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## **The consequences of union dissolution for employment in Italy and the United States**

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## 1/2 THEORETICAL BACKGROUND



### Divorce → Reduction of partners' available income

Many studies show that **both partner suffer a income reduction after separation** [Andreß *et al.* 2006; de Regt *et al.* 2012]

- The main cause is the loss of economies of scale

**But women experience the largest income drop**

- Gender-based division of labor during marriage  
(Becker's specialization model)
- Institutional arrangements
  - Child custody after divorce
  - Compulsory marital and child payment
  - Welfare benefits for lone parents

## 2/2 THEORETICAL BACKGROUND



### What about consequences of divorce on employment?

The main strategy to face income drop is by means of labor market participation:

**Women** increase their labor supply substantially after divorce in almost all countries  
(Raz-Yurovich 2011; Van Damme *et al.* 2009)

**Men's** labor supply slightly decrease  
(Kalmijn 2005; Mueller 2005; Bonnet *et al.* 2010)

### Female labor market participation after divorce

**Resources and restrictions** can influence post divorce employment choices:

- human capital investments
- time constraints (Presence of young children, part-time work availability)

## RESEARCH QUESTION



1. Our research question is about the consequences of divorce on **labor supply** and **occupational mobility**.
2. We analyze **both men and women** in **Italy** and in the **United States**
3. We are interested to estimates the **effect of dissolutions** in both countries and to evaluate **on which categories divorce has more effects**

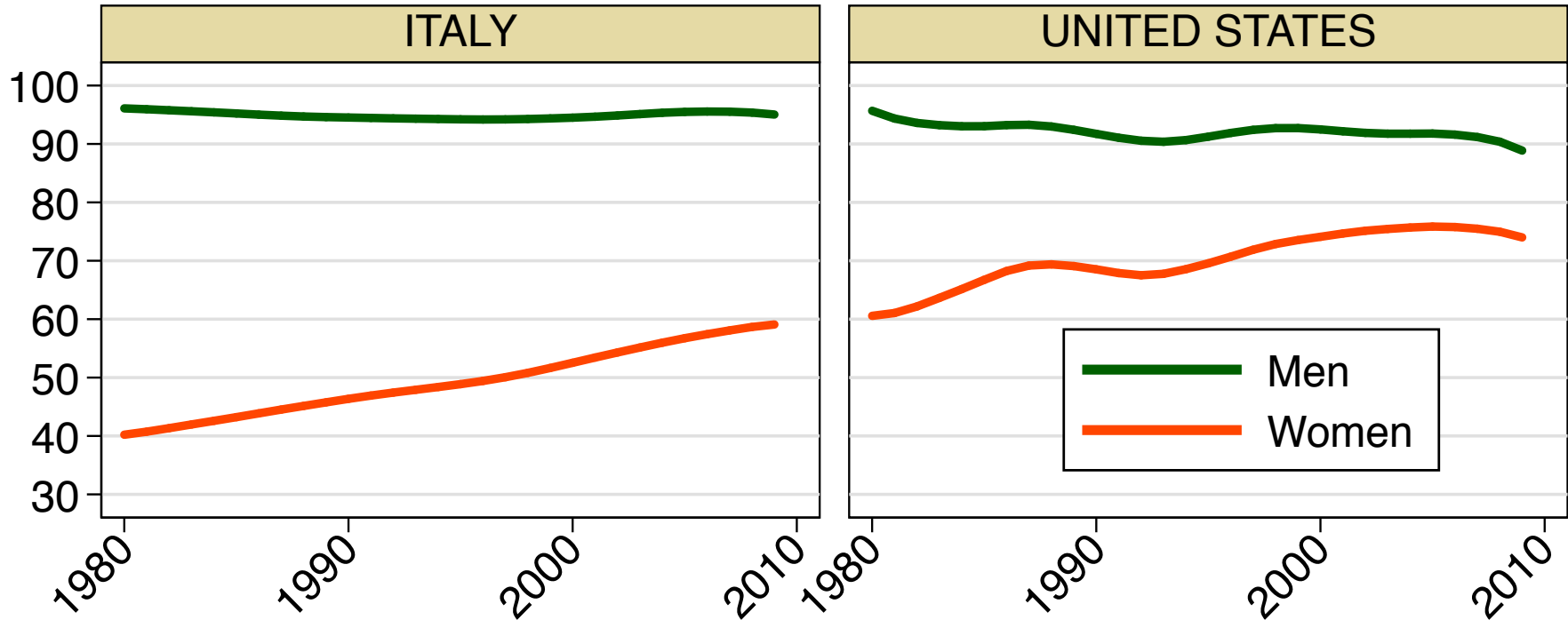
# 1/4 TWO DIFFERENT CONTEXTS



## Gender-role specialization

The gender-role division of labor during marriage conditions the way in which financial consequences of divorce are shared between partners.

### Employment rate for married men and women under 50 by year



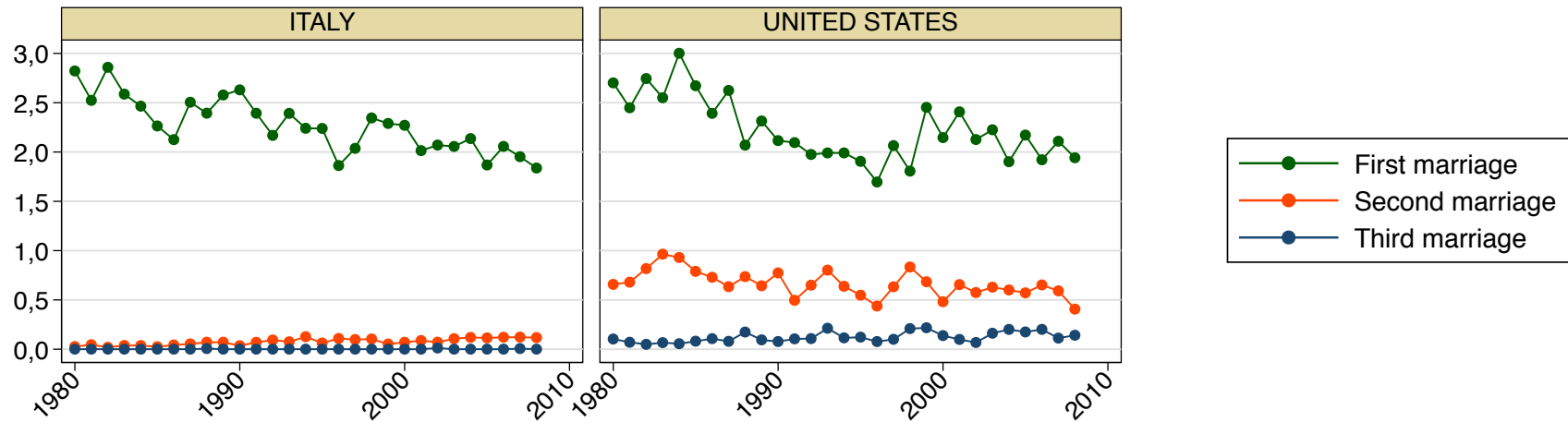
Source: Own elaborations from PSID and MHS

