

Labour Market and Financial Consequences of Divorce and Separation

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Extended abstract

Background

Divorce and separation may have different short- and long-term consequences for the economic well-being, the labour market and financial situation of the former partners, depending on their available resources, opportunities, constraints, and coping strategies. As a result of the sudden change in the composition and the income structure of the household, the most common outcome is a deterioration in financial circumstances and impoverishment (Burkhauser & Duncan, 1989; Cherlin, 1992; Mortelmans, 2020).

Women are often found to be at risk of a deterioration in their financial situation as a result of divorce and separation (Burkhauser-Duncan, 1991; Cherlin, 1992; Mortelmans, 2020). The main reasons include their weaker labour market attachment and retaining child custody. However, some studies (e.g. Tamborini et al., 2015) reported that women's earnings increased over time during the post-divorce period. Moreover, women can improve their post-separation financial situation by intensifying their participation in the labour market (through entering employment, working more, changing jobs, etc.) (Poortman, 2000).

The extent to which divorce affects the careers of those involved is a little-researched area. It has been widely researched that having children comes with a "motherhood penalty." Do women who divorce and have children suffer another "penalty," or does divorce enable or "force" women to intensify their participation in the labour market, thereby reducing the extent of the "penalty"? This is one of the main novelties of our research.

Research aims

The main objective of the paper is to analyse how the financial and labour market situation of women change after partnership dissolution in Hungary in the short term. We use various measures of financial and labour market situation and strategies that may help women cope with the income loss.

We look at divorce from marriage and separation from an unmarried union separately, and we also differentiate between women who have coresident children and who do not. We expect that the financial losses after the dissolution of cohabitations and for women with no co-resident children are more modest than after divorces and for women with children, respectively.

Data and methods

We use data from the five longitudinal waves of the Hungarian Generations and Gender Survey (2001–2016/2017; Makay et al., 2025). We look at change between pairs of consecutive waves, as detailed information on respondents' work and financial situation are only available at each wave but not for the in-between periods.

We focus women who had lived with a spouse or partner in one survey wave and this relationship dissolved by the next wave. Those who found a new partner in the meantime and those whose union ended because their partner died (widowhood) are included in different categories (see Table 1). In the preliminary analysis

below, divorced and separated women are compared to those who stayed single, who continued to live with the same partner, and everyone else. Only women aged below 60 are analysed.

Table 1: Distribution of the sample by change in partnership status between consecutive survey waves

	n	%
divorce/separation (no repartnering)	664	4.1
steady relationship (same partner)	9,522	59.0
steady single	4,383	27.1
else	1,582	9.8
divorce/separation & repartnering	173	1.1
new relationship	1,086	6.7
new relationship & divorce/separation	112	0.7
widowhood (no repartnering)	206	1.3
widowhood & repartnering	4	0.0
new relationship & widowhood	1	0.0
Total	16,151	100.0

Source: Hungarian Generations and Gender Survey, waves 1–5 (2001–2017); women aged below 60, n=16,151; authors' calculations.

Several outcome variables are included and they capture change between consecutive waves. Income measures cover individual income quintiles, equalized household income quintiles, poverty status (living on less than 60% of median equalised household income), and subjective household income. Labour market situation is measured by activity status, working hours, managerial position, and type of activity. Change in occupation and ISEI scores (International Socio-Economic Index of Occupational Status scores; Ganzeboom et al., 1992; Ganzeboom & Treiman, 2010) for all waves, as well as other measures of work conditions, will also be added to the analysis at a later stage.¹

Multivariate regression analyses will be run on outcomes as the dependent variables, change in partnership status as the main independent variable, controlling for major characteristics of the respondent and the (dissolved) union.

Preliminary findings

About one third of women experienced an increase in their personal income after divorce or separation (39% if they had coresident children), while about 22% experienced a decrease. In other words, the individual income of women is more likely to increase after union dissolution than for other women. The relationship between union dissolution and different measures of household income is the opposite: divorce or separation is associated with decreasing household income and higher-than-average rate of entering poverty. Single mothers were more often affected by poverty and saw the financial situation of the household unfavourably than women with no coresident children.

¹ Another important aspect of the material consequences of union dissolution – housing – has been examined in a previous article of one of the authors (Murinkó, 2019).

