Shifting Fortunes in a Changing Economy: Trends in the Economic Well-Being of Divorced Women[*]

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ABSTRACT

Income losses resulting from marital disruption have traditionally contributed to high rates of poverty for single women. This paper explores trends in the economic consequences of divorce using data from the 1980-2001 Current Population Survey March Demographic Supplement. Divorce still adversely affects women's incomes, but divorcées have achieved striking economic gains over the last twenty years. Newly developed econometric techniques reveal progress at all points of the income distribution; middle- and upper-class economic gains cannot be attributed to polarization within divorced women's incomes. Multivariate analyses show that progress can largely be attributed to divorcées' progress in the workforce and changing demographic attributes, rather than economic dependence on men, relatives, or income transfers. Finally, we explore the implications of these results for understanding stratification in contemporary America.

INTRODUCTION

Childhood poverty is one of the most pressing social problems facing the United States, both today and for the foreseeable future. Thirty-seven percent of the poor are under age eighteen, while 16% of all minors now live in poverty (Dalaker 2001). Economic deprivation while growing up has been linked to poor physical health (Korenman and Miller 1997), reduced intellectual ability and academic achievement (Duncan et al. 1998; Pagani, Boulerice, and Tremblay 1997; Smith, Brooks-Gunn and Klebanov 1997), premarital fertility (Duncan et al. 1998; Wu 1996) and various other psychosocial difficulties (Hanson, McLanahan, and Thomson 1997; McLoyd 1998).

One of the most important determinants of poverty in contemporary America is family structure (Levy 1995). Poverty rates for single mothers have traditionally been five times those of two-parent families (Garfinkel and McLanahan 1986). Furthermore, changes in the structure of the American family since 1960 have greatly contributed to higher rates of childhood poverty. In the 1980s approximately 23% of the increase in childhood poverty resulted from the proliferation of mother-headed families (Eggebeen and Lichter 1991). This trend has led some researchers to label single-mother families as the new underclass for the end of the 20th century (Garfinkel and McLanahan 1986; Weitzman 1985).

Divorce is an important source of poverty among single-mother families. Although divorce rates have stabilized since 1979 (Goldstein 1999; Raley and Bumpass 2003; United States Bureau of the Census 2001a), about 50% of all new marriages will probably dissolve (Bramlett and Mosher 2001; Kreider and Fields 2001) and marital dissolution often takes a grievous toll on women's incomes (Holden and Smock 1991). This is particularly the case for divorced women with children, who suffer greater declines in standard of living (cf. Bianchi, Subaiya, and Kahn 1999; Smock 1993, 1994). For these reasons divorce is crucial to understanding poverty in contemporary America. Family structure is now firmly entrenched with race, education, and socioeconomic origins as stalwarts of stratification research.

In this paper we examine how divorced women's incomes have changed over the past twenty years. Newly developed statistical methods coupled with data from the 1980-2001 Current Population Survey (CPS) allow unprecedented insight into the economic consequences of divorce. Although still poorer than their married counterparts, divorced women had much higher incomes in 2001 than in 1980. This can largely be attributed to growing levels of vocational capital in conjunction with declining family size. Economic dependence, on income transfers or other adults, plays little part in accounting for divorcées' increasing incomes. We also shed light on the changing distribution of incomes for divorced women. Marital disruption has contributed extensively to income inequality. Poverty rates would be lower if not for high divorce rates. However, we show that income polarization has not occurred within the population of divorced women to the same extent as it has for Americans as a whole. Instead, divorcées throughout the income distribution have benefited from changing economic conditions.

Background

Political commentary on divorce is as old as divorce itself (Phillips 1991), and contemporary America is no exception. Recently the governors of Arkansas and Oklahoma openly stated their desires to cut divorce rates in their states by one-third to one-half (New York

Times 2001). Covenant marriage laws in Louisiana, Arizona, and Arkansas offer the option of eschewing easy divorce for what amounts to fault-based statutes (Nock, Wright, and Sanchez 1999; Thompson and Wyatt 1999). Language urging the reconsideration of no-fault divorce appeared in the 2000 Republican Platform (New York Times 2000); in total, over thirty states entertained anti-divorce legislation in the 1990s (Gardiner et al 2002).

The reasoning behind this war against divorce goes beyond the desire for a return to a 'golden age' of marriage. Many blame easy divorce laws for the proliferation of poverty (Gallagher 1996; Galston 1996). According to the opponents of divorce, preserving two-parent families would cut public expenditures by reducing subsidies to indigent single mothers.

Sometimes the proponents of tougher divorce laws have drawn on outdated or discredited research. Weitzman (1985), whose findings partially motivated the Louisiana Covenant Marriage Act (see Spaht 1998), analyzed 228 respondents selected from Los Angeles County court dockets in 1977. She reported that divorce lowered women's standard of living, measured as the ratio of income to needs, by 73%. Subsequently her results were found to be erroneous (Peterson 1996). Concurrent studies withstanding scholarly scrutiny show smaller but still noteworthy post-divorce declines in women's standard of living, generally in the neighborhood of 20-45% (Mott and Moore 1978; Nestel, Mercier, and Shaw 1983; Sorensen 1992).

Recent studies report more mixed results. Some show that women still suffer tremendous income losses following divorce. Bianchi et al. (1999) analyzed women with children using data from the Survey of Income and Program Participation that extended through 1990, and found post-divorce declines in median per capita income of 29%. Smock (1993, 1994), using data from the National Longitudinal Survey of Youth that extended through 1988, showed that women who had married and divorced by age 31 suffered declines in median per-capita income ranging from 21% (for whites) to 35% (for African-Americans). But none of these studies tell the whole story. According to Current Population Survey data, only 29% of divorced women in 2001 had children. Also, nearly 90% of divorcées are now over the age of 31.

More inclusive studies using recent data suggest that divorced women's financial prospects have finally begun to improve. Nationally representative data from the 1987-1994 National Survey of Families and Households show that the economic consequences of marital disruption, as measured by per capita income, have declined about 40% since the early 1980s (McKeever and Wolfinger 2001). This finding is supported by Current Population Survey data, which indicate that poverty rates for single-mother families achieved a record low (25%) in 2000 (Dalaker 2001). Although this figure includes families produced by death and out-of-wedlock birth, it suggests economic improvement for divorced women. Furthermore, research accounting for differential taxation and complex patterns of physical custody suggests that the economic consequences of divorce might have declined as early as the late 1980s (Braver 1999).

The weakening effect of divorce on women's incomes is reflective of the more general trend in gender inequality in the United States. Implicit in the divorce literature is the argument that women's post-divorce drop in standard of living is attributable to the transition from living in a household that participates in the labor market to being an individual who does so. In the past this meant that most women, who either subordinated their own careers to those of their husbands or, more likely, left the labor market at marriage, were suddenly forced back into employment without the advantages their husbands had accrued by working continuously (Weitzman 1985). Furthermore, from a labor market perspective it is not surprising that younger women and women with children suffer precipitous declines in income following divorce. Younger workers and mothers traditionally have had low earnings.

Although divorcées' economic disadvantages remain rooted in the institutions of the labor market, the position of women in these institutions has changed a great deal. One important development concerns the human capital women now bring to the work place. Between 1980 and 2000 the proportion of women with college degrees rose from 13% to 24%, while those with high school diplomas increased from 66% to 84% (United States Bureau of the Census 2001a). All else being equal, education increases divorcées' earning power. Also, the gender gap in wages narrowed over the last 15 or so years (O'Neill and Polachek 1993; United States Bureau of the Census 1999). These development were aptly summarized by Suzanne Bianchi (1997) several years ago at a Consortium of Social Science Associations Congressional Breakfast seminar: "Men and women are not equal, but when it comes to market work, to earnings, to the jobs they hold, the changes are all in the direction of greater equality."

