Impact of Marital Dissolution on Men’s and Women’s Incomes: A Longitudinal Study

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This study adopted a longitudinal framework in examining economic consequences of marital dissolution for men and women. Data collected in the Survey of Labor and Income Dynamics from 1998 to 2005 were used to compare men’s and women’s incomes for up to 5 years during and after marital dissolution. Marital dissolution was defined as divorce or separation from a spouse or a common-law partner. Results revealed a dramatic drop in women’s income and a slight drop in men’s income during the dissolution year. One year later, women’s income was 80% that of men’s; 4 years past dissolution, it reached 85% that of men’s. Gender differences in adjusted incomes were statistically significant for up to 3 years postdissolution. These findings suggest that the level of deterioration in women’s economic well-being after marital dissolution has not improved in the last 2 decades.

KEYWORDS marital dissolution, divorce, income, women, men

Economic well-being of individuals is mainly the product of their participation in economic institutions such as the labor force during their life course. It is also affected, both directly and indirectly, by other life events such as changes in marital status. Changes in marital status can influence individuals’ economic well-being directly by creating a tension between demands of caring for children and other family members and the ability to fully partake in the labor force. Economic ramifications of these events usually extend throughout individuals’ lives into their old age. During the period between
1960 and 1995, the rate of divorce increased by over 200% (Friedberg, 1998) and the number of children living in single-parent families increased from 12% to 40% (McLanahan, 1997), and most of these families were headed by women (Galarneau & Sturrock, 1997). Bumpass and Raley (1995) estimated that half of all American children were expected to spend part of their childhood in a single-parent family headed by a mother.

Almost all research on economic consequences of marital dissolution suggests that women and children suffer more financial loss than men do, but reports on the magnitude of the loss to each gender as well as the disparity between them are mixed (Bianchi, Subaiya, & Khan, 1999). Further, reports on long-term income dynamics and on whether men’s or women’s incomes recover from the short-term impact of marital dissolution are also mixed. Estimates of the decline in women’s economic status 1 year after dissolution range between 23% (Galarneau & Sturrock, 1997) and more than 40% (Bartfeld, 1997; Page & Stevens, 2004; Weiss, 1984; Weitzman, 1985), with most studies reporting a decline around 30% (Duncan & Hoffman, 1985; Mott & Moore, 1978) and some documenting dollar declines of around $1,300 in total family income (Hanson, McLanahan, & Thomson, 1998). On the other hand, McKeever and Wolfinger (2001) argued that as a consequence of women’s increased participation in the labor force and the change in child support laws in favor of custodial mothers, economic costs of marital dissolution for women are now much more modest than they used to be. Based on a cross-sectional comparison of married and divorced women, Bedard and Deschenes (2005) also cast doubt on the widely held view that divorce caused large declines in women’s economic status, as they concluded that ever-divorced women live in households with more income per person than never-divorced women.

The financial impact of marital dissolution on men’s economic well-being is less well understood. Whereas some studies reported substantial gains for men after marital dissolution (e.g., Smock, 1994), others reported that men’s incomes may realize smaller short-term gains (e.g., Galarneau & Sturrock, 1997). Still others (e.g., McManus & DiPrete, 2001) argued that the decline of the gender gap in earnings and the increased labor force activities of women resulted in an increase in women’s contributions to the household income. Consequently, more men face a substantial financial burden when losing their partners’ income. Moreover, the increase in the rate of paternal and joint custody of children suggests that economic costs of marital dissolution for men are now much more severe than they used to be (McManus & DiPrete, 2001).

Using the Canadian Longitudinal Administrative Database (LAD) collected during the period from 1987 to 1993, Galarneau and Sturrock (1997) reported that 1 year after separation, 89% of the women were living with children compared with 36% of the men, and the per-capita income for women dropped an average of 23% whereas that of men rose by 10%. They
also reported that at 5 years after separation, women had recovered most of their loss with a per-capita income 5% less than their preseparation level. Finnie and Sweetman (2003) also used the 1992 to 1996 LAD to explore poverty dynamics in Canada. They concluded that 66.7% of lone female parents were poor for at least 1 year during the study period as compared to 40.9% of lone male parents. They also found that women in general were more likely than men to be poor, experienced more years in poverty, and that 17.4% of the consistently poor population were single mothers. In a cross-sectional study of economic consequences of marital dissolution for older and retired women, McDonald and Robb (2004) analyzed the 1993 to 1999 Survey of Labor and Income Dynamics (SLID) data and concluded that the incomes of 79% of separated and 65% of divorced older women were equivalent to the two bottom quintiles of men’s incomes. Their data showed that women continued to suffer from economic ramifications of marital dissolution throughout their lives and into their old age.

