Shaky Ground? Trends in the Risk of Large Earnings and Income Drops Among Demographic Groups
Scott Winship
Harvard University
Draft of May 12, 2009

Abstract

I examine trends in the risk of large earnings and income drops for several different demographic groups in order to determine the extent to which trends and levels of instability are accounted for by those variables. Using the PSID, I present trends in male earnings, female earnings, and family income instability by relationship status, whether a birth occurs, age, educational attainment, and race. The results indicate that instability is highest among less-educated men and women, black men, new mothers, and women whose relationship ends. Over time, instability rose among men within each educational category, among less educated women, among men experiencing a breakup, and among families headed by an adult under age 40 or a college graduate. Differences in trends across demographic groups explain very little of the overall trends in instability observed in Chapters Two and Three. Rather, higher educational attainment and, among women, declining and delayed fertility and relationship formation shifted Americans into lower-instability demographics over time.

Chapter 4
Shaky Ground? Trends in the Risk of Large Earnings and Income Drops
Among Demographic Groups
Scott Winship, Doctoral Dissertation

Introduction

Thus far, this dissertation has sought to describe trends in earnings and income

instability, a task that has proven surprisingly difficult if the body of conflicting research

produced to date is any indicator. One way the previous chapters have shed light on

trends in economic instability is by analyzing trends separately for men and women. In

this chapter I continue exploring subgroup differences in economic instability trends.

The results provide some hints about the sources of such instability and its evolution over

time.

Among the various potential sources of economic instability, and beyond the

obvious first-order factors of job loss and other employment problems, sociologists might

point to such factors as family change, life-cycle stage, levels of human capital, and the

various structural, institutional, and interpersonal advantages or disadvantages related to

ascribed race. The analyses below examine these factors, focusing on the risk of a large

drop in earnings or family income.

I find that different trends across demographic groups explain little of the overall

instability trends found in Chapters Two and Three. Rather, compositional shifts from

relatively high instability categories to relatively low instability categories either lowered

instability further than it would have declined or prevented it from rising. Specifically,

the secular increase in educational attainment and the decline and delay in fertility and

relationship formation appear to be the most important factors affecting trends in

economic instability.

Methods and Data

The results below build on those presented in Chapters Two and Three. Once

again I use the PSID, and I keep all methodological decisions consistent with those

chapters, with a few exceptions noted below. The sample is restricted to persons between

the ages of 21 and 60 during the survey (which makes them 20 to 59 years old in the year

for which income is reported).[1] Chapter Two provides the fullest discussion of the

considerations involved, while Chapter Three discusses issues specific to the *income*

instability estimates.

Measures of Earnings, Income, and Instability

For the results in this chapter, I examine four measures of economic resources:

labor income (separately for men and for women) and pretax family income (unadjusted

and adjusted for family size).   Labor income adds to wages and salary income a share of

self-employment income and also includes earnings from a number of other sources, such

as bonuses, tips, and commissions. As indicated in Chapter Two, male labor income

instability appears to have increased more than male wage instability. Pretax family

income aggregates the labor income of all family unit members, as well as their asset and

transfer incomes. It does not include capital gains, lump sum payments such as lottery

winnings, or in-kind transfers.

While the results in Chapter Three did not differ much regardless of whether or not I adjusted for family size, it is obvious that for some of the demographic factors I examine below—such as partnership dissolution—the amount of instability involved may depend on whether one examines family income or income per person. I adjust for family size by dividing by the square root of family size measured as of the previous survey, since respondents are asked about income received in the previous year. As discussed in Chapter Three and below, there is an inconsistency in the way that the PSID collects this information in that the survey asks about last year's income for the current year's family members, which is not necessarily the same as last year's income for last year's family members. My sensitivity tests in Chapter Three found, however, that this issue did not strongly affect the results. Since I require a measure of family size in the previous year and the PSID switched to biennial surveys after 1997, my time series for adjusted family income stops at 1996.

As in Chapter Three, for the income instability analyses, I include non-sample members who live in family units that include a sample member, in order to ensure the proper ratio between partnered adults and single adults. The earnings analyses, in contrast, are restricted to sample members of the PSID.

As discussed in the introduction, the literature on economic volatility has obscured the point that the real risk to families is that of earnings or income drops. Conditional on a given likelihood of experiencing such a drop, volatility is actually beneficial in that it amounts to recovery from drops. In this chapter, therefore, I focus on the risk posed by large earnings or income drops, or *absolute downward short-term mobility*. I ignore downward *relative* mobility here, focusing instead on the risk of a 25

percent drop in earnings or income over a two-year period. Absolute mobility is a more direct measure of the risk of income decline than relative mobility, since the latter can remain unchanged even when income drops (if it also drops for others, as is more likely during recessions).

One departure from the previous chapters is that here I bottom-code all earnings and incomes under $1 (in 2007 dollars) to $1. This decision has the effect of including individuals who report no earnings or income for an entire year. Because I am interested in how members of different types of families fare, particularly when their family changes, and because being in a relationship can alter the decision to work or not, I want to include adults who enter or exit from work. Recoding in this way allows me to adequately compute percentage changes when a person moves from $0 to positive earnings or income while keeping the percent change when a person has no earnings in either year at zero.

As in the previous chapters, I trim the bottom and top two percent of observations (this time including the recoded $0 observations).[2] I adjust all incomes for inflation using the CPI-U-RS, linking it to the CPI-U for earlier years.[3]

Groups Examined

Partnership and Birth Status. The PSID asks about the previous year's income sources of the current year's family unit members. If a couple breaks up or forms, there is a mismatch between the previous and the current years' family unit members. The two groups will be the same only for families that experience no changes in family

composition. As a result, family incomes will be mis-measured when there are family composition changes.

It is possible to get around this problem in 1968-1997, when the PSID was administered annually. To do so, I temporarily confine the sample to adults whose partnership status was the same in the survey year as in the previous year (years y and y-1) and also consistent in years y-2 and y-3. This allows me to look at the risk of an income drop between survey years y-1 and y-3 depending on what happened to the person's partnership status between years y-1 and y-2.

Because the PSID treats cohabiters as spouses and asks about their earnings and income if they appear in at least two rounds of the survey, I do not differentiate between spouses and multi-year partners. I used the relationship-to-head variable and the "marital status" of the head in these years, which classifies cohabiters that have lived together for two surveys as married, to group heads and wives into four initial categories: continuously partnered, continuously single, became partnered, and became single.

For the earnings analyses, I split out the "continuously married" category depending on whether or not a birth occurred between years y-1 and y-2. In particular, one might suspect that large earnings drops for women are more likely in years when they give birth. I ran into sample size problems when I tried to split other categories depending on whether a birth occurred. For the income analyses, I split out the "became single" category by sex, since relationship disruption could affect men and women differently. Again, sample-size considerations made it problematic to create additional categories, and trends and levels were similar for men and women for other family experiences when I experimented with additional categories. Because the income trends

and levels were also similar for continuously married adults depending on whether a birth

occurred, I chose not to split that group into two for the income analyses.

Because the approach I use requires annual data, the results I present by

partnership status only extend through the years in which the PSID was administered

annually. The requirement of having observations as far back as year y-3 means that my

time series do not extend quite as far back as in the other analyses. The partnership status

analyses cover earnings and income drops experienced in the years 1971 to 1995.[4]

Age. I consider downward mobility for four age groups: those age 20 to 29 years

old in the year for which they report income, those 30 to 39 years old, those 40 to 49

years old, and those 50-59 years old. Note that students and retirees who have earnings

are included in the analyses, though as noted in Chapter Two, their inclusion does not

seem to strongly affect the results, and there are problems associated with trying to

remove them.

Education. I look at separate trends for individuals with less than a high school

education, high school graduates (not including GED holders but including those who go

on to attend some college without getting a bachelor's degree), and college graduates

(with a bachelor's degree or a graduate degree). From 1968 to 1990, the education

variable is based on a series of questions about the respondent's educational history,

including the highest degree they received. From 1991 to 2005, the variable is simply the

highest grade completed. In the family income analyses, I use the educational attainment

of the head.

