



The Case for Transferable Allowances for Married Couples:

Recognising the Public Policy Benefits of Marriage

This paper makes the case for the introduction of transferable allowances for married couples, as mandated by page 30 of the Coalition Agreement, on the basis of the public policy benefits of marriage.¹ It should be read in tandem with '*The Case for Transferable Allowances: The Fiscal Fairness Perspective*', which argues for transferable allowances from a narrower fiscal perspective.²

Given that it will take at least twelve months to make the necessary preparations for introducing transferable allowances from the passage of the requisite legislation, the March 2013 Budget probably presents the Government with its last opportunity to honour its manifesto commitment if transferable allowances are to be fully operational before the next General Election.

Introduction

Marriage clearly brings with it many private and personal benefits. It is vital, however, that we do not allow contemporary cultural models of romance to cause us to lose sight of the very significant public policy benefits also associated with marriage.

Where particular arrangements have beneficial public consequence, such as good environmental conduct or saving for one's pension, it is normal practice that these public benefits are recognised by the tax system.³ This, however, is not the case with marriage. Although marriage was recognised in the UK income tax system for many years and continues to be recognised in most OECD countries, this recognition was removed in the UK in 1999. Today the UK is the only large developed OECD economy not to recognise marriage in its income tax system. Only 20% of people in the OECD live in jurisdictions that don't recognise marriage and most of those live in either the UK or Mexico.⁴

Structure

This paper is divided into two parts. Part 1 looks at the public policy benefits of marriage from the perspective of adults, children and community. It will then examine and refute some counter arguments questioning the public policy benefits of marriage. Part 2 then looks at the problems with our current fiscal arrangements given the public policy benefits of marriage, at what needs to change and on the importance, in this regard, of transferable allowances.

¹ The Coalition: Our Programme for Government, May 2012, p30
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

² '*The Case for Transferable Allowances: The Fairness Perspective*,' CARE, 2013

³ Tax reliefs are available in policy areas such as Climate change, in regard to exemption from the Climate Change Levy, where electricity is generated from qualifying renewable sources and in the area of charitable giving where gift aid donations by individuals to charities or amateur sports clubs are exempt from Income Tax. More information can be found here: http://www.hm-treasury.gov.uk/d/ots_taxreliefs_list_081110.xls

⁴ Pearson & Binder, 2012, *The Taxation of Families – International Comparisons 2011*, CARE, p14

Part 1: The Public Policy Benefits of Marriage

i) *Marriage is good for adults*

Dismissing the importance of family structure (i.e. whether married or not) ignores the compelling evidence that the stability and durability of the family unit is closely linked with the quality of the commitment and relationship of a couple. This is clearly evidenced in the statistics that show how much more stable healthy married relationships are than non-married relationships (on average).

Commitment requires long-term emotional, economic and social investment (and often sacrifice) in the relationship, turning it from one that is about 'me' into one that is about 'we'. This level of commitment generates stability, security, trust, giving and longevity within relationships which, in turn, brings many benefits, from health and happiness to general well-being.

- Regardless of socio-economic status and education, cohabiting couples are between two and two and a half times more likely to break-up than equivalent married couples.⁵
- Even the poorest 20% of married couples are more stable than all but the richest 20% of cohabiting couples.⁶
- The size of the marriage effect upon mental well-being is estimated to be equal to that from an extra \$100,000 a year.⁷
- The size of the health gain from marriage may be as large as the benefit from giving up smoking.⁸
- Marital status is a predictor of survival in patients with lung cancer, leading researchers to suggest that: '*If marriage were a drug it would be hailed as a miracle cure*'.⁹
- Unmarried men & women occupy 90% of all beds in hospital & care homes – up from an average of 70% during 1921-1971.¹⁰
- Those living with a spouse are least likely to go into an institution after the age of 60.¹¹
- Studies consistently indicate that marriage reduces heavy drinking and overall alcohol consumption.¹²
- Those who are married have the lowest risk of suicide, a difference that has persisted over the last 25 years.¹³

⁵ *Green Paper on the Family*, 2010, The Centre for Social Justice

⁶ Benson H. 2006, *The conflation of marriage and cohabitation in government statistics – a denial of difference rendered untenable by an analysis of outcomes*, Bristol Community Family Trust. NB. Age is another risk factor for relationship breakdown, however marital status still has such a strong influence that even younger married mothers are more stable than older cohabiting mothers.

