

Short and long term economic consequences of union dissolution. The case of the Netherlandsⁱ

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Summary: Many studies have shown the dramatic gender-specific economic consequences of divorce: women are much worse off, while men's circumstances even seem to improve a bit. The present study confirms this, but reveals more. As we thought the lack of studies on the impact of economic consequences of consensual union break-ups leave an unjustifiable gap, we studied both cohabitation and marriage in order to expand insights into the effects of these break-ups compared with the economic impact of divorce. Using Statistic's Netherlands *Income Panel Study 1989-2000*, a register-based survey with longitudinal demographic and economic information on some 115 thousand persons, this study reveals that ex-cohabiting women experience decline than divorced women in their economic situation shortly after union dissolution. The post-disruption economic situation of formerly cohabiting men - like that of formerly cohabiting women - are worse than the pre-disruption situation. This is in contrast with formerly married men who are generally a bit better off after divorce. The consequence is that differences between the sexes are much larger after divorce than after a consensual union break-up.

This study further shows that the decline in the economic situation is persistent at the medium term, at least for some. Women who don't find a new partner do not regain their initial purchasing power within the first five years thereafter. This refers to about half of Dutch divorced women. The situation that divorced men are slightly better off after a divorce is maintained through the years. Re-partnering does not really alter men's economic situation, either positively or negatively way. In contrast, ex-cohabiting men who find a new partner are also effective in regaining purchasing power.

In the long run, substantial declines for women and moderate increases for men weaken over the years so that the differences between men and women become smaller and even almost disappear for ex-cohabiters over time. In the long run, persons who do not find a new partner suffer the most, especially divorced women.

About a fifth or a third of all men and women do not find a new partner in the ten years after divorce or disruption.

1 Introduction

Divorce coincides with dramatic negative short-term economic consequences (Andreß, 2004; Bouman, 2004a, 2004b; Burkhauser et al., 1991; Fritzell, 1990; Jarvis & Jenkins, 1999; Poortman, 2000, 2002; Smock 1993, 1994). The evidence is fairly consistent and shows that in many countries, women are nearly always the losers whereas men lose a bit or sometimes even gain financially from divorce.

Like in many other European countries, the Netherlands witnessed a sharp increase in union dissolution rates in the past three decades. The number of divorces rose from about 6 thousand (1965) to about 34 thousand in 1995. After a standstill, the number of divorces declined a bit to about 32 thousand since 2001. The commonest break-ups today are those of cohabiting unions. In 2000, about 70 thousand cohabiting couples broke up (Steenhof & Harmsen, 2002a), twice as many as the number of divorcing couples. This is because cohabitations are more unstable than marriages (Hoem & Hoem, 1992; Clarke & Berrington, 1999; Kiernan, 2002; Manting, 1994; Wu & Pollard, 1998) and because increasingly more couples cohabit. It has become the first normal step in the union career in the Netherlands: about 85 percent of people in their mid-twenties, who entered a union in 2000, said that they did so by cohabiting (Steenhof & Harmsen, 2002b). And because it has become so normal, we think the lack of studies on the impact of economic consequences of consensual union break-ups leave an unjustifiable gap. What are the economic outcomes of a separation for cohabiting couples? Are the economic consequences of dissolution of cohabitation similar to the impact of divorce, or not? Given that the number of break-ups of cohabiting couples is so large, there is surprisingly less information on the consequences. This study hopes to shed some light on this aspect.

A second question to be addressed to is the following. Most studies show the economic costs at the moment of divorce. But one can imagine that societal relevance of the consequences of divorce becomes even more important when income inequality turns out to be long lasting. Up to now there are more studies describing the economic situation shortly after divorce than studies describing the long-term consequences of divorce. Those that investigated the long-term consequences showed that dramatic losses diminish over time (Duncan & Hoffman, 1985; Andress, 2004; DiPrete & McManus, 2000; Finnie, 2003; Poortman & Fokkema, 2001). This study will describe the income effects for men and women in

the Netherlands up to a maximum of ten years after disruption of a union. Dutch women are much worse off in the short run, but are they still worse off later on?

2 A short review of the literature

This short review will discuss studies reporting on economic (mostly income) consequences of breaking up. Many study the impact by comparing the income situation shortly before the event of divorce with that shortly thereafter (Burkhauser et al., 1991; Bouman, 2004a; 2004b; Fritzell, 1990; Jarvis & Jenkins, 1999; Poortman, 2000, 2002; Smock 1993, 1994). Some focus on long-term effects. We'll start with those studies reporting on short-term economic consequences.

