

# POLICY BRIEF

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## Taxpayer Burden of Family Fragmentation

by Nate King

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**Summary** - Private decisions, such as divorce and out-of-wedlock child-bearing, have significant public consequences. Every year, U.S. taxpayers expend at least \$112 Billion to assist families impacted by divorce and births to unwed mothers. The cost to Michigan taxpayers exceeds \$1.5 Billion. While marriage, divorce and child-bearing are intensely regarded as private matters, taxpayers have a legitimate interest in promoting healthy, intact families.

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Families are the building blocks of our society. They are charged with the responsibility of caring for and raising the next generation. Marriage as the foundation of families is more than just a moral or social institution; it is also an economic one, a creator of human and social capital. As such, any major change in family structure could potentially have major implications for society as a whole, and is worthy of public scrutiny.

As recently as 1970, 85.2 % of all American children were residing in homes with their married father and mother. However, by 2006, the same could be said for only 68.3% of our youth.<sup>1</sup> This increase in family fragmentation (children living with only one of their parents as a result of either divorce or unwed childbearing) comes at a significant cost. Moreover, the price we pay on account of family fragmentation is not limited to the social pains it creates

(which are on their own substantial) but also includes a significant public cost.

The change in household makeup that occurred from 1970 to 2006 can be explained by two major factors. First, in 10 short years the divorce rate in Michigan jumped more than 50 percent, from 4.3 in 1960 to 6.7 by 1970.<sup>2</sup> Second, unwed childbearing has become much more common. In 1960, births to unmarried women composed just 3.7% of all births in Michigan. By 2006 that number had ballooned to an astounding 38.1%.<sup>3</sup> Combined, the increases in both divorce and unwed childbearing explain why so many children in Michigan are now growing up in a family with only one parent present.

One way to react to this change in family structure is to embrace it, and simply accept “diversity” in family makeup as a modern reality with disregard for the implications.

“That’s a Family,” is a short film used in elementary schools across the country that does exactly that.<sup>4</sup> The message that this film sends is loud and clear: families that kids are growing up in come in many different shapes and sizes, each is as good as the next all produce smiling happy children.

The film produces a series of smiling children who introduce themselves and then talk briefly about the different families that they come from.

Montana, for instance, stands between her smiling father and mother and cheerfully informs us that her parents are divorced. She then explains that this simply means that they aren’t married anymore and live in different houses, because they don’t want to be together anymore.

A few minutes later we meet Fernando, who lives with his mother, a single parent. Fernando tells us that when

you live with only one parent and get in trouble, there is only one person who gets mad at you, and there's only one person who nags at you. So, Fernando figures that he's pretty lucky to have only one parent.

This film is little more than a children's film used to promote acceptance and discourage intolerance. However, the underlying message is worth questioning.

Montana and Fernando may be perfectly happy with their family situations; however, to present divorce and single parenthood as equally beneficial for children as married families flies in the face of fact.

Being raised in a fragmented family increases a child's risk of school failure, alcohol and substance abuse, psychological distress and mental illness, depression, criminal involvement, and child abuse. Furthermore, boys raised in single-parent families are more likely to engage in delinquent and criminal behavior.<sup>5</sup>

In the last fifty years, suicide rates among teenagers and young adults have tripled. According to research from 2000, the "single most important explanatory variable" is the increased proportion of young people living in homes with a divorced parent.<sup>6</sup>

### How does Family Fragmentation Effect Taxpayers?

In the past, most of the public discussion concerning marriage has focused on the morality of the issue and the social costs attributable to family fragmentation. Until recently, there was very little data to support the claim that family fragmentation comes with a very large price tag as well. For years, social scientists have suspected this to be true, noting that the social ills created by family fragmentation created a need for government intervention through costly public programs. In 2000, a group of more than one hundred family scholars and civic leaders noted the range of public costs associated with family breakdown, concluding:

