Earnings Around Divorce: Gendered Responses and Economic Drivers Across Relative Earner Statuses

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Abstract

A substantial share of marriages ends in divorce. Understanding how the financial disruption of household dissolution affects earnings is crucial for designing effective policies that promote financial stability and consumption smoothing post-divorce. This paper investigates earnings responses to divorce and the mechanisms driving these changes, utilizing extensive pension and income tax data. Event study results reveal significant differences in earnings reactions on both the extensive and intensive margins between women and men. However, most of the gender disparity is driven by women being the secondary earner more frequently. To explore the mechanisms behind these patterns, I draw on a household model framework to highlight key changes in disposable income during the transition from marriage to divorce and analyze them using data on the universe of divorced tax filers. Leveraging variations in disposable income changes, the empirical analysis first examines the roles of relative and absolute income levels at the time of divorce. Second, variation in tax schedules and alimony payments is used to isolate policy impacts on earnings adjustments.

Keywords: Divorce, Household Allocation, Gender Norms, Female Labor Participation

JEL Codes: J120, J130, J160, H240, D130

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1 Introduction

Divorce is a significant life event that drastically reshapes individuals' lives, and particularly economic well-being. In many developed countries, divorce rates have risen substantially since the mid-20th century, making it a common occurrence. While much research has explored the social and legal factors contributing to rising divorce rates (e.g. Stevenson and Wolfers, 2007), less is known about how individuals' earnings adjust around the time of divorce and what drives these economic changes.

The economic consequences of household dissolution are often substantial, particularly for secondary earners, who are still predominantly women. After a divorce, household specialization ends, and individuals are left managing both household responsibilities and income generation independently. This transition usually involves a major reallocation of time and a sharp decline in disposable income as individuals lose the benefits of a dual-income household. The economic implications of these changes vary according to each spouse's role within the marriage: primary earners may face different income trajectories than secondary earners, who frequently face greater economic adjustment challenges. Beyond shifts in labor market participation, additional factors also influence economic outcomes post-divorce. Ex-spousal support payments, such as alimony, may provide short-term financial relief for lower earners but create a financial burden for the primary earner. In some countries, divorce also trigger a shift from joint to individual taxation, resulting in changing marginal tax rates, further affecting net income and work incentives. All together, these elements interact in complex ways, underscoring the need for a comprehensive understanding of individuals' economic adjustments following divorce.

This paper uses extensive German administrative data to first document how earnings adjust around the time of divorce, and second, to investigate the underlying mechanisms behind these responses. In the first part of this paper, I analyze German pension register data on lifetime monthly earnings for a sample of 22,500 employed divorces. Through an event study approach, the data reveals several distinct patterns: individuals begin to alter their earnings behavior at the time of separation rather than at legal divorce. Women exhibit an increase in earnings, while men show a decrease, often associated with labor market exit. However, when the sample is split into primary and secondary earners, it becomes evident that these patterns align more closely with the relative earner roles during marriage. Specifically, secondary earners, regardless of gender, tend to increase their earnings while primary earners reduce theirs.

The second part of the paper explores the mechanisms driving these earnings re-

sponses. To frame this analysis, I first outline a household model where individuals are either married or divorced from their (ex-)spouse, highlighting the factors that influence changes in disposable income across marital statuses. This framework illustrates how shifts in absolute income, household specialization, and policy changes—such as variations in alimony payments or tax schedules—affect disposable income and the overall budget constraint across marital statuses. I then use administrative German income tax data on approximately one million divorces between 2004 and 2016 to investigate these multi-layered mechanisms. Using the change in absolute income as a baseline, I first examine the role of household specialization on post-divorce labor market outcomes, leveraging differences in the number of children and each spouse's exact relative earnings within the marriage. Next, I analyze the impact of transitioning from joint to individual taxation, using quasi-random variation in marginal tax rate change after divorce across different income levels, created by the kinks in the German income schedule. Lastly, I investigate the influence of alimony payments by exploiting the 2008 alimony reform in Germany, which significantly reduced ex-spousal support, allowing an assessment of its effects on post-divorce economic behavior.

This paper contributes to several strands of literature. A large body of work examines the impact of divorce law reforms, particularly the introduction of unilateral divorce, on labor supply. For example, Stevenson (2008) finds that the introduction of unilateral divorce in U.S. states increased married women's labor force participation by 1 percentage point. Similarly, Bargain et al. (2012) estimate that the legalization of divorce in Ireland led to an increase in married women's labor supply by 1.6 to 2.5 hours per week, while Hoehn-Velasco and Penglase (2021) finds that the staggered introduction of unilateral divorce in Mexico increased hours worked among married women and Voena (2015) that married women's labor participations reactions to unilateral divorce depended on the states' property regime. However, most of this literature focuses on married women's labor supply and neglects the economic trajectories of divorced individuals. Less is known about how earnings evolve around divorce, how effects vary by gender, and whether primary and secondary earners respond differently. Some recent studies have addressed this gap: Foerster (2024) uses Danish register and survey data to show that both women and men reduce their work hours post-divorce, but that women experience a wage increase while men face a decrease. Similarly, Holzner and Schulz (2019) analyzes SOEP survey data and finds that women increase their work hours and employment rates after divorce, while the opposite holds for men. Other studies have attempted a causal approach, comparing divorced individuals to married controls. Both Bonnet et al. (2021)

and Brüggmann (2020) use difference-in-differences with matching to estimate the impact of divorce. While Brüggmann (2020) finds no significant change in overall employment rates for women, Bonnet et al. (2021) find stronger labor market re-entry effects for divorced women. This paper extends the literature by leveraging administrative data with monthly lifetime earnings records, allowing for a detailed examination of earnings evolution before and after divorce. Similar to Holzner and Schulz (2019), this study finds that both men and women reduce earnings post-divorce on the extensive and intensive margins. However, a key contribution of this paper is that it shows earnings reactions are not primarily driven by gender but rather by relative earner status within the marriage—with both primary earners experiencing greater losses, regardless of gender, and secondary earners showing less pronounced adjustments.

The second part of this paper contributes to the literature on the mechanisms behind earnings reactions around divorce. One key mechanism involves maintenance payments, particularly alimony. While a large body of literature examines the impact of alimony on married individuals (Chiappori et al., 2017; Bredtmann and Vonnahme, 2019; Goussé and Leturcq, 2022; Herold and Wallossek, 2025; Rangel, 2006; Voena, 2015), fewer studies focus on its effects on divorced individuals. Findings from alimony-increasing reforms consistently indicate a reduction in labor supply of married women, whereas reductions in alimony eligibility or duration yield mixed results.[1] This paper contributes to the literature by analyzing how a reduction in alimony eligibility affects the earnings behavior of divorcees, distinguishing between alimony payers and recipients. To the best of my knowledge, only one other study directly examines how alimony payments influence divorced individuals. Foerster (2024) uses administrative data and a household model to show that higher alimony payments reduce female labor market participation post-divorce. However, the effects of reduced alimony eligibility—particularly on earnings adjustments across payers and recipients, and its interaction with other economic mechanisms—remain unexplored.

Beyond alimony, this paper also contributes to the literature on spousal taxation and its role in shaping post-divorce earnings trajectories. Most prior research focuses on the impact of joint taxation on married individuals. Both structural (Bick and Fuchs-Schündeln, 2017; Borella et al., 2023) and empirical (Herold and Wallossek, 2025; LaLumia, 2008; Kalíšková, 2014) studies show that joint taxation disincentivizes labor supply

[1] One possible explanation for this variation is the scope of reform implementation. In Germany, changes in alimony payments applied to all marriages—both existing and new—which may have diluted labor supply responses (?Bredtmann and Vonnahme, 2019). In contrast, studies on the US estimate effects using other states as untreated or later treated controls, which could lead to different identification strategies and results (Fernández-Kranz and Roff, 2024; Voena, 2015).

among secondary earners, leading to lower participation rates and earnings. However, little attention has been paid to how returning to individual taxation after divorce influences earnings behavior. The only study closely related to this setting is Selin (2014), who examines the abolition of joint taxation in Sweden in 1971 and finds that it increased married women's labor supply. This paper extends the literature by showing how switching back to separate taxation after divorce affects earnings responses, depending on whether individuals face a marginal tax increase (primary earners) or a decrease (secondary earners).

The remainder of the paper is structured as follows. Section 2 discusses differences in divorce laws across countries and details the German institutional setting. Section 3 explores earnings reactions around divorce. Section 4 introduces the household model that guides the analysis, and Section 5 investigates these mechanisms. Finally, Section 6 concludes.