2.1 Short-term economic consequences

Earlier longitudinal research in the US and Europe indicates that the short-term impact of divorce has severe gender-specific financial implications. Findings are fairly consistent over the years and between countries: women experience a sharp fall in economic well-being shortly after divorce whereas men tend to be a little better off in Germany, Sweden, Britain, the US, Canada and the Netherlands (Andreß, 2004; Burkhauser et al., 1991; DiPrete & McManus, 2000; Duncan & Hoffman, 1985; Finnie, 1993; Fritzell, 1990; Jarvis & Jenkins, 1999; Smock, 1993, 1994; Poortman, 2000, 2002). Poortman (2000, 2002) showed that Dutch results are consistent with results from other countries: women experience a large financial setback whereas men even seem to gain financially from divorce. She found that the great loss of Dutch women could be partly explained by the fact that women work fewer hours, that they have a lower education. Custody of children also leads to a greater loss for women, but this is much less important than the first two determinants. One can imagine that the great losses Dutch women encounter by divorce would diminish over historical time. The most important reason is that more and more women work and thus, more and more women gain their own income. The proportion of earning women rose from 60 per cent (1990) to 71 percent in 2001. Yet, this does not really mean that Dutch women gain enough to become economically independent of their spouses (Portegijs, Boelens and Olsthoorn, 2004). The prime reason is that most Dutch women work part-time. The second reason is that Dutch women get paid less than men after controlling for relevant differences as to working experience, sector, or educational level (Portegijs, Boelens and

Olsthoorn, 2004). A change in the divorce law is a second prime reason to expect a declining impact of divorce on the post-disruption income situation of men and women. In 1994, the period of receiving partner alimentionation was reduced seriously especially for those who were married relatively shortly. Also, the period of receiving partner alimentionation was limited to twelve years at a maximum after divorce. On the other hand, a change in the way pension should be redistributed after divorce in 1995 may have led to increasing costs of divorce.

Our knowledge of how a split up affects the economic situation of men and women is almost completely limited to the consequences of divorce. Up till now, we came across one (British) study with results on income changes of consensual splits. It showed heterogeneity in net income change associated with type of union, especially so for men. Married men gain while cohabiting men lose income through a union disruption (Jarvis and Jenkins, 1999). So up to now, we do not know whether or not the economic effect of divorce is different from that of a consensual union break-up. We hypothesize that cohabiting couples will suffer *less* economic setback after breaking up than married couples. Cohabiting couples are less likely to share long term investments such as home ownership (Brines & Joyner, 1999; Mulder & Manting, 1994; Feijten et al., 2003), and thus lasting financial costs of splitting up will be smaller for ex-cohabiters. Compositional differences between cohabiting and married couples are probably relevant for post-disruption consequences too. First of all, there are relatively more childless cohabiting couples than married ones. Since childless women generally work more than mothers, this will probably lead to a smaller economic downfall for cohabiting women than for married women simply because they more often have an income of their own before and after disruption. Cohabiting couples are more often two-earner households than married couples at some point in their union (Portegijs et al., 2002), at the start of a union (Manting & Loeve, 2004) and at the end of a union (this study: below). The majority of married couples have a traditional division of earnings with the husband as the main breadwinner and the wife contributing less to the household income, whereas the majority of cohabiting couples are in a two-earner situation in which both partners contribute equally to the household income (Manting & Loeve, 2004 and this study). And so it is likely that the economic consequences are smaller for cohabiting than for married women. The fact that Dutch law regulates alimony for ex-partners after divorce but not for ex-partners will probably work in the direction of larger gender differences for ex-cohabiters. This is because many cohabiters have no legally binding agreement at all as to what happens if they break up. And so, economic consequences for ex-cohabiting women will probably be larger than those for

divorced women simply because they are less well protected. There are no rules concerning redistribution of income and welfare between the partners after splitting up a consensual union.

2.2 Long-term economic consequences

A few studies have shed light on the long-term economic consequences of divorce. Duncan & Hoffman (1985) showed that over the years divorced men recover from the moderate drop shortly after divorce. Remarriage is an important way to improve the economic situation. After five years, the economic situation of single men is worse than those who remarried. They also showed that the dramatic financial deterioration for women ends when they remarry. Several others (f.i. Andreß, 2004; DiPrete and McManus (2000); Finnie (1993)) also showed that the dramatic decline for women diminishes over the years. Men's income situation does not really change over the years, irrespective of whether they remarry or remain single. The Dutch study of Bouman (2004c) showed that re-partnering is more effective than finding a job, simply because more persons remarry than that they find a job after divorce. The (cross-sectional) study of Poortman and Fokkema (2001) showed severe long-term effects of divorce in the Netherlands, especially for men and women who did not find a new partner in the long run. As such, all studies make clear that divorced women recover their original financial situation at some time after the divorce took place by re-partnering, whereas the changes for men are not that substantial over the years.

All in all, it is quite likely that the economic consequences diminish over time, as many people find a new partner. Given that ex-cohabiters tend to find a new partner much faster than divorcees (Steenhof & Harmsen, 2002b), we expect the economic deterioration of ex-cohabiters to diminish faster than that of divorcees.

3 Data

The questions addressed in this study require longitudinal analyses based on a longitudinal data set. In this paper, we show descriptive results only.