Divorce and unwed childbearing create substantial public costs, paid by taxpayers. Higher rates of crime, drug abuse, education failure, chronic illness, child abuse, domestic violence, and poverty among both adults and children bring with them higher taxpayer costs in diverse forms: more welfare expenditure; increased remedial and special education costs; a range of increased direct court administration costs incurred in regulating post-divorce or unwed families; higher foster care and child protection services; increased Medicaid and Medicare costs; increasingly expensive and harsh crime-control measures to compensate for formerly private regulation of adolescent and young-adult behaviors; and many other similar costs.<sup>7</sup>

In April of 2008, a groundbreaking study was released, titled "The Taxpayer Costs of Divorce

and Unwed Childbearing." The study provides the first ever comprehensive calculations and estimates for the taxpayer burden of divorce and unwed childbearing for all 50 states. This study takes the costs that were deemed in 2000 to be "substantial" and quantifies them in dollars and cents.

Dr. Benjamin Scafidi, an economist in the J. Whitney Bunting School of Business at Georgia College & State University was the principal investigator of this study. Dr. Scafidi's determined that the annual cost of family fragmentation for American taxpayers is *at least \$112 Billion*. Over the course of a decade, that amounts to over \$1 Trillion American tax dollars. The \$112 Billion total includes \$70.1 billion at the federal level, \$33.3 billion at the state level, and \$8.5 billion at the local level.<sup>8</sup>

In Michigan, the study estimates that divorce and unwed childbearing are costing taxpayers at least \$1.56 billion annually.<sup>9</sup>

The study examines the relationships between family fragmentation and poverty, and between poverty and government expenditures. Dr. Scafidi notes, "We have good estimates that marriage reduces poverty rates, and we have good evidence of how poverty effects use of government programs, and things like crime."

Specifically, the study calculates lost tax revenues resulting from lower incomes among adults who as children were raised in poverty as a result of family fragmentation. The study also measures increased government spending on the following programs<sup>10</sup>:

- Temporary Assistance for Needy Families (TANF) cash assistance
- Food Stamps
- Housing Assistance
- Medicaid
- State Children's Health Insurance Program (SCHIP)
- Child Welfare Programs
- Women, Infants, and Children (WIC) Assistance

| <b>Estimated Taxpayer Costs of Family Fragmentation for Michigan (in Millions):</b> |                       |
|---|-----------------------|
| <b>Forgone Tax Revenue:</b>   | <b>\$281</b>          |
| <b>Increased Spending on Justice System:</b>  | <b>\$651</b>          |
| <b>TANF:</b>  | <b>\$90</b>           |
| <b>Increased Cost of Medicaid:</b>  | <b>\$374</b>          |
| <b>SCHIP:</b>   | <b>\$30</b>           |
| <b>Child Welfare:</b>   | <b>\$135</b>          |
| <b>Total Cost of Family Fragmentation for Michigan:</b>                             | <b>\$1.56 Billion</b> |

- Low Income Home Energy Assistance Program (LIHEAP)
- Head Start
- School Lunch and Breakfast programs
- The Justice System

“If marriage does improve the economic situations of adults and children; that means there will be less need for government funded transfer programs... This is a simple arithmetic problem,” Dr. Scafidi explained. To illustrate his point, he gave this example:

If you have a female high school dropout, and she’s a single mother living with two children, and she earns a typical income for female high school dropouts, she and her children will live in poverty and be eligible for food stamps, for example. However, if she were instead married to a male high school dropout, who was earning a typical income for male high school dropouts, and they lived together, they would not be in poverty, and they would be ineligible for food stamps.

**Is Dr. Scafidi’s estimate of \$112 billion accurate?**

At the release his study, Dr. Scafidi made it clear that he structured his study in a way to ensure that it would produce a lower-end estimate. In fact, he stated that, “there are really four key assumptions in the report that suggest that I am underestimating these costs.”

