

Split Equally? Gender differences in wealth trajectories following separation in Germany

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Short abstract

Wealth accumulated during marriage should by law be split equally between partners in Germany. However, pre-marital wealth and wealth accumulated in cohabiting unions are not governed by such rules. The question is therefore to what extent couples' wealth is divided equally after union dissolution, especially in an era where cohabitation is becoming ever more common. Using data from the German Socio-economic Panel we look at the possible divergence of individual wealth trajectories among both former partners in the years before and after union dissolution. Preliminary results reveal that individual wealth declines following the dissolution of both marriages and cohabitations. Women end up with systematically lower wealth as compared to their male ex-partners. These gender differences do not appear to be temporary and are especially pronounced following the break-up of cohabiting unions.

Extended abstract:

Union dissolution is a critical life course event with mostly adverse economic consequences for the individuals involved, especially for women (Andreß et al. 2006; DiPrete & McManus, 2000; Van Damme et al., 2008). Separation and divorce are likely to affect both the total sum of economic resources a former couple has access to, as well as the distribution of these resources across both former partners. What we know of the economic consequences of divorce has mostly been based on studying employment and income (Andreß et al. 2006; McManus & DiPrete, 2001; Smock, 1994; Uunk, 2004; Van Damme et al., 2008).

Studies on the topic have so far, with a few exceptions (Addo & Lichter, 2013; Painter et al., 2015; Wilmoth & Koso, 2002; Zagorsky, 2005), not included wealth in their evaluation of the economic consequences of union dissolution. At the same time, wealth is a particularly interesting resource to study. Accumulated wealth can be employed to cushion the impact of a separation on a person's standard of living (Killewald et al., 2017). How well men and women are able to deal with a union dissolution is therefore dependent on how wealth is split, as well as differences in individual wealth accumulation following a break-up. Even though income differences following union dissolution predominantly favor men, wealth is in principle split equally among partners following a legal divorce. If this is the case, wealth can

turn out to be an important resource reducing gender differences in the overall economic consequences of union dissolution. However, there are several reasons to believe that wealth trajectories of ex-partners might diverge following union dissolution.

First of all, the division of wealth following a divorce will be influenced by the marital property regime of the context studied. In Germany, the country case of our study, the default property regime stipulates equal sharing of wealth accrued during marriage. There are important exceptions to this default regime: Pre-marriage wealth and inheritances are not shared and through prenuptial agreements the default property regime may be modified. Given that women are likely to bring less wealth into the marriage (Sierminska et al., 2010), we therefore expect them to leave a relationship with less wealth too.

Secondly, the separation of cohabiting unions is not governed by the same rules as marriage. Relationship-specific processes can lead to an unequal division of wealth after union dissolution. The dissolution of cohabiting unions might therefore lead to more unequal divisions of wealth as compared to the dissolution of marriages. Thirdly, the lower income of women following union dissolution as compared to men might leave less space for women to save and accumulate wealth in the years following the break-up.

In short, there are good reasons to expect differences in wealth trajectories between former partners after a break-up and that these systematically differ between men and women. Given these considerations, the aim of this paper is to document how wealth trajectories develop in the years preceding and following union dissolution in Germany. We provide the first estimates of wealth trajectories in the years surrounding union dissolution for a country other than the United States. Three major research questions will guide our empirical analysis:

- 1) *How do individuals' wealth trajectories develop in the years preceding and following union dissolution in Germany?*
- 2) *Do these wealth trajectories differ between men and women?*
- 3) *Are gender differences similar following the dissolution of cohabiting relationships as compared to marriages?*

Data and Method

We draw on longitudinal panel data from the German Socio-economic Panel (SOEP; 2002, 2007 and 2012) to empirically examine the distribution of couples' wealth after separation between partners. The SOEP is a longitudinal household survey representative of the German population. These data are unique in allowing us to follow the individual wealth of *both partners* before as well as after the break-up. This makes the data particularly well-suited to study divergence in wealth-trajectories *within* former couples after union dissolution.

For our analysis, we select all couples in a union in 2002 and/or 2007 and document how wealth changes in the subsequent years depending on the relationship dynamics experienced (N = 20,992 individual-year observations). We subsequently zoom in on those who experienced the break-up of a cohabiting union or marriage between 2002 and 2012. For this subsample we compare differences in wealth trajectories among former partners, and document whether there are any systematic disadvantages experienced by women and men.

We also consider the gap in wealth between both (ex-)partners. We distinguish between cohabiting and married unions (measured at the time of break-up) to see if such gender differences differ depending on the legal status of the union that dissolved.

A unique feature of the data is that wealth is recorded on the personal level rather than on the household level (as done by most surveys). *Personal net wealth* is the sum of all personally owned assets including the personal share of jointly owned assets. Each individual of the household is asked to indicate what share of jointly owned assets is owned by whom. Asset components in the SOEP include property assets, tangible and financial assets, private pensions, business assets and collectables. Further, we subtract personal loans and debts from the amount of personally owned assets. We use an inverse hyperbolic sine (IHS) transformation. We also consider the within-(ex-)couple wealth gap. For currently partnered individuals, this is the difference in personal net wealth between both partners (women-men). For those experiencing separations, we measure the wealth gap with regard to the former partner. *Union histories* are collected from respondents based on retrospective data complemented with yearly updates. These union histories allow us to look at the effects of separation, divorce, and re-partnering on wealth.

Preliminary Results

Table 1 shows first descriptive results. We find that partnered men have more wealth, on average, compared to women during cohabitation and marriage if they are in stable partnerships (i.e., without separation until 2007 and 2012, respectively). For instance, cohabiting men have about 7.44 IHS-transformed wealth and women have 7.03 in stable cohabitation. The married have more wealth than the cohabiting. Those respondents who experience a separation have less wealth compared to those in stable relationships already before union dissolution, and this is the case for cohabitation and marriage. Even though average personal wealth normally increases with time, personal wealth declines after union dissolution for the married and cohabiting.

The IHS-transformed within-couple wealth gap is about -1.57 during cohabitation. Note that the difference in IHS-transformed wealth between women and men is not equal to the IHS-transformed within-couple wealth gap (similar to log transformation). The within-couple gap is larger during marriage (-2.66). Interestingly, the within-couple gap is small (i.e., women have only slightly less wealth) among cohabiting couples which will experience a separation. We find that the within-ex-couple gap turns more negative for formerly cohabiting couples after separation. For married couples, the within-couple gap becomes less negative after separation. In other words, cohabiting women become more disadvantaged regarding their wealth after their relationship ends compared to their (former) partners, but married women are relatively better off (even though they still experience an absolute wealth loss, on average).

Table 1: Mean wealth (IHS-transformed) and mean within-(ex-)couple wealth gap (IHS-transformed)

	Cohabiting		Married	
	Absolute	Within- (ex-) couple gap	Absolute	Within- (ex-) couple gap
Men				
No separation	7.44		9.76	
N	985		8553	
Pre-separation	6.15		8.44	
N	214		465	
Post-separation	5.88		7.34	
N	214		465	
Women				
No separation	7.03	-1.57	9.14	-2.66
N	1099	1099	8631	8631
Pre-separation	5.41	-0.73	8.10	-3.28
N	266	106	742	204
Post-separation	5.02	-1.74	7.50	-1.57
N	263	106	742	204

Data: SOEP v33.1 (unweighted, imputed, only first imputation used), own computation

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