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Does the unemployment rate affect the divorce rate? An analysis of state data 1960–2005

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ABSTRACT

We analyzed data from 50 states and the District of Columbia from 1960 to 2005 to study how the unemployment rate and the divorce rate are related. Unemployment is positively related to divorce in a bivariate analysis, but the association is not significant when state and year fixed effects are included in the statistical model. When the sample is divided into time periods, unemployment is negatively and significantly associated with divorce after 1980. These findings provide the strongest support for a "cost of divorce" perspective and suggest that a high rate of unemployment decreases the rate of divorce, net of unobserved time-invariant state characteristics and period (year) trends.

1. Introduction

The Great Recession, which began in December, 2007, is widely recognized as the most serious economic crisis since the Great Depression of 1929–1939 (Sum et al., 2009). A key indicator of recessions is the unemployment rate, which reached 10.2% of the US labor force in March 2010—up from 4.6% 3 years earlier (US Bureau of Labor Statistics, 2010). Some economists believe that the US pulled out of the recession in the second half of 2009, whereas others argue that it is still continuing (Cohan, 2010). Irrespective of whether the recession is officially over, recovery will be slow, and the high unemployment rate (at the time of this writing) is likely to persist for several years. Moreover, economists warn that many workers who lost jobs will take a great deal of time—perhaps decades—to recapture their previous level of earnings (Luo, 2009).

Do periods of high unemployment destabilize marriage? Although this seems like a strong possibility, the evidence is far from clear about the existence and nature of such an association. Most studies on this topic have used individual-level data to estimate the effects of unemployment on marital stability but, as we note below, these studies are open to multiple interpretations. Moreover, the last study (to our knowledge) that used aggregate-level data to estimate the effects of unemployment on divorce in the US was published a quarter of a century ago (South, 1985).

The current study has two goals. The first goal is to determine whether unemployment and divorce rates move in a counter-cyclical or pro-cyclical fashion. To accomplish this goal, we show state-level trends in unemployment and divorce between 1960 and 2005. The second goal is to estimate how unemployment may affect divorce. To address this goal, we conduct regression analyses of state-level data using state and year fixed effects to account for multiple sources of unobserved heterogeneity.

2. Background

Several theoretical perspectives are relevant to understanding how unemployment rates and divorce rates may be linked. Each perspective leads to a different conclusion about the association between these trends.

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2.1. The psychosocial stress perspective

Many studies suggest that economic hardship produces stress—a condition in which the demands of the environment exceed people's resources and capacity to cope (Lazarus and Folkman, 1984). Stress, in turn, has debilitating effects on the quality of marital relationships. In an early study, Komarovsky (1940) examined husbands' unemployment during the Great Depression. Both spouses initially were optimistic about the husbands' prospects for a new job. But over time, spouses became discouraged, and tension between unemployed men and their wives increased. Elder's (1974) influential work, based on archival data from the Great Depression, yielded comparable conclusions. That is, long-term unemployment and economic hardship increased psychological distress and exacerbated discord between spouses.

Conger, Elder, and their associates studied economic hardship among rural families in Iowa during the farm crisis of the 1980s. Hardship appeared to increase spouses' psychological distress—hostility among husbands and depression among wives—and decrease spouses' expressions of emotional support, warmth, and satisfaction (Conger and Elder, 1994; Conger et al., 1990; Conger and Conger, 2002; Elder et al., 1992). Another study from this period found that economically stressed farmers in Nebraska were likely to be thinking about divorce. Depressive affect mediated about half of the association between economic problems and thinking about divorce (Johnson and Booth, 1990). In a national survey of married couples, Amato et al. (2007) found that family income was a strong predictor of perceived economic hardship. Perceived economic hardship, in turn, was associated with low marital happiness, less marital interaction, more marital conflict, more marital problems, and more frequent thoughts of divorce. With respect to divorce, studies consistently show that a husband's low earnings increase the risk of marital dissolution (e.g., Hoffman and Duncan, 1995; Ono, 1998). Taken together, these studies provide strong support for an association between economic hardship and disturbed marital relationships.

Studies that have focused specifically on unemployment and divorce also provide support for the psychosocial stress perspective. Preston and McDonald (1979), Ross and Sawhill (1975), Bumpass et al. (1991), and Lewin (2005) all found that unemployment among husbands was associated with an elevated risk of divorce. Similar results have been obtained in several European countries. For example, Jensen and Smith (1990) found that unemployment among husbands, but not among wives, was positively associated with divorce in Denmark. Similarly, Jalovaara (2003) and Hansen (2005) reported that unemployment among either husbands *or* wives was positively associated with divorce in Finland and Norway, respectively.

The psychosocial hardship perspective leads to the following hypothesis: (1) *The unemployment rate is positively associated with the divorce rate.* Although a change in unemployment may affect the number of divorces in the same year, the association is likely to be stronger when variables are lagged. Presumably the stress associated with job loss takes time to erode a marriage to the point of disruption. Even couples who are ready to divorce sometimes wait months (or years) before their divorces are finalized and become part of the vital statistics count for that year. Some states also require waiting periods between the filing and granting of divorces. In fact, the median duration from the time of separation to divorce is about 1 year (Bramlett and Mosher, 2001.) Consequently, the psychosocial stress perspective suggests a stronger association when divorce is measured after unemployment, although the length of the lag is not clear. The current study uses lags ranging from 1 to 5 years.

2.2. The cost of divorce perspective

The second perspective focuses on the fact that divorces are costly with respect to standard of living and the accumulation of wealth. These losses include court costs, lawyer's fees, moving to a new residence for at least one and often both spouses, purchasing new furniture, dividing marital property, and the general loss of economies of scale associated with splitting one household into two. During a period of high unemployment, troubled spouses may be reluctant to incur these costs because (1) one spouse might be jobless, (2) one spouse may need to enter the full-time labor force at a time when jobs are scarce, and (3) employed spouses may be concerned about future joblessness. Indeed, the perceived value of a husband or wife with a steady job may increase during periods of high unemployment, thus decreasing the desire for divorce.

Research has abundantly documented the fact that women's standard of living declines following divorce (e.g., Smock et al., 1999; Peterson, 1996). Although less well documented, the standard of living of most men also declines following divorce. McManus and DiPrete (2001) pointed out that economic interdependence between husbands and wives has increased in recent decades due to women's growing labor force participation, the rise in women's real wages, the decline in men's earnings (especially men without college degrees), and the greater sharing of household labor and child rearing within marriage. Consistent with these observations, their analysis found that men are more likely now than in the past to lose financial ground following divorce. Along similar lines, Braver (1999) found that household income was substantially lower among mothers than fathers following divorce. This gap in standard of living essentially closed, however, after taxes, government transfers, child support, and alimony were taken into consideration. These studies suggest that husbands as well as wives have good reasons for avoiding divorce during periods of economic insecurity. Unemployment and the associated cost of divorce may even lead troubled couples to improve their relationships. As Wilcox (2009, p. 9) proposed, "Most married couples have not responded to the economic crisis of the moment by heading for divorce court; instead, judging by divorce trends, many couples appear to be developing a new appreciation for the economic and social support that marriage can provide in tough times."

Few studies have directly addressed this issue. Nevertheless it is well known that the divorce rate in the United States declined during the first few years of the Great Depression. The usual explanation is that couples felt that they literally could