Race. I examine trends separately for blacks and whites. Until 1985, there is no

separate variable indicating the race of the wife. I assign her the race of the head in those

years. Between 1973 and 1984, the head's race was imputed based on the 1972 response,

with split-off families assigned the race of the head of the family that they left. In 1985 a

new race question was asked of all heads and wives, and it was asked of new heads and

wives in subsequent years. Hispanicity was also determined for all heads and wives

beginning in 1985. However, since the SRC sample that I use is representative only of

those who were resident in the U.S. as of 1968 (and their offspring), it misses post-1968

Hispanic immigrants and their descendants. For this reason, I do not try to separate out

Hispanics from other groups, and I omit the results for the "other" racial category. Also

beginning in 1985, respondents could select multiple racial categories. I code sample

members based on the first racial category they select. For the family income results,

race is based on the race of the family head.

Results

Which groups face the biggest risk of a large drop in economic resources? How

have relative risks changed over time? What do these patterns tell us about the source of

the trends found in previous chapters? The findings here provide answers to these

questions and hints for future research on trends in economic risk.

Family Composition and Change

Figures 1 through 4 present trends broken out by partnership and birth status in

the risk of drops in male labor income, female labor income, pre-tax family income, and

family income adjusted for family size. In these family composition charts, unlike the

charts to follow, all figures are shown as three-year moving averages to smooth

fluctuations arising from relatively small sample sizes. In particular, the annual sample sizes for adults who become single are quite small (under 50 cases per year, sometimes well under 50 cases). Because of the small sample sizes and the smoothing, the reader should not draw inferences about relatively small differences or changes in these charts.

The most striking feature of Figure 1 is the high incidence of large earnings losses among men whose relationship ended between the two years earnings were recorded, particularly during the recessions of the early 1980s and 1990s. In the early-1980s recession, roughly one in three men whose relationship ended experienced an earnings drop of 25 percent or more, though sampling error may account for the extreme magnitude of the increase. In contrast, men in families with a new birth tend to have a lower incidence of earnings drops, never more than 16 percent of them from 1971 to 1995.

Both of these results are likely to strongly reflect selection. It is more likely that the employment problems that led to earnings drops also led to the breakup of relationships than that breakups led to subsequent earnings losses. Similarly, it is probably less likely that a birth reduces the risk of an earnings drop than it is that couples tend to time their births so that they occur when the husband is economically stable. However, it is also likely to be the case that some men whose partners are expecting or who are new fathers choose to stay at their job even though they would leave if not for the new mouth to feed.

Interestingly, men who enter into a relationship during recessions have a relatively high incidence of earnings drops, even though their incidence is not particularly high during recoveries. This could reflect decisions by couples to move in together as a

response to or in anticipation of the male's employment problems, or it could indicate that when some men move to a new location to be with a new partner, they have a tougher time finding a job during a recession.[5] Alternatively, it could indicate that some men take advantage of the insurance provided by a second earner to change jobs during recessions. However, if the latter explanation were salient, one would expect to see men continuously in couples also taking advantage of this opportunity, and one would expect to see men in new relationships taking advantage of the opportunity during recoveries.

The trends in Figure 1 reflect the cyclical pattern observed in the previous chapters, with the risk of drops higher when the economy is performing poorly. The general trend observed in Chapter Two of a rising risk of a drop through the early 1980s but no more than a small increase thereafter is reflected in the trend for continuously partnered men with no births. Continuously partnered men experiencing a birth saw their risk of an earnings drop continue to increase after the early 1980s, but the share of men who were continuously partnered and experienced a birth declined over time. Continuously single men and men who enter into relationships seem not to have faced a rising risk of earnings drops.

Figure 2 presents analogous trends for women, which are dramatically different. Unsurprisingly, the highest incidence of earnings declines comes among women experiencing a birth, about 40 to 45 percent of whom see their earnings drop by at least 25 percent.

The other group who disproportionately experience large earnings drops is women who enter into a relationship, although over time the distinction between them and other women largely disappeared. This pattern likely reflects a combination of two

influences. First, particularly in the earlier years, some women may have stopped working or reduced their hours upon entering into a marital or cohabiting relationship, often times in anticipation of starting a family. The sharp decline in the incidence of earnings drops among this group is consistent with this explanation, as fewer and fewer women became fulltime homemakers over this period. Second, it may be that many working women ended up having to change jobs because their entering into a relationship coincided with their partner taking advantage of a job opportunity in another geographic location.[6]

Levels of downward mobility for continuously partnered or continuously single women appear comparable to those for men whose relationship status is constant. The relatively low rates of downward mobility for women who become single compared with men who do reinforces the interpretation of the high male rates as reflecting mainly selection. Male employment problems apparently lead to relationship problems rather than vice versa. Downward mobility among women who become single is likely limited by some combination of greater labor force participation among women upon becoming single and of pre-emptive increases in labor force participation in anticipation of becoming single.

One other notable finding in Figure 2 is that only one of these categories of women experiences the sizable decline in downward mobility that was observed in Chapter Two for all women. In results not shown, I found that the decline in earnings instability among women is due to a compositional shift: the number of continuously partnered women with a new birth has declined, and the number of continuously single

women has increased. The shift from a high-downward-mobility category to a low-downward mobility one produces a decline in downward mobility over time.

In Figure 3, which shows the risk of downward mobility in family income by relationship status, I am forced to change the scale to accommodate the dramatic differences across categories. Figure 3b returns to the scale of Figures 1 and 2, using a second axis to show the estimates that do not fit within this range. The figures combine men and women for each category, except that they separate out men and women who become single. Clearly, the dissolution of a relationship results in a substantial shock to family income, with 60-80 percent of women experiencing a 25 percent drop in income and 30-60 percent of men. These patterns are in contrast to the stability of women's earnings after a break up, reflecting the decline of income that occurs in moving from (often) two earners to one.

Of course, a person living alone rather than with a partner does not require two incomes, so the large income declines when relationships end may be less serious than Figure 3 conveys. To examine this possibility, Figure 4 looks at family income adjusted for family size (Figure 4b again uses the same scaling as Figures 1 and 2). When incomes are adjusted for family size, men whose relationship ends experience much less instability than Figure 3 implies (though the risk of a 25 percent income drop has risen steadily for them over time).

In contrast, women whose relationship ends still experience a large risk of income declines, even adjusting for family size. These patterns presumably reflect at least two factors. First, it remains the case that male earnings typically make up a larger share of family income than female earnings do, so when relationships end, the economic loss will

be felt more by women. Second, when a couple has children, the female partner is more

likely than the male partner to have custody of the children. Because any child support

contributed by a mother's former partner will be notably less than his income was, the

woman's family income is likely to fall more than her family size. From the early 1970s

to the early 2000s, 45 to 80 percent of women whose relationship ends experienced a 25

percent drop in size-adjusted family income. The risk of a large income drop has

declined sharply over time, though it remains far above the risk for other groups.

Figures 3 and 4 show a corresponding but less dramatic difference in the risk of

an income drop for adults who enter into relationships. If family income is not adjusted

for family size, the risk is less than 10 percent for these adults. It is rare for the addition

of a potential earner to lead to a large drop in income. However, when incomes are

adjusted for family size, the risk increases to roughly 10 to 20 percent, similar to that

faced by continuously single or partnered adults. This risk is still low, however. In 1995,

the last year for which I can break these categories out, just one in six working-age adults

who did not experience the breakup of a relationship or a birth saw their family-size-

adjusted incomes drop by 25 percent or more, and this risk had not increased appreciably

over time. Indeed the risk only increased appreciably among men whose relationship

ended and among partners experiencing a birth.

One final pattern worth noting is the difference between Figures 3 and 4 in

instability patterns for partners experiencing a birth. Before adjusting income for family

size, the risk of a large income drop for continuously partnered adults appears unaffected

by births. This surprising result may be due to several factors. Many couples

experiencing a birth may already have a non-working wife, in which case there would be

no change in income. For other couples, the time taken off by the wife after delivery may

be short enough that the resulting income loss is less than 25 percent. And there is

probably some selection in that many couples are likely to time their births so that they

are doing well financially in the year the child is born or in subsequent years. Note,

however, that after adjusting for family size, Figure 4 shows that the addition of a new

family member clearly translates into a higher risk that economic resources per person

will drop by 25 percent or more.

