

Economic consequences of late-life divorce

A comparison between France and Sweden

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Introduction

This study takes its starting point in the emerging trend of increasing divorce rates at older ages experienced in many welfare states, the “grey divorce revolution” as mentioned by Brown & Lin, 2012. For example, in France divorce has increased continuously among the older ages (Prioux and Barbieri, 2012; Solaz 2021). In 1996, 3-4% of all divorces involved a man or woman aged over 60, and by 2016 the proportion increased to 12% for men and 8% for women (Solaz 2021). The same is true for Sweden, where from 1999 to 2019, the share of divorcees aged 65 to 69 increased from 16 to 22% for women and from 14 to 19% for men (Statistics Sweden, 2023).

One of the main explanations to such a development is, in addition to increased longevity and changing norms, that divorce is economically possible also among older individuals. Increasingly, both women and men may see divorce as a feasible and realistic option at different life course stages. When focusing on divorce among the older population, however, the viability of divorce may be quite different from divorce at younger ages. Older individuals have more restricted possibilities to recovery through common recovery mechanisms, such as increasing their income through work and repartnering. Regarding the possibilities to adapt their spending there may be mechanisms in both directions. For example, older individuals may be able to adapt to lower resources as dependent children are less often present. Nevertheless, a divorce also often means moving to a new dwelling, and even if the choice of new dwelling can be adapted to the new economy, a move and a single household come with costs.

It is well known that the situation differs for women and men (Bonnet et al., 2021), due to differences in life-time earnings, based on gendered life trajectories and specialization throughout the life course (Haitz 2015; Bonnet et al, 2021). The gender pension gap is in general larger than the gap in income from work. The gender gap in pensions is 38% in France and 28% in Sweden 2019 (Eurostat, 2022). This shows that older women are in a more vulnerable situation at divorce compared to men when divorce occurs in later life than when it occurs in working ages.

The gendered consequences may, however, differ depending on the welfare state and the kind of support available to vulnerable groups of older individuals. In settings where the married couple during retirement is still prevalent, the male breadwinner model and the economic dependence between spouses it induces is not considered as a problem. Marriage provides an insurance against old-age vulnerability. For a long time, widowhood has been the only risky situation considered as leading to single living for older individuals, but in that case, survivor pension plays its role. The consequences of a divorce are yet increasingly emerging, however, also in such settings, at least as a questioning of the support system (Bonnet & Hourriez, 2012). In this study, we use the examples of France and Sweden where the male breadwinner model has been assumed to a different degree among the cohorts who are currently around the age of retirement.

The Swedish system has since the 1970s promoted policies that encourage economic independence, enabling labour-market participation of both men and women and adding support systems that are to the largest part based on the individual and not the couple/family. France has followed the Swedish model by promoting female labour force participation and pension system based on individual contribution but later on and only partially. For instance, contrary to Sweden which introduced individual taxation of

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spouses in 1971, in France, the (married) couple is the unit for income taxation, which leads to higher marginal tax rate on the lower paid, most often the woman and then, lower incentives to work. Survivor's pensions are also still quite widespread and generous in France while they have been suppressed in Sweden in 1989. In Sweden, the female labor force participation and the economic independence that comes with it, has also been higher for a longer time than in France. In comparing these two countries, we contribute to the literature on late-life divorce across contexts (Alderotti et al. 2022; Lin et al, 2018; Lin & Brown, 2020), by adding to the very few studies that directly compare welfare states (see e.g., Schmauk & Kridahl, forthcoming).

The consequences of divorce are also likely to differ by the couple's economic situation before the divorce, between those with a stable and secure economic position and those that are in a vulnerable situation. This is based on the often very different accumulation of pension rights (Swedish Pension Agency, 2018). Also here the type and extent of support is likely to differ considerably between welfare states. In France, the pension system takes into account labor market interruptions due to childbearing or large family size. In contrast, in Sweden the pensions are clearly income-related and there is little support in addition above a minimum level of welfare benefits. Therefore, we do not only investigate the gendered economic consequences of late-life divorce overall, but also for different economic strata. By studying France and Sweden during the period of 2011 to 2016, we illustrate the situation of a growing group of older individuals in (perhaps) differently vulnerable situations in two countries with different support systems.