2 Institutional Setting

Divorce rates in developed countries more than doubled between the 1960s and the early 2000s (OECD, 2024), reflecting profound societal, legal and economic shifts. The upward trend was driven by several factors: the diminishing economic dependence of women on marriage due to rising female labor force participation, the declining social stigma surrounding divorce, and a broader cultural shift that redefined marriage as a source of personal fulfillment rather than economic necessity. Longer life expectancies also extended the duration of marriages, increasing the likelihood of marital dissolution over time (Stevenson and Wolfers, 2007). The most studied and significant change contributing to this trend was the widespread adoption of no-fault and unilateral divorce laws in many countries, allowing couples to end their marriages without proving wrongdoing. These reforms aimed to simplify the legal process, reduce conflict, and reflect the changing social attitudes towards marriage (Fernández and Wong, 2014; Stevenson, 2008; Wolfers, 2006). Table A.1 summarizes the timing of no-fault and unilateral divorce law reforms across countries.

Divorce Law as Public Policy: Divorce laws and related institutions play a crucial role in understanding divorce rates and the economic consequences that follow, such as changes in earnings trajectories. Although most developed countries have aligned their divorce systems to permit no-fault divorce, significant differences remain regarding the specific

arrangements and financial obligations involved. These institutional variations can substantially influence the economic impact of divorce, shaping the distribution of income, wealth, and future earnings trajectories for both spouses.

In some countries, a separation period—typically around one year—is required before granting a divorce, whereas others allow immediate divorce when there is mutual consent. Countries also differ in terms of child support and custody (primary- vs. joint). Most importantly, there exist considerable differences in how financial compensation is managed, both immediately and over the long term. Immediate compensation concerns the division of income, wealth, and pension assets, which may be split equally, divided based on principles of fairness, or left undivided, depending on the country's legal framework. The approach to long-term financial support, such as ex-spousal alimony, varies significantly in terms of the duration, amount, and conditions for eligibility, reflecting different views on post-divorce financial obligations and self-sufficiency expectations. Financial compensation potentially impact individuals behavior either through a one-off change in disposable income through immediate compensation or a post-divorce period incentive change in labor supply though long-term obligations to the ex-spouse or long-term extra income. Thus, differences in compensation schemes are important to consider when examining the broader implications of divorce.

German Setting: In Germany, the institutional setting governing divorce and related financial obligations reflects a structured approach that balances the interests of both spouses and any children involved. While the country introduced no-fault divorce in 1977, its legal contains unique requirements and standards that distinguish it from other developed countries.

The German divorce process mandates a separation period before a divorce can be legally granted. In the case of mutual consent to dissolve the marriage, couples must live separately for at least one year, demonstrating that the marriage has irretrievably broken down. This requirement, known as the "Trennungsjahr" (separation year) is intended to provide spouses with time to consider reconciliation, although in cases where there is evidence of hardship or severe conflict, a shorter separation period may be considered. If only one party wants a divorce, this separation period is extended to three years. This contrasts with countries like Sweden, where immediate divorce is possible with mutual consent.

Regarding financial compensation, Germany's approach to asset division is based on the principle of equalization of accrued gains. This means that all wealth accumulated during marriage is subject to division, with each spouse retaining their pre-marital assets.

Pension entitlements, accumulated by either spouse during the marriage, are also divided to ensure that both partners have comparable pension rights post-divorce. This system aims to secure fair outcomes while recognizing individual contributions.[2]

The approach to ex-spousal alimony support has evolved over time, particularly following the 2008 alimony reform. Before the reform, long-term alimony payments were more common, especially in marriages where one spouse had significantly reduced their career prospects to assume domestic responsibilities. The 2008 reform, however, sought to reduce long-term dependency by restricting eligibility and shortening the duration of alimony payments, except in cases involving young children or significant health issues that limit the lower-earning spouse's ability to work. By prioritizing economic self-sufficiency, the reform encouraged individuals to regain financial independence more quickly while still providing transitional support where needed.[3]

3 Earnings around Divorce

As the first major part of this paper, I document earnings patterns around divorce using an event study approach and administrative pension register data.

3.1 Data: VSKT

The VSKT data is an administrative pension register data set provided by the Research Data Centre of the German Pension Insurance (FDZ-RV). The VSKT is a unique panel data set that combines monthly earnings from the entire biography of individuals with precise marriage and divorce information for a subset of individuals. Because public pension entitlements are split upon divorce, the German Pension Insurance has information on marriage and divorce as soon as individuals get divorced and split their pension entitlements. The unrestricted VSKT-VA data set provides information on the monthly biography and marriage of 31,853 divorced individuals. The data is set in individual structure and includes mainly employees, since self-employed individuals, civil servants, and farmers are typically not included in the pension records.

[2]The splitting considered all wealth acquired during the marriage, including the separation year.

[3]While individuals can deviate from default German divorce law through prenuptial agreements, the prevalence of such agreements is relatively low. According to German household survey data (SOEP), only 8.7% of spouses have a prenup, with higher-income couples being overrepresented among them. Moreover, prenups primarily regulate pension and wealth division rather than ex-spousal alimony payments. German courts impose strict limits on alimony waivers to prevent social hardship, making modifications to post-divorce alimony possible while ensuring that unfair clauses may be voided—particularly if one spouse is economically dependent. Additionally, Trennungsunterhalt (separation alimony) cannot be waived, and child support remains legally non-negotiable (§1361, 1579 Civil Code).

Table 1: Descriptive Statistics VSKT Sample

	All	Women	Men
Age at marriage	24	23	26
Age at divorce	36	36	37
Share married East Germany	0.19	0.17	0.21
Year of marriage	1986	1985	1986
Year of divorce	1997	1997	1998
Share 2nd marriage	0.08	0.07	0.08
N children		2	
Age youngest child		10	
Income at divorce	1845	1199	2606
Income pre marriage	1635	1281	2053
Share Secondary Earner	0.54	0.82	0.21
N	22,503	13,074	9,429

Data: VSKT mean values. The sample contains individuals that are divorced at some point, aged 25 to 55 at divorce, and observable a minimum of four years before and eight years after marriage. Income is measured in the year before marriage and reported in 2015 Euro values.

Variables. The VSKT data covers monthly gross wage earnings, as well as the marriage and divorce month dates for divorced individuals. For women, the data also includes the year of childbirth. All variables are on a monthly level. Monthly gross earnings are measured in so-called *earnings points* (EP), with 1 EP (1/12 EP) corresponding to the average annual (monthly) gross wage income in a given calendar year. Because EPs are normalized by average annual income, they account for overall income growth and are comparable over time.[4]

Sample. The main sample includes individuals who get divorced between the ages 25 and 55, who are observable for at least four years prior to and eight years after marriage. The restricted data covers a total of about 22,503 individuals. Table 1 provides descriptive statistics on this sample. The average divorce year in is 1997 and the average marriage length 12 years. On average, women are about 3 years younger at marriage and 1 year younger at divorce. The divorce propabilities by age are illustrated in **??**. Around 8% of these divorcees end up remarrying. Income at both marriage and divorce is lower for women in the sample compared to men. This translates to women being classified as the

[4]EPs are top-coded, meaning that earnings above a certain threshold are not observed. However, this affects only a small share of the sample—4% of men and 0.5% of women.

secondary earner 82% of the cases, while men are only classified as secondary earners 21% of the time. It is important to note that the dataset includes a representative subsample of divorcees recorded in the pension register and includes individuals rather than linked (ex-)spouses. Consequently, information such as the observed gendered percentages for secondary earner roles do not have to sum up to 100%. While weighting ensures representativeness of the overall population, sample differences may arise due to a higher employment rate among women in the dataset and differences in how the age restriction criteria affect men and women, as illustrated in Figure B.2b.

Examining the descriptive means of earnings around divorce, as depicted in Figure B.3, reveals a clear pattern: men experience a decline in earnings, while women's earnings increase. However, these adjustments appear to begin before divorce, suggesting either anticipatory effects or that changes in labor market allocation contribute to the likelihood of divorce.[5]

3.2 Empirical approach

To empirically analyze how earnings evolve around divorce, I employ an event study methodology that builds on the approach used by Herold and Wallossek (2025). This involves regressing the outcome of interest on a set of event-time dummies, defined relative to the event of divorce. To account for other events that may influence earnings trajectories—such as the length of marriage and the timing of childbirth—I include a full set of event-time dummies for marriage and the births of the first three children. Specifically, I estimate the following regression:

$$\begin{aligned} Y_{it}^{g} = & \sum_{j \neq r} \beta_j^g \cdot 1[j = t] \\ & + \sum_{l} \delta_l^g \cdot 1[l = t^m] + \sum_{c=1}^{3} \sum_{k} \gamma_k^{c,g} \cdot 1[k = t^{child_c}] \\ & + \zeta_{cal}^g + \eta_{age}^g + \epsilon_{it}^g, \end{aligned} \tag{1}$$

where Y_{it}^g denotes the labor market outcome of individual i of gender g at event time t. The event dummies capture the dynamics of Y_{it}^g at event time $t = j$, yielding the coefficients of interest β_j^g. The omitted reference period is $r = t - 1$ in the yearly data and

[5] A large body of literature explores labor supply changes as a factor leading to divorce, either in the form of increased female labor market participation (Bertrand et al., 2015; Foerster, 2024; Folke and Rickne, 2020) or job losses among men (Charles and Stephens, 2004; Hansen, 2005).