Age

In addition to family changes, economic instability is also likely to change over

the course of adults' working lives, as they gain experience, settle into a career path, and

approach retirement. Figures 5 through 8 show trends in the risk of a large income loss

for four age groups – persons in their 20s, 30s, 40s, and 50s. Looking at male earnings

instability first, adults age 20 to 49 have similar instability levels and trends, as shown in

Figure 5. Older men, however, appear to have a higher risk of downward earnings

mobility after the early-1980s recession. This pattern could simply reflect a decline in

age at retirement, or a more gradual transition into retirement, in which older men reduce

their work hours prior to dropping out of the labor force entirely. Or it could indicate a

secular shift upward in the instability faced by older workers. The risk of an earnings

drop does not appear to have increased after the early 1980s for any age group.

Figure 6 indicates that trends for women are different, with little cyclicality,

young women experiencing a declining risk of an income drop, and older women

experiencing a rising risk. The pattern among younger women reflects declining fertility as well as increasingly delayed marriage and fertility.

Turning to family income, Figure 7 shows that income instability is higher for younger and older families than for families with a head age 30 to 49. Families tend to have the same trends in instability regardless of the head's age. Instability has risen a bit among families with a head under age 40 since the early 1980s, although without knowing what happened after 2004, it is difficult to say this conclusively. Finally, Figure 8 indicates that after adjusting for family size, young adults experience the highest levels of family income instability, with levels 5 percentage points higher than adults age 30-49. Older adults' instability levels and trends look much like those of adults 30-49 until the mid-1980s, after which levels increased to those of young adults.

Education

One of the primary developments in the American economy in recent decades is the rise of the wage premium for college graduates, as the supply of college graduates failed to keep pace with demand. Figures 9 through 11 examine whether the growing disparity in earnings between those with relatively little education and college graduates translated into differences in economic instability.

Figure 9 shows that even after the early 1980s, the risk of a large earnings drop rose for high school dropouts, high school graduates, and college graduates alike. Among college graduates, it rose from around 10 percent in the early 1970s, to around 12 percent in the early 1980s, to 15 or 16 percent in the early 2000s (comparing similar points in the business cycle). Instability was higher among men with less education,

particularly during the recessions of the mid-1970s and the early 1980s (when it briefly exceeded 30 percent). In fact, the reason that the risk of a large income drop stayed fairly constant among all men after the early 1980s is that there was a large compositional shift in the population from men with less than a high school degree to men who have a college degree. This shift drew men into more stable educational categories.

Women also benefited from this shift. Figure 10 shows that the risk of a large earnings drop probably rose after the early 1980s among the least-educated women and fell only among college graduates. But the number of women with college degrees increased over the period, putting more and more of them into a category with lower earnings instability and a flat or declining trend. Particularly in recent years, the least educated women have experienced greater risks of downward mobility than other women.

Finally, family income instability trends by the education of the head are shown in Figure 11 (I omit results for family-size-adjusted income, which gives similar results). Clearly instability is higher the lower education is, and this disparity is stronger during recessions. The risk of a large income drop increased after the early 1980s only among families headed by a college graduate, rising from about 13 to 14 percent of adults to about 15 to 19 percent. But because these families had relatively low instability compared with other families, the increase in college graduation among family heads meant that overall income instability did not increase.

Race

The last demographic breakdown I examine is race. The PSID began in the wake of the civil rights gains of the mid-1960s and the racial tensions that followed. Did the experience of African Americans improve relative to whites? Figure 12 shows the familiar pattern of increases in male earnings instability through the early 1980s, with little secular trend after that. The estimates for blacks are imprecise, but instability is generally higher among black than white men. There is no evidence that blacks gained (or lost) ground relative to whites.

Turning to female earnings, Figure 13 implies that the decline in instability among women through the mid-1980s was mainly among non-whites, while the trend among white women was relatively flat. Again, there is little change after the mid-1980s for either group. The estimates for black women are too imprecise to determine whether levels differ for blacks and whites. Apparently the racial differences are not as great for women as they are for men, at least from the mid-1970s onward. The early decline in instability among black women may have been a result of civil rights legislation, but that interpretation requires an explanation for why black men did not experience a similar improvement.

Finally, Figure 14 indicates little secular change in family income instability for either whites or blacks (family-size-adjusted results are similar). Families with a black head experience higher instability rates than those headed by a white adult. This finding is perhaps surprising in light of the very different rates of marriage among African Americans compared with whites.

Discussion and Conclusion

The trends observed in Chapters Two and Three obscure a number of interesting differences across demographic groups. First, levels of economic instability differ across groups. Earnings instability is especially high among men and women who do not have a high school diploma, among black men, among women under 30, among women who experience a birth, among men and women who enter a relationship (though less so in recent years among women, and only during recessions among men), and especially among men whose relationship ends. Over time, several of the patterns for women have weakened, however, as they have increasingly come to delay marriage and childbearing and made up some of the ground separating them from men in their wage levels.

Earnings instability is lower than average among male college graduates, white men, men over 50 years old, and men with a new birth. It seems likely that these patterns largely reflect the importance of the skills that workers bring to the labor force, or selection that is related to these skills. In addition, it is possible that greater instability among black men reflects discrimination, inadequate access to job networks, or other factors beyond human capital levels. Greater instability among older men almost certainly reflects a good deal of planned reduction in labor supply.

In terms of family income, groups with relatively high instability include partners experiencing a birth, women exiting a relationship, younger families, and families with heads who are black or high school dropouts. Clearly family change and economic opportunities are both important factors determining female instability levels. Presumably, much family change is anticipated, in which case the resulting instability may be mitigated by precautionary savings or other steps.

As for trends, Chapters Two and Three found that in the 1970s earnings instability rose for men and fell for women, while family income instability showed little secular trend. In contrast, I found increasing male earnings instability after the early 1980s for men with low, medium, and high education levels. Thus the flatness of male earnings instability after the early 1980s is a consequence of rising educational attainment on the part of men, which masks rising instability conditional on education. Earnings instability also rose after the early 1980s among men experiencing a break up and among partnered men experiencing the birth of a child. On the other hand, it declined among men older than 50 years old.

Among women, the risk of a large earnings drop increased after the early-1980s only among those without a high school diploma. It declined among women under 30 and among college graduates. The decline in earnings volatility among women in Chapter Two is largely a function of compositional shifts. Over time, fewer women were partners who gave birth, and more were single. Furthermore, the educational levels of women also rose over time. Both of these compositional changes left more women in relatively low-instability demographic groups.

Finally, turning to family income instability, families headed by a college graduate saw increases in instability over time, as did families with a head under age 40. Both men and women in relationships who experience a birth also suffered rising income instability (adjusting for family size), and men experiencing a breakup did as well. On the other hand, income instability declined among women who experienced a breakup.

In one sense, the demographic variables considered in this chapter explain very little of the trends observed in the preceding chapters. In results not shown, I compared

the risk of a drop in male earnings, female earnings, and family-size-adjusted family income for all adults and for those age 30 and up with at least a high school education, no births, and who were continuously partnered or single. While levels of instability were consistently lower for the latter group than for all adults, the trends were scarcely affected.

The effect of demographic characteristics on instability trends lies in the importance of compositional shifts – increases in educational attainment and, among women, declines in fertility and relationship formation. These shifts moved adults into more stable demographics, which caused economic instability to be lower than it otherwise would have been.

Having shown that economic instability has not increased over time, I conclude with a review of trends in other indicators of economic risk that are largely consistent with the instability trends. The conclusion also addresses the related question of whether economic insecurity has grown before delving into the politics and policy of economic insecurity and risk.