Data and method

We use high quality and large administrative data from France and Sweden. For both countries, we focus on individuals who divorced during the period 2011 to 2016 and divide the sample into two groups, those who divorced at ages 60-69 and age 70 and above. The French data are based on an administrative panel that follows a representative sample of 4.4% of the French population (the Permanent Demographic Sample). Based on tax returns, it provides information on household composition, marital transition and income (labor income, pensions, private and public transfers). The Swedish data are based on population registers and include all women and men residing in Sweden, and data on all earned income including income from pension and supplementary benefits (housing supplement and maintenance support for the elderly), but do not have information on private transfers. These large databases enable us to work on a large sample of divorcees. This is generally one of the limitations of research into late divorces. Even though this phenomenon has become more widespread, it is still difficult to obtain a sufficiently large sample using the usual surveys. In our data, we end up with 8,060 Swedish women (respectively 13,550 men) aged 60 and + who divorced over the 2011-2016 period. In France, divorce after 60 concern 2,010 women and 3,790 men, over the same period.

The outcome variable is adjusted disposable income in euros (adjusted for consumer price index, reference year 2015). It is measured as the total household disposable income divided by the consumption units of the household. For example, the typical household in our data consists of a married couple without resident children, and due to shared expenses, their consumption units are 1.5 (OECD modified equivalence scale), whereas after the divorce, most live as single and their living standard is based on their own income and expenses.

French and Swedish context

In France, the male breadwinner is less and less prevalent across generations, but was fairly widespread among the cohorts studied here. In 2016, among married couples aged 65 years and over, woman's pensions represent half those of men on average. Institutional support mechanisms to tackle the economic consequences of divorce are composed of (means-tested) public and private transfers. Private transfers are mandated by court such as spousal alimony, which is targeted at long marriage durations, more frequent among older couples. Among divorced women aged 55-64, about 30% receive spousal alimony, an arrangement that tends to reduce gender inequalities after divorce.

Sweden had around 80% female participation already in the 1980s (Gonäs & Tyrkkö, 2015) and most striking is the high participation of mothers. This is enabled by parental leave with strong work protection in combination with accessible public childcare (Ferrarini & Duvander, 2011). There are no obligations between ex-spouses following divorce. Public pension is normally supplemented with an

occupational pension that may vary considerably between sectors and type of jobs. The gender gap between in pensions is based on women’s longer exits from the labour market, part-time work and lower income throughout life. There are means-tested housing supplements and maintenance support for the elderly.

Preliminary results

Figure 1 descriptively presents the average adjusted disposable income from two years before to two years after divorce in France and Sweden. The level of income is higher in Sweden and the differences between groups are larger, but the patterns are similar in the two countries. We observe a large decrease of disposable income for women in both age groups in both countries. For the men, there is less change after divorce, with a clear stability for all men in France, whereas in Sweden there is a slight increase for men aged 60-69 and slight decrease for men aged 70+.

Figure 2 displays the results of OLS regressions (adjusted for year) with changes in relation to the year before divorce. It takes into account structural differences in the four subpopulations. For France, adjusted disposable income does not change much for men while women experience a large decrease by almost 30%. The effects are similar for older and younger individuals. For Sweden, there is a lowered disposable income for both women and men, especially among those aged 70+. Nevertheless, the relative change is larger for women than men.

In figures 3 and 4, the samples are stratified into quartiles of adjusted disposable income, computed on the whole population the year before divorce. The general pattern is that groups with the highest quartile are the most negatively affected (economically) by divorce. Nevertheless, they still enjoy a relatively more beneficial economic situation also after divorce than those belonging to lower quartiles before divorce. This applies for both countries, men and women and older and younger divorcees. It is, however, more striking among women than men, most likely because these are couples where the man has quite high earnings, and, thus, the female partner loses more from divorce.