Very few studies published so far are longitudinal, and most of these compare economic well-being at only two points in time, before and shortly after dissolution (Bianchi et al., 1999). Such short-term longitudinal comparisons of income overlook long-term income changes, such as whether men and women recover from the initial decline in income or hold steady at a new lower level. Most studies on economic consequences of marital dissolution have been cross-sectional in nature, comparing currently married with currently divorced women (e.g., Bedard & Deschenes, 2005; Day & Bahr, 1986). Such comparisons may confound preexisting low income with postdivorce income reduction (e.g., if lower income couples are more likely to divorce, cross-sectional comparisons will confound this heterogeneity with the effect of divorce). These comparisons also ignore the possible reduction in men’s incomes after marital dissolution. On the other hand, comparing incomes of divorced men and women confounds the preexisting gender difference in earnings with any inequality in the division of income and the financial support responsibilities on dissolution. Marital dissolution is a process with consequences that unfold over time, so these consequences require longitudinal data to be properly analyzed (Finnie, 1993).

Knowledge of economic consequences of marital dissolution in Canada remains very limited in spite of the enormously rich and comprehensive national data collected by Statistics Canada, which can be used to further such knowledge. Only two Canadian studies examined economic consequences of divorce in a longitudinal fashion: Finnie (1993) and Galarneau and Sturrock (1997). In light of the rapidly changing socioeconomic trends, such as the narrowing gender gap in earnings, women’s rising levels of education, their increasing participation in the labor force, and the increasing numbers of men awarded sole and shared custody of their children, studies based on more recent data are needed to monitor effects of these socioeconomic trends on economic outcomes of marital dissolution. In addition, a
new Child Support Package was launched by the federal government in 1997 as an attempt at reforming the Divorce Act. The package included guidelines that aimed at improving the well-being of children after their parents’ divorce by doubling the working income supplement of the child tax benefit, pledging more financial assistance to the enforcement of child support payment orders, and exempting child support payments received from income tax. A new standard formula for calculating the amount of child support payments was also introduced, thus making them more consistent and fair and taking them off the bargaining table in custody arrangements. Although the use of this formula is not mandatory when support awards are negotiated out of court, it is expected to provide significant guidance to the parties and their advisors. Because in most marital dissolutions, children reside with their mothers and support awards constitute transfers from fathers’ incomes to mothers’ incomes, the implementation of these guidelines is expected to improve the economic well-being of divorced mothers and their children and to reduce the gender gap in income for divorced couples.

This study adopted a fittingly longitudinal approach in the study of economic well-being of men and women before, during, and after marital dissolution, tracking their incomes year by year for up to 5 years using the most recent Canadian data available. This study aimed to compare pathways of men’s and women’s economic well-being at each year of follow-up for up to 5 years during and after marital dissolution.

METHOD

Data

This study was based on secondary data analyses of the SLID collected between 1998 and 2005 to evaluate the impact of marital dissolution on the economic well-being of men and women living in Canada. SLID is an ongoing national survey that represents over 97% of all individuals aged 16 and over in Canada (Statistics Canada, 2005b). It is a longitudinal survey in which the same people are interviewed from one year to the next for a period of 6 years. Each panel (i.e., sample of participants) consists of roughly 15,000 households and about 30,000 adults, and a new panel is introduced every 3 years, so two panels always overlap. The first SLID panel was selected in 1993, followed by new panels in 1996, 1999, 2002, and 2005. A preliminary interview takes place at the beginning of each panel to collect background information. From then on, two interviews are conducted each year with questions in both interviews referring to activities in the previous calendar year. Data on labor market experiences, educational activities, and family relationships are collected in January and data on income are collected in May of each year. The breadth of content of this survey combined with a relatively large sample makes it a unique and valuable data set. Further,
over 80% of respondents give interviewers their permission to consult their income tax files (Statistics Canada, 2005b), a fact that increases the accuracy of the data collected.

For the purpose of this analysis, data from the 1999 and 2002 panels were pooled. The sample used in this research included participants in SLID who experienced marital dissolution during the period between 2000 and 2004. With the growing centrality of cohabitation in the adult life course, it becomes important to ask the same kinds of questions about cohabiting unions we ask about marital unions (Avellar & Smock, 2005; Bumpass & Raley, 1995). Hence, marital dissolution was defined as divorce or separation from a spouse or a common-law partner. Participants who reported being in a marriage or common-law relationships in any year starting in 1999 through 2003, and reported being divorced or separated in all subsequent years while being in the study, were selected and tracked in a year-by-year framework.