Divorcées have benefited from changes in marriage as well. Women's median marriage age has risen to 25 (Fields and Casper 2001), so more women have significant work experience before they marry. Furthermore, married women's labor force participation increased from 50% to 61% between 1980 and 2000 (United States Bureau of the Census 2001a). Even married women with children are increasingly likely to work, and divorcées employed during marriage do not face the myriad problems associated with reentering the labor force. Although these developments help all women, they probably have greatest significance to the recently divorced. After marriages end most women are under pressure to convert their vocational skills into income.

Changes in fertility may also play a part in improving the economic situation of divorced women. Family size has declined over time, so recently divorced women now have smaller families to support (United States Bureau of the Census 2001a). Furthermore, child support laws have been revised in favor of custodial mothers and average payment size is now often larger than it used to be (Cancian and Meyer 1996; Grall 2000).

It is also possible that divorced women may only be faring better in recent years because of changes in household structure. Although remarriage has become less common over time, rates of post-marital cohabitation have risen sharply (Martinson 1994). This implies that some divorcées are finding ways of relying on others--outside of the traditional solution of remarriage--should they be unable to provide for themselves. On the other hand, fewer divorcées now move back in with their parents than in the past (McKeever and Wolfinger 2001). It is important to account for economic dependence in any attempt to understand the reasons for change in divorced women's economic well-being, particularly in light of the potential policy implications. Historically, public aid to single mothers has been predicated in part on their inability to provide for themselves. Does their current earning power obviate the need for governmental support? Conversely, evidence of increased economic dependence would undercut the significance of higher post-marital incomes.

The dramatic social changes described here have the potential for greatly reshaping the economic contexts in which divorcées find themselves. We therefore examine how and why the incomes of divorced women have changed since 1980. These research questions speak to current debates on poverty and gender inequality in the market place by documenting the changing welfare of one disproportionately at-risk population. In doing so we address three of the main social trends in the United States over the past 25 years: the changing family structure, the growing role of women in the labor force, and income polarization. Understanding the connection between these issues is an important step in accounting for social inequality in contemporary America.

RESEARCH PLAN

Most research on the economic consequences of divorce has used panel data to conduct before-and-after comparisons of divorcées' incomes (e.g., Bianchi, Subaiya, and Kahn 1999; McKeever and Wolfinger 2001; Smock 1993, 1994). Although advantageous in many respects, before-and-after studies cannot answer certain questions about divorce. Panel data generally span limited periods of time, making it difficult to study trends in divorcées' incomes. Also, only a small percentage of respondents tend to get divorced in any given interval between panels and as a result sample sizes have generally been quite small, often on the order of about 200 women. Even larger surveys like the Panel Study of Income Dynamics or the Survey of Income and Program Participation cannot provide samples adequate for the distributional analyses we employ.

In the current paper we take a novel approach by analyzing data from the 1980-2001 Current Population Survey (CPS) March Demographic Files, an annually repeated cross-sectional survey. This entails a direct contrast between divorced and married women, rather than comparing pre- and post-divorce incomes for the same women. A large sample of divorced women enables us to understand how changing economic, contextual, and personal characteristics have affected their incomes. Moreover, the CPS allows us to study trends across the income distribution.

Research on divorcées' economic well-being has traditionally relied on means or medians to summarize income distributions, but simple summary statistics cannot tell us whether some divorced women are doing better at the expense of others (Bernhardt, Morris, and Handcock 1995; Morris, Bernhardt, and Handcock 1994). Have all divorced women fared better over time, or has a rising middle class of divorcées obscured economic stagnation by others? In conjunction with the large CPS sample size, recently developed methods for analyzing distributions (Handcock and Morris 1999; Fortin and Lemieux 1998) permit new insight into how divorced women have fared across the entire income distribution. In particular, we will address three questions:

1) What factors are responsible for divorcées' economic progress?

2) How much has economic dependence on relatives and income transfers helped divorced women?

3) Are all divorcées faring better than in previous years, or only those at certain points of the income distribution?

METHODS

Data

We use data from the 1980-2001 Current Population Survey March Demographic Files (United States Bureau of the Census 2001b). The CPS is an annually-repeated national probability sample of households in the United States; the March survey contains demographic variables appropriate for research on divorced women's incomes. The total sample size for the 22 years analyzed is 1,124,160. The study begins at 1980 for two reasons. First, it marks the beginning of the Reagan presidency, often thought to herald a new economic regime (Kymlicka and Matthews 1988; Lekachman 1982). Second, Garfinkel and McLanahan's (1986) landmark study of poverty in single-mother families analyzed CPS data extending through 1980.

We analyze only divorced and married women. Other women, as well as men, are omitted from the sample. Although never-married mothers are a rapidly growing demographic group (Rawlings and Saluter 1994) and tend to be even poorer than divorced mothers (United States Bureau of the Census 1997), the reasons for their poverty are somewhat different than for divorced women and therefore merit their own investigation. The same is true for widowed women. Finally, we omit separated women due to the design of the CPS. Most respondent characteristics, including marital status and family size, are measured at the time of the interview, while income measures are lagged a year. As many separated women probably dissolved their marriages in the year prior to the interview, their per capita incomes often reflect their husbands' earnings but their current family size. Supplemental analyses show that separated women report median per capita incomes almost three times those of divorced women.

As measured by the CPS, income provides two analytic challenges. First, heaping occurs because survey respondents tend to round off their reported incomes (e.g., $24,573 becomes $25,000). Second, the CPS topcodes incomes for high-earning respondents. Neither of these data issues affect our results because we analyze the position of respondents within the income distribution for divorced women, rather than actual dollar amounts. Most divorcées fall into the same general income category whether or not they round their incomes. Similarly, high incomes would fall into the upper income categories irrespective of topcoding.

Income is measured in 2001 dollars, adjusted using the consumer price index (Bureau of Labor Statistics 2002). All analyses are weighted. In regression analyses we report Huber-

Weight standard errors, to adjust for biases potentially induced by the weights and the cluster-sample design of the CPS (Winship and Radbill 1994).

Sample Selection Issues

Most studies of divorced women's incomes have used panel data to conduct before-and-after comparisons. Although our cross-sectional analysis of CPS data offers many advantages, it raises the concern that sample selection could affect our results. If financially well-off women make the transition from separation to divorce especially quickly, worse-off women would be underrepresented in our sample. Poorer divorcées will also be underrepresented if financial need motivates them to remarry quickly. The same holds true for women who form cohabiting relationships subsequent to divorce. Finally, the population of divorced women could itself reflect self-selection: perhaps only women who anticipate post-marital prosperity choose to leave their husbands. Any of these biases could produce misleading estimates of divorced women's economic well-being.

Previous research allays concerns about sample selection issues. Using Panel Study of Income Dynamics data, Ono (1995) shows that wives with high incomes are less likely to divorce within a calendar year of separation, presumably because it takes more time to divide large estates. There is no income effect in the subsequent year. Only a couple of years after separation does income begin to increase the likelihood of divorce. By this point about 75% of separated couples have officially ended their marriages. Sample selection in the transition from separation to divorce should therefore not bias our results towards artificially inflated incomes for divorced women.