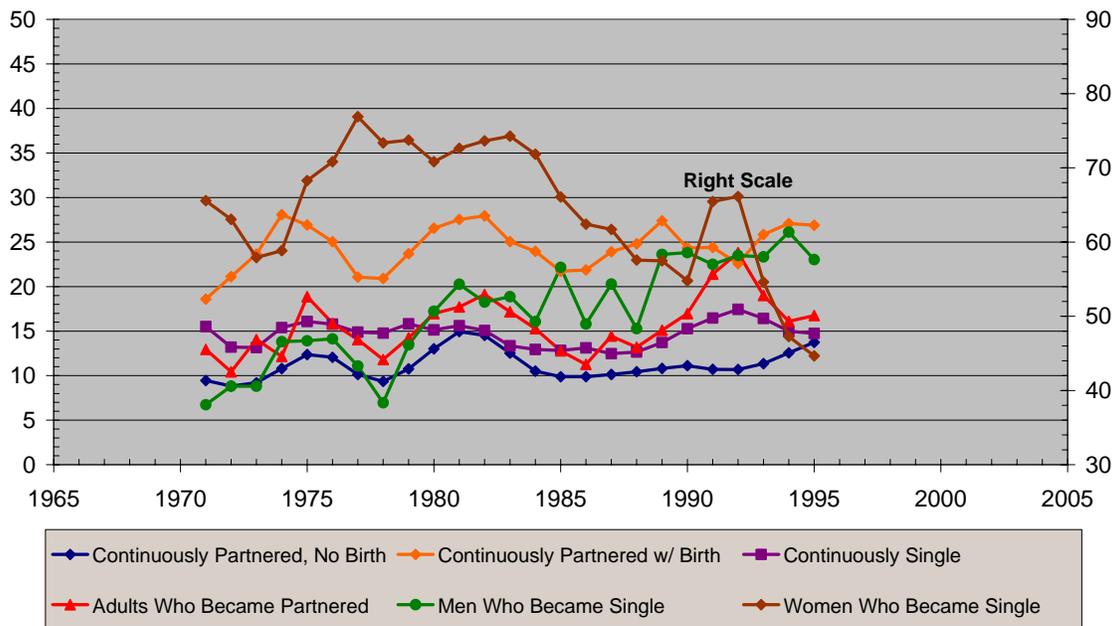**Figure 1. Percent of Male Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Partnership and Birth Status**

Legend:
- Continuously Partnered, No Birth
- Continuously Partnered w/ Birth
- Continuously Single
- Became Partnered
- Became Single
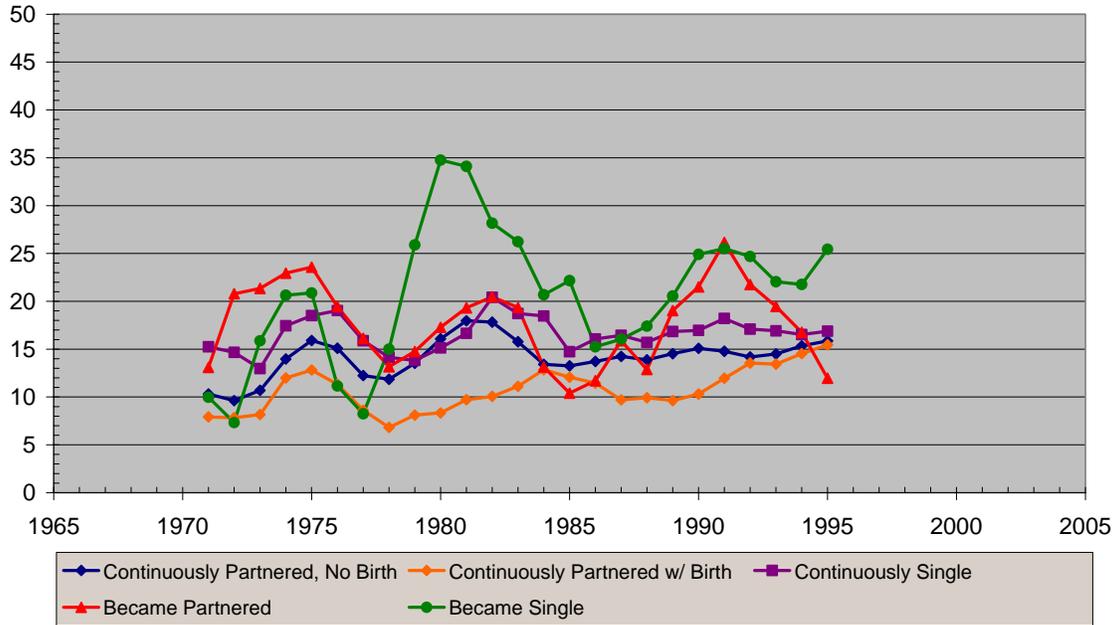
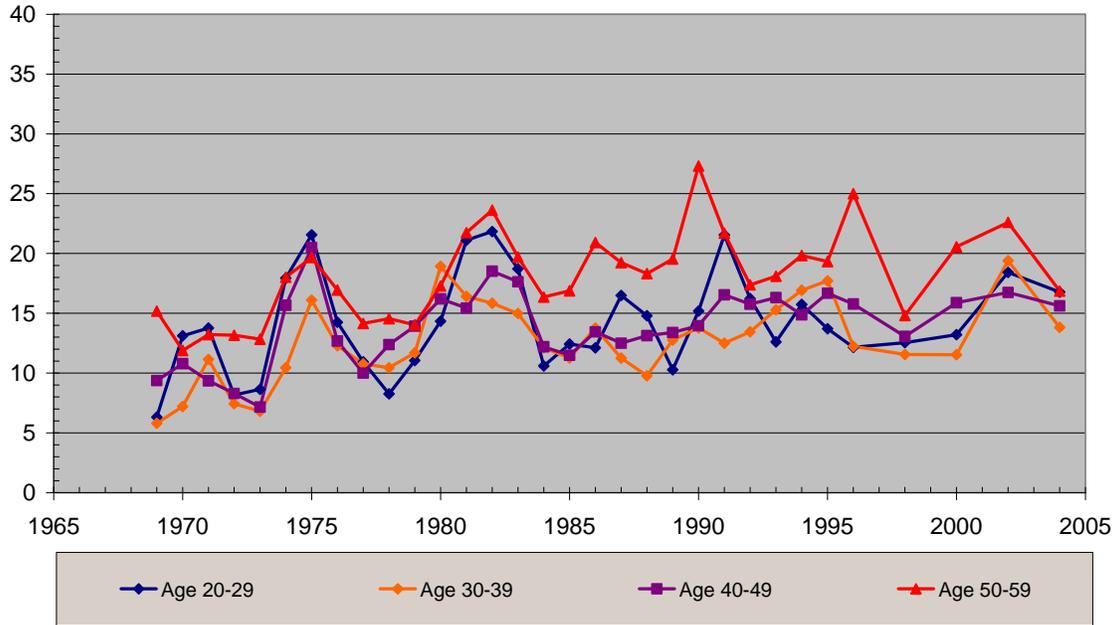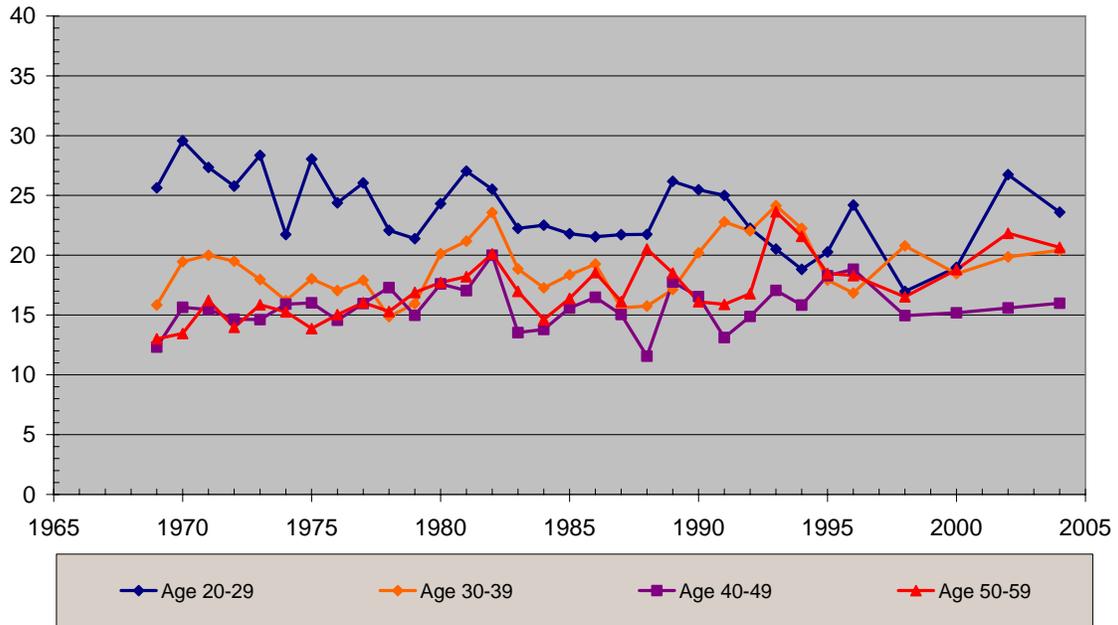**Figure 2. Percent of Female Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Partnership and Birth Status**

