

When Homemakers are Compensated: a Test of Household Models under Alternative Divorce Regimes

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Background of the Homemaking Provision

- “Til divorce do us part”:
 - The commitment value of marriage has been reduced by unilateral divorce reform in 1970s
 - Any spouse could walk out of the marriage without mutual consent
- Specialization has strong distributional consequences when unconsented divorce is easy **and distribution of assets is title-based**:
 - Wives that specialized in the domestic sector impoverished (Weitzman 1985; Cohen 1987; Parkman 1992)
 - Women rationally respond by reducing housework Work-In-Household Production (WiHo) termed by Grossbard (2015) and increasing market work
 - Incentives to marry ↓

Legal Remedy to Protect the Homemakers

- Recognize their non-monetary contribution to marriage in dividing assets at divorce regardless of legal titles of assets by the “**homemaking provision**”
 - In the form a provision in the divorce statute or established by case law
- Example of the homemaking statute:

“(A) At the time a divorce decree is entered: (1) All marital property shall be distributed one-half (1/2) to each party unless the court finds such a division to be inequitable, in which event the court shall make some other division that the court deems equitable taking into consideration (1) the length of the marriage; (2) age, health, and station in life of the parties; ...(8) contribution of each party in acquisition, preservation, or appreciation of marital property, **including services as a homemaker,....**”

Ark. Stat. Ann. § 34-1214(A)(1) (Cum. Supp. 1985)

The Homemaking Provision

- Example of a Case Law

“...the enactment [of the homemaking provision] seeks to right what many have felt to be a grave wrong. It gives recognition to the essential supportive role played by the wife in the home, **acknowledging that as a homemaker, wife and mother she should clearly be entitled to a share of family assets accumulated during the marriage.**”

O'Neill v. O'Neill, 536 A.2d 978, 984 (Conn. App. Ct. 1988)

Research Questions

- Does the homemaking provision affects spousal exchange in terms of performance of housework?
 - In Wong (2016), I found the homemaking provision to substantially increase marriage
- Does the effect of the homemaking provision depends on divorce regimes
 - Mutual consent, unilateral or short separation period requirement?

Literature Review

- Unilateral divorce and investment in market and marriage-specific human capital for women (Johnson & Skinner 1986; Stevenson 2007 ; Roff 2017)
- Also studies on effects of property division regimes in spousal time allocation and investment in marriage-specific human capital (Gray 1998; Voena 2015)
- Theoretical works relate unilateral divorce to reducing the commitment value of marriage:
 - Marriage becomes a “breachable contract” and the harmed party is not properly compensated (Cohen 1987; Parkman 2002)
 - Commitments made in marriage not credible (Lundberg 2008)

