REPORT

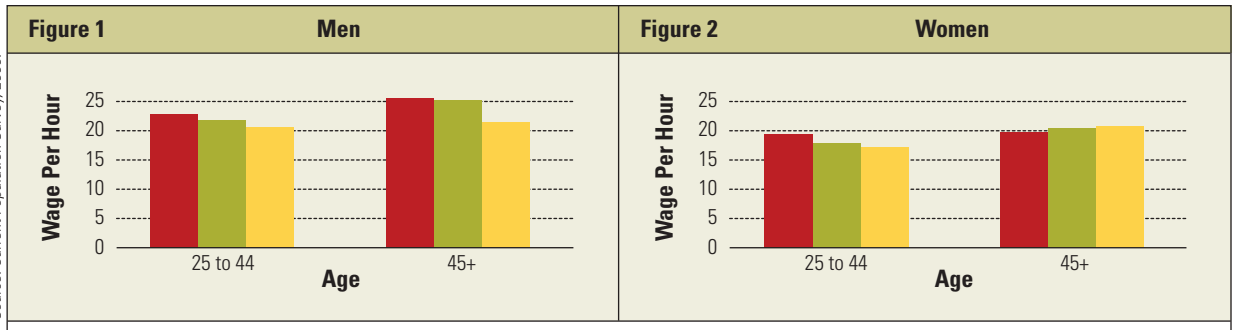
# Marriage, Motherhood and Money

## How Do Women's Life Decisions Influence Their Wages?

*By Abbigail J. Chiodo and Michael T. Owyang*

In the April 2002 issue of *The Regional Economist,* we discussed the relationship between men's wages and their marital status; specifically, married men earn more, on average, than otherwise identical unmarried men (Figure 1 provides some evidence of this phenomenon). We offered three explanations, which we will review, that might account for this phenomenon. Now, we pose the next logical question: Are women's wages and their marital status also correlated and, if so, are the theories used to explain the premium for men consistent across gender?

It turns out that marriage has little or no effect on women's wages after taking into account individual characteristics such as education and experience. Figure 2 shows that there is no clear-cut pattern for women across age groups. There are, however, indirect forces (including home production and children) related to marriage that do affect a woman's lifetime earnings. In this article, we examine the relationships between women's wages, childbearing, childrearing and marital decisions. We consider these relationships in the context of the three theories used to explain the male marriage premium and find that, in general, these theories are inconsistent with the evidence for women's wages. Moreover, while we conclude that, for men, unobservable characteristics account for the marriage wage premium, this is not true for women. Instead, wage differences between married and unmarried women can be explained by observable factors related to marriage, most notably, childbearing and childrearing.




Source: Current Population Survey, 2000.

Although a clear marriage wage premium exists for men of all ages, the evidence for women is markedly less clear, indicating the lack of a marriage premium, or penalty, for women.

Married | Was Married | Never Married

## The Male Marriage Wage Premium

Studies have shown that married men make approximately 11 percent more than men who have never been married, while divorced men make about 9 percent more than single men.[1] This premium for marital status exists regardless of the presence of children. One of the most interesting characteristics about this wage premium is that, while it persists for all ages, it is larger for older men than for younger men.

Why does this phenomenon occur? In our previous article, we considered three possibilities: (1) Employers discriminate in favor of married men; (2) Marriage makes men more productive; or (3) More-productive men are more likely to be married.

*Discrimination* occurs when the employer, either consciously or unconsciously, favors married men over single men when determining raises and promotions. This discrimination could be the result of an employer's belief that married men are more stable, more responsible, or less likely to leave. Alternatively, the employer may be more willing to raise a married man's wage over a similarly qualified, single counterpart, knowing that the married man has to provide for his family. Such behavior, like most discrimination, is hard to substantiate with the available data. Economists McKinley Blackburn and Sanders Korenman reported in a 1994 study, however, that the marriage wage premium decreased by 10 percentage points between 1967 and 1988. Because the marriage wage premium has decreased over time, perhaps employer bias has, in fact, played a role and that changing social norms have led to a decrease in the premium. For example, if marriage no longer implies the responsibility of a man to solely support his family, an employer may be less likely to discriminate in favor of the married man for that reason.

