Running topic: Long-term and short-term economic resources and marriage formation: An insight into black-white differences in marriage formation among cohabitors

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The rise of cohabitation in the courtship process has made it a modal pathway to marriage. Recent estimates from NSFG indicate that the share of women who have ever cohabited increased from 45 to 54 between 1995 and 2002 and it accounts for over two-thirds of all first unions (Kennedy and Bumpass 2008). About two-fifths (41%) of women who first married in the early 1980s cohabited prior to entering marriage versus two-thirds (66%) of first marriages today are preceded by cohabitation (Kennedy and Bumpass 2011; Manning 2010). Despite the increasing prevalence of cohabitation, recent studies have documented growing instability of recent cohabiting unions (Kennedy and Bumpass 2008) and a trend of increasing serial cohabitation (Cohen and Manning 2010; Lichter, Turner and Sassler 2010).

In general, cohabitation is rather short-lived ,with most ending it either by separation or by marrying within a few years (Bumpass and Lu 2000) but it's even more so for non-Hispanic blacks. There has been a substantial difference between non-Hispanic white and non-Hispanic black cohabitors with respect to progression to marriage out of cohabitation. Using data from the 1987-1988 NSFH, Manning and Smock (1995) found that marriage is a more common means of exit from cohabitation for whites than for blacks: within four years following the union formation, more than 60% of white cohabitors end cohabitation by marrying whereas fewer than half (38%) of blacks do so.

Education and economic resources—earnings and employment status and stability— have consistently been found positively associated with the chance that cohabiting relationships would progress to marriage for both blacks and whites (Oppenheimer, Kalmijn and Lim 1997) but these factors only play a very minor role in explaining black-white differences in marriage formation among cohabitors (Manning and Smock 1995; Oppenheimer, Kalmijn and Lim 1997; Smock, Manning and Porter 2005; Smock and Manning 1997; Wu and Pollard 2000). Moreover, male cohabiting partners' economic resources are found to be more central than female cohabiting partners' economic resources in marriage formation (Manning and Smock 1995; Smock, Manning and Porter 2005; Smock and Manning 1997). Additionally, although marital expectation and/or marital intention are found to be strong predictors for progression from

cohabitation to marriage, the black-white differences in marriage formation among cohabitors are not attributable to the differences in their marital expectation or intention (Brown 2000; Guzzo 2009). In fact, black cohabitors are as likely as their white counterparts to expect marriage but are less likely to realize such expectation/intention (Brown 2000; Guzzo 2009; Manning and Smock 2002).

To further our understanding of the gap in marriage behavior between black and white cohabitors, the knowledge on other unexplored aspects of economic, social, and cultural characteristics that may be central to marriage formation as well as to black-white differentials is crucial (Raley and Sweeney 2009). In this study, using male data from the first fourteen waves of National Longitudinal Survey of Youth 1997 (NLSY 97), we consider wealth accumulation (i.e., ***net worth***) as an important component of long-term economic prospects, besides education, that may facilitate the formation of marriage, a union setting that expects to last, net of other relatively short-term economic prospects (i.e., earnings and employment status). Given the black-white disparity in access to wealth, our thesis is that taking into account wealth accumulation will help us further explain black-white differences in marriage formation among cohabitors.

Background

Earnings, Net worth, and Marriage and black-white differences in marriage formation

Earnings are a frequently used measure for economic resourcess in prior studies that investigate how economic resources shape marriage formation. However, this measure alone is limited in its ability to fully capture the long-term economic prospects that are important to forming and sustaining marriage, given that marriage involves long-term commitment and is desired to last forever. Earnings and net worth are two distinguishable measures for financial wellbeing in both conceptual and empirical sense. Conceptually, while earnings are money obtained in return for labor or services, net worth is the difference between total assets and total debt (Keister and Moller 2000). There are advantages associated with wealth ownership that income/earnings alone cannot provide. Wealth provides for both short- and long-term financial security. Earnings/income, however, tell only part of the financial wellbeing. That is, the setbacks in the labor market may affect people's earnings negatively but they (and their family) may still live a certain level of living standard on assets acquired during more prosperous years. Likewise, those with similar level of earnings may, in reality, have considerable debt and few

assets, making them vulnerable if current earnings/income were to be reduced or to cease entirely. Since marriage is (expected to be) a long-term committed relationship and thereby may rely more on economic resources that could ensure long-term financial security, as earnings—a measure for relatively short-term economic resources—have been constantly proven to be a strong predictor for marriage, we expect that the accumulation of wealth (i.e. net worth) will play an important role, even more important than earnings, in marriage decision among cohabitors.

