

# Family income after separation

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The economic situation of ex-spouses presents an often striking discrepancy between men and women. A number of studies have demonstrated a clear deterioration in the economic status of women in the year following separation, and an immediate improvement in that of men (Duncan and Hoffman, 1985; Weitzman, 1985; Steward and Steel, 1990; Finnie, 1993; Peterson, 1996).

This article is an extract of a recent longitudinal study that looked at the income of separated persons in Canada (Statistics Canada, 1997a). That analysis was based on a new version of Statistics Canada's Longitudinal Administrative Databank (LAD), which covers virtually the whole Canadian population (see *Data source*). It has recently become possible to subtract support payments from the income of payers, who have been required to report these separately since 1986, so the study should enrich the discussion about the setting of child support payments. New rules relating to this issue came into effect May 1, 1997, aiming to "[ensure] that Canadian children whose parents separate or divorce receive the financial support they deserve" (Department of Finance, 1996).

The study focused on married<sup>1</sup> persons who became separated<sup>2</sup> between 1987 and 1993 and who had children before the breakup. It tracked changes in family composition and after-tax income. Attention was also paid to the relative situation of payers and recipients of support payments. Finally, income sources of separated persons were compared before and after separation. This article presents key find-

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## Data source

This article is based on the Small Area and Administrative Data Division's (SAADD) Longitudinal Administrative Databank (LAD). (For more information see Statistics Canada, 1997c.) At the time of writing, this covered a 12-year period from 1982 to 1993. It is derived from SAADD's T1 file of families created from Revenue Canada income tax returns. The LAD represents a random sample of 10% of all taxfilers and their dependants who have social insurance numbers (SIN). This is a new version of the LAD, which formerly covered only 1% of taxfilers and persons with SINS. The database is "longitudinal," meaning once individuals are selected for inclusion they remain in the file year after year. Some selected individuals may be missed in certain years because they did not file a tax return, or did so after the deadline. In 1993, the non-weighted LAD contained information on 2,083,590 individuals; when weighted, it covered over 96% of the Canadian population (according to post-censal estimates).

While the LAD includes only a few demographic and labour-related variables, it does contain valuable information on income.

ings and several tables published in the study.

## All separated persons

### Change in family composition

Family composition was examined the year before separation ( $T_{-1}$ ) and in subsequent years ( $T_{+1}$ ,  $T_{+2}$ , ...,  $T_{+5}$ ). The actual year of separation ( $T_0$ ) was not really considered because of the many family adjustments taking place at the time.<sup>3</sup> Separated persons were divided into three family types depending on whether they had become part of another couple, were the heads of

## Matching of couples in the LAD

Even though the T1 family file and the LAD contain information on families, they remain files of individual records. The family files are built up through a series of operations; spouses and children are identified using such variables as name, SIN, age, sex, mailing address, marital status and certain tax credits. Different variables are used to match couples, depending on whether they are married or living common law.

Married couples are matched primarily by their SINS, since these individuals are required to report the SIN of their partner on the tax form. Some people living common law may have been counted as married if they reported their partner's SIN. Before 1992, however, there were few ways to match couples living common law, since they were not recognized as couples by Revenue Canada. They were matched by their mailing address and such variables as age of *de facto* spouse and family name, to avoid matching a son with his mother or a brother with a sister.

single-parent families, or were single.<sup>4</sup> By definition, everyone in the sample had been married in the year prior to separation ( $T_{-1}$ ) and all had dependent children (Table 1).

The year after separation ( $T_{+1}$ ), the majority of men were single (52%), while most women headed single-parent families (68%). The great majority of women found themselves with children under 18 years (89% in  $T_{+1}$ ), a less common experience for men (36%).<sup>5</sup> The proportion of women with children later dropped to 76% in  $T_{+5}$  whereas that of men in the same situation grew to 42%.

Table 1  
Change in family composition, all separated persons, 1987-1993

	T <sub>-1</sub>	T <sub>0</sub>	T <sub>+1</sub>	T <sub>+2</sub>	T <sub>+3</sub>	T <sub>+4</sub>	T <sub>+5</sub>
	'000						
<b>Men</b>							
Sample size	381	381	306	251	198	148	99
	%						
Family composition							
<b>All separated men</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Couples	100*	10	30	39	45	50	54
Single parents	...*	29	18	16	14	13	11
Single persons	...*	61	52	46	41	37	35
Proportion of men who declared dependent children under 18	100	32	36	39	40	42	42
	'000						
<b>Women</b>							
Sample size	448	448	374	310	244	184	123
	%						
Family composition							
<b>All separated women</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Couples	100*	10	26	33	38	42	45
Single parents	...*	83	68	61	55	50	46
Single persons	...*	8	5	6	7	8	9
Proportion of women who declared dependent children under 18	100	89	89	86	82	79	76

Source: Longitudinal Administrative Databank, 1986-1993

\* By definition, in the year preceding separation (T<sub>-1</sub>) everyone in the sample is married.

