Parental disruption and the labour market performance of children when they reach adulthood

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Abstract. This paper uses data from the age 33 wave of the British National Child Development Survey (NCDS) to analyze the effects of a parental disruption (divorce or death of a father) on the labour market performance of children when they reach adulthood. The NCDS is a longitudinal study of all children born during the first week of March 1958 in England, Scotland, and Wales. Controlling for a rich set of pre-disruption characteristics, the results indicate that a parental disruption leads to moderately less employment among males and considerably lower wage rates among females at age 33. If pre-disruption characteristics are not controlled for, larger effects are estimated for both males and females. Parental disruption also seems to cause substantial reductions in educational attainment for both males and females.

JEL classification: J12, J22, J24

Key words: Marital disruptions, labour supply, educational attainment, wage rates

1. Introduction

As is well known, the rise in parental marital disruptions in recent decades (i.e., a divorce or the death of a parent) has meant that children have become increasingly likely to spend at least part of their childhood living in a single-parent household.¹ There is considerable evidence suggesting that living in

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a disrupted family has short-run detrimental effects on children. However, comparatively little evidence exists concerning the longer-run effects of living arrangements on children’s labour market performance when they reach adulthood. Knowledge of such longer-run effects is important because, if they exist, children who are subjected to a parental disruption will suffer a loss of income and society will lose productive output.

The purpose of this paper is to examine the effects of parental disruption on the labour market performance of children when they reach adulthood, using a database (the British National Child Development Survey, or NCDS) that follows individuals from birth to age 33. We investigate whether a parental disruption affects the amount of formal education obtained and whether it affects two labour market outcomes at age 33: hourly earnings and labour market status (i.e., whether individuals are employed, unemployed, or out of the labour force).

The remainder of this paper is organized as follows. Section 2 discusses the theoretical relationship between parental disruptions and adult labour market performance. Section 3 describes the NCDS and its advantages for examining the effects of parental disruption on labour market performance. Section 4 reviews previous empirical studies of the effect of parental disruptions on adult labour market performance. Section 5 describes the methodology used in the empirical analysis. Section 6 presents the findings. Finally, Sect. 7 offers some conclusions.

2. The relation between parental marriage disruptions and adult labour market performance

There are at least three reasons why a parental marital disruption might adversely affect the longer-term labour market performance of a child. First, income in the household in which the child grows up is likely to be lower, often much lower (Duncan and Hoffman 1985). Even if the absent parent is alive and provides child support, the economic cost of running two households, rather than one, reduces the amount of income available to the child. As implied by the household production model developed by Becker and others (see, for example, Becker 1981; Becker and Tomes 1986; and Michael and Becker 1973), a decline in available income will reduce investments in the child’s human capital. Such a reduction in human capital may manifest itself as a decrease in formal education, because the child is forced to leave school earlier than normal as a result of funding constraints and the need to obtain full-time employment. It may also occur in other ways – for example, fewer private out-of-school lessons and living in less desirable neighborhoods with lower quality schools. These reduced investments in human capital may ultimately result in detrimental effects on the labour market performance of the child when he or she reaches adulthood.

A second adverse consequence is that a marital disruption tends to reduce the amount of time parents devote to their children. The absent parent will probably spend less time with his or her child, even if the cause of the disruption is divorce, rather than death, and he or she exercises full visitation rights. Furthermore, the custodial parent may spend additional time participating in the labour market and, in addition, have more responsibilities within the household. Consequently, the custodial parent may have less time