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ECONOMIC BURDENS OF MARITAL DISRUPTIONS: A COMPARISON OF THE UNITED STATES AND THE FEDERAL REPUBLIC OF GERMANY

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Longitudinal data from the Panel Study of Income Dynamics and the German Socio-Economic Panel are used to show that women and children are worse off following a marital split than are men in both the United States and Germany. The size of the difference is sensitive to the equivalence scale used, but despite its far more extensive tax and transfer system the disparate impact of divorce or separation on women and children persisted in Germany at a level at least as high as in the United States.

Half of American children will spend part of their childhood in a family headed by a divorced, separated, unwed or widowed mother (Bumpass, 1984). This, coupled with the fact that female-headed families comprise an increasing share of the poor, has raised doubts about the efficacy of United States social policy, developed in a period of stable families, to equally protect women and their children from the economic consequences of marital disruption. (See, for instance, Bane 1986; Garfinkel and McLanahan, 1987.)

Social policy in the United States links rights to social insurance—social security and unemployment—to market work. To varying degrees, these programs also protect family members, but provide substantially reduced benefits to them in the case of marital dissolution (See, Burkauser and Holden, 1982).

Means-tested social welfare programs in the United States provide the major source of public funds to non-aged, female-headed households (Garfinkel and McLanahan, 1987, pp. 18–21). Unlike social insurance, these benefits are based solely on need. Potential harm to the child rather than to the parent motivated their enactment. It is left to the civil courts to determine losses to partners if a relationship without children dissolves or if one with children dissolves, but does not drop the child below some minimum standard of well-being. Tax deductions

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are available for those raising children but provide only modest benefits, and the value of the benefit falls with income. Hence, in the United States where it is likely that husbands will earn substantially more than their wives both before and after a divorce, a blend of private and public transfers are presumed to flow to women and their children to counter-balance inequalities caused by a marital split.

Critics of United States policy often advocate European style "family policies" as a means of reducing inequality. Typically in Europe non-categorical, means-tested income programs guarantee a minimum income floor to all people. In addition, cash benefits are targeted to families raising children (Kamerman and Kahn, 1988). In the Federal Republic of Germany, for instance, children's allowances, reduced slightly at higher-income levels, are available to all families, as are child tax benefits. And all residents of Germany are eligible for means-tested social assistance benefits which provide an income guarantee at about 40 percent of average net income.

Unfortunately, much of our knowledge of the economic consequences of divorce or separation, both there and in European countries, is based on cross-sectional information on family income. Such data provide snapshot pictures of income distribution that show the income level of specific groups at a given point, but offer no direct information on how individuals actually make the transition from marriage to divorce.

Here we make use of longitudinal data from both the United States and the Federal Republic of Germany to follow the economic well-being of individual men, women, and children as they experience a divorce or separation. In so doing we are able to measure the influence of social policy in mitigating the inequalities that result from such events. Our results should give pause to those who believe European style social systems alleviate inequalities linked to marital splits. Despite its much greater social welfare system we find that inequalities following a separation or divorce in Germany are at least as great as those found in the United States.

Data and Methods

Our empirical results are based on two longitudinal data sets. For the United States we use the cross-year 1986 response-nonresponse file of the Panel Study of Income Dynamics (PSID). For Germany we use the German Socio-Economic Panel (GSEP). Since 1968 the PSID has interviewed annually a representative sample of some five-thousand families. At least one member of each family was either part of the original families interviewed in 1968 or born to a member of one of these families. Partial information on individuals who ceased to be respondents prior to 1986 is included in our analysis whenever possible. All data are weighted by the most recent individual weight for the particular statistic being estimated. For a more complete discussion of these data, see Survey Research Center (1984). We look at economic information for the calendar years 1981 to 1985.

The GSEP is a new longitudinal data set developed at the Universities of Frankfurt and Mannheim in cooperation with the Deutsches Institut fur Wirtschaftsforschung, Berlin (W), and financed by the German National Science Foundation. The panel started in the spring 1984. It comprises about six-thousand households. Six yearly waves have been conducted (1984–89) and four waves (1984–87) are available to us, providing information on calendar years 1983 to 1986. The data are representative of the German population, including "guest workers."

