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# Women's emancipation through education: A macroeconomic analysis <sup>☆</sup>



Fatih Guvenen <sup>a,b</sup>, Michelle Rendall <sup>c,\*</sup>

<sup>a</sup> University of Minnesota, United States

<sup>b</sup> NBER, United States

<sup>c</sup> University of Zurich, Switzerland

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## ABSTRACT

We study the role of education as insurance against a bad marriage in light of changing divorce laws during the 1970s. We build and estimate an equilibrium search model with education, marriage/divorce/remarriage, and household labor supply decisions. A key feature of the model is that women bear a larger share of the divorce burden, mainly because they are more closely tied to their children relative to men. Our focus on education is motivated by the fact that divorce laws typically allow spouses to keep the future returns from their human capital upon divorce (unlike their physical assets), making education a good insurance in divorce. In the model, women overtake men in college attainment during the 1990s, a feature of the data that has proved challenging to explain. Our counterfactual experiments indicate that the divorce law reform of the 1970s played an important role in these trends, explaining more than one-quarter of college attainment rate of women post-1970s and one-half of the rise in labor supply for married women. Further, results suggest a higher insurance value of education in divorce than marriage market signaling benefits of education especially for women post divorce reform.

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## 1. Introduction

In this paper, we study the role of education as insurance against a bad marriage. Historically, disparities in earning power and education across genders have contributed to creating a vulnerable economic position for married women. Women in bad marriages are faced with suffering one of two fates: either divorce (assuming it is available) and struggle as low-income single mothers, or remain trapped in the marriage. The following two examples are instructive.

First, writer Ilka Perez recounts her own experience as an uneducated *divorced* mother:

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\* Corresponding author.

E-mail addresses: [guvenen@umn.edu](mailto:guvenen@umn.edu) (F. Guvenen), [michelle.rendall@econ.uzh.ch](mailto:michelle.rendall@econ.uzh.ch) (M. Rendall).

URLs: <http://www.fguvenen.com> (F. Guvenen), <https://sites.google.com/site/mtrendall> (M. Rendall).

Stress and struggle came with independence. When my daughter was young, I worked two jobs and still did not have enough money. Every month, I paid my rent extremely late. I had to go to food pantries or to my mother's house for food.... I shed so many tears that I tried my best not to let my children see. I just kept telling myself, "I will do well by my children by first doing well by me."<sup>1</sup>

The second excerpt describes being *trapped in a bad marriage* as an uneducated woman:

Fraidy was 19 when her family arranged for her to marry a man who turned out to be violent. But with no education and no job, and a family that refused to help her, she felt stuck. Still stuck at age 27, Fraidy defied her husband and relatives to become the first person in her family to go to college. She graduated from Rutgers University at age 32 as valedictorian.... Fraidy went on to a career as an investigator at Kroll, the world's largest investigations firm, and then at a private firm in New York. At the same time, Fraidy managed to get divorced, win full custody of her children and get a final restraining order against her ex-husband.<sup>2</sup>

Examples similar to these are abundant. In both of these cases, education can provide a route to emancipation for women. The goal of this paper is to quantify this insurance demand for education and to better understand its interaction with changes in the divorce laws—what we will refer to generally as *divorce reform*. As we review in the next section, the *consent divorce regime* was the predominant legal framework in virtually all US states before the 1960s. Under consent divorce, the weaker spouse was protected from the involuntary dissolution of marriage by the requirement that both spouses consent to divorce. However, the 1970s witnessed a rapid transformation of state laws, leading to the current widespread prevalence of the *unilateral divorce regime*. In a unilateral divorce, divorce is granted upon the application of one spouse. This change in divorce law occurred during a time when many dramatic changes in the socio-economic status of American women took place, not only in the marriage market, but also in the labor market:

- I. *Changes in marriage/divorce rates*: The marriage rate fell by almost half between 1950 and 2000, and the divorce rate doubled during the same time (Fig. 1 below).
- II. *Reversal of the college-gender gap*: The fraction of women with a college degree rose substantially: during the 1950s, for every college-educated woman, there were about two college-educated men; today, the college-gender gap is reversed, with more women than men graduating from college (Fig. 2 below).
- III. *Changes in female labor force participation*: Married women started joining the labor market in droves, causing the average hours worked by this group to increase fourfold since 1950, an increase that far exceeds the change in any other demographic group.

This paper builds an overlapping generations search model—with marriage/divorce/remarriage, education, and household labor supply decisions—in which these three sets of trends are intimately related to each other. The main focus of the paper is on two types of asymmetries between men and women—gender-specific wage paths and, more importantly, different shares of divorce burden borne by each spouse—and on how these asymmetries are amplified by the equilibrium interactions to generate powerful socio-economic changes in an environment of changing divorce laws.

The story we investigate is a simple and, we believe, plausible one. Our point of departure is that, when it comes to caring for children, women shoulder a larger share of the burden relative to men. Therefore, any disturbance in a mother's life that makes it harder for her to care for her children is extremely costly (in utility terms), which makes her demand insurance against such disturbances (e.g., divorce) more so than men.

Whether a divorce actually takes place depends on the legal system. Under the *consent divorce regime*, both spouses have to consent to the divorce. Under the *unilateral divorce regime*, a spouse can walk away from the marriage without agreement. The change from consent to unilateral divorce provides the basis for our definition of "increasing divorce risk." Under the *consent divorce regime*, individuals face no divorce risk as both spouse's consent is always required for a dissolution of marriage, with the change in law, all individuals face ex-ante divorce risk. A change in divorce laws, brought with it a rise in divorce risks.

In this context, education provides a valuable insurance for at least two reasons. First, without the higher wages associated with higher education, a divorced mother has to rely on her ex-husband, facing added uncertainty about whether he would take care of their children (via alimony or child support).<sup>3</sup> Second, divorce laws typically allow spouses to keep the full future returns from their human wealth upon divorce unlike their physical assets (see, e.g., Bahr, 1983), making education a good insurance in divorce. Put differently, educated women, being better able to cope with a divorce, are less

<sup>1</sup> Ilka Perez, "What's Worse Than Being a Single Mother?" *Motherlode: Adventures in Parenting*, *New York Times*, May 22, 2012.

<sup>2</sup> Biographical sketch of Fraidy Reiss, founder/executive director of Unchained at Last, accessed April 8, 2013, <http://www.unchainedatlast.org/>.

<sup>3</sup> In 1986, only 42% of individuals who were eligible for alimony (overwhelmingly women) received it on a regular basis; 31% never received it, and the rest received it only occasionally. (Source: General Social Survey 1986, available at NORC at University of Chicago, <http://www3.norc.org/GSS+Website/>.)

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