Household income after separation: Does initiator status make a difference?

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Abstract

Using data on 6,490 first marriages of men and women from the Household Income and Labor Dynamics in Australia (HILDA) survey we investigate whether and to what extent taking the initiative to separate impacts on equivalised annual household income after separation. We differentiate between 3 "types" of separation, respondent initiated, partner initiated and jointly initiated. Our results suggested that there are no significant differences in equivalised annual household income between men and women who initiate separation relative to men and women who report a partner or jointly initiated separation. There are, however, some interesting results in relation to differences between initiators and non-initiators that are dependent on time since separation; we are currently investigating these differences. We do find that women experience a significant drop in their equivalised household income and men's income significantly increases when they separate irrespective of initiator status, and these gender differences are significant.

Introduction

In this paper we investigate whether there is an economic advantage to taking the initiative to separate from marriage for men and women. When considering the termination of marriage or not, it is likely that both men and women consider their ability to maintain an acceptable economic standard of living, and also weigh up the economic gains from remaining married by the relative economic losses due to the loss of partners income if the marriage ends (amongst a whole host of other considerations, such as children etc.). Once the decision to separate is made, one of the main consequences are a loss of household income, particularly for women.

Background literature

Exchange and bargaining theories of divorce posit that each spouse within a marriage has a divorce threat point. This threat point varies depending on the perceived costs of ending the marriage relative to the benefits of remaining married. Amongst a range of factors that will vary the divorce threat point the economic consequences of marital separation are viewed as a major barrier to separation (Knoester and Booth 2000; Poortman and Seltzer 2007). Nearly all theoretical frameworks for studying marital dissolution presume that women's economic independence increases the risk of divorce because more economically independent women will do better afterwards. The scant previous research into divorce initiative provides some evidence that wives with better access to economic resources have an increased likelihood of initiating separation (Kalmijn and Poortman 2006; Rogers 2004), although Rogers (2004) also found an increased likelihood of husbands initiating separation when wives had better access to economic resources.

Previous research finds that women do take financial concerns into consideration when making decisions about divorce, but suggests that it is the short term consequences rather than

the long term consequences that they take into consideration (Peters 1993). No known studies, however, investigate whether spouses who do initiate separation are actually better off in terms of their income immediately after marital separation. Understanding what happens after separation from marriage is important because one of the main concerns of divorce is the relative economic disadvantages experienced by women and their children relative to men (Bianchi, Subaiya, and Kahn 1999). Whether or not that varies by which spouse initiates separation may also provide some insights into why women and men make the decision to separate. The conventional wisdom, with limited supporting evidence is that the smaller the perceived financial costs of separation the greater the probability of divorce, we would therefore expect that the men and women who take the initiative to end the marriage will do better in terms of income relative to men and women whose partner takes the initiative to separate. We use longitudinal panel data on 6,490 men and women in their first marriage in 2001 from the Household Income and Labour Dynamics in Australia (HILDA) survey to investigate this issue.

Methods

To investigate the associations between divorce initiation and income after separation we use the first six waves of The Household, Income and Labour Dynamics in Australia (HILDA) survey, collected between 2001 and 2006. Wave 1 comprised 7,682 households and 13,969 individuals. Households were selected using a multi-stage sampling approach, and a 66% response rate was achieved (Watson and Wooden 2002). Within households, data were collected from each person aged over 15 years (where available) using face-to-face interviews and self-completed questionnaires, and achieved a 92% response rate of household members (Watson and Wooden 2002).Wave 2 was collected in 2002 retaining 86.8% of participants from wave 1; wave 3 was

collected in 2003 retaining 90.4% of participants from wave 2; wave 4 was collected in 2004 retaining 91.6% of wave 3 participants; wave 5 was collected in 2005 retaining 94.4% wave 4 participants; and wave 6 was collected in 2006 with a response rate of 94.9% of wave 5 participants. In the current study we focused on all participants who were legally married in their *first* marriage at Wave 1 and follow them through to wave 6[1], we exclude those who became widowed from the analysis (n =). The final analytic sample comprised 3,151 men with an average of 4.9 observations (person years = 15,306) and 3,339 women with an average of 4.9 observations (person years = 16,378).

Dependent variable

Our dependent variable is total annual household income including any tax transfers, government benefits, and income from salary, wages, and business. We used this measure as it best captures all the income available to a respondent after they have separated. Because the needs of households change with each additional member, we equivalised our income measure using the OECD-modified equivalence scale (Organisation for Economic Co-operation and Development 2008). In this approach the first adult within the household is assigned a value of 1, a value of 0.5 is assigned to each additional adult member (aged 15 or over) and a value of 0.3 is assigned to each child. We use this scale as it is the equivalence scale seen to be best suited to the Australian situation by the Australia Bureau of Statistics (Australian Bureau of Statistics 2006). Finally we exclude extreme outliers of household income; people who report a household income of more than $300,000 AUD each year.

