

## **Interactions in the Labor Market Behavior of Couples over the Life Course**

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This study looks at the correlations in labor market behavior of married couples over different phases of the life course. There are reasons for both complementary and substituting interactions in work behavior, and for these relationships to change over different periods of life. For example, spouses may substitute their labor supply during childbearing years, or following an adverse employment shock, if one spouse increases work behavior in response to reduced work by their partner. On the other hand, spouses may like to coordinate their work and leisure in ways that relate positively, such as the timing of retirement in later life.

The interactions in labor market behavior of spouses may also be changing over time, particularly in ways that relate to the changing work patterns of women more generally. Since 1960 married women's labor force participation rate has doubled from 30 percent to over 60 percent, and their labor force attachment has increased. Both educational attainment and labor force participation among women are now much closer to those of men. This may reduce the opportunities for substitution in the labor market, and may increase the joint impact of labor market shocks and other factors on both spouses together. The goal of this project is to examine these changes, focusing particularly on how married women's long-run work behavior has changed the couples' ability to coordinate labor supply over the life course. The study focuses on three types of events where coordination of spousal labor supply would be important: job loss, birth of a child, and retirement.

The first phase of this work, reported previously, considers labor market transitions of couples, finding that non-working married women are more likely to enter the labor market if their husbands leave employment. While this phenomenon is still important for couples where the wife is initially not employed, the effect has become less important in aggregate since the fraction of single-earner couples have declined. In this paper we extend this analysis by examining wife's response at the intensive margin as well, such as weeks and annual hours worked. The analysis is also extended to consider spousal interactions in the labor market that might be associated with childbirth and retirement. The study uses the March Current Population Survey files matched across spouses and across adjacent years, allowing us to examine changes in employment status and other labor market variables for each couple over time. We also use data over a 40-year period from 1968 to 2007 in order to analyze *shifts* in behavior across cohorts.

Confirming previous results, the study finds a robust life cycle pattern in the coordination of spousal labor supply. Couples' weeks and hours of work are weakly (positively) correlated during the main child-bearing ages of 25 to 39. As couples age, however, the positive correlation becomes stronger. This suggests that couples' time at home can serve as substitutes during child-bearing ages and complements

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later in life. At older ages, couples continue to exhibit a strong positive correlation in retirement transitions.

The study also finds that labor supply changes have become more positively related with each successive cohort consistent with the increased labor force attachment and career-orientation of married women. The positive co-movement of labor supply changes appear to be due to both increased correlation of weeks and hours changes among working couples, as well as the more limited hours response to a husband's job loss among women who are already working. The increasing positive co-movement in weeks and hours worked is most pronounced among couples in age groups older than 40, and particularly among those over 55. Among these older couples, we find increasing positive correlation in retirement transitions, with both the husband and the wife increasingly likely to exit employment upon exit of the spouse. This contrasts with younger age groups (age 25 to 39), where there is evidence of increasing specialization associated with childbirth in the most recent post-Baby Boom cohorts. While the overall labor force participation rates of younger women have not decreased, the hours and weeks worked by couples in younger cohorts co-vary negatively when a child is born, mimicking the pattern observed among the oldest cohorts.

The full working paper is available on our website, [www.nber.org/programs/ag/rrc/books&papers.html](http://www.nber.org/programs/ag/rrc/books&papers.html) as paper NB08-03.

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