make spouses more productive than their unmarried counterparts. Freed from the need to spend time caring for children or preparing meals, married men may be able to command relatively higher wages. In addition, once married, men may be more motivated to be good breadwinners.

Many studies have investigated the “wage premium” for married men. Robert Lerman finds that, after controlling for such characteristics as work experience and education, married men’s weekly wages are between 16

and 35 percent higher than those of separated, divorced, and never-married men.<sup>9</sup> It is possible that married men have higher wages not because marriage enables or motivates them to earn more but because men with greater earning power, being more attractive marriage partners, are “selected” into marriage. Several studies reviewed by Lerman find that some of the wage difference—perhaps as much as half—can be attributed to such “selection,” but that the rest is a direct effect of marriage.<sup>10</sup> Among the many studies reviewed by Lerman, a midpoint estimate would suggest that marriage directly raises the wages of men between 5 and 10 percent.

If Becker is correct that household specialization leads to a marriage premium, one would expect the premium to be declining because married women’s work effort has been rising. And some analysts do indeed find evidence of such a decline.<sup>11</sup> Overall, however, it appears that marriage may still have some effect on men’s wages, though precisely how large it is or how long it will last, given the increasing share of wives who work, is uncertain. Becker’s theory would also suggest that wives who specialize in raising their children are better mothers than mothers who work. If that is true, these noneconomic benefits could be even more important than any income gained from having a second earner in the family. Reviewing the vast literature on the question of how maternal employment outside the home affects children is beyond the scope of this paper.<sup>12</sup> Suffice it to say that there is no clear evidence that, on average, such employment is deleterious to children. Opinions on this matter vary, however, and much depends on how many hours the mother works, the availability of good substitute care, the age of the children, and a variety of other factors.<sup>13</sup>

## **Marriage Penalties and Bonuses**

The government tax and transfer system in the United States effectively imposes penalties on many married couples. Because federal tax rates are higher for families with relatively higher incomes and because couples' incomes are generally combined when their tax liability is calculated, a husband and wife may end up owing more in taxes together than they would if they were not married. Likewise, because means-tested government transfer programs generally lower benefits as income rises, adding a new spouse's earnings to a single-parent family's income may reduce the benefits available to that family.<sup>14</sup> Some couples, however, may experience a bonus after marrying. For example, when a mother on welfare marries a man with substantial earnings, he gains additional dependents and the advantages of income splitting, thereby reducing their joint tax liability.

The marriage penalties and bonuses in the tax and transfer system are treated in detail in the article by Adam Carasso and Eugene Steuerle in this volume. Among other things, they show that single-parent households receiving a wide variety of benefits, including housing subsidies, welfare benefits, and child care subsidies, could be made worse off if marriage pushes their incomes from \$10,000 to about \$40,000. Few households, however, receive all these benefits simultaneously. Although tax cut legislation in 2001 reduced the marriage penalties and increased the marriage bonuses facing many families, Carasso and Steuerle find that married couples still face penalties more often than bonuses from the combined tax and transfer system.

### **Cohabitation vs. Marriage**

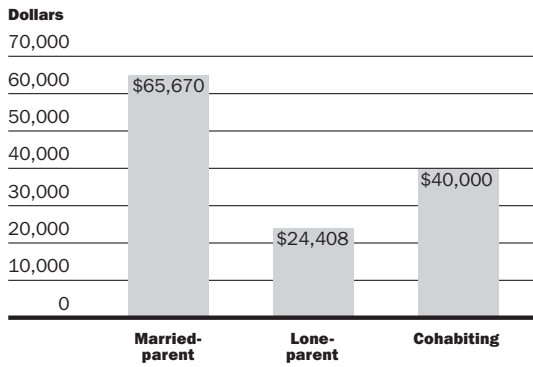
Thus far we have focused on how the living arrangements of married-parent and lone-parent households might affect their respec-

tive incomes. How does cohabitation fit into this discussion? Some of our conclusions about the economic effects of marriage would also seem to hold true for cohabiting families. For instance, the income of a cohabiter is sometimes taken into account in calculating certain means-tested benefits. However, cohabiters are less likely to report this income in practice, and the income of a cohabiter is not considered in determining tax liabilities. Thus, the penalties built into the tax and transfer system loom larger for married-parent families than for cohabiting families.

Like married-parent families, cohabiting families also benefit from economies of scale. Most important, they have two potential earners. Although the addition of a second potential earner to the household may be partly offset by the loss of certain means-tested benefits or of child support payments to the lone parent (but only if she cohabits with the child's biological father), the net economic benefits of cohabitation are almost always positive.