Further, prior studies suggest that there are racial differences in savings and asset accumulation. Prior studies suggest that many families, particularly nonwhite families, have zero or negative net worth regardless of income (Radner 1989; Winnick 1989). We thus expect that as wealth accumulation (i.e., net worth) facilitates marriage for blacks and whites, lack of this particular long-term economic resource among blacks may explain the gap in progression to marriage between them and their white counterparts.

Data and Methods

The data for this analysis is from the first fourteen waves of National Longitudinal Survey of Youth 1997 (NLSY 97). Since prior studies suggest that male cohabiting partners' economic resources are more central than female cohabiting partners' economic resources in marriage decision, in this study we only focus on the black and white male respondents whose first cohabitating relationships were initiated after age 18 but prior to their first marriages. We convert the data in to a person-month data set, where the first month represents the month when cohabitation was initiated and last month when cohabitation ends, due to progression to marriage or separation, or last interview month (remaining in cohabiting unions). Table 1 shows select information on the characteristics of the sample under study. Compared to white cohabiting males, a greater proportion of black male cohabitors have kids with their partners, less-educated parents and are from single-mother families.

[Table 1 inserted here]

Note on the measure of net worth from the NLSY97

Data on household net worth were collected from respondents at age 18, 20, 25, and 30. Before reaching age 18, respondents who were living with spouses/partners are considered independent and information on wealth and assets are thus being collected as well. In this study, the indicators for net worth are measured at the time prior to the end of cohabitation (either due to marriage or dissolution) or censoring whereas the indicators for current economic resources—

earnings and employment status—are measured in a month prior to the end of cohabiting unions or censoring.

Analytical Models

The primary purpose of this study is to investigate whether wealth accumulation measured by net worth plays a role in cohaitors' the decision to marryand whether the inclusion of it will help us explain black-white disparity in marriage formation. We present three models that estimate whether cohabiting couples end in marriage versus staying cohabiting or end in separation versus staying cohabiting. In model 1, we present the black-white difference in marriage, net of age (in years), duration (in months), family structure at age 12, parental education, childbearing status with cohabiting partners. In model 2, we add variables as proxies for long-term and short-term economic prospects—own education, earnings, and employment status-- that have been seen in prior studies. In model 3, we add variable—net worth—as a proxy for wealth which we think is a proxy for long-term economic prospect and security.

Select preliminary results

[Table 2 inserted here]

In Table 2, Model 1 shows that after controlling for age, family background, childbearing status with current cohabiting partners, the odds for blacks to progress to marriage out of cohabitation, relative to staying in cohabitation, is 37% (1-exp(-0.468) lower than that for whites; the odds for black cohabitors to separate, relative to stay in cohabitation, however, is 50% (exp(0.404)=1.50) higher than that for whites.

Model 2 shows that consistent with prior studies, having college education significantly reduces the likelihood of separation and significantly increases the likelihood that a cohabiting union will progress to a marriage. The odds of marrying cohabiting partners relative to staying cohabiting for college-educated men is more than 60% (exp(0.479)-1=0.61) higher than the odds for high-school educated men. The odds of separation relative to staying cohabiting for college-educated men is 27% lower (1-exp (-0.311)=0.27) than that for high-school educated men. While full-time employment and earnings significantly decrease the likelihood that cohabitation will dissolve (relative to remaining cohabiting), they do not increase the likelihood of marriage. In model two, the difference between whites and blacks in marriage formation becomes smaller: the

odds for blacks to progress to marriage out of cohabitation, relative to staying in cohabitation becomes 32% (1-exp (-0.383)=0.32)lower than that for whites.

