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IMPACTS OF POLICY ACTIONS ON THE FAMILY AND THE HOUSEHOLD

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Impacts of Policy Actions on the Family and the Household

ABSTRACT

This paper discusses the impacts of a range of economic and social policies on family and household formation and dissolution, with particular reference to Great Britain. While this focus was suggested by the author's familiarity with developments in the United Kingdom, it also represents a particularly interesting case since there have been many important policy changes there in the past fifteen years which have affected marriage, fertility, divorce and household formation. During the 1970s, equal pay policies altered the timing of marriage and fertility, and they may have affected the likelihood of divorce. Reform of the law concerning divorce accelerated the upward trend in divorce, and monetary and fiscal policies designed to reduce inflation have also increased unemployment. Lower inflation and higher unemployment have tended to alter the timing of childbearing and the likelihood of divorce. Housing policies have continued to influence the timing of marriage and childbearing and the patterns of household formation by "marginal" groups such as the young and the elderly. Attempts have been made to measure these impacts, but much more research is necessary in order to properly assess the impact of government policy in a range of areas on patterns of family and household formation and dissolution.

JEL classification: 024, 813, 840, 932

Keywords: household formation, UK social policy, equal opportunities for women, timing of marriage and births, housing policy, unemployment, divorce

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## NON-TECHNICAL SUMMARY

This paper discusses the effects of a variety of social and economic policies on family and household formation and dissolution. It considers the ways in which marriage, fertility, divorce and household formation have been affected by government policy actions. For the most part, these impacts on demographic behaviour were unintended. Indeed, policy makers often did not even consider the possibility of demographic effects.

In order to measure the demographic impacts of policies, it is necessary to study particular policies in specific countries. This paper focuses on Great Britain, but salient examples from other countries are also discussed. The policies which are analyzed include some of the major areas of social policy: policies concerned with equal pay and equal opportunities, housing, higher education, economic stabilization, social security and family law reform.

The Equal Pay Act of 1970 specified that women should be paid the same pay as men if they do the same job. Largely as a consequence of this Act, female earnings rose from 63% to 74% of men's earnings. Econometric analysis indicates that this increase in relative earnings encouraged a shift to later childbearing, by raising the cost (in terms of forgone earnings) of leaving paid employment to start a family. This effect on the timing of childbearing made an important contribution to the large fluctuation in births during the 1970s, but had little apparent effect on family size.

Econometric analysis also suggests that the Equal Pay Act encouraged later marriage and probably changed the incidence of divorce. Higher relative pay for women reduces the benefits from the conventional marital division of labour between spouses. From the woman's point of view, there is less incentive to accept this traditional division of labour and the economic dependence that goes with it. Furthermore, later childbearing, which is induced by higher relative pay, encourages later marriage because

marriage is strongly associated with childbearing.

The lower benefits from the traditional marital division of labour also tend to increase the risk of divorce, and higher relative pay makes it easier for women to support themselves and any children outside of marriage. If women are less financially dependent on their husbands, marriages that are strained for whatever reason may be more likely to break down. But it is more difficult to assess the overall effect of equal pay policies on the risk of divorce because these policies alter the timing of marriage and motherhood as well, and these also affect the risk of divorce.

Government intervention in the housing market takes many forms, but two forms are particularly important. One involves policies which reduce the cost of housing to consumers. These include rent control, housing allowance schemes that relate the allowance to the rent paid by the household, and tax advantages to owner-occupiers, which effectively reduce the costs of home ownership. A second policy intervention involves the direct provision of housing, usually at low rents (e.g. local authority housing in Britain).

Estimates of the responsiveness of household formation to the price of housing in Britain suggest that policies which reduce the cost of housing encourage household formation most significantly among young people. These policies also stimulate the formation of new households among previously married individuals and one-parent families to a significant extent. A policy which reduced consumers' cost of housing by 10% would tend to increase the total number of households by about 0.2%.

It is more difficult to judge the extent to which the direct provision of housing by local authorities increases household

formation because of the impact of such building on the private sector of the housing market. In Britain, local authority housebuilding appears to have increased the proportion of elderly people heading their own household, and there is some evidence that the priority allocation system in local authority housing may have encouraged early childbearing by couples wishing to get a home of their own, or a better home.

Comparisons with other European countries suggest that the flexibility of the rental housing market affects the pattern of the departure of children from home. The formation of "non-family households" (i.e. not containing parents or a conjugal partner) by young people appears to be more common in countries with housing policies which encourage more flexible provision of rental housing. Consensual unions also appear more common in such countries.

The expansion of higher education also appears to have influenced the patterns of household formation by young people and the timing of their departure from home. Marriage and the formation of consensual unions are also affected by educational provision because students and non-students tend to differ in their demographic behaviour.

Economic stabilization policies are designed to influence the rates of inflation and unemployment, which in turn have an impact on family formation and dissolution. Econometric analysis of British data indicates that higher inflation encourages later childbearing. This effect appears to arise because higher inflation encourages increased saving in order to maintain the real value of monetary assets, and saving and childbearing conflict. The unemployment rate also affects the pattern of childbearing. The net effect of an anti-inflation policy, which raises unemployment while lowering inflation, would be earlier

childbearing.

It is fairly well established that higher unemployment caused by monetary and fiscal policies (or any other reason) increases the stresses placed on many marriages, and thereby tends to increase the divorce rate. Recent econometric evidence suggests that higher youth unemployment discourages young men from living separately from their parents.

Social security policies can alleviate some of the adverse effects of economic policies, but their demographic impact often depends on the particular way that they are put into practice. The Negative Income Tax Experiments in the United States provide an example of the potentially powerful effects of such policies. Families receiving assistance under the negative income tax scheme experienced rates of marital break-up that were 50% higher than a "control" group of families with similar characteristics eligible for the prevailing set of income maintenance programmes. Thus, the structure and generosity of social security programmes can have substantial effects on the rate of marital breakdown and the formation of one-parent families and households.

Finally, there were two important pieces of family law legislation enacted in Britain in the late 1960s. The 1969 Family Law Reform Act reduced the age of majority from 21 to 18, which caused a movement toward first marriages at an earlier age. The Divorce Reform Act of 1969 amended the grounds for divorce, and it appears to have played some role in the acceleration of the upward trend in divorce rates during the 1970s.

Britain therefore provides an interesting example of the demographic impacts of government policy, since there have been many important policy changes in the past 15 years which have affected marriage, fertility, divorce, and household formation.

(v)

During the 1970s, equal pay policies altered the timing of marriage and fertility, and they may have affected the likelihood of divorce. Reforms of divorce law accelerated the upward trend in rate of divorce, and monetary and fiscal policies to bring down inflation also increased unemployment. Lower inflation and higher unemployment have tended to alter the timing of childbearing and the likelihood of divorce. Housing policies have continued to influence the timing of marriage and childbearing and the pattern of household formation by groups such as the young and the old.

## Introduction

This paper discusses the effects of various aspects of social policy on family and household formation and dissolution. Thus, it considers the ways in which marriage, fertility, divorce and household formation behaviour have been affected by policy actions. For the most part, these impacts on demographic behaviour were not intended by policy makers. Indeed, a demographic effect was often not even envisaged.

