

ECON 613 – Reading Note

Betrand, Kamenica & Pan (2015) “*Gender Identity and Relative Income Within Households*”

Motivation

As it is observed that while women incomes are increasing a marriage rate decreases, the paper investigates whether the behavioral prescription that “a man should earn more than his wife” plays an important role behind this phenomenon. The consequences of violating such social norm in terms of marriage quality and what choices do wife with potential income higher than her husband make to avoid such violation, and roles of home production (nonmarket working hour for work such as chores) are also analyzed.

Methodology: Model, Specification and Measurement Issues

The authors began by constructing the “marriage market” which is defined by the set of individuals with similar characteristics. (age, race, education, and location) Then, they calculated the probability that female earns more than male by random pairing male and female in the market, comparing the earnings, and calculating probability for the market. This probability is then used as an independent variable in marriage rate regression with control variables such as income and education, but there is a concern that there are local conditions that might affect both marriage rate and income at the same time, and thus violates OLS assumptions. With this concern, modified Batik-style instrument, weighted average (based on fractions of worker in different industries and worker characteristics) wages of locations outside the market for each gender wage percentile, is used to calculate wage and income. In addition, several more dependent variables, whether wife is in the labor force, (potential) income gap, marital satisfaction, divorce, and hours in home production, are also regressed on the probability that woman earns more to analyze the rest of the aforementioned ideas.

Findings and Re-interpretation

The key result is that the higher probability of women earning more than men, the lower marriage rate, and this can be implied that gender social norm still exists. Furthermore, the estimates suggest that violations on such norm can result in a lower marriage quality, for example, a higher of the probability of women earning more associates with a lower marriage satisfaction and a higher probability of divorce. From additional regressions, there are more evidences showing that women whose potential earnings exceed that of her husband tend to avoid violating such norms by not participating in labor market at all or dedicating more hours in home production so that she works less hours and earns less than her husband. The paper explores many aspects of how gender identity expectations by society influence marriage outcomes, however, all of them are from aggregate level. In my viewpoint, to pin down causations, we may need to look at individual choices that to what extent the partner’s income affect her decisions. Furthermore, by constructing marriage market based on “homophily pattern”, the analysis left out 41% of marriages that could potentially make the result more robust.