Using administrative data to better understand the financial consequences of marital separation among New Zealand parents

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Introduction

Part of my PhD research focusing on:

i. The financial consequences of separation among New Zealand parents with dependent children

ii. The financial effects of NZ's child support system and how are these likely to be changed by the Child Support Amendment Act 2013

Focus today on consequences of separation.

- **And on use of the Working for Families dataset**

This is work in progress and too early to report results

…Note the few figures included here are provisional and not for quotation

DISCLAIMER: Access to the all data presented was managed by Statistics New Zealand under strict micro-data access protocols and in accordance with the security and confidentiality provisions of the Statistic Act 1975. The findings are not Official Statistics. The opinions, findings, recommendations, and conclusions expressed are those of the author, not Statistics NZ, Inland Revenue or Ministry of Social Development.

Rationale

i) Divorce/separation is a common event

Good data on exactly how common isn't available but…

- Separation is the commonest route into sole parenthood (Hutt, 2012)

We do know:

- GSS estimates approx 225,000 adults have 1 or more dependent children not living with them.
- Approx 220,000 children are part of CS at any point in time.

Likely that between 1/3 and 1/2 of all children affected at some point during childhood

ii) Often has significant economic consequences

- Again, not been measured in NZ but overseas evidence shows substantial declines in economic wellbeing, especially for women in sole parent households

Rationale (cont)

iii) Significant policy implications:

Child Support.

Families tax credits.

Welfare.

Social housing/housing benefits.

Childcare and other employment-supportive policies.

iv) Virtually no quantitative research in NZ:

There have been a number of studies in other countries but none in NZ.

NZ results may well be quite different from elsewhere.

International significance

Adds NZ evidence to the picture.

Using longitudinal admin data, rather than panel surveys is a recent advance.

Dyad analysis. This dataset allows me to match outcomes for ex-partners.

- Only one or two studies where this has been done
- usually not possible due to small samples &/or survey design

(although matched-pairs data has been used for understanding dynamics of CS (eg Smyth in Australia))

Empirical literature: the consequences of separation

Motivated by rise in divorce/sole parenthood, concern at feminisation of poverty, mid-1970s on.