Table 2: Change in financial situation and in activity status by change in partnership status and household composition (%)

	Change in partnership status between consecutive waves						If divorced or separated		
	Divorce	Separation	Steady relationship	Steady single	Else	Total	No children in the household	Children in the household	Total
<i>Change in personal income quintiles</i>									
no change	39.5	43.9	46.8	49.1	37.8	46.2	42.4	41.1	41.5
increase	38.2	33.6	27.6	27.3	35.4	28.8	30.6	38.8	36.0
decrease	22.4	22.5	25.6	23.5	26.8	25.1	27.0	20.1	22.4
<i>Change in equalized household income quintiles</i>									
no change	31.5	27.5	42.7	42.5	31.9	40.9	24.0	32.7	29.6
increase	21.5	20.7	30.1	29.6	46.0	31.3	21.3	21.0	21.1
decrease	47.0	51.8	27.2	27.9	22.2	27.8	54.8	46.3	49.3
<i>Change in poverty status</i>									
Stayed out of poverty	65.1	65.2	79.8	66.6	73.8	75.4	79.4	57.3	65.2
Exited poverty	6.9	7.7	7.4	10.5	13.4	8.8	5.0	8.6	7.3
Entered poverty	20.0	19.2	6.3	10.1	6.5	7.8	14.4	22.5	19.6
Stayed in poverty	8.0	8.0	6.6	12.9	6.3	8.1	1.3	11.6	8.0
<i>Change in subjective household income</i>									
consistently bad	13.9	12.5	7.1	14.4	7.7	9.3	5.5	17.4	13.3
bad but improving	11.8	16.0	10.5	15.2	17.4	12.6	12.0	14.7	13.8
consistently acceptable	18.6	20.3	26.9	25.4	18.8	25.3	17.0	20.6	19.4
acceptable but improving	8.2	9.9	13.2	10.2	18.0	12.8	16.4	5.1	9.0
acceptable but worsening	17.2	13.4	7.3	9.5	6.2	8.0	12.7	16.8	15.4
consistently good	13.5	11.0	22.9	15.8	21.2	20.5	16.3	10.2	12.3
good but worsening	16.8	16.9	12.1	9.5	10.8	11.5	20.2	15.1	16.8
<i>Change in activity status</i>									
Stayed active	60.6	52.5	52.4	51.8	45.9	51.7	66.4	51.6	56.7
Became active	19.0	18.7	12.4	14.1	19.4	13.9	12.8	22.1	18.9
Became inactive	6.7	10.4	12.0	9.1	18.4	11.8	9.8	7.7	8.4
Stayed inactive	13.8	18.4	23.2	25.0	16.4	22.6	11.0	18.7	16.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Hungarian Generations and Gender Survey, waves 1–5 (2001–2017); women aged below 60, n=16,151; authors' calculations. All differences between groups are statistically significant at the $p < 0.05$ level (Chi² test).

Women seemed to intensify their labour market participation after divorce or separation: they tended to stay in or enter the labour market (Table 2). It may explain women's individual income gain after union dissolution.

Women who worked for pay in both before and after union dissolution (especially those with children) more often increased their working hours than other women, but we could also see a higher-than-average rate of decreasing working hours after separation (Table 3). There are no statistically significant differences related to changes in managerial position, manual or non-manual labour and activity type (employed or self-employed).

Preliminary results show that ISEI scores decreased after separation but not after divorce, and the occupational status of women with children decreased and that of women with no children in the household increased (Table 3).

Table 3: Change in labour market situation by change in partnership status and household composition (%)

	Change in partnership status between consecutive waves						If divorced or separated		
	Divorce	Separation	Steady relationship	Steady single	Else	Total	No children in the household	Children in the household	Total
<i>Change in working hours per week</i>									
<40, <40	4.1	6.1	7.2	5.7	6.8	6.7	5.7	4.5	5.0
<40, 40	14.2	11.1	8.6	8.8	11.4	9.1	9.8	14.9	12.8
<40, 40+	6.1	4.0	3.2	3.3	4.8	3.5	2.7	6.9	5.2
40, <40	5.4	6.3	6.5	5.9	6.6	6.3	5.0	6.3	5.8
40, 40	30.5	29.3	41.1	39.4	34.6	39.5	28.4	31.0	29.9
40, 40+	12.4	12.0	10.6	10.2	10.3	10.5	12.1	12.3	12.2
40+, <40	3.5	4.3	3.1	3.0	4.0	3.2	4.4	3.5	3.9
40+, 40	9.1	12.8	9.7	11.8	10.9	10.4	13.2	9.0	10.7
40+, 40+	14.8	14.2	10.1	12.0	10.7	10.9	18.7	11.7	14.6
increase total	32.7	27.0	22.3	22.3	26.4	23.1	24.5	34.1	30.2
decrease total	17.9	23.4	19.3	20.7	21.5	19.9	22.6	18.8	20.3
<i>Change in ISEI scores (only between W3 & W4)</i>									
mean change	0.32	-2.64	-0.36	0.96	-2.46	-0.25	2.58	-2.95	-1.14

Source: Hungarian Generations and Gender Survey, waves 1–5 (2001–2017); women aged below 60 and active in the labour market, n=10,635; authors' calculations. All differences are statistically significant at the p<0.05 level.

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