## 2/4 TWO DIFFERENT CONTEXTS

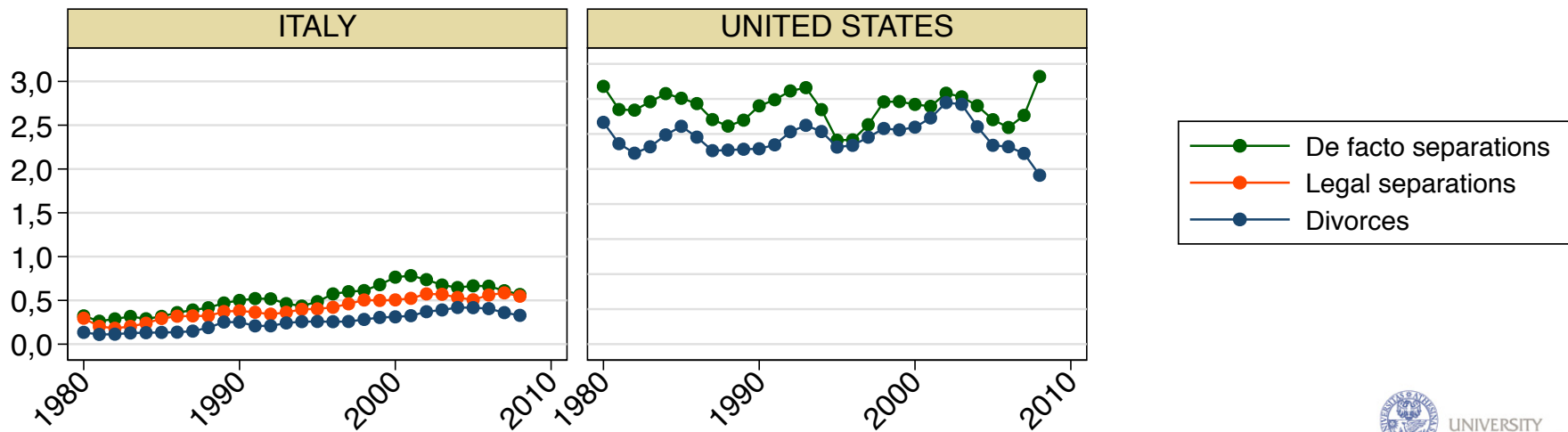


### Marriage market characteristics

#### Marriages per 100 people under 50 : by year and order



#### Dissolutions per 100 married people under 50: by year



## 3/4 TWO DIFFERENT CONTEXTS



### Conditions for female labor force participation after dissolution

#### Both countries

- **Fiscal policy** does little to encourage or discourage participation
- **Part time jobs** are uncommon and related to secondary labor market
- **Low public family support** with means test family policies

#### Italy

- **Family-oriented welfare regime** and **Insider/outsider labor market**
  - few “female jobs”
  - high female unemployment
  - Difficult to enter into the labor market for outsider
- **Italian divorce law**: the family dependence among partners remain also after divorce

#### United States

- **Liberal welfare regime** and **labor market flexibility**
  - More job opportunities, also for outsiders (but often low-paid)
  - low unemployment
  - Market child care
- **US divorce law**: clean break principle

## 4/4 TWO DIFFERENT CONTEXTS



### Adverse contexts for divorced women

In both countries women who divorce are poorly supported by State, but:

- in Italy **family** is the common answer
- In United States **market** is the common answer

Institutional arrangement	Italy	United States
Childcare services	Lack of childcare services	Affordable market childcare services
Labor market	Few female job opportunities	More job opportunities, although often low-paid
Divorce Law	Mandatory child-support and alimony	Mandatory child-support but usually no alimony



### Hypothesis:

Institutions keep women out of labor market

Institutions push women into labor market



# DATA AND METHODS



## Data

### ITALY

#### Multipurpose Household Survey (MHS):

Retrospective held in 2009

30,313 subjects

969 divorce occurrence

### UNITED STATES

#### Panel Study of Income Dynamics (PSID):

Prospective: 1979 to 2009

20,095 subjects

3656 divorce occurrence

**Dependent variables** are:

1. **labor supply**

measured by the probability to be employed

2. **Occupational mobility**

measured by variations in ISEI index

The main **independent variable** is the dissolutions event:

**Legal separation** in Italy

**De facto separation** in USA

**Methods:** logistic and logistic fixed effect regressions

### Analytical Sample

a) persons between 20 and 65 years old

b) who are neither students nor retired people

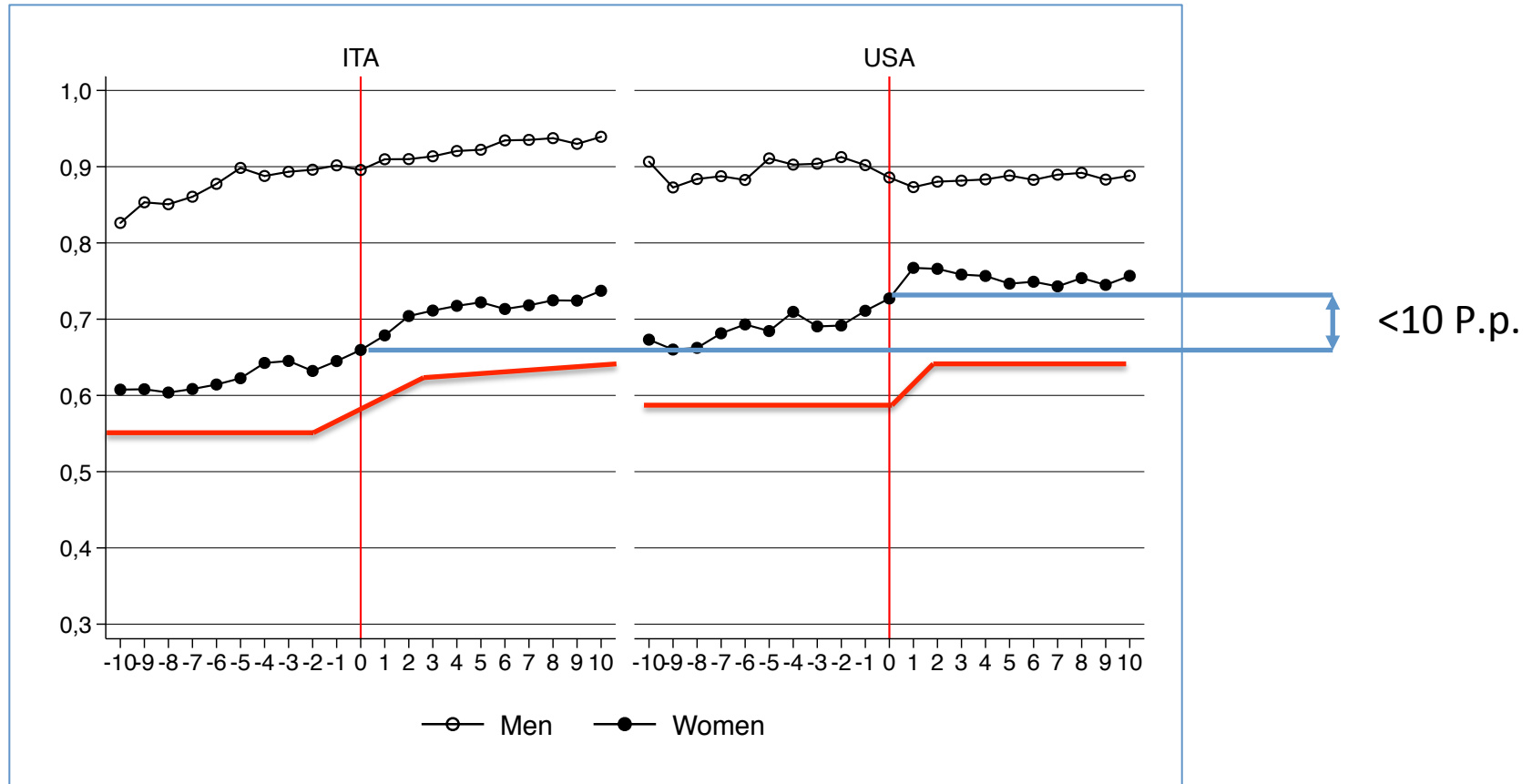
c) and who are married for at least one time



# DESCRIPTIVE RESULTS



## Employment rate around divorce



- In both countries women increase her participation around dissolution
- In US men slightly decrease employment rate after separation
- At the moment of divorce the gap between Italian and American female employment rates is smaller than what we observe for all married women

# DETERMINANTS OF DIVORCE



## Likelihood to divorce. Logistic coefficients

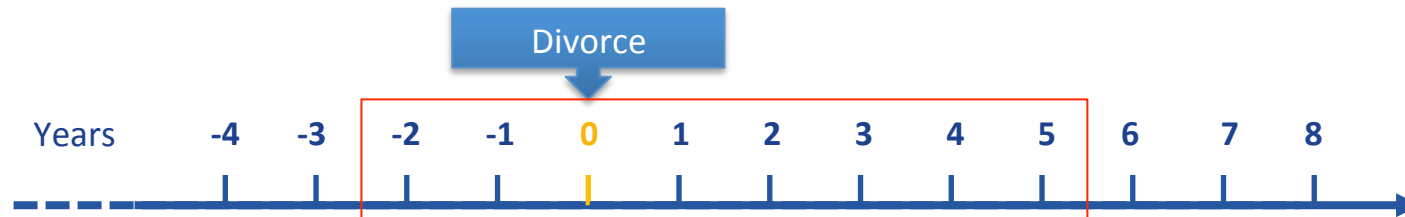
	ITALY		UNITED STATES	
	MEN	WOMEN	MEN	WOMEN
Labor Market participation	-0.08	0.35**	-0.39*	0.01
Child 0-6	-0.73**	-0.33**	-0.28**	-0.28**
Nchild	-0.99**	-0.24**	-0.20**	0.01
Upper Secondary Education	0.08	0.14	-0.05	-0.09
Tertiary Education	0.31*	0.04	-0.50**	-0.59**
Father: Upper Sec Education	0.29*	0.47**	0.03	0.10
Father: Tertiary Education	0.90**	0.99**	-0.22+	0.02
Coho 54-61	0.78**	0.75**	0.46**	0.44**
Coho 62-67	1.16**	1.34**	0.88**	0.89**
Coho 68+	1.20**	1.71**	1.22**	1.37**
Period 89-98	-0.25+	-0.15	-0.50**	-0.48**
Period 99-09	-0.46**	-0.42**	-1.00**	-1.06**
Not White			0.33**	0.42**
South	-0.34**	-0.49**		
Constant	-4.57**	-5.89**	-2.78**	-3.46**
Observations	137,360	163,732	40,242	45,795

# 1/3 EMPIRICAL STRATEGY



## Probability to be employed

- **Logistic fixed effect models.**
- We use a set of dummies to identify the divorce effect



	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8
Dummy 1	0	0	1	0	0	0	0	0	0	0	0	0	0
Dummy 2	0	0	0	1	0	0	0	0	0	0	0	0	0
Dummy 3	0	0	0	0	1	0	0	0	0	0	0	0	0
Dummy 4	0	0	0	0	0	1	0	0	0	0	0	0	0
Dummy 5	0	0	0	0	0	0	1	0	0	0	0	0	0
Dummy 6	0	0	0	0	0	0	0	1	0	0	0	0	0
Dummy 7	0	0	0	0	0	0	0	0	1	0	0	0	0
Dummy 8	0	0	0	0	0	0	0	0	0	1	0	0	0
Control dummy	0	0	0	0	0	0	0	0	0	0	1	1	1

Controls: **age, age square, child 0-2, child 3-5, number of children, remarried, youth unemployment rate**