Marital status

[1] Note we are currently working on a dataset using 7 waves and 8 will be available by PAA 2010.

At each wave the respondent was asked their current marital status and whether or not their marital status had changed since the previous interview, this information was used to determine whether respondents were married, or separated. We then used an additional question to allocate which spouse initiated separation for those marriages that had ended. In wave 5 of the survey respondents who had separated during waves 1 – 5 of the panel were asked retrospectively which spouse made the final decision to end the relationship with responses "mostly respondent", "mostly partner" or "both". From wave 6 this question was asked prospectively of respondents who separated between waves 5 and 6. This information was used to further code whether the separation was initiated by the respondent or their partner or both. We also include a final category indicating whether or not the respondent was living with a new partner as that had major implications for household income. Our final measure comprises 5 categories, including 1 = Married, 2 = separated – initiator, 3 = separated – non initiator, 4 = separated – jointly initiated, and 5 = repartnered (either cohabiting or married). To exploit the longitudinal nature of the data and to best capture the effect of marital loss on income we include 1-year lagged effects for marital status in our models. There are six lagged marital status measures (t_{-1}): 0 = stably married; 1 = married in the previous wave, but experienced marital loss (reference group); 2 = separated - initiated; 3 = separated – partner initiated; 4 = separated – jointly initiated, and 5 = repartnered. This lagged marital status measure enabled us to estimate the effect of a transition from being married in the previous wave (t_{-1}) to being separated (t) on household income in the current wave. Table 1 presents the numbers of people who separated by initiator status.

TABLE 1 HERE

Two methodological issues relating to the measurement of initiator status have been identified in the literature. First, defining initiator status is difficult and several aspects of the breakdown of a marriage can potentially be construed as *initiation*. Prior studies use a variety of measures for initiator status, but a study by Braver et al. (1993), which examined three different measures of initiator status, found that they are not necessarily interchangeable. For example, the spouse who first suggested divorce is not necessarily the same spouse who filed the legal papers for divorce. Our measure indicates the partner who made the final decision to separate from the marriage and that person is not always the same partner who filed for divorce, physically left the relationship, or first raised the issue of divorce.

A second methodological issue is the potential for systematic bias in the reporting of initiator status. Research finds an ego-enhancing bias in reports of who initiated separation, with respondents more likely to report they initiated the separation than their former spouses (Amato and Previti 2003). Further, research investigating the level of consistency in the reporting of initiator status between former spouses shows that there is close, but not perfect, agreement between reports; Braver et al., (1993) found that 70% of former spouses agreed on who initiated the marriage breakdown, and Sweeney (2002) found agreement in 80% of cases. In the current study we only have complete couple data on about 38% (n = 99) of separations that occurred during the first 6 waves of HILDA, but for those couples we find about 60% agreement on which spouse initiated the separation. The largest discrepancies are when one spouse reports that the separation was jointly initiated and the other reports that they initiated the separation.

Controls

We control for socioeconomic variables, such as education and employment status, that may affect both income and initiation. Education had four groups indicating 1 = year 12 or less (highschool or less); 2 = trade qualifications; 3 = diploma; 4 = bachelor degree or higher. Employment status was: 1 = full time; 2 = part time; 3 = unemployed; 4 = not in the labour force (NILF). Other controls include Age and age squared are included as continuous measures. We also included continuous measures for marriage duration (months) and marriage duration squared. An indicator for children under the age of 18 (1 = yes). Ethnic background was coded 1 = Australian born, 2 = Migrant – English Speaking, 3 = Migrant – Non-English speaking. All covariates are time varying. The descriptive statistics for the covariates are presented in Table 2.

TABLE 2 HERE

Analytic approach

Our models are estimated using a random effect model in STATA using *xtreg* (StataCorp 2008). Given that our dependent variable is continuous we use a linear model to examine the association between the independent variables and income. However, because we have repeated measures on the same individuals, observations for respondents are not independent between each wave. Rather, the responses are correlated since factors, apart from those in our statistical models, which predispose individuals to self-report their housework hours in a particular way in time one are likely to encourage similar responses over time. Because of this temporal dependence, a standard least squares regression model, which assumes independent observations, is not appropriate. We take a multilevel (or mixed) modelling approach to account for clustering of observations by individual (Steele 2008) and include a random intercept to model and control for between individual variation. The models are run separately for men and women.