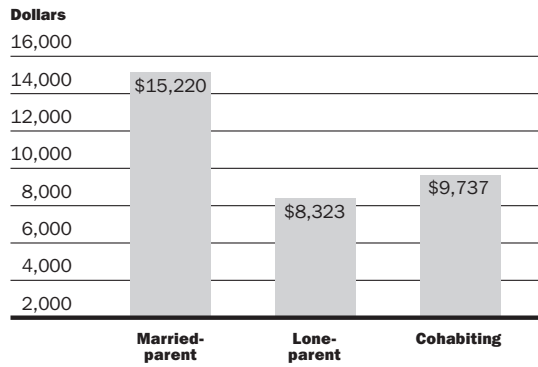
Because cohabitation does not signify the same degree of commitment as does marriage, and is in fact usually less durable, it produces less specialization. Any wage premium associated with cohabitation is thus likely to be smaller than that associated with marriage.<sup>15</sup> There is, however, a greater likelihood that both partners will work. The long-term commitment symbolized by a marriage vow ("til death do us part") makes it likely that a stay-at-home wife will be more willing than a cohabiting single parent would be to give up a career to devote time to her children. Cohabiters are also less likely than married couples to pool resources, and they have less of a claim on each other's assets and fewer legal rights to various benefits. Some studies thus suggest that measures of family

**Figure 1. Median Official Incomes of Families with Children, 2003**



Source: Authors' analysis of Current Population Survey, March 2004.

**Figure 2. Median Adjusted per Capita Incomes of Families with Children, 2003**



Source: Authors' analysis of Current Population Survey, March 2004.

income and child poverty that assume full income sharing among cohabiters overstate the resources available to children in some cohabiting households.<sup>16</sup>

**Summary**

Living in either a married-couple family or a cohabiting family should in theory produce greater economic gains than living in a single-parent family. Whether there should be any gains to marrying relative to cohabiting is less clear.

Because our interest is in the well-being of children, we have focused on the net gains to single-parent households when they enter into different living arrangements. But it should be noted that men who live with, or marry into, such families do not always gain—a fact that may partially explain the prevalence of single-parent families.

**Family Structure and Family Income: A First Look**

Figures 1 and 2 compare the incomes of single-parent families with those of married-parent and cohabiting families using two different measures of income. The first, which

we call “official income,” reflects family income as reported by the Census Bureau. That official measure, however, does not take into account many factors that have important ramifications for families’ economic well-being, including federal tax liabilities, earned income tax credit benefits, food stamp benefits, out-of-pocket work-related child care expenses, and family size. In figure 2, we therefore report results for a second measure, which we call “adjusted per capita income,” that incorporates these factors.<sup>17</sup> We prefer the adjusted measure both because it paints a more accurate picture of the disposable resources available to the family and because it takes into account family size by dividing adjusted income by the total number of family members.<sup>18</sup>

The official and adjusted income measures tell roughly the same story, though household disparities are somewhat smaller when adjusted for family size. In both figures 1 and 2, the financial resources of married-parent families are substantially greater than those of lone-parent families. The median official income for lone-parent families is a little more than one-third that of married-parent



**Table 1. Income and Poverty Measures for Families with Children, by Race and Ethnicity, 2003**

Measure and family type	Total	White	Black	Hispanic
Per capita adjusted family income (dollars)				
Married-parent	15,220	17,240	12,051	8,342
Lone-parent	8,323	10,686	6,113	6,399
Cohabiting	9,737	11,313	9,162	7,388
Adjusted child poverty rate (percent)				
Married-parent	7.6	4.0	12.1	18.3
Lone-parent	34.0	21.7	45.6	41.6
Cohabiting	21.5	18.3	22.0	27.6

Source: Authors' analysis of Current Population Survey, March 2004.

families. The median adjusted per capita income of lone-parent families is about 55 percent of that of married-parent families. The median adjusted income of cohabiting families is slightly less than 65 percent of that of married-parent families.<sup>19</sup>

In table 1, we extend our exploration of the variation in adjusted per person income by family type by looking at race and ethnicity. The top panel of the table shows that, as expected, blacks and Hispanics tend to have less adjusted family income per person than whites across all family types. Among blacks, the median lone-parent family has slightly more than half as much adjusted income as the median two-parent family, while a cohabiting family has about three-quarters as much adjusted income as the typical two-parent family. The results for whites are qualitatively similar, although the differences across family types are somewhat less dramatic than they are among blacks. Income differences are likewise smaller among Hispanics than they are among either whites or blacks.

The bottom panel of table 1 examines child poverty rates by race and family types, using our adjusted measure of income. Child poverty rates vary considerably across races,

with children in white families much less likely to be poor than their black and Hispanic counterparts. Within each race, child poverty rates are substantially higher among lone-parent families than among married-parent families. Child poverty is less common among cohabiting families than among lone-parent families, but more common than it is among married-parent families. As a whole, children in lone-parent families are more than four times as likely to be poor as children in married-parent families, while children in cohabiting families are almost three times as likely to be poor as children in married-parent families.

Overall, these findings paint a consistent picture: children in lone-parent and cohabiting households tend to have fewer economic resources available to them, and are more likely to be poor, than children in married-parent families. Children in cohabiting households tend to be better off economically than children in lone-parent households. These findings apply for all races and across a variety of measures.

