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How did divorced women fare in the 1990s? Analysis of work and hourly earnings

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Abstract

This paper presents evidence of changes in employment and real wages in the population of divorced single women during the 1990s. Using data from the U.S. Current Population Survey (CPS) for 1989 and 1999, the paper estimates multivariate models of labor force participation and hourly wages for each year. Differences between years in employment and wages are decomposed into portions attributable to changes in measured characteristics and changes in coefficients of the models. Estimates indicate that full time employment remained virtually unchanged during the decade, and real wages increased by less than 2%. Decomposition of the regression models shows that measured characteristics in this population changed in a direction that would have led to higher wage growth, but those changes were offset by changes in the model's coefficients. The result is that earnings experienced only modest growth. In the labor force participation model, changes in measured characteristics worked in the direction of a modest decrease in full time employment, but again coefficient changes provided an offsetting effect.

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1. Introduction

Following increases in divorce rates in recent decades, researchers devoted attention to the economic consequences of divorce for women. In a survey of early studies, [Holden and Smock \(1991\)](#) concluded that women are prone to bear a large share of costs in marital dissolution. Supporting that position were papers by [Hoffman \(1977\)](#) and [Stirling \(1989\)](#), who suggested that divorced women experience decreases in absolute family income as well as income relative to the needs of their post-divorce households.

During the 1990s, several studies corroborated early findings and updated previous estimates of the decline in living standards. [Smock \(1993\)](#), focusing on earnings, noted that recent

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cohorts of divorced women have not increased their labor force participation to levels sufficient to offset their reduced family incomes. Hanson, McLanahan, and Thompson (1998) report decreases in family income, standard of living, and home ownership among divorced women. They note, however, that those who remarry tend to recover some of their losses. Bianchi, Subaiya, and Kahn (1999) report that losses are mitigated among wives who were employed full time and were strong contributors to their households' incomes prior to marital disruption. Smock, Manning, and Gupta (1999) argue that economic losses are symptomatic of a selection phenomenon; women with favorable economic prospects tend to remain married, so marital disruption might occur with greater frequency among those with weaker prospects.

McKeever and Wolfinger (2001) suggest that the cost of divorce to women has decreased in recent years because changes in women's labor force participation have begun to improve their prospects. This study, which analyzes growth in real earnings of divorced women in the 1990s, does not support that conclusion. By comparing data from the Current Population Surveys (CPSs) of 1990 and 2000, this paper estimates the magnitude and direction of changes in earnings and labor force participation. These data reveal a virtual absence of growth in hourly wages adjusted for inflation and no significant increase in full time labor market attachment. If divorced women did not earn higher real wages, the cause might be a decade-long diminution in measured traits such as education or potential work experience. Another cause could be a decrease in the effects of those traits on wages. That would occur, for example, if economic returns to schooling declined over time within the divorced population. An analogous dichotomy exists for labor force participation. This study examines those sources of changes in work and earnings.

This paper's principal objectives have not been addressed in previous studies. First, it focuses on hourly earnings as the primary means by which divorced women improve their economic well-being. Women might acquire financial or property assets through divorce settlements that afford them income, or they might gain entitlements to alimony or child support income. Previous studies examine either aggregate family income, thus combining wages with property or alimony income, or the ratio of family income to standards of need. Factors that determine nonwage income are likely to differ from those that determine wages. The proper role of nonwage income is to determine labor force participation, which in turn affects wage growth. This paper examines nonwage income in that context. A second purpose of this study is to correct for worker selection bias, which has not been addressed in previous studies. Since wages are observed only for working women, the model addresses the possibility that workers are a self-selected subset of the divorced population. If selection is not random, then estimates of the wage model are biased. Third, this paper poses a question that differs from previous studies, which focus on longitudinal samples to measure economic outcomes in the single versus married state. This study uses two cross section samples of divorced women 10 years apart ($n = 5521$, 1989; $n = 5496$, 1999) and examines long term changes in their employment and hourly earnings.

2. Statistical framework: work and wages

The model includes equations for full time work status and hourly earnings of women who work. Since work status is a dichotomous dependent variable, the employment equation is

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