Contribution of This Paper

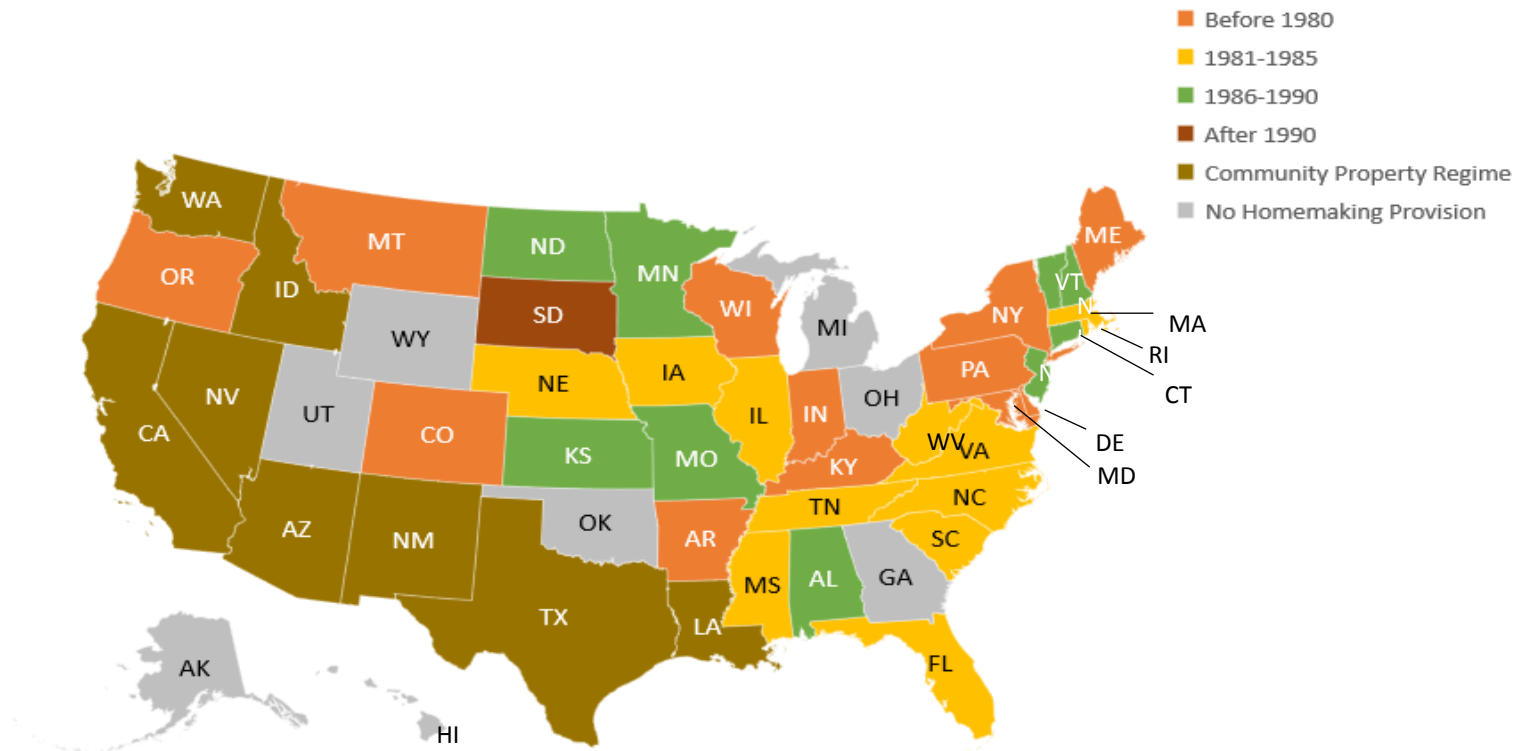
- This paper and Wong (2016) are the first to examine how a law that directly targets the ex-post property rights of homemakers on marriage
- Provides a test of household models under alternative divorce regime
 - Unitary model under mutual consent divorce regime?
 - Highlights how laws governing divorce might affect the degree of co-operation within households

Theoretical Consideration

- If the unitary model holds regardless of divorce regimes, resource allocation including spousal time allocation is always efficient, the homemaking provision would have no effect
- If liberalization of divorce laws such as unilateral divorce and shortened separation period limit inter-temporal commitment in marriage, the homemaking provision would increase housework or WiHo (Grossbard 2015) performed by the wife under these regimes
 - This implies loose divorce laws make it more difficult for spouses to co-operate and work out beneficial spousal exchanges, and the homemaking provision facilitates it by increasing the expected WiHo price (Grossbard 2015)

The Identification Strategy

- Variation across states in time they adopt the provision provides a useful quasi-experiment



The Data

- The Homemaking Provision

- The year of introduction of the homemaking provision is by my own research and come from a variety of sources:
 - In some states they come from states' historical statutes
 - I also traced out the established case law from internet search engines for legal research