$r = t - 12$ in the monthly data, when referring to the period before the year or month of divorce and $r = t - 2$ and $r = t - 24$ when referring to the period before the separation. Year-of-age fixed effects η^g_{age} capture potential life-cycle effects that are correlated with age k, and calendar-year fixed effects ζ^g_{cal} account for common time trends. Since Equation 1 is estimated separately for women and men, the fixed effects account for potential gender differences in life-cycle and time trends. t^m denotes the event time relative to marriage, while t^{child1}, t^{child2}, and t^{child3} represent the event times relative to the birth of the first, second, and third child, respectively. The corresponding coefficients capture dynamics in Y^g_{it} associated with the event time relative to each event. Since not all individuals in the sample have children, the omitted group for the event dummies related to childbirth consists of individuals without children.

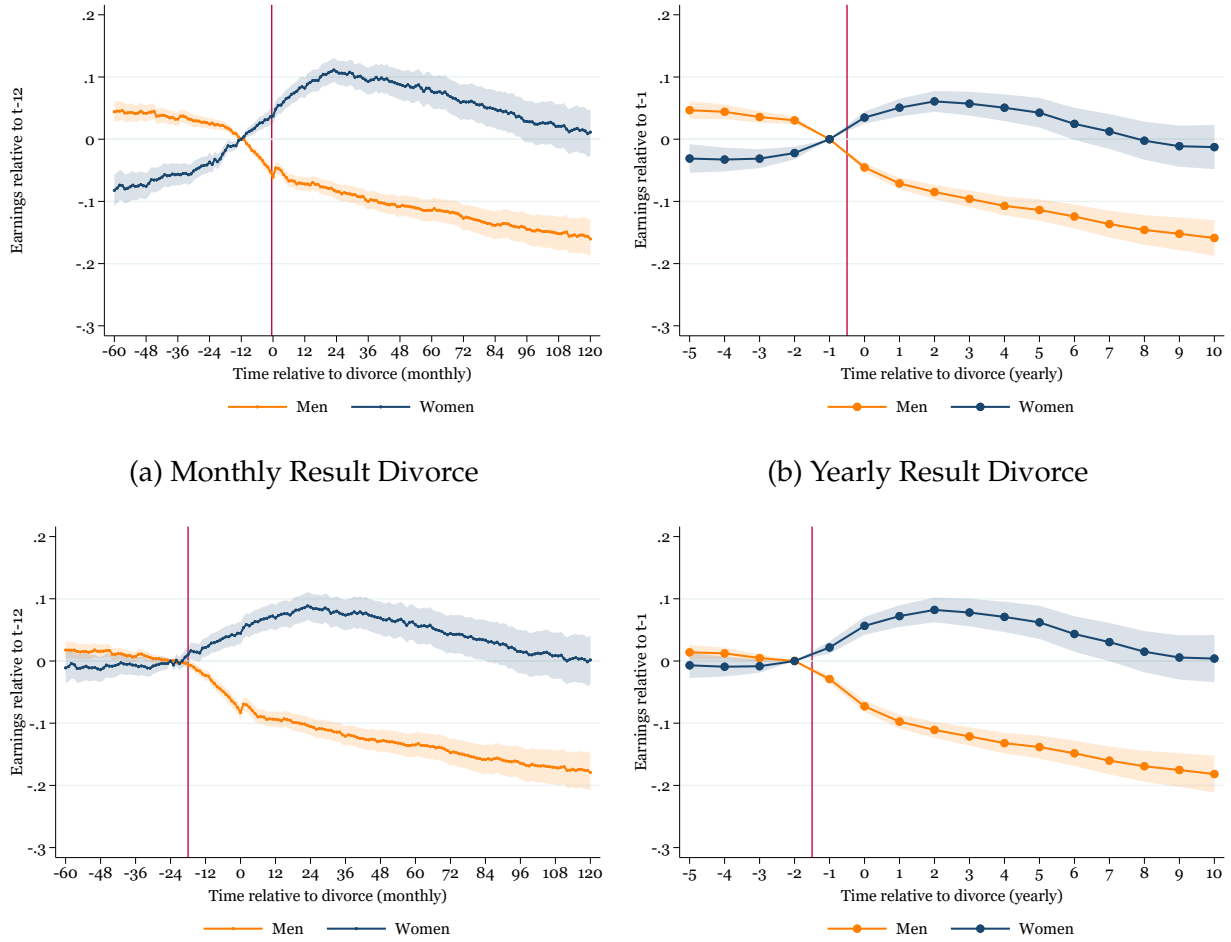
To estimate earnings reactions relative to divorce, I first estimate Equation 1 separately by gender to obtain the gender-specific absolute estimates $\hat{\beta}^g_t$, where $g = \{w, m\}$ for women and men, respectively. These estimates are then expressed in relative terms by comparing them to the counterfactual outcome, which represents the predicted outcome in the absence of the event dummy estimates:

$$MG^g_t \equiv \hat{\beta}^g_t / E[\tilde{Y}^g_{it}|t], \tag{2}$$

3.3 Event Study Results

I first run the result for monthly and yearly data, illustrated in Figure 1a and Figure 1b respectively. Following divorce, women (blue lines) exhibit an increase in earnings, which diminishes over time and returns to pre-divorce levels in the long run. In contrast, men (orange lines) experience a sustained decline in earnings, which becomes more pronounced over time. Interestingly, the monthly data reveals a small hump in men's earnings immediately after divorce. However, when using the period prior to divorce as the baseline the results reveals anticipatory effects, as earnings patterns already adjust before. As discussed earlier, Germany enforces a mandatory separation year before legal divorce. Consequently, selecting the pre-divorce period as the reference effectively means using the separation period as the baseline. To determine whether earnings reactions are driven by separation rather than divorce, I re-estimate the event study model in Equation 1, excluding the period prior to separation ($t = -2$ in the annual data and $t = -24$ in the monthly data). These results, illustrated in Figure 1c and Figure 1d, indicate similar overall patterns. However, the anticipatory trends disappear entirely, suggesting that individuals begin adjusting their behavior at separation rather than at legal divorce. Further

Figure 1: Earnings around Divorce and Separation by Gender



(a) Monthly Result Divorce

(b) Yearly Result Divorce

(c) Monthly Result separation

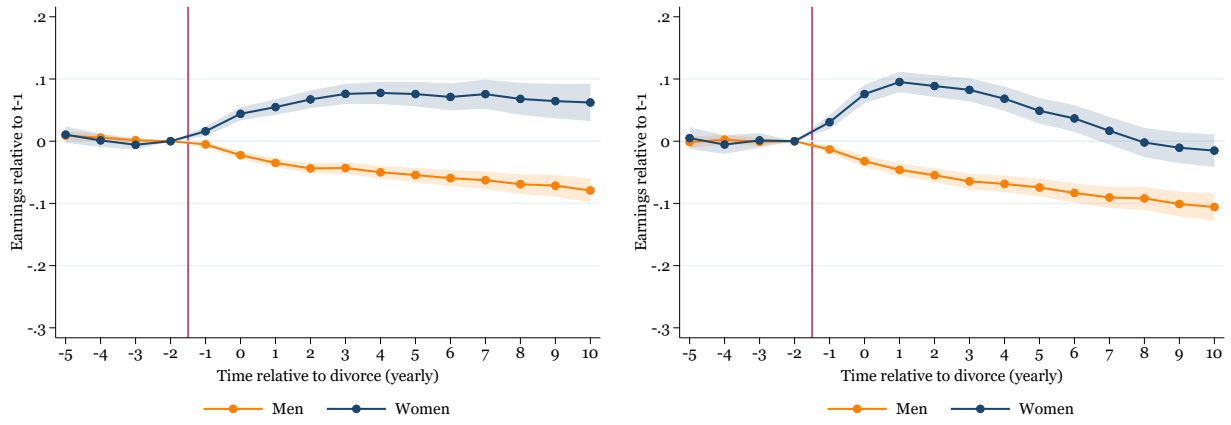
(d) Yearly Result separation

Notes: This figures plots the β coefficients from running equation Equation 1 for monthaly and annual gross earnings in the VSKT sample. Plots show point estimates and 95% confidence intervals. Panel a and b show the results using the period prior to divorce as the reference period and Panel c and when using the period prior to separation.

robustness tests shows that these results are not driven by individuals that remarry or get divorced at a later stage in life, as illustrated in Figure B.4 and Figure B.5.

