Abstract:

This paper studies the evolution of assortative mating based on the permanent wage (the individual-specific component of wage) in the U.S., its role in the increase in family wage inequality, and the factors behind this evolution. I first document a remarkable trend in the assortative mating, as measured by the permanent-wage correlation of couples, from 0.3 for families formed in the late 1960s to 0.52 for families formed in the late 1980s. I show that this trend accounts for more than one-third of the increase in family wage inequality across these family cohorts. I then argue that the increased marriage age across these cohorts contributed to the assortative mating and thus to the rising inequality. Individuals face a large degree of uncertainty about their permanent wages early in their careers. If they marry early, as most individuals in the late 1960s did, this uncertainty leads to weak marital sorting along permanent wage levels. But when marriage is delayed, as in the late 1980s, the sorting becomes stronger as individuals are more able to predict their likely future wages. After providing reduced-form evidence on the impact of marriage age, I build and estimate a marriage model with wage uncertainty, and show that the increase in marriage age can explain almost 80% of the increase in the assortative mating.