- The Individual Data

- Panel Study of Income Dynamics (PSID)
 - Panel Data began in 1968 covering 5000 households across states in the US
 - Provides detailed longitudinal info on the housework and labor supply of spouses and their marital histories
- I use 30 waves of the PSID from 1968 to 1997
- Married respondents whose wives aged 18-55
- Analysis confined to spouses that married before the homemaking provision is enacted in the PSID to avoid selection problem

The Estimation Strategy: The Individual Fixed Effect Model

$$Q_{i,s,t} = \theta_1 uni_{s,t} + \theta_2 sep_{s,t} + \theta_3 eqdist_{s,t} + \beta_1 pro_{s,t} + \beta_2 pro * uni_{s,t} + \beta_3 pro * sep_{s,t} + \mathbf{X}'_{i,s,t} \boldsymbol{\delta} + \alpha_t + \gamma_s + f_i + \epsilon_{i,s,t} \quad (1)$$

- where $Q_{i,s,t}$ is the outcome variables including hours of housework and market work hours and the labor force participation of wife i residing in state s in year t ; pro =the homemaking provision; uni =unilateral divorce regime in state s in at time t and zero otherwise; sep =the state has separation requirement that is less than or equal to two years; $eqdist$ =equitable property division regimes; f , α and γ represent the individual, year and state fixed effect respectively and the vector \mathbf{X} include age and age squared of wife i and her husbands and dummies for their years of education; i , s and t denote the individual, state and year subscripts.

Table 1: Summary Statistics

Variables	Number of observation	Number of households	Min	Mean	Max	SD
Age (wives)	22,559	2,150	18	38.67	55	(9.41)
Age (husbands)	22,559	2,150	18	41.39	81	(10.2)
Years of education (wives)	22,559	2,150	6	12.47	17	(2.23)
Years of education (husbands)	22,559	2,150	6	12.74	17	(2.70)
Annual hours of work (wives)	22,559	2,150	0	927.9	5,840	(885)
Labor force participation (wives)	22,559	2,150	0	0.665	1	(0.472)
Annual hours of housework (wives)	19,579	1,948	0	1,499.2	5,824	(890)
Homemaking provision	22,559	2,150	0	0.414	1	(0.49)
Unilateral divorce law	22,559	2,150	0	0.545	1	(0.50)
Separation requirements (≤ 2 years)	22,559	2,150	0	0.419	1	(0.49)
Equitable distribution	22,559	2,150	0	0.628	1	(0.48)


Note: the means are weighted by PSID individual weights in 1968.

Data: Panel Study of Income Dynamics (1968-1997)

Table 2: the Effect of the Homemaking Provision on Annual Hours of Housework of Wives

Independent Variables:	Dependent Variables:			
	Wives'			
	Hours of Housework (Mean=1499.2)			
	(1)	(2)	(3)	(4)
Provision	60.51**	5.918	-	-41.18
	(30.42)	(41.55)		(45.79)
Provision*unilateral divorce	-	84.24*	70.72*	95.67**
		(46.56)	(36.09)	(46.12)
Provision*separation	-	-	74.44*	91.10**
			(40.79)	(45.06)
Controls for legal regimes	X	X	X	X
Individual characteristics	X	X	X	X
State Fixed Effects	X	X	X	X
Year Fixed Effects	X	X	X	X
N	19,579	19,579	19,579	19,579
Individual Fixed Effects	1948	1948	1948	1948

6.4%
of
mean



Notes: ***variable is statistically significant at 1% level; **variable is statistically significant at 5% level; *variable is statistically significant at 10% level. Robust standard errors are in brackets. Data: Panel Study of Income Dynamics (1968-1997).