Pre-tax, post-transfer family money income, including in-cash government transfers, is the most common yardstick of economic status in the United States, and it forms the base for the measures used here. It is obtained by summing all sources of income for all family members during a calendar year. To obtain a more comprehensive income measure we added the value of food stamps in the United States and the imputed rental value of owner-occupied housing in both countries. However, because we are interested in measuring the net impact of government we will use two measures of family income. We will first look at family income in the absence of government taxes and transfers (Pre-Government Income in our Tables) and then look at family income plus government transfers and net of personal taxes and Social Security contributions (Post-Government Income in our Tables).

There are many reasons why family income measures of the type suggested above are less than ideal measures of economic status (Moon and Smolensky, 1977). Among the most important is the fact that there are dramatic differences among families in the number and ages of family members who share a given income. Family-size adjustments can be made by dividing family income by a scale which adjusts for different household compositions. Since there is no universally accepted equivalence scale (see Buhmann, Rainwater, Schmaus, and Smeeding, 1988 for a discussion of the sensitivity of different equivalence scales in cross-national comparisons), we adopt the most commonly used ones in the United States and in the Federal Republic of Germany in our analysis.[1] Their values, provided in Table 1, reflect very different assumptions about economies of scale in the two countries. As will be seen, the magnitude of the change in well-being following a household split due to separation or divorce is quite sensitive to the scale used to measure it. However, our findings show regardless of the scale used women and children are hurt more by a household split than men.

The family is usually considered the appropriate unit for the measurement of economic status. Individuals within families are assumed to share resources equally. We share this assumption in that we presume that all members of a family share in total income during the period when they are together.[2] Our unit

[1]The most commonly-used equivalence scale in the United States was developed for the federal government's annual calculation of poverty thresholds. It was originally based on food need standards adjusted for family composition. The German equivalence scale is derived from the proportions of the Social Assistance benefits. It is based on a "basket of goods" approach to determine a minimum of subsistence by experts.

[2]Jenkins (1989) makes a strong case for studying the within-household distribution of income. Lazear and Michael (1988) attempt to do so with respect to adults and children in a given household. It is entirely possible that the women and children we study here were receiving less than a proportional share of household income prior to the household split. If this is the case, it might explain why some women initiate a martital split despite the drop in economic well-being measured in the conventional way.

TABLE 1

EQUIVALENCE WEIGHTS FOR THE UNITED STATES AND THE FEDERAL REPUBLIC OF GERMANY

United States[a]		Federal Republic of Germany[b]	
Household Size	Weight	Person	Weight
Single person	1	Head	1
Couple	1.28	Spouse,	add: 0.8
Couple plus child	1.57	Child 0-6, for each,	add: 0.45
Couple plus 2 children	2.01	Child 7-10, for each,	add: 0.65
Couple plus 3 children	2.38	Child 11-14, for each,	add: 0.75
Couple plus 4 children	2.68	Child 15-20, for each,	add: 0.90
Couple plus 5 children	3.06	Person 21 or over, for each,	add: 0.80
Couple plus 6 children	3.38		
Couple plus 7 children	4.00		

[a]The equivalence weights for the United States are derived from the Census poverty thresholds. (See *Poverty in the United States 1986*, Current Population Reports, Series P-60, No. 160, United States Department of Commerce, Bureau of the Census, Washington, D.C., June 1988.)

[b]Bundessozialhilfegesetz i.d.F. v. 20.1.1987. BGBL. I S. 401, (ber. S. 494) and 2. Verordnung zur Durchführung des 22 des Bundessozialhilfegesetzes (Regelsatzverordnung) v. 20.7.1962 geänd. dch. Verordnung v. 10.5.71, für das jeweilige Jahr.

of analysis, however, is the individual since we are interested in tracing the effect on individual economic status of a family composition change—divorce or separation. (See the Appendix for a fuller discussion of the measurement of economic status used here and of the sample drawn for our study.)