⁷ Wilson, C. and Oswald, A. 2005, *How Does Marriage Affect Physical and Psychological Health? A Survey of the Longitudinal Evidence* http://wrap.warwick.ac.uk/1466/1/WRAP_Wilson_twerp728.pdf

⁸ *Ibid.*

⁹ <http://www.independent.co.uk/life-style/health-and-families/health-news/researchers-discover-a-new-miracle-cure-for-cancer-marriage-8113999.html>

¹⁰ Prior P & Hayes B. 2003. *The Relationship Between Marital Status and Health: An Empirical Investigation of Differences in Bed Occupancy Within Health and Social Care Facilities in Britain, 1921-1991*. *Journal of Family Issues*, Vol. 24, No. 1.

¹¹ The dynamics of living arrangements in later life: evidence from the British Household Panel Survey 2001. *Population Trends*, 105. Office for National Statistics. p40.

¹² *The Effects of Marriage on Health: A Synthesis of Recent Research Evidence*. 2007. US Department of Health and Human Services. <http://aspe.hhs.gov/hsp/07/marriageonhealth/rb.htm>

- Women and children are significantly more vulnerable to violence and neglect in cohabiting rather than married families.¹⁴
- A European study of 20,000 older people found that men and women living with a spouse were more likely to be happy or satisfied with life.¹⁵

ii) **Marriage is good for children**

Children are usually best raised by both of their natural parents, which is reflected in the research on parental relationships and child well-being. Statistics show that parents who are married are more likely to remain together, and being raised in a healthy marriage relationship benefits the children accordingly. Marriage is thus intrinsically linked not only with today's society, but also with tomorrows.

- Three quarters of family breakdown with children under five comes from the separation of non-married parents.¹⁶
- Only 9% of married parents split before their child's 5th birthday compared to 35% of unmarried parents.¹⁷
- Children are 60% more likely to have contact with separated fathers if the parents were married.¹⁸
- Separated fathers are more likely to contribute to their child's maintenance if the parents were married.¹⁹
- Strong relationships exist between mother's marital status at the time of the birth and birth weight. Sole registered births registered by mother alone are much more likely to be of low birthweight.²⁰
- Teenagers living in married stepfamilies have lower delinquency and score higher on cognitive development than teens living in cohabiting stepfamilies.²¹
- The prevalence of mental health issues amongst children of cohabiting parents is over 75% higher than amongst those of married parents.²²

¹³ Griffiths et al, 2008. *Trends in Suicide by marital status in England and Wales 1982-2005*. Office for National Statistics.

¹⁴ *Green Paper on the Family*. 2010. The Centre for Social Justice. p10.

¹⁵ Young H. 2007. 'Living arrangements, health and well being: a European perspective: Full Research Report' *ESRC End of Award Report*, RES-163-25-0024. Swindon: ESRC, p18.

¹⁶ *Population Trends 117*. Autumn 2004. Office for National Statistics.

¹⁷ Benson H. 2009. 'Back off or fire back? Negative relationship behaviours amongst postnatal married and cohabiting couples'. Benson H & Callan S (Eds.), *What works in relationship education: Lessons from academics and service deliverers in the United States and Europe*, pp. 55-66. Doha, Qatar: Doha International Institute for Family Studies and Development.

¹⁸ Amato P, Meyers C, & Emery R. 2009. *Changes in Non-resident Father-Child Contact From 1976 to 2002*. *Family Relations*, 58, pp 41-53.

¹⁹ Kiernan, K, 2003. *Unmarried Parenthood: New Insights from the Millennium Cohort Study*, *Population Trends*, 114. Office for National Statistics.

²⁰ *Risk factors for low birthweight based on birth registration and census information, England and Wales, 1981–2000*. Health Statistics Quarterly, Summer 2006. Office for National Statistics. No 30.