Table 3: the Effect of the Homemaking Provision on Annual Hours of Market Work of Wives

Independent Variables:	Dependent Variables:			
	Wives'			
	Hours of Market Work (Mean=927.9)			
	(1)	(2)	(3)	(4)
Provision	-36.22	65.92	-	88.92*
	(34.88)	(48.73)		(53.48)
Provision*unilateral divorce	-	-159.2***	-111.1***	-164.6***
		(52.51)	(40.20)	(52.32)
Provision*separation	-	-	-97.39	-45.36
			(47.35)	(51.87)
Controls for legal regimes	X	X	X	X
Individual characteristics	X	X	X	X
State Fixed Effects	X	X	X	X
Year Fixed Effects	X	X	X	X
N	22,559	22,559	22,559	22,559
Individual Fixed Effects	2150	2150	2150	2150

17.7
% of
mean

Notes: ***variable is statistically significant at 1% level; **variable is statistically significant at 5% level; *variable is statistically significant at 10% level. Robust standard errors are in brackets. Data: Panel Study of Income Dynamics (1968-1997).

Table 4: the Effect of the Homemaking Provision on Labor Force Participation of Wives

Independent Variables:	Dependent Variables:			
	Wives'			
	Labor Force Participation (Mean=0.665)			
	(1)	(2)	(3)	(4)
Provision	-0.024	0.018	-	0.020
	(0.019)	(0.027)		(0.029)
Provision*uni	-	-0.065**	-0.054**	-0.066**
		(0.029)	(0.022)	(0.029)
Provision*separation	-	-	0.003	-0.005
			(0.026)	(0.028)
Controls for legal regimes	X	X	X	X
Individual characteristics	X	X	X	X
State Fixed Effects	X	X	X	X
Year Fixed Effects	X	X	X	X
N	22,559	22,559	22,559	22,559
Individual Fixed Effects	2150	2150	2150	2150

← 9.9% of mean

Notes: ***variable is statistically significant at 1% level; **variable is statistically significant at 5% level; *variable is statistically significant at 10% level. Robust standard errors are in brackets. Data: Panel Study of Income Dynamics (1968-1997).

Exogeneity Test: Estimated Coefficients on Future Policy on Couples Married prior to the Reform

Independent variable:	Dependent variables (Wives):		
	Annual housework hours	Annual market work hours	Labor force participation
5 Years Prior to Reform	-30.56 (63.31)	-25.83 (66.72)	0.004 (0.037)
4 Years Prior to Reform	-15.15 (62.45)	-35.62 (73.29)	0.005 (0.040)
3 Years Prior to Reform	-25.10 (67.01)	-30.31 (80.87)	0.008 (0.043)
2 Years Prior to Reform	-4.53 (74.02)	-18.02 (86.47)	0.010 (0.046)
1 Years Prior to Reform	-23.46 75.16	-23.52 (92.16)	0.006 (0.048)
N	22,559	19,579	22,559
Individual Fixed Effects	2150	1948	2150

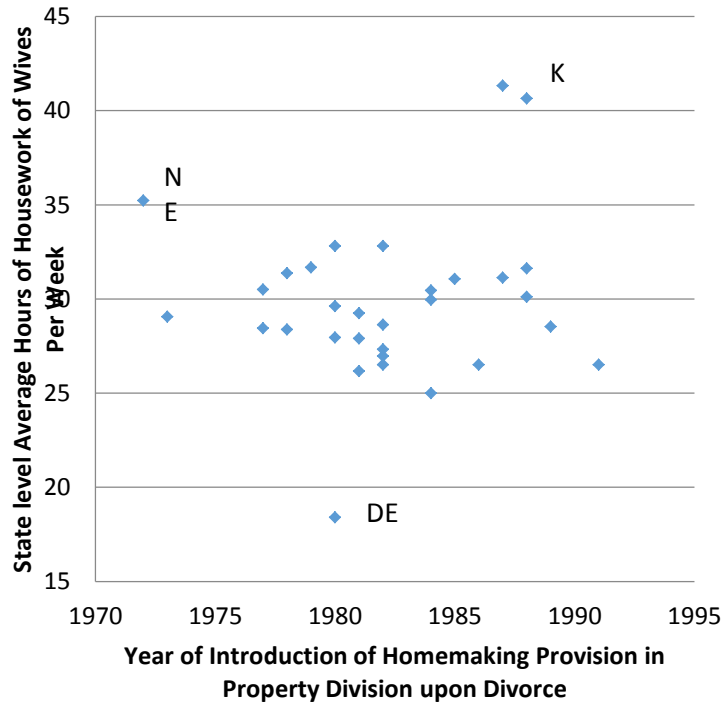
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Conclusion