The policies under discussion include some of the major areas of social policy: policies concerned with equal pay and equal opportunities, social security, higher education, economic stabilisation, housing, and family law reform. In order to measure the demographic impacts of such policies, it is necessary to study particular policies in specific countries. The focus is on Great Britain, but that does not mean that there may not be similar policies with similar impacts in other countries. This focus is based on the author's familiarity with British data and research which helps assess the policy impact. The extent to which the outcomes generalize to other countries probably varies. Discussion in the paper is ordered by policy area.



## **Equal opportunities policies**

Since at least the late 1960s there has been considerable concern in western countries about discrimination against women in the labour market. Many countries have passed equal pay or sex discrimination legislation. In Europe there is an EEC directive concerning equal pay for work of "equal value." In Great Britain, an Equal Pay Act was enacted in 1970, with its provisions being phased-in over the period 1970-75, and the Sex Discrimination Act was passed in 1975. The discussion which follows is particularly concerned with the impact of the Equal Pay Act on fertility and marriage, but it also considers more generally the effect of measures directed against sex discrimination on family dissolution and household formation.

The British Equal Pay Act(1970) specified that women should be paid the same pay as men if they do the same job. Mainly as a consequence of the Act(see Tzannatos and Zabalza,1984), women's real hourly earnings rose from 63 per cent of men's in 1970 to 74 per cent of men's in 1977. A rise in women's relative pay increases the cost of leaving paid employment to have another child. The higher cost of an additional child could affect both the lifetime pattern of childbearing and eventual family size. Happel, Hill and Low(1984) also demonstrate that when there are constraints on borrowing against future income, higher women's relative pay provides an incentive to delay the first birth.

De Cooman, Ermisch and Joshi(1985) have examined the implications

of this rise in women's relative pay for British fertility during the 1970s by simulating what would have happened to births if women's hourly earnings had grown at the same rate as men's during the 1970s (as had generally been the case before 1970). The simulation is based on an econometric model of age and birth order specific birth rates estimated over the period 1952-80. Order-specific birth rates are defined relative to the population at risk for a given order birth (e.g. first births to childless women), and the explanatory variables are period variables relating to the labour market, men's and women's real hourly earnings and the unemployment rate, and a cohort variable measuring the labour force attachment of each birth cohort of women. A flexible modelling approach, which allowed the data to indicate the dynamics of responses (e.g. lagged effects), was adopted. The dynamics also allowed for feedbacks to the birth rates through changes in the composition of the populations at risk for each order birth. The simulation from 1970 is fully dynamic: it predicts lagged dependent variables and populations at risk. Since the simulation model tracked actual fluctuations in births during the 1970s fairly accurately (see Figure 1), it appears valid to use the model to assess the impact of the change in women's relative pay arising from the Equal Pay Act.

The results of the simulation are illustrated in Figure 1 with the diamonds tracing out what would have happened to total births if women's relative pay had not changed over the 1970s (the actuals are designated by squares and the simulation of what actually happened by crosses). Because of the association of the

rise in women's relative pay with the Equal Pay Act, the outcome from this counter-factual hypothesis is designated as the "No Equal Pay Act" scenario (NEPA in Figure 1). The simulation suggests that births during 1975-78 would have been about 8 per cent higher in the absence of the rise in women's relative pay. First births were mainly affected, but second and third births would also have been substantially higher during 1976-79 and 1977-80 respectively. The latter effects partly reflect the higher populations at risk for second and third births, given the increased chances of otherwise childless women having produced a first birth.

The simulation suggests that the shortfall of births in the mid-1970s that the model attributes to the improvement in women's relative pay, and indirectly to the Equal Pay Act, was mostly a timing phenomenon. First births would have declined much less if women's relative pay had not risen, and there would have been much less fluctuation (see Figure 2). It appears that the post-1977 recovery in first births was a primarily a reaction to the postponement in first births earlier in the 1970s induced by the rise in relative pay.

Subsequent econometric analysis using data through 1983 supports the effect of women's relative pay on the timing of motherhood. It shows that a sustained rise in women's relative pay lowers the likelihood of a first birth to women aged 25-29, but there is a roughly offsetting rise in the birth rate to childless women aged 30-34 (De Cooman, Ermisch and Joshi, 1986).

Analysis of life histories of individual women (from the Women and Employment Survey of 1980) also supports this relationship between relative pay and the timing of motherhood. It is well known that a woman's earning power increases with her work experience and her educational qualifications (see, for example, Joshi, 1984). Figure 3 shows that women with more work experience at marriage and more years of education beyond the minimum school-leaving age tend to have a longer interval between marriage and their first birth (the differences between the curves in each graph are statistically significant at the 0.0001 level). Because more work experience at marriage and more years of post-compulsory education are also associated with later marriage, this means they also start child-bearing later in their life. Thus, in conjunction with the direct relationship between women's earning capacity and work experience and educational qualifications the results in Figure 3 support the hypothesis that higher relative pay delays the start of childbearing. (Multi-variate analysis of this longitudinal data supports the inferences drawn from Figure 3: both years of post compulsory education and work experience at marriage have highly significant positive effects on the length of time from marriage to a first birth in an analysis which takes account of the selection bias arising from the fact that the time interval can only be measured for those who have had a first birth; Happel et al (1984) use a similar technique to control for selection bias).

There is, therefore, considerable evidence that the Equal Pay Act

encouraged a shift to later childbearing in Britain. It probably also encouraged later marriage.

Higher pay for women relative to men reduces the benefits from the conventional marital division of labour, which has the man specialising in paid employment and the woman specialising in household work. That is, when women's and men's pay are closer together less is gained by marrying and substituting the man's time in paid employment for that of the woman and the woman's time in the household for that of the man. From a woman's point of view, the higher her relative pay, the less incentive she has for accepting the traditional marital division of labour and the economic dependence that tends to go with it. Furthermore, because marriage is strongly associated with childbearing, higher relative pay also discourages early marriage by encouraging a later start to childbearing, as argued earlier.

Econometric analysis by Ermisch (1981) supports these hypotheses. It concludes that the primary factor behind the steep decline in first marriage rates during 1970-77 was the rise in women's relative pay associated with the Equal Pay Act. Evidence of instability in the parameters of this model after 1978 suggests that some caution should be exercised in accepting the results of the analysis as conclusive, but it was possible to predict a fall in first marriage rates during the 1970s among persons in the twenties purely on the basis of parameter estimates from the period 1952-70 and the rise in women's relative pay. While perhaps not conclusive this econometric analysis does constitute

evidence that the Equal Pay Act encouraged postponement of marriage.

The lower benefits from the marital division of labour associated with higher relative pay for women also tends to increase the risk of divorce. In addition, and perhaps more important, higher relative pay makes it easier for women to support themselves and any children outside of marriage; they are financially less dependent on a husband. Marriages that are strained for whatever reason may be more likely to break down when women's relative pay is higher.

It is difficult to test this hypothesis with time series data in Britain because of the coincidence of the rise in relative pay with a liberalisation of divorce law in the early 1970s (discussed later). There was definitely a large acceleration in the upward divorce trend after 1971, when the Equal Pay Act started increasing women's relative pay and when the Divorce Reform Act (1969) came into operation, but the driving force behind the acceleration is hard to identify. Some indirect evidence concerning how the Equal Pay Act may have affected the propensity to divorce is available from the longitudinal data referred to earlier.

As noted earlier, a woman's earning capacity is directly related to her work experience. I have, therefore, estimated the impact of work experience through a given duration of marriage on the probability of marital breakdown during the following 5 years.

