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Long-term impact of divorce on women's earnings across multiple divorce windows: A life course perspective

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ABSTRACT

We investigate divorce as a turning point for women's earnings trajectories and whether those patterns have changed over recent decades. We use a unique data set that links retrospective family history data from the *Survey of Income and Program Participation* to longitudinal earnings records from the Social Security Administration. Using a panel fixed-effects model, we retrospectively compare women experiencing a marital dissolution across three divorce windows within a 25-year period (1970–1994) to continuously married women, from 3 years before to 10 years following separation. We find that women who divorced experienced long-lasting earnings increases, particularly among those who did not remarry. The increases in earnings levels are comparatively similar for those divorced at different times; however, percentage increases are significantly smaller for women experiencing divorce in more recent (1990–1994) relative to earlier (1970–1974) years. We also document lasting employment gains and higher earnings among employed women arising from divorce. In combination, the results extend our understanding of divorce as a salient turning point in women's work lives and call attention to possible changes in this process over recent decades.

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The American family has become an increasing source of divergence in individuals' lives (Cherlin, 2009). Divorce has been a driver of this dynamism. Although down from its peak in 1981, divorce remains one of the most common family transitions experienced by Americans beyond marriage and child bearing (CDC/NCHS, 2011, Table 78). Understanding the impacts of divorce remains a central topic of inquiry and public policy concern (Amato, 2010; Burstein, 2007), but whether divorce represents a turning point which signals a sharp departure of women from their prior labor market behavior remains less understood.

We investigate divorce as a turning point for women's life course earnings trajectories and whether those patterns have changed over past decades. A variety of sociological and economic studies have examined the relationship between divorce and women's market activity (Bedard & Deschênes, 2005; Couch, Tamborini, Reznik, & Phillips, 2013; Haurin, 1989; Johnson & Skinner, 1986; Raz-Yurovich, 2013; Tamborini, Iams, & Reznik, 2012; van Damme & Kalmijn, 2014; van Damme, Kalmijn, & Uunk, 2009). In most instances, studies show increases in women's work activity following a marital dissolution, largely due to economic necessity.[1] However, the extant research lacks a long-term view framing behavioral

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[1] We use the terms 'marital dissolution' and 'divorce' interchangeably.

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changes within a life course perspective. The scarcity of longer-term longitudinal data with sufficient sample sizes is partly at fault for this deficit. The dearth of research also stems from an emphasis on women's economic activity as a determinant of divorce (e.g., Burgess, Propper, & Aassve, 2003; Oppenheimer, 1997; Sayer & Bianchi, 2000) rather than a possible consequence of it (Özcan & Breen, 2012).

In addition, whether there have been changes in the extent to which divorce serves as a turning point in women's earnings trajectories over past decades is not well understood. The historical periods in which life events occur would be expected to influence them (Elder, 1981, 1985). As Elder (1998, p. 2) states in his summary of life course theory, ''Historical forces shape the social trajectories of family, education, and work''. There have been dramatic changes in U.S. women's work and family life over recent decades. Some have examined the influence of these changes on marital patterns and income maintenance of the family (Goldstein & Kenney, 2001; Sweeney, 2002). Here, we examine their implications for divorce and women's earnings.

We investigate the long-term effects of divorce on women's earnings in the United States over past decades using a rich data source that matches respondents in the *Survey of Income and Program Participation* (SIPP) with their own longitudinal earnings from the Social Security Administration (SSA). Retrospective life history data in the SIPP allow us to identify relatively large samples of married women who experienced divorce from the early 1970s to the 1990s, while accounting for their educational level and number of children at that time. The matched longitudinal tax data enable us to track women's annual earnings both before (up to 3 years prior) and after (10 years after) the event across three 'divorce windows' spread evenly across a 25-year period (1970–1994). By divorce window, we refer to women (aged 21–40) who experience marital dissolution within the same 5-year period.

Our analysis uses a robust statistical approach for panel data (Halaby, 2004) that accounts for selection bias into divorce and constant unobserved heterogeneity, while controlling for earnings prior to marital dissolution, remarriage, human capital, and children among other characteristics. We evaluate the total effect of divorce by examining the earnings streams of all women, whether working or not, over a 10-year follow-up period relative to continuously married women over multiple divorce windows. We also assess the evolution of employment and log earnings among workers following divorce, as well as the association between divorce and earnings by education.

The results provide new evidence on whether divorce redirects women's life course earnings trajectories and whether the historical context in which these events occur influences the impact of the event. Because labor earnings constitute the bulk of divorced women's income, far exceeding unearned income (McKeever & Wolfinger, 2005, Table 6-2), our investigation highlights a mechanism by which women may offset an income-reducing family status transition. Women's long-run earnings also have implications for later-life outcomes including lifetime earnings and retirement benefits (Couch et al., 2013).

1. Background

1.1. A life course approach to the link between divorce and women's earnings

A life course perspective is a natural approach for studying the impact of divorce on subsequent earnings. Life course theory views transitions as denoting a change in roles or statuses (Hagestad, 2003). An organizing idea for this study is the notion that transitions may be turning points that redirect a person's life course trajectory (Elder, 1998; Elder, Johnson, & Crosnoe, 2003; Rutter, 1996). This concept has been applied extensively in other areas of research. For example, studies of crime and deviance have explored how employment (Uggen, 2000), marriage formation (Bersani, Laub, & Nieuwbeerta, 2009), and gang involvement (Melde & Esbensen, 2011) each affect subsequent offending trajectories. In this article, we assess divorce as a possible turning point in women's earnings trajectories.

A life course framework also directs attention to the interplay of individual biographies and socio-historical changes (Elder, 1985; Heinz and Krüger, 2001). The lives of individuals are embedded in a social and historical context that provides opportunities and places constraints on choices. Social changes can produce a period effect if they are experienced uniformly in the population or a cohort effect if they differ across successive groups (Pavalko & Elder, 1990). Consideration of historical time, and the constraints and opportunities faced by different cohorts, emphasizes the need to explore if women's earnings paths are altered differentially by divorce depending on the historical context.

1.2. Pathways linking divorce and women's earnings trajectories

Given our primary goal of identifying the long-term impact of divorce on women's earnings across multiple divorce windows, it is useful to sketch out several pathways, net of human capital, potentially linking the divorce-earnings relationship. First, divorce may increase women's work incentives and productivity, and in turn, earnings. The loss of economies of scale and the discontinuation of joint use of resources following divorce may reduce women's general welfare (Bianchi, Subaiya, & Kahn, 1999; Holden & Smock, 1991; Tach & Eads, 2015; Zissimopoulos, Karney, & Rauer, 2015). This decline may necessitate labor market entry for non-employed women, leading to higher earnings. Or, for employed women, it may encourage an increase in work hours or movement to a higher wage job. Moreover, over the long-run, divorced women may select into occupations that are less 'family-friendly', but higher paid.

Divorce also may lead to higher earnings among women by modifying household specialization related to marriage. Labor market stratification models identify household responsibilities, such as childrearing and housework, as a source of gender differences in the labor market (Killewald, 2011). The greater the traditional division of labor in households, with men specializing in market work and