Do these findings necessarily mean that differences in family structure have *created* these economic disparities? Might it not be

that the sorts of people who are most likely to divorce or have children out of wedlock are also the sorts of people who are most likely to have limited incomes, regardless of their living arrangements? Could it be that economic distress helps to bring about marital dissolution? If the answers to such questions are yes, then one would expect to see a correlation between family structure and family economic well-being, even if the former had no effect on the latter.

### **Does Marriage Reduce Child Poverty and Increase Family Income? A Closer Look at the Evidence**

Earlier, we described a host of different ways in which particular living arrangements might affect families' economic resources. We concluded that marriage, especially, and cohabitation, to a lesser extent, produce economic benefits for children. We then presented data showing that the incomes of the three groups tracked our expectations. But we have not shown that a particular living arrangement affects income. As we noted earlier, even if family composition itself had no real effect on income, the incomes and poverty rates of married-parent, cohabiting, and lone-parent families might differ widely because of "selection." Perhaps those people with the most economic resources are the most likely to marry, those with relatively limited resources are the most likely to cohabit, and those with the fewest resources are the most likely to become lone parents.

In light of this problem, how can one be certain whether family structure is helping to drive the differences in the incomes of married-parent, cohabiting, and lone-parent families? The short answer is that we cannot be absolutely sure. But researchers have tried to account for the phenomenon of selection,

and their findings generally suggest that living arrangements do have an impact on families' incomes. In the following sections, we review this evidence by summarizing studies that have estimated the economic consequences of divorce, of out-of-wedlock child-bearing, and of marriage.

### **The Estimated Effects of Divorce**

In their 1994 book, *Growing Up with a Single Parent*, Sara McLanahan and Gary Sandefur chart income changes in stable and unstable families during a child's adolescence (a family is "unstable" if parents divorce or separate during that time). McLanahan and Sandefur find that among whites, the incomes of stable families increased from an average of \$61,559 when the child was twelve to an average of \$66,696 when the child was seventeen, while the incomes of unstable families dropped from an average of \$62,367 when the child was twelve to an average of \$36,662 when the child was seventeen.<sup>20</sup> Among blacks, the incomes of stable families increased from an average of \$39,040 when the child was twelve to an average of \$40,934 when the child was seventeen, while the incomes of unstable families fell from an average of \$28,197 when the child was twelve to an average of \$18,894 when the child was seventeen.

The large difference in the average initial incomes of the stable and unstable black families makes it difficult to interpret the income data on black families. Perhaps there were systematic differences between families that this analysis did not capture. Given the substantially lower average initial income level of the unstable black families, it is difficult to rule out the possibility that economic distress actually *induced* marital disruption for many of these families. But for white families, the similarity between the two groups' initial incomes and the magnitude of the difference in



their later incomes are rather striking.<sup>21</sup> Thus, we are more confident about the generalizability of these findings for whites than for blacks.

### The Estimated Effects of Out-of-Wedlock Childbearing

During the 1960s and 1970s, most of the rise in single parenthood was related to divorce. But over the past quarter-century, by far the most important cause of the rise in single-parent families has been out-of-wedlock childbearing.<sup>22</sup> A large body of evidence demonstrates that children born to unmarried mothers are more likely to be poor than are other children.<sup>23</sup> Some studies have attempted to control for the possibility that these mothers would have been poor regardless of whether they had had a child outside marriage. For instance, one group of researchers finds that even after controlling for race, family background, age, education, and employment status, women who have had a child out of wedlock are between 2 and 2.7 times more likely to be poor than other women.<sup>24</sup>

Over the past decade the growth in the share of children born outside marriage has slowed dramatically, in part because of a sharp decline in teen pregnancy and birth rates. Births per 1,000 teens aged fifteen to nineteen fell from 61.8 in 1991 to 41.7 in 2003. This decline has substantially reduced the number of children living in poor single-parent families. One recent study finds that the number of poor children would have increased by almost half a million and the 2002 poverty rate for children under six would have been nearly a full percentage point higher had teen birth rates not declined.<sup>25</sup>

### The Estimated Effects of Marriage

Other studies have assessed the extent to which the decline in marriage and the spread

of single parenthood over time have contributed to the growth of child poverty. Some of these studies use “shift-share techniques” to address questions of the following sort: “if the share of children living in single-parent families had remained constant since the 1960s, how would this have affected child poverty?” With some exceptions, these studies generally find that most, and in some cases all, of the increase in child poverty over the past thirty to forty years can be explained by changes in family structure.<sup>26</sup> Some of these studies, however, find that growing economic inequality and limited income growth can also explain an important portion of the increase in child poverty during this period. Indeed, John Iceland finds that the association between economic factors and child poverty has in fact been stronger than the association between family structure and child poverty over time. He concludes that this was particularly true during the 1990s, when he finds no significant association between family structure and child poverty.<sup>27</sup>