Thus, the analysis examines the conditional probability of marital dissolution during 5-year intervals; it is conditioned on the marriage surviving to the start of that interval. In addition to work experience to the start of the interval, a number of other variables which may influence the likelihood of marital breakdown were incorporated in the analysis. These include years of education beyond the school-leaving age, the timing of the first birth (which Murphy, 1985, found to be important), whether the woman is childless, whether she has 3 or more children, the calendar year of marriage, and her age at marriage. The analysis assumes that the conditional probability of marital breakdown can be expressed in terms of a logit model; that is, if  $X$  is the vector of explanatory variables,  $P$  is the probability of a marital breakdown and  $b$  is a vector of parameters to be estimated,

$$(1) \log[P/(1-P)] = Xb$$

The odds ratio,  $P/(1-P)$ , for a woman with characteristics  $X$  is denoted as  $\text{odds}(X)$ , and the risk of marital breakdown of a woman with characteristics  $A$  relative to a woman with  $B$ , the relative risk, is defined as  $\text{odds}(A)/\text{odds}(B)$ .

The focus here is on the impact of work experience, and Table 1 shows the estimated risk of marital breakdown for a woman with a year more than average work experience relative to a woman with average experience. It should be noted that "marital breakdown" in this analysis refers to a self-reported end of first marriage,

which genererally reflects the de facto end rather than the legal end of the marriage (divorce). At the higher durations, work experience before the birth of a first child is distinguished from experience after, if any. This distinction has been made because there are economic reasons why these two types of experience should affect women's earnings differently and there is evidence that they do so in Britain (Main, 1984).

Because this table is based on research-in-progress, the results should be taken as preliminary, but it appears that the effect of work experience on the conditional probability of marital breakdown varies with duration. At the outset of marriage, more work experience reduces the risk of breakdown, but at higher durations it generally increases the risk. The exception is the negative impact of experience before a first birth on the risk of breakdown during 11-15 years of marriage. It is important to note that the effects shown in Table 1 (and 2) control for age at marriage. Thus, the reduction in risk during the first 5 years of marriage associated with more work experience (and more education in Table 2) does not merely reflect later marriage by women with more work experience and education at marriage and the fact (supported by this analysis as well) that women marrying later face lower risks of divorce.



Table 1: Relative Risk of Marital Breakdown in Interval i of  
an Additional Year of Work Experience  
through Marriage Duration j\*

j	i	<u>Wk. Exp.: Total</u>	Before	After
			<u>1st Bth.</u>	<u>1st Bth.</u>
0 yrs.	0-5 yrs.	0.98		
5 yrs.	6-10 yrs.	1.03		
10 yrs.	11-15 yrs.		0.98	1.03
15 yrs.	16-20 yrs.		1.03	1.03

\*The risk of a woman with average experience at duration j=1.00.  
All relative risks are statistically significant at the 0.10  
level or lower.

Source: Parameter estimates of a multi-variate logit model using  
data from the Women and Employment Survey carried out by  
the Office of Population Censuses and Surveys in 1980.

Whether these results are evidence of the effect of higher  
women's earning power on the risk of marital breakdown depends on  
whether work experience has an effect on the risk separate from  
its effect through women's earning power. The fact that the  
effect of years of education shown in Table 2 tends to be in the  
same direction as work experience suggests that at least some of  
the experience effect operates through the impact of experience  
on earnings, because years of education is also directly related  
to a woman's earning power. Of course, educational attainments  
could also have an effect on the risk of marital breakdown

separate from any effect through women's earning capacity.

Table 2: Relative Risk of Marital Breakdown in Interval i of  
Different Educational Attainments

i	<u>Years of Education Beyond Min. School-leaving Age</u>			
	<u>None</u>	<u>1</u>	<u>2</u>	<u>3 or more</u>
0-5 yrs.	1.00	0.81	0.70	0.51*
6-10 yrs.	1.00	1.48*	1.48*	1.00
11-15 yrs.	0.83	1.00	1.00	1.22
16-20 yrs.	1.00	1.00	1.00	3.03*

\*Statistically different from 1.00 at the 0.05 level or lower.

Source: Parameter estimates of a multi-variate logit model using data from the Women and Employment Survey carried out by the Office of Population Censuses and Surveys in 1980.

Although far from conclusive, the findings in Tables 1 and 2 do suggest that the higher relative earnings associated with the Equal Pay Act probably altered the pattern of divorce risk. More generally, they also suggest that policies which improve employment and education opportunities for women will affect the risk of divorce. The total effect of equal opportunities policies on the pattern of divorce risk is, however, difficult to work out because they alter the timing of marriage and motherhood as well, which also affect the risk of divorce. As is the case with later marriage, later motherhood within marriage also reduces the risk of marital breakdown, although childlessness at

durations above 4 years raises the risk of breakdown.

It may be argued that the trends during the 1970s toward later marriage, less childbearing and more divorce occurred in many European countries, and not all of these had equal opportunities policies similar to the Equal Pay Act in Britain. Thus, how can these developments in Britain be attributed to the Equal Pay Act? First, not all of the changes are attributed to the Act. For instance, Figure 1 shows that births also fall in the NEPA simulation. Second, this represents a first attempt to measure the demographic impact of the equal opportunities policies in Britain. Further research may confirm or refute the arguments made here, but unsupported speculation will not. This also applies to the other policy areas to be discussed.

### **Housing policies**

Government intervention in the housing market takes many forms. One type involves policies which reduce the cost of housing faced by consumers in the market. These include housing allowance schemes that relate the allowance to the rent paid by the household, tax advantages to owner-occupiers, which effectively reduce their cost of housing, and rent control. A second type involves the direct provision of housing, usually at low rents. This can take the form of direct provision by the public sector, such as local authority housing in Britain, or of provision by non-profit organisations (often receiving government subsidies), as is the

case for a large amount of social housing in continental Europe and housing associations in Britain. A full analysis of the impacts of these various policies is well beyond the scope of this paper, but it is possible to use the available evidence to indicate their likely impact on household formation, marriage and fertility.

The impact on household formation of those policies which reduce the cost of housing faced by consumers in the housing market depends on the responsiveness of the likelihood that an individual or family sets up as a separate household to differences in the cost of housing. A common measure of such responsiveness is the price elasticity--in this case, the percentage difference in the probability of being a separate household associated with a difference in the price of housing of one per cent. It has not been possible to measure this price elasticity directly, but a lower bound estimate of its size can be derived by using the relationship between price and income elasticity. Table 3 shows these estimates for some important marginal groups in the housing market, based on British data.

Table 3:Elasticity of the probability of forming a separate household with respect to the price of housing:

Lower bound estimates, Great Britain\*

<u>Family type</u>	<u>Price Elasticity</u>
Non-married individuals:	
aged 20-24	-0.35
aged 45-54	-0.25
aged 60-69	-0.05
Single parent family	-0.20
Pensioner couple	-0.02

\*Based on income elasticity estimates explained in Ermisch and Overton(1985), and assuming that housing expenditures constitute one-fifth of total expenditures. The estimates represent a lower bound on the absolute value of the price elasticity because they ignore the "substitution effect" associated with a change in the price of housing.

On the basis of these estimates, a policy such as housing allowances paid as a proportion of rent would encourage household formation most among young single people, but it would also stimulate household formation among previously married individuals and one parent families to a significant extent. Of course, other constraints could limit the household formation effect of policies that reduce the cost of housing. For instance, tax advantages to owner-occupiers reduce their cost of housing, but young people may not be able to take advantage of them because of insufficient assets and constraints on borrowing

against future income, which make it difficult to purchase a house. For example, Ermisch(1981) found a strong effect of current disposable income on the first marriage rates of young men aged 16-24, which suggests the presence of borrowing constraints. Similarly rent controls may reduce rents, but as they also tend to reduce the supply of accommodation available at controlled rents, they could end up limiting household formation.

