Retirement Trajectories in West Germany: Does Divorce Matter?

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The aim of this paper is to explore how divorce is linked to retirement trajectories in West Germany and to understand whether and how patterns are gendered. Given the growing share of divorced people in the older workforce, research is needed to ascertain whether divorced women and men are a particularly vulnerable group in retirement, especially in the context of pension reforms that raise the statutory retirement age while simultaneously reducing options for early retirement. Using large-scale German pension insurance data, I employ sequence and cluster analysis to map and group retirement trajectories of women and men who retired in 2018. Retirement trajectories are defined based on monthly insurance histories from age 50 to 65. I find nine distinct retirement trajectories, ranging from unemployment to stable low to high income trajectories and to an early retirement trajectory through the reduced-earnings-capacity pension, the latter representing 9.3% of the sample (Figure 1). Based on multinomial logistic regression models, I analyse how marital status, distinguishing between divorced and (re)married, is related to different retirement trajectories. The results show that divorced women and men are more likely than married to retire through unstable retirement trajectories characterised by early exit from the labour market and receipt of reduced-earnings-capacity pensions and/or unemployment benefits (Figure 2). Whereas the relationship between divorce and retirement trajectories seems to be overall adverse for men, the results for women are more ambiguous. Divorced women are also more likely to retire through a stable high-income trajectory than married women. Nevertheless, the results suggest that divorce is associated with an early retirement trajectory through the reduced-earnings-capacity pension for both women and men. About 1/3 of divorcees experience an unstable transition to retirement, which is a considerable factor in inequality in later life.