A second possibility is that marriage itself makes men more productive and, thus, increases their wages via *specialization*. Some economists argue that it is efficient for one spouse to specialize in market production—a job that is paid a wage—while the other specializes in tasks relating to the household.[2] One spouse—typically the husband—can therefore devote more effort to work-related responsibilities—thus raising his wage—if the other spouse is responsible for managing the home. However, a 2000 study by economists Joni Hersch and Leslie Stratton found little difference between married and unmarried men in the time they spend on household responsibilities.

The third theory often used to explain the male marriage wage premium suggests that other factors make it more likely that a man is married and that he is a high wage earner. This *selection* hypothesis suggests that the attributes that lead to success in the workplace (responsibility,

honesty, etc.) overlap with the attributes that lead to success in finding and keeping a spouse. This hypothesis has the most empirical support in the economics literature.[3]

### Women and Wages—The Evidence

The evidence for men is unmistakable: Married men make more. Does the same correlation appear for women? Not necessarily. Although single women ages 20 to 26 do earn approximately 17 percent more than their married counterparts, that's not the whole story.[4] Age and marital status are only two factors that potentially can affect a woman's wages. Characteristics such as education, experience, job tenure and especially children are also key aspects affecting a woman's earnings. Once these factors are accounted for, the effect of marriage on women's wages becomes statistically insignificant. Several studies have indicated that marriage, in and of itself, has little or no effect on women's earnings.[5] Therefore, there is no consensus regarding the link between marriage and wages for women, as there is for men.

There is, however, a correlation between the *timing of marriage* and the wages of women. A 1994 study by Timothy Chandler, Yoshinori Kamo and James Werbel showed that delaying marriage significantly increases women's wages. Although they concluded that the increase in earnings associated with a woman delaying marriage dissipates over her lifetime, this relationship could indicate that a period of career building early in life is critical to a woman's wage profile. This may indicate that human capital (education, training, etc.) is easier to acquire early in life and/or that firms believe that young, single women will be more committed to their careers over their lifetimes.

### The Effect of Children

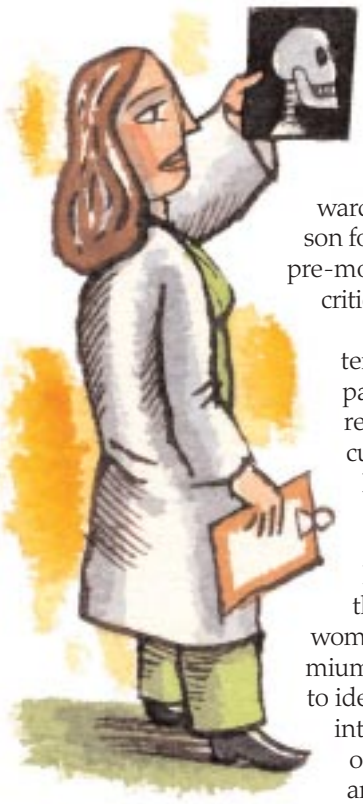
One of the complications that arises when considering women's wages is the timing and presence of children. While children do not appear to be a determinant of the male marriage wage premium, the same is not true when examining women's wages.[6] For women, children introduce an entirely new complexity: Not only do children require a great deal of time and effort (traditionally borne by the mother), but women often leave the labor market when having children and while their children are young. Time spent away from work has a negative effect on a woman's wages because she sacrifices valuable experience. Even if a new mother continues to work, the child's demands might put her at a relative disadvantage in devoting time and energy to her career.

