

Numerous empirical studies have documented the association between men's financial well-being and the likelihood of marriage. In general, men with higher earnings, in more prestigious occupations, and stronger connections to the labor market are more likely to marry than those in a less advantaged position. Male economic circumstances are thought to directly inform the readiness of men to form long-term unions, as men with stable careers and high earnings may feel better prepared to take on the financial responsibility of raising a family. Additionally, women may feel more secure in choosing a mate who is likely to economically contribute to the household both now and in the future.

To date, however, studies that have examined the connection between men's financial well-being and marriage have concentrated on participation in the formal economy, while paying little attention to the role of the informal labor market. Most large scale surveys do not collect data on under-the-table or off-the-books employment, making it difficult to assess how these men fare in the marriage market. Yet with recent policy initiatives to promote marriage among couples, particularly those at the lower end of the socio-economic spectrum, it is important to understand how participation in the informal economy may help (or hinder) union formation. If under-the-table work boosts the income of men who find it difficult to find regular sector employment, it may encourage marriage. On the other hand, couples may believe that participation in the underground economy is inferior to formal labor market ties, and men who participate in the informal employment sector may be at increased risk of having their relationship dissolve.

In this paper, I use data from the Fragile Families and Child Wellbeing Survey to investigate how male participation in the underground economy affects union formation and dissolution. The Fragile Families Survey is a large birth cohort study that involves nearly 5,000 couples, and interviewed couples shortly after the birth of a shared child, and then again when the child was 1, 3 and 5 years old. The paper addresses three issues: 1) How does male participation in the regular and

underground economies vary by marital status? 2) For fathers who participate in the underground economy, does it reduce the gap in earnings between married and unmarried men? And 3) How does the underground economy affect marital transitions and union dissolutions?

To answer these questions, I use data from the second and third rounds of the Fragile Families survey (data limitations preclude me from using the first round survey data). For both regular and underground employment, I assess if the father was employed, the number of hours the father worked, his total earnings, and the percentage of work hours/earnings that are derived from under-the-table employment. Underground employment data is derived from a series of questions that asked fathers about “ways, other than regular work, in which people make money”, and then asks fathers about their participation in “off the books” activities, owning their own business, drug activity or other hustles, and other kinds of work.

Preliminary descriptive statistics on fathers’ round two employment patterns is presented in Table 1. Panel A addresses the issue of how male participation in the regular and underground economies varies by relationship status and Panel B analyzes how participation in the underground economy may narrow the gap in earnings between married and unmarried fathers. Relationship status is broken down into four categories: married, cohabiting, visiting (fathers who are romantically involved with the mother but not living with her), and non-romantically involved fathers. In both panels, means that do not differ from that of married fathers is denoted by a superscript.

As would be expected, married fathers have more secure ties to the formal labor market than do unmarried fathers (Panel A). Married fathers were more likely to have been employed in the formal sector, worked more hours, and earned more money. Despite their high rates of employment, however, 26% of married fathers were participating in the underground economy, and earned more money from their activities than did unmarried fathers. Married fathers’ underground employment

patterns explain why the gap in total earnings between married and unmarried men is actually larger for those who participate in the informal economy (Panel B). Among fathers who only worked in the formal economy, married fathers had incomes that were approximately twice as high as those of unmarried fathers. Once informal employment is considered, however, the difference between married and unmarried fathers increased. Married fathers had combined earnings from the formal and informal sectors that were 2.5 times as high as did visiting fathers, for example, and 2.3 times as high for nonromantically involved fathers.

Analyses of the effect of participation in the underground economy on relationship status will rely on multivariate regression, in which I control for both maternal and paternal factors that are likely to be related to employment and union formation, including age, race and ethnicity, education, household structure, health status, and the quality of the couples' relationship (I also control for the mother's connection to the labor market). Additionally, I employ multiple imputation to address the problem of bias arising from missing data. Preliminary analyses (results not shown) indicate that while participation in the underground economy is not associated with the transition to marriage for unmarried fathers, it is associated with an increased likelihood that a couple will dissolve the relationship.

In sum, these results suggest that the married men have more success in the underground economy than do unmarried men, and that increased participation in the informal labor market may discourage a couple from maintaining their union. Couples do not appear to view informal labor market participation as a substitute for more formal ties, and policy makers who wish to encourage marriage may wish to direct special efforts to fathers who participate in the underground economy.

Table 1
Descriptive Statistics of Fathers' Employment in Regular and Underground Economies, by Relationship Status

<i>Panel A</i>								
	<u>Married</u>		<u>Cohabiting</u>		<u>Visiting</u>		<u>Non romantic</u>	
	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>
Formal sector employment:								
% Employed	.97		.92		.87		.85	
Hours worked	2,276	(881)	1,921	(1,072)	1,763	(1,190)	1,699	(1,233)
Total earnings (\$)	42,117	(48,348)	21,314	(22,342)	18,760	(21,243)	17,004	(19,663)
Underground employment								
% Employed	.26		.30		.31		.18	
Hours worked	223	(712)	229 ^a	(723)	278 ^a	(755)	228 ^a	(756)
Total earnings (\$)	3,983	(18,086)	2,196	(9,413)	2,876	(13,803)	2,353	(12,676)
% with regular sector employment	.96		.88		.81		.85	
Both sectors together:								
Hours worked	2,511	(1,191)	2,151	(1,302)	2,058	(1,383)	1,922	(1,448)
Underground economy % of hours worked	.06		.11		.15		.13	
Underground economy % of earnings	.06		.10		.16		.13	
<i>Panel B</i>								
	<u>Married</u>		<u>Cohabiting</u>		<u>Visiting</u>		<u>Non romantic</u>	
	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>	<u>Mean</u>	<u>SD</u>
Not employed in the underground economy:								
Formal sector earnings (\$)	42,658	(50,282)	22,755	(23,770)	21,230	(21,227)	17,347	(18,298)
Employed in the underground economy:								
Formal sector earnings (\$)	40,846	(43,514)	18,679	(19,217)	14,787	(20,723)	16,394	(21,906)
Underground sector earnings (\$)	15,081	(32,768)	6,823	(15,630)	7,989	(22,143)	7,145	(21,332)
Total earnings (\$)	55,442	(68,371)	25,777	(27,647)	21,927	(28,764)	24,312	(38,417)
Underground economy % of earnings	.22		.32		.39		.35	
<i>Number of observations</i>	<i>1211</i>		<i>969</i>		<i>446</i>		<i>694</i>	

^aIndicates that mean is not significantly different from that of married fathers at the 5% level.