

DEMANDING FINANCIAL SELF-SUFFICIENCY
AFTER DIVORCE: UNDERSTANDING THE
CONSEQUENCES OF THE 2008 ALIMONY
REFORM

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- ▶ Transfers between private households constitute a significant part of the disposable income
 - *Redistribution* –

- ▶ Reform effects:
 - 1 Investigating the effect on the likelihood to pay alimony and its amount
 - *Impact of the law* –
 - 2 Impact on cooperation between the former spouses for tax purposes
 - *Behavior* –

- ▶ Contributions: First analysis ...
 1. quantifying how the 2008 Reform of the German Maintenance Law affected divorcees
 2. of ex-spouses' willingness to cooperate for tax purposes

- ▶ Findings: Significant reduction in the years after separation ...
 1. in the likelihood to pay alimony (36%-75%)
 2. in the likelihood to cooperate (35%-77%)
 3. in the alimony paid (34%-84%)

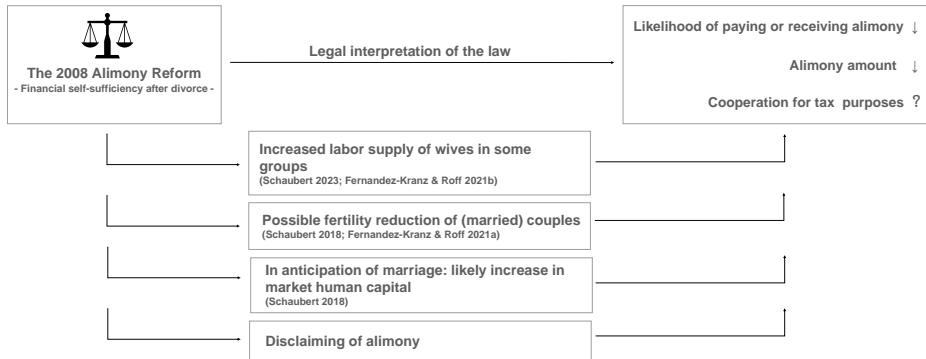
- ▶ Groups impacted by the reform
 1. West Germans
 2. Couples with children
 3. Men with annual incomes $>80,000$ whose former wives had $\leq 20,000$ at separation (in year 2009 €)

▶ Difference method is applied to determine the alimony amount

- ▶ If the liable partner is employed, the dependent partner gets $\frac{3}{7}$ of the difference between the allowable labor income and $\frac{1}{2}$ of other earnings

Legal framework before and after the 2008 Alimony Reform

Before 2008	After 2008
Legal doctrine	
Long-lasting post-marital solidarity and the notion of a "marriage-created need"	Principle of financial self-sufficiency
	Limitation of maintenance, covering any ground for alimony claims
Work requirements	
The divorced spouse was <i>only</i> expected to enter gainful employment that was appropriate for her/him	The divorced spouse is <i>under an obligation</i> to enter gainful employment that is appropriate for her/him
Definition of an appropriate gainful employment	
	New criterion: A former employment
Maintenance to care for a child	



Related literature

Estimation strategy

Number of divorces

- ▶ German Taxpayer Panel (TPP) 2001-2012
 - ▶ Yearly administrative tax (panel) data
 - ▶ 5% stratified random sample

- ▶ Sample restriction
 - ▶ Men who divorced for the first time
 - ▶ Separation period: 1 year
 - ▶ Men with children older than 25 years are excluded

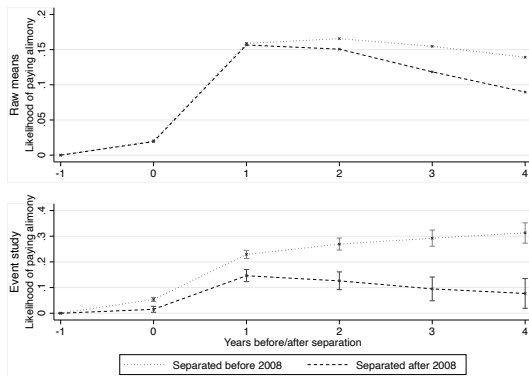
- ▶ Annual maintenance payments reported to fiscal authorities:
 1. As an extraordinary burden (§33a (1) of Income Tax Law)
 - *No approval from former spouses needed* –
 2. As a special expense (so-called Real Splitting; §10 (1) No. 1 of Income Tax Law)
 - *Consent between former spouses* → *proxy for cooperation* –
 - Maximum amount of tax deduction is higher