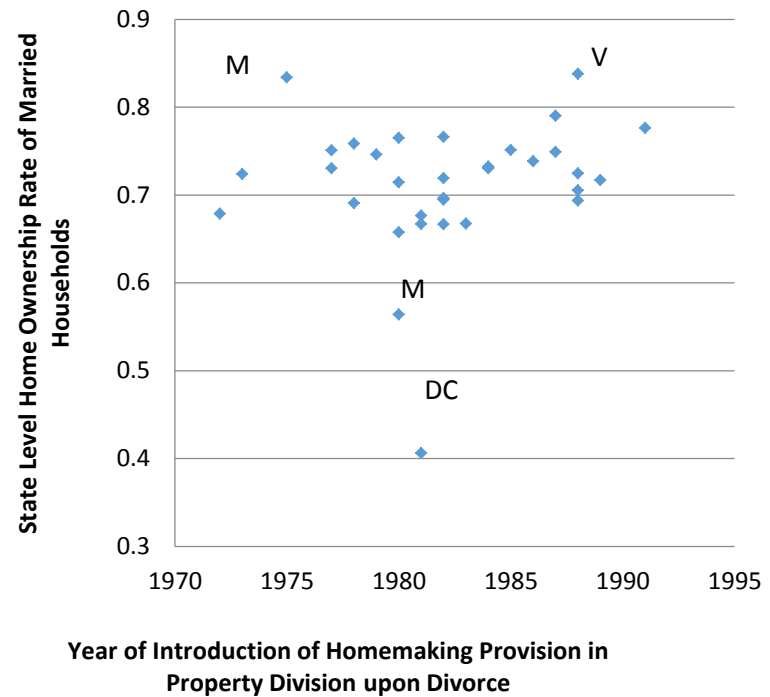
- The empirical findings provide evidence for that the homemaking provision enhances housework performed by wives under the unilateral divorce regime:
 - wives that married prior to the law are found to increase their home production and decrease their labor supply in the unilateral divorce states
- Liberalization of divorce law could have changed the underlying decision making process of spouses
 - Couples behave less co-operatively (unitary model no longer fits) and the homemaking law serves as a commitment device
- Further investigation to be conducted:
 - Whether the homemaking provision increases **stay-at-home mothers**, and whether it depends on divorce regimes (using IPUMS CPS)

Thank you!

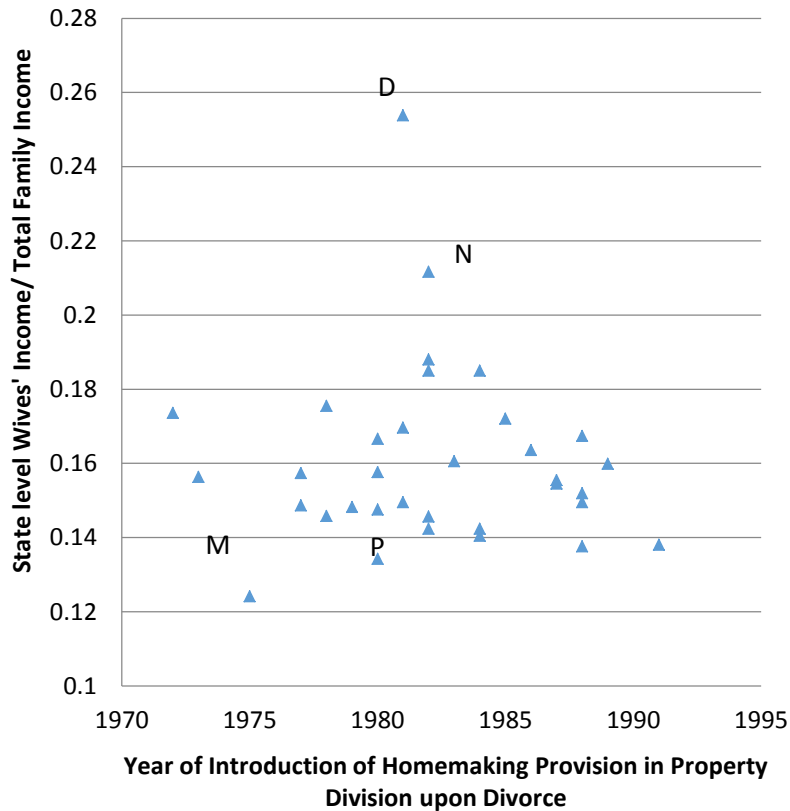
Further Exogeneity Tests : Timing of the introduction of homemaking provision and state characteristics in 1970