Moreover, to say that changes in living arrangements can *explain* poverty increases is not necessarily the same as saying that they *cause* these increases. Indeed, one could argue that it is unreasonable to assume, as most of these analyses implicitly do, that the poverty rates of two-parent families would remain the same if many single parents were to marry. In a study that addresses this issue by controlling for family attributes that might affect families’ economic well-being, Robert Lerman finds that living in a married-parent family confers large economic benefits relative to living in a single-parent family and more modest but still significant benefits relative to living in a cohabiting family. In one analysis, he finds that living in a married-parent family raises needs-adjusted income by 65 percent relative to living in a lone-

parent family and by 20 percent relative to living in a cohabiting household.<sup>28</sup>

Even if marriage has historically affected family income and child poverty, however, there is no guarantee that increasing the marriage rate today would reduce poverty and improve family incomes in the future. Indeed, William Julius Wilson has hypothesized that there are not enough suitable men to allow for large increases in marriage within low-income black communities.<sup>29</sup> And even if the marriage rate could be increased, the newly married families could differ from current and past married families in important ways that could make them more vulnerable to poverty. Several studies have therefore taken up the question of what would happen to the incomes and poverty rates of families with children if parents who are now single were to get married.

One such paper was published by Robert Lerman in 1996; we published another in 2002; and Wendy Sigle-Rushton and Sara McLanahan published a third in 2003.<sup>30</sup> All three simulate hypothetical marriages by “pairing up” single women and men in various large data sets and then estimate how these simulated marriages would affect family incomes and child poverty. One advantage of these studies is that they correct for much of the selection bias found in other studies by matching women with men who are deemed to be suitable partners and then counting only the actual income that these men have to bring into a combined household.<sup>31</sup> A second advantage is that because these analyses simulate marriages only for women for whom a potential husband can be identified, they address the critique that there are not enough “marriageable males” to allow for substantially more marriages to take place. A third advantage is that they sometimes adjust

for the loss of benefits and the higher taxes that result from marriage.<sup>32</sup> Thus, they provide some of the most powerful evidence to date of what could happen to the existing population if many single men and women were to marry. The methodologies and findings of these analyses are summarized in the box opposite.

Lerman used 1989 data and “married off” enough single mothers to return the marriage rate to that prevailing in 1971. His simulated increase in the marriage rate reduced the black child poverty rate in 1989 from 43.3 percent to 37.1 percent and the white child poverty rate from 11.7 percent to 9.8 percent. Among all children, the poverty rate fell from 17.1 percent to 14.7 percent. Among families participating in a simulated marriage, the new marriages pulled 43 percent of poor black children and 18 percent of poor white children out of poverty. Lerman also found that the simulation reduced income inequality among children by 26 percent.<sup>33</sup>

Our analysis was similar to Lerman’s, although we used more recent data (1998) and replicated marriage patterns prevailing in 1970. We also made postmarriage adjustments to a wider range of benefits and taxes.<sup>34</sup> Like Lerman, we found that raising the marriage rate would reduce child poverty considerably. In our simulation, the 1998 child poverty rate fell from 16.9 percent to 13.5 percent. Among families participating in the simulation, marriage reduced the number of poor children by 65.4 percent while raising average per capita income by 43.2 percent and the average income-to-needs ratio by 57.9 percent.<sup>35</sup>

Neither Lerman’s simulation nor our initial analysis dealt with the issue of cohabitation. But we conducted a sensitivity analysis that

## Summary of Marriage Simulation Studies

### **Lerman (1996)**

*Data:* Current Population Survey, March 1972 and March 1990.

*Goal:* Set the proportion of mothers who were single in 1989 equal to the corresponding portion in 1971.

*Family income adjustments:* Single mothers lose welfare benefits after marriage. In some analyses, men's and women's postmarriage earnings are adjusted.

*Key findings*

*Family income:* Depending on the assumptions about men's and women's earnings responses to marriage, income inequality among children is reduced by between 24 and 46 percent as a result of the simulation.

*Poverty:* Assuming no changes in earnings, the black child poverty rate falls from 43.3 to 37.1 percent and the white child poverty rate falls from 11.7 to 9.8 percent. If one assumes typical postmarriage earnings responses, the simulation's antipoverty effects are larger.

### **Thomas and Sawhill (2002)**

*Data:* Current Population Survey, March 1999.

*Goal:* Set the proportion of children in female-headed families in 1998 equal to the corresponding proportion in 1970.

*Family income adjustments:* Tax liabilities, child care expenses, food stamps, earned income tax credit benefits, SSI benefits, and cash-assistance welfare benefits are recalculated after marriage. Men's and women's earnings are assumed to remain unchanged after marriage.

*Key findings*

*Family income:* Average per capita family income increases by 43.2 percent and average income-to-needs ratio (see note 35) increases by 57.9 percent among children whose mothers participate in the simulation.

*Poverty:* Overall adjusted child poverty rate falls from 16.9 to 13.5 percent as a result of the simulation. This result is robust to sensitivity tests in which the implications of cohabitation are considered. Among families participating in the simulation, the child poverty rate drops from 37.8 to 13.1 percent. Antipoverty effects are about a third larger for white children than for black children.

### **Sigle-Rushton and McLanahan (2003)**

*Data:* Fragile Families and Child Well-Being Survey.

*Goal:* Simulate marriages between unwed mothers and the fathers of their children.