1. 2 regime periods: before 2008 vs. after 2008
→ 2 groups g
2. Estimation of panel event study models
 - ▶ Event = separation
 - ▶ Last pre-event year $t = -1$ is omitted
 - ▶ Fixed-effects models: robust standard errors clustered at individual level
 - ▶ Main specification: age as a second-order polynomial, state-year fixed-effects
3. Reform effect: as the margin of the estimated coefficients in treatment and control groups

Descriptive statistics for men: Means (SD)

Variable	Separated before 2008	Separated after 2008	Difference
Year	2,004.32 (1.74)	2,010.08 (1.48)	
Age (in years)	46.64 (10.97)	47.02 (10.30)	-0.38***
No. of children (0-5 yrs old)	0.31 (1.47)	0.34 (1.63)	-0.03 ***
No. of children (6-11 yrs old)	0.54 (1.85)	0.59 (2.04)	-0.05 ***
No. of children (12-17 yrs old)	0.52 (1.62)	0.62 (1.88)	-0.10***
No. of children (18-20 yrs old)	0.20 (0.82)	0.24 (1.05)	-0.04***
No. of children (21-24 yrs old)	0.15 (0.73)	0.20 (0.95)	-0.04***
Income	110,631.94 (1290,633.50)	129,331.24 (584,578.92)	-18,699.30***
Income at separation, ex-wife	10,158.18 (201,399.30)	9,764.63 (58,418.66)	393.55
No. of observations	195,184	83,042	

Notes: All sums of money are in year 2009 real €. Significance levels: * 10%; ** 5%; *** 1%.



Differences in likelihood

Year of separation (t=0):
3.85 pp (-71.6%)

Year of divorce (t=1):
8.30 pp (-36.2%)

First year after divorce (t=2):
14.30 pp (-53.2%)

Second year after divorce (t=3):
19.72 pp (-67.5%)

Third year after divorce (t=4):
23.60 pp (-75.4%)

Subgroup analysis

East versus West Germans

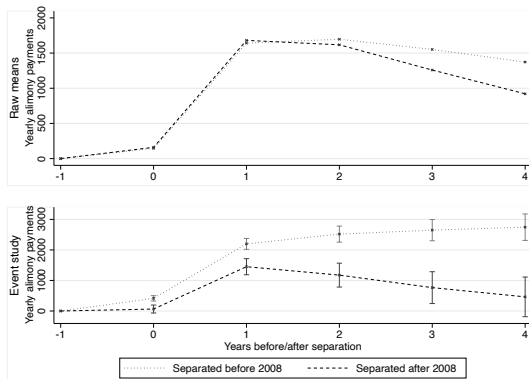
Family Court Statistics

Childless couples versus couples with children

Income groups

Robustness check

Robustness check 2



Differences in alimony

Year of separation (t=0):
€349.79 (-84.3%)

Year of divorce (t=1):
€746.80 (-34.0%)

First year after divorce (t=2):
€1,343.10 (-53.3%)

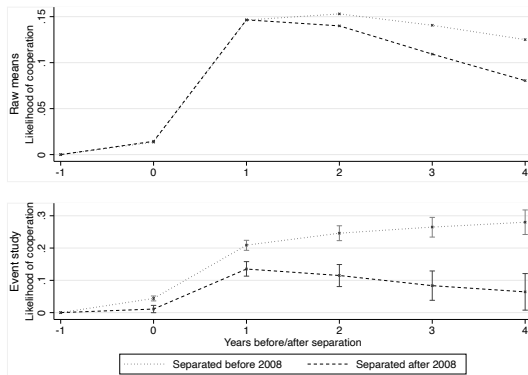
Second year after divorce (t=3):
€1,881.40 (-71.1%)