The first assumption, and the biggest, is that, “taxpayer costs [of divorce and unwed childbearing] are driven

exclusively by increases in poverty.” According to Dr. Scafidi, increased poverty is the “most widely accepted and best quantified consequence of divorce and unwed childbearing.”<sup>11</sup> Research indicates that family fragmentation actually has negative social consequences in addition to just the financial concerns. If that is the case, then this assumption would result in an underestimate of the actual taxpayer costs.

For example, it is estimated that nearly 60% of all cases in Michigan’s circuit court system are family cases which include divorce, adoption, paternity and custody issues. A second uncaptured cost is one associated with education. It is well established that children from single-parent families perform at a lower level and require more assistance in schools and increasing the overall cost of education. Neither of these sets of costs are included in Dr. Scafidi’s analysis

A second cautious assumption is that marriage would not lift any single-father households out of poverty. In Michigan, there are 259,000 people living in poverty in a household led by an unmarried male.<sup>12</sup> It’s likely that at least some of those male householders would be lifted out of poverty if they married, but the study did not account for that possibility.

A third assumption used in the report is that marriage would lift 60 percent of female-headed households out of poverty. Dr. Scafidi cites two separate bodies of research on this subject. One estimates that if female-headed

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**Dr. Benjamin Scafidi**

households living in poverty were instead married households, 65 percent of them would no longer be in poverty.<sup>13</sup> The other estimates that 80 percent could be lifted out of poverty.<sup>14</sup> Dr. Scafidi’s estimate of 60 percent is below either of those figures, and therefore errs on the side of caution.

The last assumption that Dr. Scafidi made was that the share of anti-poverty government spending that we can attribute to family fragmentation is equal to the share of poverty that is attributable to family fragmentation. This is likely to result in an underestimate of the actual costs of family fragmentation because in practice, single-parent families are actually much more likely to access government programs than married parent households at similar income levels. For example, 16.2 percent of married families earning less than 200 percent of the poverty level use food stamps. However, 42.5 percent of households with a single-female head, with similar earning levels use food stamps.<sup>15</sup>

Taken as a group, the assumptions used for this report are uniformly conservative, aimed at finding a bare-minimum estimate. Using these assumptions, Dr. Scafidi is able to conclude that family fragmentation is likely costing more than \$112 billion each year, but it is almost certainly not costing any less.

**What can we do?**

In a 2005 survey on Marriage in Michigan, 94% of respondents agreed

| <b>Persons and Children in Michigan Lifted out of Poverty via Marriage</b> |   |  |   |
|--|---|--|---|
|  | <b>Total Michigan Poverty (Thousands)</b> | <b>Number Lifted out of Poverty via Marriage (Thousands)</b><br><small>60% of female-headed households are lifted out of poverty</small> | <b>% Lifted out of Poverty via Marriage</b> |
| <b>Total Population</b>  | 1,323                                     | 450  | 34.0%                                       |
| <b>Children</b>  | 469                                       | 189  | 40.4%                                       |

with the statement, "Divorce is a serious National Problem in the United States today." In the same survey, 86% of the unmarried respondents said they would like to be married some day, and of the married respondents, almost 98% said they expect to be married for life.<sup>16</sup>

These numbers strongly suggest that most people in Michigan want to be married and they want their marriage to last for life. However, some other numbers give a different impression. For example, at one point in the survey, divorced respondents were asked to list the major reasons leading to their divorce. The most common response, with 75.8% of respondents saying it was a major factor, was "Lack of commitment by one or

both persons to make it work."<sup>17</sup> Apparently, while there is a general belief that marriage is good, too often, insufficient effort is made to save it.

