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# Living Together: The Economics of Cohabitation

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# Living Together: The Economics of Cohabitation

By Richard Fry and D’Vera Cohn

## EXECUTIVE SUMMARY

Cohabitation is an increasingly prevalent lifestyle in the United States. The share of 30- to 44-year-olds living as unmarried couples has more than doubled since the mid-1990s. Adults with lower levels of education—without college degrees—are twice as likely to cohabit as those with college degrees.

A new Pew Research Center analysis of census data suggests that less-educated adults are less likely to realize the economic benefits associated with cohabitation. The typical college-educated cohabiter is at least as well off as a comparably educated married adult and better off than an adult without an opposite-sex partner. By contrast, a cohabiter without a college degree typically is worse off than a comparably educated married adult and no better off economically than an adult without an opposite-sex partner. (Most adults without opposite-sex partners live with other adults or children.)

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## Median Adjusted Household Income by Education and Partnership Status, 2009

### Not a college graduate



### College graduate



Notes: Based on 30- to 44-year-olds. “No partner” includes those living without an opposite-sex partner or spouse. Income adjusted for household size and scaled to a household size of three; see Appendix 2 for more details.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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Among the 30- to 44-year-old U.S. adults who are the focus of this report, 7% lived with an opposite-sex partner in 2009, according to census data. The share is higher among adults without a college education (8%) than among those with college degrees (4%).

The proportion of adults who *ever* have cohabited is much larger than the share currently cohabiting, and it has grown to become a majority in recent decades, according to data from the National Survey of Family Growth. Among women ages 19-44, for example, 58% had ever lived with an opposite-sex unmarried partner in 2006-2008, up from 33% among a comparable group in 1987 (National Center for Marriage and Family Research, 2010).

This report finds that greater economic well-being is associated with cohabitation for adults with college degrees, but not for those without college degrees. The measurement used for economic well-being is median household income, which in this analysis has been adjusted for the size of the household and standardized to a household size of three.

Among college-educated adults, the median adjusted household income of cohabiters (\$106,400 in 2009) slightly exceeded that of married adults (\$101,160) and was significantly higher than that of adults without opposite-sex partners (\$90,067). However, among adults without college degrees, the median adjusted household income of cohabiters (\$46,540) was well below that of married couples (\$56,800) and was barely higher than that of adults without opposite-sex partners (\$45,033).

The Pew Research analysis finds that differences in employment rates and household living arrangements of cohabiters with and without college degrees help explain gaps in their comparative economic well-being. These differences include:

- Among the college-educated, two-earner couples were more prevalent among cohabiters (78%) than married adults (67%) in 2009. By working more, cohabiters offset married adults' higher median earnings.
- Among those without college degrees, two-earner couples were slightly less prevalent among cohabiters (55%) than married adults (59%) in 2009. In addition to being more likely to work, these married adults have the advantage of higher median earnings.
- Among the college-educated, a much higher share of married adults (81%) than cohabiters (33%) lived in a household with children in 2009. In addition, among those with children in the household, married adults tend to have more children. The greater presence of children in married-couple households may help explain the lower share of two-earner couples among married adults.

- Among adults without college degrees, the majority of both married adults (85%) and cohabiters (67%) have children in the household. The relatively large presence and number of children in the households of cohabiters without college degrees may reduce the extent to which both partners in such relationships can earn income.
- Whatever their partnership status, adults in households with children have significantly lower median household incomes than comparably educated adults in households without children. Cohabiting adults without college degrees are much more likely to be in a household with children than are college-educated cohabiters, diminishing their potential economic gains from cohabitation.
- The earnings of college-educated adults who live without opposite-sex partners constitute the bulk of their household income (88%). A college-educated cohabiter's earnings typically make up 50% of the household income, suggesting that those who move in with a partner obtain a net boost to their household incomes.
- Among adults without college degrees, earnings of those who live without opposite-sex partners constitute 43% of their household income. Earnings of cohabiters make up 42% of household income, suggesting that those who move in with a partner do not obtain a net boost to their household incomes.
- Among adults who live without opposite-sex partners, differing household composition helps to explain why those with college degrees typically gain an economic boost from cohabitation but those without college degrees do not. Most of these adults live with others, such as their own parents, their children or roommates. The college-educated without opposite-sex partners are more likely to live alone (44% to 20%). They are less likely to live with other family members who may supply some of the household income—income that may be lost in a transition to cohabitation.

A voluminous body of social science research shows that marriage is associated with a variety of benefits for adults. In the words of one researcher: “For well over a century, researchers have known that married people are generally better off than their unmarried counterparts” (Nock, 2005). Yet in recent decades marriage rates have declined—particularly among less educated adults—as cohabitation rates have increased.

It also would seem that cohabitation would be associated with greater economic well-being than living without a partner because of the economies of scale achieved by combining two households. Yet adults without college degrees who cohabit are no better off than those who live without opposite-sex partners.

The findings in this report suggest that cohabitation plays a different role in the lives of adults with and without college degrees. For the most educated, living as an unmarried couple typically is an economically productive way to combine two incomes and is a step toward marriage and childbearing. For adults without college degrees, cohabitation is more likely to be a parallel household arrangement to marriage—complete with children—but at a lower economic level than married adults enjoy.

This report uses U.S. Census Bureau data to analyze the economic and household circumstances of opposite-sex cohabiters ages 30-44 as well as those of comparably educated married adults and adults without opposite-sex partners. The age range was chosen because it is a time of life when most adults have completed their education, gone to work and established their own households.