Third year after divorce (t=4):
€2,281.10 (-83.1%)

Note:

Avg. income of wives before 2008:
€10,158.18

Subgroup analysis



Differences in likelihood

Year of separation ($t=0$):
3.28 pp (-74.7%)

Year of divorce ($t=1$):
7.40 pp (-35.4%)

First year after divorce ($t=2$):
13.10 pp (-53.3%)

Second year after divorce ($t=3$):
18.15 pp (-68.5%)

Third year after divorce ($t=4$):
21.57 pp (-77.0%)

Subgroup analysis

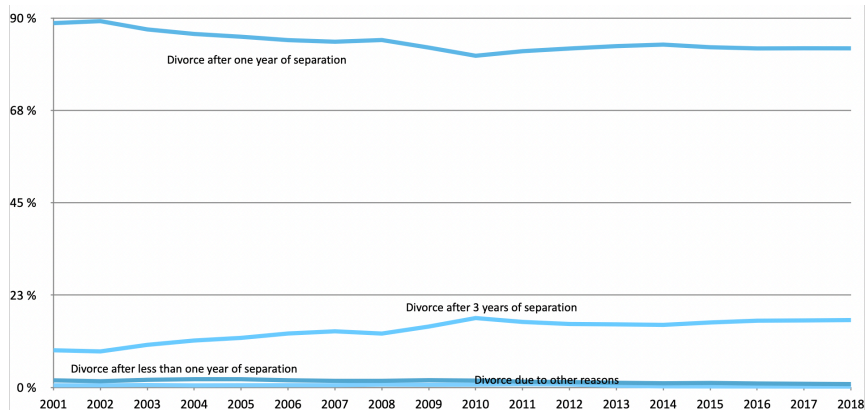


FOCUS magazine: The new alimony law – Zero euro for your former wife?
Lawyers are talking about a revolution (February 2008)

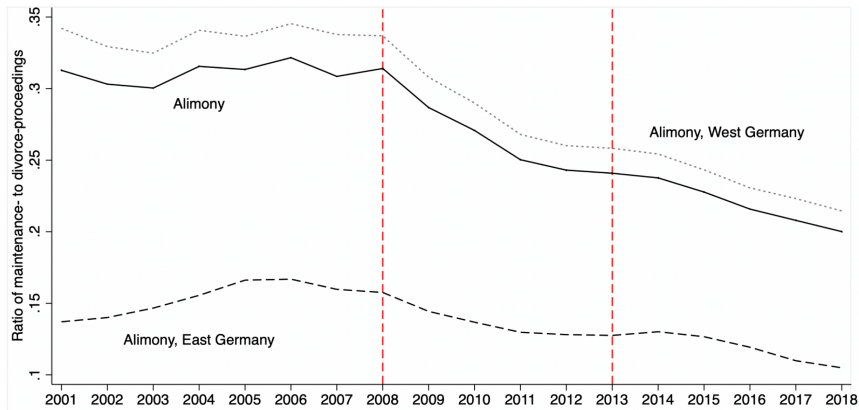
- ▶ Effect of the 2008 alimony reform on married individuals (Schaubert 2023; Bredtmann and Vonnahme 2017)
- ▶ Effect of law changes on alimony payments (Kessler 2020)
- ▶ Consequences of divorce (Bayaz-Ozturk et al. 2018, Brüggmann 2020, Bröckel and Andrea 2015, Thielemans and Mortelmans 2019, Le Bourdais et al. 2016)

$$Y_{its}^g = \epsilon_{ts}^g + \eta_i^g + \sum_{l=1}^L \gamma_{+l}^g \cdot Sep_{+l} + \sum_{k=1}^K \beta_{-k}^g \cdot Sep_{-k} + \theta^g \cdot X_{it} + u_{its}^g$$