Results (preliminary)

In Table 3 we present some baseline descriptive results of differences in household income between men and women and initiator status. There are some interesting trends in this table. First, the group with the lowest pre-separation household income (the row "year prior to separation") are women initiators. Men's and women's reports are also consistent with this, where men whose partner initiated separation report a similar preseparation income ($20921.03) to women who initiated ($18887.74) and women whose partner intiated separation (25500.55) report a similar preseparation income to men who initiated ($26394.62). Jointly initiated separations are in between. In the year of separation major gender differences appear. Women's equivalised household income increases slightly for women who initiated and jointly initiated separations, and declines slightly for those whose partner initiated, but overall remains relatively stable. On the other hand, men's equivalised household income increases quite dramatically, by over $10000 a year for all initiator groups. The year after separation women's income improves slightly and men's declines slightly (probably due to adjustment for maintenance and welfare transfers).

TABLE 3 ABOUT HERE

In Table 4 we present the results of the mixed models with a random effect of the association between initiation of separation and income. The main effects and lag effects for the transition to separation, and initiator of separation need to be interpreted jointly to capture the total effect of the transition on household income. Our reference group are people who were married in the previous wave, and had initiated separation by the next wave. To explain, for the main marital status measure the reference group were those who initiated the separation. For the lagged

marital status measure we used those who were married in the previous wave as the reference group.

For men, the results of the baseline model indicated that men who remained stably married had equivalised household incomes $17622.33 less[2] than those who initiated separation. This is probably because separated men have lower numbers of people in their household. Men whose partner initiated the separation did slightly worse than men who initiated separation, their household income was $3946.85 lower, and men who had a jointly initiated separation their household income was $2948.87 lower. However, these differences were not significant. The inclusion of the controls, particularly those factors such as education and employment status that are likely to influence both divorce initiation and income attenuated these results but overall the associations remained significant.

The results for women suggest a slightly different story. In the baseline model, women who remain stably married over the 6 waves had higher equivalised annual household income by $1322.82[3] than women who initiated separation. This is in contrast to the stably married men who had lower equivalised income, additional analysis (not reported) indicates that this gender difference is statistically significant. Women, whose partner (husband) initiated the separation had lower household income than women who initiated the separation by $2890.62, but this was not statistically significant. Similarly, women who report a jointly initiated separation had annual household income $2689.69 lower than women who initiated, this difference was not statistically significant. The inclusion of controls in the models attenuated the effects

[2] Recall that both the main and the lagged effect are needed to estimate the transition effect, so this figure is calculated by summing the "married" coefficient for the main effect (-$20622.99) and the "stably married" coefficient for the lagged effect (+$3000.66), which equals -17622.33.

[3] This figure is calculated by summing the "married" coefficient for the main effect (-$3686.73) and the "stably married" coefficient for the lagged effect (+$5009.55), which equals -$1322.82.

Discussion

In our paper we investigated whether there are financial benefits in terms of income for men and women who initiate separation relative to those whose partner initiates or have a jointly initiated separation. While theories of divorce predict that men and women will take into account whether or not they will be financially secure when considering termination of marriage no studies have looked at whether those spouses do better financially after separation. Even though the coefficients were in the expected direction for both men and women, where respondents who initiated the separation had higher equivalised annual household income, there were no statistically significant differences between the initiator groups.

More broadly our results are consistent with research that finds that men do financially better after separation than women (Bianchi, Subaiya, and Kahn 1999; Poortman 2000). When they separate, men's equivalised household income significantly increases and women's decreases, this is the case irrespective of which spouse initiated the separation. These differences are likely due to the changes in household composition experienced by men, where the number of people in their household diminishes as they are less likely to have custody of children, but their income remains largely the same. In contrast women's income decreases more dramatically, but their household size doesn't decrease as much as they tend to gain custody of children.

There are a number of notable limitations to the study. First there are fairly low numbers of transitions, which means that for some transitions the standard errors are large. The impact of this on the results is that they are likely to be more conservative, we are more likely to have Type II errors, where we find no significant results. The other limitation with our measure of initiator of separation is that we only had retrospective data for those who separated between waves 1 and

5. There were two main problems associated with this. The first is that we did not have couples reports for our reports of initiator status, so we could not cross verify the accuracy of each spouses' reports. The other issue is that for many couples one or both spouses who had separated during the panel had dropped out of the sample by the time the initiator question was asked in wave 5. These factors may have contributed to measurement error or slippages in the accuracy of the reports of initiator status. Both of the above mentioned problems should be alleviated with time as more waves of data become available. We are currently in the process of developing the data set to include wave 7 and by PAA 2010 we should have wave 8 available.