²¹ Manning, W. and Lamb, K. 2010. *Parental Cohabitation And Adolescent Well-Being*
<http://opr.princeton.edu/seminars/manningf02.pdf>

²² Meltzer, H., Green, H., McGinnity, A., Ford, T. and Goodman, R., 2005, *Mental Health of Children and Young People in Great Britain, 2004*, Department of Health.

- Growing up with married parents is associated with better physical health in adulthood and increased longevity.²³
- Evidence shows a direct link between family breakdown, particularly separation from a biological parent, and future offending.²⁴
- Children from broken homes are 9 times more likely to become young offenders, accounting for 70% of all young offenders.²⁵

iii) Marriage is good for communities

The benefits of marriage spin off into the wider community too, with strong correlations between family formation and cohesive communities. Two-parent families are more likely to be involved with their local communities and are less of a drain on resources.²⁶ In public policy the gold standard for family relationships should be marriage.

- The cost of family failure has risen to £44 billion. This means failed relationships now cost each UK taxpayer £1,470 a year.²⁷
- Of every £7 spent on family breakdown amongst young families, £1 is spent on divorce, £4 is spent on unmarried dual registered parents who separate, and £2 is spent on sole registered parents.²⁸
- 70% of young offenders come from single parent families.²⁹
- Offenders who marry are more likely not to subsequently reoffend.³⁰
- 85% of people support giving financial recognition to married couples through the tax system.³¹
- Married people are more likely to volunteer than unmarried individuals.³²

None of this is to suggest that *all* married families enjoy better outcomes than *any* single parent family or cohabiting couple. Clearly there are dysfunctional married families and successful single parent and cohabiting families. However the weight of evidence is firmly in favour of stable, publicly committed, married families as being *in general* the most beneficial structure.

²³ US Department of Health and Human Services, 2007. *The Effects of Marriage on Health: A Synthesis of Recent Research Evidence* <http://aspe.hhs.gov/hsp/07/marriageonhealth/rb.htm>

²⁴ *Green Paper on the Family*. 2010. The Centre for Social Justice. p13.

²⁵ Youth Justice board. *Review 2001/02: Building on success*. London HMSO.

²⁶ *People's Perceptions of Their Neighbourhood and Community Involvement: Results from the Social Capital Module of the General Household Survey*. 2002. Office for National Statistics.

²⁷ *The 2012 Cost of Family Breakdown Index – £44 billion and counting*. 2012. The Relationship Foundation.

²⁸ Benson, H. 2010. *Family breakdown in the UK: it's NOT about divorce*. Bristol Community Family Trust and Centre for Social Justice.

<http://www.bcfct.co.uk/images/2010%20family%20breakdown%20is%20not%20about%20divorce%20-%20final.pdf>

²⁹ Callan, S. *Family Breakdown: Briefing Paper 1*. 2012. Breakthrough Britain. The Centre for Social Justice.

³⁰ Laub J & Sampson R. 2003. *Shared Beginnings, Divergent Lives: Delinquent Boys to Age 70*. Harvard University Press.

³¹ YouGov polling (conducted in April 2008) for *Every Family Matters*. 2009. The Family Law Review. The Centre for Social Justice.

³² Nationally representative survey data in the US found that married adults were 1.3 times more likely to have volunteered for social services and averaged 1.4 times more volunteer hours. Keyes, C. 2002. Social Civility in the United States. *Sociological Inquiry*, Vol. 72, No. 3, pp. 393–408.

What about selection?

Some argue that the correlation between marriage and its stability and benefits is primarily a result of so-called 'selection effects', in that only 'marriageable' people commit to marriage and the benefits are simply because of the 'type of people' who choose it. There is no doubt that stability is influenced by a number of factors, but it is simply not credible to suggest that the public, legal, 'till death us do part' commitment that is 'marriage' has no impact on stability and associated outcomes.