A significant proportion of both men and women became part of a couple in the years following separation. Though men did so earlier, the gap between the sexes was small; one year after separation 30% of men and 26% of women had formed new unions. The gap widens with time, however; five years after separation 54% of men had a new partner, but only 45% of women did.

Five years after separation, some 35% of men were single, while a large percentage of women (46%) headed single-parent families.

### Family income after separation

Post-separation income is expressed as after-tax income<sup>6</sup> in 1993 dollars. This has been adjusted for the number of family members in order to

make family income comparable regardless of family type (see "Adjusted family income" in Appendix I – Methodology). Support payments have been deducted from the total income of those paying, since they no longer have use of this money; no adjustment is made for recipients, as the amount is already included in their total income.<sup>7</sup> Changes in adjusted family income (AFI) are measured up to five years after separation (T<sub>+5</sub>). Comparisons are always with the situation prior to separation (in T<sub>-1</sub>), to show whether separated persons eventually resume their former income level and, if not, how much it changes. Results given are medians.

In the year of separation (T<sub>0</sub>), women experienced a median loss of around 38% (\$7,100) of AFI. This number must be interpreted with cau-

tion, though, because of the many changes in conjugal living arrangements taking place that year.<sup>8</sup> For this reason the analysis focuses on results for succeeding years.

After separation, women lost around 23% of AFI (close to \$3,900)<sup>9</sup> between T<sub>-1</sub> and T<sub>+1</sub> (Table 2). They recovered a major portion of their losses in succeeding years, but by T<sub>+5</sub> they were still 5% (\$1,000) below their pre-separation AFI. These losses are attributable to two factors: first, women generally have a lower personal income than men; thus, many lose a major source of financial support on separation. Second, most women have custody of their children upon separation; this is taken into account when family income is adjusted for the number of family members.

In general, women who formed new relationships seemed to be less affected financially than those heading single-parent families or remaining single. Not only did the latter two lose a significant portion of their income after separation, but they made up a smaller proportion of it over time and did so more slowly. Consequently, five years after separation single mothers still had 21% (\$3,700) less than their pre-separation income, and single women still had 19% (\$3,600) to make up. Five years after separation these two groups still accounted for over 55% of separated women. Of the remaining women, those in couples experienced post-separation gains of 8% in  $T_{+1}$  and 14% in  $T_{+5}$ .

Men's AFI, in contrast, immediately went up about 10% (\$2,000) after separation ( $T_{+1}$ ).<sup>10</sup> The gain eventually ( $T_{+5}$ ) rose to 15% (\$2,800). The size of the gain varied according to family composition. Single men had the highest increases and single fathers the lowest. With time, men living in a new relationship did somewhat better than single men. These AFI gains arose because men whose incomes were higher than women's contributed more to family income before separation ( $T_0$ ), and because fewer men than women lived with their children after separation.

A recent study based on an earlier version of the LAD and covering the

period 1982 to 1986, found an increase in men's adjusted family income of 11%, 14% and 8%,<sup>11</sup> respectively, one, two and three years after separation (Finnie, 1993). Respective figures for women were decreases of 33%, 29% and 30%.

If splitting of family assets is taken into account (homes, furniture, automobiles, pension plans and so on), different results are possible, given the considerable amounts that may be exchanged between spouses but do not show up in the LAD. In the case of a pension plan, for example, the accrued value at the time of separation must be divided between the spouses. If not, the pension paid on retirement

Table 2  
Median changes \* in adjusted family income (AFI), all separated persons, 1987-1993