Legend:
- Continuously Partnered, No Birth
- Continuously Partnered w/ Birth
- Continuously Single
- Became Partnered
- Became Single
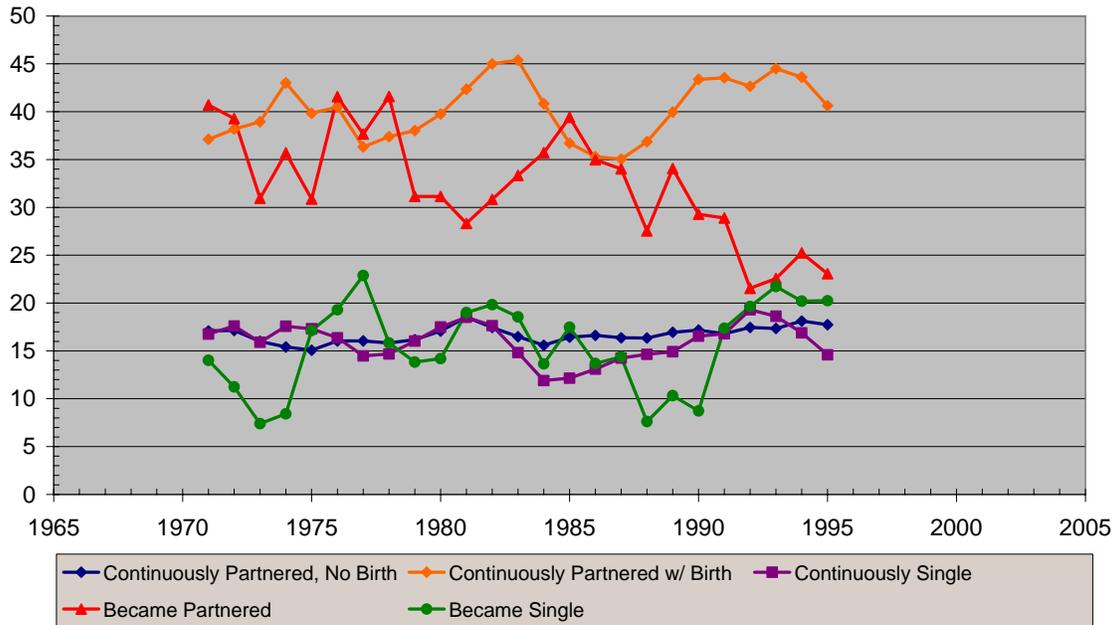
**Figure 3. Percent of Adults Experiencing Two-Year Declines
in Pre-Tax Family Income of 25 Percent or More, By
Partnership Status**
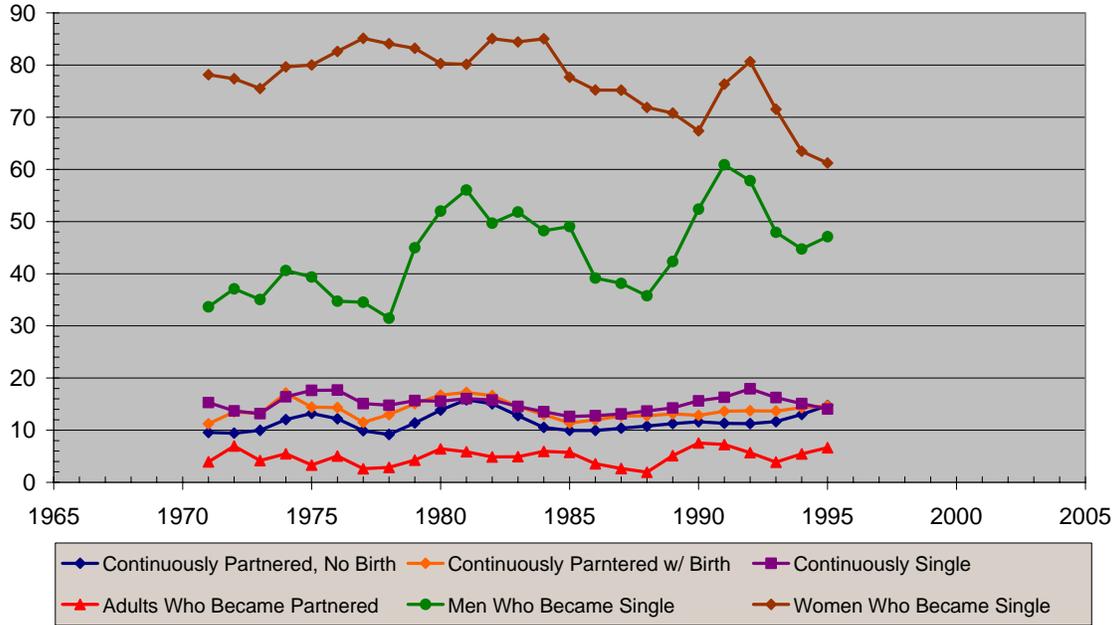
**Figure 3b. Percent of Adults Experiencing Two-Year Declines
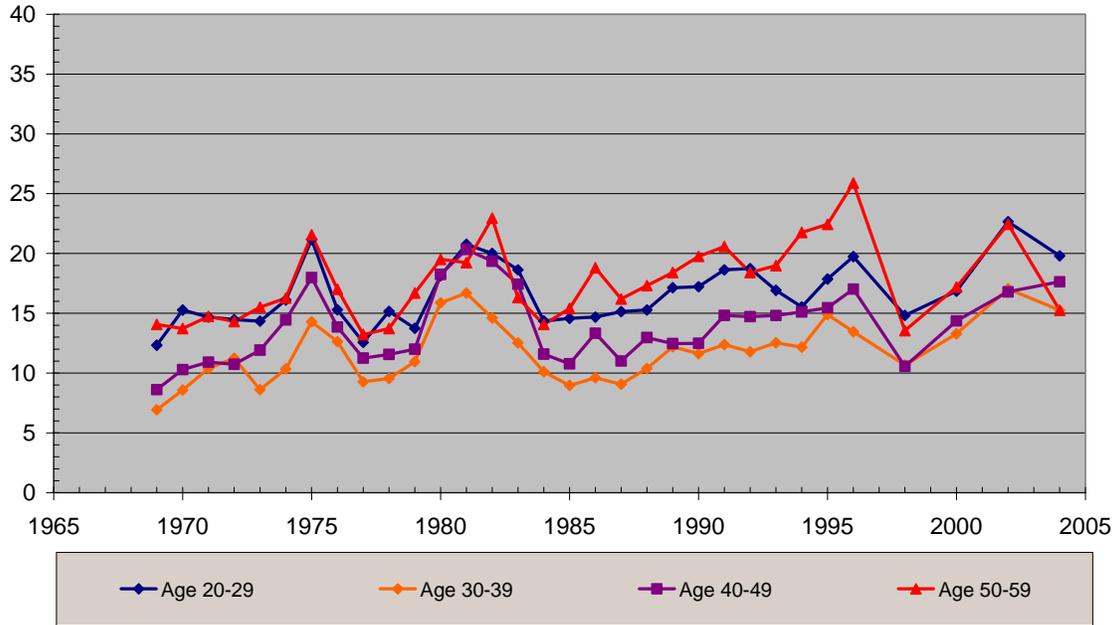in Pre-Tax Family Income of 25 Percent or More, By
Partnership Status**
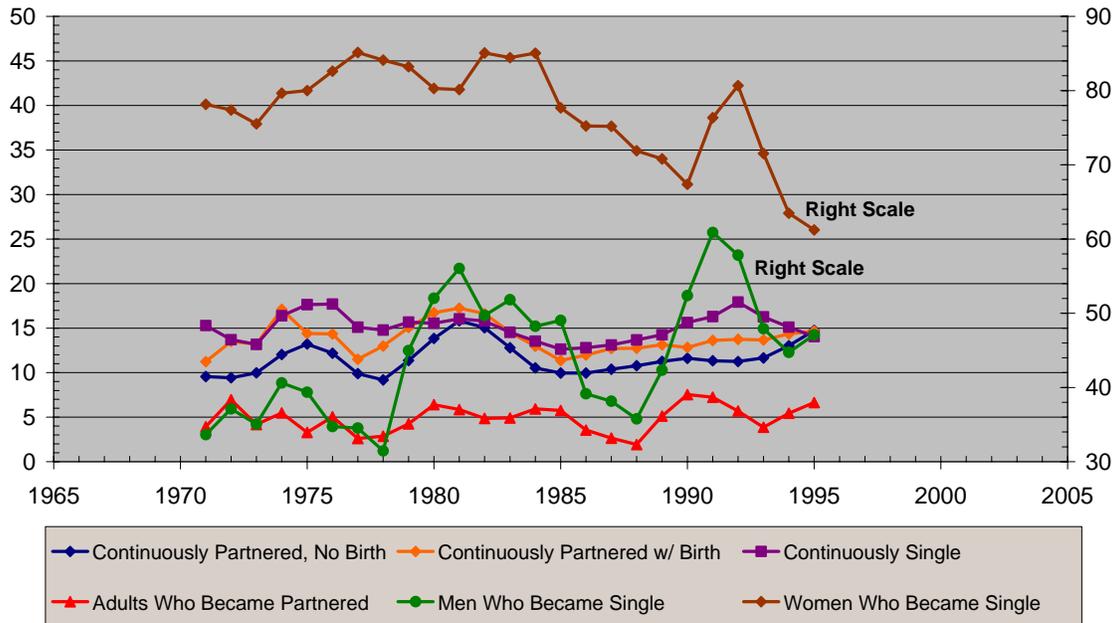
Figure 4. Percent of Adults Experiencing Two-Year Declines in Family Income Adjusted for Family Size of 25 Percent or More, By Partnership Status