The proportionate impact of policies which reduce the price of housing on the total number of households is likely to be smaller than that on household formation by these marginal groups, because, in most western countries, almost all couples with children, and almost all other than elderly and newly married young couples without children form separate households. Thus, household formation by these families would not be sensitive to the price of housing. The evidence concerning the housing price elasticity of the number of households supports this hypothesis. Estimates from America during the period 1924-66 (Hickman,1974), American estimates using more recent data (Hendershott and Smith,1984) and estimates from Britain (Ermisch,1986) range from -0.005 to -0.03. A policy which reduced consumers' cost of housing by 10 per cent would, therefore, tend to increase the number of households by about 0.2 per cent, and the extra households would tend to come from non-married individuals and one-parent families.

Policies dealing with the direct provision of housing at low rents, such as local authority housing in Britain, do not operate

through the price mechanism in the first instance, although they do influence prices in the private housing market. Such housing is rationed in some way other than price. Certain groups, such as the elderly or families with children, are often given priority. Thus, the availability of housing at affordable rents for some types of families can be increased by these policies, and that may increase their household formation.

In one sense, which ignores the effect of social housing programmes on the quality of the housing stock, the success of these policies depends on their capacity to encourage new households to form. It is easy to show that in the absence of a household formation response, an autonomous increase in social housing tends ultimately to induce a commensurate fall in the supply of other housing. This tends to happen because in the short-run the larger supply of social housing pushes down house prices in the private market, which discourages building in the private sector, ultimately reducing the private sector stock of dwellings by the same amount as the increase in the number of social housing units. Thus, the total number of dwellings would not have increased. If, however, the provision of more social housing encourages additional household formation, as is likely when it is mainly allocated to poorer people, then the total housing stock would expand, although by much less than the addition to social housing. In this case, the provision of social housing would also be successful in providing more houses.

It is difficult to judge the extent to which building social

housing increases household formation, particularly because of the impact of such building on the private housing market. Local authority housing in Britain is taken as an example in order to bring speculations closer to the empirical level. In their econometric analysis of the market for owner-occupied housing in Britain, Buckley and Ermisch(1982) find that additional local authority house-building initially reduces house prices, but this effect is likely to be offset in the longer-run, when the lower house prices reduce building of owner-occupied houses, which, in turn pushes prices back up. Thus, any initial impact on household formation is also likely to be reduced over the longer-term. While, for instance, Ermisch(1981) found a weak effect of new housing completions on the first marriage rates of men in their 20s and women aged 20-24, this may only be a short-run effect, which becomes even weaker over time.

Local authority housing probably was a larger stimulus to household formation at the other end of the family life cycle. The elderly have been one of the priority groups in the allocation of local authority housing, and during the 1960s, when local authority housebuilding occurred at high rate(the number of local authority dwellings increased by 35 per cent), the proportion of elderly people heading their own household rose substantially. Growth in the real value of pensions also encouraged the elderly to form a separate household, but the availability of housing at low rents for which they were accorded priority must have also been important. Research on the effect of social housing programmes on household formation is needed, particularly in the



light of the importance of these programmes in many European countries.

In addition to its likely, but difficult to measure, effect on household formation, the provision of local authority housing in Britain may have some impact on family formation patterns. In order to assess the evidence for it, local authority housing must be put in context. First, nearly 30 per cent of households live in such housing. Second, the private rental market has declined dramatically, in part because of the disincentives to landlords associated with rent controls and security of tenure legislation, but also because of the tax advantages of owner-occupation and the low rents paid by local authority tenants. But becoming a local authority tenant has been almost impossible for young single people (without children), and difficult for young couples unless they had children. Of women married in 1971-75, for instance, one-seventh did not have a home of their own 6 months after marriage, if they married at age 20 or over, and this proportion was as much as a third if they married as teenagers (Holmans, 1981). Thus, for those who wish to become local authority tenants, there has been an incentive to start childbearing earlier. In contrast, those who wish to become owner-occupiers are encouraged to start later because of constraints against borrowing against future income coupled with the necessity of accumulating a deposit (down-payment) on a house, which make the potential mother's earnings important. If the couple did not have their own home after marriage, nor the financial wherewithall to purchase one, their quickest way to a

home of their own would be to start a family.

Figure 4 shows that women who came from families who lived in local authority housing when they were aged 12-16 began childbearing earlier. If it is assumed that young women from local authority origins may have, on average, some predilection toward obtaining local authority housing, then the incentive mentioned earlier could explain their early childbearing. Of course, as the Figure also shows, women from lower socio-economic origins tend to become mothers earlier, and the lower social classes are over-represented in local authority housing. This relationship between class and housing does not, however, appear to tell the whole story of the association between housing tenure and the pace of childbearing (see Murphy and Sullivan, 1983). For a given social class, local authority tenancy still appears to be associated with early childbearing.

But it appears to be a classic "chicken or egg" problem. While Murphy (1984) shows, using longitudinal data, that the birth of the first child substantially increases the probability that a couple subsequently enters local authority housing (there is a corresponding reduction in the likelihood of becoming an owner-occupier), it is still difficult to say whether the couple had their first birth early because they wanted to obtain local authority housing quickly, or whether the birth made it financially more difficult to become an owner-occupier. Both factors are probably operating, with some couples wishing to get a home of their own, or a better home, bringing their

childbearing forward, and some choosing local authority housing because of the constraints posed by the arrival of their first child. Again, measurement of the strength of any incentive effect created by the priorities used in allocating local authority housing is difficult.

The lack of an alternative to renting from a local authority or buying has also made it difficult for a young person to leave home and set up a separate household, and this may affect the pattern of departure of children from home. Table 4 shows that the United Kingdom has the lowest proportion of 20-24 year olds living independently of a partner or parent (i.e. alone or sharing) among the European countries listed, and it also has a lower proportion living alone than the continental countries. If these countries were to be ranked in terms of the fluidity of their markets for housing to rent, the ranking would tend to be the reverse of their order in Table 4, with Denmark having the most fluid rental market, offering a plentiful supply of relatively cheap housing to rent, while there is an extreme scarcity of accomdation to rent outside of the public sector in the United Kingdom. If this characterisation of the housing markets is correct, then Table 4 suggests that the formation of non-family households among young people is more common in countries with housing policies which encourage flexible provision of rental housing, thereby providing opportunities for independent living to young people.

As noted earlier, obtaining local authority housing is easier for

TABLE 4: Living arrangements of 20-24 year olds

	Parents	Spouse	Cohabitant	Alone	Sharing	Total (N=100%)
<b>Men</b>						
United Kingdom	57.7	27.9	2.9	3.8	7.7	104
Ireland	61.5	20.9	-	4.4	13.2	91
Netherlands	58.3	16.7	9.7	11.1	4.2	72
France	51.5	18.4	13.6	12.6	3.9	103
West Germany	43.3	11.3	19.1	21.3	5.0	141
Denmark	25.6	11.1	24.4	28.9	10.0	90
<b>Women</b>						
United Kingdom	22.7	59.1	5.5	5.5	7.3	110
Ireland	57.1	28.6	1.3	2.6	10.4	77
Netherlands	28.0	48.0	6.7	8.0	9.3	75
France	27.1	42.7	11.5	16.7	2.1	96
West Germany	30.6	27.4	14.5	23.4	4.0	124
Denmark	10.8	12.0	42.2	31.3	3.6	73

Source: Secondary analysis of the 1982 Eurobarometer Survey reported in Kiernan(1986), Table 2. I am grateful to Kathleen Kiernan for allowing me to use this table from her forthcoming paper.

a couple than a single person, especially if they start a family. This suggests a stronger link between marriage and leaving home in Britain than in countries with more fluid markets for rental housing, and Table 4 suggests that this is the case. The link appears weaker in France and West Germany and absent in Denmark.