Further research will consist in trying to understand the different patterns we observe between France and Sweden, for example the role of private transfers in France and housing supplements in Sweden. We will have to pay a specific attention to the year of divorce that may be peculiar because of fiscal legislations and data driven problems. We also plan to use fixed effect models in our panel data regressions to take unobserved heterogeneity into account. Finally, decomposing the different income components will enable us to quantify the role of each of them in each country.

Implications of results

We will be able to conclude on which groups are best protected after a divorce in old age, and how, and which groups are most vulnerable to a difficult economic situation. We will be able to identify how men and women manage in France and Sweden and whether there are explicit winners and losers. We will be able to see whether welfare support protects individuals with low income before divorce and to discuss the different policy set ups in the two welfare states. This is a political issue. If we observe that divorce is particularly harmful for older people, in terms of adjusted disposable income, it may raise policy questions about how to avoid these worse economic situations, that may develop in the future.

Figure 1. Adjusted disposable income (constant € 2015)

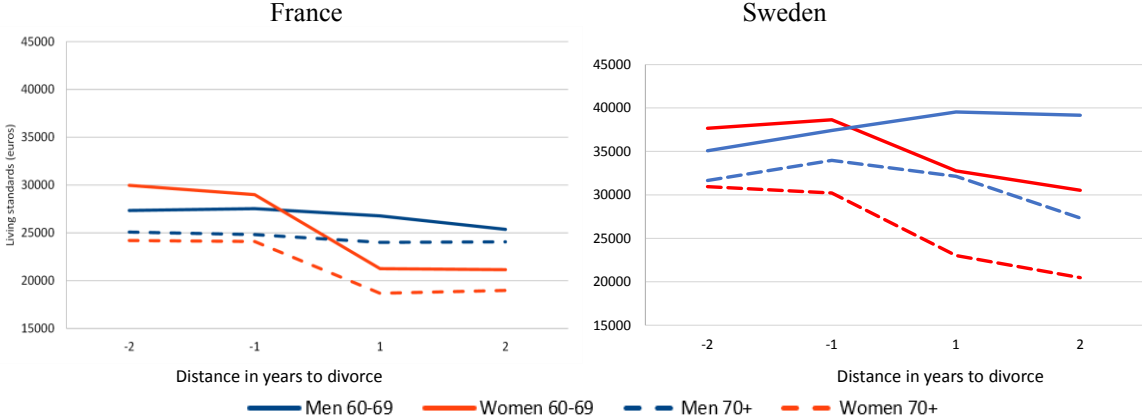


Figure 2. Adjusted disposable income (OLS regressions)

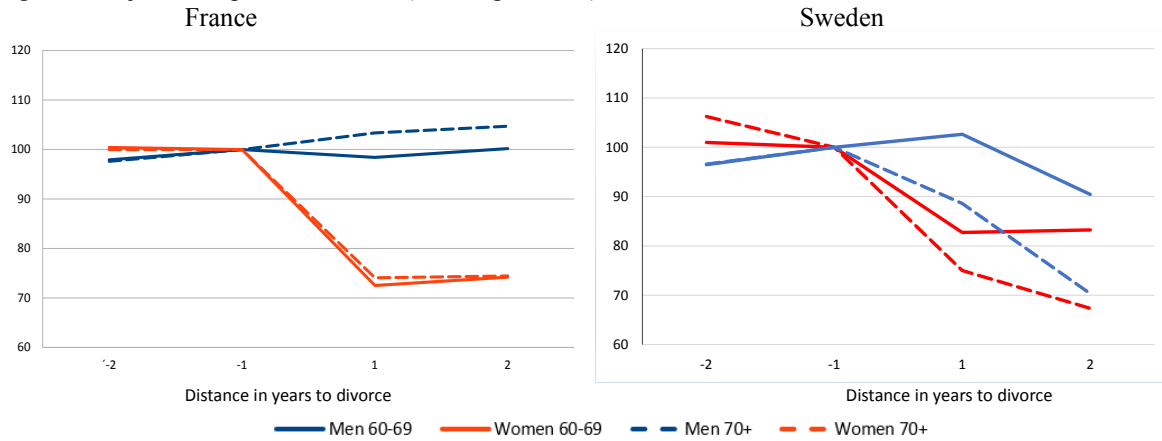


Figure 3. Adjusted disposable income by quartiles, divorced aged 60-69, OLS regressions (constant € 2015)

