



# Homeownership in later life – Does divorce matter?

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## ABSTRACT

This paper evaluates whether the experience of marital breakdown during the life course is associated with the likelihood of exiting from homeownership, and whether this association varies across Europe. In line with previous research on the short- and medium-term housing and economic consequences of divorce, we find that for European men and women alike, this life event is associated with a lower likelihood of being a homeowner in later life. This negative association furthermore varies across institutional contexts, as indicated by: the housing regime (in particular access to mortgage credit); welfare state support; and female employment. In a context of increasing divorce rates and a stronger reliance on housing wealth as a form of welfare provision, our findings may have important policy implications. In many countries, homeownership forms part of the pension mix and hence contributes to economic security. Other benefits relate to housing quality, security of tenure and independence.

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## 1. Introduction

Separation and divorce have become important life-course events, with a growing share of the population affected by their economic, social and psychological consequences (e.g. Amato, 2000). Across Western countries, the 1970s heralded the end of the ‘golden age of marriage’: while marriage rates declined and the average age at marriage rose, the numbers of people cohabiting and having children outside of marriage increased (e.g. Kiernan, 2003). The idea of ‘marriage for life’ was further eroded by increasing divorce rates, as the legal, social and economic barriers to marital dissolution were lowered. Across the European Union (EU-27), the crude divorce rate increased from 0.8 per 1000 persons in 1965 to 2.1 per 1000 persons in 2007. Since 2008, the crude divorce rate

has declined slightly, but this rather reflects the fact that fewer people are legally married and does not indicate a decline in partnership dissolution (European Commission, 2013).

Studies in the United States (US) and Europe have mainly focused on the financial consequences of divorce (e.g. Andreß, Borgloh, Bröckel, Giesselmann, & Hummelsheim, 2006; Holden & Smock, 1991; Uunk, 2004), documenting that relationship dissolution entails a sharp decline in women’s household income. This has been related to women’s more limited participation in paid labor and to their lower earnings; and to the fact that divorced mothers are often the main caretaker of children. Welfare benefits, alimony payments and/or child maintenance cannot offset the loss of men’s earnings and of scale economies (Andreß & Hummelsheim, 2009). Limited access to childcare furthermore restricts mothers’ abilities to remain in or to enter full-time employment in order to maintain pre-divorce living standards (e.g. van Damme, 2010). Men are less likely to suffer from financial strain following divorce, although more recent studies show that

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they also experience negative economic consequences (Aassve, Betti, Mazzucco, & Mencarini, 2009; Kalmijn, 2005; McManus & DiPrete, 2001).

Research has also looked at the housing outcomes of divorce. These are entangled with the financial consequences, and hence to some extent gender-specific (e.g. Dewilde, 2009; Feijten, 2005). The general pattern is mixed, however, as housing outcomes of divorce are also the result of legal practices regarding the division of marital property and the custody of children (e.g. Gram-Hanssen & Bech-Danielsen, 2008; Joseph & Rowlingson, 2011; Mulder & Wagner, 2010). However, upon relationship dissolution both men and women struggle to maintain their 'pre-divorce' position in terms of tenure, affordability, quality and type of housing (e.g. Dewilde, 2008; Feijten & van Ham, 2007).

Most comparative research so far has used prospective panel data, and has concentrated on the short- or medium-term consequences of relationship dissolution.<sup>1</sup> Initially, studies relying on panel data focused on the period immediately following divorce (e.g. DiPrete & McManus, 2000; Uunk, 2004). As more data became available, it became possible to follow divorcees for longer time periods, usually about 10–15 years (e.g. Andreß et al., 2006; Jansen, Mortelmans, & Snoeckx, 2009). The current paper, however, focuses on the *long term* by asking whether divorce experience is associated with homeownership *in later life*, for those who have ever owned a house. Although the importance of homeownership as a form of old-age insurance differs cross-nationally (e.g. Castles, 1998), for most older Europeans the owner-occupied home is the largest asset they possess and a source of economic security. Outright (non-mortgaged) homeownership provides older people with a housing service that is cheaper compared to renting a similar property on the private market. Homeownership also insures people against housing cost inflation and involuntary residential mobility. Outright ownership can moreover be used in order to supplement pension or care needs. Most older Europeans are, however, reluctant to trade down or to use reversed mortgages (Angelini, Brugiavini, & Weber, 2011a). They are emotionally attached to their home, and it provides them with choice, independence and control (Elsinga & Hoekstra, 2005). As homeownership is an important determinant of well-being for older people, our first research question is whether the short- and medium-term economic and housing consequences of divorce for European homeowners, as illustrated in previous research, are carried over through the life course and into later life.

A second aim of this paper is to explore variation across European countries in the association of divorce experience with later-life homeownership. Do the tenure outcomes of divorce for homeowners vary systematically

across institutional contexts – represented by welfare state arrangements, female employment regimes and housing regimes? To this end, we identify indicators representing contextual arrangements at different historical times, which are hypothesized to influence the housing and economic consequences of divorce. We evaluate cross-level interactions between divorce experience and these contextual arrangements and the likelihood of later-life homeownership for a sample of ever-married respondents who have ever owned a house since establishing their own, independent household. Empirical analyses are based on 10 Western European countries included in SHARELIFE, the third wave of the Survey of Health, Ageing and Retirement in Europe (SHARE).

## 2. Divorce and homeownership in later life: micro-level mechanisms

### 2.1. The housing consequences of relationship dissolution

The period following relationship dissolution is characterized by increased residential mobility (Feijten & van Ham, 2007; Feijten & van Ham, 2010; Murphy, 1990; Wasoff & Dobash, 1990). To start with, the dissolution of a couple results in two separate households, of which at least one has to find another place to live. Because of the 'urgency' of a move caused by relationship dissolution and the financial restrictions, residential mobility is initially often characterized by a 'fall' down the so-called 'housing ladder' in terms of type of housing (e.g. single-family house versus flat), its quality and quantity (Dewilde, 2009). This is then followed by a slow and gradual recovery as people regain control over their finances, relationships and the type and quality of housing they can access (Feijten & van Ham, 2007, 2010).

Residential mobility incurs not only economic, but also social and psychological costs. Finding new housing that is 'decent and affordable' might be difficult. People are often tied to a certain neighborhood because of children, or for reasons of 'location-specific' capital. The latter concept refers to local ties, such as living close to work or having parents, siblings and friends close by (e.g. Mulder & Malmberg, 2011). Residential trajectories following divorce are furthermore gender-biased: taking care of children lowers the odds of residential mobility for both men and women, but more women than men have co-resident children (Mulder & Wagner, 2010; Murphy, 1990). Low-income mothers have a higher chance of gaining access to social housing, while men are more likely to stay in or regain access to owner-occupation (e.g. Dewilde, 2008). For low-income men, the risk of housing exclusion is high (e.g. Sullivan, 1986).

Several studies have focused on the impact of relationship dissolution on the risk of exiting homeownership. Often, the partner who leaves the marital home will exit from homeownership and rely on renting for some period of time. The partner who remains in the owner-occupied home usually has to provide for the full mortgage payments, along with other regular costs, and might have difficulties in raising the capital in order to

<sup>1</sup> We note that research into the housing consequences of divorce has more often made use of retrospective life-history data, allowing for a time horizon of several decades. Most of these studies are, however, for single countries. (e.g. Feijten & Mulder, 2005; Feijten & van Ham, 2007).

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