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AUTHORS

Hryshko, Dmytro Juhn, Chinhui McCue, Kristin

TRENDS IN EARNINGS INEQUALITY AND EARNINGS INSTABILITY AMONG US COUPLES: HOW IMPORTANT IS ASSORTATIVE MATCHING?

ABSTRACT

We examine changes in inequality and instability of the combined earnings of married couples over the 1980-2009 period using Social Security earnings data matched to Survey of Income and Program Participation panels. Relative to male earnings inequality, the inequality of couples' earnings is both lower in levels and rises by a smaller amount. We also find that couples' earnings instability is lower in levels compared to male earnings instability and actually declines in these data. While wives' earnings played an important role in dampening the rise in inequality and year-to-year variation in resources at the family level, we find that marital sorting and coordination of labor supply decisions at the family level played a minor role. Comparing actual couples to randomly paired simulated couples, we find very similar trends in earnings inequality and instability. (C) 2017 Elsevier B.V. All rights reserved.

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