Our study includes analyses of Statistics Netherlands' *Income Panel Study IPO 1989-2000* as these data enable us to conduct a longitudinal study of the role of economic consequences. The purpose of the IPO is to illustrate the composition and

distribution of income of persons and households in the Netherlands. It is representative for the whole non-institutionalised population. In contrast with general panel surveys based on personal interviews, this is a register panel with information from different administrative sources. The basic survey population for the IPO is a sample from the fiscal administration. As long as a selected person remains in the population registration, he or she will remain in the panel. Statistics Netherlands adds other information to the sample, collected from other administrative sources such as study allowances and rent subsidies.

The IPO covers a 0.6 percent sample of the population. Each year, the sample is refreshed by adding 0.6 percent of all newborn babies and immigrants (about 3 to 4 thousand persons a year). Each year people leave the sample because of death or emigration. As a result, information is available for about 115 thousand persons who were in the sample between 1989 and 2000. The IPO was selected for our analyses because it is an excellent source for studying the relationship between income and union dissolution from a longitudinal perspective. Instead of many other panels, where income is measured at the beginning of an event (marriage for instance) or at the moment of the interview, this source contains longitudinal income information over the years. The advantage of a register panel is that there is almost no panel attrition and almost no non-response (about 2 percent). The most relevant advantage is of course, the relatively good longitudinal estimation of different income variables. There is practically no item non-response on income (less than 1 percent). Another advantage is the large number of persons in the sample. Such large databases are very suitable for studies of divorce as most other survey data run into problems of small numbers of persons experiencing a divorce. The following analyses are based on about 7, 8 thousands persons breaking up a consensual union and 4, 8 thousand divorced persons.

There are also major disadvantages of the IPO, however: few determinants are included in the database, and those that are included are not always efficient for the purposes of divorce research. Another disadvantage is that whereas all income variables are annually based, demographic variables refer to the end of a given year. Events can only be roughly estimated by comparing the situation at the end of a year with the situation at the end of the following year. This implies that the dissolution of unions will be underestimated, as unions that began and ended in the same calendar year are simply not recorded. This also means that the exact timing of when a union began is unknown. Also, the exact date of disruption is unknown, which is of course a serious disadvantage for this study. We selected dissolutions of all unions: divorces and separations were counted, whatever came first. A negligible

number of separations of cohabiting couples might actually be caused by the death of one of the partners (less than 2 percent).

The selected economic variable is *yearly disposable household income adjusted for family size by using the equivalence scale of Schiepers and Kickken* (1998). Income is corrected for inflation according to Statistics Netherlands' standards. Hereafter, we call it *purchasing power*. Studies that have compared different income measures generally conclude that this measure is the most robust one to analyse changes in income caused by household dynamics (Burkhauser et al., 1991; Fritzell, 1990; Jarvis & Jenkins, 1999; Poortman, 2000, 2002). When using disposable household income adjusted for family size, effects are generally less pronounced than when other income measures such as total family or personal income are used (for a review see Poortman, 2000, 2002). Changes in purchasing power are shown by changes in the median of all individual changes in purchasing power. This is because median figures are less skewed and not really sensitive to extreme high or low values. Jarvis & Jenkins (1999) showed that the choice of the equivalence factor influences the level of change, but only a little.

By using the purchasing power, one must be aware of the fact that by its very nature a split up of a couple coincides with a decline in purchasing power. This is because the mechanism behind adjustment for household size means that two singles require more purchasing power than one couple, simply because two singles cannot share costs such as those for housing and food. Two one-earner households thus need more income than one two-earner household and this is why the overall effect of a split up of households will always be negative overall. What we are interested in is the differentiation between type of union, gender, division of earnings and the presence of children.

This variable combines information on all income sources, like income from paid labour, social security, pensions, etc. Taxes, partner alimony, several (sickness) premiums and other negative transfers are subtracted whereas study allowances or child benefits are added. About one in ten divorced women in this sample receives partner alimony. Less than 1 percent of divorced men receive partner alimony. Also, less than 1 percent of ex-cohabiting partners receive partner alimony.

The here presented figures are exclusive of child maintenance payments. Estimations of the transfer of child alimony in the Netherlands varies (Van Praag et al., 1997; Ministry of Justice, 2002). According to Wang and Steenbrink (2000) the proportion of Dutch mothers with children receiving child alimony varies from about one third to one fifth with an average transfer of 200 to 300 euro. The amount

of child support payments is generally lower than that of partner alimony. Missing child alimony is not an issue for childless men and women, only for fathers and mothers and then only for fathers and/or mothers receiving child alimony. Our own calculations show that the overall negative change in purchasing power is overestimated for mothers and that the positive change for men is overestimated.

Table 1 about here

The degree varies with the number of children (table 1). This implies that we show magnitudes of effects and not the 'exact' impact of dissolution on income changes over the years. It is not known how child alimony transfers vary over the years.

In this study, short-term effects describe changes measured between the years T-1 and T+1, medium-term effects describe it between T-1 and T+5 and long-term effects refer to the year before disruption (T-1) up to a maximum of ten years after disruption (T+10).