# 1/6 RESULTS



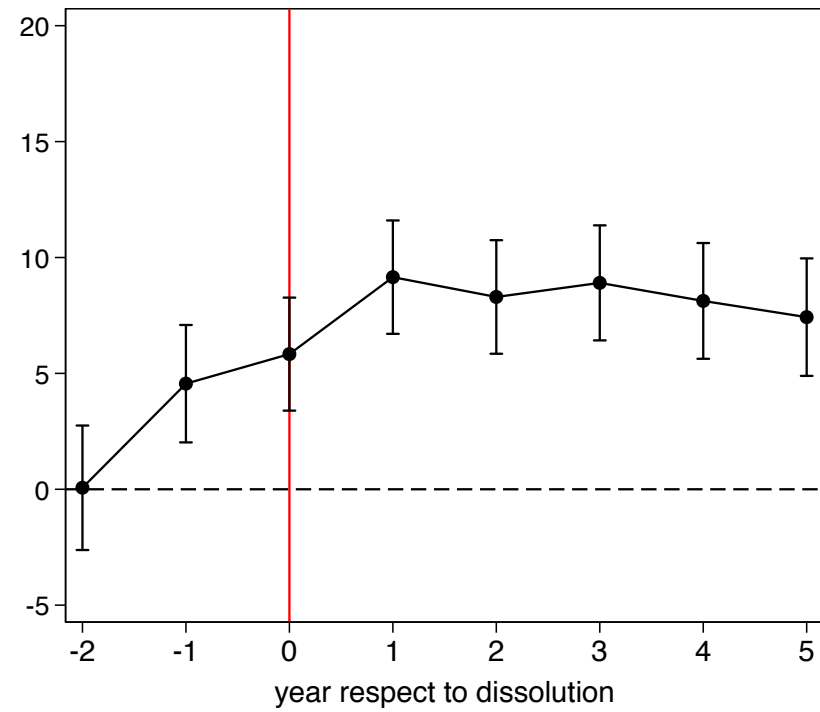
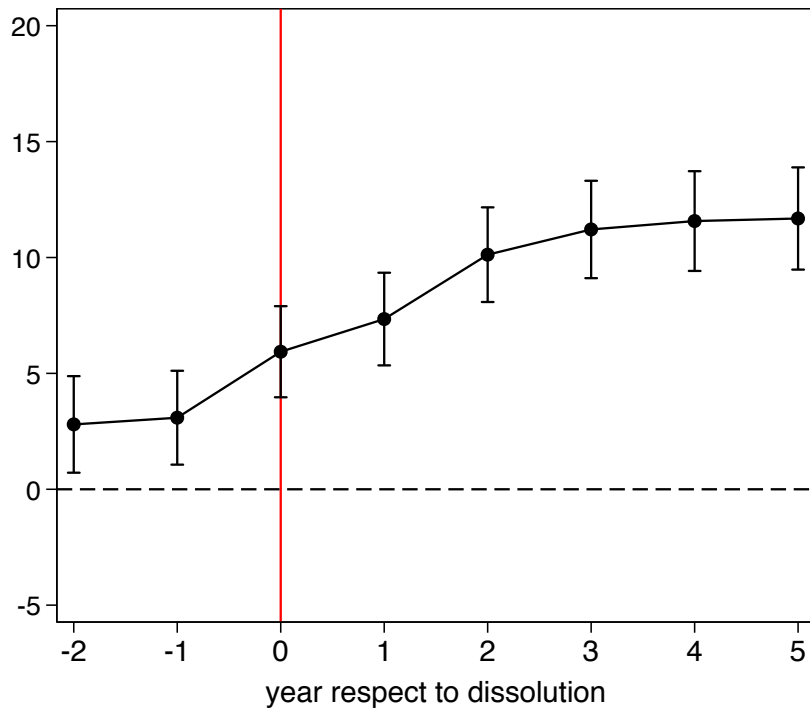
## Probability to be employed

Women

ITA

USA

AME



## 2/6 RESULTS



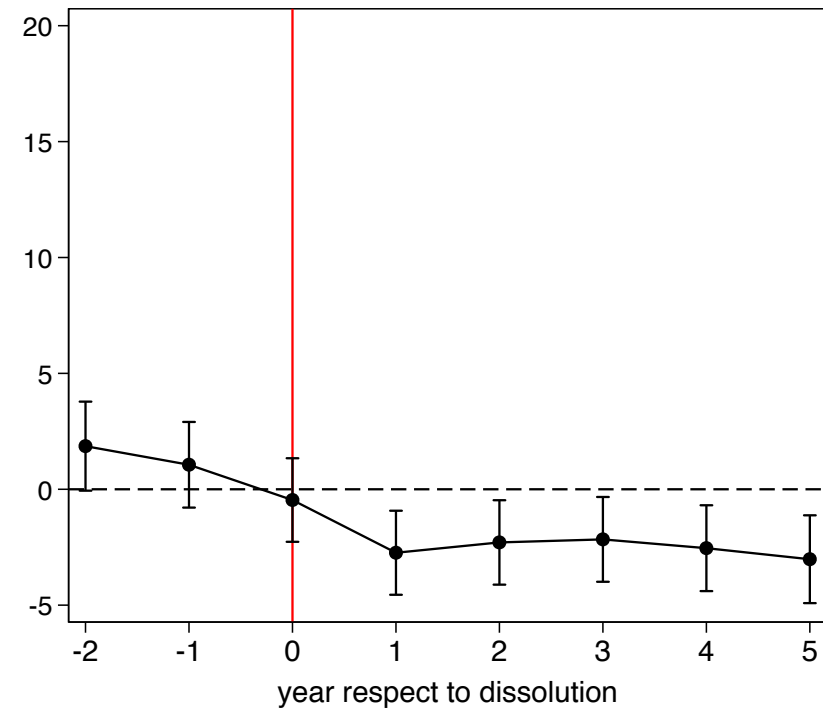
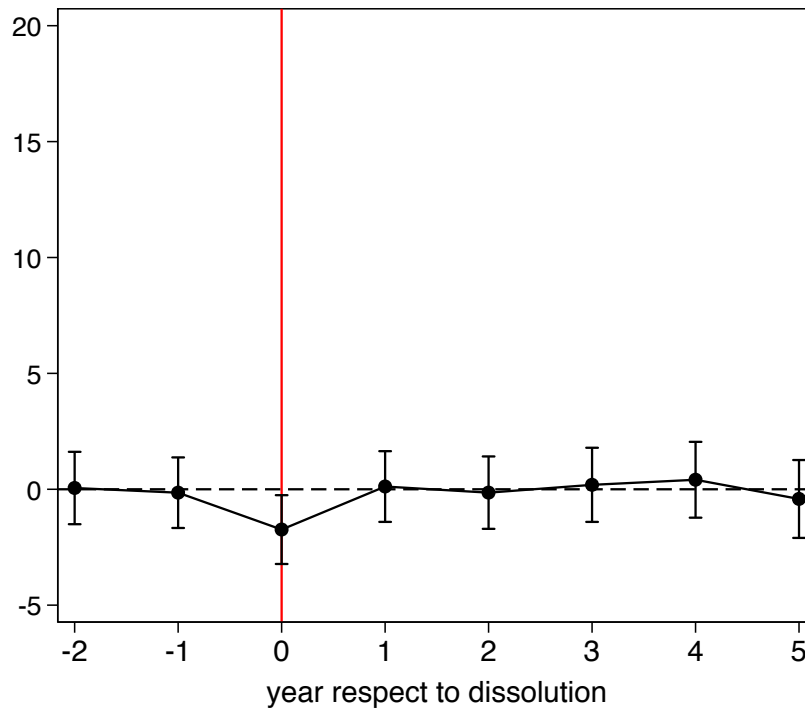
# Probability to be employed