*Family income adjustments:* Postmarriage income is calculated by combining the self-reported earnings of both parents (because earnings information was recorded in bands, a midpoint estimate was used).

*Key findings*

*Family income:* Median family earnings of the lowest-earning women in the simulation increase from \$0 to \$8,250. Among unwed women who are slightly better off initially, median family earnings increase from about \$2,000 to about \$17,500.

*Poverty:* Poverty rate among mothers participating in the simulation falls from 86 to 46 percent. This reduction is calculated under the assumption that unmarried parents were not sharing any income before marriage. To the extent that this assumption is incorrect, the antipoverty effects of this simulation may be overstated.

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Note: Studies are cited in note 30.

assumed that the incomes and poverty rates of all cohabiting families participating in the simulation would remain unchanged after marrying. In this second simulation, poverty fell almost as much as it did in the original analysis. Another implication of our simulation is that the “marriageable male” hypothesis holds some salience for blacks. The anti-poverty effects in our simulation were about a third lower for blacks than for whites because we were unable to identify well-

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matched mates for some single black mothers. On the whole, however, both black and white families experienced large reductions in child poverty and large gains in family income.

Sigle-Rushton and McLanahan simulated marriages between unwed parents participating in the Fragile Families and Child Well-Being Study. After combining the earnings of the unmarried parents in their data, they found that the new marriages pulled about 47 percent of the poor unwed mothers above the federal poverty line, although a larger share (about 53 percent) remained in poverty.<sup>36</sup> These findings, together with others in their study, led them to conclude that labor market policies that encourage and reward full-time work might be more cost-

effective for alleviating poverty than policies that promote marriage. Overall, however, Sigle-Rushton and McLanahan’s simulation, like the others reviewed above, reduced child poverty dramatically among affected families.

## Conclusions

Differing living arrangements can be expected to affect families’ economic well-being for a variety of reasons. Most important, married and cohabiting families can benefit from economies of scale and from having two adult earners in the household. The availability of child support for single-parent families and the marriage penalties in the tax and transfer system reduce somewhat the economic benefits associated with marriage, but usually not enough to offset the gains from sharing expenses and having a second earner in the family. Consistent with these expectations, the data show that across all races and for a variety of income measures, children in lone-parent families have less family income and are more likely to be poor than children in married-parent families. Cohabiting families are generally better off economically than lone-parent families, but they still tend to be considerably worse off than married-parent families.

Interpreting these data is tricky. Researchers can never be sure, beyond all doubt, that  $x$  causes  $y$ . But most of the evidence suggests that single parenthood reduces children’s economic prospects and that marriage improves them. Some evidence suggests that this conclusion is more likely to be true for white children than for black children, but it would be a mistake to conclude that black children do not gain at all.

One might ask why single parenthood remains so common among low-income populations if marriage confers relatively large

economic benefits on single parents and their children. It bears reiteration that relationships are always two-way streets: marriage may be economically beneficial for mothers and their children, but what about for their potential husbands? A recent study finds that men generally have no financial gains when they cohabit or marry, which would seem to be a potentially important piece of this story.<sup>37</sup> Another obvious consideration is that innumerable noneconomic factors drive peoples' decisions about marriage (or at least, we hope they do).

A more fundamental puzzle appears in the ethnographic literature on single parenthood. Despite the consistent research findings of social scientists that married families have higher income than single-parent families, ethnographers sometimes report that single mothers tend to list as a primary reason for being unmarried their belief that marriage would not improve—and might in fact detract from—their economic well-being.<sup>38</sup> This suggests that many women may prefer a more stable (if somewhat lower) income than would be available to them if they were to marry. Another possibility is that these mothers may simply prefer to be independent and make their own decisions, even at the price of having less income.

A few final caveats are in order. First, although family structure may have important economic implications for families with children, it does not necessarily follow that policymakers ought to, or even can, do anything about it. The debate over marriage policy is a heated one, and we will not attempt to review it here. We would, however, suggest that the debate ought to be informed by the understanding that living arrangements have important implications for children's economic

well-being. As for whether policymakers can do anything about family structure, the challenge of crafting policies that effectively influence trends in family formation is considerable, as several other articles in this volume make clear.

Finally, we would stress that it is possible to overstate the potentially ameliorative effects of marriage. In a 2003 analysis, for example, researchers found that among women who have had children out of wedlock, marriage only partially alleviates the economic predicament created by their unwed childbearing.<sup>39</sup> Moreover, there may be better weapons in the fight against poverty. Sigle-Rushton and McLanahan's conclusion that it may be more cost-effective to encourage and reward work than to entice unwed parents to marry highlights an important lesson. Although marriage is significant, it is not an economic cure-all for the complex problem of child poverty. It would be a mistake for policymakers to focus on marriage to the exclusion of pursuing labor-market strategies or addressing other critical problems such as early out-of-wedlock childbearing.