4 Short-term economic consequences of union dissolution

Shortly after divorce, women experience a much larger fall in income than men. Whereas the purchasing power of married women is 23 percent lower a year after the divorce, men's income increases by about 7 percent shortly after divorce³. As stipulated above, this is a rather universal finding in many different countries (table 2). Table 2 shows the economic situation before/after union dissolution in the 1990s for men and women and for cohabiting and married couples, measured in level and change of purchasing power (income adjusted for family size by using the equivalence scale of Schiepers and Kickken (1998)).

Table 2 about here

³ Since these figures are exclusive of child alimony it will probably mean that the income drop for women will be overestimated with about 9 percentage points, whereas the income gains of men will probably be overestimated with about 7 percentage points, and thus be zero. But our conclusions would still be that women lose much more than men shortly after divorce.

We expected the decline in purchasing power to be much smaller for ex-cohabiting women than for ex-married ones in the short term. This is indeed the case, but the impact of a split up is still rather large. Moreover, among cohabiting couples, too, women's drop is much higher than that for men. Ex-cohabiting women experience a 14 percent decline, compared with 4 percent for ex-cohabiting men. Men thus experience a much smaller change than women. All in all, gender differences are still remarkably high both for ex-cohabiters and ex-married couples.

So cohabiting men experience a financial deterioration after separation, albeit it a relatively small one of 4 percent compared with 14 percent for women. This is similar to the findings of Jarvis and Jenkins (1999) who also found a financial deterioration after separation for cohabiting men but not for married men.

Whether this is connected with compositional differences between cohabiting and married couples with regard to the presence of children and where they live afterwards will be examined below. Graph 1 show that the proportion of married couples with children is much higher than that of cohabiting couples.

[Graph 1 about here](#)

Almost sixty percent of divorced couples had children when they got divorced. The proportion of cohabiting couples with children when they split up is much smaller: about one quarter. In most cases children live with their mother after divorce or separation (three quarters). How does the presence of children affect the changes in the level of purchasing power (table 3) of men and women after union dissolution?

[Table 3 about here](#)

Ex-husbands gain in income no matter whether children live with their mother or with themselves. The income increase of men is higher when children live with their mother: their purchasing power increases by a third. Ex-wives, however, experience a substantial loss in income. Generally, all women's purchasing power declines dramatically after divorce with reductions of between 19 and 27 percent.

Both childless divorced men and women lose the most, but childless women lose much more than men. Thus, for the forty percent of couples without children, both

men and women lose. Childless men have a 6 percent decline, whereas childless women lose about 27 percent shortly after divorce.

The fact that women retain custody of the children is often mentioned as an important reason for their larger decline in income adjusted for household size. Simply put, there are more mouths to feed in a household with children. But here we see that childless women lose even more relatively speaking. Childless women lose relatively more, but their level of purchasing power still is higher after divorce than that of mothers. Many divorced mothers depend on welfare.

The short-term economic consequences of consensual union break-ups are again somewhat smaller than that of marriage. The increase of 23 percent for fathers with children living with their mothers is for instance much smaller than the 33 per cent increase for divorced fathers. About three quarters of cohabiting couples have no children in the year they split up. Again fathers have more purchasing power after union disruption, but only when the children live with the mother. Whereas ex-cohabiting fathers do not really experience a change in economic situation, divorced fathers gain.

After making a distinction between men and women with and without children, the direction of the effects is the same for the two types of union. There is a decline in purchasing power for cohabiting women irrespective of whether or not children are involved, and with whom they live after separation. In all cases, the purchasing power of divorcees declines somewhat harder than that of ex-cohabiting women. Both cohabiting and married childless women also lose purchasing power as a result of a union disruption. Household income is about 14 percent lower for ex-cohabiting women compared with 23 percent lower for ex-married women. Irrespective of union type, childless men lose income.

Childless married couples generally have the more traditional division in which the husband contributes more to the household income than the wife, albeit that the number of equal earners is also substantial. Among childless cohabiting couples, the most common couples are equal earning couples, but there are also a substantial number of couples in which the man earns more than the woman.

[Graph 2 about here](#)

With more than 40 percent the proportion of equal earners among cohabiting couples is almost twice that among married couples. In 70 percent of married

couples, women contribute less than men to household income. This is so for 40 percent of the cohabiting couples.

It seems logical to assume that for couples in which men and women earn about the same, the effects of a separation or a divorce should be more or less similar for both sexes. Breaking up coincides with a sharp decline in the financial situation, simply because one loses an earning partner while costs relatively increase (as some costs can no longer be shared). Equal earners lose about twenty percent of their purchasing power shortly after breaking up (table 4).