**ADJUSTED INCOME**

This research used adjusted income as a measure of economic well-being. Adjusted income is an estimate of a family member’s share of family income (i.e., per-capita income). Family income is the sum of after-tax incomes from all sources (including market income, child support, government transfers, etc.) for all family members defined by blood, marriage, and adoption or cohabiting status. Support payments reported in SLID data files are included in both the payer’s and the recipient’s incomes. Prior to 1999, the amounts of these payments were not separately identified, which made it impossible to calculate the actual disposable income available to the payers after making such payments. Thus, data collected prior to 1999 could not be used in this study. Starting in 1999, support payments paid have been separately identified in the data files, which made it possible to subtract them from the payer’s income to arrive at a more realistic estimate of the payer’s financial well-being.

The calculation of a person’s share of family income (i.e., adjusted income) is governed by various methodological assumptions concerning income sharing, economics of scale, and the varying income needs of individuals at different ages and other sociodemographic characteristics. Simply dividing total income by the number of persons in the family would imply that it costs four times as much to provide for a family of four as for one individual, an implausible assumption. Hence, to arrive at a realistic estimate of an individual’s share of family income, the after-tax total family income is divided by an appropriate equivalence scale. An equivalence scale is an estimate of family size that takes into account the number of people in the family as well as their ages, thus converting the family size into a number of “adult” units. This study adopted the equivalence scale published by Statistics Canada and used in its calculation of income tables and low-income measures (Statistics Canada, 2004).
Data Analysis

Medians, means, and standard deviations of adjusted income for men and women were used to describe income pathways up to 4 years after marital dissolution. The nonparametric median rank test was used to test the gender difference in median adjusted income at each year of follow-up. T tests were used to compare mean adjusted incomes for men and women at each year of follow-up. Ratios of postdissolution income to predissolution income were also calculated and compared. All income figures were expressed in 2005 constant dollars. Statistics Canada used probability sampling in which each participant represented, besides herself or himself a number of other individuals who were not in the sample. These sampling weights were published together with the data collected. Sampling weights were rescaled to have a mean of one and used in all analyses to ensure that the results will accurately represent the Canadian population and not just the sample itself. SAS software version 9.1 was used in all analyses.

RESULTS

Figure 1 depicts a comparison of the economic well-being of ex-partners in each year of follow-up relative to the year prior to the break-up. In this figure, median adjusted income during and after marital dissolution expressed as a percentage of predissolution median income for men and women who divorced or separated during the period between 1999 and 2004 were plotted. Median incomes were used because they are less likely than means to be influenced by extreme observations and skewed distributions. Figure 1 shows that during the dissolution year, women’s median income dropped to about 71% of its predissolution level (from $31,710 to $22,550), whereas men’s median income decreased by only 6% (from $31,710 to $29,590), and that the gap between them narrowed gradually thereafter. Women’s median adjusted income reached its lowest level in the dissolution year, recovered slightly during the following 2 years and fluctuated around the 80% level during the second, third, and fourth years after dissolution. Men’s median adjusted income, on the other hand, reached its lowest (93% of predissolution income) 1 year dissolution and fluctuated around the 95% level during the second, third, and fourth years after dissolution.

Table 1 presents medians, means, and standard deviations of men’s and women’s adjusted income before, during, and up to 4 years after marital dissolution as well as significant levels for the gender difference in median and mean incomes at each year of follow-up. All figures were expressed in 2005 dollars. Results in Table 1 indicate that 4 years after marital dissolution, women’s median income was still about 85% that of their ex-partners. Results also show that the gender difference in both the mean and median
Incomes for men and women who separated or divorced in the years between 1999 and 2004 were statistically significant for each year of follow-up up to 3 years, but not in the fourth year postdissolution. However, the numbers of participants available for follow-up in the fourth year postdissolution (28 men and 25 women) were very small, and hence means were subject to sampling fluctuations. The fact that median figures were substantially higher than means in this year is an indication of a negatively skewed distribution of incomes, more so for men than women.
Men’s incomes were highly heterogeneous immediately after marital dissolution and became less so with each passing year (Table 1). Their median income was consistently higher than their mean income, suggesting a negatively skewed distribution of income. There is also a noticeable drop in men’s mean income in the fourth year postdissolution, which was not echoed by a similar drop in their median income for that year.