About 400,000 adults ages 30-44 are partners in same-sex unmarried couples, according to the 2009 American Community Survey, compared with 4.2 million who live with a partner of the opposite sex. Same-sex couples have distinctive patterns of income, education and household composition. They have higher median adjusted incomes (\$99,204) than opposite-sex cohabiters (\$54,179), married couples (\$70,711) or adults without partners (\$53,399). About half (48%) are college graduates, a notably higher share than for other adults. Less than a third (31%) live with children, a lower share than opposite-sex cohabiters.

The analysis of cohabiting couples in this report is restricted to opposite-sex unmarried partners. The analysis makes the assumption that these couples have the choice to marry or cohabit, which is not the case for most same-sex couples. There also is a dearth of data on marriage trends among same-sex couples, for whom the option to marry only recently became available in a limited number of venues.

In this report, same-sex unmarried partners are included in the category of adults with no partner. Although same-sex couples and adults with no partner differ in income, education and household composition, combining them in the same category does not change the findings about the relative economic conditions for adults in the three partnership status groups.

The first section examines the prevalence and growth of cohabitation, compared with marriage or living without a partner, by educational attainment. The second section analyzes the economic outcomes of adults by partnership status and educational attainment. The third section examines adults' labor market characteristics to understand the comparative patterns of economic well-being. The fourth section looks at some differences in the types of

households in which these adults live—again, by partnership status and educational attainment.

## ABOUT THE REPORT

This report was researched and written by Richard Fry and D’Vera Cohn, senior economist and senior writer, respectively, of the Social & Demographic Trends project of the Pew Research Center. The report was edited by Paul Taylor, executive vice president of the Pew Research Center and director of the Social & Demographic Trends project. Research associate Wendy Wang assisted with charts and editing. Research analyst Gabriel Velasco helped with the preparation of charts. The report was number-checked by Daniel Dockterman, Pew Research Center research assistant. The report was copy-edited by Marcia Kramer. The Center appreciates the comments of outside reviewers Wendy Manning of Bowling Green State University and Adam Thomas of the Brookings Institution on an earlier draft.

The main data source for this report is the Census Bureau’s 2009 American Community Survey, which supplied data about partnership status and other individual and household characteristics for adults ages 30-44. The Census Bureau’s Current Population Survey is the source of data about long-term trends in the prevalence of cohabitation. For more detail, see the Appendix.

## TERMINOLOGY

“College-educated” refers to persons who report that their highest education is at least a bachelor’s degree. Persons whose highest education is an associate’s degree or “some college but no degree” are included with not college-educated adults in this report.

A “two-earner” or “dual-earner” couple refers to a relationship in which both partners were employed at the time of interview.

“Living with children” refers to living with one or more own children (of any age or marital status), that is, living with step-children and adopted children as well as biological children, as well as living with any own children of their partner. Most are under 18.

The category of adults not living with a partner includes same-sex couples. Cohabiting couples consist only of opposite-sex couples.

## I. PREVALENCE AND GROWTH OF COHABITATION

Cohabitation has become increasingly commonplace among all U.S. adults, and research suggests that most women who marry for the first time cohabit first. However, there are notable differences by educational attainment: Cohabitation is more prevalent among the less educated and its rise in this group has been accompanied by a decline in marriage rates. This is not the case for college-educated adults, whose marriage rates have held steady as cohabitation has grown.

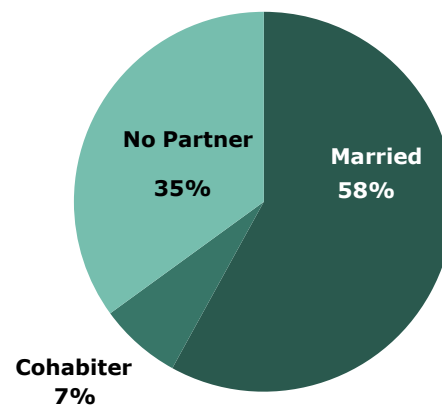
In 2009, there were 60.4 million U.S. adults ages 30 to 44, including about 4.2 million (7%) living with an unmarried partner of the opposite sex.<sup>1</sup> The majority (58%) were married and living with spouses. The remaining 35% did not live with an opposite-sex spouse or partner; a significant share of this group (42%) had previously been married.

Comparing partnership status by educational attainment, college-educated adults are more likely to be married than their less-educated counterparts (Fry and Cohn 2010). Adults without college degrees are more likely to cohabit.

Among adults ages 30-44 with college degrees in 2009, 68% were married, 4% lived with an opposite-sex unmarried partner and 28% lived without an opposite-sex partner or spouse. Among adults without college degrees, 54% were married, 8% lived with an opposite-sex unmarried partner and 38% lived without an opposite-sex partner or spouse.

The rate of cohabitation has more than doubled in this age group over the past 15 years. The 7% of adults ages 30-44 who cohabited in 2010 compared with 3% who did so in 1995, according to data from the Current Population Survey.

### Partnership Status, 2009



Notes: Based on 30- to 44-year-olds. "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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<sup>1</sup> These 4.2 million people are members of unmarried-partner couples in households headed by unmarried partners. Cohabiting partnerships that do not include the household head cannot be identified in the 2009 American Community Survey. As discussed in the Appendix, cohabiting partnerships involving the household head account for about 80% of all cohabiters.



Cohabitation has doubled since 1995 among both college-educated 30- to 44-year-olds and those without a college degree (table on page 10). However, there is an important difference in partnership trends between these two populations.