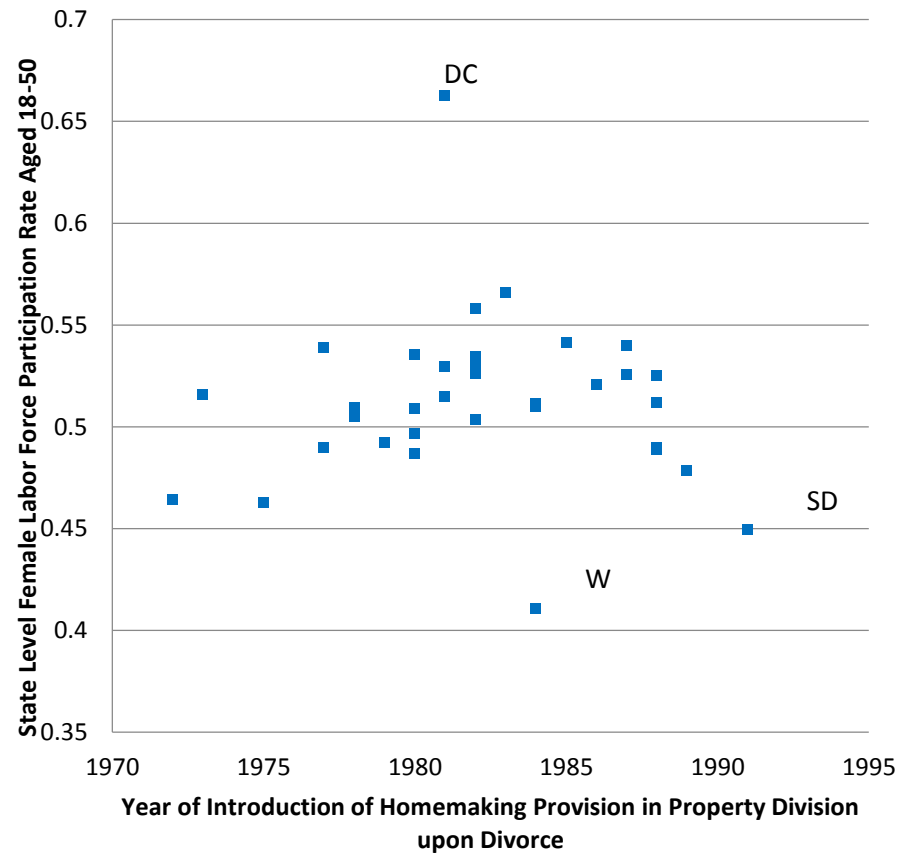
Data: PSID



Data: 1% sample of U.S. Census (Integrated Public Use Microdata Series). South Dakota is not identifiable in the data.

