Household income after separation: Does initiator status make a difference?

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Abstract

An influential hypothesis in divorce research is that high financial costs deter divorce. This study indirectly tests this hypothesis by examining whether people who initiate separation do better financially than those who did not initiate. The analytic sample comprised 6,424 first marriages of men and women at Wave 1 of the Household Income and Labor Dynamics in Australia (HILDA) survey, who were followed over the subsequent 7 waves. Using a random intercept model, we found no significant differences in household income for men who initiated separation relative to men who reported a partner or jointly initiated separation. Unexpectedly, women's household income was lower if they initiated separation than for women who did not. Several reasons are proposed for these unexpected findings.

Introduction

It is well documented that women and their dependent children do worse financially after marital dissolution than men (Gadalla 2009; Gray and Chapman 2007). Some researchers have queried whether the magnitude of the gender difference has changed for more recent marriages given women's increased workforce participation (Bedard and Dechenes 2005) and improvements in government responses in terms of financial transfers and other assistance to mothers households after divorce (Andreb and Brockel 2007, Uunk 2004, Gray and Chapman 2007; di Prete and McManus 2000, Poortman). While both of these factors appear to have reduced the gender gap in household income after separation and divorce, the evidence still overwhelmingly suggests that women, particularly women with children continue to do worse financially after divorce compared to men both in the short term and over life time household earnings (Gadalla 2009; Gray and Chapman 2007). Others' have argued that it is not only subjective measures of household income and poverty that matter in understanding the consequences of divorce, but more subjective measures such as perceptions of financial stress and disadvantage (de Vaus et al 2009, Andreb & Brockell 2007, Aassve et al 2007). These studies find that both subjective and objective measures of household income and poverty continue to show that women do worse than men financially with marital dissolution (Aassve et al 2007, Andreb & Brockel 2007).

While the associations between gender, marital dissolution and financial well being have been extensively documented, many of the social, economic and psychosocial factors that shape and influence the consequences of marital dissolution for household income largely remain unexamined (Andreb & Brockel 2007). Marital dissolution is not only an emotionally stressful event, but results in changes in many areas of life including employment, household income, and household composition. A person's response to these changes is likely to be shaped by the

psychosocial processes surrounding the event. It is well documented that women are more likely to initiate separation from marriage than men (Kalmijn & Poortman 2006, Hewitt, Baxter and Western 2006), even though they tend to do worse financially after separation. No previous studies have examined whether taking the initiative to end a marriage has consequences for household income. In this paper we investigate whether the financial consequences of marital separation, measured by household income, varies depending on which spouse made the final decision to separate from the marriage.

Background

There are both theoretical and substantive reasons to expect that household income after separation would vary depending on which spouse took the initiative to end the relationship. Theoretically, one of the most influential hypotheses on divorce is the financial independence hypothesis (Cherlin 1979, Oppenheimer 1994, Ruggles 1997). This hypothesis focuses on the role of women's economic resources (i.e., employment, income) for divorce. The central argument is that women with many such resources have a higher risk of divorce than those with fewer resources, because they are financially less dependent upon the marriage and will do better afterwards, making it easier to leave the marriage. Like other theories on divorce (e.g. Becker 1981, Levinger 1979), this leading hypothesis assumes that the decision to divorce is based on an evaluation of whether life after divorce will be better than staying married (i.e., the costs of divorce). Financial costs are considered to be crucial in explaining divorce because the financial independence hypothesis suggests that people who expect high financial costs are less likely to divorce.

Consistent with the independence argument, the limited literature on divorce initiative provides some evidence that wives with better access to economic resources have an increased likelihood of initiating separation (Kalmijn and Poortman 2006, Rogers 2004). Other explanations, such as the wife's employment leading to greater psychological independence, may however also hold (Kalmijn and Poortman 2006). Examining the associations between financial costs, divorce initiative and women's economic resources are needed to arrive at definite conclusions about the extent to which financial considerations underlie the relation between wife's work and female initiative.

Research investigating the effects of *expected* financial costs on the likelihood to divorce also suggests that there may be differences between initiators and non-initiators after marital dissolution. This relatively small body of literature relies on statistical models that include estimates of post-divorce economic well-being in the divorce equation (Dechter 1992, Peters 1993) or by using people's reports about expected economic costs (Heaton and Albrecht 1991, Knoester and Booth 2000, Poortman and Seltzer 2007). Although few in number, these studies show some, but limited support for the role of expected financial costs with higher costs being associated with a lower likelihood of divorce. While none take into account divorce initiation, it is plausible to argue that those who expect lower financial costs may be more likely to initiate separation. If this is the case then we would anticipate that there would potentially be lower financial costs for those initiating separation.

To date, divorce initiative has only been related to post-divorce social-psychological well-being and health (e.g., Hewitt & Turrell, 2011 Pettit & Bloom, 1984; Sweeney & Horwitz, 2001), not to economic outcomes. We investigate whether there is an economic advantage to taking the initiative to separate from marriage for men and women. We argue that, if men and

women indeed consider their ability to maintain an acceptable economic standard of living in their decision whether to divorce, it is to be expected that the men and women who take the initiative to end the marriage will do better in terms of income relative to those whose partner takes the initiative to divorce or who jointly initiate divorce.