	$T_0$	$T_{+1}$	$T_{+2}$	$T_{+3}$	$T_{+4}$	$T_{+5}$
	%					
<b>Men</b>						
<b>All separated men</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>12</b>	<b>12</b>	<b>15</b>
Couples	24	11	12	14	15	18
Single parents	--	1	1	3	3	5
Single persons	16	14	14	13	13	16
<b>Women</b>						
<b>All separated women</b>	<b>-38</b>	<b>-23</b>	<b>-18</b>	<b>-13</b>	<b>-10</b>	<b>-5</b>
Couples	4	8	9	11	13	14
Single parents	-41	-31	-29	-26	-24	-21
Single persons	-33	-32	-29	-25	-22	-19
	1993 \$					
<b>Men</b>						
<b>All separated men</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,200</b>	<b>2,400</b>	<b>2,800</b>
Couples	4,500	2,100	2,300	2,700	2,900	3,200
Single parents	--	100	100	500	500	800
Single persons	3,000	2,800	2,600	2,500	2,600	2,900
<b>Women</b>						
<b>All separated women</b>	<b>-7,100</b>	<b>-3,900</b>	<b>-3,000</b>	<b>-2,300</b>	<b>-1,600</b>	<b>-1,000</b>
Couples	700	1,300	1,500	1,900	2,300	2,600
Single parents	-7,700	-5,700	-5,400	-4,800	-4,300	-3,700
Single persons	-7,300	-6,800	-6,100	-5,100	-4,700	-3,600

Source: Longitudinal Administrative Databank, 1986-1993

\* The median percentage changes do not necessarily correspond to the median income changes because medians were calculated separately.

will be reduced proportionately unless other arrangements are made. For most couples, pension plans are among the most important holdings. In couples where only the man had such a plan, the sharing of retirement funds can be a major issue. This is why some people opt for alternative arrangements, such as signing over a larger portion of the house or other family assets to the ex-partner in order to maintain full pension on retirement. At present, there are no data on such arrangements or on the total worth of family assets;<sup>12</sup> therefore, it is difficult to determine how these variables might affect the results noted here.

Shared custody is also not accounted for by tax data. Some divorce statistics show that shared custody takes place in 15% to 20% of divorces, though these figures can vary over

time (Statistics Canada, 1997b). Not known are the costs involved in shared custody, or which partner claims the deduction for dependent children.

The following subsection shows income levels for men and women before and after adjustment for the number of family members, whose effect seems most important for women.

### Adjusting family income

Family income of separated persons has been adjusted for several factors, including the number of persons dependent on that income, to take into account the economies of scale achieved when several people live together (Table 3). This adjustment used an equivalence scale based on low income measures. To make it comparable to the income of a single individual, family income for a person in a couple

was divided by 1.4, and that for a couple with a child by 1.7, and so on (see "Adjusted family income" in Appendix I – Methodology).

This calculation affects women's post-separation income more than men's, since women usually have custody of the children. Thus, in  $T_{+1}$ , family income for women overall slipped from \$23,300<sup>13</sup> to \$13,700 when adjusted, and that for men dropped from \$28,500 to \$21,900.

### Payers and recipients of support payments

In the year following separation, 35% of separated women in this sample were receiving support payments,<sup>14</sup> while 44% of separated men were payers. These ratios may seem low, given that everyone in the sample had children at the time of separation, but

Table 3  
Median family income, unadjusted and adjusted, all separated persons, selected years

	$T_{-1}$	$T_0$	$T_{+1}$	$T_{+5}$
	Unadjusted income (1993 \$)			
<b>Men</b>				
<b>All separated men</b>	<b>38,500</b>	<b>26,700</b>	<b>28,500</b>	<b>33,200</b>
Couples	38,500	43,900	41,600	43,200
Single parents	...	29,800	30,400	29,500
Single persons	...	23,100	22,800	22,400
<b>Women</b>				
<b>All separated women</b>	<b>36,400</b>	<b>18,000</b>	<b>23,300</b>	<b>28,100</b>
Couples	36,400	35,900	38,300	40,700
Single parents	...	17,100	20,600	22,100
Single persons	...	14,300	13,900	15,300
	Adjusted income (1993 \$)			
<b>Men</b>				
<b>All separated men</b>	<b>19,300</b>	<b>21,900</b>	<b>21,900</b>	<b>22,600</b>
Couples	19,300	24,600	22,100	23,700
Single parents	...	19,400	19,700	19,100
Single persons	...	23,300	22,800	22,400
<b>Women</b>				
<b>All separated women</b>	<b>18,200 *</b>	<b>10,900</b>	<b>13,700 *</b>	<b>16,500</b>
Couples	18,200	18,300	19,100	20,800
Single parents	...	10,000	12,100	13,000
Single persons	...	14,600	14,000	15,300

Source: Longitudinal Administrative Databank, 1986-1993

\* The difference between median incomes in this table may not coincide with median changes shown in other tables since medians are calculated separately.

some of the men not paying support had custody; in fact, 28% of all separated men (in  $T_{+1}$ ) reported dependent children and were grouped with the non-payers. For some of this group, however, the children would belong to their new partners. Other arrangements, as with shared custody, do not show up in income tax files. To be recognized as such by Revenue Canada, support payments have to be a fixed amount paid regularly. Couples who had opted for lump-sum or irregular payments would thus not appear in the LAD. Whatever the case, it is difficult to estimate the proportion of men who should pay but do not, because of a lack of national data on the subject.