The next part examines whether individuals adjust their earnings through the intensive or extensive margin. For the extensive margin, Equation 1 is estimated with a dummy variable indicating whether individual i is working in period t as the outcome. Working is defined as being in regular employment or self-employment, as reported in the administrative data. For the intensive margin, Equation 1 is estimated using earnings as the outcome variable, restricted to individuals i with positive earnings. Figure 2 presents the

Figure 2: Extensive and Intensive margin around Separation



(a) Extensive Margin

(b) Intensive Margin

Notes: This figure plots the β coefficients from running equation Equation 1 for the intensive and extensive margin in the VSKT sample. Plots show point estimates and 95% confidence intervals. Panel a shows the results for the share of individuals with positive labor income and Panel b the result for earnings restricted to individuasls with positive labor earnings.

annual results for both margins, using separation as the event, while the corresponding monthly results are provided in Appendix Figure B.6. Comparing these results reveals two key patterns. For men, earnings decline across both margins, driven by reductions in earnings and labor market exit. For women, earnings increase among those who remain employed; however, overall labor force participation initially rises before declining in the long run. The initial increase is largely explained by women transitioning from marginal to regular employment after divorce. While approximately 5% of women are employed in marginal jobs in the year before divorce, this share drops to 2.8% in the year following divorce. To account for this transition, I re-estimate the model, incorporating marginal employment (so-called mini-jobs) into the definition of the extensive margin. The results show no change in female labor force participation after divorce, as illustrated in Appendix Figure B.7.

The results in this section highlight pronounced gender differences in earnings reactions to divorce. However, in most different-sex marriages, women predominantly take on the role of secondary earners. This is particularly evident in Germany, where the average relative income share of married women amounts to only 35% (Hermle et al., 2024). To further explore these dynamics, the pension income transfer information within the VSKT data is leveraged. In Germany, ex-spouses are required to equally split all pension

income accrued during the marriage. While the VSKT dataset does not include detailed information on partners' precise income during marriage, it does record pension income transfers after divorce. This allows for the definition of relative earner status during marriage — whether an individual was the primary or secondary earner — based on whether they received or paid pension income after divorce. The German pattern is mirrored in the analyzed sample: as shown in Table 1, 82% of the women in the data are classified secondary earner, compared to 21% among men. The observed patterns may therefore reflect differences in relative earner roles within households, rather than inherent gender-specific dynamics.

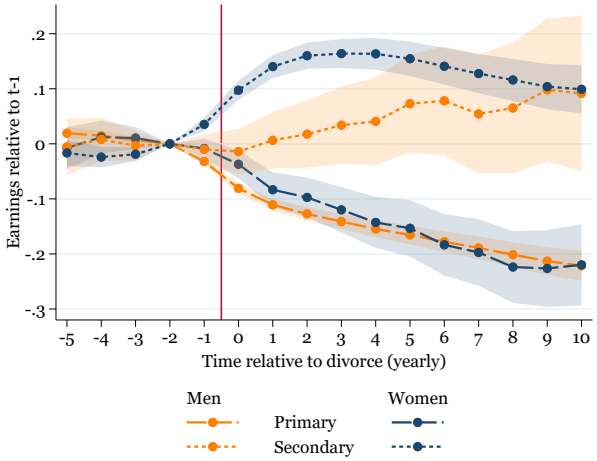
Using this definition of relative earner status, I split the gendered samples into primary and secondary earner subsamples. The descriptive statistics for these subsamples are presented in Appendix Table A.2. The descriptives show two notable differences: First, couples where the male is the primary earner exhibit a larger income gap, as reflected in the higher amount of transmitted pension points and pension value. Second, both primary and secondary earner men have higher earnings compared to their female counterparts in the same relative earner category. Estimating Equation 1 separately for each relative earner group within each gender yields the results displayed in Figure 3. The findings show striking similarities across relative earner status. Primary earners, irrespective of gender, reduce their earnings after divorce. Among secondary earners, women show an immediate earnings reaction while men increase theirs slowly over time, such that in the long run there is no difference among genders. This difference emerges due to differences on the extensive margin where secondary earner women enter regular employment from marginal employment, as illustrated in Figure B.8 which plots the results for both margins.

The combined results indicate that dynamic earnings responses to divorce are primarily driven by relative earner status within marriage. To better understand how divorce affects individuals differently based on their relative earnings position, I next outline changes in disposable income for primary and secondary earners when transitioning from marriage to divorce.

4 Household Model

This section presents a dynamic, structural model of labor supply and home production to map out the mechanisms that change disposable income across marital status. The model builds upon the framework established by Foerster (2024), incorporating key modifications such as non-cooperatively across spouses. It accounts for decision-making across

Figure 3: Earnings around Separation by Relative Earner Status



Notes: This figure plots the β coefficients from running equation Equation 1 by relative earner status within the marriage using the VSKT sample. Plots show point estimates and 95% confidence intervals. Relative earner status is based on whether an individual received or paid pension benefits after divorce.

different marital statuses, $s \in m, d$: Period m, where individual i is married to partner j and decisions are shaped by access to the partner's income and joint home production. In period d decisions are made independently following divorce d but individuals are linked via alimony payments. During period m, individuals are forward-looking and consider independence in income streams after a potential divorce. The model aims to explain the mechanisms underlying labor supply and income interacting both marital status periods.

Time Allocation: The model is set in discrete time with discount factor β. Each individual, i, is either married or divorced to partner j in each time period $t \in 1, 2, ...T$. In period $t = 1$, the married partners are heterogenous in the total number of children n_1. The total time endowment, $H = 1$, is allocated across labor work (h_{it}), home production (q_{it}), and leisure (ℓ_{it}). The time constraint is given by:

$$H = h_{it} + q_{it} + \ell_{it}.$$

The household good, representing the required amount of home production for each period, is given by $Q_t \in [0, T)$. During marriage, the household good is produced jointly by both partners, with i taking on share α of the household work and partner j share $(1 - \alpha)$. Here, $\alpha \in [0, 1]$ represents the productivity differences between both partners'

time input. When divorced, household production falls entirely on one individual.

$$q_{it}^{d} = Q_t$$

$$q_{it}^{m} = \frac{Q_t - (1-\alpha)q_{jt}}{\alpha}.$$

where α is the share of household work taken on by individual i, calculated as:

$$\alpha = \frac{w_{jt}}{w_{it} + w_{jt}}$$

This formulation of α allows the division of household labor to be based dynamically on the opportunity costs associated with each partner's income, reflecting changes in economic contributions more accurately.

Wages: At the outset, the initial wage level for each individual i, denoted as ϕ_{0s}, is determined based on baseline wage data. This term captures inherent differences in wages, such as those arising from gender or age, and serves as a starting value. Afterward, the wage process evolves based on human capital K_{it} and an i.i.d. random component ϵ_{it}:

$$\ln(w_{it}) = \phi_{i,t-1} + \phi_{it}K_{it} + \epsilon_{it},$$

where K_{it} represents the individual's accumulated human capital, and ϵ_{it} follows a normal distribution, $\epsilon_{it} \sim N(0, \sigma_{\epsilon_i}^2)$, introducing variability in wages over time. The evolution of human capital K_{it} is influenced by the amount of time spent working, h_{it}, and is updated at discrete intervals. The change in human capital from period t to $t+1$ can be expressed mathematically as

$$K_{it} = K_{i,t-1} + \Delta K_{it}, \text{ with } \Delta K_{it} \in \{+1, 0, -1\},$$

indicating that human capital can increase by one unit, remain the same, or decrease by one unit. The probability of increasing human capital by one unit from period t to $t+1$ is determined by the function $p_K(h_{it}) = 1 - \exp(-\vartheta_i h_{it})$, with ϑ_i controlling how sensitive the accumulation process is to labor input. Additionally, human capital depreciates with an exogenous probability p_{δ_i}. Specifically, an increase of one unit occurs with probability $p_K(h_{i,t})(1 - p_{\delta_i})$, reflecting successful accumulation through work hours and the absence of depreciation. The scenario in which there is no change in human capital arises with probability $p_K(h_{i,t})p_{\delta_i} + (1 - p_K(h_{i,t}))(1 - p_{\delta_i})$, which captures cases where human capital is gained but then depreciates or where it neither gains nor loses. Finally, a decrease of

one unit in human capital happens with a probability of $(1 - p_K(h_{i,t}))p_{\delta_i}$, indicating that no new human capital is accumulated while depreciation occurs.

Incorporating human capital accumulation based on hours spent in the labor market allows individuals to enhance their expected future wages during marriage. This process enables them to self-insure against the financial risks associated with losing spousal income in the event of a divorce.

Disposable income: The disposable income of each individual depends on their marital status. During marriage, household income is partially pooled, with the degree of pooling influenced by the relative earnings of each partner. Each individual has access to their own income and may receive or transfer a portion of the partner's income based on their relative earner status, captured by the parameter γ_{ij}. The joint income is subject to taxation under the marital tax rate applied to the pooled income:

$$Y_{it}^{\mathrm{m}} = (1 - \tau^{\mathrm{m}}) \left[w_{it}h_{it} + \frac{\gamma_{ij}}{2}(w_{it}h_{it} + w_{jt}h_{jt}) \right],$$

where τ^{m} denotes the tax rate applied to married couples. The parameter γ_{ij} is defined as:

$$\gamma_{ij} = \theta \frac{w_{jt}h_{jt} - w_{it}h_{it}}{w_{it}h_{it} + w_{jt}h_{jt}},$$

with θ controlling the extent of income pooling. When $\theta = 1$, the model implies complete income pooling, resulting in equal sharing of the total income. Conversely, when $\theta = 0$, each individual retains only their own income, with no redistribution.