To examine whether making the final decision to separate is associated with a better income position after divorce compared to those who did not make the decision to separate, we use longitudinal panel data on 6,424 men and women in their first marriage in 2001 from the Household Income and Labour Dynamics in Australia (HILDA) survey. These data include information about which spouse made the final decision to separate as well as extensive income data and therefore offer the unique opportunity to track the income situation of men and women who initiated the divorce compared to those who did not. We further take into account other factors commonly found to be associated with income and separation, including highest level of education, employment status, number of dependent children, the presence of preschool children, time since separation and marital duration.

Methods

Data and analytic sample

To investigate the associations between divorce initiation and income after separation we use the first eight waves of The Household, Income and Labour Dynamics in Australia (HILDA) survey, collected between 2001 and 2008. Wave 1 comprised 7,682 households and 13,969 individuals. Households were selected using a multi-stage sampling approach, and a 66% response rate was achieved (Watson & Wooden, 2002). Within households, data were collected from each person aged over 15 years using face-to-face interviews and self-completed questionnaires, and achieved a 92% response rate of household members (Watson and Wooden

2002).Waves 2 to 8 had, respectively, response rates of 86.8%, 90.4%, 91.6%, 94.4%, 94.9%, 94.7% and 95.2% (Watson, 2010). In the current study we restrict our sample to participants who were legally married in their *first* marriage at Wave 1 (N = 6,489) and follow them through to Wave 8. Note that cohabiting relationships are excluded from our analysis. The reason is that information about which partner initiated separation was not asked of separation from cohabitation. The panel is unbalanced, allowing for respondents to exit and re-enter the data set irrespective of wave and item non-response. Those who become widowed (n = 195) are excluded from the sample the year they become widowed, but are included prior to widowhood. We also excluded a small number of respondents who were in the 99th income percentile or who had missing values on some covariates (n = 65). The final analytic sample was 6,424 comprising 3,128 men and 3,296 women with an average of 6.2 wave observations per person over the 8 waves.

Measures

Income. Our dependent variable refers to income. In line with most previous research about the financial costs of divorce, we use equivalised disposable annual household income as our main dependent variable. This income measure includes any tax transfers, government benefits, private transfers (such as the payment of child support) and income from salary, wages, and business. We used this measure as it captures the total income available in the household for consumption or savings. We equivalise income because the financial needs of households change with each additional member, and equivalised income better captures people's actual standard of living as it takes household composition into account. Our income measure was equivalised using the OECD-modified equivalence scale (Organisation for Economic Co-operation and Development 2008). In this approach the first adult within the household is assigned a value of 1,

a value of 0.5 is assigned to each additional adult member (aged 15 or over) and a value of 0.3 is assigned to each child. We used this scale as it is the equivalence scale seen to be best suited to the Australian situation by the Australia Bureau of Statistics (Australian Bureau of Statistics 2006). Preliminary analyses showed that using alternative equivalence scales, such as dividing income by the square root of the number of household members, did not lead to different conclusions. In addition we excluded extreme outliers on household income; respondents who reported a household income (not equivalised) of more than $300,000 AUD each year. Because our income measure was skewed, we took the natural logarithm of income to be used in our analyses. For descriptive purposes, we also examined unequivalised disposable household income (i.e., total household income) and the proportion of household income that is obtained from government transfers.

Marital status and initiator status. For our key independent variable we combine information about marital status with information about who initiated divorce (in cases where respondents became separated). At each wave respondents were asked their current marital status, with categories including married, separated, divorced, or widowed. Respondents were also asked whether or not their marital status had changed since the previous interview and we used this information to determine whether respondents were still married, or had separated. We use separation as the point at which the marriage ended because in Australia a couple is required to be separated for 1 year before they can apply for divorce. Additional questions were used to determine which spouse initiated separation for those marriages that had ended. In wave 5 of the survey respondents who had separated during waves 1 – 5 of the panel were asked retrospectively which spouse made the final decision to end the relationship with responses

“mostly respondent”, “mostly partner” or “both”. From wave 6 onwards, this question was asked in the wave following separation for those respondents who separated between waves 5 and 8. This information was used to further code whether the separation was initiated by the respondent or their partner or both. Besides married versus the three types of separation (respondent initiative, partner initiative and joint initiative), we included two additional categories. The first is whether respondents were legally divorced, that is, whether they officially had filed for and been granted divorced, as distinct from having separated as explained above. The second category indicated whether or not the respondent had repartnered and was living with that partner (either remarried or cohabiting); both legal divorce and repartnering may have implications for household income. Our final measure of marital and initiator status comprised six categories, including 1 = Married, 2 = separated – initiator, 3 = separated – partner initiator, 4 = separated – jointly initiated, 5 = divorced, and 6 = repartnered. Table 1 presents the numbers of people who separated by initiator status.