Another selection issue concerns whether impoverished women are especially likely to remarry in order to ameliorate their financial woes. But this is not likely to be a source of selection bias: Divorcées' employment status, highly correlated with income, does not affect the chances of remarriage, at least for whites (Martinson 1994). This result probably reflects two countervailing effects. On the one hand, poorer women have a greater need to remarry, since remarriage represents one of the best ways for divorced women to improve their incomes (Morrison and Ritualo 2000); on the other hand, poorer women are less attractive to prospective spouses. Perhaps these effects offset one another, yielding no relationship between income and remarriage.

A third selection issue concerns the propensity of divorced women to live with partners out of wedlock. Remarriage rates have declined in the last thirty years (Martinson 1994); over the same period cohabitation became much more common, especially among divorcées (Bumpass and Sweet 1989; Casper and Cohen 2000; Martinson 1994; see also Bumpass and Lu 2000). Divorced women may now be more inclined than ever to improve their financial situations by living with partners out of wedlock. This is an important issue, because it speaks to the question of women's economic dependence on men. The CPS allows us to measure cohabitation, so we will be able to differentiate between single and cohabiting divorcées.

The fourth and final possibility for sample selection bias concerns whether women self-select out of marriage into divorce. This seems unlikely for two reasons. First, if the population of divorced women disproportionately reflected those who saw themselves well prepared for single life, we would expect women who initiated separation to fare better after their marriages ended. But this is not the case: women who report leaving their husbands fare no better financially than those whose former husbands initiated divorce (McKeever and Wolfinger 2001).

Furthermore, Smock, Manning, and Gupta (1999: 794) demonstrate through a multi-stage model that ". . . if married women were to divorce, their average level of economic well-being would be about the same as that of divorced women." These findings cast doubt on the notion that women self-select into divorce based on their self-perceived financial prospects.

Although not technically a sample selection issue, the CPS data do not allow us to know for how long divorced women have been divorced. This is not a liability because the economic consequences of divorce generally persist for at least several years after the disruption (Duncan and Hoffman 1985; Stirling 1989; Weiss 1984). The reason seems clear: if divorcées lack the resources needed to improve their incomes it will likely take at least several years to acquire them. Conversely, if women have work skills they will probably put them to use soon after their marriages end. Over time divorced women may eventually be able to improve their earning potentially, so our results should be viewed as "average" figures for all divorced women.

Univariate Analyses

We compare per capita incomes of divorced and married women to study trends in the economic consequences of divorce. Per capita income is computed by dividing family income by the number of people in the family. Family income in itself is not as useful for studying the economic consequences of divorce. Losing a husband usually entails the loss of a family's primary wage earner, so family income always declines precipitously after marital disruption. But lower family income by itself does not necessarily connote a lower standard of living, because family size has also declined. Per capita income accounts for changing family sizes. Furthermore, declines in family size over time may lead to improved standards of living even if divorced women's incomes remain constant, because families now contain fewer children to support.

An alternative to per capita income is a measure of the ratio of income to needs, often defined as the ratio of income to the poverty line. Like per capita income, income-to-poverty line ratios respond to economies of scale, but these measures are most important when considering the impact of divorce on men's income. For women, both measures show relatively similar economic losses occurring as a product of divorce (Bianchi, Subaiya, and Kahn 1999). Since income-to-poverty line ratios and per capita income tell substantively similar stories, we only report results based on the latter.

To study univariate trends in divorced women's income we employ both traditional univariate statistics and new graphical methods of data analysis that depict distributional trends. These allow us to examine change for divorcées at different points in the income distribution, as well as to ascertain the extent to which income polarization has occurred. Following Handcock and Morris (1999: 21), we examine the changing distribution of divorced women relative to 1980 income levels. If Y_0 represents the income distribution at 1980, $F_0(y)$ the cumulative distribution function, Y the income distribution of a later year, and F(y) the cumulative distribution function for that year, then the relative distribution can be represented as $R=F_0(Y)$. R thus measures the relative rank of any position in the comparison distribution, Y, relative to Y_0.

All analyses exclude cohabiting divorcées, ranging from 10% of divorced women in 1980 to 15% in 2001. As has always been true for remarriage, nonmarital cohabitation has become an effective route to economic recovery for divorced women (McKeever and Wolfinger 2001; Morrison and Ritualo 2000). Moreover, unmarried-couple households have increased almost five-fold since the late 1970s and divorcées are especially likely to enter cohabiting unions (Casper and Cohen 2000). The CPS only added direct means of measuring cohabitation in 1995, so we use the adjusted POSSLQ method described by Casper and Cohen (2000) to identify cohabiting respondents. This has two drawbacks. First, adjusted POSSLQ does not allow us to differentiate opposite-sex roommates from cohabiting partners. Perhaps as a consequence adjusted POSSLQ overestimates the actual number of cohabiting couples, although the rate of overestimation has remained relatively constant over time. A second and more serious problem concerns the compatibility of adjusted POSSLQ with income measures that account for economies of scale. Per capita income and income-to-poverty line ratios are based on the number of people within a family, but adjusted POSSLQ couples always span two families within a single household. This makes it impossible for us to compare the incomes of single and cohabiting divorcées.

Multivariate Analyses

We model divorced women's family income in both 1980 (N = 4,202) and 2001 (N = 4,547) as a function of human capital, work status, living arrangements, and other factors. Earnings from child support, alimony and public aid are subtracted from family income, so our results reflect the effects of independent variables on earnings; the impact of transfer income is considered in additional analyses. Although the optimal solution would be to conduct a regression analysis of per capita income or income-to-poverty line ratios rather than family income, doing so is ill-advised because such analyses imply interactions between family size and all independent variables (Smock 1993: 368). We then decompose the differences between 1980 and 2001 incomes to differentiate the effect of changes in average resources from changes in returns to these resources. The univariate analyses confirm relative monotonicity in income trends, so analyzing the endpoints of the 1980-2001 time series captures the changing effects of the covariates on divorced women's incomes. Moreover, decomposition analyses require discrete data points—there is no way to decompose our entire time series.

Most regression analyses of economic well-being use log-income as a dependent variable, with the objective of predicting mean log-incomes. Although adequate for studying the effects of covariates in any given period, predicting mean log-incomes is problematic for studying change over time. As we demonstrate in the univariate analyses, the shape of the income distribution has changed as well as its mean. Comparing means fails to capture the consequences of shifting distributions. A solution, as shown by Fortin and Lemieux (1998), is to study the effect of covariates on respondents' locations within the income distribution using a rank regression approach. For both 1980 and 2001 we divide family income into 50 intervals, each containing approximately 2% of the income distribution. This provides adequate categories to approximate the income distribution without spreading the sample too thin. The distribution of 50 income categories provides the dependent variable, with estimation conducted via ordered logistic regression. The resulting parameter estimates can be interpreted as the log odds of a 2% increase in one's position in the income distribution. More important, the decomposition of 1980 and 2001 results reflects greater sensitivity to changes in the income distribution than would a decomposition of means based on ordinary least squares regression.

Education, included in multivariate analyses as a measure of human capital, is dummy coded as less than a high school degree, high school graduate, some college, four year college graduate, and graduate degree.

Occupational status and hours worked allow us to ascertain how women's labor market participation has contributed to their economic progress. Hours worked is dummy coded as not working[1] (0 hours), working part-time (1-39 hours), and working full-time (40+ hours). Occupational status is measured with a standard SocioEconomic Index (SEI) of occupations (Hauser and Warren 1996); unemployed respondents are assigned a value of 0 for this variable.