Legend: Continuously Partnered, No Birth · Continuously Partnered w/ Birth · Continuously Single · Adults Who Became Partnered · Men Who Became Single · Women Who Became Single
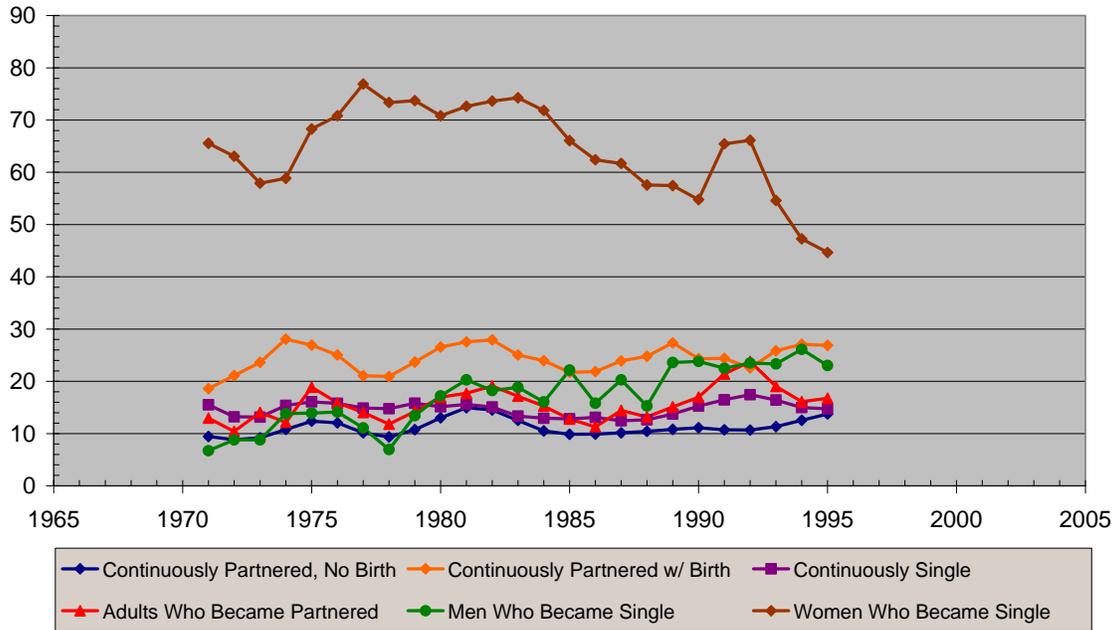
Figure 4b. Percent of Adults Experiencing Two-Year Declines in Family Income Adjusted for Family Size of 25 Percent or More, By Partnership Status


Legend: Continuously Partnered, No Birth · Continuously Partnered w/ Birth · Continuously Single · Adults Who Became Partnered · Men Who Became Single · Women Who Became Single

Figure 5. Percent of Male Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Age

Figure 6. Percent of Female Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Age
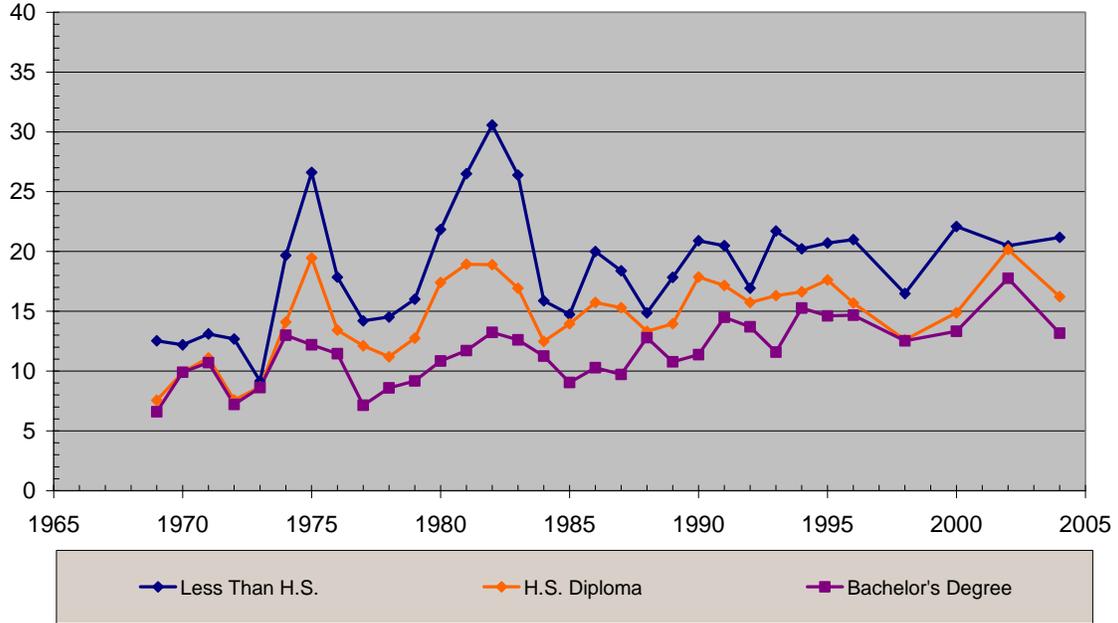