Fortunately, the news on this latter front is good. After rising for decades, the share of children living in single-parent families has fallen in recent years. This change in trajectory is a result of a drop in the divorce rate and, most important, a slowing in the spread of out-of-wedlock childbearing, led by a steep decline in teenage pregnancy.<sup>40</sup> In light of the findings reviewed in this article, we believe that these trends augur well for children's futures. Our reading of the evidence suggests that continued declines in single parenthood may portend even greater improvements in the economic welfare of children in the United States.

## Endnotes

1. The cross-sectional estimates cited here are based on the authors' tabulations of data from U.S. Bureau of the Census, "Living Arrangements of Children under 18 Years Old: 1960 to Present," tables CH-1 to CH-3, September 2004, [www.census.gov/population/socdemo/hh-fam/](http://www.census.gov/population/socdemo/hh-fam/) (accessed September 19, 2003). The estimated childhood probability of living in a single-parent family was taken from U.S. House of Representatives, Committee on Ways and Means, *2000 Green Book: Background Material on Data and Programs within the Jurisdiction of the Committee on Ways and Means*, 106 Cong. 2 sess. See the article by Andrew Cherlin in this volume for a more detailed discussion of trends in family formation, both in the United States and abroad.
2. Larry Bumpass and Hsien-Hen Lu, "Trends in Cohabitation and Implications for Children's Family Contexts in the United States," *Population Studies* 54 (2000): 29–41.
3. Robert I. Lerman, "Marriage and the Economic Well-Being of Families with Children: A Review of the Literature," Working Paper (Washington: Urban Institute, July 2002); Sara McLanahan and Gary Sandefur, *Growing Up with a Single Parent: What Hurts, What Helps* (Harvard University Press, 1994); Linda J. Waite, "Does Marriage Matter?" *Demography* 32, no. 4 (1995): 483–506.
4. Daphne Spain and Suzanne M. Bianchi, *Balancing Act: Motherhood, Marriage, and Employment among American Women* (New York: Russell Sage Foundation, 1997).
5. For additional information, see Anne E. Winkler, "Earnings of Husbands and Wives in Dual-Earner Families," *Monthly Labor Review* 121, no. 4 (1998): 42–48; Audrey Light, "Gender Differences in the Marriage and Cohabitation Income Premium," *Demography* 41, no. 2 (2004): 263–84; Lee Lillard and Linda Waite, "Marriage, Divorce, and the Work and Earning Careers of Spouses," Working Paper 9906 (University of Michigan Retirement Research Center, April 2000); and Philip N. Cohen and Suzanne M. Bianchi, "Marriage, Children, and Women's Employment: What Do We Know?" *Monthly Labor Review* 122, no. 21 (1999): 22–31.
6. Data from Timothy S. Grall, "Custodial Mothers and Fathers and Their Child Support: 2001," Current Population Reports (U.S. Bureau of the Census, October 2003), table A.
7. U.S. Bureau of the Census, "Table 1. Child Support Payments Due and Actually Received, by Sex: 2001" ([www.census.gov/hhes/www/childsupport/chldsu01.pdf](http://www.census.gov/hhes/www/childsupport/chldsu01.pdf) [October 29, 2004]). Calculation includes families that were due support but received none.
8. Gary Becker, *A Treatise on the Family* (Harvard University Press, 1991), p. 32.
9. Lerman, "Marriage and the Economic Well-Being" (see note 3).
10. McKinley Blackburn and Sanders Korenman, "The Declining Marital-Status Earnings Differential," *Journal of Population Economics* 7, no. 3 (1994): 247–70; Hyunbae Chun and Injae Lee, "Why Do Married Men Earn More: Productivity or Marriage Selection?" *Economic Inquiry* 39, no. 2 (2001): 307–19; Kermit Daniel, "The Marriage Premium," in *The Economics of Human Behavior*, edited by Mariano Tommasi and Kathryn Ierulli (Cambridge University Press, 1995), pp. 113–25; Sanders Korenman and David Neumark, "Does Marriage Really Make Men More Productive?" *Journal of Human Resources* 26, no. 2 (1991): 282–307.
11. Jeffrey S. Gray, "The Fall in Men's Returns to Marriage: Declining Productivity Effects or Changing Selection?" *Journal of Human Resources* 32, no. 2 (1997): 481–504.