Research indicates that the breakthrough of the modern family building pattern, including the spread of informal cohabitation, can be dated to the end of the 1960s in Sweden, and it has been suggested that the favourable situation on the Swedish housing market, which was heavily influenced by public policy, was an important prerequisite for the changes in the union formation pattern (Bernhardt and Hoem, 1985). It may not be coincidental that Sweden and Denmark are forerunners in the cohabitational trend and also have had housing policies favourable to young people. Two other countries with relatively favourable housing markets for young people, France and West Germany, also show a relatively high incidence of cohabitational unions (see Figure 4).

But while the housing situation appears to affect the way in which young people leave the parental home, it may not have a significant impact on the age pattern of departure. Comparison of the extremes in the states of the market for rental housing, Denmark and Britain, suggests some impact. Danish young people leave home rapidly during their late teens, and the vast majority have done so by their 21st birthday. British youth leave home at

a much slower pace in their teens, after which the pace accelerates, but only by the age of 25 have the great majority left their parents' home (Kiernan,1985). But evidence on the other countries in Table 4 from Kiernan(1986), albeit based on smaller samples than the Danish-British comparison, suggests a pattern of leaving home among their young men similar to Britain's, and while there was some variation among these other countries in the pattern for young women it does not appear correlated with the fluidity of the country's housing market.

#### Education policies

There were large expansions of higher education in most European countries during the 1960s. It is well beyond the scope of this paper to assess the various ways that the spread of higher education may have influenced patterns of family and household formation. The impact may be pervasive. Some of the potential compositional effects of having a larger segment of the population with higher educational attainments is suggested by Table 2 and Figure 3, although these can only be suggestive since it is inherently difficult to identify whether these are effects of education or whether education is just an indicator of other characteristics of the individual. But this section does not try to examine the impact of educational attainments. Rather it considers the effect of being a student, which may suggest ways in which the availability of places in higher education may have

directly influenced patterns of union and household formation.

Swedish research (Hoem,1985) indicates that students up to the age of 24 are much less likely to marry and less likely to cohabit than non-students, although the difference in cohabitation has been shrinking over time. A shift in the proportion of the population who are students would be likely, therefore, to affect overall rates of union formation among young people.

Overall rates of formation of one person households and the timing of departure of young people from their parental home are also likely to be influenced by the number in higher education. In her comparison of the departure of children from home in Denmark and Great Britain, Kiernan(1985) points out that Denmark, characterised by early departure, has one of the highest enrolment ratios in higher education in Western Europe: 32 per cent of men and 26.7 per cent of women aged 20-24 in 1975. Britain on the other hand, had ratios of 23.6 per cent for men and 13.9 per cent for women. The greater predominance of students in Denmark helps explain their early departure from their parental home. The departure of American youth from home is also rapid in their late teens. About half leave home by the age of 19, similar to Denmark, although departure is at a slower pace after the age of 19 than in Denmark (Kiernan,1985). This early peak appears to be associated with leaving high school and entering higher education. USA enrolment rates for persons aged 20-24 are 63.5 and 52.7 per cent for men and women respectively.

It appears safe to conclude that the expansion of higher education had some impact on the patterns of household formation among young people.

#### **Economic stabilisation policies**

These are monetary and fiscal policies which are designed to influence the inflation rate and the rate of unemployment. There are inevitably trade-offs, and policies to reduce inflation may raise unemployment and vice versa. The concern here is not with how effective particular policies are in influencing these economic variables, but rather if they do affect them, then how does this effect family formation and dissolution.

Econometric analysis of order-specific birth rates referred to earlier (De Cooman, et al, 1985) found that higher unemployment reduced birth rates among childless women aged 21-25 and among women in their late 30s with three children. The wives of men in lower skill occupations constitute a large proportion of the latter group of women, and that may account for the sensitivity of their childbearing to unemployment. Young men are, of course, also likely to bear a higher risk of unemployment when the employment situation deteriorates. But these effects were estimated over the period 1952-80, which excluded the large rise in unemployment after 1979.

Recent econometric analysis employs data through 1983 (De Cooman, Ermisch and Joshi, 1986). The larger variation in unemployment



occurring in this data may make it easier to estimate its effects. Focussing on first births, which have been subject to more analysis and also of intrinsic interest, it appears that a higher sustained rate of unemployment reduces the likelihood that women become mothers in the first half of their 30s, and raises the probability of a first birth during the ages 25-29. Thus, there appears to be a life cycle timing effect, with higher unemployment encouraging an earlier entry into motherhood among women still childless at 25. The effect on the proportion remaining childless is apparently small. Among childless women aged 20-24, higher unemployment has a temporary depressing effect on childbearing, which is quickly reversed.

Higher sustained inflation, holding the rate of growth of real earnings constant, appears to reduce the birth rate of childless women aged 20-24. A higher rate of inflation reduces the real value of monetary assets, thereby encouraging saving in order to build them up again. There is, however, a conflict between childbearing and saving because the loss of the mother's earnings associated with childbearing tends to reduce saving (Smith and Ward, 1980). Thus a higher stable rate of inflation reduces early childbearing.

While higher inflation also appears to reduce first births to women aged 25-29, the effect is purely temporary. It could be that young couples are initially fooled by a faster rate of growth in prices, thinking that their standard of living is falling even though earnings are keeping up. In the face of the

perceived fall, they postpone childbearing, but soon see their perception was false, and compensate.

This evidence suggests that monetary and fiscal policies can alter the pattern of childbearing. Attempts to lower the rate of inflation tends to encourage earlier motherhood. But the higher unemployment that this anti-inflation policy often entails also affects the pattern of first births. Taking these effects together, an anti-inflation policy tends to to raise the probability that women become mothers in their 20s, particularly the first half of their 20s.

While these recent econometric findings should not be taken as conclusive, the association between unemployment and marital instability is well established. Bishop(1980) reviews a large amount of evidence indicating that unemployment of the husband increases the risk of marital breakdown. The studies using male community unemployment rates are good evidence that part of the reason for the association between husband's unemployment experience and marital breakdown is that unemployment is causing marital instability. The reason that a husband's unemployment increases the probability that a marriage will dissolve can be explained in terms of the failure of role fulfillment. Or, in more economic terms, a spell of unemployment may indicate long run difficulties in the labour market that were not anticipated at the time of marriage, making the marriage less advantageous to the wife. However it is explained, it is fairly clear that higher unemployment caused by monetary and fiscal policies (or

any other reason) increases the strain on many "shaky" marriages, and thereby tends to increase the divorce rate.