Table 4 about here

Both men and women in equal earning couples are worse indeed off. But still, married and cohabiting women lose somewhat more, 23 and 20 percent respectively, than men, 17 and 15 percent respectively. These findings are in line with the results found by Fritzell (1990) for Sweden. In Sweden, where women generally contribute a larger share of family income than in most other countries, men were also negatively affected by family disruption. Cohabiting partners mostly lose less than married couples, the only exception being the relatively high decline for men who lose a cohabiting partner contributing more to household income than themselves. This is only a small group, however (8 percent of cohabiting couples).

When the man is the relevant earner in the household, he gains a lot (13 percent) while the woman loses a lot (23 percent) from union dissolution. In cases where men contribute more than women to household income, the purchasing power of cohabiting men increases by 6 percent, whereas it diminishes with 20 percent for cohabiting women. In the majority of married couples the man earns more than the woman. In cases where the woman was the relevant earner, women gain a bit whereas men lose a lot.

On the basis of these results, we must conclude that differences of the economic consequences of cohabitation are more closely intertwined with compositional differences than with type of union per se. Albeit that the short term economic consequences of breaking up a consensual union are a bit lower than that of divorce⁴.

⁴ We also examined the economic consequences of the *combination* of custody of children after disruption with the division of earnings prior to the disruption. Our conclusions do not

5 Medium-term economic consequences and re-partnering

Let us turn from the short term to the medium term effects: do tendencies decline over the years? When examining the situation over the years, other events may also affect the changing economic situation such as re-partnering, finding a job or children leaving the parental home. Since breaking up a relationship has enormous (negative) economic implications for the individuals involved, it seems rather logical that forming a new relationship will have positive economic implications, albeit mostly so for women. Results are fairly consistent in showing that remarriage has positive effects on the income situation, especially so for women (f.i. Fritzell, 1990; DiPrete and McManus, 2000).

Graph 3 shows the medium-term changes and the impact of re-partnering in the purchasing power for *divorced* men and women in the Netherlands⁵.

[Graph 3 about here.](#)

About half of divorced women found a new partner within five years after divorce (Bouman, 2004b). Women finding a new partner still have a slightly lower household purchasing power than couples that did not get divorced, but their level is much higher than that for women who remained single. The income level of men with a new partner is slightly higher than that of single men. Re-partnering is thus indeed more profitable for women than for men. Overall, we conclude that the sharp gender differences become smaller over time for those finding a new partner. But it is also clear that the half of women who do not find a new partner undergo serious financial implications of divorce in the medium term as well. Single women have a

alter in that men have a large increase in purchasing power and women lose a lot in those cases where men gained more than women prior to divorce whereas children co-reside with the mother after divorce (the most common situation). And with regard to the most common situation among ex-cohabitators, we again conclude that both male and female ex-cohabitators who earned alike and had no children lose substantially in economic terms.

⁵ Whereas the former figures referred to all men and women who got divorced between 1990 and 1999, the following figures refer to couples who broke up in the first half of the nineties only, in order to be able to follow them for about five years.

substantial lower purchasing power even five years after divorce. Substantial differences between the sexes thus remain over the years since almost half of divorced women have a relatively low-income situation in the medium term.

Does type of union bother when looking at medium term economic consequences? First of all, we note that re-partnering is also effective for formerly cohabiting persons (graph 4).

[Graph 4 about here](#)

Once again, the effect of re-partnering is rather large. Interestingly, it is now also fairly effective for gaining purchasing power for ex-cohabiting men; whereas divorced men do not really gain by re-partnering, ex-cohabiting men do. One explanation could be that there is some kind of partner selection which leads formerly divorced men to find a new partner with a relatively low or no income at all, whereas men who used to cohabit probably find a new partner who earns a relatively high income.

After a few years, differences between the sexes of those who have found a new partner have completely disappeared. Nevertheless, having experienced a break-up still has impact on the purchasing power, given that couples that remained intact over the years have a much higher purchasing power than persons who broke up but found a new partner. We concluded above that short-term economic consequences of consensual union break-ups are smaller than those of divorce. At the medium term, this is not so obvious. Once again, the medium-term economic situation of women who remained single is the worst. After them come the men who remained single. The income level of ex-cohabiting men and women thus gains a lot if they form a new couple. In the medium-term, their income levels are much higher than those of men and women remaining single. In economic terms, it is best to never split up. The economic level of cohabiting couples that did not split up remains the highest at all years.

7 Long-term economic consequences of union dissolution

To examine the situation even later on, we followed the subjects of our investigation up to a maximum of ten years. On the basis of cross sectional figures Poortman &

Fokkema (2001) have already shown that there are indeed indications for long-term economic consequences. In a number of countries, longitudinal analyses show that in the long run, the economic costs of union dissolution are somewhat reduced (Andreß, 2004; DiPrete and McManus (2000); Duncan & Hoffman (1985); Finnie (1993)).

Our figures (graph 5) also show that women divorcing in 1990 improve their economic situation in the subsequent ten years⁶. They improve so much that seven years later their purchasing power is about the same as it was a year before they broke up.