Over the past 40 years, women's labor force participation and their hours worked have increased dramatically. By 1990, the average adult female worked 43 percent more hours per week than in 1970. In contrast, over the same period, hours worked by men remained virtually constant. One possible explanation for the increase in women's labor hours is an increase in the monetary value of work experience for women. Economist Claudia Olivetti emphasized in a 2001 study that most of the increase in overall hours worked by women can be accounted for by the increase in hours of married women with young children. Single women worked, on average, 3 percent more in 1990 than they did in 1970. Married women, however, increased their hours worked by 96 percent over the same period. Among married women, the largest increase (134 percent) was among those with children under the age of 6. Olivetti suggested that the logic is straightforward: In the past, women cut back on work during childrearing years, which carried with it the cost of lost work experience. As the value of this experience increased, however, the cost of taking time off from work has increased. Since the cost of being away from work has become greater, then, more women opt to stay in the labor market during childrearing years.

At the same time, women have also tended to marry and have children later in life. In a 2002 study, economists Elizabeth Caucutt, Nezih Guner and John Knowles determined that women with the lowest wages have more children and have them earlier than do women with the highest wages. They found that the age at which women have their first child increases from 23 years for women with the lowest wages to 26.7 years for women with the highest wages.

A 1999 study by sociologist Hiromi Taniguchi considered whether the timing of childbearing affects wages. She studied groups of women who first gave birth between the ages of 20 and 27, inclusive, (whom she refers to as *early childbearers*) compared with those who first gave birth at age 28 or older (termed *late childbearers*). Taniguchi found that the adverse effect of children on wages is more dramatic for early childbearers than for late child-

bearers. She estimated that early childbearers see their wages go down by 3.7 to 4.2 percent, while late childbearers suffer a reduction of less than 1 percent. Taniguchi also found that experience gained before a woman's first child contributes more to earnings than experience gained afterwards. She suggested that a reason for this could be that the pre-motherhood period is a more critical period for career building.



Of course, generalizing patterns in women's labor force participation and wages with regard to childbirth is very difficult. Men, on average, are less likely to leave the work force during their lives, regardless of when or whether they have children. Traditionally, this has not been the case for women. The marriage wage premium for men is, therefore, easier to identify but more difficult to interpret. For women, on the other hand, the complicated and diverse nature of the relationship between work and childrearing belies the presence of a marriage premium or penalty.

## Are the Theories of Male Wages Gender-Specific?

The previous section establishes that, in contrast with the evidence for men, the presence of children may be a more important determinant of a woman's wages than her marital status. However, we would anticipate that the theories used to explain the male marriage wage premium should be consistent across gender. In other words, we can evaluate the theories used to explain higher wages for married men by comparing the implications for women to the actual evidence.

### Employer Discrimination Revisited

If an employer believes that marriage is a signal of a more responsible, stable, permanent male employee, wouldn't this same rationale work in favor of married women? Not if marriage is taken as an entirely different signal for women. For instance, an employer could believe that a married woman is more likely to have additional household responsibilities that could interfere with her job, regardless of whether she has children. Indeed, Hersch found in her 1991 study that childless married women average five more hours per week on housework than childless single women.

Another possibility is that married female employees are more likely to leave the labor force in the future for childbearing and childrearing than unmarried female employees. Thus, for women, marriage may signal that an employee has priorities other than work; so, an employer could interpret marriage as a signal that a woman is less reliable, less dedicated and less permanent. Alternatively, if we believe that an employer discriminates in favor of married men on the basis that a married man has a family to support, why is the same consideration not given to married women? Such a disparity could exist given that men's traditional role as the primary breadwinner may be what sparks the consideration in the first place.

The possibility that the male marriage wage premium exists because of employer discrimination does not necessarily contradict the patterns we see for women. If an employer lacks the incentive to discriminate in favor of married women, it could explain why we do not observe a female marriage wage premium. Employers need not discriminate *against* married women just because they see no need to discriminate in favor of them. Thus, employer discrimination could conceivably explain the male marriage wage premium without undermining the trends we see for women.