Recent econometric analysis by McElroy (1985) indicates that an unemployed young man is less likely to live separately from his parents than one in employment. It appears that, in effect, the family provides unemployment insurance to their son. The family insures their son a minimum level of welfare irrespective of labour market opportunities. While the lack of a job reduces the welfare of both son and parents the family as a group is better off than if the son lived separately from his parents and tried to make the best of the poor job market. Particular types of social security policies, which are favourable to young people living separate from their parents, could, however, mitigate or offset this effect of unemployment on young people's living arrangements.

### **Social security policies**

The demographic impact of these policies often depends on the particular way they operate in practice. It is only possible to discuss them in terms of fairly general policy principles and to demonstrate with some hard evidence that their impact on marital dissolution and household formation can indeed be large.

The effect of one form of social security policy on marital dissolution relates to the evidence discussed in the preceding

section. If job creation programmes are employed in times of high unemployment, then the effects of unemployment on divorce may be partially offset.

The more common form of help to those not in work is some form of payment, either in cash or in-kind benefit (e.g. food stamps, free health care). One of the major programmes of this type in the USA is Aid to Families with Dependent Children (AFDC). Payments are not generally made to two-parent families. Sometimes the earnings of a lowly paid father are less than the value of AFDC, Food Stamps and Medicaid (low cost medical care for poor families) for which his family would be eligible if he were to desert them, thereby providing an incentive for marital break-up, at least in the sense that he separates from his family and resides elsewhere.

It would appear that this incentive would encourage marital breakdown and that a programme that paid benefits to two-parent poor families would increase marital stability. But few studies have found any evidence that AFDC payments increase marital instability (see the survey in Bishop, 1980), and in the states that have extended AFDC payments to two-parent families, there is no evidence of a reduction in marital instability. Some of the best evidence that extending income support payments to two-parent families will actually increase rather than decrease marital instability comes from the American Negative Income Tax Experiments (NITE).

The NITE involved the payment of cash assistance to poor families through tax credits at a number of locations in the USA. There was a random assignment of families to experimental and control groups. Families in the control groups would receive existing social security benefits, including AFDC if eligible. The random assignment entails that differences between experimental and control groups can be attributed to the method of assistance.

In three of the four experiments, the measured rates of marital dissolution over a three year period were larger in the experimental group than the control group. On average, families receiving assistance under the negative income tax scheme, for which two-parent families were eligible, experienced dissolution rates that were 50 per cent higher than families eligible for the current set of income maintenance programmes, including AFDC and Food Stamps. (Bishop, 1980)

An important reason why the experimental assistance programme increased marital break-up appears to be that it strengthened the economic position of the woman outside the marriage. A universal assistance programme has both an income effect and an independence effect. The former reflects the fact that the assistance makes the family better off while it remains together, which should reduce marital breakup. But the assistance programme also improves the financial situation of the mother if there is a marital split, thereby reducing the need for child support from the father and encouraging a split. This is the independence effect. It is similar to the effect of higher

women's earnings on the likelihood of marital dissolution discussed earlier and operates for the same reason--it reduces dependence on the husband for financial support.

Programmes of varying generosity were run as part of the NITE. Marital dissolution rates declined with the generosity of the assistance programme, which supports the existence of an income effect. But even the least generous programme was roughly the same as existing benefits through AFDC and Food Stamps; thus the higher split rates in the experiments cannot be due to smaller income effects, but rather stronger independence effects and probably some combination of influences related to the particular features of the negative income tax programmes. The latter may include lower costs of applying for benefit, less stigma attached to receipt and better awareness of benefit eligibility in and out of marriage. Bishop(1980) provides a full discussion of the experiments and the reasons why they may have increased the rate of marital dissolution. For the purposes here, the important point is that the structure and generosity of income maintenance programmes can have substantial effects on the rate of marital breakdown and the formation of one-parent families and households.

#### **Changes in Family Law**

There were two important pieces of family law legislation in the late 1960s in Britain. The first is the 1969 Family Law Reform Act, which took effect in 1970. It reduced the age of majority

from 21 to 18, and this meant that persons over 18 could marry without parental consent and obtain mortgages for house purchase. Analysis by Kiernan and Eldridge (1985) shows that this had a temporary effect on the first marriage rates of women aged 18-22 over the period 1970-1972. The propensity to marry over the ages 18-22 did not change, although there was a movement toward younger ages within this age range.

The Divorce Reform Act of 1969 came into effect in 1971. It amended the grounds for divorce. Irretrievable breakdown of the marriage, including two years separation of the partners with consent and four years without consent became the sole criterion for divorce. By making divorce easier at any duration of marriage, the Act may have shifted duration-specific divorce rates upward permanently. Such a shift would alter the slope of the trend in the cumulative divorce experience 10 years after marriage across cohorts marrying between 1961 and 1971, and the slope of the trend in experience 15 years after marriage across the cohorts marrying between 1956 and 1971.

In order to examine this hypothesis, a linear underlying trend in the cumulative divorce experience of marriage cohorts is assumed. Figure 5 shows the deviations from the divorce trend across marriage cohorts at 10 and 15 year durations. There is evidence of an acceleration in the upward trend in divorce slightly before the Act came into force, but it clearly continues after the Act took effect. As noted earlier however, it is not clear to what extent other factors may be behind the acceleration in divorce

experience. The increase in women's relative earnings during the 1970s has already been mentioned, and Figure 5 shows that the deviations from divorce trend are also correlated with relative generation size in the year of marriage. According to Easterlin (1980), persons from large generations may be more likely to suffer marital strains because of difficulties in fulfilling the traditional marital roles.

The effect of the Divorce Reform Act on the trend in the incidence of divorce across marriage cohorts will have run its course by the 1972 marriage cohort (who completed 10 years of marriage in 1982, and 15 in 1986). All subsequent cohorts will have been subject to the Act for their entire marriages. The upward trend across marriage cohorts should, therefore, abate after the 1972 cohort if the Act is the main force behind the acceleration.

## Conclusion

The impacts of a range of economic and social policies on family and household formation and dissolution have been discussed. Special attention has been paid to Great Britain. While this focus arose because of the author's familiarity with developments there, it also is an interesting case since there have been many important policy changes there in the past 15 years, which have



affected marriage, fertility, divorce and household formation. During the 1970s, equal pay policies altered the timing of marriage and fertility, and they may have affected the likelihood of divorce. Divorce law reform accelerated the upward trend in divorce, and monetary and fiscal policies to bring down inflation also increased unemployment. Lower inflation and higher unemployment have tended to alter the timing of childbearing and the likelihood of divorce. Housing policies have continued to influence the timing of marriage and childbearing and the pattern of household formation by marginal groups such as the young and the old. Attempts have been made to measure these impacts, but much more research is necessary to fully assess the impact that government policy in a range of areas has on patterns of family and household formation and dissolution.