After separation, disposable income is individualized, depending on each person's labor supply, wages, and alimony payments received or paid:

$$Y_{it}^{\mathrm{d}} = (1 - \tau^{\mathrm{d}})w_{it}h_{it} + A_{it},$$

where τ^{d} represents the individual tax rate, and A_{it} denotes alimony payments. Alimony payments are determined based on household specialization during the marriage and post-divorce income differences:

$$A_{it} = \chi(s - (1 - s))(1 - \tau^{\mathrm{d}})(w_{jt}h_{jt} - w_{it}h_{it}) \cdot \mathbf{1}\left((w_{jt}h_{jt} - w_{it}h_{it})(s - 0.5) > 0\right),$$

with:

$$s = \frac{q_{it}^{\mathrm{m}}}{q_{jt}^{\mathrm{m}} + q_{it}^{\mathrm{m}}},$$

where s captures the degree of household specialization during marriage, with $s > 0.5$ indicating that individual i undertook more household responsibilities. The parameter $\chi \in [0, 1]$ represents the share of the income difference considered for alimony, while $(1 - \tau^{\mathrm{d}})(w_{jt}h_{jt} - w_{it}h_{it})$ denotes the post-divorce net-income gap. The indicator function $\mathbf{1}\left((w_{jt}h_{jt} - w_{it}h_{it})(s - 0.5) > 0\right)$ ensures that alimony applies only if the income difference and specialization align: if $s > 0.5$ and j earns more, i receives alimony; if $s < 0.5$ and i earns more, i pays alimony. This reflects the idea that a spouse's eligibility for alimony is contingent upon their relative contributions and the financial status of the other spouse. Through these alimony payments ex-spouses are linked post-divorced, as the amount received or paid, depends on both persons' income.

Preferences: Individuals derive utility from consumption c_{it}, household goods Q_t, and leisure ℓ_{it}. The intra period utility function of individual i is given by

$$U_i(c_{it}, \ell_{it}, Q_t) = \frac{c_{it}^{1+\eta_i}}{1+\eta_i} + \psi_i \frac{\ell_{it}^{1+\gamma_i}}{1+\gamma_i} + \lambda(n_t)\frac{Q_t^{1+\kappa}}{1+\kappa},$$

where n_t denotes the number of individuals in the household (spouses and children) in the household and $\lambda(n_t) = B \cdot (1 + b \cdot n_t)$, indicating that the relevance of the household good for utility depends on the number of household members present. Here, B represents the baseline utility derived from household production, while b quantifies the incremental increase in utility associated with each additional child. The number of children increases across periods with exogenous probability $p(t, n_t)$. In each time period, each individual chooses their time allocation between work hours, home production hours, leisure time, and consumption, subject to the budget constraint:

$$c_{it}e(n_t) = Y_{it}^{s},$$

where is $e(n_t)$ reflects the cost function for the number of household members. During marriage ($s = m$), individual i's decision-making affects individual j's decision problem through shared disposable income and home production, while during divorce ($s = d$), this influence manifests through alimony payments in individual j's budget constraint and vice versa.

Maximization Problem: The intertemporal maximization problem for a married individual i is formulated as follows:

$$\max_{h_{it},q_{it},c_{it}} \{U_i(c_{it}, \ell_{it}, Q_t) + \beta E[V_{it+1}]\}$$

s.t.

$$c_{it}e(n_t) = Y_{it}^m = (1-\tau^{\mathrm{m}})[w_{it}h_{it} + \frac{\beta_{ij}}{2}(w_{it}h_{it} + w_{jt}h_{jt})]$$

$$Q_t = F(q_{it})$$

$$H = h_{it} + q_{it} + \ell_{it}.$$

where β is the discount factor reflecting the individual's preference for current versus future utility. The expected utility in the next period is expressed as a combination of the utility derived from remaining married and the utility from potentially divorcing, given the probability of divorce p_d:

$$E[V_{it+1}] = (1-p_d)V_{it+1}^{\mathrm{m}} + p_d V_{it+1}^{\mathrm{d}}.$$

In the event of divorce, each individual stays divorced and the intertemporal maximization problem changes to:

$$\max_{h_{it},q_{it},c_{it}} \left\{U_i(c_{it}, \ell_{it}, Q_t) + \beta V_{it+1}^{\mathrm{d}}\right\}$$

s.t.

$$c_{it}e(n_t) = Y_{it}^d = (1-\tau^{\mathrm{d}})w_{it}h_{it} + A_{it}$$

$$Q_t = F(q_{it})$$

$$H = h_{it} + q_{it} + \ell_{it}.$$

Several mechanisms influence disposable income and, consequently, the budget constraint, when moving from married to divorced. First, changes in time allocated to household production (q_{it}) affect available time for labor market participation (h_{it}). Since the degree of specialization depends on the relative income status within marriage, secondary earners will have more time for the labor market and primary earners less. Second, divorce shifts the household income structure from dual-earner to single-earner, with the impact on disposable income depending on the degree of income pooling within marriage (γ_{ij}). In the absence of income pooling, disposable income remains unchanged for both spouses (assuming constant wages and hours worked). However, under full income pooling, secondary earners lose access to a portion of the primary earner's income, while primary earners retain a greater share of total household resources. Third, transitioning

from a joint-filing tax schedule to individual taxation alters the applicable tax rate. The effect depends on the specific tax system, but in most countries, joint taxation provides a tax advantage to households with unequal earnings. As a result, after divorce, primary earners typically face a higher marginal tax rate, reducing their net income, while secondary earners experience a lower marginal tax rate, increasing net-income and creating incentives for increased labor supply. Lastly, alimony payments received (paid) by the secondary (primary) earner will increase (decrease) disposable income, with their magnitude determined by the division of household labor during marriage and income disparities during divorce. Higher alimony reduces the secondary earner's need to increase labor supply, while it effectively acts as a tax on the primary earner's income. The magnitude of these payments is determined by pre-divorce income disparities and the extent of household specialization during marriage.

5 Mechanisms

To understand the observed patterns and the underlying reasons for the change in earnings behavior, I test the impact of each of the carved out potential mechanisms from the household model in section 4 separately and jointly, using administrative tax data. To distinguish between different mechanisms and assess their interactions, I estimate Equation 1, sequentially controlling for each mechanism individually and in combination.

5.1 Data: TPP

For the mechanism analysis, I leverage the German Taxpayer Panel (TPP) for the years 2001–2020. The TPP is an annual dataset on all German taxpayers, managed and provided by the German Federal Statistical Office and the statistical offices of the Länder. This dataset consists of administrative microdata obtained by merging income tax returns and tax assessments from the tax authority. Although the TPP is usually offered as a 5% stratified random sample, but I have access to data on the entire population of German taxpayers. The tax unit can be either a single individual or jointly filing partners. The original data does not allow for the linkage of both partners across filing statuses. When filing jointly, one partner is appended to the other partner's record—typically, the wife is appended to the husband's record. As a result, the original data only captures one partner's filing record before and after joint filing, with the other partner's information available only during the years they file jointly. By utilizing individual tax IDs introduced in Germany in 2010, it is possible to link partners across all years, enabling the observation

of both individual and joint filing behaviors over time.[6]

Variables. The TPP provides precise information on taxable income, all income sources, and basic sociodemographic characteristics such as gender, marital status, filing status, year of birth, state of residence, religion, the year of birth of children, and the number of children[7]. While the data does not directly record marital status, it includes the filing status of the tax unit. Married individuals are identified when filing jointly, and divorced individuals are identified when they permanently switch to individual taxation.[8] As outlined in the institutional section, after filing for divorce, partners in Germany are required to undergo a mandatory one-year separation period before the divorce is legally finalized. During this separation year, couples may still choose joint filing. Consequently, individuals who cease joint filing are assumed to have separated in the preceding year. Information on alimony payments are included in the data is they are deducted by the paying ex-spouse either as a special expense (tax-splitting) where the receiving spouses has to report the alimony payments as taxable income, or as an extraordinary burden. For a special expense deduction, both spouses must consent. While this requires a high level of cooperation, due to the tax benefits it can lead to higher alimony payments. For deduction as an extraordinary burden, in contrast, no approval or agreement between the former spouses is required. However, its maximum amount of tax deduction is lower.

Sample. The descriptive statistics have yet to be released by the statistical offices.

5.2 Relative and Absolute Income

To account for changes in absolute earnings, I include both spouses mean combined total earnings in the year $t = -2$ and $t = -3$ into the regression. As a proxy for specialization within marriage, I also include the individual's relative income share in the same years, as well as the absolute number of children. Precisely, I estimate the following regression:

$$\begin{aligned} Y_{it}^{g} = &\sum_{j \neq r} \beta_j^g \cdot 1[j = t] + \sum_{c=1}^{3} \sum_{k} \gamma_k^{c,g} \cdot 1[k = t^{child_c}] \\ &+ rel_{i,t=pre}^{g} + Y_{hh,t=pre}^{g} + \zeta_{cal}^{g} + \eta_{age}^{g} + \epsilon_{it}^{g}, \end{aligned} \tag{3}$$

[6]To the best of my knowledge, this paper, together with Herold and Wallossek (2025) and Herold et al. (2025), is among the first to establish individual linkages within the German income tax data.