Men

ITA

USA

AME

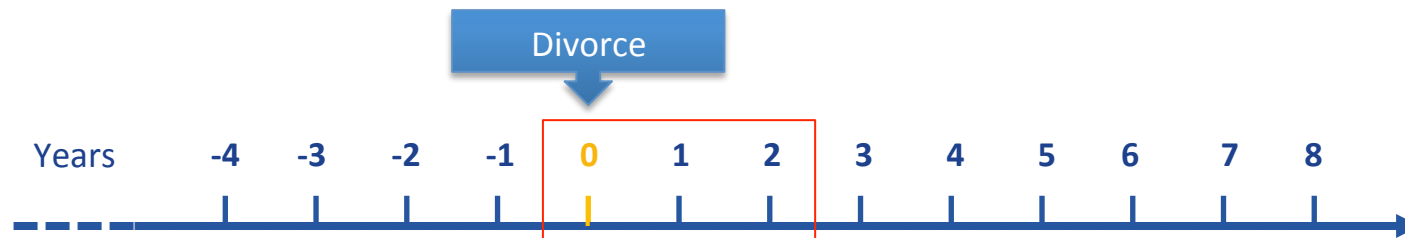


## 2/3 EMPIRICAL STRATEGY



# Women's probability to be employed for different groups

- **Interaction between divorce dummies and covariates**
- Because of the limited number of dissolutions we use a unique dummy that measures divorce effect at the year of divorce and for two years after divorce



<b>Dummy 1</b>	0	0	0	0	1	1	1	0	0	0	0	0	0
<b>Control dummy</b>	0	0	0	0	0	0	0	1	1	1	1	1	1

**Dummy 1** \* cohort

**Dummy 1** \* educational level

**Dummy 1** \* presence of at least one child 0-2

We made three interaction together

Controls: **age, age square, child 0-2, child 3-5, number of children, remarried, youth unemployment rate**

# 3/7 RESULTS



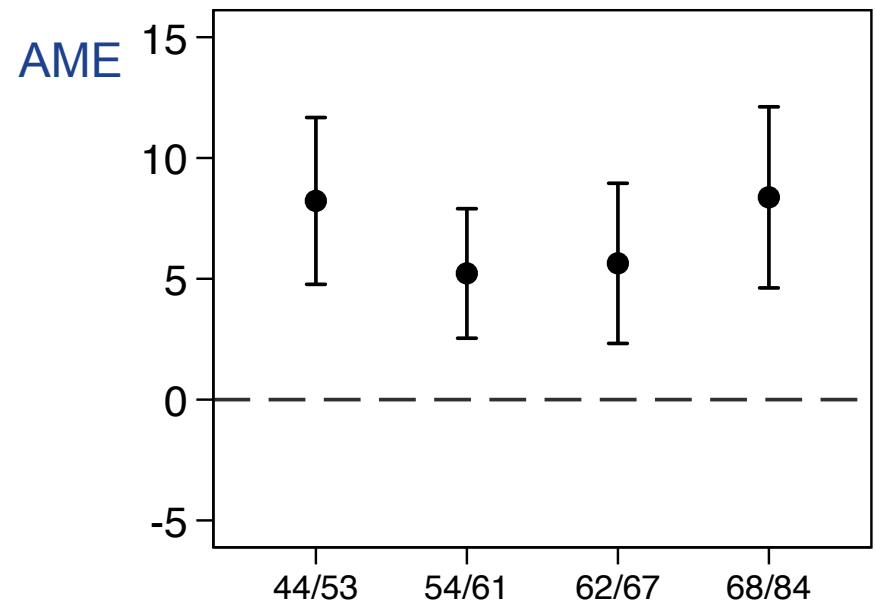
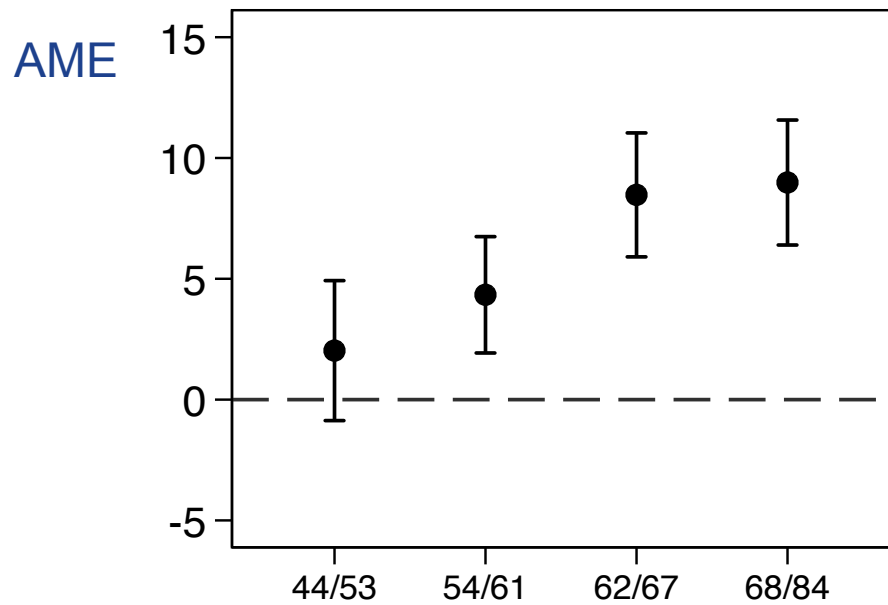
## Women's probability to be employed for different groups