Living arrangements may benefit divorced women's economic well-being. Smock (1993) showed that many divorcées improve their financial situations by living with parents or other relatives, so we measure both with dummy variables. Due to limitations of the CPS it is impossible to identify the presence of a parent in households where the parent moves in with the divorcée, rather than vice versa. In these uncommon instances respondents residing with a parent or parents are coded as living with other relatives.

About 90% of the children of divorce live with their mothers at least some of the time (Cancian and Meyer 1998). Although children adversely affect their mother's earnings (Budig and England 2001; Waldfogel 1997), family size has declined in recent years (United States Bureau of the Census 2001a). Also, the relationship between fertility and divorce is complex (Lillard and Waite 1991). For these reasons we explore the impact of children on divorced women's incomes. We use two measures: number of coresident children (coded as a set of dummy variables) and an additional dummy variable measuring the presence of any children under age six. Pre-school age children make it more difficult for single mothers to work.

We use three other independent variables. The first is size of SMSA, which is dummy coded as living in a metropolitan area with a population greater than one million. Although

[1] This includes both unemployed and not in the labor force. The overwhelming majority of those who do not work report being out of the labor force, so we are unable to distinguish these respondents from those who are unemployed but looking for jobs.

cities have more jobs (United States Bureau of the Census 2001a), they also have higher divorce rates (Bramlett and Mosher 2002; Sweezy and Tiefenthaler 1996). Gradations for SMSAs smaller than one million are available in 2001 but not 1980. Second, given well-known racial differences in income we employ dummy variables measuring whether respondents are white, black, or other racial background (including non-black Hispanics). Again, more detailed measures became available only recently. Third, we control for age and its square to account for well-known life course differences in income.

RESULTS

Univariate Analyses

Figure 1 shows trends in women's per capita income between 1980 and 2001. For each year median income is plotted separately for divorced and married women. Throughout the time series divorced women have far lower per capita incomes than married women. Only by 1998 does divorced women's median income surpass that of married women in 1980. Nevertheless, over the years of the study all women's median per capita incomes rose steadily. The only lasting departure from monotonicity comes in the early 1990s, when a recession produced temporary declines for both groups.

Figure 1 Here

How much has the economic well-being of divorced women improved? Table 1 summarizes changes in income over time by marital status. The top panel of Table 1 shows that divorced women's median per capita income grew 48% from 1980 to 2001. This was a somewhat faster rate of growth than that of married women, which increased 34%. Although both groups of women have benefited from changing economic conditions, divorcées have shown greater improvement over the last twenty years.

Table 1 Here

Analyzing only median per capita income potentially masks changes in the overall income distribution. Real income has declined since 1980 for all demographic groups except the college educated (Farley 1996). Moreover, women's economic progress relative to men's can be partially attributed to a decline in men's real incomes at the lower end of the income distribution (Bernhardt, Morris, and Handcock 1995). This should drive down gains in married women's per capita income relative to divorced women's for lower-income couples, because men will no longer be contributing as much to per capita income in married families. Improvement in women's real income can be also be attributed to polarization within women's earning (Bernhardt, Morris, and Handcock 1995). For these reasons it is informative to assess divorced women's economic progress at various points in the income distribution.

The second panel of Table 1 shows changes in real income for the lower income quartiles, while the third panel considers the upper quartile. The comparison is interesting for several reasons. First, divorced women in the lower quartile have improved their incomes only slightly less (45%) than the median divorced woman (48%). Improvement in divorcées' economic well-being cannot be solely attributed to dramatic gains by the higher deciles. Gains in the lowest quartile are especially pronounced in comparison to the slow progress of married women in the same quartile (25%). Although income polarization has hurt married couples in the lower quartile, divorced women have not apparently been so greatly affected.

As might be expected, divorcées in the upper quartile have fared especially well. Their incomes show the most dramatic improvement of all groups depicted in Table 1 (57%), outstripping both married women in the same quartile (43%) and divorced women in the lower quartile (45%). Divorced women in the upper quartile have several factors working in their favor. Not only are they the beneficiaries of changes that have aided divorced women in general, they may have also profited from the polarization of wages among American workers.

We can further understand the nature of wage polarization by comparing changes in the relative income distributions of married and divorced women over the study period. To do so we plot the changing proportion of women who fall into 1980 income deciles. As with other univariate analyses, separate plots are presented for married and divorced respondents. Looking first at married women, Figure 2 reveals a gradual shift of per capita income towards the upper deciles in married women's families from 1980 to 2001. There are dramatic gains in the upper deciles of the distribution, losses in the middle, and slight losses in the bottom deciles.

Figure 2 Here

Divorced women show a somewhat different pattern, as displayed in Figure 3. Similar to married women, there have been large gains in the higher deciles. Thus more divorcées now have per capita incomes that only the top 10% of divorced women in 1980 could attain. However, there is an even greater drop than for married respondents in the number of women in the lower earning deciles. While 8% of married women in 2001 had incomes that would have placed them in the lowest income decile in 1980, this is true for only 6% of divorced women. Overall, divorcées are being drawn out of the lower deciles to a greater extent than are married women. This suggests less of a "shrinking middle" for divorced women than for their married counterparts. It also implies that divorcées have not suffered from the income polarization that

Bernhardt, Morris, and Handcock (1995) find for women in general. Excluding dramatic gains in the highest decile, the shape of divorced women's income distribution has not changed as radically as that of married women.

Figure 3 Here

Multivariate Analyses

Our multivariate analysis compares divorced women in 1980 and 2001, the end points of our time series. Means or percentages for independent variable are shown in Table 2; all changes are significantly different except for coresidence with parents.[2] Between 1980 and 2001 divorced women's labor force qualifications increased considerably. Twenty-nine percent of 1980 respondents did not have high school diplomas. By 2001, only 15% failed to finish high school. The number of women with four-year college degrees grew 7% during these years, while the number with some college increased 14%. Average occupational status also increased, from 34 to 37. Employment fell 1%, from 77 to 76%; however, the percent of divorced women in full-time work increased 1%, from 58 to 59%. Furthermore, the average age for divorcées rose from 43 in 1980 to 50 in 2001. All else being equal, older women have more work experience.

In recent years divorcées have had far fewer children, due to both declining fertility and modest gains in paternal custody. Only about half of 1980 respondents had no resident children; by 2001, over two-thirds were childless. The number of women with multiple children also declined substantially. Perhaps more important, the number of divorced women with children under six shrank from 14% to 6%. Young children in particular make it difficult for single mothers to work. Taken together, these factors suggest that divorcées in 2001 had far greater earning potential than they did in 1980.

Table 2 Here

Table 3 shows the results of the ordered logistic regressions of position in the income distribution. Looking first at the model for 1980, most of the independent variables are significantly related to income and in the expected direction. Living with a parent or other relative, being white, living in a large metropolitan area, age, and all vocational characteristics are positively related to income. Divorcées with two or more children make less money than do those with one or no children. Finally, women with young children make less money than those who are childless or have only children over six.

Table 3 Here

There are several important changes across the years of the study.[3] Between 1980 and 2001 occupational status (SEI) became more important in determining income, as did higher education. The distance between the college and high school educated has risen, as is true for all workers in the U.S. during this period. On the other hand, the effect of being in the labor force has declined considerably, with the coefficient for part-time work losing significance in 2001. Just being employed is apparently no longer as important for obtaining a higher income. By 2001 divorcées had to have strong workforce qualifications and a good job in order to make more money.

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[2] Significance tests are weighted and adjust for the effects of weights and cluster sampling on standard errors.