THE ECONOMIC CONSEQUENCES OF DIVORCE IN THE UNITED STATES

It is now well-established that divorce or separation leads to dramatic declines in the economic well-being of women in the United States (Duncan and Hoffman, 1985; Burkhauser and Duncan, 1988). Since children are usually placed in the custody of their mothers, divorce also increases the share of children that experience substantial drops in their well-being (Duncan and Rogers, forthcoming). Burkhauser and Duncan (1989) show that while the annual risk of divorce is approximately the same for men and women, the likelihood of a dramatic and sustained fall in economic well-being is far greater for women than men. (See also Duncan and Hoffman, 1985, Table 14.A.9.)

In Table 2 we look at the economic well-being of American husbands, wives, and children in the year preceding a divorce and in the year following the divorce. Since we are interested in the ability of government to mitigate the economic consequences of divorce we show annual per person median income in those years in the presence (Post-Government Income) and absence (Pre-Government Income) of government.[3]

[3]All these values are first approximations of the net influence of government. This must be the case since it is implicitly assumed that *no* behavioral changes would take place in the absence of government intervention. A fuller model would allow for such changes as well as those that might occur by household members who correctly *anticipate* that a divorce is to come.

TABLE 2

ECONONIC WELL-BEING IN THE UNITED STATES BEFORE AND AFTER DIVORCE OR SEPARATION USING UNITED STATES EQUIVALENCE SCALES

	Husband		Wife		Children	
	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income
Before	$19,436	$16,338	$17,352	$15,137	$15,168	$13.428
After	$18,700	$15,109	$9.911	$9,537	$9,567	$8,623
Median percentage change	−8.6%	−5.5%	−36.9%	−24.4%	−34.5%	−21.8%
Gainers	44.0%	41.7%	22.6%	25.6%	19.2%	23.4%
Losers						
0–10% drop	7.8	13.5	5.1	6.9	8.1	11.0
10–50% drop	33.6	34.9	37.5	45.7	42.7	49.9
50+%	14.6	9.8	34.8	21.9	30.1	15.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
N	239		301		360	

Note: Annual Median Income per person is in dollars adjusted by the United States equivalence scale and adjusted to year 1985 using the Consumer Price Index. Pre-Government Income includes private transfers received (alimony, child support) for receiving households and excludes private transfers of paying households. Pre-Government Income excludes taxes, social security contributions and social benefits. In addition to the usual realized income sources like wage and salary income and income from capital and rents, we also include the in-kind value of food stamps and the imputed rental value of owner-occupied housing.

On average, divorce decreases per person income in the households of men, women, and children. Government tax and transfer policy mitigates the loss to some degree but the median change is always downward.[4] For husbands, for example, the median change in post-government income was −5.5 percent, a smaller loss than the −8.6 percent pre-government income figure. However, men are much less hurt by divorce than women or children. Far more men had an increase in their post-government income than women (41.7 percent vs. 25.6 percent) and less than one-half as many husbands suffer a 50 percent or longer drop in living standards as women (9.8 percent vs. 21.9 percent).

Since most children reside with their mother, their economic well-being mirrors women. Government policy mitigates the pre-government drop to a substantial degree, so that post-government income drops of 50 percent or more are not as common for children as for women.[5] Nonetheless, children are considerably worse off than divorced men.

[4]The median change is the median of all changes made in the sub-population references. For example, when the pre-government income, adjusted for household composition, the year after divorce was compared to pre-government income in the year preceding the divorce for each husband, it was found that the median change was −8.6 percent.

[5]Values for women differ from those of children. This is the case because some women are childless or are not living with their children and because the figures for children use the child as the analysis unit and effectively are weighted by the number of children rather than the number of families with children.

The Economic Consequences of Divorce in the Federal Republic of Germany

Much less is known about the impact of divorce on economic well-being in Germany than in the United States. Hauser and Fischer (1986 and 1988) used cross-sectional data to find that one-parent families are less well-off than two-parent families. If separated by marital status one-parent families with a divorced head are less well-off than others (Buchofer, 1980). Similar results are obtained from other sources. It is also known that one-parent families are more likely to be in poverty than others (Hauser and Semrau, 1989).

Table 3 has the same format as Table 2. The data we present offer a look at the economic well-being of German husbands, wives, and their children in the year preceding and the year following separation or divorce.[6] Sample sizes are considerably smaller in the German sample than in the United States sample. This reflects the fewer number of years currently available in the GSEP and the lower divorce rate in Germany. In contrast to Table 2, which used United States equivalence scales to adjust income for family size, in Table 3 German equivalence scales are used. The sensitivity of results to choice of equivalence scale is investigated below.

