Family Decisions

Bastian Schulz¹

¹Aarhus University, IZA, CESifo

Pitch for the AU workshop for ERC StG applicants, April 2024

• Families are unions of individuals who make decisions jointly (life, work, kids).

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.
 - Marriage & divorce decisions \rightarrow e.g., share of singles, inequality across households

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.
 - Marriage & divorce decisions \rightarrow e.g., share of singles, inequality across households
 - ullet Labor supply decisions ightarrow e.g., gender differences in wages and career patterns

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.
 - Marriage & divorce decisions \rightarrow e.g., share of singles, inequality across households
 - Labor supply decisions → e.g., gender differences in wages and career patterns
 - Fertility decisions → e.g., demographic change, which individuals become parents

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.
 - ullet Marriage & divorce decisions o e.g., share of singles, inequality across households
 - ullet Labor supply decisions ightarrow e.g., gender differences in wages and career patterns
 - ullet Fertility decisions ullet e.g., demographic change, which individuals become parents
- Importantly, these decisions are not made in isolation. They *interact*.
 - Being married, and to whom, affects labor supply and fertility.

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.
 - ullet Marriage & divorce decisions o e.g., share of singles, inequality across households
 - ullet Labor supply decisions ullet e.g., gender differences in wages and career patterns
 - ullet Fertility decisions ullet e.g., demographic change, which individuals become parents
- Importantly, these decisions are not made in isolation. They *interact*.
 - Being married, and to whom, affects labor supply and fertility.
 - Labor supply, in turn, affects marriage rates, marital stability, and child outcomes.

- Families are unions of individuals who make decisions jointly (life, work, kids).
- These decisions are far-reaching, both at the individual level and for society.
 - ullet Marriage & divorce decisions o e.g., share of singles, inequality across households
 - ullet Labor supply decisions ullet e.g., gender differences in wages and career patterns
 - ullet Fertility decisions ullet e.g., demographic change, which individuals become parents
- Importantly, these decisions are not made in isolation. They *interact*.
 - Being married, and to whom, affects labor supply and fertility.
 - Labor supply, in turn, affects marriage rates, marital stability, and child outcomes.
- Objective: think about the recent parental leave reform in Denmark. How does more leave for fathers affect the labor supply of both parents, their future fertility, and their marriage? Does the policy work as intended? The goal is to understand why (not).

State of the Art and Selected Methodology

- Existing models in family economics mostly ignore that these decisions interact.
 - Papers study how couples search for jobs (but no marriage/divorce decision)
 - Papers study who marries whom (but types are fixed, no link to labor supply)
 - Papers study fertility decisions (but no feedback into labor supply/marital stability)

State of the Art and Selected Methodology

- Existing models in family economics mostly ignore that these decisions interact.
 - Papers study how couples search for jobs (but no marriage/divorce decision)
 - Papers study who marries whom (but types are fixed, no link to labor supply)
 - Papers study fertility decisions (but no feedback into labor supply/marital stability)
- Empirical work shows that such interactions are quantitatively important.
- In relatively simple models, we have already confirmed their relevance for policy.

State of the Art and Selected Methodology

- Existing models in family economics mostly ignore that these decisions interact.
 - Papers study how couples search for jobs (but no marriage/divorce decision)
 - Papers study who marries whom (but types are fixed, no link to labor supply)
 - Papers study fertility decisions (but no feedback into labor supply/marital stability)
- Empirical work shows that such interactions are quantitatively important.
- In relatively simple models, we have already confirmed their relevance for policy.
- The next step is to integrate the complex interactions in a quantitative economic models. This is both the key challenge and the key innovation of this project.
- I want to push the frontier and allow for the joint analysis of marriage/divorce, labor supply, and fertility in a unified framework to facilitate better policy design.

• Potential gain: a new understanding of how families make multi-faceted choices and react to policy. Explain up to now counter-intuitive empirical findings.

- Potential gain: a new understanding of how families make multi-faceted choices and react to policy. Explain up to now counter-intuitive empirical findings.
- Main conceptual risk: building these models is hard. Steps: (1) mathematical modeling, (2) solution algorithms, (3) register data work, (4) structural estimation.

- Potential gain: a new understanding of how families make multi-faceted choices and react to policy. Explain up to now counter-intuitive empirical findings.
- Main conceptual risk: building these models is hard. Steps: (1) mathematical modeling, (2) solution algorithms, (3) register data work, (4) structural estimation.
- But the conceptual risk can be managed: add interactions step-by-step to existing mathematical models, simplify, stop if no longer feasible to solve/estimate the model.
- Even combining 2 out of 3 decision types would be a significant breakthrough.
 Multiple papers can combine, e.g., labor/marriage, fertility/labor, marriage/fertility.

- Potential gain: a new understanding of how families make multi-faceted choices and react to policy. Explain up to now counter-intuitive empirical findings.
- Main conceptual risk: building these models is hard. Steps: (1) mathematical modeling, (2) solution algorithms, (3) register data work, (4) structural estimation.
- But the conceptual risk can be managed: add interactions step-by-step to existing mathematical models, simplify, stop if no longer feasible to solve/estimate the model.
- Even combining 2 out of 3 decision types would be a significant breakthrough.
 Multiple papers can combine, e.g., labor/marriage, fertility/labor, marriage/fertility.
- Why me? Extensive experience with the models considered, documented in both published and ongoing work. Unique combination of applied/theoretical, computational, and empirical skills.

4/4

Thank you for your attention.

Bastian Schulz

bastian.schulz@econ.au.dk