The proportion of recipients later dropped to 29% (in  $T_{+5}$ ), while that for payers slipped to 39%. These drops reflect the fact that, with time, financial ties between children and non-custodial parents diminish because of reduced need or changes in the fam-

ily situation of one or both ex-spouses (Furstenberg and Cherlin, 1991).

Both payers and recipients of support payments tend to behave similarly with respect to new unions. Women receiving payments are much less likely than non-recipients to form new relationships. Likewise, men paying support take longer than non-payers to do so. As a consequence, a greater proportion of payers than separated men in general find themselves single (46% versus 35% in  $T_{+5}$ ). Likewise, recipients are more likely to be single mothers than other separated women (62% versus 46% in  $T_{+5}$ ) (Tables 1 and 4).

#### Family income after separation

When the analysis is restricted to payers and recipients of support payments, the gap in AFI between men and women widens. One year after separation, recipients have heavier

losses (-29% or -\$6,100) than separated women generally (-23% or -\$3,900). Payers experience gains in AFI (20%, or \$4,200) twice those of separated men in general (10%, or \$2,000) (Tables 2 and 5). In subsequent years, compared with all separated women, recipients recover a lower portion of their losses and do so more slowly. On the other hand, compared with separated men overall, payers see larger increases in AFI.

Recipients thus fare relatively less well than separated women in general, in spite of receiving support payments. This group consists largely of single parents (82%, as opposed to 61% of non-recipients in  $T_{+1}$ ), who remain so longer (by  $T_{+5}$ , 62% of recipients were still in this category, versus 40% of non-recipients). Most of them have children under 18 to care for (in  $T_{+1}$ , 96%, compared with 85% of non-recipients), a situation that persists for at least five years (in  $T_{+5}$ , 92% of

Table 4  
Change in family composition, payers and recipients, \* 1987-1993

	$T_{-1}$	$T_0$	$T_{+1}$	$T_{+2}$	$T_{+3}$	$T_{+4}$	$T_{+5}$
<b>Payers (men)</b>							
Sample size	12,300 **	120,500	134,800	109,100	82,700	59,600	38,300
				%			
<b>All payers</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Couples	100	12	22	31	39	44	49
Single parents	-	17	10	9	8	7	5
Single persons	-	71	68	60	54	48	46
<b>Recipients (women)</b>							
Sample size	13,000 **	119,400	130,300	106,200	79,700	56,600	35,600
				%			
<b>All recipients</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Couples	100	8	16	22	27	32	35
Single parents	-	88	82	76	71	66	62
Single persons	-	4	2	2	2	3	3

Source : Longitudinal Administrative Databank, 1986-1993

\* Male recipients of support payments and female payers have been excluded because of their small number (less than 2% each). Broken down into small segments, the figures are not significant.

\*\* In  $T_{-1}$ , some people were paying or receiving benefits covering previous relationships.

Table 5  
**Median changes \* in AFI and AFI levels, payers and recipients, \*\* 1987-1993**