TABLE 1 HERE

Consistent with all previous research on which spouse initiated the separation, according to both men and women’s reports in our sample women were more likely to have initiated separation than men. Two methodological issues relating to the measurement of initiator status have been identified in the previous research literature (Hewitt et al. 2006, Kalmijn and Poortman 2006). First, defining initiator status is difficult and several aspects of the breakdown of a marriage can potentially be construed as *initiation*. Prior studies used a variety of measures for initiator status, but a study by Braver and colleagues (1993), which examined three different measures of initiator status, found that they are not necessarily interchangeable. For example, the spouse who first suggested divorce is not necessarily the same spouse who filed the legal papers

for divorce. Our measure indicates who made the final decision to separate from the marriage. This measure is appropriate for the current investigation, because presumably the person who makes the final decision to end the relationship has considered all potential consequences of ending the relationship, even if they are making the final decision in response to their spouses behaviour.

A second methodological issue is the potential for systematic bias in the reporting of initiator status. Research finds an ego-enhancing bias in reports of who initiated separation, with respondents more likely to report they initiated the separation than their former spouses (Amato and Previti 2003). Further, research investigating the level of consistency in the reporting of initiator status between former spouses shows that there is close, but not perfect, agreement between reports; Braver and colleagues (1993) found that 70% of former spouses agreed on who initiated the marriage breakdown, and Sweeney (2002) found agreement in 80% of cases. In the current study we only have complete couple data on about 55% (n = 177) of the separations in Table 1. For those couples we find about 64% agreement on which spouse initiated the separation. The largest discrepancies are between husbands who report that the separation was jointly initiated and the wives who report they initiated the separation.

Controls. We control for socioeconomic variables, such as education and employment status, that may be associated with both income and initiation. Education had four groups indicating 1 = year 12 or less (high school or less); 2 = trade qualifications; 3 = diploma; 4 = bachelor degree or higher. Employment status was: 1 = full time; 2 = part time; 3 = unemployed; 4 = not in the labour force (NILF). All of these measures varied over time with changes in socioeconomic circumstances.

Other controls included a range of other social and demographic factors also likely to be associated with annual household income. We control for the number of children aged 18 or younger in the household; this was included as a continuous measure and was coded 0 if there were no dependent children in the household. This measure varied with changes in household structure. In preliminary analyses we found that after separation women who did not receive custody of marital children, or women who did not have children had similar equivalised income profiles to men. Other controls included age and age squared, which were included as continuous measures. Ethnic background was coded 1 = Australian born, 2 = Migrant – English Speaking, 3 = Migrant – Non-English speaking. Our final control is a measure indicating time since separation in months. This is coded "0" when the respondent has not separated. For those who have separated the time since separation is collapsed into 11 six-month ranges indicating: less than 6; 7-12; 13-18; 19-24; 25-30; 31-36; 37-42; 43-48; 49-54; 54-60; 60 or more. To alleviate (although not eradicate) issues to do with left censoring we included measures for marriage duration (measured in months) and marriage duration squared prior to Wave 1. The descriptive statistics for the covariates pooled over eight waves are presented in Table 2.

TABLE 2 HERE

Analytic approach

Our analysis consists of two steps. First, we present descriptive findings about income changes in Waves 1 -8 for continuously married couples and for the three types of separated respondents (i.e., own initiative, partner initiative and joint initiative). For the continuously married couples we calculated the average income per wave and for those who separated, we calculated the income in the year of separation (t_0), the years prior to separation (t_{-2}, t_{-1}) and the

years immediately after separation (t_1 to t_2). For ease of interpretation, the results are presented graphically. In the descriptive analyses, we also show changes in total (i.e., unequivalised) household income and the proportion of household income from government transfers.

Second, we estimated models for income change that also include our control variables. Because our dependent variable, annual equivalised household income, is continuous and in its logged form approximated a normal distribution, we used a linear model to examine the association between the independent variables and equivalised household income. However, given that we had repeated observations on individuals over time, the structure of our data violates the assumption of independent observations and ordinary least squares regression would not be appropriate. Instead we used a linear random-intercept model to account for clustering of observations by individual and control for between individual variation (Singer and Willett 2003). One of the core assumptions of this random-effects approach is that the within-individual variation is not associated with the time-constant covariates (i.e., that some unmeasured characteristics of individuals are not associated with the time-constant covariates, see(Johnson 2005, Johnson and Wu 2002). An alternative approach used widely in the research literature is the fixed-effects model, which is commonly used to control for unobserved heterogeneity because it produces estimates that are net of all observed and unobserved differences between individuals that are time-invariant. The limitation with the fixed-effects approach is that variables that are time-invariant are excluded from the model and because information about variation between individuals is not used to estimate parameters the method is less efficient than the random-effects model. To test whether or not our random-effect models violated the assumption of uncorrelated unobserved heterogeneity we estimated both a fixed-effects model and a random-effects model and then performed a Hausman test comparing the parameter

estimates. The results of that test indicated that the parameter estimates of the fixed-effects model did not differ significantly overall in their effects from those in the random-effects model. Given that the random-effects model enables the time-invariant covariates to be retained and that the estimation procedure is more efficient we only present the results of the random-effects model.