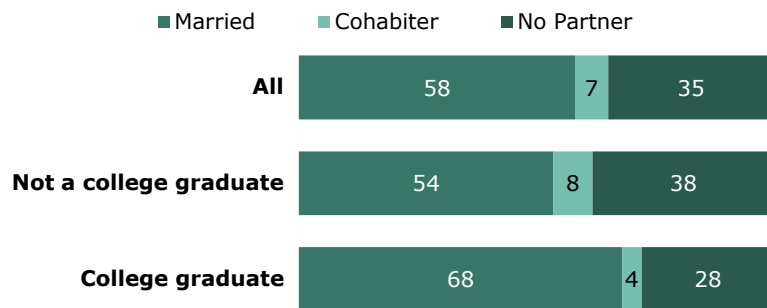
The increase in cohabitation among college-educated adults has not accompanied a decline in the share currently married. About 70% of college-educated adults ages 30-44 were married in 1995, and that proportion has held steady.

Among less-educated adults, however, the share currently married declined as cohabitation (and living without a partner) has grown. In 2010, only 56% of adults without a college degree were married, according to the Current Population Survey, a decline from 63% in 1995. In 2010, 36% of the less educated were neither married nor cohabiting with an opposite-sex partner, an increase from 33% in 1995.

Fewer than one-in-ten adults currently lives with an unmarried opposite-sex partner, but a much greater share of adults report cohabiting at some point. Recent estimates from the 2006-2008 National Survey of Family Growth indicate that nearly 70% of women in their early 30s had ever cohabited (National Center for Marriage and Family Research, 2010). These days, the transition from courtship to marriage more often than not includes a spell of cohabitation. More than half (58%) of women aged 19-44 who marry for the first time had lived with their husbands before the wedding (Kennedy and Bumpass, 2008).

### Partnership Status by Education, 2009

(%)



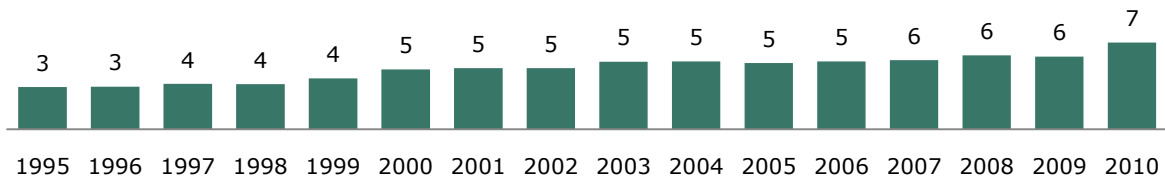
Notes: Based on 30- to 44-year-olds. "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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## Prevalence of Cohabitation Has Doubled Since 1995

*% among 30- to 44-year-olds*



Notes: Tabulated among the civilian population residing in households. Includes those living with an opposite-sex partner.

Source: March Current Population Survey (CPS) Integrated Public Use Micro Samples.

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It is beyond the scope of this report to analyze by educational attainment the proportion of adults who ever have cohabited or the share who married after cohabiting, but other research suggests that there are important differences. As might be expected from current cohabitation rates, women without college degrees also are most likely to have cohabited at some point in their lives. Among women ages 19-44, 73% of those without a high school education have ever cohabited, compared with about half of women with some college (52%) or a college degree (47%) (National Center for Marriage and Family Research, 2010).

In addition, an analysis of data about first-time cohabiters, ages 15-44, from the National Survey of Family Growth indicates that college-educated cohabiters are more likely to marry within three years of moving in together than are less-educated cohabiters. More than 60% of first-time college-educated cohabiters married within three years, compared with half of those with a high school diploma and no college education (Goodwin, Mosher, and Chandra, 2010).

Survey findings by the Pew Research Center indicate that most, but not all, adults who cohabit view it as a step toward marriage. In a 2010 Pew Research Center survey, nearly two-thirds (64%) of respondents who ever have lived with an unmarried partner say they thought of it as a step toward marriage. Among those currently living with a partner, 53% say so, compared with 67% of those who cohabited sometime in the past.

## Partnership Status by Education, 1995 to 2010

% among 30- to 44-year-olds

Year	<u>Not a college graduate</u>				<u>College graduate</u>			
	Married	Cohabiter	No Partner	Total	Married	Cohabiter	No Partner	Total
2010	56	8	36	100	71	5	25	100
2009	58	7	35	100	72	4	24	100
2008	57	7	36	100	71	4	25	100
2007	59	7	34	100	73	3	24	100
2006	58	7	35	100	72	3	25	100
2005	59	6	35	100	72	4	25	100
2004	60	6	34	100	71	3	26	100
2003	60	6	34	100	71	3	25	100
2002	61	6	33	100	71	3	26	100
2001	62	6	32	100	70	3	27	100
2000	62	6	33	100	70	3	27	100
1999	61	5	34	100	70	3	27	100
1998	62	4	34	100	71	2	27	100
1997	62	4	34	100	72	2	26	100
1996	62	4	34	100	71	2	27	100
1995	63	4	33	100	72	2	26	100

Notes: Tabulated among the civilian population residing in households. "No partner" includes those living without an opposite-sex partner or spouse. Numbers may not add to total because of rounding.

Source: March Current Population Survey (CPS) Integrated Public Use Micro Samples

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There are no differences by education level on whether cohabitation is viewed as a step toward marriage, but there are some differences by income level. The most affluent respondents (with household incomes of at least \$75,000) are more likely than the least affluent (with household incomes of less than \$30,000) to say they thought of cohabitation as a step toward marriage (69% to 59%).