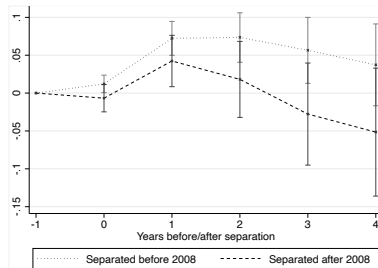
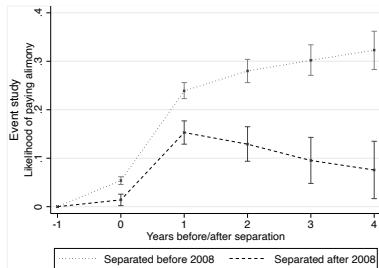
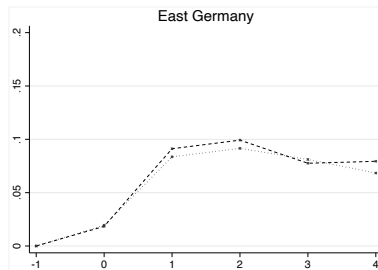
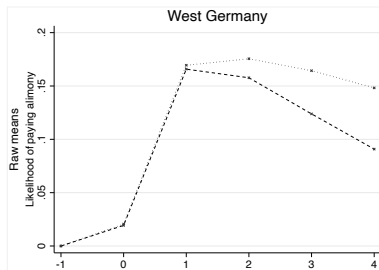
- ▶ Y_{its}^g ... the outcome variable for individual i in year t in state s in group g
- ▶ L leads and K lags
- ▶ last pre-event year $t = -1$ is omitted
- ▶ state-year fixed effects
- ▶ X_{it} ... time-varying characteristics of the individual i
 - ▶ age as a second-order polynomial
 - ▶ (income from employment and self-employment)
 - ▶ (the number of children in different age groups)
 - ▶ (wife's income during the separation period)

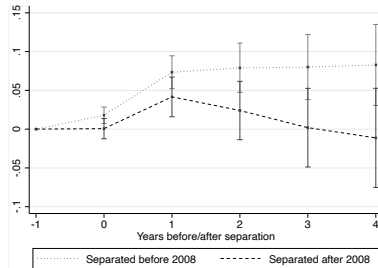
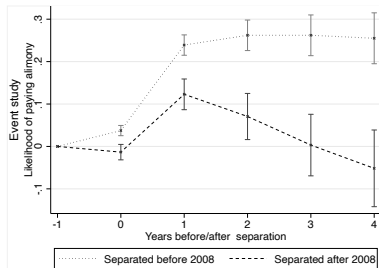
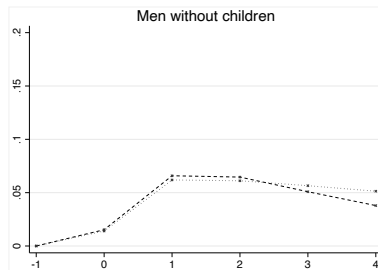
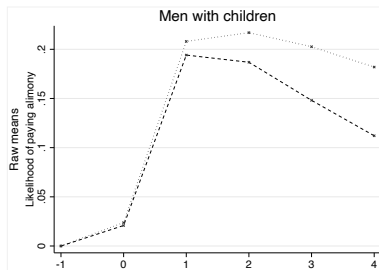