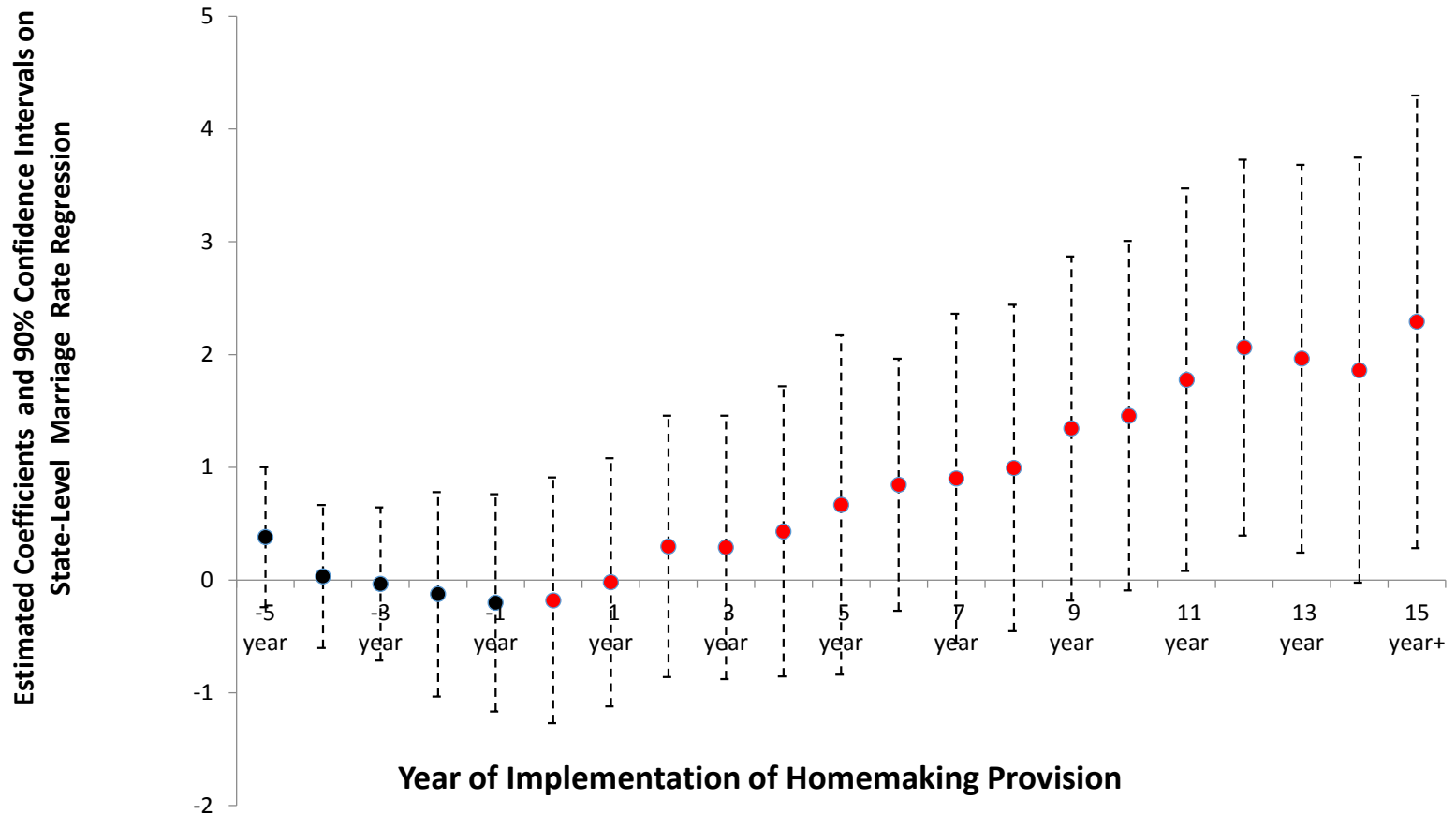


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Further Exogeneity Tests : Check for Pre-existing Trends in Marriage



Source: Wong (2016)