As we noted earlier, even the poorest 20% of married couples are still more stable than all but the richest 20% of cohabiting couples.³³ Benson has found that during early parenthood, the single biggest predictor of stability is whether the parents are married or not, even when controlling for age, income, education, benefits, ethnic group.³⁴

Family scholar, Scott Stanley, says that while selection characteristics do explain outcomes to a certain extent, the relationship itself adds to the picture. It is a false dichotomy to ignore the relationship and say that behavior and personal choices make no difference to outcomes. Indeed evidence of greater selection risk means that the individual's behavior and choices consequently matters more, not less.³⁵

Moreover, to attribute over 30 years of rising family breakdown on a growing national stock of people unable to sustain a long-term relationship is implausible. Demographers such as Professor John Ermisch have found that it is not possible to explain all the effects of marriage through selection.³⁶

CARE does not believe that marriage is the only factor determining stability and associated positive outcomes. There are many others. However, the evidence demonstrates that marriage is an independently significant determinant of stability, with many associated public benefits, and this should be recognised in the tax system.

³³ Benson H. 2006. *The conflation of marriage and cohabitation in government statistics—a denial of difference rendered untenable by an analysis of outcomes*. Bristol Community Family Trust.

³⁴ Ibid.

³⁵ Stanley, S. 2012. Selection and the Philosophical Challenge of Determinism. <https://www.box.com/s/212cf59b3cfcc7767cb6>. Elsewhere, Stanley cites evidence that premarital cohabitation leads to increased risk of marriage difficulties. He says that while there is plenty of evidence that selection variables do explain some or all of the premarital cohabitation risk (e.g., Brown, Sanchez, Nock, & Wright, 2006), nevertheless, numerous studies have controlled for selection variables (often many, simultaneously), finding that it does not completely explain the risk associated with cohabiting prior to marriage (e.g., Kamp Dush, Cohan, & Amato, 2003; Stafford, Kline, & Rankin, 2004) or cohabiting prior to engagement (Kline et al., 2004; Rhoades, Stanley, & Markman, 2009a; Stanley, Rhoades, Amato, Markman, & Johnson). Stanley, S. et al. 2010. Commitment: Functions, Formation, and the Securing of Romantic Attachment. *J Fam Theory Rev.* 2(4). pp.243–257. Benson cites an analysis in the FACS study (Marsh & Perry, 2003) showing how the risk of family breakdown amongst low-income families is increased significantly where couples were unmarried. Benson H. 2006. *The conflation of marriage and cohabitation in government statistics—a denial of difference rendered untenable by an analysis of outcomes*. Bristol Community Family Trust

³⁶ *Every Family Matters*. 2009. The Family Law Review. The Centre for Social Justice.p59.

Part 2: The Public Policy Implications of the Public Policy Benefits of Marriage

Given the public and private benefits associated with marriage, it is not surprising that it remains popular in that most young people from all backgrounds aspire to live their lives within the commitment and trust of marriage. Although the rise in popularity of cohabitation has been well documented, this does not mean that there is a consequent disinterest in the formalised commitment of marriage. Despite social change, the statistics show that marriage is perceived to be distinctive³⁷ and the aspiration to marry is still strong.

- Almost 70% of adults would choose marriage and children as their lifestyle preference.³⁸
- Nearly 90% of young people aspire to get married.³⁹
- 75% of those under 35 currently in cohabiting relationships want to get married.⁴⁰
- In 2011 there were 12 million married couples with or without children and 2.9 million cohabiting couples.⁴¹

Given both the extensive public policy benefits of marriage and the strength of the aspiration to marry, it is odd that marriage rates are not higher. There are undoubtedly many reasons for this but when looking at marriage from the perspective of its public policy benefits we would do well to ask whether or not there are any public policy obstacles to marriage. Analysis of this reveals that, far from having a marriage neutral income tax system that simply does not recognise marriage, we have a system which actually serves to disincentivise marriage.

At present, the tax burden on a one-earner family with two children on average income in the UK is 42% greater than the OECD average. Moreover the tax burden on a one-earner married couple with two children on average wage is 75% of that placed on a single person with no dependents on the same wage, whereas the comparable OECD figure is just 52%.

In this context we have to concur with the following observations.

