

Worsening U.S. Divorce Rate Points to Improving Economy

By Steve Matthews

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Divorce Rates

Hard economic times had kept Amy Derose and her husband Lawrence locked in an unhappy marriage for the sake of their engineering firm in [Pompano Beach, Florida](#).

“The business was hanging on by a thread and we had to hang on,” said Derose, 53, who had been married 35 years and worked as the business manager. “We couldn’t afford to split. He needed me in the business and I needed him.”

With Florida’s economy and housing market recovering, “we are definitely on the upswing” and revenue is rising at their 24-employee company. That is allowing the couple to move forward with their divorce this month after years of showing up to work as if nothing were wrong personally. Now, she is looking for a job and “couldn’t be happier.”

Slideshow: [The Real Cost of Divorce](#)

The number of Americans getting divorced rose for the third year in a row to about [2.4 million](#) in 2012, after plunging in the 18-month recession ended June 2009, according to U.S. Census Bureau data. Whatever the social and emotional impact, the broad economic effects of the increase are clear: It is contributing to the formation of new households, boosting demand for housing, appliances and furnishings and spurring the economy. Divorces are also prompting more women to enter the labor force.

“As the economy normalizes, so too do family dynamics,” said [Mark Zandi](#), chief economist at Moody’s Analytics Inc. in [West Chester, Pennsylvania](#). “Birth rates and divorce rates are rising. We may even see them rise strongly in the next couple of years, as households who put off these life-changing events decide to act.”

40-Year Low

Divorces were at a 40-year low in [2009](#), according to Jessamyn Schaller, an economics professor at the [University of Arizona](#) in Tucson, citing data from the federal government’s National Center for Health Statistics. The divorce rate more than [doubled](#) between 1940 and 1981 before falling a third by 2009, according to figures from NCHS, based in Hyattsville, Maryland.

The rise in divorces has coincided with an increase in household formation. Almost [5.3 million](#) households have been formed in the past four years after the figure slumped to fewer than 400,000 in 2009, according to the Census Bureau. That is bolstering the need for apartments, condos and furnishings.

“Separations and divorce often create additional housing demand by creating two households when there was one,” said [David Crowe](#), chief economist at the [National Association of Home Builders](#) in Washington.

Construction Rebound

That has contributed to the rebound in [home construction](#). Housing [starts](#) surged 67 percent to 923,400 in 2013 from 2009, according to Commerce Department data. Multifamily housing starts have almost tripled since the recession and accounted for 33 percent of residential construction in 2013, up from 20 percent in 2009.

Newly single men have been renting apartments in suburban markets as they seek to stay close to their children and attend school events, said Gregory Mutz, AMLI Residential Properties Trust chief executive officer. The Chicago-based company develops and acquires luxury apartments in the U.S.

“In unhappy marriages, they have started having the macroeconomic ability to unwind,” he said. That is creating “a little bit of a tailwind” for apartments.

About 150,000 divorces were [postponed](#) or avoided between 2009 and 2011, said Philip Cohen, a sociology professor at the [University of Maryland](#) in [College Park](#) who linked breakups to the economic cycle in a January 2014 paper.

Unemployment Tie

Both marriages and dissolutions are tied to unemployment, University of [Arizona](#)’s Schaller found in a May 2012 paper. Each one percentage point increase in the jobless rate is associated with a 1.5 percent decrease in the marriage rate and 1.7 percent drop in the divorce rate, she calculated.

Unemployment slid to a five-year low of 6.6 percent in January from 10 percent in October 2009. Home [prices](#) increased 22 percent in third quarter of last year compared with the first quarter of 2012, partially recovering a 35 percent drop from 2006’s second quarter, according to the S&P Case-Shiller U.S. Home Price index.

Rising stock and [home prices](#) are giving couples greater financial security. Household net worth for the third quarter last year was more than \$8 trillion above its pre-recession peak of \$69 trillion reached in same period in 2007, data from the Federal Reserve showed in December.

In Florida and Arizona, two states that saw home-price gains after severe drops, [divorce rates](#) rebounded in 2011 to above 2008 levels, according to the health-statistics agency.

Start Thinking

Now that “home prices are going up many people who were postponing their divorce might start thinking about it,” said Abdur Chowdhury, a professor at Marquette University in [Milwaukee](#), and an adviser to the [Federal Reserve](#) Bank of Chicago. The economist published a [July 2011](#) paper that examined the impact of recessions on divorce.

“In many cases after divorce, people sell their homes and divide up the proceeds,” he said, which provides “each of them with a nest egg to begin their separate lives.”

Attorney Sandra Bonfiglio saw her family law practice in [Fort Lauderdale](#), Florida, rebound last year close to 2009 levels after dropping 20 percent in 2010 near the worst of the state’s housing crisis, she said.

When the real estate bubble popped, “people did not have enough money to litigate,” she said. Breakups had been complicated because couples jointly owned homes with loans that exceed their value, she said.

While an improving economy may be allowing more divorces, there can be high costs -- both emotional and financial -- for those involved, especially women.

Economic Necessity

Divorced women are more likely than married women to be working or seeking jobs because of “economic necessity,” said Ariane Hegewisch, study director for the Institute for Women’s Policy Research in Washington.

“Women may carry a greater burden of the costs of child care, but also to be more restrained in the paid work they can earn as primary caregiver for their family,” she said.

An estimated 67 percent of divorced [women](#) were in the [labor force](#) in 2011, compared with 60 percent of married women and 58 percent for all women, according to the U.S. Labor Department. The [unemployment rate](#) for women [fell](#) to 5.9 percent in January.

After a breakup, women’s per capita household incomes drop as much as 15 percent, and they have higher poverty rates, said Nicholas Wolfinger, sociology professor at the University of Utah.

“Divorce takes a devastating economic toll on women,” he said.

Paralegal Studies

After Stephanie Jackson and her husband divorced in December, the 41-year-old mother of two said she has gotten a part-time job as a bookkeeper while studying to be a paralegal. She estimates her income will be about \$6,000 this year and has lost her health insurance.

“I have gone from an upper-middle-class mom to being a welfare mom,” said Jackson, whose children are nine and 13. “I am on [food stamps](#) and free lunches.”

Even so, ending an unhappy marriage was “worth every moment of hardship,” said Jackson, of Lilburn, [Georgia](#). “I had to take full ownership of my life, my choices, my future, and my happiness.”

In Florida, Derosé is now looking for a job, as the business she owned with her husband, Lawrence, will remain with him after the divorce. Lawrence declined to comment because the divorce is still pending.

Even with her changed circumstances, “I walk around with a smile on my face,” she said. “I am very happy.”

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