[7]Post-marriage the children's place of residence is known only in the case where the ex-spouses use child benefits. However, under child allowance, I assume the children stay with the mother.

[8]While joint filing is not mandatory, more than 95% of married individuals opt for joint filing due to the considerate financial benefits.

where $rel^{g}_{i,t=pre}$ and $Y^{g}_{hh,t=pre}$ represent the individual's pre divorce relative income share and absolute household income. Pre divorce includes the period $t = \{-3, -2\}$. Since the TPP does not contain lifetime data but only spans the period from 2001 to 2020, event-time dummies for marriage are excluded. Their inclusion would bias the estimates toward shorter marriages, as the dataset does not capture the year of marriage for unions that began before the panel period.

The results have yet to be released by the statistical offices.

5.3 Alimony Payments

Post-divorce financial compensations target to balance financial disparities between ex-spouses and support consumption smoothing for the lower earning spouse following household dissolution and years of household specialization. In this sense, they function as a form of insurance. However, the additional one-off payment (wealth splitting) and ongoing income stream (alimony) disincentives labor supply, potentially hindering the career outcomes of the lower earner. They also have an impact on the paying spouses, where alimony acts as a tax on income, depending on the particular alimony set-up in the country. The net impact on their labor supply depends on whether the substitution effect outweighs the income effect.[9] Foerster (2024) demonstrates that income-dependent maintenance payments can reduce the labor supply of the maintenance-paying ex-spouse.

This creates a policy trade-off between providing sufficient insurance—both in terms of amount and duration—to enable optimal household specialization during marriage, and ensuring that the lower earner does not face excessive post-divorce financial risks. At the same time, maintaining incentives for post-divorce labor supply is crucial. This security versus labor supply efficiency trade-off presents significant opportunities for policy optimization, akin to challenges in broader policy design. A growing, but small body of literature has begun exploring this balance, developing models to maximize outcomes under varying alimony arrangements (Foerster, 2024).

To test the impact of alimony payments on the earnings reactions at divorce, I leverage two things. First, I utilize the alimony payment information in the TPP. Second, I exploit the 2008 alimony reform, which significantly reduced alimony eligibility and duration. Before the reform, the economically stronger spouse was required to pay alimony to the economically weaker spouse and guardian parent until the youngest child turned 15. Following the reform, alimony payments largely ended once the youngest child turned

[9] Financial compensation also impacts decision-making during marriage by altering bargaining weights through altering spouses outside option (Rangel, 2006).

four. This policy change affected both new and existing divorces. I use the reform as a quasi-experimental variation in alimony payments to causally explore the impact of alimony on post divorce earnings.

The reform's impact is identified based on the age of the youngest child at the time of divorce. We compare individuals who qualified for ex-spousal alimony under the pre-reform system but lost eligibility after the reform. Precisely, I estimate the event study, interacting the event time dummies with a time-varying treatment indicator, $\text{treated}_i \cdot 1[cal \geq 2008]$ which equals 1 if an individual had a youngest child aged between 3 and 15 after 2008 and thus received or paid alimony under the old system but no longer qualified post reform.

$$Y_{it}^g = \sum_{j \neq r} \beta_j^g \cdot 1[j = t] + \sum_{j \neq r} \delta_j^g \cdot \text{treated}_i \cdot 1[cal \geq 2008] \times 1[j = t] + \sum_{c=1}^{3} \sum_k \gamma_k^{c,g} \cdot 1[k = t^{child_c}] + rel_{i,t=pre}^g + Y_{hh,t=pre}^g + \zeta_{cal}^g + \eta_{age}^g + \epsilon_{it}^g, \tag{4}$$

Since an alimony claim is refused in the case of short marriages[10], I exclude couples who have been married for less than three years for this analysis.

5.4 Tax Incentives

Under joint taxation, a couple's total tax liability depends on the combined income of both spouses, i and j. In Germany, taxpayers can choose between individual taxation (T^{single}) and joint taxation (T^{joint}). Under individual taxation, each spouse's tax liability is determined separately, and the total household tax burden is the sum of both individual liabilities. In contrast, under joint taxation, spouses are taxed as if each earned exactly half of the household's total income:

$$T^{joint}(y_i, y_j) = 2 \times T^{single}\left((y_i + y_j)/2)\right).$$

Given Germany's progressive income tax schedule, joint taxation generally results in lower tax liability when spouses have unequal earnings. Consequently, the vast majority of married couples opt for joint filing.[11] In terms of MTR, both spouses face the same tax

[10] See §1579 (1) Civil Code.

[11] There are limited cases where individual taxation may be preferable, such as when one spouse receives wage-replacement benefits or utilizes loss carry forwards. This is typically relevant when spouses have similar earnings and derive little or no tax benefit from income splitting.

rate when filing jointly. Since the German income tax system features a progressively increasing marginal tax rate (MTR) for most of the income distribution, joint taxation generally results in a tax benefit. Specifically, it reduces the MTR for the primary earner while increasing it for the secondary earner, provided that $y_i \neq y_j$ and both spouses' incomes, y_i and y_j, does not fall within the same tax bracket with a flat MTR. This exception applies only to couples at the extreme ends of the income distribution: very low-income couples, where both incomes fall below the basic allowance threshold (MTR = 0), and very high-income couples, where both spouses are already subject to the top marginal tax rates (MTR = 0.42 or 0.45, respectively). I illustrate the tax benefit and the MTR change as a function of household income and income shares in Figure B.9 and Figure B.10. For all other cases, the shift in MTRs alters work incentives, with the magnitude of the effect depending on both spouses' incomes. In general, ΔMTR increases with the relative income disparity between spouses, reinforcing incentives for spousal specialization. The remaining heterogeneity in ΔMTR arises from structural features of the German income tax schedule, specifically one notch and two kinks that separate its five tax brackets.

To analyze the impact of transitioning from joint to individual taxation, I leverage quasi-experimental variation arising from the heterogeneity in ΔMTR when tax systems change (Figure B.10), as described in Herold and Wallossek (2025). Eliminating bias in evaluating MTR changes requires addressing the simultaneity between income and tax rate adjustments. Since income itself influences the MTR, I implement the standard approach of instrumenting for the observed MTR change using a hypothetical mechanical tax rate change (Gruber and Saez, 2002). This instrument is constructed by applying the pre-separation income from $t = -2$ to simulate the MTR spouses would have faced had they already been filing separately in $t = -2$.

Since changes in the MTR are not necessarily exogenous—individuals may divorce in response to shifts in absolute or relative income—I include fixed effects for income bins and relative income shares to account for this endogeneity.[12] The identifying assumption here is that while individual income and within-household income distribution can be endogenous, the exact income and share of income are quasi exogenous.

The standard approach to estimating the elasticity of taxable income involves regressing the change in marginal tax rates on the change in (taxable) income. However, since the objective here is to assess the impact of tax rate changes on earnings responses after divorce, I include ΔMTR as a control variable into the event study regression. Specifically,

[12]Binning both is required because the exact income and income share perfectly define the MTR under joint taxation and would remove all variation.

I estimate:

$$Y_{it}^{g} = \sum_{j \neq r} \beta_j^g \cdot 1[j = t] + \varepsilon_t^g ln\left(\frac{\widehat{1 - MTR_{i,t}}}{1 - MTR_{i,-2}}\right) + \sum_{c=1}^{3} \sum_{k} \gamma_k^{c,g} \cdot 1[k = t^{child_c}] + \theta rel_{i,t=pre}^{g} + \theta Y_{hh,t=pre}^{g} + \zeta_{cal}^{g} + \eta_{age}^{g} + \epsilon_{it}^{g}, \tag{5}$$

The net-of-tax rate for i is denoted as $1 - MTR_{i,t}$ for period t, and as $1 - MTR_{i,-2}$ for the pre-marriage base year. $1 - MTR_{i,-2}^{hyp}$ is the hypothetical net-of-tax rate i would have faced under joint taxation in $t = -2$. This is our instrument for $1 - MTR_{i,t}$. As describe, I also include fixed effects for the pre-divorce household income binned in 1,000-€-bins ($\theta Y_{hh,t=pre}^{g}$) and for the individual's income share binned in 2-%-bins ($\theta rel_{i,t=pre}^{g}$), both again measured in $t = \{-3, -2\}$.

The results have yet to be released by the statistical offices.

6 Conclusion

This paper analyzes earnings responses to divorce and the mechanisms driving these adjustments, leveraging extensive administrative pension and income tax data. The findings reveal distinct patterns in post-divorce earnings, with women generally increasing their labor supply while men exhibit reductions, particularly on the extensive margin. However, these gendered responses are primarily explained by differences in relative earner status rather than gender itself.

