

# Long-term effects of labor market conditions on family formation for Japanese youths\*

Yuki Hashimoto

Graduate School of Economics, University of Tokyo

Kondo Ayako<sup>†</sup>

Institute of Social and Economic Research, Osaka University

## Abstract

This study aims to examine how each cohort's family formation is affected by labor market conditions experienced in youth in Japan. Although the deteriorated youth employment opportunities have been blamed for the declining marriage and fertility rates, the effects of slack labor market conditions on marriage and fertility are theoretically unclear. On the one hand, a decline in household income could have a negative income effect. On the other hand, however lower earnings for women imply lower opportunity costs of marriage and child bearing and thus have a positive substitution effect. We estimate the effects of prefecture-level labor market conditions on the cohort level marriage rates, controlling for nation-wide year effects and prefecture fixed effects. We find that a cohort who experienced a recession at entry to the labor market tend to marry later. At the same time, after controlling for the labor market conditions at graduation from schools, the contemporaneous female unemployment rate increases marriage, suggesting the substitution effect also exists in Japan.

The full-paper will be available at: <http://www.iser.osaka-u.ac.jp/~akondo/>

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<sup>†</sup> Corresponding author. E-mail: [akondo@iser.osaka-u.ac.jp](mailto:akondo@iser.osaka-u.ac.jp)