

# Marriage, Divorce and Unemployment.

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## Abstract

The economic theory of the family suggests that divorce may occur following a negative shock on economic or non-pecuniary gains from marriage. A job loss, for instance, is likely to have important consequences on household stability. On the one hand, unemployment may partly destroy marital gains by reducing disposable income. On the other hand, marriage surplus may persist because of the insurance mechanism implied by the marriage contract. Understanding how families react to changes in unemployment risk along the business cycle is of primary importance for policymakers.

In this paper, I model the marriage market in a search and matching framework where agents experience stochastic and deterministic changes in their characteristics (respectively, job losses/hirings and aging). Comparative statics on the steady-state search equilibrium is helpful to understand the consequences of an increase in unemployment risk on marriage and divorce decisions along the life-cycle. Such consequences may differ greatly across sociodemographic groups because of the complex and multifaceted nature of marital gains.

Following the recent literature on the econometrics of search and matching, I use data on marriage flows and employment to provide nonparametric estimates of both the marriage surplus and the household production function. The graphs of these functions are insightful for several reasons. First, differences across sociodemographic groups reveal how marriage gains change with schooling and aging. Second, differences between employed and unemployed agents reveal how different types of households are affected by unemployment. Third, knowing the household production function allows to compute counterfactual equilibria and compare welfare under different levels of unemployment risk.