

The marital wage premium for men:

What is it today, and what is cause behind it?

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Introduction

Married men have traditionally earned a wage rate that is significantly higher than that of unmarried men. This difference in wage difference has been coined as the "marital wage premium." Scholars have appealed to three major theories in an effort to explain this phenomenon: selection theory, theory of specialization, and employer favoritism.

Studies from 1970's and 1980's showed that the marital wage premium can range between 10% to 50%¹. However, economists found in the 1990's that the marital wage premium appeared to have decreased to as low as 6%^{2,3}.

Using newer data, we hope to find out whether the marital wage premium still persists, and if so, to what degree? We will also test for the effects of the specialization theory and selection theory.

Early Results (1990-1992):

- The majority of the wage premium is caused by fixed effects
- The premium that remains after controlling for these effects is well explained by the theory of specialization
- Effects of divorce probabilities and spouse's wage rates are as expected
- The Premium found after controlling for fixed effects is very low, estimated at roughly 2%

Late Results (2002-2006):

- Fixed effects explain less of the marital wage premium
- The premium remaining after we control for these fixed effects is explained mostly by selection
- There is very little evidence for specialization
- Effects of divorce probabilities and spouse's wages are not as expected
- The premium found after controlling for fixed effects is larger than in our 1990-1992 sample, roughly 7% to 8%

Methodology

- Run Cross Sectional and Longitudinal Regressions
- Estimate a wage premium

See how much of the remaining premium is due to a years married effect.
Control for the Probability of Divorce and Spousal Wages to see how they affect the premium.

Make conclusions about the size of and causes of the wage premium
Compare our results to see how and why the marital wage premium has changed over time.

Results from regressions

| | Cross-sectional (1990-1992) | Cross-sectional (2002-2006) | Longitudinal (1990-1992) | Longitudinal (2002-2006) |
|------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| marital status | 0.0567 | 0.0805 | 0.0114 | 0.0748 |
| years married | 0.0551 | 0.1048 | 0.0011 | 0.0798 |
| duration of marriages | -- | -- | -- | -- |
| probability of divorce | -0.0189 | 0.1099 | -0.0198 | -0.0723 |
| actually divorced | 0.0555 | -- | 0.0001 | -- |
| spouse wage | 0.0259 | 0.0802 | 0.0003 | -0.041 |
| higher earning spouse | 0.1321 | 0.1597 | 0.0179 | 0.0792 |

Conclusion

Our results show that the marital wage premium for men have increased since the early 1990's. However the effects of specialization has disappeared, replaced by the increasing effect of selection. This trend is particularly interesting considering that specialization was the popular theory employed to explain the marital wage premium before it dipped in the late 1970's to 1980's. However, our results are compatible with the social economic changes that have taken place in the past several decades. The dip in marital wage premium for men can be explained by an increase of women's participation in the work force, which likely have led to a decrease in intra-household specialization. In addition, the feminist movement may have influenced women to be less dependent on men, therefore decreasing the effects of selection as well. However, the backlash at feminism may have led to a resurgence of the impact of selection. Furthermore, as women become more involved in the market place, they may also look more for men who can be their "equals" (or more equal earning power, at least). Future research should be directed to further examine the factors behind the change in the marital wage premium for men. More studies should also be dedicated to examining the effects of marriage on women's wage rates as women have become the higher wage earner in an increasing number of households.

| Specialization | Selection | Favoritism |
|--|---|---|
| <ul style="list-style-type: none"> • Gary Becker (1981): increased productivity lead to increased wage rates • Marriage leads to increased investment in capital for either the market or home • Historically, men specialize in market. Marriage results in increased productivity in the market, leading to higher wage rates for married men | <ul style="list-style-type: none"> • Unobserved characteristics that favorable in both job market and marriage market | <ul style="list-style-type: none"> • Employers may unfairly discriminate against single men, even if they are equally productive as married men. |
| Specialization | Selection | Favoritism |
| <ul style="list-style-type: none"> • Wage premium should decrease • Outsourcing of household activities • Increased participation by women • Decrease in divorce rate | <ul style="list-style-type: none"> • Change in job characteristics could change the correlation between these two variables • If personal characteristics are fixed, we can use longitudinal regressions to control for them. | <ul style="list-style-type: none"> • Changes in degrees of prejudice in employers could lead to changes in the premium • Difficult to verify this empirically |

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