Model 3 shows that consistent with what we expect, net worth is significantly associated with increased likelihood of marrying cohabiting partners, relative to staying in cohabitation, net of earnings, education, employment status, and all other control variables. Net worth, however, is not significantly associated with whether or not cohabitation will dissolve or stay intact but earnings and employment status are. The inclusion of net worth in the model estimating exit from cohabitation seems to further reduce the black-white difference in marriage formation: the odds for blacks to progress to marriage out of cohabitation, relative to staying in cohabitation becomes 30% (1-exp(-0.353)=0.30) lower than that for whites.

Conclusion

The preliminary results suggest that marriage formation among cohabitors are not merely influenced by the short-term economic resources, that is, earnings and employment status, but also by the long-term economic prospects, that is education as well as wealth. Prior studies on cohabitors' marriage decision have consistently shown that earnings, full-time employment, and education are positively associated with the likelihood of progression to marriage out of cohabitation. Our results further suggest that long-term economic prospect—wealth accumulation—is particularly central in marriage formation for cohabitors by showing that net worth is significantly associated with increased risk of marriage, relative to staying cohabiting, whereas earnings and employment status are key to remaining cohabiting, relative to dissolution. Education, as a proxy for long-term economic prospect too, is significantly associated with increased risk of marriage and decreased risk of separation. The inclusion of measures for both short-term and long-term economic prospects helps explain the black-white difference in marriage formation.

Table 1 Descriptive statistics of time-invariant control variables

	White male cohabitors	Black male cohabitors
Sample Size	1,099	542
	Weighted Percentage (%)	
Have at least one kid with 1st premarital cohabiting partners	13.04	28.83
Parental Education		
< high school	8.01	13.08
high school	32.89	45.15
some college	27.82	22.65
college or more	28.03	14.58
Unknown parental edu.	3.26	4.54
Family structure at age 12		
Two-biological parent	52.03	19.09
Single- mother family	29.40	57.62
Step-parent family	6.06	4.78
Other family types	11.41	15.06
Unknown family structure	1.11	3.45

Table 1: Coefficients from Multinomial Logit Models of Exit from Cohabitation (weighted results)

	Marriage vs. Staying in cohabitation						Separation vs. Staying in cohabitation					
	Model 1		Model 2		Model 3		Model 1		Model 2		Model 3	
Black	-0.468**	(0.15)	-0.383*	(0.15)	-0.353*	(0.15)	0.488***	(0.09)	0.404***	(0.09)	0.389***	(0.09)
Youth own education (ref: high school)												
< high school			-0.341+	(0.18)	-0.309+	(0.18)			0.112	(0.11)	0.106	(0.11)
Some college			0.198	(0.19)	0.211	(0.19)			-0.260	(0.21)	-0.256	(0.21)
College or more			0.479***	(0.13)	0.482***	(0.13)			-0.311*	(0.15)	-0.313*	(0.15)
Emp. Status (ref: not employed)												
Full-time (>=35 hrs/week)			0.296+	(0.15)	0.292+	(0.15)			-0.426***	(0.10)	-0.416***	(0.10)
Part-time (< 35 hrs/week)			-0.027	(0.20)	-0.045	(0.20)			-0.080	(0.12)	-0.069	(0.12)
Yearly Earnings (ln $)			0.057	(0.06)	0.047	(0.05)			-0.090**	(0.03)	-0.090**	(0.03)
Net worth (ln $)					0.109*	(0.04)					-0.050+	(0.03)
Constant	-4.196***	(0.42)	-4.041***	(0.61)	-4.876***	(0.71)	-0.527	(0.34)	0.040	(0.43)	0.498	(0.53)
-2log-likelihood	12525.52		12441.90		12428.42		12525.52		12441.90		12428.42	
# of Person-months	32515		32515		32515		32515		32515		32515	

Note--All models control for age (in years), duration (in months), family structure at age 12, parental education, childbearing status with cohabiting partners, (and school enrollment status since model 2).

+ p<0.1 * p<.05 ** p<.01 *** p<.001

Likelihood-ratio test (in STATA, using lrtest) shows that the addition of net worth measure to model 2 significantly improve the model fit with Chi-squared statistic 13.48 and p-value 0.036.

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