Several states have implemented various programs to encourage healthy marriages. The state of Texas recently appropriated \$15 million over two years for marriage education and strengthening programs.<sup>18</sup> Consider, if Michigan were to appropriate an identical sum (\$15 million over two years) to programs that succeeded in reducing family fragmentation and related public expenditures by just 1%, the state would eliminate an estimated \$30 million of expenses. In other words, the state would net a \$15 million profit from those programs.<sup>19</sup>

It's likely impossible to eliminate family fragmentation entirely, and by doing such, save the entire \$1.56 billion currently being spent. However, if the rate of family fragmentation could just be reduced to the level it was at in 1970, Michigan taxpayers could expect to realize a savings of approximately \$827 million.<sup>20</sup>

#### Notes:

1. Divorce and Annulment Rates Michigan and United States Occurrences Selected Years, 1900 - 2007, U.S. Census Bureau, 2006 American Community Survey,

2. Number of Divorces and Annulments Divorce and Annulment Rates Michigan and United States Occurrences Selected Years, 1900 - 2007, Marriage&Divorce Section Development Section, Michigan Department of Community Health. The rate of divorce is the number of persons whose marriage ended in divorce per 1,000 population .

[www.mdch.state.mi.us/pha/osr/marriage/Tab3.5.asp](http://www.mdch.state.mi.us/pha/osr/marriage/Tab3.5.asp)

3. Vital Records & Health Data Development Section, Michigan Department of Community Health, Data Provided by Sharon Crawford, Department Technician

4. Debra Chasnoff, Ariella Ben-Dov, Fawn Yacker. *That's a Family*. Women's Educational Media, 2000

5. William J. Doherty, et al. *Why Marriage Matters: Twenty-One Conclusions from the Social Sciences*. New York: Institute for American Values, 2002.

6. David M. Cutler, et al. "Explaining the Rise in Youth Suicide." *Working Paper 1917*.

Institute of Economic Research, Harvard Institute of Economic Research Working Papers, , 2001

7. Institute for American Values, *The Marriage Movement*.

8. Benjamin Scafidi, *The Taxpayer Costs of Divorce and Unwed Childbearing*. Institute for American Values, 2008. 5

9. Benjamin Scafidi, *The Taxpayer Costs of Divorce and Unwed Childbearing*. Institute for American Values, 2008. Table A.5

10. Benjamin Scafidi, *The Taxpayer Costs of Divorce and Unwed Childbearing*. Institute for American Values, 2008. 12, 13

11. Benjamin Scafidi, *The Taxpayer Costs of Divorce and Unwed Childbearing*. Institute for American Values, 2008. 12

12. Benjamin Scafidi, *The Taxpayer Costs of Divorce and Unwed Childbearing*. Institute for American Values, 2008. Table A.3

13. Robert Lerman, *The Impact of the Changing U.S. Family Structure on Child Poverty and Income Inequality*. *Economica* 63, 1996.

14. Adam Thomas, Isabel Sawhill. *For Richer or for Poorer*. *Journal of Policy Analysis and Management* 21, no. 4 (2002)

15. Benjamin Scafidi, *The Taxpayer Costs of Divorce and Unwed Childbearing*. Institute for

American Values, 2008. Table 4

16. *With This Ring: A Survey on Marriage in Michigan*. National Fatherhood Institute. 2005.

17. *With This Ring: A Survey on Marriage in Michigan*. National Fatherhood Institute. 2005. 21

18. Theodora Ooms, *Beyond Marriage Licenses: Efforts in States to Strengthen Marriage and Two-Parent Families*. Center for Law and Social Policy, 2004.

19. The annual cost of family fragmentation in Michigan is estimated at \$1.56 Billion. One percent of that sum is approximately \$15 million. \$15 million per year for two years is \$30 million.

20. In 1970, 14.8 percent of American children were residing in fragmented families. In 2006, 31.7 percent of American children were residing in fragmented families. To return to the 1970 rate, the rate must be decreased by 16.9 percent, or 53 percent of the current rate. Using Dr. Scafidi's methodology, eliminating 53 percent of family fragmentation should eliminate 53 percent of the cost. 53 percent of \$1.56 billion is approximately \$826 million.