Public opinion research indicates that Americans have become more accepting of unmarried couples than in the past but that a notable minority disapproves.<sup>2</sup> The same 2010 Pew Research Center Survey that interviewed current and past cohabiters also found that among the general public, 43% of adults believe the increase in unmarried couples living together is bad for society, while 9% believe it is good for society and 46% say it makes no difference.

<sup>2</sup> Pew Research Center Social & Demographic Trends project, "The Decline of Marriage and Rise of New Families," Nov. 18, 2010, (<http://pewsocialtrends.org/2010/11/18/the-decline-of-marriage-and-rise-of-new-families/>).

## II. THE ECONOMICS OF COHABITATION

This section analyzes the economic well-being of 30- to 44-year-old adults, by partnership status and educational attainment, using measures of median household income and poverty rates to assess overall well-being.

By these measures, among the college-educated, cohabiters compare favorably with married couples and are better off than adults without opposite-sex partners, while cohabiters without a college degree are worse off than comparable married adults and barely surpass adults without opposite-sex partners.

### Economic Well-Being of 30- to 44-Year-Olds, by Education and Partnership Status, 2009

	<u>Not a college graduate</u>			<u>College graduate</u>		
	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>
<b>Median household income</b>	\$65,000	\$50,000	\$40,900	\$110,000	\$95,400	\$69,000
<b>Median adjusted household income</b>	\$56,800	\$46,540	\$45,033	\$101,160	\$106,400	\$90,067
<b>Poverty rate</b>	9%	31%	22%	2%	9%	7%
<b>Median wages as share of household income</b>	40%	42%	43%	49%	50%	88%

Notes: Adjusted household incomes controls for household size. "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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A recent Pew Research Center survey indicates that when unmarried partners decide to move in together, some base their decisions in part on financial considerations. The survey asked adults who ever lived with an unmarried partner whether household finances played a role in their decision to move in together. Overall, 32% say finances did play a role, and 66% say they did not. There are no notable differences between those with and without a college degree on this question.

As shown in the table above, *unadjusted* median household income is higher for married couples than for cohabiters or adults without partners, regardless of educational attainment.<sup>3</sup> Cohabiters also have notably higher household income than do adults who do not live with an opposite-sex partner.

These simple household income tabulations do not tell the full story of available economic resources, however, because they do not account for the size of the household. A person living alone can afford more on the same income than a married couple or a family of four. This analysis adjusts for household size and produces a standardized result scaled to a three-person household. The household size adjustment is not as simple as calculating the household income per household member, which would not allow for economies of scale or the notion that “two can live more cheaply than one.” Instead, the analysis uses the standard equivalence scale approach in order to compare households of different sizes on an equal basis. In measuring household well-being, the analysis assumes that a two-person household requires 1.41 times the income of a one-person household to be equally well-off (see the Appendix for further details).

When median *adjusted* household income is analyzed, the income rankings change considerably for college graduates. The typical college-educated cohabiter has a higher adjusted household income (\$106,400 in 2009) than either the typical comparably educated married adult (\$101,160) or adult not living with a partner (\$90,067).

Among adults without a college degree, however, marriage is associated with the highest economic status. Cohabiters are not much better off in adjusted household income terms (\$46,540 in 2009) than those who do not live with opposite-sex partners (\$45,033).

The adjusted household income figures suggest the amount of available economic resources, but the amount that each adult actually receives depends on how household members share those resources. There is evidence that married and cohabiting couples tend to use different money management systems, with married couples more likely to pool their money for joint use (Hamplova and Le Bourdais, 2009; Kenney, 2006).

Another measure of economic well-being is poverty rates. Among the college-educated, 9% of cohabiters lived in poverty in 2009, compared with 2% of married adults and 7% of adults without opposite-sex partners. A notable 31% of cohabiters without college degrees lived in

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<sup>3</sup> Household income refers to the total money income of all household members, before taxes. It does not include non-cash sources of income such as nutritional assistance, Medicare, Medicaid, public housing or employer-provided fringe benefits.

poverty in 2009, a higher share not only than married adults (9%) but also well above the 22% rate for comparably educated adults without opposite-sex partners.

### III. LABOR MARKET CHARACTERISTICS

A major factor explaining the relative economic well-being of cohabiters of different levels of educational attainment is the level of labor market participation and number of earners in a household. Most notably, college-educated cohabiters are more likely to work than college-educated married adults, but cohabiters without college degrees are less likely to work than married adults without college degrees.

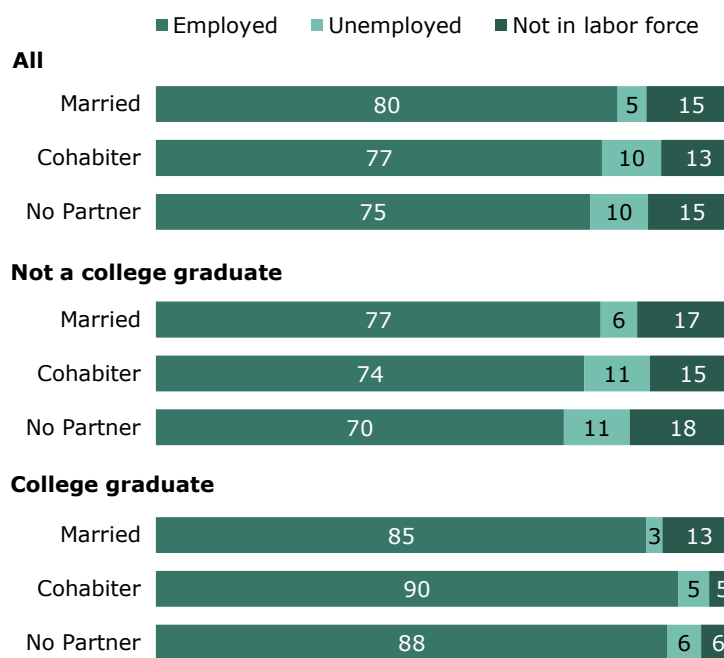
Research indicates that one quality that adults seek in a spouse or partner is a “good provider”—although that is valued more for men than women. In a recent Pew Research Center survey, 67% of respondents say that in order to be ready for marriage, it is very important for a man to be able to support a family financially; 33% say the same about a woman.