	T <sub>0</sub>	T <sub>+1</sub>	T <sub>+2</sub>	T <sub>+3</sub>	T <sub>+4</sub>	T <sub>+5</sub>	
	%						
<b>Payers (men)</b>							
<b>All payers</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>22</b>	<b>24</b>	<b>30</b>	
Couples	32	25	26	27	30	35	
Single parents	6	7	7	8	9	9	
Single persons	25	22	21	21	23	26	
<b>Recipients (women)</b>							
<b>All recipients</b>	<b>-41</b>	<b>-29</b>	<b>-26</b>	<b>-22</b>	<b>-19</b>	<b>-14</b>	
Couples	1	9	10	10	11	14	
Single parents	-43	-33	-32	-29	-28	-24	
Single persons	-27	-40	-41	-32	-29	-21	
	1993 \$						
<b>Payers (men)</b>							
<b>All payers</b>	<b>4,500</b>	<b>4,200</b>	<b>4,300</b>	<b>4,500</b>	<b>5,000</b>	<b>5,900</b>	
Couples	6,500	5,200	5,500	5,700	6,200	7,100	
Single parents	1,200	1,400	1,300	1,700	1,800	1,700	
Single persons	5,200	4,400	4,300	4,200	4,600	5,300	
<b>Recipients (women)</b>							
<b>All recipients</b>	<b>-8,700</b>	<b>-6,100</b>	<b>-5,400</b>	<b>-4,500</b>	<b>-3,900</b>	<b>-3,000</b>	
Couples	100	1,900	2,200	2,100	2,100	2,900	
Single parents	-9,300	-7,000	-6,700	-6,100	-5,900	-5,100	
Single persons	-6,800	-9,500	-9,500	-8,000	-6,100	-5,900	
	T <sub>-1</sub>	T <sub>0</sub>	T <sub>+1</sub>	T <sub>+2</sub>	T <sub>+3</sub>	T <sub>+4</sub>	T <sub>+5</sub>
	Median AFI (1993 \$)						
<b>Payers (men)</b>							
<b>All payers</b>	<b>21,700</b>	<b>26,300</b>	<b>25,500</b>	<b>25,800</b>	<b>26,100</b>	<b>26,400</b>	<b>26,900</b>
Couples	21,700	28,500	27,100	27,800	28,200	28,700	28,400
Single parents	...	22,400	22,900	22,400	22,100	22,200	21,800
Single persons	...	27,100	25,600	25,600	25,500	25,300	26,000
<b>Recipients (women)</b>							
<b>All recipients</b>	<b>20,100</b>	<b>12,000</b>	<b>14,700</b>	<b>15,800</b>	<b>16,600</b>	<b>17,000</b>	<b>17,800</b>
Couples	20,100	20,600	22,700	23,200	22,900	23,000	22,800
Single parents	...	11,300	13,600	14,200	14,700	15,100	15,600
Single persons	...	17,000	15,100	15,800	18,300	18,900	21,500

Source: Longitudinal Administrative Databank, 1986-1993

\* The median of percentage changes does not necessarily correspond to the median income changes, because medians were calculated separately.

\*\* Male recipients of support payments and female payers have been excluded because of their small number (less than 2% each). Broken down into small segments, the figures are not significant.

recipients and 70% of non-recipients still had children under 18 in their care).

In general, payers of support experienced a greater growth in income than separated men in general. In fact, they had a higher median family income (not adjusted for family size) than non-payers, even after allowing

for support payments (in T<sub>+1</sub>, payers had \$29,300 and non-payers \$27,700). Moreover, they maintained a slight edge throughout the observation period (\$34,800 versus \$32,200 in T<sub>+5</sub>). This may indicate that having a higher income increases the likelihood of their making support payments. As time passed, if they kept their advan-

tage, it was largely because more of them remained without children (in T<sub>+1</sub>, 81% of payers had no children living with them, as opposed to 50% of non-payers; by T<sub>+5</sub>, the proportions were 72% and 50%, respectively). Also, a relatively large proportion of non-payers headed single-parent families (23% in T<sub>+1</sub>

Table 6  
**Median changes \* in AFI according to various scenarios, payers, \*\* 1987-1993**

	T <sub>0</sub>	T <sub>+1</sub>	T <sub>+2</sub>	T <sub>+3</sub>	T <sub>+4</sub>	T <sub>+5</sub>
	%					
<b>Payers (men)</b>						
If both support and tax are subtracted	21	20	20	22	24	30
If only tax is subtracted	37	43	41	42	43	47
<b>Couples</b>						
If both support and tax are subtracted	32	25	26	27	30	35
If only tax is subtracted	42	41	41	42	44	48
<b>Single parents</b>						
If both support and tax are subtracted	6	7	7	8	9	9
If only tax is subtracted	16	22	22	22	23	25
<b>Single persons</b>						
If both support and tax are subtracted	25	22	21	21	23	26
If only tax is subtracted	43	47	46	45	46	50
	1993 \$					
<b>Payers (men)</b>						
If both support and tax are subtracted	4,500	4,200	4,300	4,500	5,000	5,900
If only tax is subtracted	7,600	8,500	8,500	8,600	8,800	9,600
<b>Couples</b>						
If both support and tax are subtracted	6,500	5,200	5,500	5,700	6,200	7,100
If only tax is subtracted	8,900	8,600	8,600	8,900	9,200	9,900
<b>Single parents</b>						
If both support and tax are subtracted	1,200	1,400	1,300	1,700	1,800	1,700
If only tax is subtracted	3,400	4,500	4,300	4,700	4,600	4,500
<b>Single persons</b>						
If both support and tax are subtracted	5,200	4,400	4,300	4,200	4,600	5,300
If only tax is subtracted	8,900	9,300	9,300	9,100	9,200	10,100

Source: Longitudinal Administrative Databank, 1986-1993

\* The median percentage changes do not necessarily correspond to the median income changes, because medians were calculated separately.