To exploit the longitudinal nature of the data and better capture the association between separation and income we included not only our six-category marital status variable, but also one-year lagged effects for marital status in our models. There were seven lagged marital status measures (t_{-1}): 0 = stably married; 1 = married in the previous wave, but experienced marital loss (reference group); 2 = separated - initiated; 3 = separated – partner initiated; 4 = separated – jointly initiated, 5 = divorced, and 6 = repartnered. The coefficient for the original marital status variable indicates the effect of current marital status on income. The coefficient for the lagged marital status measure indicates the effect of marital status in the previous wave on income. Together with the main effect of marital status, the inclusion of the lagged marital status measure enabled us to estimate the short-term effect of a transition in marital status. The combination of effects captures income trajectories following separation. The combined effects show whether or not post-separation income is generally higher for respondents who initiated separation than those who did not as well as whether or not the transition from being married in the previous wave (t_{-1}) to being separated on own initiative (t) leads to a smaller decline (or greater increase) in household income than the transition to being separated on partner's or joint initiative. Because interpretation is not straight forward in that both the lagged and main effect for marital status need to be taken into account, we present our results graphically showing the predicted income trajectories for married respondents and the three groups of separated respondents using

the estimates of the model that includes the main and lagged effect for marital status. The coefficients for this model are presented in the Appendix as well as more details about how to calculate effects and their interpretation.

Note that we restricted our models to only estimate the short-term consequences of separation (i.e., within one year using one-year lagged marital status) due to the relatively short duration of the panel which meant that the number of observations for some transitions got very small the longer the time since the event. The models were run separately for men and women, but we also estimated a pooled model with gender interactions to test for gender differences.

Results

Figure 1 shows the descriptive findings about changes in mean equivalised household income, total household income and proportion of household income from government transfers before and after separation for men and women. In the graphs we included a line for those continuously married to illustrate what happened after separation relative to remaining married. As noted above, keep in mind that with only 8 waves of data the numbers of respondents who are at the extremes of the graph are small, and hence the averages become less stable and reliable. The changes in the main variable of interest, equivalised household income, related with a transition to separation are shown in Panel A of Figure 1. For men, in the year that separation occurred there was an increase in mean equivalised household income, irrespective of whether they, their wife or both initiated the separation. The graph in Panel A also indicated that men who reported a jointly initiated separation had the highest income after separation, followed by men who reported their wife initiated and men who reported initiating separation. In contrast, women's standard of living declined in the year of separation. Surprisingly, the one exception is

women who reported their husband initiated separation: their equivalised household income remains stable and at a level similar to continuously married women. For those women who experienced a decline in the year of separation, we see that they quickly recover in the years after separation, with income levels being similar to continuously married women.

FIGURE 1 HERE

In Panel B, we show unequivalised household income after separation for men and women. This shows that household income not only declined for women but also for men after separation, although the drop was more pronounced for women. There is little difference in unequivalised household income on the basis of who initiated separation, for both men and women. The comparison of Panel A and B shows that although men, just as women, face an absolute decline in household income, they are better off when one takes into account that they also have less mouths to feed after separation (i.e., equivalised household income), because women often gain custody of the children — in this study the average number of people in men's households after separation was 1.5, compared to 2.7 for women's households. When changes in the household composition are taken into account, gender differences become much more pronounced: not only does the direction of change differ with men experiencing an increase and women a decrease in income in the short run, but also post-separation income differences between men and women are much larger than when looking at the amount of household income perse. We also looked at different sources of income. Previous research has indicated that welfare transfers can offset, or alleviate the negative consequences of marital dissolution (DiPrete & McManus, 2000). In Panel C of Figure 1 we show that the proportion of household

income after separation that is derived from government transfers is much greater for women than men. This suggests that gender differences would be even more pronounced if the government would not compensate women for their income loss.

The results for the linear random-intercept models are presented in Table 3. For ease of interpretation we also present the main results for men and women graphically in Figure 2. Recall that the reference group were men who initiated their separation, so the excluded group are men who were married on the lagged term (differentiating between stably married and married men who transitioned out of marriage). The coefficients for logged income for men (left panel of Figure 2) whose partner initiated separation (-0.20), or who jointly initiated separation (-0.16) indicate that men who initiated separation have higher logged equivalised household income, but the differences are relatively small and not significant. Relative to men who remained married, all men who separated irrespective of who initiated the separation had higher income and these effects were large and significant. Relative to men who remained married, men who initiated separation (and in additional models we found for all men who separated) had higher income, this effect is large and significant (-0.77 + 0.05 = -0.72). In sum, we find little support for our hypothesis for men as there is no significant difference in logged equivalised household income after separation for men who initiated the separation compared to men who did not. The most salient differences in equivalised household income are between separated men and married men.