[Graph 5 about here](#)

On the other hand, divorced women retain a much lower income compared with divorced men. The level of women's purchasing power ten years after divorce is about 15 per cent lower than the level of divorced men. Divorced women that did not find a new partner suffer the most. This refers to about a third of all divorced women. Their purchasing power is – in all these years - much lower than for instance divorced men remaining single. Ten years after divorce, the level is even lower than that of their pre-disruption situation. Thus, in all these years, women never regained a purchasing power, which equalled their purchasing power level at the time they were married.

Looking at the long-term changes of the purchasing power of persons who broke up a consensual union in 1990, we conclude that the gap between cohabiting men and women diminishes much more quickly (graph 6). It is thus smaller from the onset and just about disappears in the long run.

[Graph 6 about here](#)

About nine years after union disruption, the purchasing power of women who broke up is similar to that of men. In the end, both men and women are at a higher level than at the time of union disruption. Separated men and women have a more or less

⁶ Figures are shown for those divorced in 1990 only, but overall results for men and women who divorced in later years are similar to the tendencies presented here.

equal economic level to that of couples who did not split up in 1990. Once again though, single women lose the most in the long run. Again their level does not reach the purchasing power level they had at the time they were a couple. Single men also lack behind although the gap with all men is much smaller. For them too, we conclude that they never regained their initial purchasing power. About a fifth of them are still single after ten years.

8 Summary and conclusion

This article has discussed the economic situation of men and women after they break up a marital or a non-marital union: at the short, medium and long term. It concentrated on the economic effects of unions in the Netherlands, which ended in the nineties. As we thought the lack of studies on the impact of economic consequences of consensual union break-ups leave an unjustifiable gap, we wanted to study both cohabitation and marriage in order to expand insights into the effects of these break-ups compared with the economic impact of divorce.

We were able to do so with the Income Panel Study. This is large enough to make a distinction between the two types of union. The economic situation was studied by using household income adjusted for size of the household. This automatically implies that the economic situation will decline when two persons split up, simply because this measure accounts for the fact that two singles need more purchasing power than one couple. We used this measure because we are interested in the differentiation in the change in household income between type of union, gender, and persons with and without children and those who did or did not find a new partner.

And there are huge differences. The enormous gender-specific short-term economic effects of divorce are striking and reinforce earlier Dutch and non-Dutch studies. Men generally gain, whereas women generally lose. The short-term economic effects of breaking up a consensual union are smaller than that of divorce but still relatively high.

This study shows that women are especially vulnerable to household changes. Shortly after divorce, women lose substantially, whereas men gain economically from divorce. One of the main reasons for these short-term differentials is that although Dutch women have entered the labour market at a rapid pace and although more and more women earn their own income, this generally implies a relatively

low contribution to the household income compared with men. Therefore, women experience a greater decline than men: women do not only lose a lot of income in the short run; these consequences are still noticeable five and ten years after union disruption. Women who remain single are losing the most financially, followed by single men.

There are differences in economic consequences of separation and divorce. First of all, men also experience a financial downfall shortly after breaking up a consensual union, although this is much lower for them. This is similar to the Jarvis and Jenkins's study. It is caused by the simple fact that cohabiting men more often lose an equal earner partner than married men when they split up. Just over forty percent of cohabiting partners contribute about equally to total household income, resulting in smaller gender differences shortly after disruption. This is in contrast with married couples as the majority of married couples follow the traditional division of labour or earnings: the husband contributes more than the wife. And this is why divorced men gain on average from divorce. But after making a distinction between persons with and without children, there are not many differences between economic consequences of breaking up cohabitation relative to divorce.

We conclude that compositional differences concerning custody of children and the division of earnings between partners are more relevant for post-disruption income levels at the short term than type of union. Childless men and women lose a lot by breaking up. The majority of men with children gain from divorce whereas the majority of women with children lose.

At the medium term, re-partnering is most effective in gaining original purchasing power more or less alike the level before disruption. Five years later, divorced men and women who found a new partner and never divorced couples have an almost similar purchasing power. Those who did not find a new partner are much worse off: Especially single women have a low purchasing power five years after divorce. This level is much lower than that of single divorced men. Re-partnering is also effective among formerly cohabiting men and women. Single men and women are much worse off than those having found a new partner. Five years after breaking up a consensual union, especially single women have a low purchasing power. Yet, even men and women having found a new partner still have a lower level than couples that remained intact over the years.

At the long run, divorced women still have a much lower purchasing power than divorced men ten years after divorce. Especially divorced women who never found a new partner have lost the most. The impact of a union disruption on the purchasing

power is almost zero. This is because the majority of them have found a new partner. About a fifth did not (yet) found a new partner.

The study thus confirmed earlier findings in different European countries. The findings of the economic consequences of consensual union break-ups are new. This study clearly shows that the growing instability of relationships, be they marital or non-marital, has led to new forms of income inequality. And that the economic consequences of consensual union break-ups should not be disregarded: although they are smaller and not as long lasting as those of divorce, they have an enormous impact on the economic situation of men and women shortly thereafter.