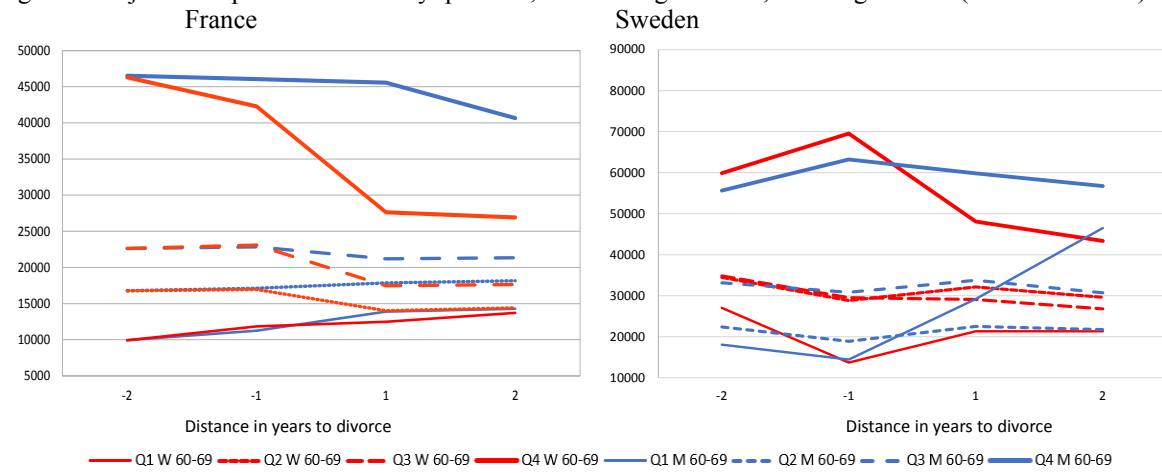
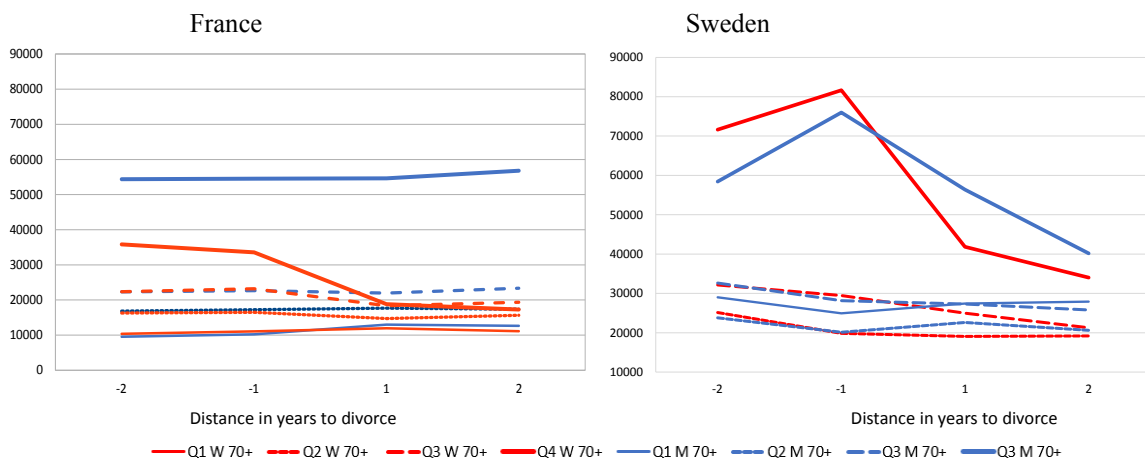


Figure 4. Adjusted disposable income by quartiles, divorced aged 70+, OLS regressions (constant € 2015)



Source: For France, EDP 2019 and registry data for Sweden

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