

How much does marital sorting contribute to intergenerational socioeconomic persistence?

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Abstract:

This paper investigates to what extent sorting in the marriage market contributes to intergenerational earnings persistence. I use an adaptation of an errors-in-variables model to demonstrate how pooling of partners' 'potential' earnings affects intergenerational rank correlations and elasticities in earnings. To gauge the importance of marital sorting, the paper simulates intergenerational earnings persistence under different assumptions about assortative mating, and different assumptions about women's earnings distribution. The key findings of this analysis are that with observed 'potential' earnings distributions, intergenerational persistence of men is relatively insensitive to marital sorting, while that of women is more sensitive. As women's earnings approach men's, sorting becomes more important for men, and less so for women. Using population-wide Swedish register data on cohorts born 1945–1965, I show that a substantial decline in marital sorting has contributed little to lowering intergenerational persistence. The main take-away from the paper is that variations in marital sorting must be large in order to affect intergenerational mobility to a great extent. Instead, the simulations show that the relative earnings distributions of men and women, in combination with sorting, are important for our understanding of intergenerational persistence.