12. Isabel V. Sawhill, "Families at Risk," in *Setting National Priorities: The 2000 Election and Beyond*, edited by Henry J. Aaron and Robert D. Reischauer (Brookings, 1999), pp. 97–135.
13. Jeanne Brooks-Gunn, Allison Sidle Fuligni, and Lisa J. Berlin, eds., *Early Childhood Development in the 21st Century: Profiles of Current Research* (Teachers College Press, 2003).
14. Further complications arise for two reasons. First, some programs discriminate more explicitly against two-parent families, for example, in the provision of welfare, housing, or child care subsidies. Second, many of these programs do not distinguish between cohabiting and married parents, but rather between lone parents and two-parent households. An important exception is the earned income tax credit.
15. On wage premiums, see Daniel, "The Marriage Premium" (see note 10); and Philip N. Cohen, "Racial-Ethnic and Gender Differences in Returns to Cohabitation and Marriage: Evidence from the Current Population Survey," Working Paper 35 (U.S. Bureau of the Census, Population Division, May 1999).
16. For instance, Anne E. Winkler finds that, in general, cohabiters tend not to pool income. Anne E. Winkler, "Economic Decision-Making by Cohabiters: Findings Regarding Income Pooling," *Applied Economics* 29, no. 8 (1997): 1079–90. In another study, Kurt J. Bauman explores the question of whether the source of household income affects the likelihood that families will experience material hardship. He finds that, holding household income constant, a family is more likely to experience hardship if some of its resources come from a cohabiter. Kurt J. Bauman, "Shifting Family Definitions: The Effect of Cohabitation and Other Nonfamily Household Relationships on Measures of Poverty," *Demography* 36, no. 3 (1999): 315–25. A more recent study, by Thomas DeLeire and Ariel Kalil, reinforces this conclusion. They find that cohabiters living with children spend a larger share of their incomes on alcohol and tobacco, and a smaller share on health care and education, than do married parents. See Thomas DeLeire and Ariel Kalil, "How Do Cohabiting Couples with Children Spend Their Money?" unpublished paper (University of Chicago, April 2002). Note that we make this same assumption when we estimate the incomes and poverty rates of cohabiting families in the next section of this paper. Our results might therefore reasonably be considered to be upper-bound estimates of the resources accessible to children in cohabiting households.
17. For additional information on our income-adjustment methodology, see Isabel Sawhill and Adam Thomas, "A Hand Up for the Bottom Third: Toward an Agenda for Low-Income Working Families," Working Paper (Brookings Institution Children's Roundtable, May 2001).
18. Although these income estimates adjust for family size, they ignore the economies of scale reaped by larger families. Because families with two adults have greater economies of scale available to them than do single-parent families, these estimates actually understate the economic advantages of marriage and cohabitation relative to single parenthood.
19. For cohabiting households, we add the income of the cohabiter to the income of the single-parent family. Likewise, in our analyses of poverty rates among cohabiting families, we adjust cohabiting families' poverty thresholds to reflect the presence of the cohabiter in the household (the Census Bureau ignores the presence of cohabiters when calculating family income and poverty thresholds). We adopt the Census Bureau's Adjusted POSSLQ method for identifying cohabiting households. A thorough discussion of this methodology can be found in Lynne M. Casper and Philip N. Cohen, "How Does POSSLQ Measure Up? Historical Estimates of Cohabitation," Working Paper 36 (U.S. Bureau of the Census, Population Division, May 1999).

20. McLanahan and Sandefur, *Growing Up* (see note 3).
21. The fact that the results are crisper for whites than for blacks is consistent with earlier work by Mary Jo Bane, who found that divorce leads to poverty much more often among whites than among blacks. See Mary Jo Bane, "Household Composition and Poverty," in *Fighting Poverty: What Works and What Doesn't*, edited by Sheldon H. Danziger and Daniel H. Weinberg (Harvard University Press, 1986), pp. 209–31. A number of other studies have taken up the question of whether divorce affects children's family incomes. These studies have drawn on a diverse assortment of methods and data sources. Unfortunately, though, most fail to report separate results for black and white families. In general, the thrust of these studies' findings is that divorce tends to reduce children's family incomes. See Lerman, "Marriage and the Economic Well-Being" (see note 3); Marianne Page and Ann Huff Stevens, "Will You Miss Me When I Am Gone? The Economic Consequences of Absent Parents," Working Paper 8786 (Cambridge, Mass.: National Bureau of Economic Research, July 2002); Pamela J. Smock, Wendy D. Manning, and Sanjiv Gupta, "The Effect of Marriage and Divorce on Women's Economic Well-Being," *American Sociological Review* 64, no. 6 (1999): 794–812.
22. David T. Ellwood and Christopher Jencks, "The Spread of Single Parent Families in the United States since 1960," Working Paper RWP04-008 (John F. Kennedy School of Government, Harvard University, June 2004).
23. Stephen G. Bronars and Jeff Grogger, "The Economic Consequences of Unwed Motherhood: Using Twin Births as a Natural Experiment," *American Economic Review* 85, no. 5 (1994): 1141–56; Daniel T. Lichter, Deborah Roemke Graefe, and J. Brian Brown, "Is Marriage a Panacea? Union Formation among Economically Disadvantaged Unwed Mothers," *Social Problems* 50, no. 1 (2003): 60–86; Isabel Sawhill, "Welfare Reform and Reducing Teen Pregnancy," *Public Interest*, no. 138 (2000): 40–51.
24. Lichter, Graefe, and Brown, "Is Marriage a Panacea?" (see note 23).
25. U.S. House of Representatives, Committee on Ways and Means, *Steep Decline in Teen Birth Rate Significantly Responsible for Reducing Child Poverty and Single-Parent Families*, Committee Issue Brief (April 23, 2004).
26. The following studies get somewhat different results, depending on the period investigated, the variables included in the analysis, the ordering of the variables, the data used, and the specifics of the methodology, but most find that family structure changes were associated with large changes in child poverty: Maria Cancian and Deborah Reed, "Changes in Family Structure: Implications for Poverty and Related Policy," in *Understanding Poverty in America: Progress and Problems*, edited by Sheldon Danziger and Robert Haveman (Harvard University Press and Russell Sage Foundation, 2001), pp. 69–96; Sheldon Danziger and Peter Gottschalk, *America Unequal* (New York: Russell Sage Foundation, 1995); David Eggebeen and Daniel Lichter, "Race, Family Structure, and Changing Poverty among American Children," *American Sociological Review* 56, no. 6 (1991): 801–17; Peter Gottschalk and Sheldon Danziger, "Family Structure, Family Size, and Family Income: Accounting for Changes in the Economic Well-Being of Children, 1968–1986," in *Uneven Tides: Rising Inequality in America*, edited by Sheldon Danziger and Peter Gottschalk (New York: Russell Sage Foundation, 1993), pp. 167–93; Robert I. Lerman, "The Impact of Changing U.S. Family Structure on Child Poverty and Income Inequality," *Economica* 63, no. 250 (1996): S119–S139; Sawhill, "Families at Risk" (see note 12). Some studies find that there is a considerably weaker correlation over time between family structure and *overall* poverty than between family structure and *child*