Source: Federal Office of Statistics

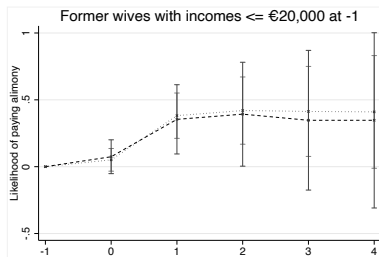


Source: Family court statistics 2001-2019

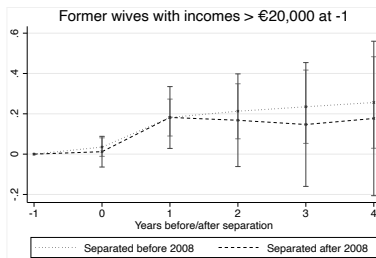
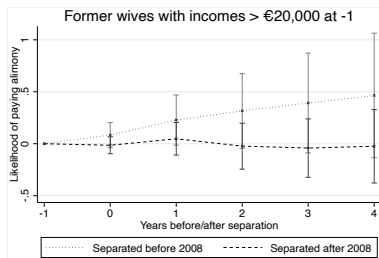
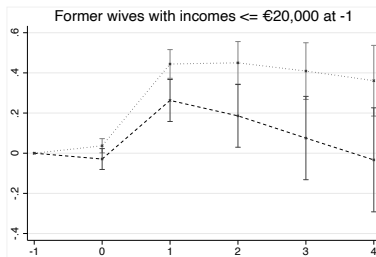




Men with incomes €60,001-€80,000 p.a.



Men with incomes > €80,000 Euro p.a.



Reform effect: Differences in likelihood of paying alimony (before 2008 → after 2008)

Overall	West Germans	Couples with children	Incomes: Men >80,000 & former wives ≤20,000
Year of separation (t=0): 3.85 pp (-71.6%)	3.98 pp (-74.0%)	5.08 pp (-135.8%)	statistically insign.
Year of divorce (t=1): 8.30 pp (-36.2%)	8.60 pp (-36.0%)	11.60 pp (-48.5%)	20.00 pp (-42.6%)
First year after divorce (t=2): 14.30 pp (-53.2%)	15.10 pp (-53.9%)	19.14 pp (-73.1%)	29.00 pp (-60.0%)
Second year after divorce (t=3): 19.72 pp (-67.5%)	20.67 pp (-68.4%)	25.87 pp (-98.7%)	37.04 pp (-82.7%)
Third year after divorce (t=4): 23.60 pp (-75.4%)	24.73 pp (-76.6%)	30.67 pp (-120.3%)	43.40 pp (-107.2%)

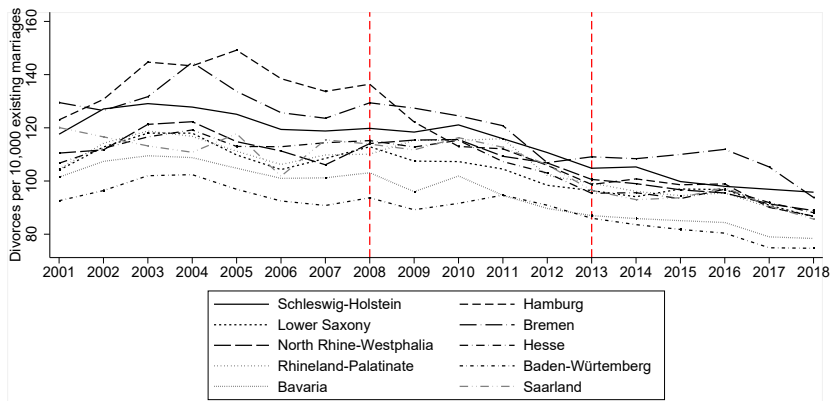
Reform effect: Differences in alimony (before 2008 → after 2008)

Overall	West Germans	Couples with children	Incomes: Men >80,000 & former wives ≤20,000
Year of separation (t=0):			
€349.79 (-84.3%)	€362.07 (-87.9%)	€465.90 (-448.8%)	statistically insign.
Year of divorce (t=1):			
€746.80 (-34.0%)	€786.00 (-33.9%)	€1,079.40 (-52.5%)	€2,756.40 (-47.5%)
First year after divorce (t=2):			
€1,343.10 (-53.3%)	€1,421.90 (-54.1%)	€1,809.60 (-88.5%)	€3,812.80 (-66.0%)
Second year after divorce (t=3):			
€1,881.40 (-71.1%)	€1,989.70 (-72.5%)	€2,452.40 (-137.90%)	€4,806.20 (-93.3%)
Third year after divorce (t=4):			
€2,281.10 (-83.1%)	€2,394.50 (-84.7%)	€2,977.20 (-205.1%)	statistically insign.