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Table 1. Estimation of the average change in purchasing power of men and women with and without child alimentation

Change in purchasing power year before/after divorce						
	one child		two children		three children	
	exclusive	inclusive	exclusive	inclusive	exclusive	inclusive
	child alimentation	child alimentation	child alimentation	child alimentation	child alimentation	child alimentation
	in %		in %		in %	
Men	21	17	34	25	56	39
Women	-43	-39	-37	-30	-44	-35

Source: Bouman, 2004b.

Table 2. Changes in purchasing power of men and women, before/after union disruption, 1990-1999

	Men			Women		
	Spending power in year before separation	Spending power in year after separation	Change in spending power ¹⁾ year before separation / year after separation	Spending power in year before separation	Spending power in year after separation	Change in spending power ¹⁾ year before separation / year after separation
	absolute (x 1 000)		%	absolute (x 1 000)		%
Formerly cohabiting	17,0	16,2	-4	17,3	14,9	-14
Formerly married	16,3	17,7	7	16,6	12,4	-23

¹⁾ Change in purchasing power cannot be calculated directly from the purchasing power in the years before/after separation in the table because the first is the median of all individual mutations and the second is the mean purchasing power for the total group of separated persons. Exclusive child alimony.

Graph 1. Children and where they live shortly after union disruption

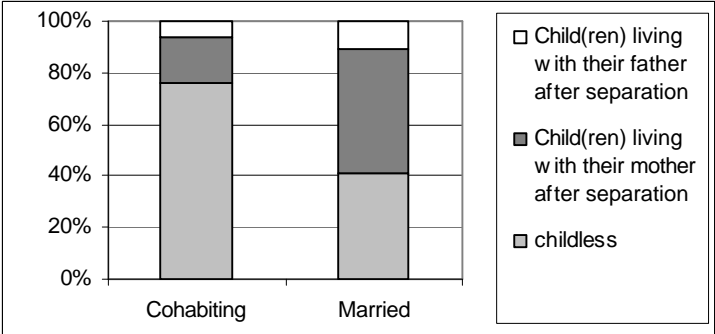


Table 3. Children and changes in purchasing power shortly after union disruption, 1990-1999

	Men				Women							
	Spending power in year before separation		Spending power in year after separation		Change in spending power ¹⁾ year before separation / year after separation		Spending power in year before separation		Spending power in year after separation		Change in spending power ¹⁾ year before separation / year after separation	
	absolute (x 1 000)				%		absolute (x 1 000)				%	
	cohabiting	married	cohabiting	married	cohabiting	married	cohabiting	married	cohabiting	married	cohabiting	married
Childless	18,0	18,4	16,2	17,4	-9	-6	18,5	19,7	15,8	13,8	-16	-27
Child(ren) living with their mother after separation	12,2	14,0	14,7	18,6	23	33	13,7	13,9	11,6	10,4	-14	-21
Child(ren) living with their father after separation	14,1	14,3	14,3	15,0	0	6	13,8	14,8	12,2	12,0	-10	-19
total	17,0	16,3	16,2	17,7	-4	7	17,3	16,6	14,9	12,4	-14	-23

¹⁾ Change in purchasing power cannot be calculated directly from the purchasing power in the years before/after separation in the table because the first is the median of all individual mutations and the second is the mean purchasing power for the total group of separated persons. Exclusive child alimony.

Graph 2. Pre-disruption contribution to the household income of men and women by type of union

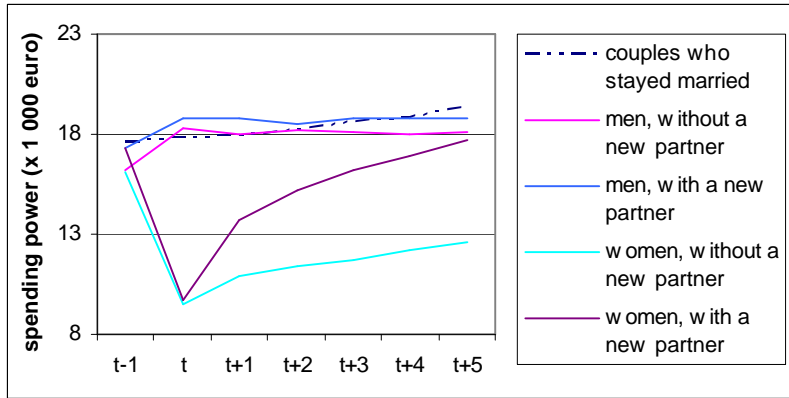


Table 4. Pre-disruption contribution to the household income and changes in purchasing power shortly after union disruption, 1990-1999

