

Income before and after Family Break-Up in Germany and the United States

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Abstract

Union dissolution and single parenthood do not belong to those risks the welfare state traditionally used to provide support for. Still, due to the systematic increase of family break-ups and lone parents, it concerns a larger part of the population now than in the past. Welfare state mitigation for both cohabiting and married couples with children experiencing a union dissolution is expected to differ between the two opposing social models. In Germany the general level of social security is higher and there are additional transfers (child benefits, child support advance payments) while in the US the social welfare level is low and recipience is only temporary. On the other hand, higher female labor force participation in the US in contrast to Germany might protect women, who suffer economically more than men, against the economic consequences of separation. This paper analyzes the long- and short-term impact of family break-up on household income using German (GSOEP) and US American (PSID) Panel data. We expect less of a difference in the direct effects between Germany and the US due to the mentioned opposing mechanisms cancelling each other out. Across time, we expect to observe decreasing negative effects for women due to increasing labor force participation, the enforcement of child support payments as well as improved child care supply. However, when it comes to private coping strategies after the event, we expect Americans to recover faster due to higher labor force attachment and higher repartnering rates. Also, we expect diverging outcomes for separating partners of cohabiting unions and marriages in Germany, with convergence since the 1980s until today.

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