TABLE 3

FIGURE 2 HERE

The results of Figure 2 control for a number of well-known correlates of household income and that remarriage and legal divorce are also taken into account. We found that remarried men have a significantly lower income than those who remain separated or divorced, where men who repartnered had significantly lower logged income than men who remained separated or divorced (-0.44). In addition, all the controls were important for men's household income and in the expected direction. Men with higher levels of education have higher household income than men with lower levels of education. Men who are employed full time have higher household income than men part time or not employed. Older age is associated with higher income, although length of marriage is negatively associated with income. Each child aged 18 and under in the household reduces equivalised household income. Migrant men who are from non-English speaking backgrounds tend to have lower household income than Australian born men. Finally, the control for months since separation suggests that men's household income significantly declines in the first 12 months and then stabilises.

The right panel of Figure 2 shows the results of the random-intercept models for women. The coefficients for logged income for women whose partner initiated (0.36) or who jointly initiated the separation (0.28) indicate that women who initiated separation had lower household income. These differences for women were statistically significant ($p<.10$ for jointly initiated). Women who remained married also had higher equivalised household incomes than women who initiated separation (0.41 + 0.07 = 0.47), although this was not statistically significant at t_0. The year after separation, however, the lagged coefficient for initiated separation is large positive and significant (0.58), indicating that women who initiated separation were only at a temporary disadvantage. Women who had a jointly initiated separation also had significantly improved household income in the year after separation (0.41 + 0.28 = 0.69), and while women whose

partner initiated separation also had improved income afterwards this was not statistically significant.

These results suggest, in contrast to our expectations, women who initiated separation had lower household income than women whose partner initiated or who jointly initiated the separation. These differences for women were statistically significant. Women who remained married also had higher equivalised household incomes than women who initiated separation, although this was not statistically significant. When looking at the years after separation, however, we see that women who initiated separation were only at a temporary disadvantage. This result suggests that women who initiated experienced a major decline in their household income in the year of separation, but the following year their household income recovered. Within the first few years of separation, women who jointly initiated separation have the highest household income followed by women whose partners initiated separation. The differences between partner initiated and respondent initiated separations are statistically significant, but the differences between jointly initiated and respondent initiated are not.

The models in Table 3 furthermore showed that repartnering had little effect on women's income. Many of the controls were important for women. Having higher levels of education and full time employment significantly increased household income. Older age also increased the level of household income. Marriage duration was negative and marginally significant. Migrant women from non-English speaking backgrounds had significantly lower household income than Australian born women. Time since separation in months was not important for women's household income.

Discussion

In this study we investigated the link between taking the initiative to end marriage and household income in the short term after separation. Most theoretical explanations for divorce, most notably the influential independence hypothesis, predict that, net of other factors, those who expect smaller financial costs to divorce will be less likely to initiate divorce, particularly women. Our results offer little support for this expectation. For men, there were no differences in equivalised household income between men who initiated the separation and those who reported a wife or jointly initiated separation. For women, the results suggest the opposite of our expectations. We find that in the year of separation, women who took the initiative to end their marriage had lower household incomes than women whose partner initiated or who jointly initiated their separation.

There are a number of possible explanations for these unexpected findings. First, we may find a negative association between women's initiator status and household income after separation because financial costs may not be the primary concern in their decision to divorce. Related research has shown that other considerations may outweigh anticipated financial costs. In their analyses of income and life satisfaction changes after divorce, Andreß and Bröckel (2007) for example find evidence that life satisfaction improves after separation, especially for women. Such emotional and social-psychological benefits may probably more important when considering to divorce. This is also shown by Poortman and Seltzer (2007), who find that anticipated parenting costs are more important barriers to divorce than economic costs for parents, especially the mother's costs.

This explanation is consistent with studies that suggest there are different exit processes for men and women. Women often take greater responsibility for the maintenance of relationships and it is likely that this entails taking responsibility for ending a marriage as well.

Some studies have concluded that wives may initiate separation because their partner is unhappy, or because they do not want their children to be exposed to a bad marriage rather than because they themselves are necessarily unhappy with the marriage, whereas husbands tend to initiate separation when they are unhappy (Hackstaff 1999, Walzer and Oles 2003). In addition, in some marriages husbands indirectly end the marriage by behaving in ways, such as openly having an affair or spending more time with their friends than their families, that forces the hand of their wives to end the marriage (Hetherington and Kelly 2002, Hopper 1993, Walzer and Oles 2003). Women are thus more likely to initiate for multiple reasons to do with their greater responsibility for marriage and family life and these factors may be more important than financial considerations. Moreover, it has been argued that women are affected more by a poor-quality relationship than men (Amato & Rogers, 1997). Their greater susceptibility to marital problems may imply that women are willing to pay a high economic price for ending their marriage.

Second, it may be that financial considerations are important in the decision to divorce, but that women do not anticipate a decline in standard of living. There may be a misalignment between expectations and actual outcomes after separation (Andreß and Bröckel 2007, Gähler 1998), and this may be particularly true for women who initiate separation. Household income immediately after separation is likely to depend in part at least on the willingness of former spouses to continue pooling household money or to provide financial support. Because men are more likely to be working, women are more reliant on continued financial support from men rather than vice versa. When women initiate separation their former husbands may be likely to withhold financial support in the short term, whereas men who had more of a role in the decision to separate may be more generous and forthcoming with financial support after separation. Qualitative studies have shown that some men withhold financial support from their former

partner out of feelings of frustration and powerlessness over the divorce process (Bradshaw et al. 1999).