23

Figure 7. Percent of Adults Experiencing Two-Year Declines in Pre-Tax Family Income of 25 Percent or More, By Age

Figure 8. Percent of Adults Experiencing Two-Year Declines in Family Income Adjusted for Family Size of 25 Percent or More, By Age
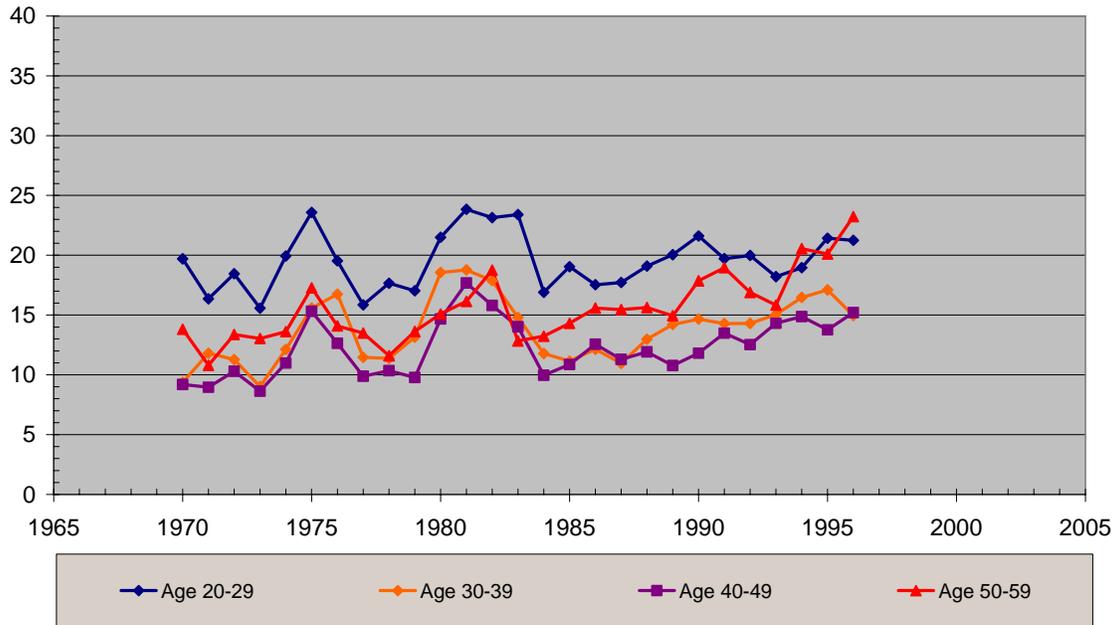
Figure 9. Percent of Male Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Educational Attainment
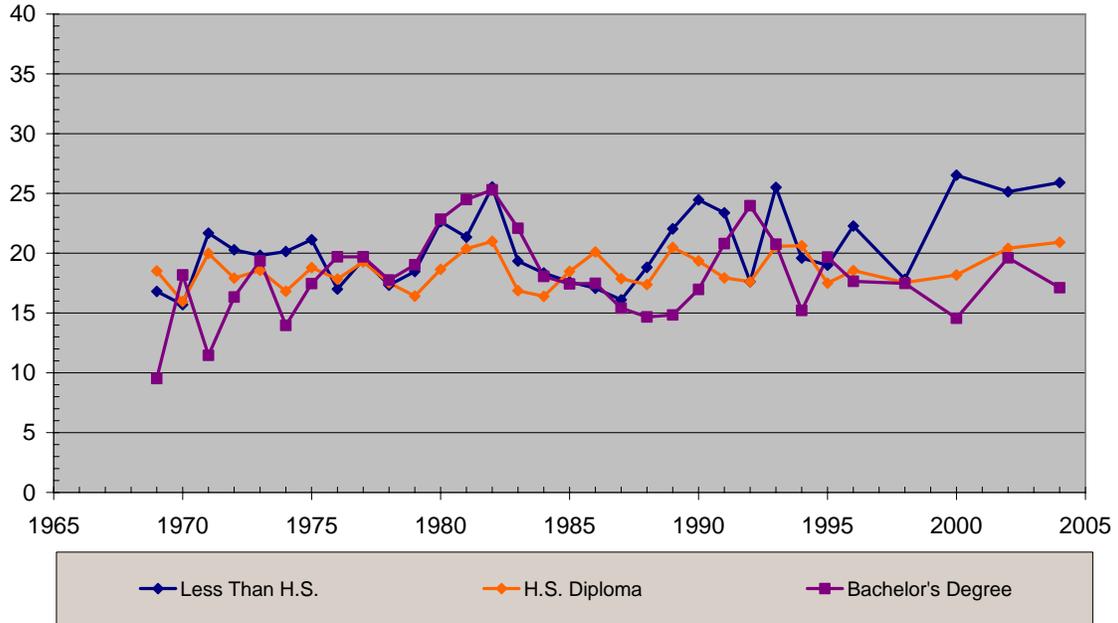

Figure 10. Percent of Female Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Educational Attainment

**Figure 11. Percent of Adults Experiencing Two-Year Declines
in Pre-Tax Family Income of 25 Percent or More, By
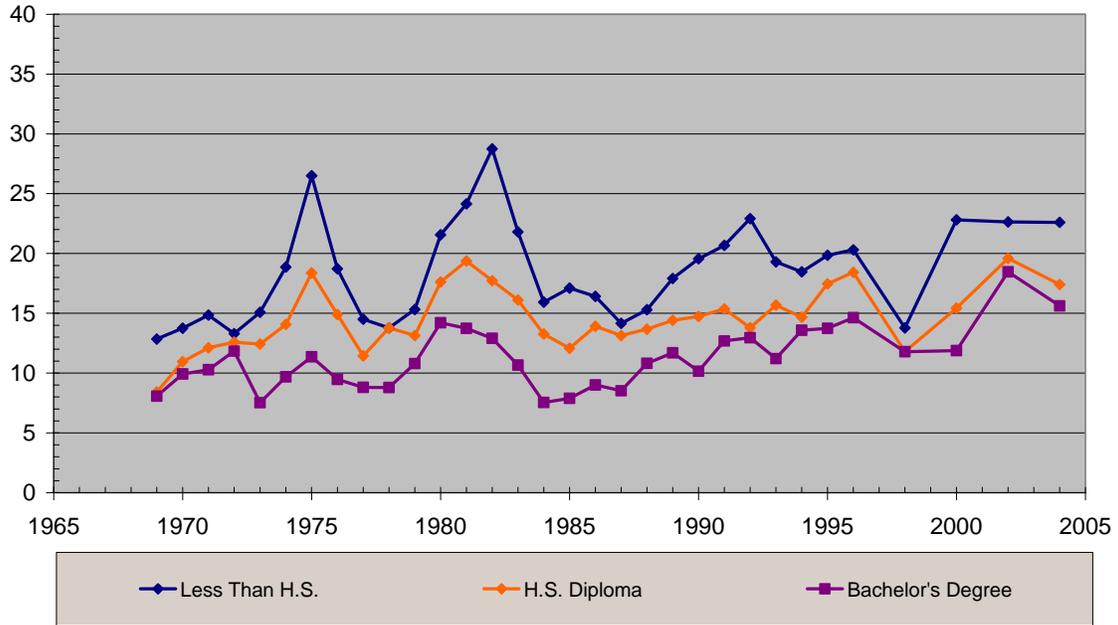Educational Attainment**