TABLE 3

Median Economic Well-Being in the Federal Republic of Germany Before and After Divorce or Separation Using German Equivalence Scales

	Husband		Wife		Children	
	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income
Before	DM 22,175	DM 16,257	DM 20,615	DM 14,711	DM 21,294	DM 15,684
After	DM 31,259	DM 21,976	DM 11,827	DM 12,038	DM 11,827	DM 12,038
Median percentage change	+37.0%	+24.9%	−20.6%	−21.2%	−33.1%	−21.5%
Gainers	69.3%	73.6%	26.2%	25.9%	25.7%	32.5%
Losers						
0–10% drop	3.4	6.7	11.2	13.1	11.8	10.6
10–50% drop	13.4	11.3	28.0	45.1	19.4	38.8
50+% drop	13.9	8.4	33.6	15.9	43.1	18.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
N	45		56		49	

Note: Annual Median Income per person in Deutschmarks adjusted by the German equivalence scale and adjusted to year 1983. Pre-government Income includes private transfers received (alimony, child support) for receiving households and excludes private transfers of paying household. Pre-government Income excludes taxes, social security contributions and social benefits. Post-Government Income was truncated at plus DM1,000 and DM1,000,000 of annual adjusted income. In addition to the usual realized income sources like wage and salary income and income from capital and rents, we also include the rental value of owner-occupied housing.

[6]We are interested in how a person's economic well-being changes as he or she moves from a household in which the couple and their children are living together to one in which the man and woman live apart. This change in household composition does not occur at the same time as a legal separation or divorce. In Germany, there is often a lag of between one to three years between the breakup of the household and legal separation or divorce.

As in the United States, divorce decreases per person income in the households of women and children. However, for husbands per person income goes *up* dramatically. The median change in pre-government income of husband's is 37 percent while that of women is −20.6 percent and children −33.1 percent. Government tax and transfer policy mitigates these changes by reducing the gains of husbands and the losses of children. As is the case in the United States, even after government intervention, the median change for women and children is in the range of −20 percent and unlike the United States, the median change for German men is still positive.

Over seven out of ten men in Germany have higher adjusted post-government income after a divorce or separation than they did when married. Less than 10 percent suffer a 50 percent or greater drop in living standards. Contrast this with German women and children who are twice as likely to suffer such a dramatic drop. Even after government intervention German children are still slightly more likely than are American children to suffer this drop. German women are only slightly less likely to suffer such a drop as American Women (15.9 percent vs. 21.9 percent).

The Sensitivity of Results to the Equivalence Scale Chosen

Cross-national comparisons are fraught with peril. One must be careful to separate differences in measurement from differences in measure. This is clearly a problem in comparing the results in Tables 2 and 3. As can be seen in Table 1 the German and American equivalence scales are substantially different. In the United States, a married couple with no children, who split a $30,000 income equally at divorce would find that their measured income per capita feil from $23,438 to $15,000 or by 36 percent using the American equivalence scale. That same couple living in Germany and using the German equivalence scale would see their income per capita fall from $16,667 to $15,000 or by 10 percent. Underlying the American scale is the view that two can live *much* more cheaply together than apart and, hence, both parties have more to lose from a marital split. This is seen when the income values used in Table 2 are recalculated in Table 4 using the German equivalence scale. The result is that American men, women, and children are found to be much less affected by divorce. Like the median German husband of Table 3, the median American husband is found to be substantially better off divorced than single. Women and children are still worse off following divorce, but less so.

In Table 5 we recalculate the results of Table 3 using the American equivalence scale. Not surprisingly, adjusted income of German men, women, and children is now shown to be considerably lower following divorce. The post-government median income of men now falls. However, the post-government income of German women and children falls even more. Indeed a comparison of the median change in post-government adjusted income for women and children in Germany with median changes for women and children in the United States in Table 2 shows that German women and children suffer even *greater* drops than their American counterparts. Furthermore, German women and children are substantially *more* likely to have their standard of living cut by 50 percent or more.

