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Female labor supply and divorce: New evidence from Ireland

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ABSTRACT

If participation in the labor market helps to secure women's outside options in the case of divorce/separation, an increase in the perceived risk of marital dissolution may accelerate the increase in female labor supply. This simple prediction has been tested in the literature using time and/or spatial variation in the US divorce legislation. In this paper, we suggest testing this hypothesis by exploiting a more radical policy change, i.e., the actual legalization of divorce. In Ireland, the right to divorce was introduced in 1996, followed by an acceleration of marriage breakdown rates. We use this fundamental change in Irish society as a natural experiment. Using families for whom the risk of marital dissolution is small as a control group, our difference-in-difference estimates suggest that the legalization of divorce contributed to a significant increase in female labor supply, occurring essentially at the extensive margin. Results are not driven by selection and are robust to numerous specification checks, including the introduction of household fixed effects and propensity score reweighting.

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1. Introduction

If participation in the labor market helps to secure women's outside options in the case of divorce/separation, an increase in the perceived risk of marital dissolution can be expected to accelerate the increase in female labor supply. This simple prediction has been tested in the literature, notably by using time or cross-sectional variation in divorce laws (essentially moves to unilateral divorce in US states). In this paper, we suggest exploiting an even more radical change, the legalization of divorce, in order to test this hypothesis. For that purpose, we consider an original policy event, namely the introduction of the right to divorce in Ireland in 1996—this country was the last to legalize divorce in Europe.

We use the Living in Ireland (LI) Survey, which spans from 1994 to 2001 and, hence, provides data pre- and post-divorce legalization. We first show that divorce legalization was followed by a sharp increase in marital breakdown rates (including both separations and newly allowed divorces). Then we use this fundamental change in Irish society as a natural experiment. Following a difference-in-difference approach, we focus on the effect of divorce legalization on female labor supply within *intact* couples.¹ To account for other possible factors affecting labor supply over the period, we construct a control group based on families at a “low risk” of marital breakdown. The separation/divorce risk is proxied by a measure

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¹ González and Özcan (forthcoming) use the same reform to examine the impact of the risk of divorce on the savings behavior of married couples in Ireland.

of religiosity based on church attendance or, alternatively, by a direct estimation of the individual-specific probability of marital breakdown. Religious families prove to be, in the Irish context, a relevant comparison group for the double difference estimation. In addition, differences between the treatment and control groups are addressed by propensity score reweighting and by the estimation of (time-invariant) unobserved heterogeneity using the panel information from the LII data. We suggest a variety of specifications and robustness checks to confirm our results.

Our main contributions go as follows. Firstly, our results point to a significant increase in female labor supply due to the exogenous increase in the risk of marital dissolution. Over the different specifications, the rise in participation is around 4–7 percentage points. This suggests an important potential impact of divorce risks on household behavior. This effect is also consistent with previous findings (e.g., [Stevenson, 2008](#); [Peters, 1986](#); [Parkman, 1992](#)), even if substantially larger. Indeed, the legalization of divorce constitutes a stronger shock to the risk of divorce than policy changes making divorce “easier”. We infer that the passage from no-divorce to mutual consent divorce is around four times larger a shock than the passage from mutual consent to unilateral divorce. Secondly, variations of this magnitude help to consolidate our knowledge about the elasticity of female labor supply with respect to the probability of divorce. In particular, our results are reconciled with that of [Johnson and Skinner \(1986\)](#) and confirm that a 1% in the risk of divorce increases female participation by around 0.1%. Thirdly, we clearly demonstrate that the response corresponds essentially to an increase in labor market participation (extensive margin). That is, building “outside options” while married seems to depend crucially on keeping *some* attachment to the labor market, but not on increasing work duration for those women who are already in work. Fourthly, we also provide estimates of the effect of divorce risk on men’s labor supply, which has received less attention in the literature.² We find less compelling evidence that the labor supply of Irish men has increased with the legalization of divorce, which is in fact consistent with the well documented inelasticity of male labor supply. Finally, further results show that increased female labor supply was not compensated by either a decrease in domestic time spent on childcare or an increase in childrearing by fathers. Hence, our results suggest that a decrease in specialization within households did not necessarily occur and that women who secured their outside options by increasing labor market participation may have done so, at least in the short-run, at the expense of their leisure time and welfare.