Adults with a high school education or less were more likely than those with a college education to say it is very important for a man (75% vs. 55%) or a woman (39% vs. 30%) to be able to support a family financially before marrying.<sup>4</sup>

Other research has found that when young couples decide whether to marry, that choice is linked to economic circumstances, especially men’s employment, earnings and educational attainment. Among young couples

#### Labor Market Status of 30- to 44-Year-Olds, 2009

(%)



Notes: “No partner” includes those living without an opposite-sex partner or spouse. Numbers may not sum to total because of rounding.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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<sup>4</sup> Pew Research Center Social & Demographic Trends project, “The Decline of Marriage and Rise of New Families,” Nov. 18, 2010.

without college degrees, many believe that marriage is a sign of an adequate level of economic achievement. (Smock et al., 2005)

Consistent with this, married adults overall tend to have greater success in the labor market—measured by employment and wages—than their unmarried counterparts. Cohabitors are more likely to have a job than are adults not living with a spouse or partner of the opposite sex.

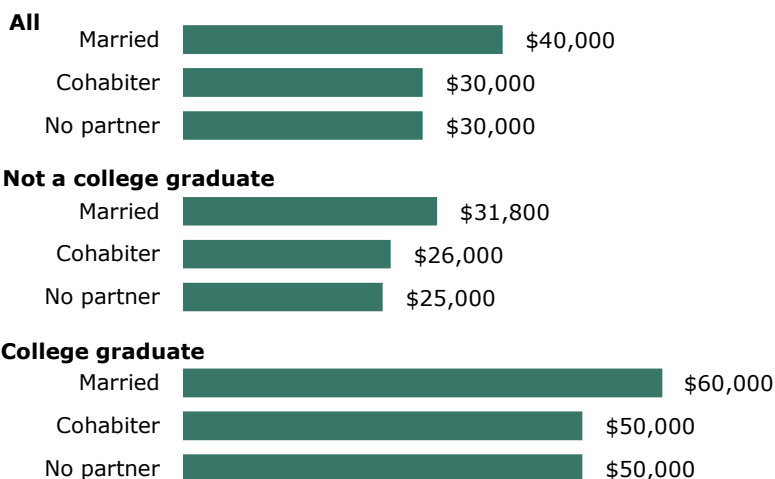
### Characteristics of Individuals

Among the college-educated, married adults (85%) were slightly *less* likely to be employed than cohabiting adults (90%) or those without opposite-sex partners (88%). A notable 13% of married college-educated adults were not in the labor force, perhaps because of child-raising responsibilities.

Among adults without college degrees, 77% of married adults had jobs in 2009, compared with a slightly lower 74% of cohabiting adults and 70% of adults without a partner. All categories of adults—whether married, cohabiting or not living with an opposite-sex partner—had similar rates of not participating in the labor force.

Wages are the most important source of household income for 30- to 44-year-olds and married adults have the edge by this measure. As shown, married workers tend to earn the most at each level of educational attainment. Overall, they earned a median \$40,000 in 2009, compared with \$30,000 for the unmarried. Among the college-educated, median wages were similar for cohabitors and adults living without opposite-sex partners. Among adults without college degrees, cohabitors had slightly

### Median Wages of 30- to 44-Year-Old Workers, 2009



Notes: "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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higher median wages than adults living without opposite-sex partners.

The reason for the wage disparity between married and unmarried adults is the subject of a large body of research. In part, the higher pay of married people reflects the reality that adults want to marry others who are economically successful, and the economically successful are more likely to marry. But being married may also have causal impacts on earnings in that marriage may make people, particularly men, more productive (Nock, 2005).

As shown, among adults ages 30 to 44, the greater employment rate of college-educated cohabiters helps offset their lower earnings relative to the earnings of married adults. In the instance of cohabiters without college degrees, they are less likely to be employed, and when they are, they tend to be paid less than married adults without college degrees.

## Two-Worker Couples

Complementing the levels of labor market participation of the individuals are the patterns of dual-earner relationships.

Among the college-educated, 78% of cohabiting adults in 2009 were in a relationship in which both partners were employed. Perhaps reflecting greater parental and family responsibilities, only 67% of college-educated married adults were in a two-earner marriage.

Among the less educated, however, the likelihood of a two-earner relationship is reversed. Among adults lacking a college degree, 59% of those who were married were in a two-earner marriage, slightly outpacing the 55% of cohabiting adults who were in a two-earner relationship.

### Share of Partnered 30- to 44-Year-Olds in a Dual-Earner Relationship

(%)

#### Not a college graduate



#### College graduate



Note: Cohabiter includes those living with an opposite-sex partner.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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Another notable pattern is that married adults were more likely than cohabiting adults to have a large difference between their earnings and their partners' earnings. Among college-educated married adults, most—62%—had earnings differences of more than \$30,000 with their partner, compared with 47% of comparable cohabiting adults. For adults without college degrees, the share of married adults with similarly large income differences was 41% and the share of cohabiting adults was 25%.