TABLE 4

MEDIAN ECONOMIC WELL-BEING IN THE UNITED STATES BEFORE AND AFTER DIVORCE OR SEPARATION USING GERMAN EQUIVALENCE SCALES

	Husband		Wife		Children	
	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income
Before	$11,997	$10.675	$11.638	$9,594	$9.249	$8,415
After	$16,196	$13,306	$7.749	$7,951	$6,509	$5,917
Median percentage change	22.0%	21.2%	−22.8%	−12.9%	−29.7%	−15.8%
Gainers	65.1%	65.6%	29.5%	37.2%	22.3%	30.4%
Losers						
0–10% drop	7.0	10.2	5.1	8.4	8.0	7.8
10–50% drop	14.9	16.0	39.5	37.1	43.3	47.1
50+% drop	13.0	8.3	25.9	17.3	26.3	14.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
N	239		301		360	

Note: Annual Median Income per person is in dollars adjusted by F.R.G. equivalence scale and adjusted to year 1985. See Table 2.

What remains true in Germany and in the United States, regardless of the scale used, is that women and children are more seriously effected by divorce than men. It is to this that we now turn.

THE RELATIVE IMPORTANCE OF POLICY IN THE UNITED STATES AND GERMANY

In Table 6 we highlight the role of government policy in mitigating the skewed results of divorce on the economic well-being of household members. All values in Table 6 are derived from the previous tables. The first row of Table 6 is based on values from Tables 2 and 3. While it might seem odd to compare policy in the two countries using a different equivalence scale for each, one can argue that a country's scale presumably reflects the economic reality on which policy in that country is matched. If this is the case, it is appropriate to use each country's scale in measuring the influence of policy in that country. To show the importance of the equivalence scale used, we repeat our comparisons using a United State equivalence in both countries as used in Tables 2 and 5 and then using a German equivalence scale in both countries as used in Tables 3 and 4.

In Table 2 we showed that men were less affected economically from divorce than women or children. The median percentage change in pre-government adjusted income of men was −8.6 percent. The median change for women was −36.9 percent. The difference between these two median percentage decreases in pre-government economic well-being is 28.3 percentage points. This value is reported in Table 6 and is a measure of how much worse off women are after divorce than are men. The post-government difference falls to 18.9 percentage points (column 2). Hence, one measure of the degree that government tax and transfer policy mitigates relative outcomes of men and women after divorce is

TABLE 5

ECONOMIC WELL-BEING IN THE FEDERAL REPUBLIC OF GERMANY BEFORE AND AFTER DIVORCE OR SEPARATION USING UNITED STATES EQUIVALENCE SCALES

	Husband		Wife		Children	
	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income	Pre-Govt Income	Post-Govt Income
Before	DM 32,845	DM 25,832	DM 31,261	DM 32,081	DM 32,845	DM 25,832
After	DM 35,799	DM 25,123	DM 14,077	DM 14,470	DM 19,382	DM 16,493
Median percentage change	+5.0%	−7.4%	−43.5%	−43.5%	−39.8%	−36.8%
Gainers	50.6%	46.4%	16.2%	15.6%	24.0%	27.1%
Losers						
0–10% drop	5.0	7.7	4.7	3.1	6.3	6.8
10–50% drop	26.8	38.5	41.0	48.0	23.1	37.3
50+% drop	17.6	8.4	38.1	33.3	46.6	28.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Annual Median Income per person in Deutschmarks adjusted by U.S.A. equivalence scale and adjusted to year 1983. See Table 3.

the percentage of the initial gap closed by policy. Or in this case, a reduction of 33 percent (column 3).

The German results reported in the first row of Table 6 come from Table 3. German women are dramatically worse off following a divorce than men and while government policy narrows this difference a bit, a 46.1 percentage point difference remains.

The disparate outcomes of men and women following divorce between the two countries can best be seen in columns 7 and 8. Based on median pre-government income German women are much worse off relative to their husbands following divorce than are American women (18.9 minus 57.6 equals −29.3). That is, the gap between the median change of pregovernment income of men and women in Germany is 29.3 percentage points wider than the gap between American men and women. When the influence of government tax and transfer policy is included the gap narrows somewhat but still remains at −27.2 percentage points.

