

Marriage, Divorce and Wage Uncertainty

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Abstract:

The American family underwent important transformations in the last decades. Overall, Americans marry later, divorce more and stay single longer than their parents. However, these changes did not affect people equally along the wage and schooling distribution. The less educated and the low earners are less likely to start long-lasting relationships, and, once cohabiting or married, they experience higher risk of separation and divorce. In this paper, I set up a search-and-matching model in the spirit of Shimer and Smith in order to understand how changes in the wage distribution relate to this widening gap in family achievements. The structural approach allows to exploit matched panel data (PSID) to estimate the household production function, and to recover the implied distribution of the gains from marriage and of the sharing rule, which both depend on the spouses' material well-being when living alone and on their remarriage prospects. In addition, solving for counterfactual equilibria allow to show how the marriage market outcome changes in response to shifts in the marginal distribution of schooling and wages. A decomposition analysis is performed to understand to which extent changes in marriage patterns and marital stability are accounted for by the rise in wage uncertainty, the increase of the college premium and the closing of the gender wage gap.