[3] Differences in coefficients across models cannot be tested for statistical significance in the analyses we employ. Since the dependent variables for 1980 and 2001 represent distinct income distributions, the data cannot be pooled across survey years.

Other changes concern family structure. The negative financial implications of children have declined, so that by 2001 only women with three or more children incur an income penalty. The penalty association with children under the age of six has also declined, although it remains negative and statistically significant. Also, the positive effect of coresidence with parents or other relatives remained relatively stable over time.

There has been little change regarding living in a large city or race. In both years those in large cities have higher incomes, and non-whites lower incomes. While the relative size of the effect for black and other non-white women has switched, the differences between coefficients is not large. On the other hand, the effect of age on divorcées' incomes has diminished considerably. This shows that by 2001 the incomes of older women were very similar to those younger women were able to earn.

Predicted Income Densities

We employ a regression standardization in conjunction with the ordered logit models estimated for 1980 and 2001 to further explore how the income distribution has changed for divorced women. The result, shown as a density plot of predicted incomes for 1980 and 2001, appears in Figure 4. A Kolmogorov-Smirnov test for equality of distributions (Kanji 1999), based on mean-standardized versions of the two density distributions, shows them to be significantly different ($D = .32$, $p < .05$).

Figure 4 Here

Fewer cases fall into the far left-hand side of the plot for the 2001 data than the 1980 data, suggesting that over time more divorced women have escaped the bottom of the income distribution. The modal point of the 2001 distribution is lower than the 1980 mode. This accords with the univariate results presented in Table 1, which show that financial growth has been slowest for divorcées in the middle of the income distribution. Far more cases fall just to the left of the mode of the 2001 distribution. These probably reflect the population of divorcées who in 1980 occupied the very bottom of the income distribution. In addition, some of the women who used to fall into the middle of the distribution now have incomes placing them in the upper income deciles.

Based on these changes, the most pronounced trends evinced by Figure 4 has been economic progress out of the bottom income deciles, and into the upper deciles. These trends mirror Table 1 and Figure 3, which both show strong growth over time by divorced women in the lower and upper income quartiles. Perhaps these results are most interesting because they run counter to the polarizing trend observed in the general population. The density plots for 1980 and 2001 show no signs of income polarization; indeed, divorced women's economic progress appears to have occurred in both the lower and upper deciles at the expense of the middle of the distribution.

In order to ascertain whether changing respondent attributes--as opposed to changing returns to any given level of attributes--have affected income we construct a counterfactual density plot of predicted values on the dependent variables. Figure 5 graphs the density of the predicted 1980 income distribution against the simulated predicted density distribution of income in 1980 if the distribution of personal characteristics in the population were the same as in 2001; in other words, the predicted density based on the 1980 model but the 2001 data for all independent variables.[4] A Kolmogorov-Smirnov test shows that the two mean-centered distributions are significantly different (D = .28, p = <.05). Figure 5 shows that were personal characteristics at 2001 levels in 1980, there would have been fewer women at the bottom of the income distribution and more at the top. Changing levels of respondent characteristics have therefore facilitated the reduction in poverty among divorced women since 1980, and improved the prospects of women previously in the middle of the income distribution. Additionally, Figure 5 shows no substantial growth at the very top of the distribution commensurate with the losses at the bottom; in other words, no new elite based on rising levels of human capital and other respondent characteristics seems to have developed. Divorcées across the income distribution have benefited from changing vocational attributes and other respondent characteristics.

Figure 5 also shows signs of increasing bimodality among divorcées' incomes. The density line for the distribution based on 2001 levels of respondent attributes twice crosses the trace for 1980 incomes in a short stretch of the bottom half of the distribution. This bimodality implies a growing divide between those more and less qualified for lucrative employment by 2001. However, this observation should be qualified. The increasing bimodality does not reflect a growing division between richest and poorest families, but instead a growing division in the economic structure of the middle class. Were women in 1980 to have the same characteristics as in 2001, those earning middle level incomes would have been divided into a smaller but worse-off group and a larger, better-off group. Those in the latter would have

[4] Unfortunately there is no way to perform a partial standardization (e.g., to use 1980 values on some independent variables and 2001 values on others) to determine which predictors have been particularly important to divorced women's economic progress. Although a subset of means in a standard decomposition can easily be switched, partial distributions in this type of analysis cannot be.

profited especially strongly from higher returns to any given level of human capital, returns which are no longer present in 2001 (see Figure 4). For this reason we do not see this sharp bifurcation of the middle income earners realized in the actual 2001 distribution .

Figure 5 Here

A second counterfactual test is to compare the predicted 1980 income distribution against the simulated predicted density distribution of income if the returns to respondent characteristics were at 2001 levels in 1980; in other words, the 2001 model but the 1980 data. The two density distributions, unlike those depicted in Figure 5, are not significantly different according to the Kolmogorov-Smirnov test (D = .24, p=n.s.) and are therefore not shown. Thus the income distribution for divorced women would not have changed substantially over time if respondent characteristics had remained stable; greater returns to any given level of human capital and other respondent attributes cannot by themselves account for divorcées' economic progress.

<u>Economic Dependence</u>

We now turn to the contributions of nonemployment income and other forms of outside support to divorced women's economic well-being. Table 2 shows that relatively few respondents have benefited from nonemployment income. In 1980 about one third of the sample reported receiving child support or alimony (hereafter jointly referred to as child support), but receipt had declined to 19% by 2001. Receipt of public aid also declined, from 15% to 3%. On the whole, divorcées now fare better while simultaneously receiving fewer income transfers. But what about the divorced women still receiving money? To what extent do they depend on these income transfers? It would undercut our findings on the economic improvement of divorced women if their progress had been driven in part by greater dependence, albeit by fewer recipients, on child support or public aid.

To address this question we measure dependence by computing the percentage of total family income separately attributable to public aid and child support. Median levels of dependence for each income source are shown for 1980 and 2001 in Table 4. Neither child support nor public aid can account for divorcées' economic progress. For the median recipient, child support provided just under one third of total income in 1980. By 2001, child support comprised only 14% of total income, even though average payment size rose (see Table 2). The transformation has been even more dramatic for public aid dependence. In 1980, it was the sole source of income for the majority of its recipients. In contrast, it provided just 28% of all income for the median recipient. Even economic dependence based on the combined receipt of both child support and public aid has abated. Three percent of respondents received both types of income transfers in 1980; the corresponding figure for 2001 was less than 1%. Although the majority of recipients of both child support and public aid had no other sources of income in 1980, combined receipt only comprised 38% of the total income for the few divorcées receiving both in 2001. These trends demonstrate that divorced women now fare better financially even as income transfers became less important.

Table 4 Here

Economic dependence may also take the form of coresidence with parents or other relatives. Traditionally many women moved back in with their parents subsequent to marital disruption (Smock 1993), although more recent research suggests that this trend has abated in recent years (McKeever and Wolfinger 2001). The results shown in Table 2 confirm that coresidence with parents has declined. Seven percent of divorcées lived with a parent in 1980;

by 2001, only 6% did. On the other hand, coresidence with other relatives increased over these years, from 10% to 12%. These modest changes cannot be interpreted as a meaningful increase in economic dependence for divorced women. Moreover, the regression results presented in Table 3 show that the relative economic benefit of living with a parent or other relative remained relatively stable between 1980 and 2001.