The outline of the paper is as follows. [Section 2](#) briefly reviews the literature while [Section 3](#) presents the institutional background. [Section 4](#) describes the empirical approach, the data and the definition of the control groups. [Section 5](#) presents the main results and robustness checks. [Section 6](#) concludes.

2. Literature

The impact of divorce laws has received considerable attention in the social sciences, and in particular in Economics. The first type of question studied in the literature was *how divorce laws affect divorce rates*, and notably the impact of unilateral divorce, which fundamentally changes the nature of the marriage contract by allowing either party to end it at will. Several authors have exploited time and/or spatial variation in legislation, but the evidence is mixed. [Peters \(1986, 1992\)](#), using a cross-section of data on women, finds no effect. [Allen \(1992\)](#) and [Friedberg \(1998\)](#) obtain the opposite result using an alternative model specification and panel data recording all the divorces by state and year. [Wolfers \(2006\)](#) finds only a small long run effect of unilateral divorce regulations. [González and Viitanen \(2009\)](#) exploit time and cross-country variation in Europe and find that unilateral divorce had a sizeable effect on the divorce rate.

Closer to our concern, the literature has also examined the *impact of divorce legislation on different dimensions of household behavior*. Precisely, legal reforms leading to “easier divorce” and subsequent increases in divorce rates are suspected to affect the *perceived* risk of marital dissolution and, potentially, household decisions.³ In particular, specialization within households may decline and female labor supply increase.⁴ Previous evidence tends to confirm this hypothesis. Using cross-sectional comparisons, [Peters \(1986\)](#) and [Parkman \(1992\)](#) suggest that unilateral divorce led to a 2 percentage point rise in female labor force participation in the US. These results were argued to be erroneous in [Gray \(1998\)](#), who found that unilateral divorce laws had very different effects depending on the underlying property division laws. [Stevenson \(2008\)](#) revisits the question by taking a long run perspective and adding important controls that were missing in previous studies. She finds that women seeking both insurance against divorce and greater bargaining power

² Existing evidence is mixed. [Kapan \(2008\)](#) finds no change in husbands’ labor supply in response to changes in the divorce law in the UK. [Chiappori et al. \(2002\)](#) argue that men would increase their labor supply only if the laws favor them, while [Mueller \(2005\)](#) finds an increase in the work hours of Canadian men in anticipation of divorce.

³ Several important outcomes have received some attention. Unilateral divorce laws have been shown to decrease domestic violence, spousal homicide, and suicide ([Stevenson and Wolfers, 2006](#)), to affect fertility ([Alesina and Giuliano, 2007](#)) and marriage specific investments ([Stevenson, 2007](#)). Divorce also seems to have long-term adverse effects on children ([Gruber, 2004](#); [González and Viitanen, 2008](#)). [Chiappori et al. \(2002\)](#) find substantial evidence of a change in intrahousehold bargaining associated with a change in the laws. [Brown and Flinn \(2011\)](#) recently model the effect of family laws on fertility choices and the distribution of welfare within households.

⁴ Couples can engage in an efficient degree of specialization only if the relationship is stable and the working spouse can commit to compensate the partner in charge of domestic production. In effect, moving from cohabitation to marriage may lead to increased specialization, as shown by [El Lahga and Moreau \(2007\)](#). Inversely, an increase in the perceived risk of marital breakdown – or the mere possibility to divorce – makes intertemporal commitment more problematic and is likely to reduce the level of specialization within marriage. That is, spouses who specialize in home production may be disadvantaged in the case of a divorce compared with their partners, and may want to secure their outside options by increasing labor market participation (see [Lundberg, 2002](#), for an enlightening discussion).

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