Third, financial consideration may play a role, yet people might attach greater weight to long-term than short-term financial costs, expecting that they may will be fine in the end anyway (Gähler 1998). Our results for women indicate that the income disadvantage for those who initiated separation was only present in the year of separation. In the two years following separation the equivalised household incomes of women who initiated returned to levels prior to separation and similar to women who were stably married. This suggests that in the immediate short term there is a disadvantage to women who initiated, but they soon recover. If women attach greater weight to long-term costs, our results are less counterintuitive because income differences on the basis of initiator status disappear in the years after separation. However, we still do not find a higher household income for women who initiated separation relative to those who did not as would be predicted by theories on divorce. Moreover, Peters (1993) found that short-term financial considerations, such as income growth in the two years after separation, were stronger predictors of divorce than longer terms financial considerations.

More broadly, our results are consistent with research from other countries that finds that men do better financially after separation than women (Aassve et al. 2007, Bianchi et al. 1999, Poortman 2000, Uunk 2004). When they separate, men's equivalised household income significantly increases and women's decreases, this is the case irrespective of which spouse initiated the separation. These differences are likely due to the changes in household composition experienced by men, where the number of people in their household diminishes as they are less likely to have custody of children, but their income remains largely the same. In contrast, women's household income decreases more dramatically, but their household size doesn't

decrease as much as they tend to gain custody of children. Also in line with previous research is that women's standard of living increases in the longer run (Duncan and Hoffman 1985, Galarneau and Sturrock 1997), but the pace of recovery found in this study is remarkably high, especially for those who experienced a relatively large decline, that is, women who initiated the separation. The recovery of income for women who initiate separation might be linked to legal processes, and financial settlements in the year following separation.

There are a number of notable limitations to the study that ask for additional research. First, there are small numbers of transitions, particularly when men reported that they initiated the separation, which means that for some transitions the standard errors are large. The implication of this is that our results are more likely to be conservative, and result in Type II errors where we find no significant associations where the differences are significant. The other limitation with our measure of initiator of separation is that we only had retrospective data for those who separated between waves 1 and 5. There were two main problems associated with this. The first is that we did not have couples' reports for our reports of initiator status, so we could not cross-verify the accuracy of each spouses' reports. The other issue is that for many couples one or both spouses who had separated during the panel had dropped out of the sample by the time the initiator question was asked in wave 5. These factors may have contributed to measurement error or slippages in the accuracy of the reports of initiator status. There are also high levels of attrition after separation that may bias the sample. A final limitation is that we can only consider the short-term financial consequences, whereas Australian and other research indicates that the longer term consequences of divorce are also important for the economic well-being of women and children . Besides addressing the linkage between initiator status and income trajectories following separation with other, larger data-sets, future research in other

countries is needed. This study pertains to Australia with a relatively generous welfare system, albeit not as generous as in European Nordic countries. Results may be different for other countries, especially those countries with a less well-developed welfare system, such as the United States. More so, future research is needed to more conclusively resolve the issue of whether or not financial considerations do play a role in the decision to divorce and which considerations are perhaps more important. Even though our results already suggest a limited role for financial considerations, it may be that people's perceptions of financial costs before divorce may not necessarily be accurate. Future research should therefore model the association between initiator status and the expected financial costs prior to separation.

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Table 1. *Number of Respondents who Transitioned From Married to Separated by Initiator Status in Waves 1 – 8 HILDA (2001 – 2008), by Gender*

	Men		Women	
	N	*%*	*N*	*%*
Initiated	35	23	81	46
Partner initiated	66	43	50	29
Jointly initiated	54	35	44	25
Total	155	100	175	100

Table 2. *Descriptive Statistics for Model Covariates, Pooled Sample (Waves 1 – 8), by Gender*

	Men		Women	
	M/%	*SD*	*M/%*	*SD*
Age	52.10	14.56	49.73	14.32
Marriage duration	23.37	15.24	23.32	15.29
Child under 18 (1 = yes)	44		47	
Ethnic background:				
Australian born	72		75	
Migrant – English speaking	12		9	
Migrant – non-English speaking	16		16	
Education:				
Yr 12 or less	35		56	
Trade/Certificate	32		13	
Diploma	10		10	
Bachelor degree or higher	23		21	
Employment Status:				
Full time	63		25	
Part time	7		31	
Unemployed	1		1	
Not in Labour Force	29		43	
Time since separation (months):				
Not separated	97.2		96.9	
6 or less	0.4		0.4	
7-12	0.4		0.5	
13-18	0.3		0.3	
19-24	0.3		0.4	
25-30	0.2		0.3	
30-36	0.3		0.3	
36-42	0.1		0.2	
43-48	0.2		0.2	
49-54	0.1		0.2	
54-60	0.1		0.1	
60+	0.3		0.3	
Person-observations	15,818		16,994	