DISCUSSION

This paper has revealed significant trends in divorced women's economic well-being between 1980 and 2001. Although marital disruption still takes a strong toll on women's incomes, divorcées are faring better over the last 22 years. We are not the first to note improvement in divorced women's incomes, but no previous research has chronicled systematic change over a period exceeding twenty years. In this regard, the Current Population Survey offers a rich and underutilized resource for tracking economic well-being. We now return to the three questions we posed earlier in the paper.

What factors are responsible for divorcées' economic progress?

We offer two answers to this question. First, changes in the labor market have helped many divorced women prosper. Although divorcées are now employed at the same rates as they were in 1980, their higher levels of labor force qualifications have been decisive in their growing incomes. Second, concurrent changes in the American family structure have benefited divorcées' labor force participation. The typical divorcing woman is older and, based on data for all women over between 1980 and 2001, more likely to have worked during marriage (United States Bureau of the Census 2001a), so she is more likely to have significant work experience than was the case twenty years ago. More than two-thirds of divorcées are now childless, whereas twenty years ago half had children to support. Perhaps more important, the number of divorced women with pre-school age children has fallen from 14% to 6%. All of these changes make it easier for divorcées to support themselves after their marriages end.

How much has economic dependence on relatives, cohabiting partners, and income transfers helped divorced women?

Divorced women's financial gains cannot be attributed to economic dependence. Although divorcées receive more alimony and child support than they used to, it comprises a far smaller portion of their incomes than it did in 1980. The declining economic significance of public aid funds has been even more dramatic. Public aid supplied the majority of its divorced recipients with all their income in 1980. By 2001, far fewer divorcées received public aid and even among its recipients it only comprised about one fourth of their total incomes. Economic dependence on parents and other relatives also cannot account for divorced women's higher incomes. Divorcées themselves deserve much of the credit for their economic progress over the last twenty years.

One major change in the demographic status of divorced women that we can only examine in passing is the increase in post-marital cohabitation. Ten percent of CPS divorcées were cohabiting in 1980. By 2001, cohabitation had risen to 15%. This 5% increase is small enough that increased selection over time from divorce into cohabitation could not have had a large effect on divorced women's economic well-being. Furthermore, increases in post-marital cohabitation have done little more than make up for declines in remarriage. Recall that rates of remarriage have abated over time (Martinson 1994). Between 1970 and 1984 increases in cohabitation more than offset the falling remarriage rate (Bumpass, Sweet, and Cherlin 1991). Although this result has not been updated, the trend probably persisted. Thus the women who now cohabit subsequent to divorce probably reflect the same population that would previously have remarried. In other words, divorcées are now forming post-marital relationships at the same rate they did twenty years ago, but nowadays more are living with their partners out of wedlock instead of marrying. If there is no appreciable trend in overall post-divorce union formation, there is probably also no change over time in divorcées' economic dependence on men.

<u>Are all divorcées faring better than in previous years, or only those at certain points of the income distribution?</u>

This paper has contributed to research on the economics of divorce by examining both summary statistics and income distributions. We show that divorced women have achieved economic gains across the income distribution, not suffering the income polarization that characterizes the population as a whole. Although the changing structure of the family, most notably divorce and the rise in out-of-wedlock births, has certainly contributed to the growth of the American underclass, the conventional wisdom about income polarization should not be uniformly applied to everyone: The income distribution has changed differently for the demographically prominent group of divorced women, who numbered more than eleven million in 2000 (United States Bureau of the Census 2002).

CONCLUSION

Our analysis of CPS data offers optimism for future generations of divorced women. Certainly there is room for improvement, but many signs point to continued economic progress. At the start of the 21st century divorcées, like all women, are better positioned for success in the job market than ever before. Their labor force qualifications have increased dramatically. Although men and women are still not equal in the workplace, the gap has narrowed to the considerable benefit of those left vulnerable by marital disruption.

We view it as a propitious development that divorcées at the bottom of the income distribution have raised their incomes almost as much as the median divorced woman. Changes in human capital and other respondent characteristics responsible for divorcées' higher incomes have helped women across the income distribution. Furthermore, divorced women in the higher income deciles have not derived any substantial benefit from higher returns to any given level of human capital. These findings allay concern that economic progress has been driven by the gains of a small group of middle- or upper class divorcées.

Our results show that the relationship between family structure and poverty, one of the staple findings of the sociology of inequality, is complex. In particular, it is important to consider the labor market position of household heads who are traditionally at risk of being poor. Female householders have been able to better themselves economically, even with reduced government assistance, by dint of the changing nature of their labor market participation. This includes higher levels of education and better jobs, as well as increased experience resulting from demographic shifts like delayed marriage and reduced fertility. In order to understand poverty in America for any segment of the population it is necessary to take account of changing gender inequality in institutions like the educational system and the labor market.

Our research illuminates some of the reasons behind abating rates of inequality in contemporary America. The striking improvement in divorced women's incomes is one reason why poverty rates for mother-headed families recently reached a forty-year low of 25% (Dalaker 2001). Although divorced women as a whole now fare better--a trend that will hopefully not be reversed in the current economic downturn--single-mother families still have poverty rates several times higher than two-parent families. To a certain extent this is inevitable: families headed by mothers will always lack the male incomes that have traditionally supported husbands, wives, and children. Moreover, out-of-wedlock births have also played an important role in accounting for high poverty rates. Although our findings lead us to be optimistic for divorced women, the poverty rate for female-headed households remains one of the most important social problems in the United States.

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Table 1
Changes in Median Per Capita Income

	1980	2001	% change
Married women	$14,153	$18,976	34%
Divorced women	$10,780	$16,000	48%

Lower Quartile

	1980	2001	% change
Married women	$8,968	$11,250	25%
Divorced women	$5,736	$8,304	45%

Upper Quartile

	1980	2001	% change
Married women	$21,871	$31,353	43%
Divorced women	$18,499	$29,000	57%

Table 2
Percentages or Means for Independent Variables

Vocational Characteristics		1980	2001
Education	Less than H.S.	29%	15%
	H.S. graduate	41	32
	Some college	18	32
	College graduate (4 year degree)	7	14
	Advanced degree	5	7
Hours worked	None	23%	24%
	Part-Time	19	17
	Full-Time	58	59
SEI[a]		34	37
Additional Income Sources			
Alimony/child support received		32%	19%
Amount alimony/child support[b]		5,224 (2,430)	6944
Public aid received		15%	3%
Amount of public aid[b]		5,934 (2,760)	3,835
Family Characteristics			
Number of children	Zero	52%	71%
	One	23	16
	Two	17	10
	Three or more	9	4
Children younger than six		14%	6%
Living with parent(s)[c]		7%	6%
Living with other relative(s)		10%	12%
Other			
Residing in large city		43%	49%
Race	White	78%	73%
	Black	15	15
	Other	6	11
Age		43	50

Notes: Percentages may not sum to 100 due to rounding error. Figures are weighted. Ns are 4,142 for 1980 and 4,541 for 2001. All change from 1980 to 2001 significantly ($p < .05$) different except where noted.
[a]Means reported for those who are currently working.
[b]Means reported for those who received given type of aid; amounts expressed in 2001 dollars, with 1980 dollar amounts in parentheses.
[c]No statistically significant change between 1980 and 2001.