\*\* In this article, male recipients of support payments and female payers have been excluded because of their small number (less than 2% each). Broken down into small segments, the figures are not significant.

and 14% in T<sub>+5</sub>, compared with 10% and 5%, respectively, for payers).

Among those receiving support payments, income differed significantly by family type. In fact, only those women who formed new relationships avoided major declines in AFI; they registered gains throughout the period, which reached 14% by T<sub>+5</sub>. Women heading single-parent families and single women, in contrast, suffered sizeable losses; even after five years, they still had over 20% to make up. The situation for payers was less variable; men who were heads of single-parent families were the only ones to register smaller gains in AFI.

### The importance of the definition of income

Support payments have been declared separately to Revenue Canada since 1986, hence, they could be subtracted from the payer's income. This section examines the extent to which changes in the AFI of those making support payments would have differed if support payments had not been subtracted. (For a measure of the importance of support payments to recipients, see Galarneau, 1992.)

The subtraction of support payments generally has a considerable

effect on the AFI of payers. Had it not been subtracted, the AFI of payers would have risen by 43% in T<sub>+1</sub> rather than 20% (Table 6). The extent of the difference depends on family composition, with the greatest difference occurring for single men.

### Conclusion

After separation, men become part of a couple again more quickly than women, though the difference is not significant (30% are part of a couple after a year, compared with 26% of women). Some 52% of men are single, while 68% of women are single parents. This difference between the

sexes still exists five years after separation, although it is less pronounced because a high proportion of individuals have again become part of a couple.

One year after separation, women most often have custody of the children – 89% lived with children under 18 years of age, compared with 36% of men. Five years after separation, this proportion falls to 76% for women and rises to 42% for men.

Women experience a considerable decrease in adjusted family income (taking into account the number of family members) after separation (-23%, or -\$3,900 one year later); men show an increase of 10% (\$2,000). Five years after separation, women have recovered a large part of their loss, but still have an adjusted family income 5% (\$1,000) lower than before separation. Men maintain their initial advantage, even increasing their gains to 15% (\$2,800) by five years post-separation. Unlike most men, women experience a decline in adjusted family income following separation, both because their personal income is usually lower and because they most often have custody of the children.

These calculations do not take into account all factors that come into play during a separation, such as moving costs, division of family property and shared custody. It is difficult to evaluate the extent of their influence on results, since no data on them currently exist.

These changes in family income vary with family type. Women on their own and those who are heads of single-parent families experience the greatest loss. A year after separation, their adjusted family income has fallen by 32% (\$6,800) and 31% (\$5,700), respectively. Women who are part of a couple experience an increase of around 8% (\$1,300). Men who are single have the highest increases and those who are single parents, the lowest.

Some 35% of women receive support payments the year following separation, while 44% of men make payments. Recipients experience greater losses in adjusted family income than separated women overall (-29% or -\$6,100 one year after the breakup), while payers post gains twice those of separated men in general (20% or \$4,200).

Support payments significantly reduce payers' gains in adjusted family income. If these payments had not been subtracted, payers would have experienced increases of 43% (\$8,500) instead of 20% (\$4,200). Five years after separation, gains would have reached 47% (\$9,600), but instead were reduced to 30% (\$5,900). These figures show the importance of the definition of income.

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### Notes

1 The term "married" is used here for simplicity. In fact, some people living common law are counted as married (see "Matching of couples in the LAD" in *Data source*).

2 The LAD makes no distinction between divorces and separations. Thus, the term "separation" includes both separations and divorces, and the term "separated individuals" also includes persons who are divorced.

3 Some people leave home and others may join the family. In some cases, this can distort the analysis. For example, during the year of separation the proportion of men as heads of single-parent families may be overestimated because it is possible for them to declare dependent children even if they did not live with them for the full year. Thus, some fathers will have been counted as heads of single-parent families in the year of separation, when, in fact, they were living alone. The drop in the proportion of men as heads of

single-parent families, from 29% to 18% from  $T_0$  to  $T_{+1}$ , supports this. As will be seen later, income changes may also be overestimated in  $T_0$ .