To show the sensitivity of our results to the equivalence scales used we perform this same exercise using U.S. equivalency scales for both countries in row 2 and a German equivalence scale for both countries in row 3. Under either of these assumptions about economies of scale, the difference in relative outcomes in the two countries narrows. However, even under the more favorable Germany equivalence scale assumption the post government gap between men and women in Germany is still 12 percentage points larger than in the United States.

The comparisons are more favorable for German women when we look at the percentage of men and women in the two countries that suffer dramatic drops in economic well being—a drop of 50 percent or more. Here government policy in both countries makes up a large proportion of the gap and the differences in outcomes between men and women both within the two countries and between

TABLE 6

THE IMPACT OF POLICY ON THE WELL-BEING OF WOMEN AND CHILDREN RELATIVE TO MEN FOLLOWING DIVORCE OR SEPARATION USING ALTERNATIVE EQUIVALENCE SCALES

	United States			Federal Republic of Germany			Simple Difference	
Relative to Men	Pre-Govt (1)	Post-Govt (2)	Percent of Gap Closed by Policy ((1-2)/1)	Pre-Govt (4)	Post-Govt (5)	Percent of Gap Closed by Policy ((4-5)/4)	Pre-Govt (1-4)	Post-Govt (2-5)
Women								
Median								
Own equivalence scale	28.3[a]	18.9[a]	33	57.6[a]	46.1[a]	20	−29.3	−27.2
U.S. equivalence scale	28.3	18.9	33	48.5	36.1	26	−20.2	−17.2
German equivalence scale	44.8	34.1	24	57.6	46.1	20	−12.8	−12.0
Extreme drops own equivalence scale	20.2[b]	12.1[b]	40	19.7	7.5	62	0.5	4.6
U.S. equivalence scale	20.2	12.1	40	29.0	20.4	30	−8.8	−8.3

German equivalence scale	12.9	9.0	30	19.7	7.5	62	−6.8	1.5
Children								
Median Own equivalence scale	25.9[c]	16.3[c]	37	70.1[c]	46.4[c]	34	−44.2	−30.1
U.S. equivalence scale	25.9	16.3	37	44.8	29.4	34	−18.9	−13.1
German equivalence scale	51.7	37.0	28	70.1	46.4	34	−18.4	−9.4
Extreme drops own equivalence scale	15.5[d]	5.8[d]	63	29.2[d]	9.7[d]	67	−13.7	−3.9
U.S. equivalence scale	15.5	5.8	63	29.0	20.4	30	−13.5	−14.6
German equivalence scale	13.3	6.4	52	29.2	9.7	67	−15.9	−3.3

[a]Simple difference between percentage decrease in median income of men and women derived from data presented in relevant previous tables.

[b]Simple difference between percentage of men and the percentage of women who had extreme decreases in economic well-being (50% or more) derived from data presented in relevant previous tables.

[c]Simple difference between percentage decrease in median income of men and children derived from data presented in relevant previous tables.

[d]Simple difference between percentage of men and the percentage of children who had extreme decreases in economic well-being (50% or more) derived from data presented in relevant previous tables.

the countries is much narrower. The post-government gap between men and women in Germany fluctuates between 4.6 percentage points smaller in Germany to 8.3 percentage points larger depending on the equivalence scale used.

The bottom six rows compare the relative outcomes of men and children in the two countries. Here most surprisingly, given the much greater social safety net in Germany, we see that relative to their fathers, children in Germany suffer greater economic hardship than is the case in the United States.

Using the own country equivalence scale the pre-government gap between a father and his children's adjusted income is 25.9 percentage points in the United States and 70.1 percentage points in Germany. This translates into a 44.2 percentage point difference between the two countries in the relative outcome for children. German social policy closes this gap somewhat, but it remains at 30.1 percentage points. This is even greater than that of German women. The gap is reduced when other scales are used and drops to 9.4 percent using the German equivalence scale. Once again our cross-national results are shown to be sensitive in magnitude, but not in direction.

The post-government difference in the gap between men and children in the two countries who have dramatic drops in well-being is small by comparison with the gap in median changes. It varies from 3.3 percentage points more in Germany using the German equivalence scale to 14.6 percentage points using the American scale.