**Figure 12. Percent of Male Heads and Partners Experiencing
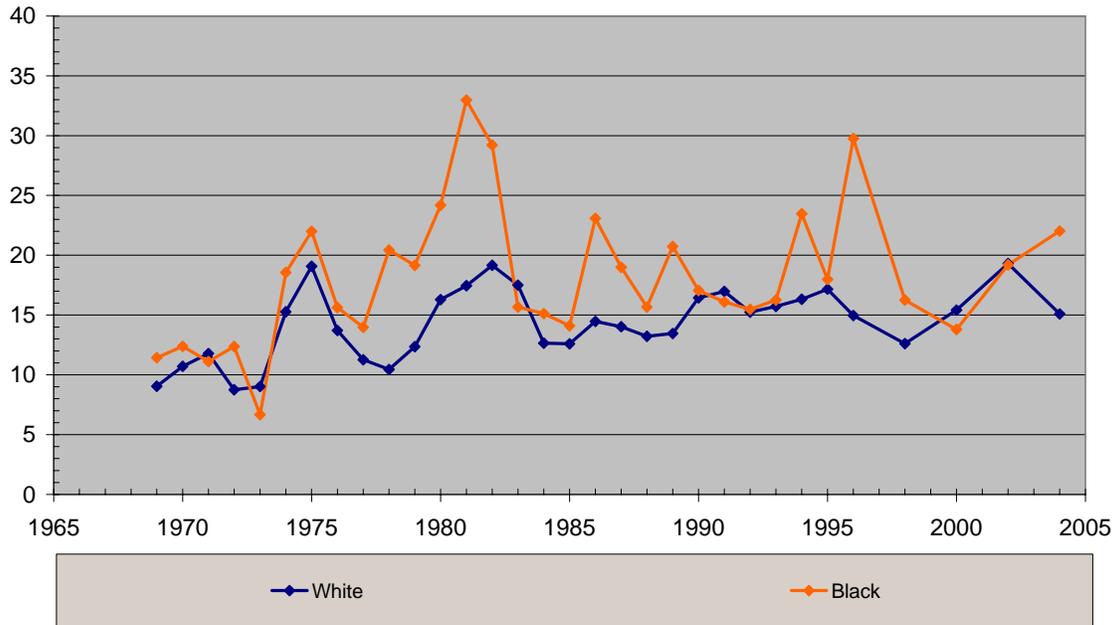Two-Year Declines in Labor Income of 25 Percent or More,
By Race**

Figure 13. Percent of Female Heads and Partners Experiencing Two-Year Declines in Labor Income of 25 Percent or More, By Race
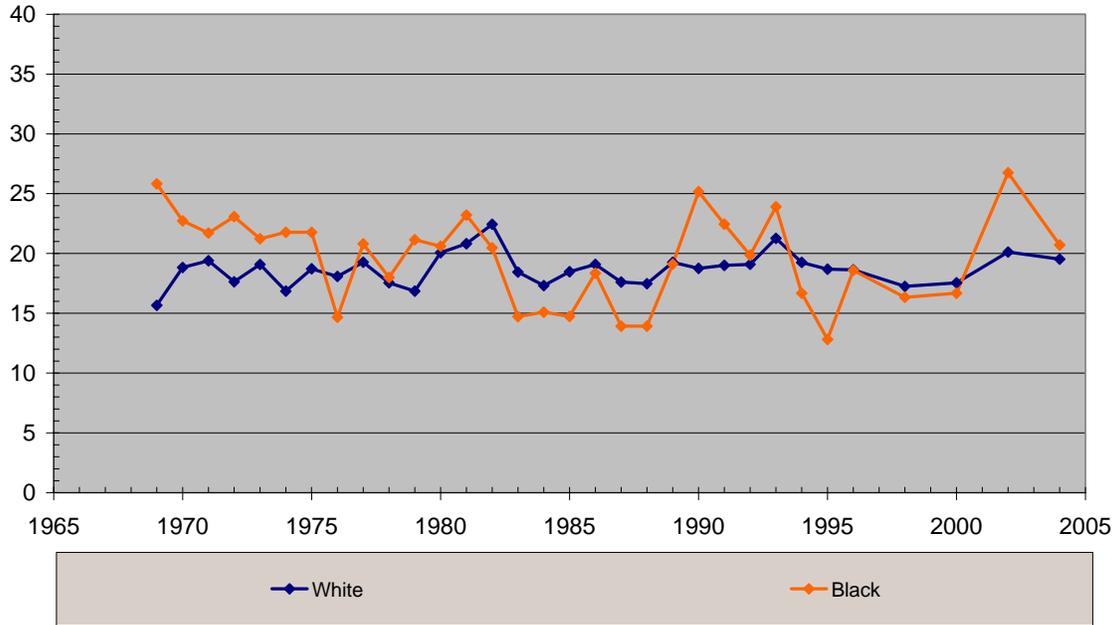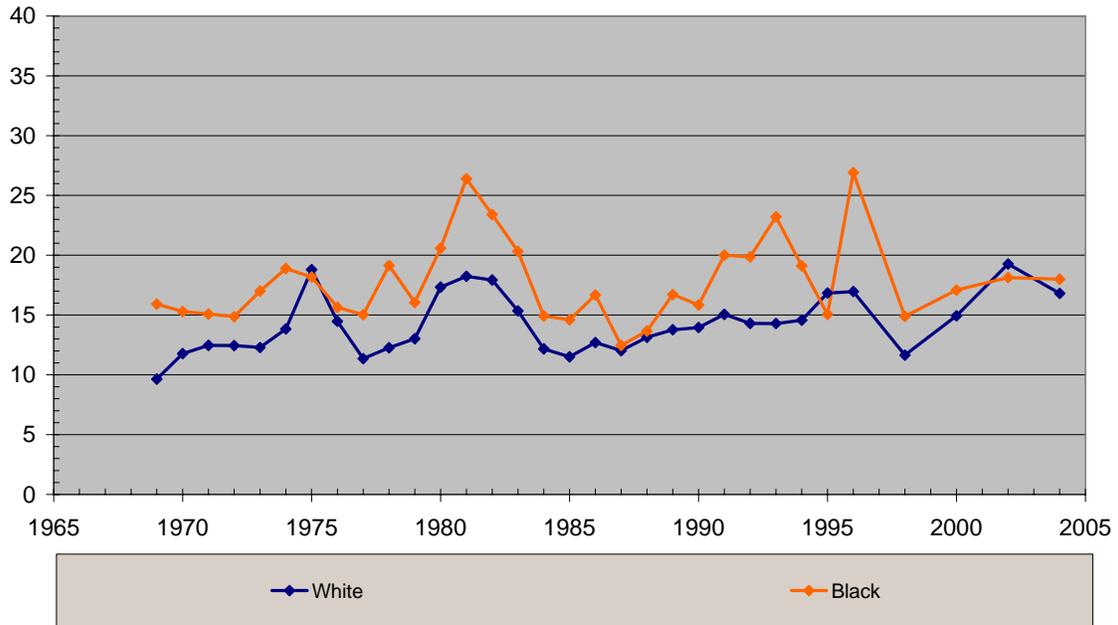

Figure 14. Percent of Adults Experiencing Two-Year Declines in Pre-Tax Family Income of 25 Percent or More, By Race

Notes

[1] I chose this range as a compromise between being more inclusive and keeping sample sizes large in the PSID on the one hand, and wanting to exclude students and retirees on the other. Since labor force status is reported for the current year while income is reported for the previous year, excluding students and retirees directly is problematic in the recent survey years, which were conducted only biannually. Furthermore, wives' labor force status is unavailable in earlier years of the PSID. Note that while I exclude persons under age 20 or older than age 59, the income measures that I use that include income from all family members include income from people under age 20 or older than age 59.

[2] Specifically, I trim the top and bottom 2 percent of males with positive earnings, females with positive earnings, and families with positive incomes, within age categories. The categories include male and female earners age 21-30 years, 31-40 years, 41-50 years, and 51-60 years. For the family income analyses, the age groups are based on the head of the family, and all individuals in families not trimmed are assigned the income of their family. Incomes are trimmed separately depending on the sex of the family head.

[3] See http://www.census.gov/hhes/www/income/income07/AA-CPI-U-RS.pdf.

[4] I could not use the supplemental PSID Marital History File for these purposes because these files do *not* treat cohabiters as spouses. Cohabiters' earnings and income were not asked about prior to the 1977 survey, but I found that no more than 1 percent of couples were cohabiters prior to 1977.

[5] I am thankful to Christopher Jencks for suggesting this hypothesis.

[6] I am thankful to Christopher Jencks for suggesting this hypothesis.