In some cases, this could indicate that one spouse has pulled back from the job market, perhaps to devote time to child care. This helps counter the wage advantage for married adults compared with cohabiters.

## IV. THE HOUSEHOLDS AND DEMOGRAPHICS OF 30- TO 44-YEAR-OLDS

The economic well-being of adults ages 30 to 44 is influenced not just by their own labor market characteristics and those of any partners, but also by the nature of their households.

The measure of economic well-being used in this analysis already takes account of differences in the size of the household, but the makeup of the household matters as well. The presence of children and other family members has important consequences for the amount of effort

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### Household Characteristics of 30- to 44-Year-Olds, by Education and Partnership Status, 2009

	<u>Not a college graduate</u>			<u>College graduate</u>		
	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>
<b>Previously married</b>	21%	43%	45%	11%	32%	34%
<b>Living in household with child(ren)</b>	85%	67%	35%	81%	33%	20%
<b>Living alone</b>	0	0	20%	0	0	44%
<b>Mean family size</b>	4.1	1.8	2.7	3.7	1.4	1.9
<b>Mean number of own children</b>	1.9	0.7	0.7	1.7	0.3	0.3
<b>Mean number of other family members (excluding children)</b>	1.2	0.1	1.0	1.1	0.0	0.5
<b>Living with parent(s)</b>	3%	1%	27%	2%	1%	17%

Note: "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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adults devote to the labor market and the number of earners in the household.

Married adults of all education levels are the most likely to have one or more children in the household. In 2009 married adults were about equally likely to have one or more children in the household, whether the adults were college-educated (81%) or not (85%).

There are sharp differences by educational attainment, however, in the share of cohabiting couples with children in the household. Only a third of college-educated cohabiters live with at least one child, compared with two-thirds of less-educated cohabiting adults.

Cohabitors without college degrees are more likely to live with one or more children for at least two reasons. First, they are more likely than college-educated cohabiters to have been married in the past. Among cohabiters without college degrees, 43% had been married in the past; among those with college degrees, 32% had been.

Second, there are notable differences in the child-bearing patterns of college-educated and less educated women. Less-educated women tend to bear children at younger ages, are more likely to have children while unmarried and are less likely to end their child-bearing years without having had children.

For example, among 30- to 44-year-old women who gave birth in the past year, fewer than one-in-ten of college-educated women was unmarried, according to data from the 2008 American Community Survey. The shares were notably higher—ranging from 21% to 34%—for women with some college education, a high school diploma or no high school diploma. Births to unmarried women include births to women who are cohabiting; they accounted for 2.2% of births to college-educated women ages 30 to 44 and 6% to 7% of births to women in that age group without college degrees (Dye, 2010).

The presence of children in a household tends to have large economic ramifications. The table below reports the median adjusted household income of adults not residing with a child in the household versus residing in a household in which the adult is either a parent or the partner of a parent. Regardless of education or partnership status, adults living with children are much less well-off than comparably educated adults who are not living with children. For example, consider college-educated cohabiting adults. Those with no children in the household have a median adjusted household income of \$120,637. If one or both of the partners is a parent of a child in the household, their median adjusted household income is \$78,808, about 35% lower than for a similar adult who is neither a parent nor the partner of a parent in the household.

## Economic Outcomes of 30- to 44-Year-Olds, by Education and Partnership Status and Presence of Children, 2009

	<u>Not a college graduate</u>			<u>College graduate</u>		
	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>
<i>Household without Children</i>						
<b>Median adjusted household income</b>	\$77,526	\$65,891	\$55,426	\$133,600	\$120,637	\$100,466
<b>Poverty rate</b>	5%	23%	16%	1%	7%	6%
<b>Median wages as share of household income</b>	43%	44%	36%	50%	50%	88%
<i>Household with Children</i>						
<b>Median adjusted household income</b>	\$54,000	\$39,751	\$29,639	\$95,263	\$78,808	\$60,000
<b>Poverty rate</b>	10%	35%	33%	2%	12%	10%
<b>Median wages as share of household income</b>	40%	41%	64%	49%	51%	90%

Notes: Adjusted household income controls for household size. "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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The presence of children detracts from economic well-being because children require time and care; they likely lead to a reduction in hours devoted to paid work on the part of the parent or the partner of the parent. They also increase household size, but the measure of median adjusted household income accounts for differences in household size.

Thus, a basic reason that cohabitation seems to economically benefit college-educated adults but yields much lower economic dividends for less-educated adults is due to household composition. Among the college-educated, cohabitation is much less likely to involve living with children, and, perhaps as a result, these cohabiters are likely to be members of dual-earner couples. Cohabitation among the less-educated two-thirds of the time involves parenthood on the part of at least one of the cohabiters, and children tend to reduce measured economic well-being.

Another important household composition difference involves the household members of adults not living with a spouse or partner. Again, the nature of the household varies along educational lines. Among college-educated adults without a spouse or partner, 44% live alone.

The typical college-educated adult without a spouse or partner earns most of the household income—88% in the typical household, as shown in the table on page 11.

By contrast, only 20% of less-educated adults lacking a spouse or partner live alone. Less-educated adults lacking a spouse or partner tend to live in bigger families (2.7 family members versus 1.9 family members), a difference only partly explained by their larger average number of children (0.7 children versus 0.3 children). Less-educated adults without a spouse or partner are more likely to live with at least one of their parents. In part because they often live with other adult family members, less-educated adults without a spouse or partner are not the only source of household income. The typical less-educated adult with no spouse or partner earns only 43% of the household income, half the share earned by the typical college-educated adult with no spouse or partner.