CONCLUSION

Findings of this study indicated that women’s income dropped by 30% during the dissolution year. This is consistent with findings of previous studies (Bianchi et al., 1999; Holden & Smock, 1991; Peterson, 1996). Surprisingly, this drop is larger than the 23% reported by Galanneau and Sturrock (1997), which was based on data collected prior to the introduction of the Child Support Package launched by the federal government in 1997. Galanneau and Sturrock (1997) also reported that 5 years after separation, women recovered most of their loss with a per-capita income 5% less than their pre-separation level. Data used in this study demonstrated that 4 years postdissolution, women’s median adjusted income was only 80% of their predissolution median income. Whereas Galanneau and Sturrock (1997) reported a 10% increase in short-term gains in men’s average per-capita income, results reported in this article indicated a decrease of men’s incomes, albeit a less dramatic decrease than that among women.

Although inequality in the division of income or the financial support responsibilities on marital dissolution can result in economic disadvantage for women, other societal factors may contribute to increasing women’s financial loss relative to men’s and to decreasing their chances of recovering from the initial impact of marital dissolution. For instance, women generally earn lower wages than men. One reason for this difference is the gender-based division of workforce occupations, with predominantly female jobs paying traditionally less than predominantly male jobs (Armstrong & Armstrong, 2002). Additionally, gender-based pay differentials, although prohibited by the Canadian Human Rights Act, have not been eliminated (Kitchen & Ramsarran, 2006). As a consequence, the average earnings for women who worked full-year, full-time in 2003 in Canada were reported to be 70.5% that of men (Statistics Canada, 2005a). A second factor contributing to the gender gap in income is the caring–earning tension that women experience. Full-time working married women were found to impose more job restrictions than men in response to familial responsibilities (Davis, 2006). Consequently, caring for children and the elderly often conflicts with women’s aspirations in the workforce and reduces their labor market earning abilities (Freiler, Stairs, Kitchen, & Cerny, 2001). This unpaid portion of women’s work has been increasing steadily due to the reduction in state-funded services (Armstrong & Armstrong, 2002).
Decline in women’s financial status indicates in most cases a decline in the financial status of the family children, as most children reside with their mothers after dissolution (Galarneau & Sturrock, 1997; McLanahan, 1997). Page and Stevens (2004) estimated that in the year following divorce, family food consumption falls by 18% and that 6 or more years later, the family income of the child whose parent remains unmarried was 45% lower than it would have been if the divorce had not occurred. In 1994, parental dissolution increased the risk of falling below the low-income cutoff for a child living in Canada from 6% to 66% (Picot & Zyblock, 1998). Adopting a longitudinal framework and using the most recent nationally representative data available, results of this study indicate that women and children suffer more financial loss as a result of marital dissolution than men do. This gender difference in the impact of marital dissolution on the economic well-being of men and women persists for at least 4 years after dissolution. This occurs in spite of the implementation of the 1997 Child Support Guidelines, which aimed to improve the well-being of children after their parents’ divorce.

This study has a number of limitations. Results of this study provide an overall picture of economic consequences of marital dissolution that does not take into account how these consequences are moderated by individual’s sociodemographic characteristics, such as education level, number of children in the family, immigration status, and past history of labor force participation. In addition, results presented in this article do not differentiate between consequences of marriage dissolution compared to common-law dissolution. Some research findings suggested that the legally ambiguous status of common-law relationships limits individuals’, particularly women’s, potential benefits from divorce and child support laws and thus places them at more of a disadvantage than their married counterparts (Wilmoth & Koso, 2002). Conversely, Manting and Bouman (2006) reported that shortly after the union dissolution, cohabiting women experienced a smaller economic decline than divorced women. Avellar and Smock (2005), on the other hand, compared changes in economic well-being of men and women at the end of cohabiting relationships with those of divorced couples and reported strikingly similar gender differences in economic positions.

It should also be noted that the sample of survey participants used in this study included men and women who remained divorced or separated for the entire length of follow-up after their marital dissolution. Thus, income differences in later years of follow-up could be attributed to a selection effect because individuals with higher incomes were more likely than those with lower incomes to remarry (Cherlin, 1992). This selection effect is expected to be more evident for men compared to women because more men than women remarry after marital dissolution (Manting & Bouman, 2006). Hence, this selection effect may explain the drop in men’s mean income in the fourth year postdissolution as well as the noticeable decrease in its variability over the study period.
Although marital dissolution is an event with economic consequences that are moderated by the individual’s sociodemographic characteristics such as past history of labor force participation, education level, number of children in the family, and immigration status, effects of these sociodemographic characteristics on economic well-being after dissolution have never been explored in a Canadian context. Results of this study establish a basic framework for future work that examines the roles of these characteristics in moderating short- and long-term income pathways after marital dissolution. Additionally, future studies comparing economic consequences of marital dissolution for married versus cohabiting couples are needed.

REFERENCES

Impact of Marital Dissolution on Income