Discussion

A marital split through separation or divorce affects economic well-being in both the United States and Germany. The magnitude depends in part on judgments about the appropriate equivalence scale used to measure it. However, its negative effect on women and children relative to men does not. Men are more likely to suffer a much smaller loss after divorce than either women or children. They are also much less likely to suffer dramatic drops in economic well-being than are women and children.

In both countries a man is more likely to earn more in the labor market than his wife before and after a marital split. The wife is more likely to care for his children after divorce or separation. Hence, unless social policy offsets these realities with a substantial increase in private and social transfers, household break-ups will hold more danger for women and children than for men.

In both countries government tax and transfers mitigate this disparate economic outcome, but in neither country do these policies completely offset it. In spite of a universal child allowance in Germany, we find that divorce makes children worse off relative to their fathers in Germany than in the United States.

An important issue, unaddressed in our research, is the temporal pattern of income following separation and divorce. United States data (e.g., Duncan and Hoffman, 1985) show that the lower average levels of economic status of women and children following a martial disruption persist unless there is a remarriage. There is reason to believe a similar pattern does *not* hold in Germany.

The typical interval between the initial separation and a legal divorce is longer in German than in the United States. During this time which in most cases is longer than three years, transfers from the ex-husband to the ex-wife are obligatory according to Family Law. However, only in rare cases is the amount of the transfer specified by a court decision and enforcement is often not carried out. Women and children do have some recourse during this period. The Advance Payment Fund will provide child support, under certain conditions, to mothers of children under age six for up to three years. Only after the divorce settlement is finalized are precise alimony and child support payment fixed by the courts.

Only the first four waves of the GSEP are currently available. Consequently, we are only able to capture the initial year following a marital breakup. It is possible that once the divorce is finalized by the Courts and precise arrangements for alimony and child support are made, that the relative position of German women and children improves. Hence, our findings may overstate the longer run economic consequence of divorce in Germany. However, even if this turns out to be the case, a period of deprivation of two or three years still constitutes a substantial fraction of a childhood and is of obvious policy concern.

APPENDIX: SELECTION OF ANALYSIS SAMPLES

Similar procedures were followed in extracting analysis subsamples from the PSID and GSEP. A divorce or separation was defined as a change from a married or cohabitating couple observed in the spring, t interview to a separated or divorced couple in the spring, $t+1$ interview. In the PSID, t ranges from 1982 to 1984; in the GSEP t ranges from 1984 to 1985. The longer time period for the PSID was chosen to increases sample size. The spring, t interview provides pre-divorce economic information about calendar year $t-1$. The spring, $t+2$ interview provides post-divorce economic information about calendar year $t+1$.

Men and women undergoing divorces or separations were selected from each data set, as were children and grandchildren under the age 18 in year t who lived in households undergoing a divorce or separation. Separate calculations were performed on these groups of men, women and children and we did not impose the requirement that both spouses undergoing a divorce or separation be successfully followed and interviewed in $t+1$ and $t+2$. Indeed, imposing such a requirement on the PSID sample would have resulted in a much smaller and badly biased sample. Both studies have "following rules" dictating that an ex-spouse be followed and interviewed only if he or she was a member of original sample households. Since the GSEP began in 1984, such rules have almost no effect. However, the PSID began in 1968 and by 1981 many of the married couples consisted of a member of the original sample (who is followed in the event of divorce) and someone who "married into" the sample (and is not followed). Only 22 of the 415 soon-to-be divorced couples in the PSID consisted of two sample members, producing what almost amounts to independent samples of ex-husbands and ex-wives, whose $t-1$ economic conditions will vary with sampling error. (If one assumes independence, significance tests on the difference between $t-1$ family-size-adjusted incomes of men and women in the PSID sample shows no statistically significant difference.)

Another, less important, reason that $t-1$ economic information about men in the sample is not identical to the $t-1$ information about women is that ex-husbands were somewhat more likely to become non-respondents after the divorce or separation than were ex-wives. The individual weights in the PSID are designed to adjust for differential nonresponse, but require the fairly strong assumption that ex-husbands who survive in the sample are representative of ex-husbands with identical measurable characteristics who were not successfully followed and interviewed.

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