### Marriage Causes Productivity?

Recall that the principle behind the specialization theory is that, because his wife will take care of their home, the husband has more time to focus on work outside the home—leading to an increase in his productivity and, thus, his wages. If we believe this story for men, we would expect the opposite for women. Specifically, the amount of time that she spends on housework would rise after marriage, leading to lower wages.

It turns out that the specialization theory does not appear to hold completely for men or women. According to Hersch and Stratton, there is no difference in the time that men spend on housework before and after marriage. Also, although married women without children do spend more time on housework than do single women without children, these two groups have roughly the same average wage.

One mitigating factor that may lend some support to this theory is that home production hours may not adequately reflect the effort spent on household production after marriage. While the number of hours of home production reported may not fall, the effort required by both men and women may decrease through division of labor, leaving additional energy for workplace production. This increased effort might explain both the increase in men's wages and the lack of a decrease in women's wages after marriage.

### More-Productive People Marry?

If the set of qualities that make a man a high-wage earner overlaps with the set of qualities that make him more likely to get married, would not the same be true for women? Characteristics such as responsibility, honesty and communication skills are qualities desired of employees and are certainly important for both sides of a marriage. But, given that there is no correlation between marriage and wages for women, we cannot make any conclusions for women about the selection hypothesis. What might explain this apparent contradiction?

Caucutt, Guner and Knowles found some interesting trends in the data that could be interpreted as support for the selection theory. They showed that women with the highest wages have a lower divorce rate than women with the lowest wages, a fact that could lend support to the theory that productive people are more likely to succeed in marriage. On the other hand, one might conclude that, unlike women, the qualities *men* desire in a prospective mate (qualities associated with motherhood, such as nurturing, for example) are different from what an employer looks for in an employee.

### Other Factors

Aside from children, there are a number of factors that can affect a woman's wages. Research has suggested that married women, particularly those with children, are more likely to take jobs in which they are able to maintain flexible, or part-time, schedules in order to better balance the responsibilities of work and family. To compensate, women might accept lower wages in exchange for greater flexibility. In other words, children themselves may not lower a woman's wages; rather, she might decide to sacrifice higher wages for more time for child-rearing activities. Indeed, Hersch and Stratton found in a 2002 study that the daily home production activities that have been traditionally a wife's responsibility are the kinds of chores which are most negatively associated with women's wages.[7]

### Discussion

Studies have not consistently found evidence of a correlation between marriage and women's wages once other factors have been taken into account. Women's wages are affected by other factors associated with marriage, such as the presence of children and the amount of housework, but marriage itself seems to have little or no effect. Thus, the three theories often used to explain the phenomenon between men's marital status and wages offer little insight into the situation for women.

The real question here is why marriage is related to men's wages and not to women's wages. Perhaps there is a premium on marriage for women that is simply overshadowed by other factors, such as children and housework. Or, perhaps, it is unreasonable to expect that trends seen for men and women can be explained by the same theories. After all, a woman's wage profile is complicated not only by her childbearing decisions (whether, when and how many) but also the amount of time she spends away from the labor market because of them.

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Our analysis seems to offer the following interpretation: On average, men's wages are not caused by their marital status, but by other factors that are not readily observable. But women's wages are determined in part by observable factors, such as children, that are related to marriage. Therefore, the theories that explain the relationship between men's wages and their marital status are necessarily different from the theories that explain this relationship for women. In short, this is because, compared with the average married man, the average married woman faces much more dramatic tradeoffs between her career and her family responsibilities.

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ENDNOTES

1. See Korenman and Neumark (1991).
2. See Becker (1985) for a complete description of this theory.
3. See, for example, Nakosteen and Zimmer (2001).
4. Panel Study for Income Dynamics data taken from Caucutt, Guner and Knowles (2002).
5. See Korenman and Neumark (1992) for an overview of these studies.
6. However, Chandler, Kamo and Werbel (1994) find a positive relationship between delaying children and men's wages.
7. Taniguchi still finds evidence supporting a positive correlation between wages and delaying childbirth when taking unobserved characteristics into account.

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