- poverty. See, for instance: Sheldon Danziger and Peter Gottschalk, *Diverging Fortunes: Trends in Poverty and Inequality* (New York: Russell Sage Foundation, 2004); Danziger and Gottschalk, *America Unequal* (see above in this note); and John Iceland, "Why Poverty Remains High: The Role of Income Growth, Economic Inequality, and Changes in Family Structure, 1949–1999," *Demography* 40, no. 3 (2003): 499–519. Iceland's analysis covers a somewhat longer period than do the other studies cited above.
27. Some of the studies cited in the previous note incorporate changes in family income and economic inequality into their analyses. All find that these factors have had an important association with child poverty over time. See Danziger and Gottschalk, *America Unequal*; Danziger and Gottschalk, *Diverging Fortunes*; and Iceland, "Why Poverty Remains High" (all from note 26).
  28. Robert I. Lerman, "Married and Unmarried Parenthood and Economic Well-Being: A Dynamic Analysis of a Recent Cohort," Working Paper (Washington: Urban Institute, July 2002).
  29. William Julius Wilson, *The Truly Disadvantaged* (University of Chicago Press, 1987).
  30. See Lerman, "The Impact of Changing U.S. Family Structure" (see note 26); Adam Thomas and Isabel Sawhill, "For Richer or for Poorer: Marriage as an Antipoverty Strategy," *Journal of Policy Analysis and Management* 21, no. 4 (2002): 587–99; Wendy Sigle-Rushton and Sara McLanahan, "For Richer or Poorer? Marriage as an Anti-Poverty Strategy in the United States," Working Paper 01-17-FF (Princeton University, Center for Research on Child Wellbeing, June 2003).
  31. If the men whom the Census Bureau reports as living alone are actually cohabiting or paying child support that is not reported, these studies may overstate the resources available to a new family.
  32. On the other hand, the figures reported here do not include a wage premium for married men (results from analyses incorporating the estimated effects of a wage premium are reported in the next endnote).
  33. In some analyses, Lerman simulates wage changes after marriage, which in turn generates larger antipoverty effects. In these analyses, the black 1989 child poverty rate fell from 43.3 percent to 29.1 percent, the white 1989 child poverty rate fell from 11.7 percent to 9.6 percent, and the overall child poverty rate fell from 17.1 percent to 12.9 percent. Among families participating in a simulated marriage, 80 percent of poor black children and 67 percent of poor white children were pulled out of poverty as a result of the new marriages.
  34. After a marriage is simulated, Lerman subtracts the mother's entire welfare benefit from the new family's income. In our study we recalculate a range of benefits—including food stamps, supplemental security income, cash assistance, and earned income tax credit amounts—using a somewhat more sophisticated set of procedures.
  35. A family's income-to-needs ratio is calculated as its income divided by its poverty threshold. A ratio of less than one implies that a family is poor, while a ratio of two implies that a family's income is twice its poverty threshold, and so forth.
  36. They also point out that many of the unwed parents in their data were already living together and were therefore presumably sharing at least some of their resources with each other before marrying, which suggests that the antipoverty effects of their marriage simulation may be overstated.

37. Audrey Light, "Gender Differences in the Marriage and Cohabitation Income Premium," Working Paper (Ohio State University, August 2003).
38. Kathryn Edin, "Few Good Men," *American Prospect* 11, no. 4 (2000): 26–31.
39. Lichter, Graefe, and Brown, "Is Marriage a Panacea?" (see note 23).
40. Ellwood and Jencks, "Spread of Single Parent Families" (see note 22); John S. Santelli and others, "Can Changes in Sexual Behaviors among High School Students Explain the Decline in Teen Pregnancy Rates in the 1990s?" *Journal of Adolescent Health* 35, no. 2 (2004): 80–90.