Average marginal effect

### Divorce effect by cohort

ITA

USA





# 3/7 RESULTS



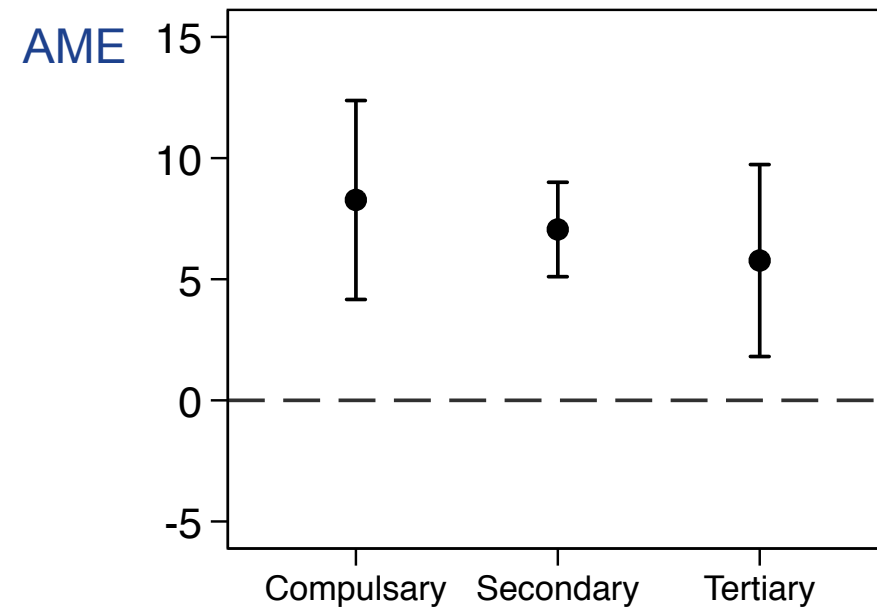
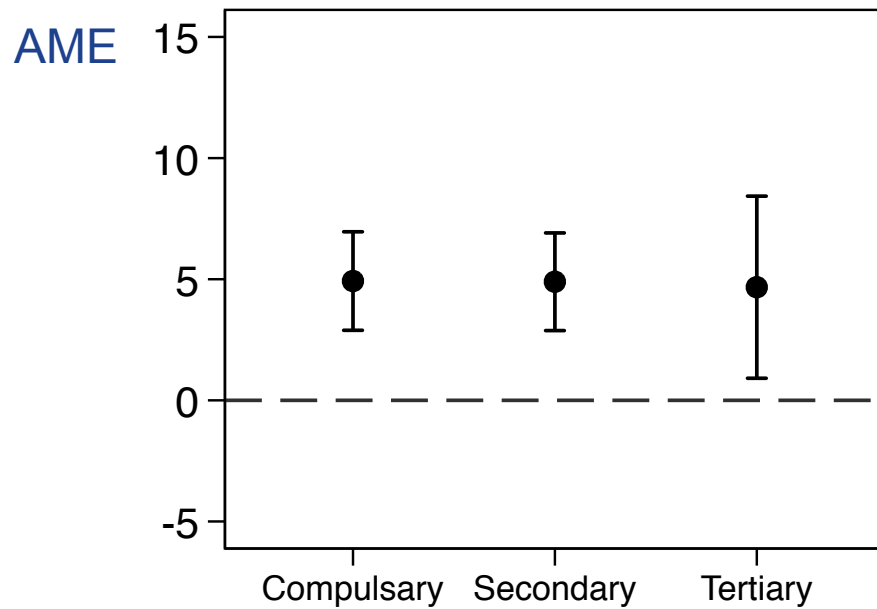
## Women's probability to be employed for different groups

### Average marginal effect

#### Divorce effect by education

ITA

USA



# 3/7 RESULTS



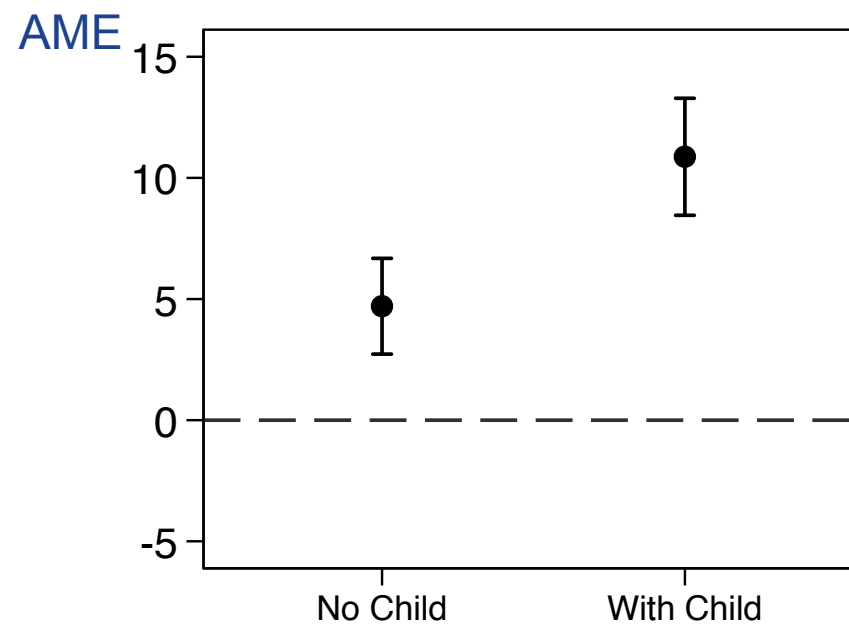
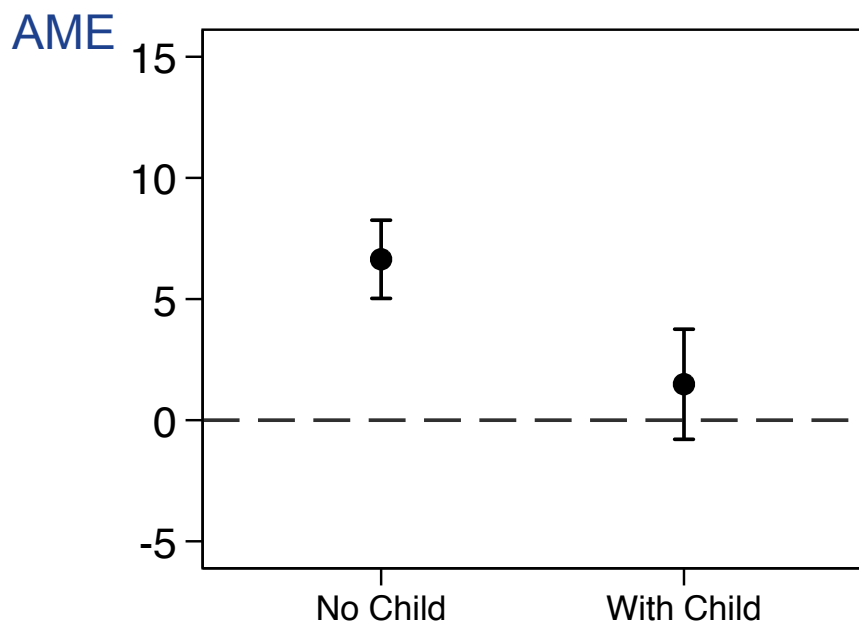
## Women's probability to be employed for different groups