Iain Duncan Smith has said:

'When asked about their aspirations, young people are very clear: three quarters of those under 35 who are currently in cohabiting relationships want to get married, and some 90 per cent of young people aspire to marriage. So perhaps the question we should be asking ourselves is this: if people from the youngest age aspire to make such a commitment in their lives, what stops them doing so? Government cannot and should not try to lecture people or push them on this matter, but it is quite legitimate to ensure people

³⁷ Civitas/Ipsos MORI survey of 1560 young people, reported in de Waal A. 2008. *Second Thoughts on the Family*. Civitas, p147.

³⁸ MORI Polls & Surveys, 1999, *Family and Marriage Poll*.

³⁹ The Opinion Research Business, 2000, *Young People's Lives in Britain Today*. London: The Opinion & Research Business. Cited in *Green Paper on the Family*. 2010. The Centre for Social Justice.

⁴⁰ *British Household Panel Survey*, 2009, Institute for Social and Economic Research. Cited in *Green Paper on the Family*. 2010. The Centre for Social Justice.

⁴¹ *Families and Households, 2001 to 2011*. 2012. Office for National Statistics.

http://www.ons.gov.uk/ons/dcp171778_251357.pdf

*have the opportunity to achieve their aspirations.*⁴²

Meanwhile, Philip Blond has observed:

*'There is evidence from the UK that the aspiration to marry is uniformly high across the social spectrum but that the financial and cultural barriers, including shifts in expectation concerning male responsibility to marriage, are harder to overcome in low income communities. This makes marriage an issue of social justice. A greater concentration of lone parenthood here may not be an expression of diversity but, paradoxically, of the reduced choice with inability to fulfil marital ambitions as another dimension of inequality.'*⁴³

Those who are uncomfortable talking about incentivising the public policy benefits of marriage – who are seldom coy about incentivising the public policy benefits of other arrangements, which often carry less beneficial outcomes – must recognise that the status quo is completely unsustainable in that it amounts to significant fiscal incentivisation. It is not value neutral. At present tax payers' money is used to create a considerable incentive for couples not to marry or even cohabit.⁴⁴ Indeed, the fiscal incentive not to marry or cohabit is currently so great that the introduction of a transferable allowance in the current environment would actually, in most circumstances (bar that of a married couple with no children on a full transferable allowance in relation), have the effect of moving Britain towards a level playing field rather than actively incentivising marriage.⁴⁵

⁴² Iain Duncan Smith, Secretary of State for Work and Pensions, 'Marriage Week', 8 February 2011.

⁴³ Philip Blond, *Red Tory*, Faber and Faber, 2010, page 84.

⁴⁴ CARE very much welcomes the fact that the Universal Credit will help to erode but not abolish the couple penalty for some couples

⁴⁵ David Binder, *Would the introduction of a Transferable Allowance Incentivise marriage?*, CARE 2013.

Conclusion

The implications of this paper are clear.

First, the public policy benefits of marriage are extensive and should be recognised in the UK tax system as is the case in most OECD countries.

Second, UK fiscal policy is not neutral. We ought not to pretend that it is and should therefore make sure that, rather than disincentivising marriage, we do what is done in relation to other arrangements with a clear public policy benefit, and recognise marriage in our tax system.

Mindful of the clear public policy benefits of marriage, at the very least Britain should not make it harder for people to get married in this country than is the case across the OECD on average.

This briefing recognises that introducing proper transferable allowances will not necessarily be a swift process. However, although any transferable allowance is unlikely to be full, it will be an absolutely crucial first step on a very important journey. Together with the work to erode the couple penalty in the benefits system, these two changes should lay the foundation for creating recognition of marriage in the tax system in the sense of creating a genuine fiscal incentive that recognises the public policy benefits associated with marriage.

In practice policy tends not to be neutral with respect to marriage. It either intentionally supports marriage or leaves it to be impacted by the unintended consequences of other decisions. If relationships are recognised as public institutions, not solely private choices, as this paper contends they should, then policy must support those structures that are best for national and personal life. This is not to advocate that simply encouraging more people to get married is the solution, nor is the solution to encourage profoundly unhappy couples to stay together. However, Government cannot ignore these statistical differences and should value and recognise the many public benefits healthy marriage brings.