To better understand these dynamics, I develop a household model that highlights key changes in disposable income when transitioning from marriage to divorce. Empirically, I investigate the roles of absolute and relative income, household specialization, tax incentives, and alimony payments. Using quasi-experimental variation from the 2008 alimony reform and changes in marginal tax rates, the results suggest that both policy design and pre-divorce economic conditions shape post-divorce labor supply adjustments.

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A Appendix Tables

Table A.1: Introduction of No-Fault Divorce Laws in Selected Countries

Country	**Year of Introduction**
Japan	1947
United States[13]	1969 (California)
United Kingdom	1969
Canada	1968
Denmark	1970
Italy	1970
Sweden	1973
Portugal	1977
Germany	1977
Spain	1981
Finland	1988
Ireland[14]	1996
Switzerland	2000
Malta	2011

Table A.2: VSKT Sample by gender and Relative Earner Status

	Secondary		Primary	
	Women	Men	Women	Men
Age at marriage	23	26	25	25
Age at divorce	36	37	35	37
Income at Marriage	1263	1397	1359	2227
Income at divorce	1044	1341	1883	2942
Bonus Points Transacted	4.55	1.85	-1.62	-3.35
Yearly Value of Points	1580	642	-561	-1163
Yearly Value by Length	112	59	-54	-93
N	10,505	1,882	2,556	7,543

B Appendix Figures

Figure B.1: Year of Divorce in VSKT Data

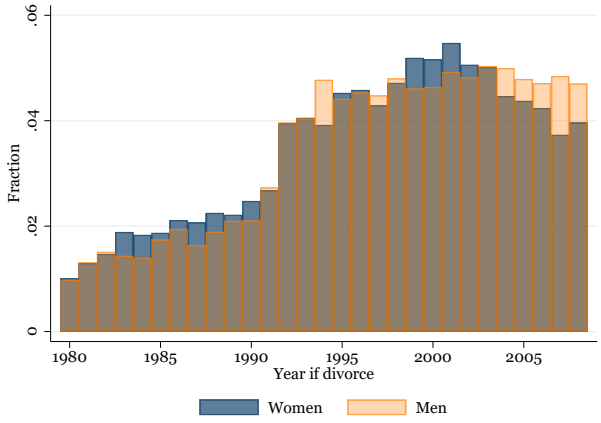
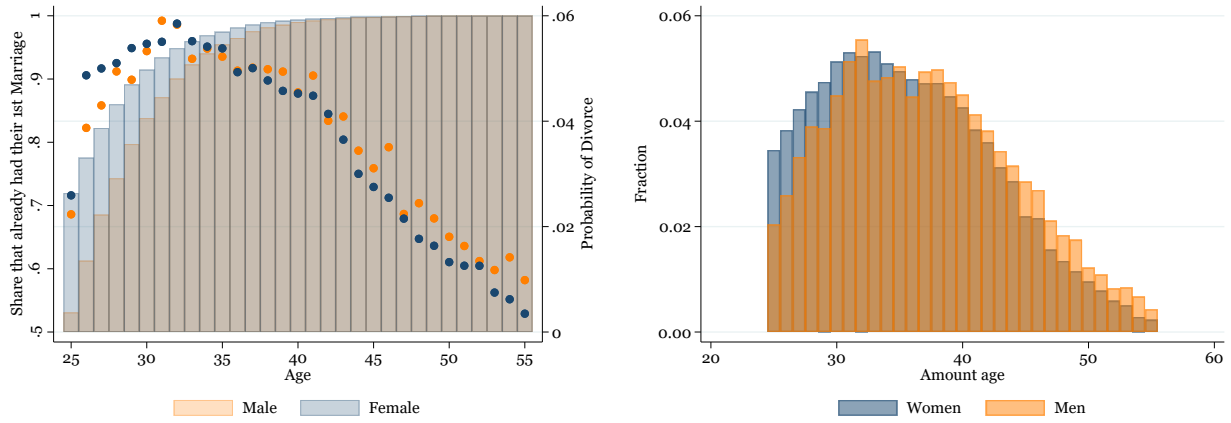


Figure B.2: Age Descriptive in VSKT Data



(a) Probability of Divorce by Age

(b) Distribution Age at divorce

Notes: This figure presents descriptive statistics on the age at divorce in the VSKT sample. Panel (a) displays the probability of divorce by age, calculated as the number of individuals divorcing at a given age divided by the total number of married or divorced (but not single) individuals at that given age. The panel also shows the share of individuals who are currently married (the denominator). Panel (b) illustrates the distribution of age at divorce.