4 Single individuals do not necessarily live alone. They are defined as such because they live neither with a partner nor with their children.

5 These percentages do not represent the number of women and men who had *custody* of children born before the separation. Tax returns do not make a distinction between "having custody of a child" and "having a dependent child." In certain cases, dependent children could be those of the new spouse.

6 After-tax income corresponds to *total income* (on the Revenue Canada tax return) from which tax paid has been subtracted; no deductions have been considered. Quebec tax was estimated by the Small Area and Administrative Data Division because Quebec tax does not appear on Revenue Canada tax returns.

7 On the one hand, support payments made by payers were overestimated because payers could claim tax deductions for them. On the other hand, payers' after-tax incomes adjusted for support payments were underestimated because gross rather than net support amounts were deducted. These were, nonetheless, the best estimates possible.

8 For example, the LAD does not note the exact time of year when separation takes place. This may affect the results. In the case of someone separating early in the year, individual income reported as of December 31 that year will reflect the actual income on which that person lived for most of the year. But in the case of someone separating in December, for example, the reported income may not reflect the income he or she had access to for most of the year. If, for example, that individual had lived with a spouse who was earning income, he or she would probably have enjoyed a better lifestyle for most of the year because of that spouse's income. Therefore, changes in  $T_0$  may be distorted.

9 All changes in income refer to median changes. However, the median changes in percentage may not correspond to those in dollars since all medians were calculated separately.

The median is the amount that splits the distribution of changes into halves. In other words, 50% of women in the sample had a loss higher than the median and 50% had a smaller loss or even a gain.



10 Similarly, the 10% change for men constitutes the median; thus, half the separated men in the sample realized gains greater than 10% and half registered smaller gains or even a loss. In fact, 39% of men experienced losses in AFI after separation. It is important to note, however, that when men did post losses, these were smaller than women's, while any gains registered by women were smaller than men's.

11 Finnie (1993) used low income cut-offs (LICO) to adjust family income, rather than the low income measures (LIM) used here. In fact, the study on which this article is based used both measures: when the LICOs were used, changes in AFI one, two or three years after separation were -22%, -17% and -13% for women, and 7%, 8% and 9% for men. (Changes are usually lower when the adjustment is made with LICOs.) The study's use of LICOs thus yielded results mostly lower than Finnie's. His study is not truly comparable, however, since it covers a different group (all separated persons, with or without children before the separation) and period, and uses different methodology.

12 In 1984, Statistics Canada completed a survey on the assets and debts of Canadians. It is now working on a new survey that should answer further questions on the subject.

13 Family incomes for women were lower than those for men even before separation took place. The gaps arose because some non-filers of both sexes could not be considered for this study.

14 In the study, because there were so few of them, female payers of support and

male recipients were excluded. Thus, recipients here are exclusively women and payers, exclusively men. Furthermore, the data for small groups are no longer significant when broken down into their smallest components (Galarneau, 1992). Tax files contain more payers than recipients for a number of reasons. Some recipients will not have filed returns because their incomes were too low. Also, payers had an incentive to declare support payments because they could deduct them from their income. On the contrary, recipients had less incentive to declare support payments.

15 Statistics Canada uses two concepts of "family." **Census families** consist of a husband and wife living in the same dwelling with or without never-married children, or a single parent with never-married children, or persons living alone. **Economic families** consist of two persons living in the same dwelling who are related by blood, marriage or adoption; thus, an economic family might be a man and a woman, their two children and an uncle and his child. The concept of economic family is much broader than that of census family, which is limited to the nuclear family.

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## Appendix I – Methodology

This paper concentrates on previously legally married people, for several reasons. For example, a brief examination of separated individuals from married and common-law couples demonstrates that these are two distinct groups; common-law couples are significantly younger (49% were under 30 years in the year of separation, compared with 23% of married persons) and less likely to have children under 18 years (38% of individuals in common-law unions had children, compared with 61% of married persons).

The profile of separated individuals from legal marriages is closer to the usual idea of separation: an event that follows a long-term union. Among separated individuals who had children prior to the breakup, the proportion paying or receiving support payments increased substantially after separation for married persons, but remained stable for common-law individuals, as if it had not been a first separation. In addition, common-law relationships are often of shorter duration than marriages, and some of them lack stability.