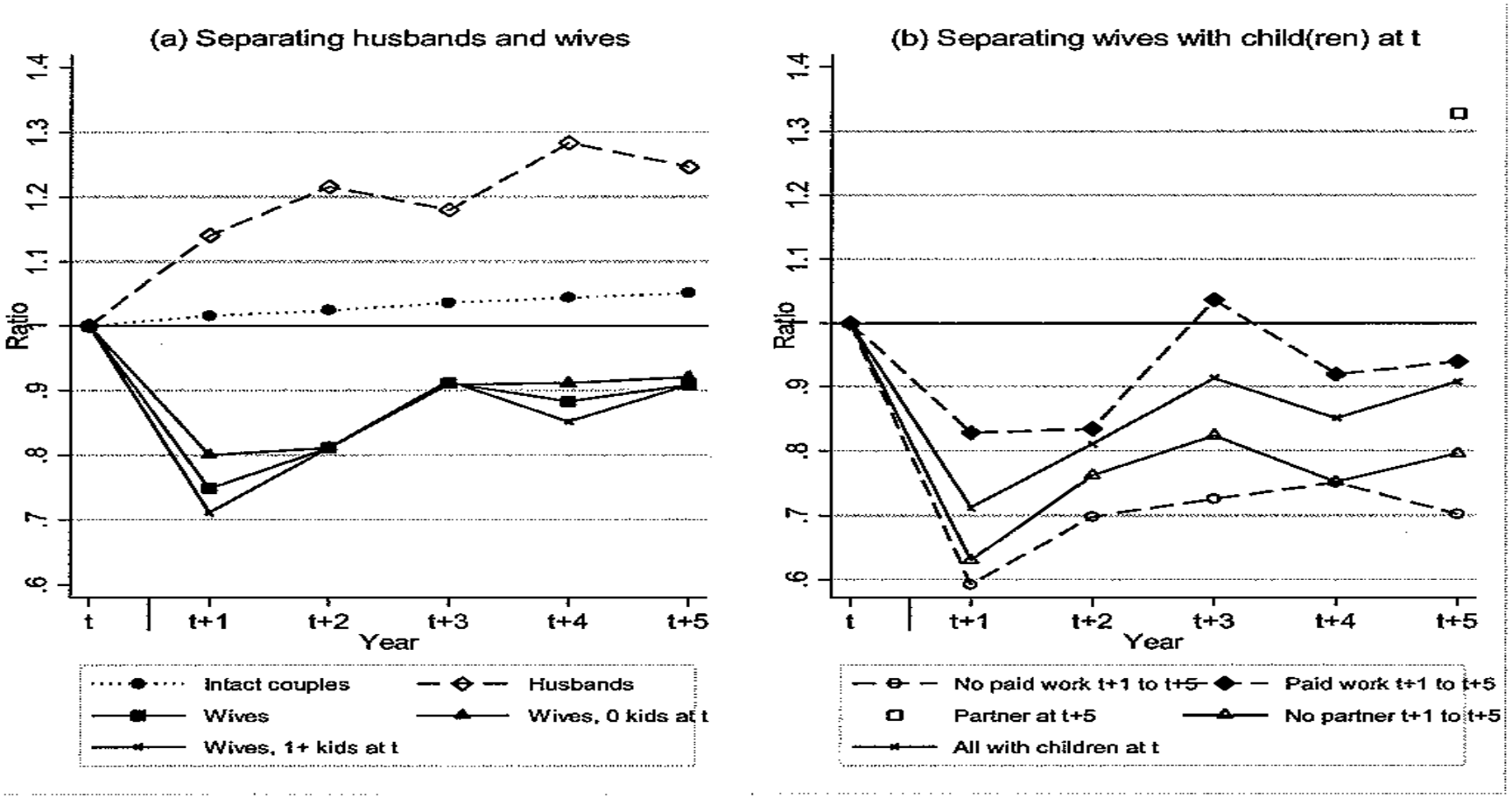
(panel surveys more common about the same time)

Stylised facts:

- Substantial persistent gender disparity: Women: substantial *average* decline, with slow improvement (unless repartnered). Men: less clear, some studies show increase at median; others a small initial decline.
- Considerable heterogeneity in outcomes – some women gain; large numbers of men lose.
- Over time, the gender gap appears to have narrowed somewhat as women's employment and earnings have risen.
- Sizeable country differences – policy and institutions matter – but gender disparity ubiquitous.

Example of findings (Jenkins, 2009)

Figure 2
Net income of selected groups after a marital split as a fraction of net income in year prior to marital split (wave *t*)



The Working for Families dataset

- MSD & IR records, originally established for evaluation of WFF, but continued after that and now transferred to IDI.
- Coverage: All recipients of benefits, supplementary assistance, family tax credits, child support - and their partners. Approx 1.3 million individuals.
- Period: 2003 – 2013.
- Ex-partners remain in the dataset.
- Where people enter part-way through, data are 'back-filled' as much as possible.
- Variables include number and age group of children, amount of income from each source etc.
- Spells defined by tax year or by change in partnership status.
- For most variables income is calculated monthly.

Analytical approach

Defining 'parents who separate':

Three rules:

i) Partnered in year t-1 (continuously with same person* for 12 months to exclude short relationships)

ii) Have co-resident dependent child(ren) at end of t-1

iii) Not partnered with that person at any point during t+1 (ie split at some point during t)

Short-term analysis: 't-1' vs 't+1'

Starting with 2006 – 2008 but will look at other years

Medium-term analysis: t+1 through t+5

Living standard measure: real equivalised disposable income

Use propensity score matching to better identify separation effect.