Figure B.3: Earnings (EP) around divorce

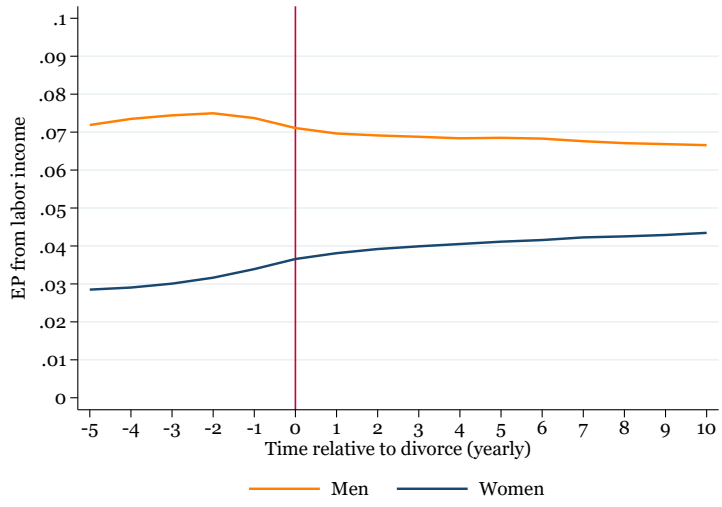


Figure B.4: Earnings around separation: No Remarriage Restriction

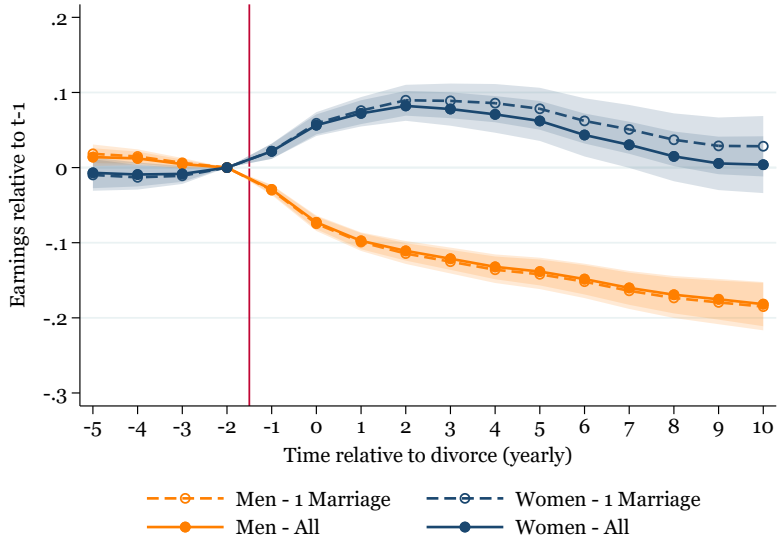


Figure B.5: Earnings around separation: Under 45 Restriction

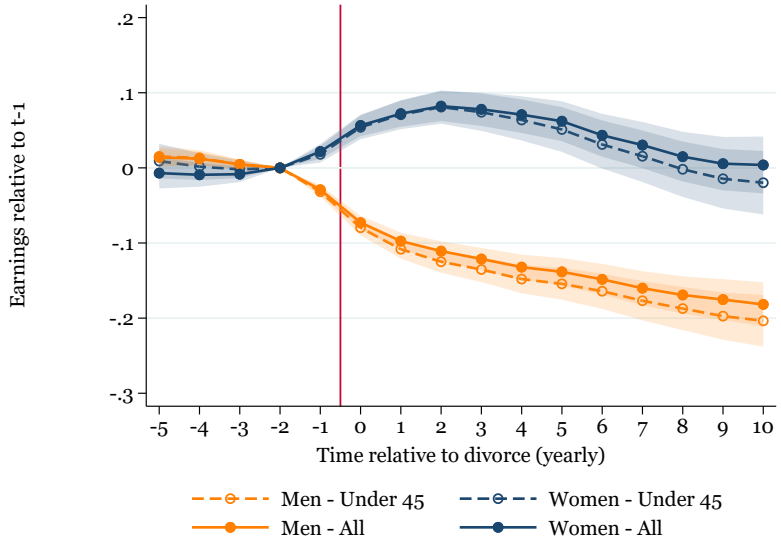
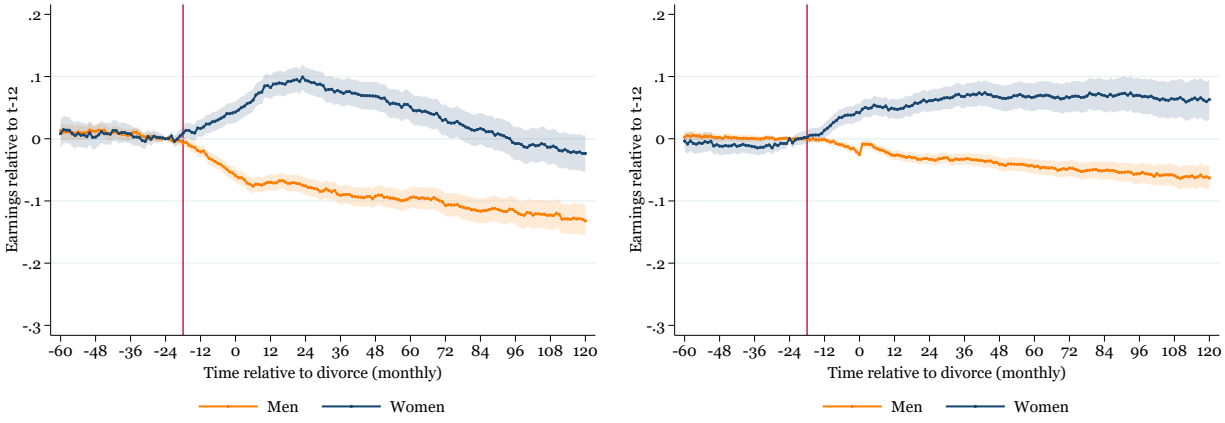


Figure B.6: Monthly extensive and Intensive margin around separation



(a) Extensive Margin around Separation

(b) Intensive Margin around Separation

Figure B.7: Extensive margin including marginal employment

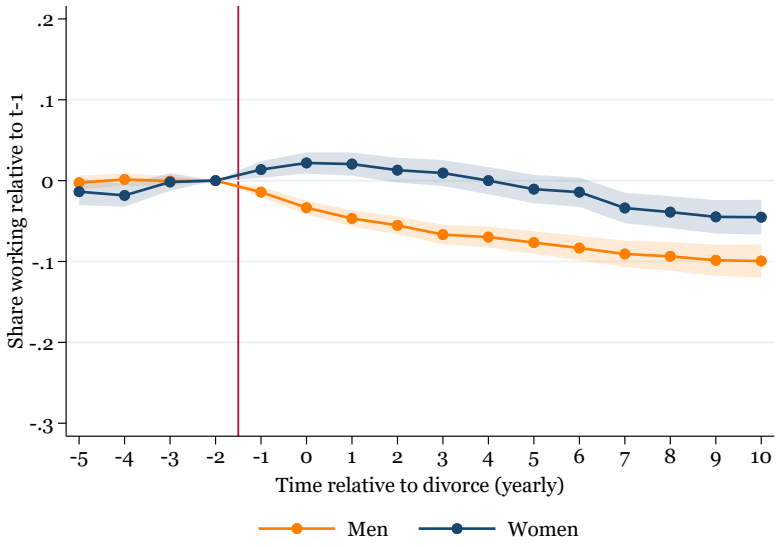
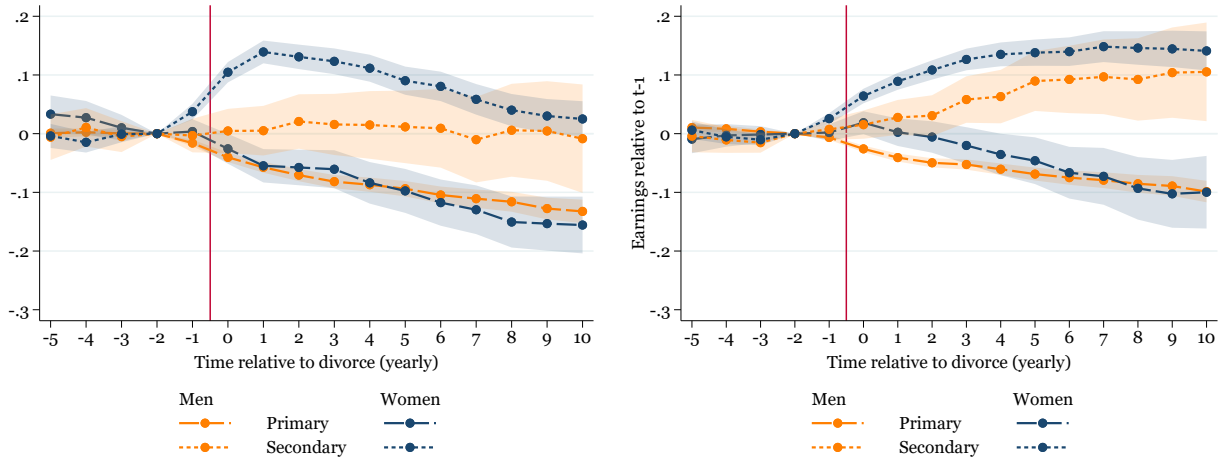


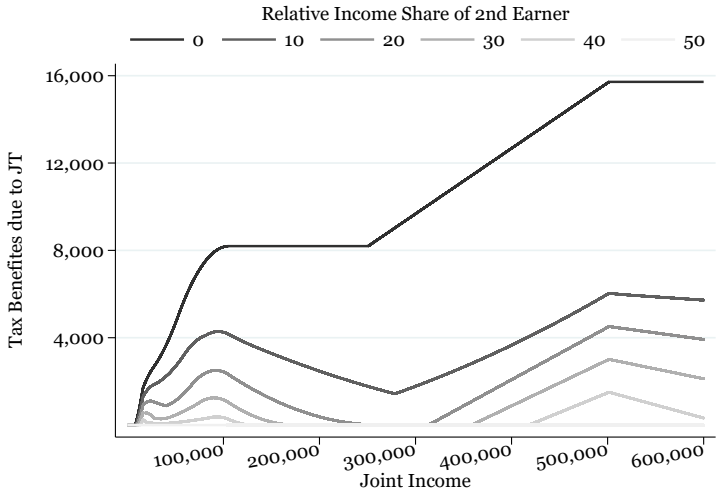
Figure B.8: Extensive and Intensive margin around Separation by Relative Earner Status



(a) Extensive Margin (b) Intensive Margin

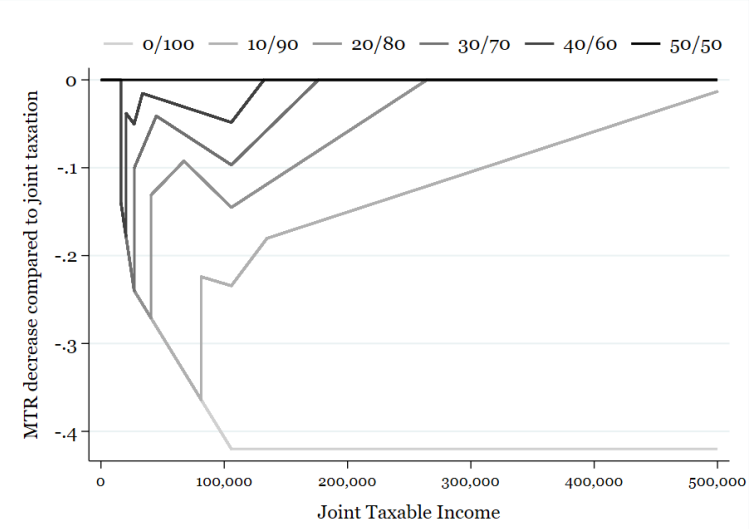
Notes: This figure plots the β coefficients from running equation Equation 1 for the intensive and extensive margin by relative earner status within the marriage using the VSKT sample. Plots show point estimates and 95% confidence intervals. Relative earner status is based on whether an individual received or paid pension benefits after divorce. Panel a shows the results for the share of individuals with positive labor income and Panel b the result for earnings restricted to individuasls with positive labor earnings.

Figure B.9: Benefits for when switching to joint taxation during marriage



Notes: This figure shows the annual monetary benefit from joint taxation (as compared to individual taxation) for the tax year 2013 as a function of the total taxable income within the household, i.e. the sum of both spouses' individual taxable income. The benfits are illustrated for six different secondary earner relative income shares. For example, share 50 referts to refers to case where both spouses have equal earnings. All values are in Euro.

Figure B.10: ΔMTR for Secondary earner from joint to single taxation



Notes: This figure shows the absolute change in the marginal tax rate (MTR) for the secondary earner when switching back from joint taxation to individual taxation for the tax year 2013 as a function of the total income within the household, i.e. the sum of both spouses' individual taxable income. ΔMTR is illustrated for six different relative income splits. Switching back to individual taxation reduces the secondary earners' MTR whenever both spouses do not fall in the same MTR tax bracket, increasing their incentive for labor supply In the 50/50 case of spouses earning exactly the same changing tax systems does not impact their MTR.