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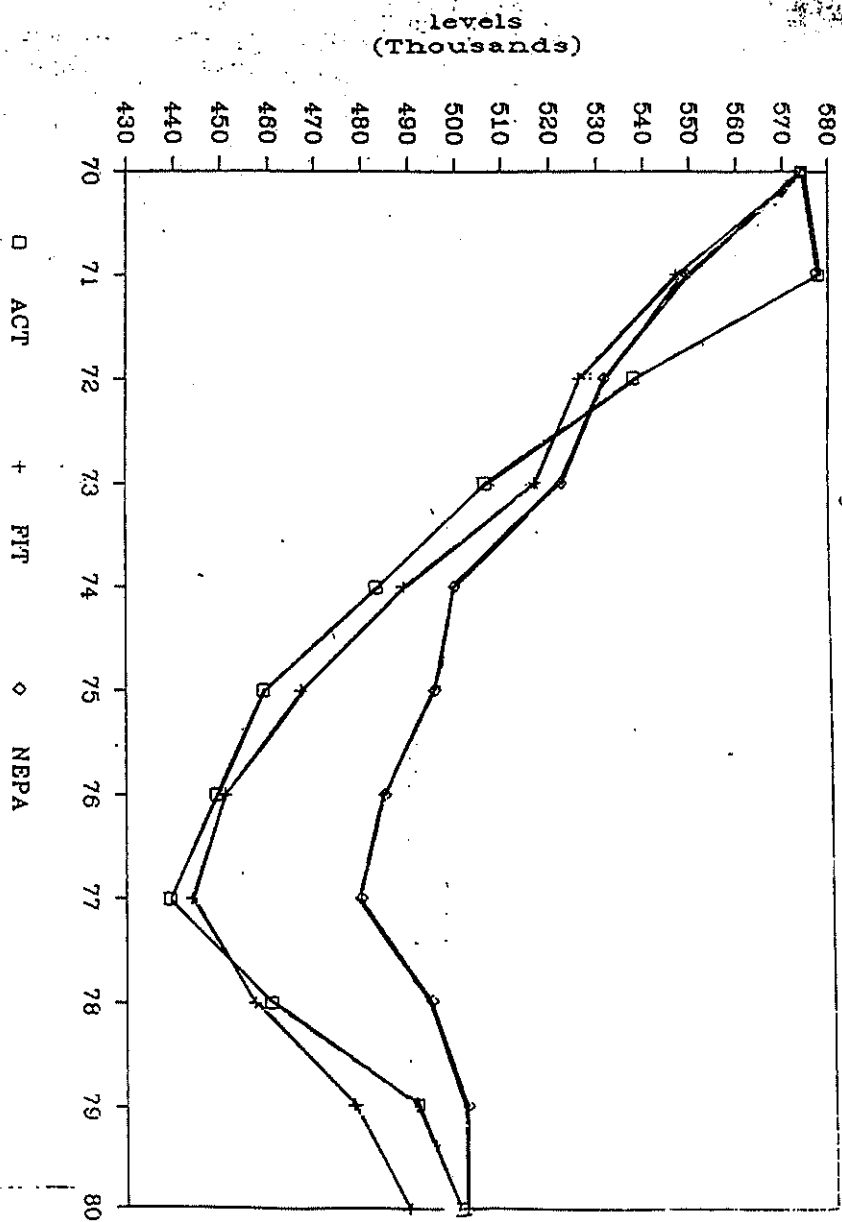
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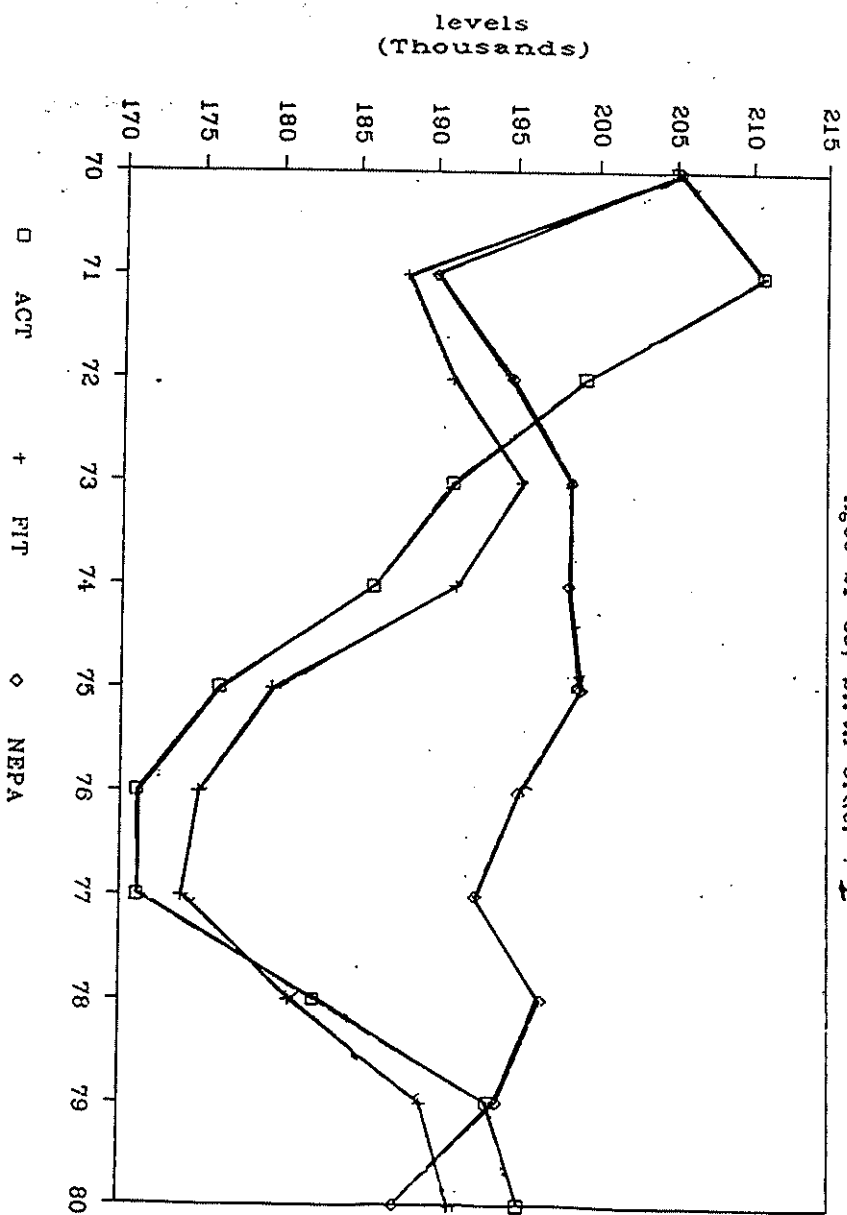
Fig 1: SIMULATED NUMBER OF BIRTHS