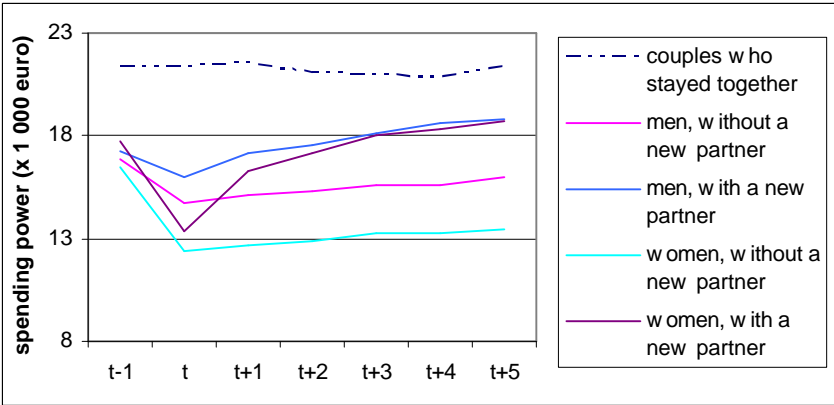
	Men				Women							
	Spending power in year before separation		Spending power in year after separation		Change in spending power ¹⁾ year before separation / year after separation		Spending power in year before separation		Spending power in year after separation		Change in spending power ¹⁾ year before separation / year after separation	
	absolute (x 1 000)				%		absolute (x 1 000)				%	
	cohabiting	married	cohabiting	married	cohabiting	married	cohabiting	married	cohabiting	married	cohabiting	married
Equal	19,2	18,2	16,2	15,7	-15	-17	19,3	18,7	16,0	14,5	-20	-23
Man earns more than woman	16,9	16,5	17,9	18,7	6	13	16,8	16,3	12,9	11,1	-20	-27
Man earns less than woman	13,5	11,3	11,0	11,7	-14	-1	14,2	13,6	15,5	13,9	6	4
total	17,0	16,3	16,2	17,7	-4	7	17,3	16,6	14,9	12,4	-14	-23

¹⁾ Change in purchasing power cannot be calculated directly from the purchasing power in the year before and after separation in the table because the first is the median of all individual mutations and the second is the mean purchasing power for the total group of separated persons. Exclusive child alimony.

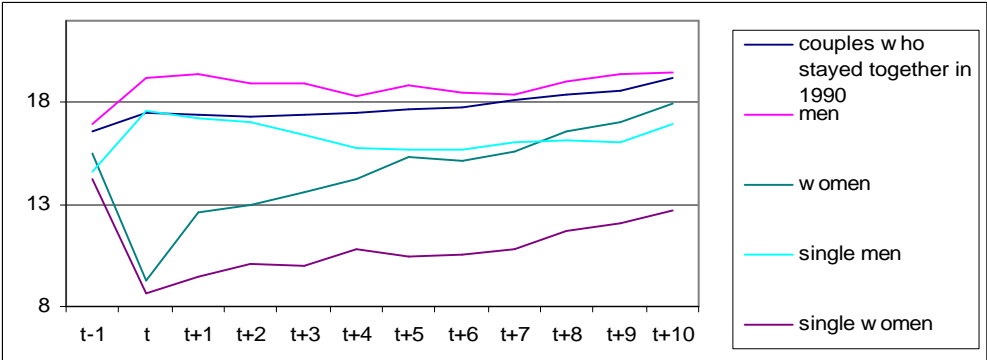
Graph 3. Purchasing power of men and women up to five years after divorce



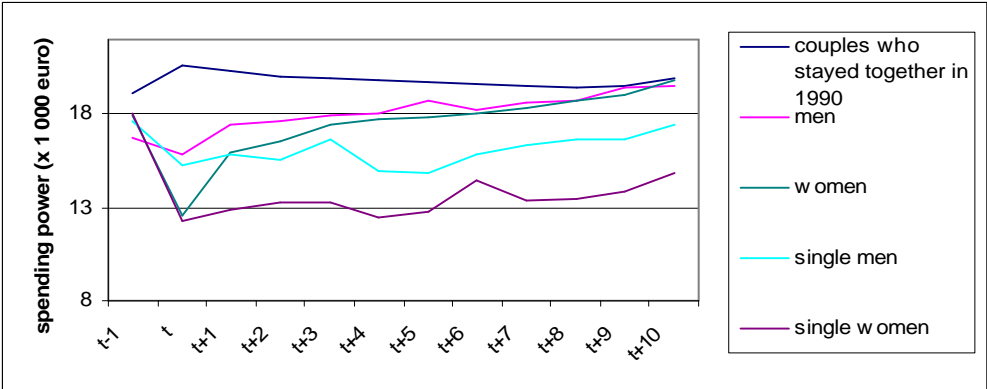
Graph 4. Purchasing power of men and women up to five years after a consensual union break-up and re-partnering



Graph 5. Purchasing power up to ten years after divorce for (single) men and women



Graph 6. Purchasing power up to ten years after consensual union break-ups for (single) men and women



ⁱ This is a revised version of a paper presented at the 3rd Conference of the European Research Network on Divorce, December 2nd - 4th 2004 in Cologne/Germany