Note: Avg. income of wives before 2008: €10,158.18

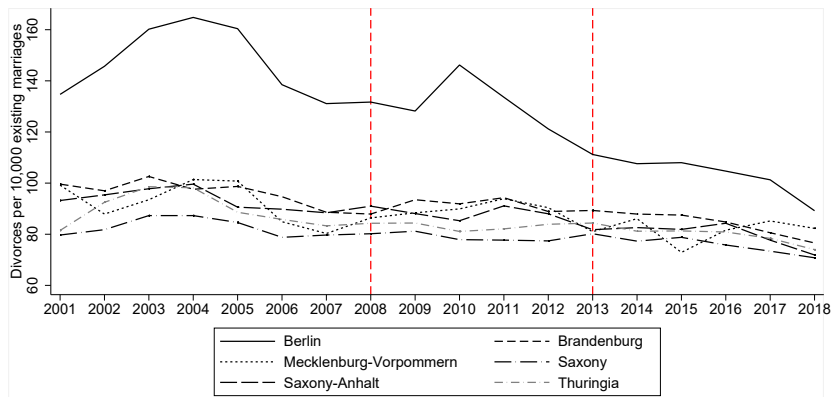
Reform effect: Differences in likelihood of cooperation (before 2008 → after 2008)

Overall	West Germans	Couples with children	Incomes: Men >80,000 & former wives ≤20,000
Year of separation (t=0):			
3.28 pp (-74.7%)	3.31 pp (-75.7%)	4.26 pp (-149.0%)	6.61 pp (-178.2%)
Year of divorce (t=1):			
7.40 pp (-35.4%)	7.50 pp (-34.2%)	10.20 pp (-46.4%)	18.10 pp (-40.8%)
First year after divorce (t=2):			
13.10 pp (-53.3%)	13.50 pp (-52.7%)	17.31 pp (-71.8%)	statistically insign.
Second year after divorce (t=3):			
18.15 pp (-68.5%)	18.71 pp (-68.0%)	23.17 pp (-97.8%)	statistically insign.
Third year after divorce (t=4):			
21.57 pp (-77.0%)	22.18 pp (-76.7%)	27.59 pp (-121.5%)	statistically insign.



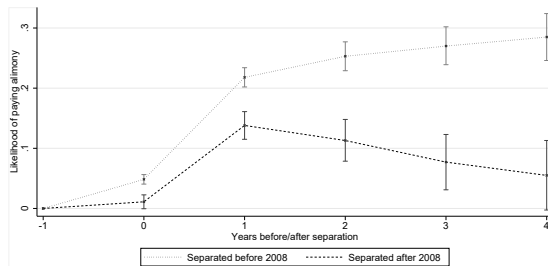
Source: Federal Office of Statistics

Channels



Source: Federal Office of Statistics

Channels



Differences in likelihood

Year of separation (t=0):
3.73 pp (-77.1%)

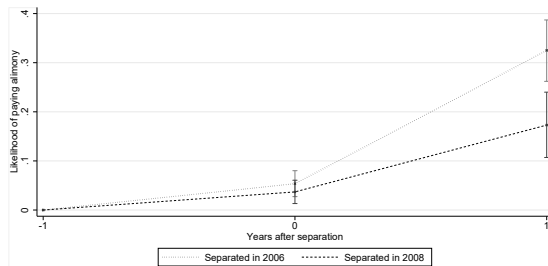
Year of divorce (t=1):
8.00 pp (-36.7%)

First year after divorce (t=2):
14.00 pp (-55.3%)

Second year after divorce (t=3):
19.29 pp (-71.4%)

Third year after divorce (t=4):
23.00 pp (-80.7%)

Main results



Differences in likelihood

Year of separation ($t=0$):
1.68 pp (-31.3%)

Year of divorce ($t=1$):
15.20 pp (-46.8%)

Main results