Table 3
Ordered Logit Regression of Income Ranking

		1980	2001
Vocational Characteristics			
Education			
	Less than H.S.	--	--
	H.S. graduate	.60***	.32***
	Some college	.66***	.53***
	College graduate	.53***	.98***
	Advanced degree	.97***	1.44***
Hours worked			
	None	--	--
	Part-time	1.42***	.11
	Full-time	2.52***	1.09***
SEI		.03***	.05***
Household and Family Characteristics			
Number of children			
	Zero	--	--
	One	-.01	-.14
	Two	-.25*	-.18
	Three or more	-.53***	-.27^{+}
Children younger than six		-.80***	-.64***
Living with parent(s)		.81***	.74***
Living with other relative(s)		1.85***	1.81***
Other			
Residing in large city		.33***	.39***
Race			
	White	--	--
	Black	-.26**	-.28**
	Other	-.31**	-.21*
Age		.06***	.03^{+}
Age^2 / 1000		-.23^{+}	-.04
Log-Likelihood		-14619.32	-16385.32

$^{+}$p < .10; *p < .05; **p < .01; ***p < .001
Notes: Analyses are weighted. **N**s are 4,202 for 1980 and 4,547 for 2001.

Table 4
Median Contributions of Nonemployment
Earnings to Total Family Income

	1980	2001
Median percentage of contribution to family income		
Alimony/child support	31%	14%
Public aid	100%	28%
Both	100%	38%

Notes: Figures restricted to respondents receiving each type of aid. Results are weighted.

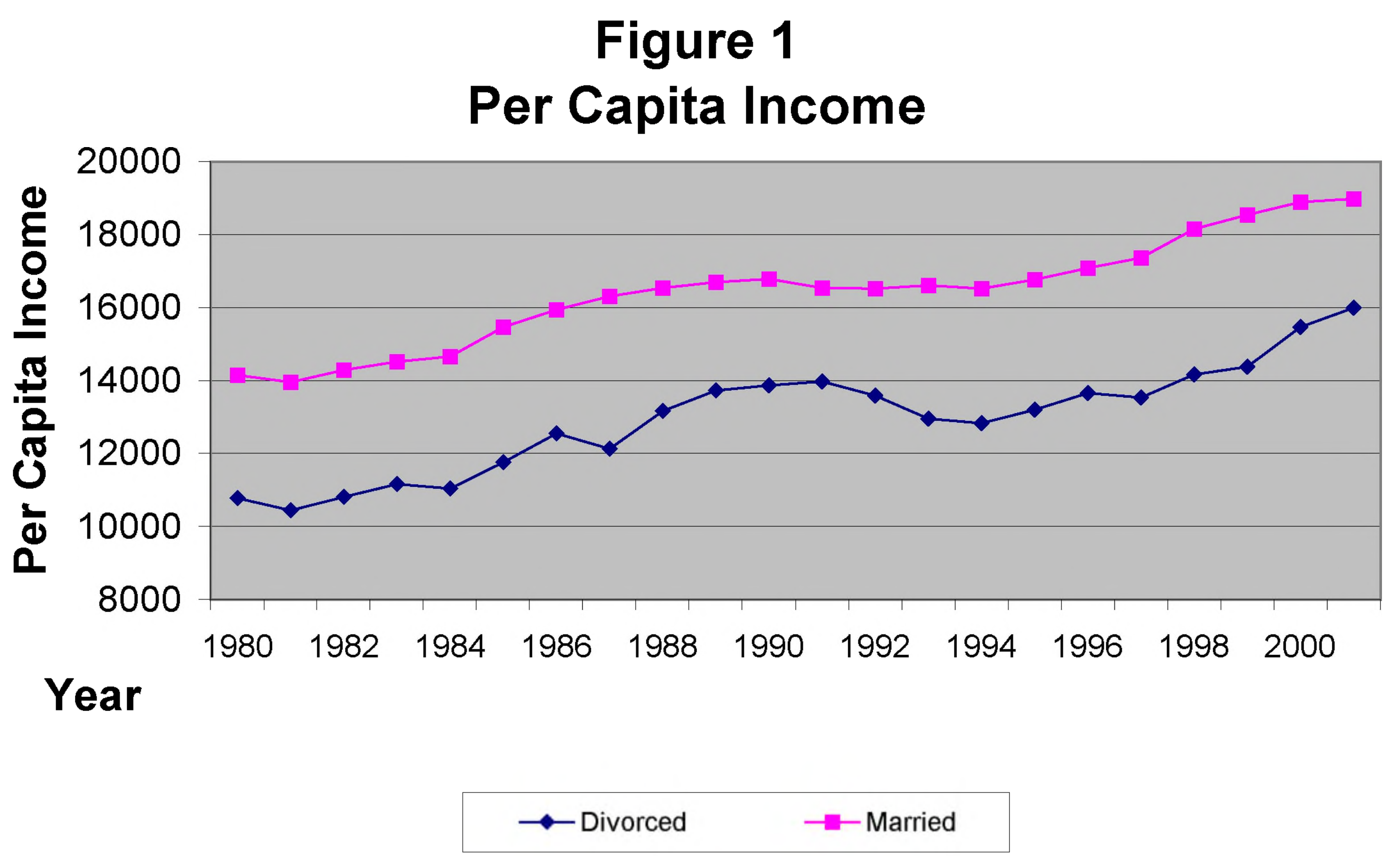
Figure 1
Per Capita Income
Per Capita Income
20000
18000
16000
14000
12000
10000
8000
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
Year
Divorced
Married

