

A graphic of a spiral-bound notebook with a grey cover and a white page. The spiral binding is on the left side. The text is centered on the page.

# Household Structure and Income Inequality

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## Postwar Changes in Household Structure

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- ✓ Fewer extended family households
- ✓ Family size increased and then decreased
- ✓ Growth in # of two earner family household
- ✓ Growth in # of lone parent family household
- ✓ More single adult households

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# Impact on Income Inequality and Poverty

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- ✓ Decomposition analysis -- not real life?
- ✓ Impact of wives' earnings on family income distribution
- ✓ Status of female headed, lone parent families
- ✓ Endogeneity of household structure

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# A Hypothetical

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## ✓ Five households

- 100,000, only husband worked
- 70,000, husband earned 70,000
- 50,000, only husband worked
- 50,000, husband earned 30,000
- 40,000, husband earned 20,000

## Hypothetical cont.

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- ✓ Calculate Gini coefficients
- ✓ Calculate Gini coefficients less wives earnings
- ✓ Assumptions that affect results?

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# Economic Theory of Household

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- ✓ Theory of comparative advantage and gains from specialization
- ✓ Determinants of wives' labor supply
- ✓ Positive assortative mating
- ✓ Implications for income inequality

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# Hypothetical Revisited

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## ✓ Five households

- 175,000, husband earns 100,000
- 100,000, husband earns 60,000
- 80,000, husband earns 40,000
- 50,000, husband earns 25,000
- 40,000, husband earns 20,000

# What has happened?

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- ✓ Explaining the growth in LFPR of married women
- ✓ Empirical evidence of impact of wives' earnings
  - Maria Cancian's study
    - 1968 Gini, white couples, .300, less wives, .320
    - 1988 Gini, white couples, .324, less wives, .357
    - 1968 Gini, black couples, .322 less wives, .320
    - 1988 Gini, black couples, .337, less wives, .367



A decorative graphic of a spiral-bound notebook is positioned on the left side of the slide. The spiral binding is on the left edge, and the notebook pages are represented by a light gray background with a white central area where the text is located. The spiral binding is composed of several loops, each with a small circular end. The notebook is oriented vertically, with the spiral binding on the left side. The text is written in a black, serif font on the white pages.

# Female Headed Households

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## ✓ Why the growth in female headship?

- Decline in earnings of men
- Increase in relative wages of women
- Decrease in other benefits/costs of marriage
- Change in tastes

## ✓ Implications for distribution of income

- Zero earner versus two earner families
- Single person households -- where are the men?