Table 3. *Random-Intercept Models of Logged Equivalised Annual Household Income (AUD$) and Initiator of Marital Separation for Men and Women*

	Men		Women	
	Coeff	se	Coeff	se
Marital status (t)				
Married	-0.77***[a]	.16	0.41	.32
Separated – Initiator (ref)				
Separated – partner initiated	-0.20	.15	0.36*	.15
Separated – jointly initiated	-0.16	.16	0.28†	.16
Divorced	-0.28	.28	0.14	.12
Repartnered	-0.44**[a]	.14	0.25	.17
Lagged marital status (t-1)				
Stably married	0.05	.05	0.07†	.04
Married (transition) (ref)				
Separated – initiator	-0.20	.19	0.58†	.32
Separated – partner initiated	-0.05	.09	0.33	.23
Separated – jointly initiated	0.01	.09	0.41†	.23
Divorced	-0.03	.17	0.48†	.28
Repartnered	-0.18†	.10	0.17	.22
Controls				
Education:				
Yr 12 or less (ref)				
Trade/Certificate	0.12***	.03	0.05†	.03
Diploma	0.27***	.04	0.07†	.04
Bachelor degree or higher	0.45***	.03	0.27***	.03
Employment Status:				
Full time (ref)				
Part time	-0.13***	.03	-0.11***	.02
Unemployed	-0.27***	.07	-0.21***	.03
Not in Labour Force	-0.32***	.03	-0.26***	.02
Age	0.02***	<.01	0.02***	.002
Marriage duration	-0.01**	.004	-0.008†	.004
Marriage duration squared	-0.0002	<.0001	<-0.001	<.0001
Number of children under 18	-0.09***	.008	-0.07***	<.01
Ethnic background:				
Australian born (ref)				
Migrant: English speaking	-0.003	.03	0.03	.03
Migrant: non-English speaking	-0.19***	.03	-0.14***	.03
Time since separation (months):				
Not separated				

6 or less	-0.38**	.14	-0.07	.28
7-12	-0.38**	.11	-0.03	.25
13-18	-0.10	.10	-0.19	.13
19-24	-0.19	.13	-0.19†	.11
25-30	-0.26	.29	-0.06	.13
30-36	-0.07	.10	-0.02	.10
36-42	-0.03	.11	-0.23	.31
43-48	-0.05	.13	-0.05	.12
49-54	-0.06	.13	0.13	.12
54-60	0.07	.11	-0.003	.12
60+	-0.23	.27	-0.04	.12
Constant	10.28		9.08	

†p<.10, *p<.05, **p<.01, ***p<.001

[a] The gender interactions model indicates that this coefficient is significantly different for men and women.

Figure 1. *Mean Equivalised Household Income (a), Household Income (b), and Percent of Household Income as Government Transfers (c), Before and After Separation by Gender and Initiator Status*