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Table 1: Number of respondents who transitioned from married to separated by initiator status in Waves 1 – 6 HILDA (2001 – 2006)

	Men	Women
Initiated	33	65
Partner initiated	56	35
Jointly initiated	39	32
Total	128	132

Table 2: Descriptive statistics for model covariates

	Men		Women	
	Mean/%	SD	Mean/%	SD
Equivalised Annual Household Income	25296.91	14523.29	25047.32	14059.10
Age	51.38	14.61	48.85	14.28
Marriage duration	23.54	15.32	23.37	15.31
Child under 18 (1 = yes)	45%			
Ethnic background:				
Australian born	72%		75%	
Migrant – English speaking	12%		9%	
Migrant – non-English speaking	16%		16%	
Education:				
Yr 12 or less	36%		57%	
Trade/Certificate	32%		13%	
Diploma	10%		10%	
Bachelor degree or higher	22%		20%	
Employment Status:				
Full time	64%		25%	
Part time	7%		31%	
Unemployed	1%		1%	
Not in Labour Force	28%		43%	

Table 3: Median equivalised annual household income (AUD$) before and after separation by initiator status and gender

	Initiated	Partner initiated	Jointly initiated
Equivalised Income		**Women**	
Year prior to separation	18887.47	25500.55	21143.00
Year of separation	21105.27	24782.00	23347.00
Year(s) after separation	23573.08	29434.00	27483.33
Equivalised Income		**Men**	
Year prior to separation	26394.62	20921.03	23375.50
Year of separation	38682.50	33360.00	36876.00
Year(s) after separation	35214.00	34192.00	33854.06

Table 4: Mixed effects model of equivalised annual household income (AUD$) and initiator of marital separation for men and women

	Men				Women			
	Baseline Model		Control Model		Baseline Model		Control Model	
	Coeff	se	Coeff	se	Coeff	se	Coeff	se
Marital status (t)								
Married	-20622.99***	3912.40	-14833.74***	3639.50	-3686.73*	1906.72	-1401.47	1888.14
Separated – Initiator (ref)								
Separated – partner initiated	-3946.85	4536.11	-2271.33	4259.94	-2890.62	2303.42	-3006.83	2196.30
Separated – jointly initiated	-2498.87	4888.13	-491.16	4582.36	-2689.69	2387.22	-3268.44	2366.51
Repartnered	-11678.51*	4505.13	-8130.03*	4083.78	420.63	6688.70	1545.42	6800.17
lagged marital status (t-1)								
Stably married	3000.66**	965.74	2135.93*	863.47	5009.55***	803.44	2175.01**	716.77
Married (transition) (ref)								
Separated – initiator	4807.96	3197.42	3483.30	2939.20	4159.78*	1792.66	2405.33	1710.82
Separated – partner initiated	1396.61	1893.76	-526.94	1757.76	4385.45***	1234.95	2450.78*	1268.84
Separated – jointly initiated	3110.19	3755.24	1447.01	3523.51	4962.01**	1680.13	3437.19*	1756.25
Repartnered	3217.56	4329.27	2174.12	3766.63	4292.85	4892.96	2450.80	4589.07
Controls								
Education:								
Yr 12 or less (ref)								
Trade/Certificate			832.51*	405.04			1634.34**	490.65
Diploma			5220.70***	664.16			1891.42**	651.81
Bachelor degree or higher			9934.42***	629.37			6728.30***	612.57
Employment Status:								
Full time (ref)								
Part time			-2481.69***	453.39			-2487.41***	319.47
Unemployed			-4218.87***	668.73			-4773.57***	523.56

Not in Labour Force	-6594.01***	487.76	-5006.01***	367.61
Age	582.37***	35.53	581.34***	36.78
Age squared	-9.42***	1.03	-9.25***	1.13
marriage duration	-566.54***	69.28	-539.80***	71.80
marriage duration squared	-1.34	1.18	-3.44***	1.28
Child under 18 (1 = yes)	-6510.54***	393.52	-5508.49***	387.86
Ethnic background:				
Australian born (ref)				
Migrant – English speaking	-210.25	631.59	474.77	704.26
Migrant – non-English speaking	-3836.18***	517.56	-2869.60***	523.10
Constant	27022.05		17541.16	

†p<.10, *p<.05, **p<.01, ***p<.001

Note: coefficients highlighted indicate a significant gender difference for men and women. Gender interactions model only run for the full model.