

Till mess do us part: Women's labor market outcomes, home production and divorce

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Extended Abstract

Flexible employment schemes promote women's labor market participation. They facilitate the return to employment after maternity leaves and child care times and they ease the reconciliation of work and family life. Given that an important part of family life centers around home production - e.g. cooking, cleaning or taking care of children - a couple has to devote some time to these "non-market" activities. If women face lower market wages, couples might optimally decide that she dedicates some time to "home production" and works only part time. However, wage income from part time employment is limited which becomes particular pertinent in case of divorce. Thus, women who work part time suffer a disproportional higher loss in income and face a higher probability of becoming poor upon divorce. Part-time work, while facilitating the reconciliation of work and family life becomes a costly strategy in the event of a divorce; with divorce in turn being partly depended on the couple's labor force participation decisions. If women participate full time, they will increase their outside option which will increase the divorce risk. At the same time, if men prefer women to stay home and to provide home production, women's full time participation will also leads to a higher divorce risk.

In this paper, we analyze the interaction of female labor force participation, reconciliation of work and family life, and divorce risk, and we study its impact on women's future income in particular at old age

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(pension). First we explore the empirical evidence for a trade-off between employment and marriage stability. Using micro data for Germany (SOEP) we estimate a probit model for divorce risk and we find that there is evidence that home production has a positive relationship to marriage stability. Given this relationship, we want to address the question of how governments can affect old age income through different labor market and child care policies. Regarding labor market policies aimed at increasing mothers' participation in the labor market (part time work), we are interested in testing how these affect mothers' future income and pensions in an environment where divorce is likely to occur and its occurrence is affected by women's decision to work. To this end, we build a dynamic life cycle model to analyze the costs and benefits of flexible employment schemes, on both an individual as well as on a macroeconomic level. We calibrate our model to data to be able to quantitatively assess the effects of different policies, such as availability of flexible employment schemes or improved child care provision. Our framework enables us to carry out quantitative analysis of different types of policies and their effects on family decisions, future income, labor supply and family outcomes (divorce). To the best of our knowledge we are the first to provide a framework that allows us to study how policies mainly aimed at the reconciliation of work and family life affect divorce risk and old age income.