Ages 21-39, birth order : all

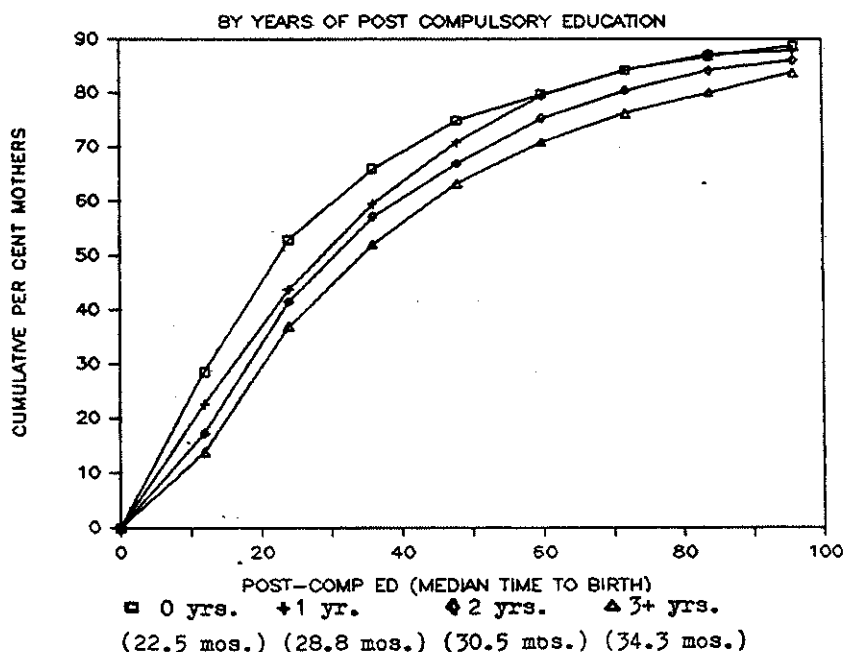
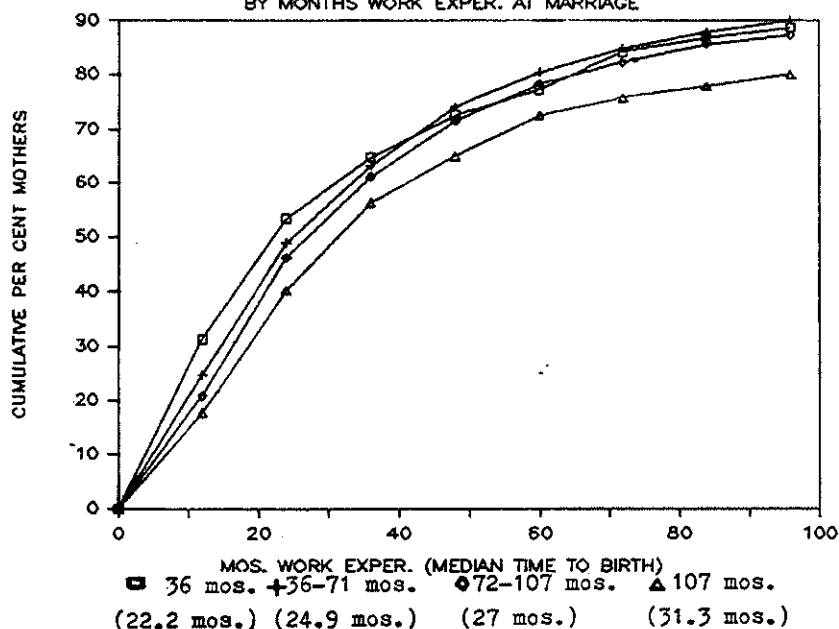


**Fig 2: SIMULATED NUMBER OF BIRTHS**

Ages 21-39, birth order : 1

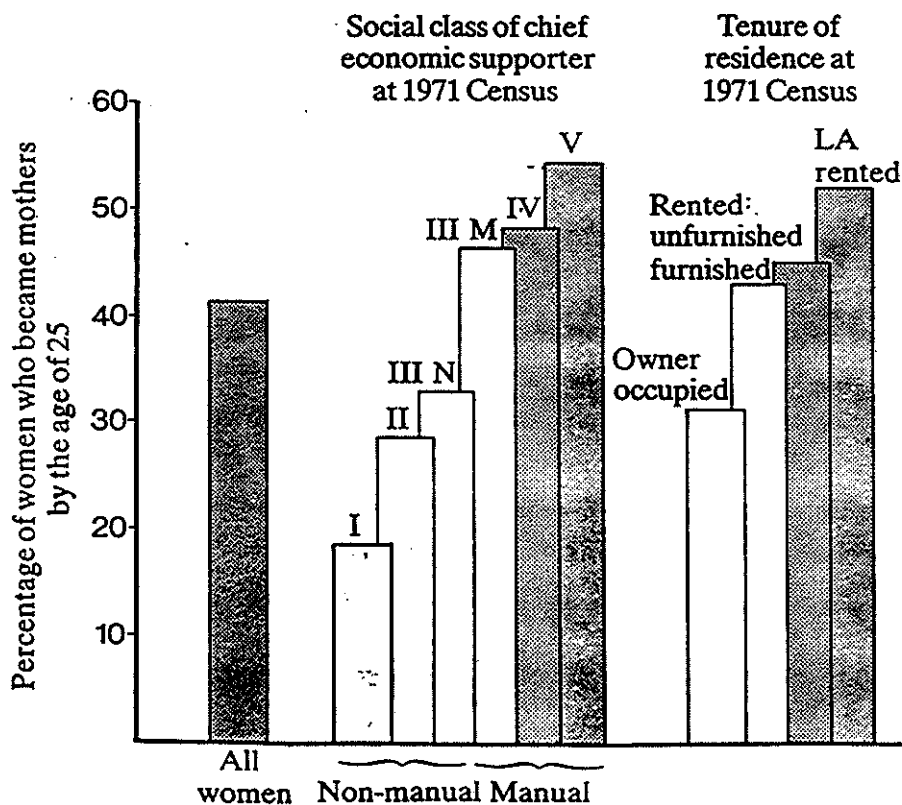


**Fig 3: Pct. Mothers by Months since Marriage**  
BY MONTHS WORK EXPER. AT MARRIAGE



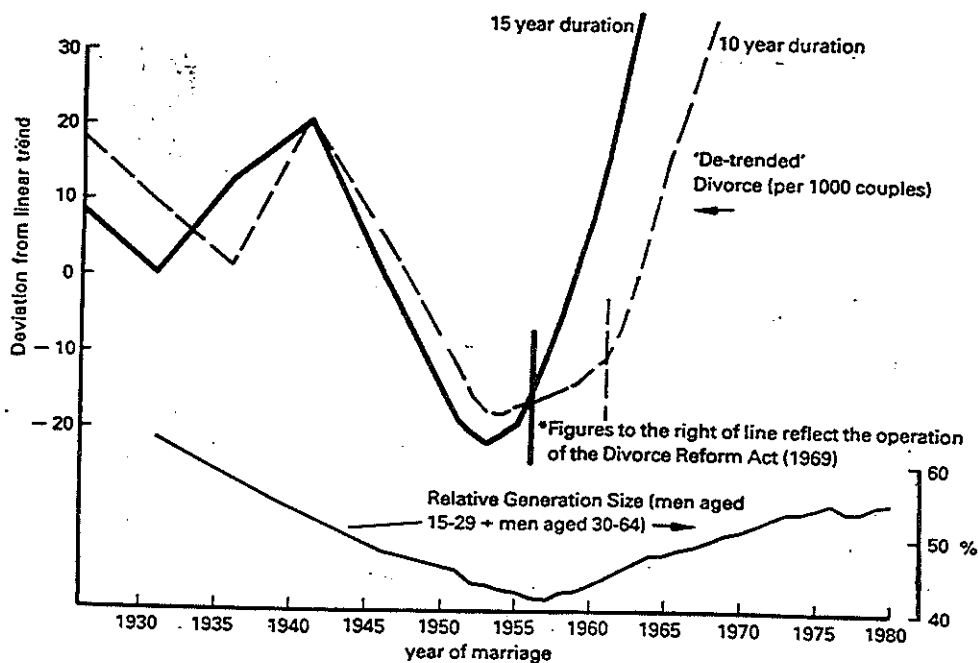


**Fig 4 Percentages of women born 1955-59 who were mothers before their 25th birthday**



SOURCE: Barry Werner, "Fertility and family background: from the OPCS Longitudinal Survey," Population Trends 35 (Spring 1984), 5-10, Figure 2 (London: HMSO)

Fig. 5: Divorce by marriage cohort and the Divorce Reform Act



Source: Ermisch (1983), Figure 3.2.