Average marginal effect

Divorce effect by  
the presence of a young child

ITA

USA

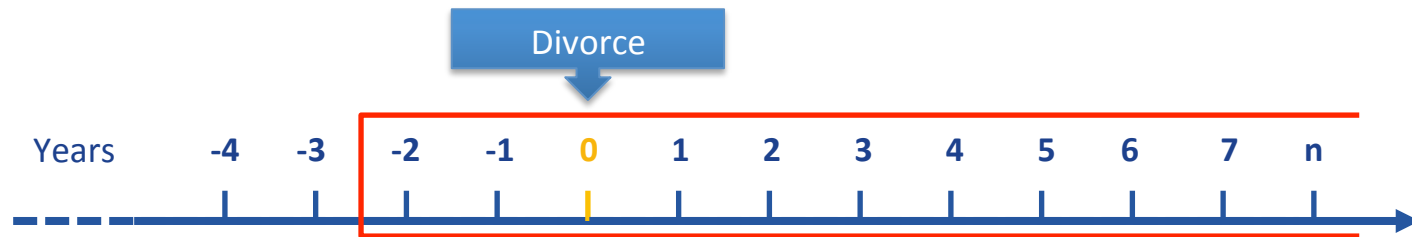


### 3/3 EMPIRICAL STRATEGY



## Occupational mobility

Since the occupational mobility episode are rather infrequent, to have more robust results, we use **four dummies** that measures the anticipatory effect and the divorce effect in the short, mid and long term



		-4	-3	-2	-1	0	1	2	3	4	5	6	7	n
<b>Before</b>	<b>Dummy</b>	0	0	1	1	0	0	0	0	0	0	0	0	0
<b>Short term</b>	<b>Dummy</b>	0	0	0	0	1	1	1	0	0	0	0	0	0
<b>Mid term</b>	<b>Dummy</b>	0	0	0	0	0	0	0	1	1	1	0	0	0
<b>Long term</b>	<b>Dummy</b>	0	0	0	0	0	0	0	0	0	0	1	1	1

Controls:                    **age, age square, child 0-2, child 3-5, number of children, remarried, youth unemployment rate**

# 4/5 RESULTS



## Occupational mobility around divorce (ISEI variations)

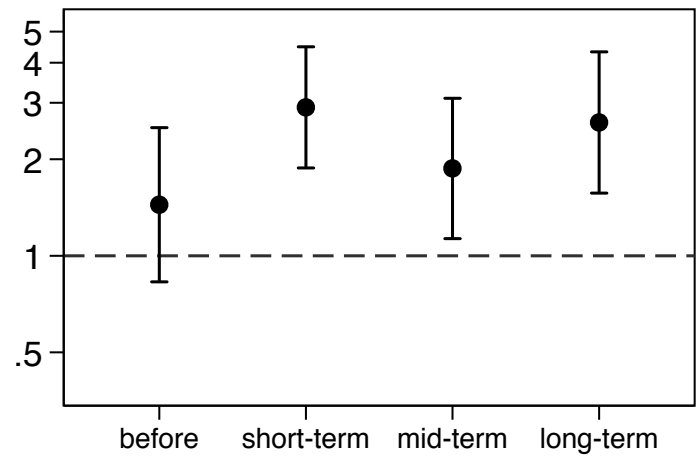
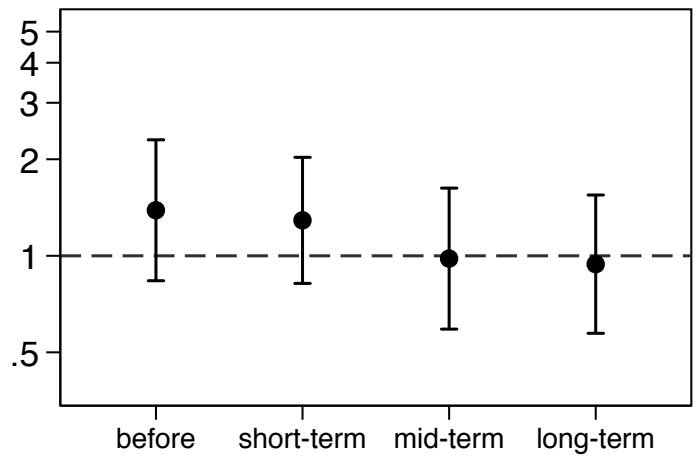
Women

Odds Ratio

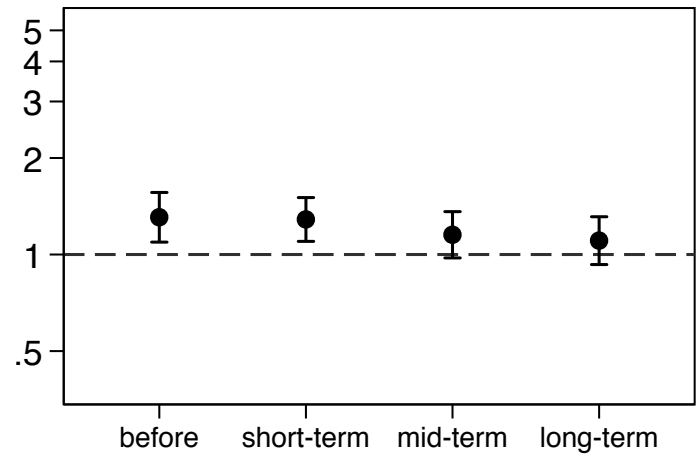
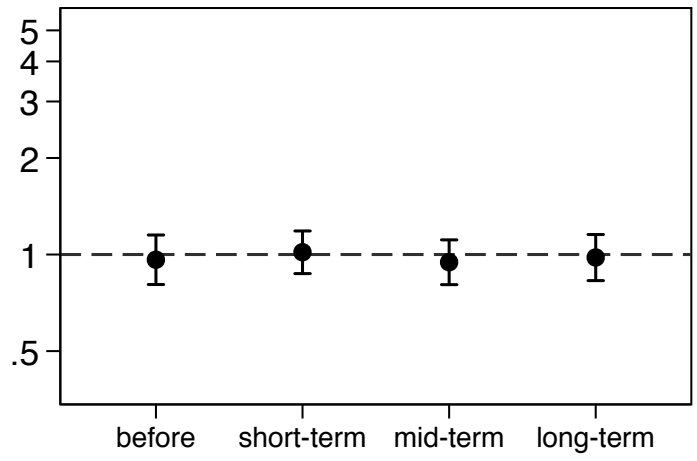
Upward mobility

