Marriage, Earnings and Lifetime Family Income: Generational Change for Men and Women

Faculty Member: Joseph Altonji

Proposal Description:

The project studies generational change in the role of marriage and labor market behavior in determining the family income individuals experience over their adult lives. Building on Altonji, Giraldo-Paez, Hynsjo and Vidangos, “Marriage Dynamics, Earnings Dynamics, and Lifetime” (working paper, July 2022), my co-authors and I are estimating a model of individual labor earnings; marriage and divorce probabilities, fertility, and nonlabor income. We have extended the data to 2019. Most parameters of the model are gender specific, and key parameters vary with year of birth. We have extended the data to 2019. We then use the model to measure the dynamic responses of marital status, earnings, and family income to various labor market shocks, education, and permanent wage heterogeneity. We also provide gender-specific estimates of the contribution of education, permanent wages, labor market shocks, spouse characteristics, spouse wage shocks, and marital histories to the variance of family income by age and over a lifetime. For both the dynamic responses and the variance decompositions, we isolate the importance of effects on marriage probabilities and spouse characteristics (sorting). In the prior paper, we found that marital status has a much larger effect on family income for women than men, while labor market shocks to men are more important than shocks to women. We also found that marital sorting plays a major role in the return to education and permanent wages, especially for women. Marriage probabilities are less important. An individual’s own education and the permanent wage component account for 28.0% and 12.6% of the variation in lifetime family income for women, but 36.2% and 26.4% for men. Marital sorting on education and the wage components substantially increases the family income variance, especially for women. Random variation in marital histories accounts for 25.9% of the variance in lifetime family income for women and 7.5% for men but for only a modest part of the variation in lifetime family income per adult equivalent.

The contribution of the new project is explore the degree to which the patterns identified in the prior paper differ across the birth cohorts. In particular, we wish to know whether the strong gender asymmetries in the effects of marriage and in the importance of marital sorting have declined as women have moved into the labor market over the past 60 years. We will contrast the experience of Baby Boom generation with that of more recent cohorts.

The RA will help with data processing and regression analysis, construction of tables and figures, and literature review. The project uses the Panel Study of Income Dynamics, one of the richest social science data sets available

Requisite Skills and Qualifications:

A strong interest in research, prior courses in statistics and econometrics, and some prior experience with STATA and with R. I expect the project to continue in the spring term.

Award: Mona Mahadevan
Tobin Application Link: Tobin Application
Project Type: Tobin RA
Project Year: 2022
Term: Fall 2022