* Opposite sex couples only at this stage

Analysis Part a: individuals

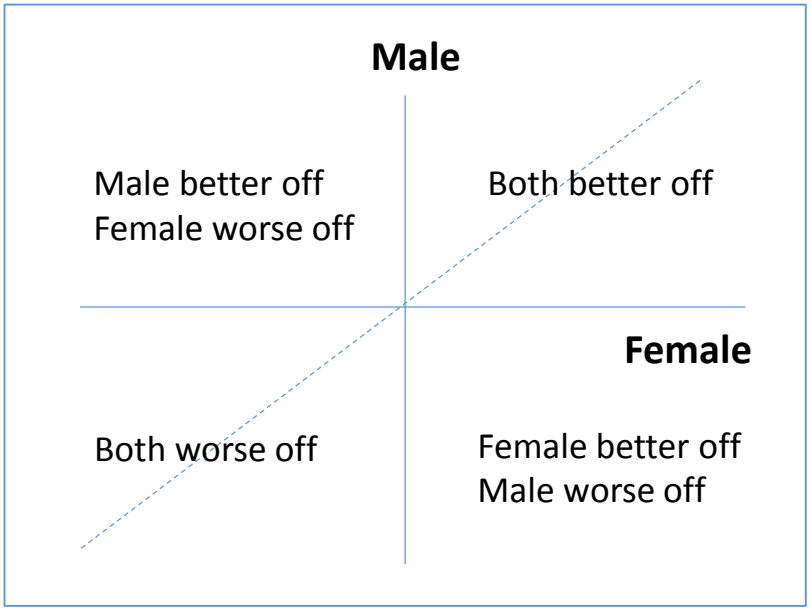
- Will focus on four groups:
  - Women with care of children after separation
  - Women with no children in family after separation
  - Men with care of children after separation
  - Men with no children in family after separation
- Interest in effect of separation on:
  - Equivalised disposable incomes
  - Changes in sources of income:
    - Own earnings
    - Public transfers
    - Private transfers (ie, child support)
- Short-term effect and evolution over medium-term

Analysis Part b: dyads

How do outcomes for one person relate to those of his/her ex-partner? Two approaches:

a) Populate this diagram:

- Is a person who gains matched by an ex-partner who loses?
- How common for both to lose?
- How common for both to gain?
- What charactersises ex-couples in each quadrant?
- What happens over time?



b) The distribution of gender gaps (Bianchi *et al*, 1999)

- Nearly all previous analyses look at median change for males *vs* median change for females. Dyad analysis permits consideration of gap in outcomes for ex-partners and factors associated with size of the difference.

Also: role played by public and private transfers; and net tax-benefit costs to state of separations identifiable in this dataset

Some preliminary descriptive stats: How many and who split up?
(figures are provisional not for quotation)

Short-term analysis 2006 – 2008

Total coupled* (with 1+ children 0 – 16 yrs as at 31/3/07): **286,811**

Of whom:

Remain coupled:

(ie, partnered with same person in 06 and in 08): **274,026**

Separated: (ie partnered in 06, present in 08 data but not observed with their 06 partner during 08) **12,785**

(4.46% of total)

I.e.: big numbers – most studies use panel surveys and have between about 100 and 400 separated/divorced people (and often have to pool survey waves to achieve that number)

*(3,933 individuals were discarded due to duplicate or overlapping spells, or changes in birthdate)

Who?

