

Thesis Abstract

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Educational gradients in marriage, cohabitation, and fertility (Job Market Paper)

In this paper, I study the choice between marriage and cohabitation joint with fertility decisions. Non-marital cohabitation, living with a partner without getting married, is a common practice in the U.S., and increasingly many children are born to cohabiting parents. Despite this prevalence, the economic literature in the family typically ignores cohabitation as a form of household union distinct from marriage or being single. Furthermore, the few existing studies on cohabitation assume differential preferences to explain the choice between marriage and cohabitation (for example, Brien, Lillard, Stern (2006); Gemici and Laufer (2012)). I document that there are educational gradients in fertility and union choices. Less educated women are more likely to cohabit and give birth while cohabiting than more educated women. I build a lifecycle model of fertility and household union choice, featuring the trade-off between quality and quantity of children in order to be consistent with these observations. I assume that married couples pay a cost to divorce. Cohabitation provides costless separation, but there is an exogenous separation shock. These assumptions imply that the duration of marriage is longer than cohabitation. Because more educated women value having children of higher quality, they are more likely to choose marriage, which is more stable than cohabitation. Less educated women are willing to form a household union even with low match quality in order to have the economic benefit of living together. I calibrate the model parameters to be consistent with lifecycle fertility and union decisions of the National Longitudinal Survey of Youth 1979 (NLSY 79) cohort using samples from NLSY 79 and National Survey of Family Growth 2002. The model closely matches the fertility decisions, and captures the educational gradient in cohabitation. Using the calibrated model, I conduct three exercises. By removing the quality dimension of children, I examine the link between fertility and union choice. I find that people are less likely to marry if there is no quality dimension. If the gender gap of earnings closes, as we observed in data over time, there are fewer married couples in the model. I also study the effect of introducing common-law marriage. I find that it leads fewer people to cohabit, and more children to be born to married parents.

Why do couples cohabit? On the increasing trend of cohabitation

Cohabitation has become a common practice in the U.S. In the 2006–2010 National Survey of Family Growth (NSFG), 11% of 15–44-year-old women in the U.S. were cohabiting. A majority of women have experienced cohabitation in their lifetimes. However, this is a new practice. In the NSFG 1973, only about one percent of women were cohabiting. In this paper, I study what has caused this change. Periods of cohabitation are shorter than marriages. In addition, cohabiting females are more likely to participate in the labor market and work full-time as compared to their married counterparts. I build a novel model of household formation that includes marriage and cohabitation. The household formations are limited commitments in the model: married couples and cohabitants can separate. However, the model assumes that divorce is more costly than the separation of a cohabitation. Married couples are more willing to specialize between labor market work and home production than cohabitants due to this higher cost of separation. Cohabitants do not specialize as much as married couples do because they face a higher probability of separation. If they specialize and separate, the one who specialized in home production faces wage loss in the market. I find that increasing income volatility alone cannot explain the trend, and the closing of gender wage gap is consistent with the trend.