Figure 2
Relative Distribution of Per Capita Income, Married Women

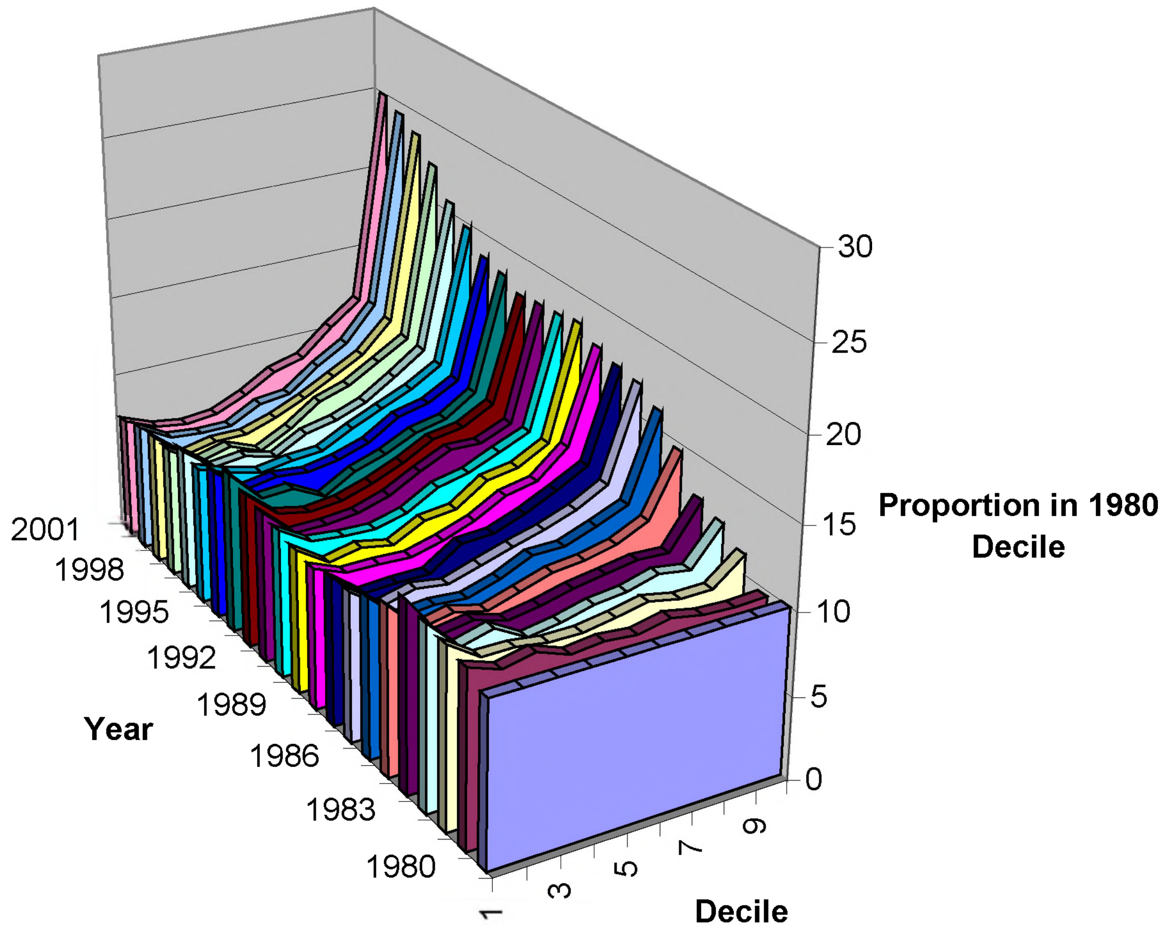

Figure 3
Relative Distribution of Per Capita Income, Divorced Women

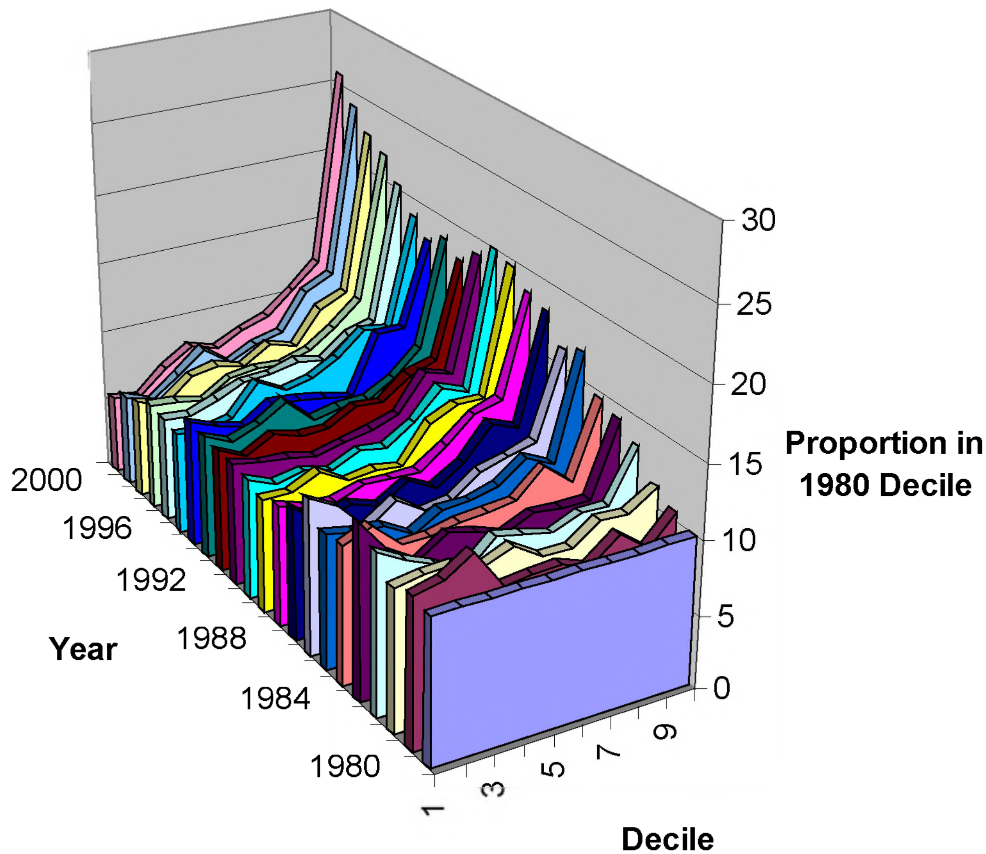

Figure 4. Predicted Income Densities for 1980 and 2001 (p < .05).

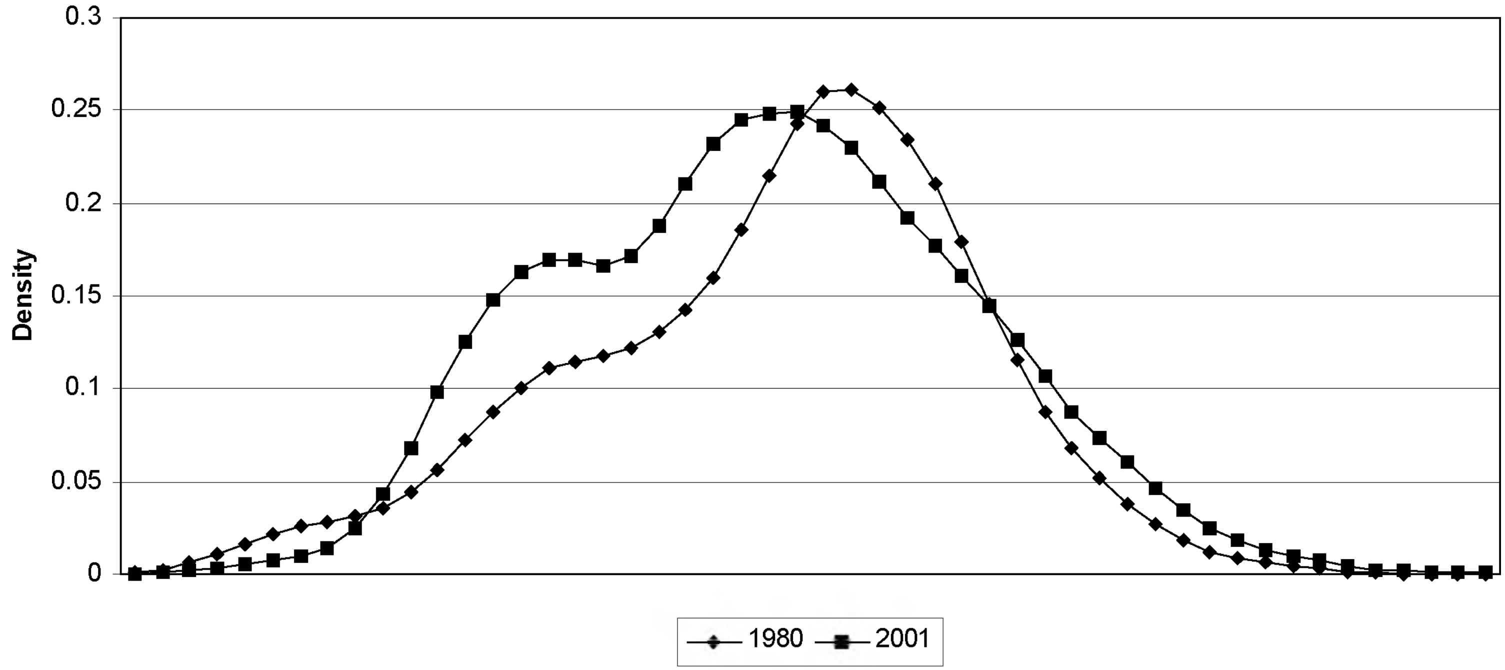

Figure 5. Predicted and Counterfactual Income Densities: Contrasting Changing Respondent Characteristics (p < .05).