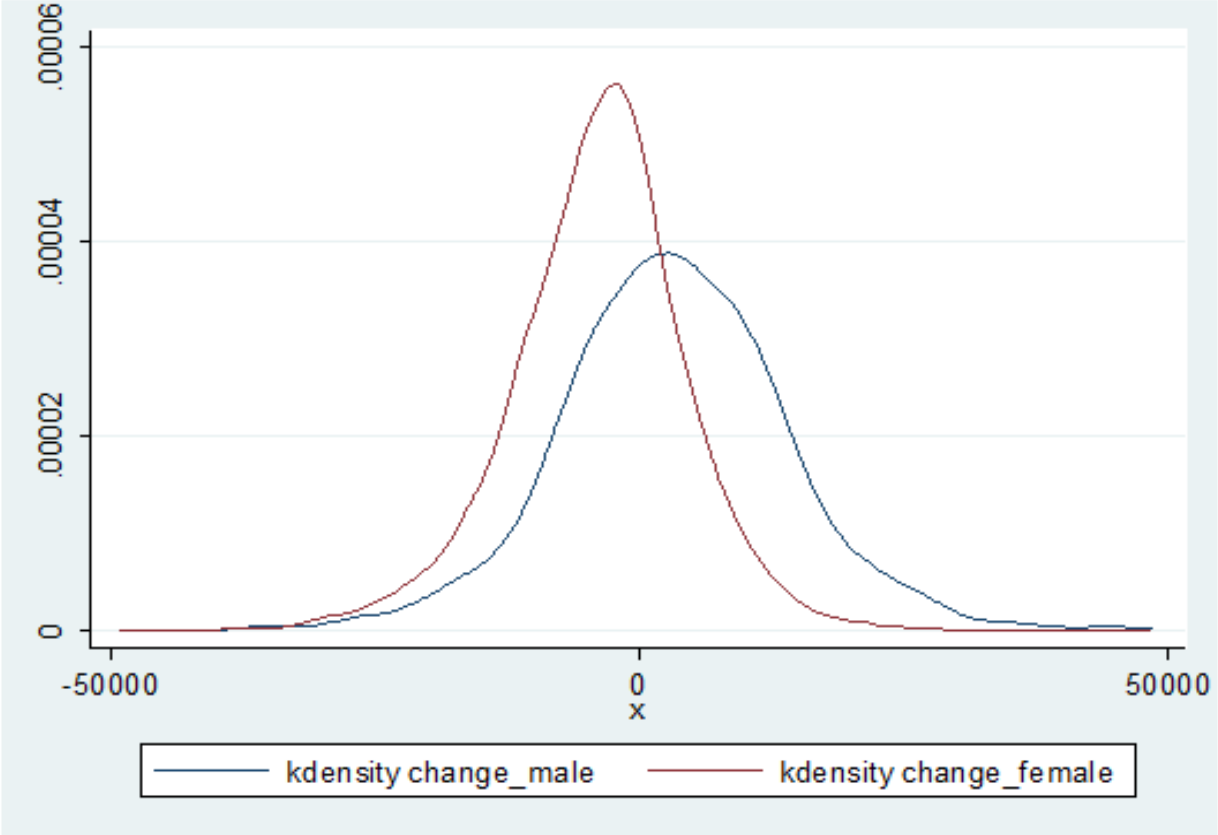
(this is only from those with one continuous 12-month spell in 2008 year)

SEX	Number	Percent
Males	4,464	46.0%
Females	5,247	54.0%
TOTAL	**9,711**	**100.0%**

	EUROPEAN	MAORI	PACIFIC	ASIAN	OTHER	UNKNOWN
Males	48%	24%	11%	4%	2%	12%
Females	50%	27%	11%	5%	3%	5%

	Age Distribution							
	Percentiles							**Mean**
	1%	10%	25%	**50%**	75%	90%	99%	
Males	19	25	30	**36**	43	48	62	**39**
Females	18	23	28	**34**	40	45	58	**33**

Dollar change in real equivalised disposable income, 2006 – 2008, men and women, separating during 2007* (those with only one 2008 spell)



*Provisional only.

A few preliminary, & unadjusted, findings

i. Sizeable decline for women (at the median) and sizeable increase for men

ii. But also considerable within-group variation: many women are better off in the year after separation and many men are worse off. (yet to explore who in detail)

iii. Interestingly, looking at all individuals who separate, there seems to be only a small decline in median (and mean) real equivalised disposable income (a few percent)

- That is, it appears the losses due to lower economies of scale are offset by increases in public transfers (changes in earnings appear to make little contribution)