Downward mobility

ITA



USA



# 5/5 RESULTS



## Occupational mobility around divorce (ISEI variations)

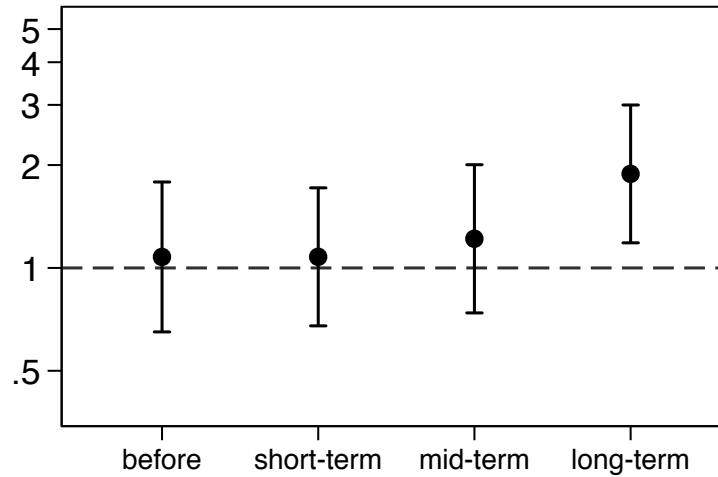
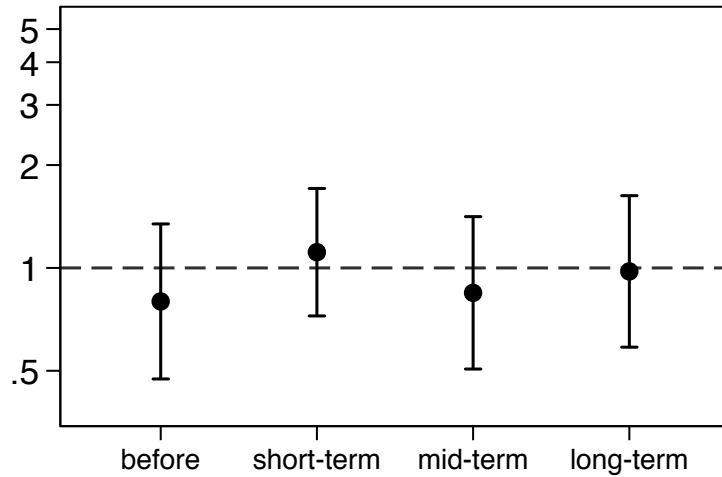
Men

Odds Ratio

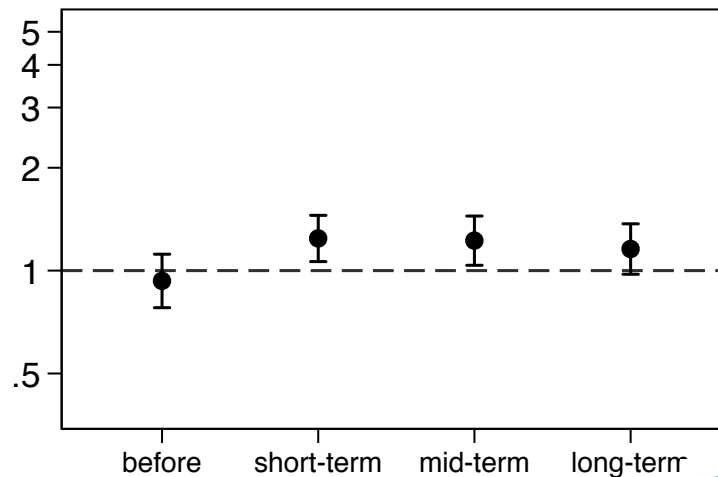
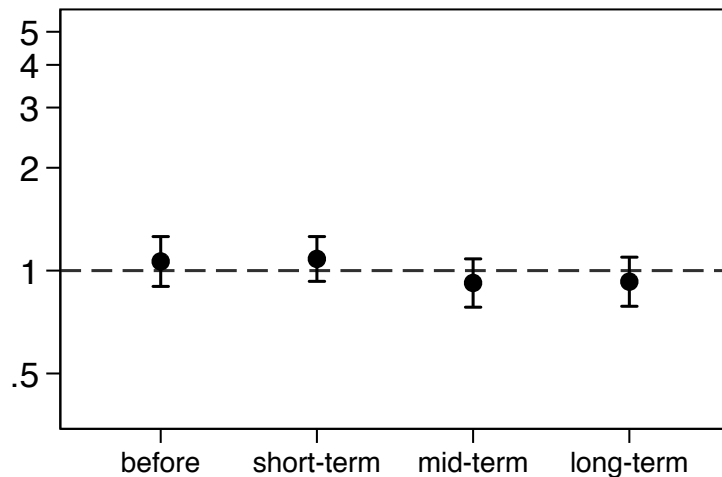
Upward mobility

Downward mobility

ITA



USA



## 1/2 FINDING & DISCUSSION



### Divorce effects in Italy and in the United States

1. Contrary to our expectation **Italian women increase their labor supply after divorce as much as American women**, and the effect seems to be stable over time.
  - Divorced Italian women are strongly selected among high educated women with high work commitment.
  - Italian women has more room to increase labor supply
2. **Women with children show a completely different reaction to divorce.** American women with young children increase their work commitment after divorce, even more than other women, whereas Italian women do not.
  - This result supports our hypothesis about the **influence of country specific institutional arrangement** on labor market participation of divorced women.
3. **Men's employment seems more sensitive in the US** then in Italy
4. Both men and women have some **negative effect** from divorce in term of **occupational mobility**, but the effect seems stronger and long-lasting in Italy
  -



Thank you for your attention