

## Is There Still an Added Worker Effect?

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A potential aspect of marriage is the ability to share risks. If the husband becomes unemployed or ill, for example, the wife may enter the labor force to make up for the loss in family income – a phenomenon labor economists have labeled the “added worker effect.” The extent to which the work decisions of couples interact in this way, however, is influenced by many factors, such as the characteristics of marriage, the availability of unemployment insurance, and access to private credit and insurance markets. So the size of the added worker effect could be large or small.

There are reasons to suspect that the value of marriage as a risk-sharing arrangement has diminished over the past several decades. For example, the availability of unemployment benefits and/or disability benefits decreases the need for spouses to adjust their behavior. At the same time, the increases in two-earner families may have reduced the capacity for an added worker effect. Since 1960, for example, married women’s labor force participation rate has doubled from 30 percent to over 60 percent. The fundamental question we ask in this paper is whether these shifts – particularly shifts in married women’s long-run work behavior – have impacted the “added worker effect” and, more generally, the co-movement of couples’ employment.

We use March Current Population Survey files matched across adjacent years to examine whether labor market transitions of husbands and wives are jointly determined. Among couples where the wife is not in the labor market, we continue to find evidence of an added worker effect. In these couples, the wife is five to six percentage points more likely to enter the labor force if the husband exits employment than if the husband remains employed. However, while this compensatory behavior still exists, its aggregate impact is smaller, because of the decreasing numbers of one-earner couples.

We then look at all labor market transitions and the extent of co-movement in the changes made within couples. Here, again, we find a significant change between the 1960s and today. In 1968, the employment transitions of couples appear to be negatively correlated, compared with a positive correlation in 2005. The positive co-movement of couples’ employment in recent years points to a diminished role for intra-family risk-sharing.

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 NB07-14.

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