Finally, only common-law couples in which both partners filed tax returns could be identified in the LAD. For married couples (matched by their SINS), it was possible to locate single taxfilers (and thus couples with only one income). On the other hand, common-law couples in the file were made up largely of two taxfilers (and most often represented two-income couples). Thus, their family income might seem higher than was actually the case, since few couples with only one taxfiler (and

thus single-income couples) were included in the LAD before 1992.

### Identification of separated persons

Two algorithms were used to identify separated individuals. The first identified those who had no partner after separation, and the second, those who became part of a new couple the year after separation. Once the families were defined, a “family structure” code was assigned to each person. This made it possible to observe changes in family composition. Thus, changes observed from one year to the next can identify individuals who no longer had a partner, or more precisely, who moved from “married” family status to “single parent” or “single person.” As well, individuals who became part of a new couple in the year following separation are identified by the change in their partner’s SIN. Deceased or widowed individuals were not included for obvious reasons. Likewise, male recipients of support payments and female payers have been excluded.<sup>14</sup>

Persons could be selected only once; if someone separated again during the study period, only his or her family composition was affected by the change.

From 1987 to 1993, the total estimated number of separated persons was 2.72 million. Half of these were from married couples (1.36 million) and the rest from common-law unions. Of the 1.36 million previously married persons, 829,200 had children under 18 years prior to separation (in all, 963,000 children, or 1.2 per separated person); this group of separated persons is the subject of the article.

### Adjusted family income

Several adjustments to the income variable were necessary to measure post-separation changes. First, the line “tax payable” on the Revenue Canada tax form was subtracted from the “total income” line for each family member, and support payments were subtracted from the payer’s income. Family income, that is, *total income after tax* (and after support payments) for all family members, was converted to 1993 dollars. Then, an equivalence scale was used to take into account the number of people dependent on the family’s total income and thus reduce the incomes of all separated individuals in a consistent fashion. This allows comparison of family income regardless of family size. This adjusted family income was calculated for the year prior to separation, the year of separation, and each subsequent year for which information was available.

The number of family members was accounted for with an equivalence scale based on low income measures (LIMs). According to the LIM scale, the income required to support a two-person family (consisting of two adults or one adult and one child) is 1.4 times greater than that for a person living alone. The equivalence factor increases by 0.3 for each additional child and by 0.4 for each extra adult. The LIM scale is better suited to the census family concept,<sup>15</sup> which corresponds to the Small Area and Administrative Data Division’s concept of family in the LAD. For that reason, income changes adjusted to this scale are used in most of this paper.

## Appendix II – Legal considerations

In Canada, divorces are heard by federal courts while separations, legal or *de facto*, come under provincial jurisdiction. The country's first divorce law was enacted in 1968. In 1985, this law was amended, mainly to eliminate the adversarial nature of divorce proceedings and to reduce the waiting period for hearings. Over the next three years, the provinces followed suit and made similar amendments to their regulations on separation.

### A word about support payments

There is a distinction between support payments for children and those for former spouses. Recently passed amendments to the *Divorce Act* will change the method by which child support is determined. These changes are to take effect May 1, 1997. They will give the rights of the child absolute priority and should reduce the often harmful economic effects of separation on children. The child support guidelines must meet the following objectives: serve as a guide to judges and parents and thus ensure that support orders are consistent and fair; ensure that simple,

unbiased calculations are used; ensure that support payments are made, and make the judicial process more efficient.

The method for determining child support payments will be changed from a "case by case" system to a mathematical formula based on the income of the paying parent, on the average costs of raising a child, and on the type of expenses involved (child care, medical expenses, schooling, special fixed costs for extracurricular activities, and so on). These rules will take into account the fact that expenses fluctuate with level of income and will make sure that the child benefits from the financial resources of both parents. More precisely, the amount of support will be a fixed fraction of the paying parent's income and will depend on the number of children, as well as the province or territory of residence of the support payer. This method of calculating child support payments is also used in New Zealand and in some American states.

The tax treatment of child support payments will also change; these will no longer be deductible from the payer's income, nor taxable for the recipient. However, existing support orders for children and spouses will not be affected by this measure; payments will continue to be deductible from the payer's income, and will remain taxable for the recipient. The courts will need to make the distinction between alimony and child support. In the past, one amount often covered both types of order.

The new rules for determining support payments will not apply to separations, legal or *de facto*, which are a provincial responsibility. However, the federal government does encourage the provinces to adopt similar guidelines in their jurisdictions. The Quebec government has drawn up its own rules for determining support payments to meet similar objectives; both provincial and federal legislation are expected to take effect at the same time (Department of Finance, 1996).