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Relative Cohort Size, Relative Income, and Women's Labor Force Participation 1968-2010

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Abstract:

Relative cohort size – the ratio of young to prime-age adults – and relative income – the income of young adults relative to their material aspirations, as instrumented using the income of older families their parents' age – have experienced dramatic changes over the past 40 years. Relative cohort size has been shown to cause a decline in men's relative wages – the wages of young relative to prime-age workers – due to imperfect substitutability, and the results here show that this applies perhaps even more strongly to women's relative – and absolute – starting wage. Relative cohort size first declined by 30% and then increased by 47%. Results here show that those changes explain about 60% of the declines in women's starting wage – both relative and absolute – in the first period, and 100% of its increase in the second. Relative income is hypothesized to affect a number of demographic choices by young adults, including marriage, fertility and female labor force participation, as young people strive to achieve their desired standard of living. Older family income – the denominator in a relative income variable – increased by 58.6% between 1968 and 2000, and then declined by 9%. Its changes explain 66% of the increase in the labor force participation of women in their first five years out of school between 1968 and 2000, and 75% of its decline thereafter. The study makes use of individual-level measures of labor force participation, with instrumented wages, and employs the lagged income of older families in a woman's year-state-race-education group to instrument parental income and hence material aspirations.

Text: See [Discussion Paper No. 5913](#)



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