Given that less-educated adults without a spouse or partner often reside with other adult family members, cohabitation offers less of a potential economic windfall to them. By moving in with a partner, they may have the benefit of that partner's income. But by moving out of a household with other family members, they lose the economic resources those other family members contribute. Cohabitation does not necessarily produce net additional earners for the households of less educated adults as it does for college-educated adults without a spouse or partner.

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## APPENDIX 1: TABLES

### Economic Outcomes of 30- to 44-Year-Olds, by Partnership Status, 2009

	Married	Cohabiter	No Partner
<b>Median household income</b>	\$79,800	\$56,200	\$47,800
<b>Median adjusted household income</b>	\$70,711	\$54,179	\$54,000
<b>Poverty rate</b>	7%	27%	18%

Notes: Adjusted household incomes controls for household size. "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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### Select Characteristics of 30- to 44-Year-Olds, by Partnership Status, 2009

	Married	Opposite- Sex Cohabiter	<u>Same-Sex Cohabiter</u>			No Partner
			All	Male	Female	
<b>Median adjusted household income</b>	\$70,711	\$54,179	\$99,204	\$115,000	\$86,957	\$53,399
<b>Poverty rate</b>	7%	27%	16%	14%	17%	18%
<b>Living in household with child(ren)</b>	83%	60%	31%	17%	45%	32%
<b>College graduate</b>	37%	19%	48%	47%	49%	25%

Notes: Adjusted household income controls for household size. "Married" includes only male-female couples.

Source: 2009 American Community Survey (ACS) Integrated Public Use Micro Sample

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## APPENDIX 2: DATA SOURCES

The detailed snapshot of adults ages 30-44 by their partnership status utilizes the U.S. Census Bureau's 2009 American Community Survey (ACS). The ACS is a 1% sample of all U.S. households and features a very large sample of the population. The University of Minnesota Population Center's Integrated Public Use Microsample (IPUMS) version of the 2009 ACS was analyzed (documentation available at <http://usa.ipums.org/usa/index.shtml>). The ACS does not have a direct question as to whether a respondent has an unmarried partner. Cohabiting adults must instead be identified on the basis of a respondent's relationship to the household head. A respondent may identify as the "unmarried partner of the head." In the ACS one can thus identify "unmarried partners of the head" and their corresponding cohabiting household heads. Some cohabiting adults are thus not identifiable in the ACS. One of the cohabiters must be the head of the household in order to be properly assigned "cohabitation status." As discussed below, other Census Bureau data reveal that about 80% of cohabiting adults are either the unmarried partner of the head or a cohabiting head of the household.

A primary purpose of this analysis is to compare the economic well-being of cohabiting adults ages 30-44 with their married counterparts. In this data source, marriage applies only to spouses of the opposite sex and to have a straightforward comparison of married to cohabiting persons, "cohabitation" is defined herein as opposite-sex cohabitation. Although fewer than one-in-ten adults is in an opposite-sex cohabiting relationship at a moment in time, the large size of the ACS results in the analysis being based on 35,929 opposite-sex cohabiting 30- to-44-year-olds.

In the ACS, income and poverty measures are available only for persons residing in households, so this analysis excludes all others, including those residing in group quarters. It should be noted that the poverty measure utilizes the University of Minnesota Population Center's Integrated Public Use Micro Sample (IPUMS) version of the 2009 American Community Survey. Although the IPUMS poverty variable defines poverty on the basis of detailed family income and family structure information for each adult, it is not identical to the poverty variable on the original Census PUMS file. See <http://usa.ipums.org/usa-action/variables/POVERTY> for details.

The analysis is restricted to adults at least 30 years old because many younger adults are still in the process of completing their education. By age 30, most persons have finished their formal education. We imposed an upper age limit of 44 because partnership status may have different implications among older adults than adults in their family-forming years. After a certain age,

most children no longer reside with their parent(s). Although 44 is admittedly arbitrary, the ages of 30-44 correspond to the key family-forming and child-rearing years of adulthood.

Although the analysis is restricted to 30-to-44 year-olds, this does not imply that a 30- to 44-year-old's spouse or cohabiting partner also must be in that age group. Many people partner with

persons older or younger than themselves. That the partner need not be 30-44 explains why the partner's characteristics do not always match precisely the characteristics of partnered 30- to 44-year-olds. As an example, 80% of married 30- to 44-year-old adults were employed in 2009. If the 30- to 44-year-olds were all married to each other, then 80% of the spouses of 30- to 44-year-olds would have been employed. The actual share is slightly different: 79% of the spouses of married 30- to 44-year-olds had jobs because some of the married 30- to 44-year-olds have spouses outside the 30-44 age range.

The trend analysis utilizes the Census Bureau's March Current Population Survey (CPS). For the study of current partnerships, the CPS has two disadvantages relative to the ACS.<sup>5</sup>

### Unmarried Partners of the Opposite Sex

Year	Census Count of Households with Unmarried Partners	Number of Unmarried Partners	Identified Unmarried Partners
2010	7,529,000	15,058,000	12,240,000
2009	6,661,000	13,322,000	10,710,000
2008	6,799,000	13,598,000	10,880,000
2007	6,445,000	12,890,000	10,410,000
2006	5,012,000	10,024,000	10,020,000
2005	4,875,000	9,750,000	9,750,315
2004	4,677,000	9,354,000	9,351,536
2003	4,622,000	9,244,000	9,243,349
2002	4,193,000	8,386,000	8,365,996
2001	4,101,000	8,202,000	8,201,216
2000	3,822,000	7,644,000	7,622,490
1999	3,380,000	6,760,000	6,748,433
1998	3,139,000	6,278,000	6,266,438
1997	3,087,000	6,174,000	6,157,033
1996	2,858,000	5,716,000	5,716,842
1995	--	--	5,282,861

Note: "Identified unmarried partners" is the weighted number of cohabiters who are household heads or their partners, after erroneous duplicates have been removed. See text for details.