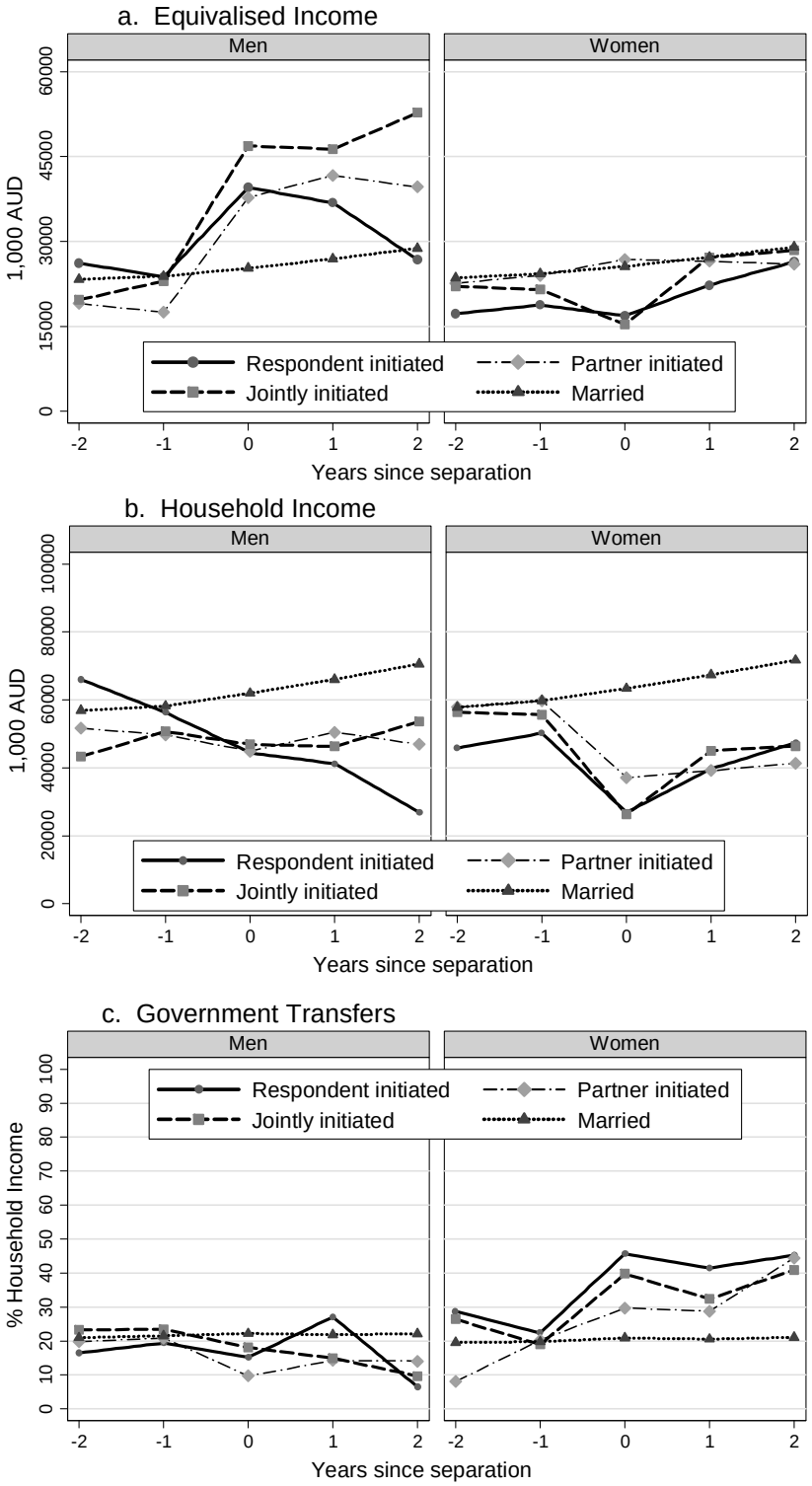
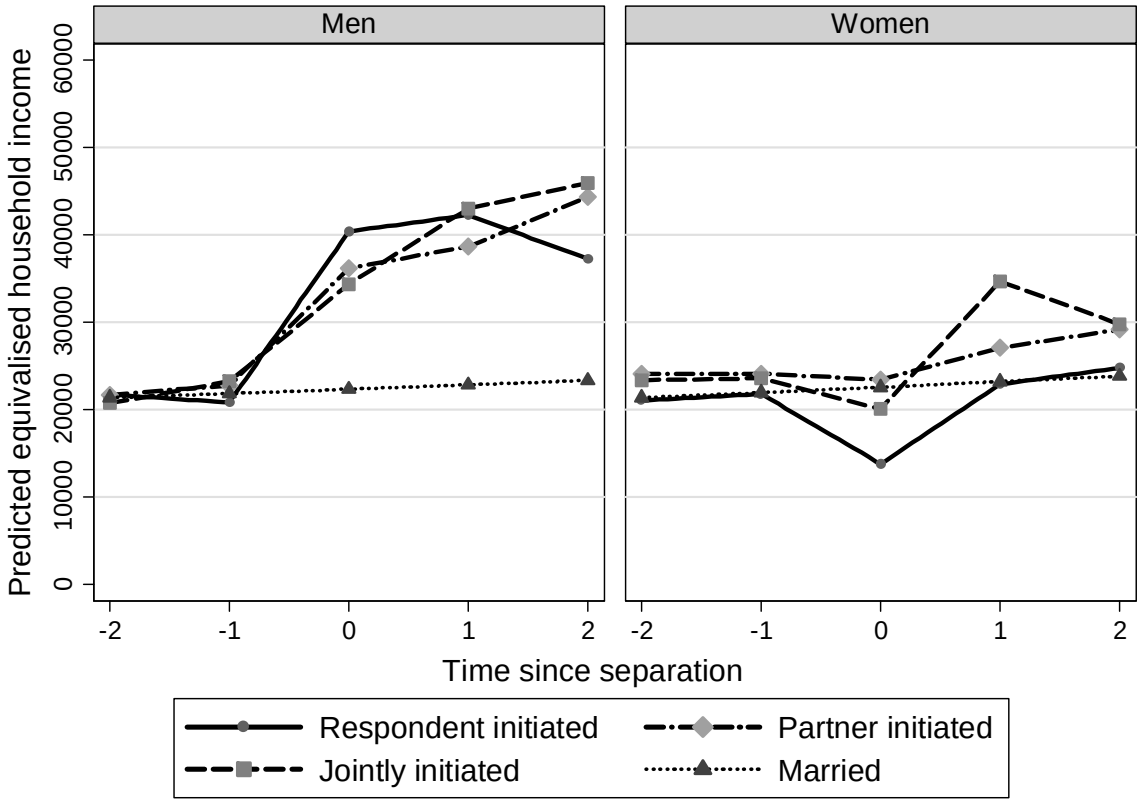


Figure 2. *Predicted Equivalised Household Income Before and After Separation, by Gender and Initiator Status*



Note: we exponentiated the natural logarithm of income to calculate the predicted values in income dollars for this graph.