Source: Census Time Series on Unmarried Partners, Table UC-1, available at <http://www.census.gov/population/www/socdemo/hh-fam.html>

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<sup>5</sup> The ACS and CPS do generate similar estimates of the number of unmarried opposite-sex couples which include the householder. The 2009 ACS indicates there are 5.9 million such households. The March 2010 CPS indicates there are 6.1 million such households. The estimates are not different statistically (Kreider, 2010).

First, the CPS is a much smaller sample. For example, the March 2009 CPS has about 208,000 person records, about 1/15th the size of the 2009 ACS.

Second, the Census Bureau does not edit the CPS in the same fashion as the ACS. Until 2007, the CPS did not have a direct question on whether a person had a partner in the household. Beginning in 1995, an individual could identify oneself as the unmarried partner of the household head. However, in some households in the CPS several persons identify themselves as the unmarried partner of the head. Furthermore, in some households in which a person claims to be the unmarried partner of the head, the head of the household reports being married and living with a spouse. In this analysis we ignored these anomalies by identifying as cohabiting individuals only those persons who were the unmarried partners of the head of the household (and the head reported being unmarried); who lived in households with only one person claiming to be the unmarried partner of the head.

The table on page 26 reports the official U.S. Census Bureau tally of the number of cohabiting persons of all ages from the March Current Population Survey. It also reports the weighted number of cohabiting persons using the above procedures to identify cohabiters. In every year until 2007 we identify nearly 100% of cohabiting persons.

There is a break in the Census Bureau series at 2007. Beginning in 2007, cohabiters are identified using a direct question on cohabitation so all cohabiting relationships are identified, not just those involving the head of the household. Comparing our estimates in column 4 with the census count in column 3 reveals that cohabiting relationships involving the head of the household account for about 80% of all cohabiters. The analysis in the text uses the consistent time series reported in column 4 so that we have a consistent set of cohabiting persons across the years.

Tabulations from the March 2010 CPS indicate that the qualitative conclusions on economic well-being and cohabitation are robust to the manner in which cohabiters are identified. The first row of the table below identifies cohabiting persons on the basis of the more narrow unmarried partner of the household head. Cohabiters not involving the household head are enumerated with persons not residing with a spouse or partner. This mimics the identification procedure utilized for the American Community Survey, and college-educated cohabiters have a higher median adjusted household income than their married counterparts. The second row uses the more inclusive direct CPS question on cohabitation, and cohabiters in relationships not involving the household head are tallied as cohabiters rather than persons not residing with a spouse or partner. Cohabiters in relationships not involving the household head in 2010 tended to have lower adjusted household income than cohabiters involving the

household head, but they also had higher household income than adults without a spouse or partner. Hence including cohabiters not involving the household head lowers the measured income status of cohabiters but also lowers the income status of single adults as well.

Household income data reported in this study are adjusted for the number of persons in a household. That is done in recognition of the reality that a four-person household with an income of, say, \$50,000 faces a tighter budget constraint than a two-person household with the same income.

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### Median Adjusted Household Income of 30- to 44-Year-Olds, Under Alternative Identification of Cohabiters, March 2010

	<u>Not a college graduate</u>			<u>College graduate</u>		
	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>	<b>Married</b>	<b>Cohabiter</b>	<b>No Partner</b>
<b>Cohabiter identified through relationship to household head</b>	\$54,987	\$48,000	\$42,197	\$100,000	\$100,643	\$86,603
<b>Cohabiter identified through direct partner question</b>	\$54,987	\$47,815	\$41,786	\$100,000	\$100,643	\$85,191

Notes: Adjusted household incomes controls for household size. "No partner" includes those living without an opposite-sex partner or spouse.

Source: 2010 March Current Population Survey (CPS) Integrated Public Use Micro Sample

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At its simplest, adjusting for household size could mean converting household income into per capita income. Thus, a two-person household with an income of \$50,000 would be acknowledged to have more resources than a four-person household with the same total income. The per capita income of the smaller household would be \$25,000, double the per capita income of the larger household.

A more sophisticated framework for household size adjustment recognizes that there are economies of scale in consumer expenditures. For example, a two-bedroom apartment may not cost twice as much to rent as a one-bedroom apartment. Two household members could carpool to work for the same cost as a single household member, and so on. For that reason, most researchers make adjustments for household size using the method of "equivalence scales" (Garner, Ruiz-Castillo and Sastre, 2003, and Short, Garner, Johnson and Doyle, 1999).

A common equivalence-scale adjustment is defined as follows:

$$\text{Adjusted household income} = \text{Household income} / (\text{Household size})^{0.5}$$

By this method, we are effectively assuming that a two-person household needs 1.41 times the income of a one-person household to be as equally well-off. Similarly, a four-person household requires twice the income of a one-person household to have equal resources.

Once household incomes have been converted to a “uniform” household size, they can be scaled to reflect any household size. The income data reported in this study are computed for three-person households.