ECON 340: Economics of the Family
TA Session 4

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Today

▶ All the Single Ladies — Folke & Rickne (AEJ Applied, 2020)

▷ Setting, Data, & Measurement

▷ Results

▶ Divorce Law and Marriage-Specific Capital — Stevenson (JLE 2007)

Today's Paper

Olle Folke & Johanna Rickne (2020). *All the Single Ladies: Job Promotions and the Durability of Marriage*, *AEJ: Applied Economics*, 12(1): 260–87.

- ▶ **Question:** Do promotions to top jobs change marriage stability?
- ▶ **The punchline:** Promotions **double the baseline divorce probability for women**, but not for men.
- ▶ **Settings:** Politicians (mayors & parliamentarians) and **CEOs**.
- ▶ **Mechanisms preview:** Divorce increases after women's promotions are concentrated in **gender-traditional couples**; **gender-equal couples** are largely unaffected.

Source: aeaweb.org/articles?id=10.1257/app.20180435

Motivation & Contribution

- ▶ Women are severely underrepresented in top positions of organizational hierarchies

- ▶ In 2017, men accounted for 94 percent of CEOs in Forbes 500 firms and more than 77 percent of the world's parliamentarians

- ▶ Inequality translates into gender gaps in income, status, voice, and democratic representation

- ▶ It also feeds negative stereotypes about women's leadership abilities and depresses the career ambitions of young women

Motivation & Contribution

▶ Promotions change income, status, hours, travel, and networks—**all** can shift intra-household preferences/constraints.

▶ Hard to establish causality: promotions are endogenous.

▶ **Contribution:** A clean design comparing "**promoted**" vs "**almost-promoted**" candidates in **close elections**, plus evidence from **CEO** promotions.

▶ Adds to the literature on gender norms, labor market shocks, and family stability.

Why should promotions matter for marriage?

▶ Bertrand, Kamenica, and Pan 2015: couples in which wife earns more than the husband are more unhappy

▶ Fisman et al. 2006: uses speed dating experiments to show that men shy away women that they perceive to be smarter or more ambitious than themselves

▶ Bursztyn, Fujiwara, and Pallais 2017: Field experiment on MBA students; single women drastically understated their ambition levels compared to women already in relationships when they're told that their reported ambitions will be shared with their classmates (potential suitors)

Data & Outcomes

- **Setting: Sweden**. Administrative registers cover employment, income, marital status, children, and parental leave.

- **Samples:** (i) Political candidates for mayor/parliament (promotion $\Rightarrow$ winning a seat/office); (ii) **CEO** promotions.

- Why political candidates? Because they can identify who won and who lost

- **Key outcome:** Remaining married / divorce hazard in years relative to promotion.

- **Pre-promotion traits:** relative earnings, parental leave shares, spouse education/age, marriage duration.

Data & Outcomes

TABLE 1—COMPARISON OF PRE-PROMOTION TRAITS

|	Women		Men	
Subsequently promoted	Yes	No	Yes	No
Couple characteristics				
Marriage length (years)	20.76	21.01	20.91	20.78
Second marriage (share)	0.03	0.04	0.01	0.01
Same birth region (share)	0.89	0.92	0.94	0.93
Has children (0–17)	0.37	0.36	0.48	0.42
Has children (0–6)	0.10	0.09	0.11	0.10
Politician's share of earnings	0.57	0.54	0.68	0.66
Politician out-earns spouse (share)	**0.66**	**0.53**	0.90	0.87
Politician's share of parental leave	0.83	0.81	0.14	0.15
Age difference (politician-spouse)	−3.70	−4.01	1.70	1.85
Individual characteristics				
Politician's age	48.60	48.94	49.81	50.89
Politician's age at marriage[a]	28.10	28.14	29.02	30.17
Politician's earnings[b]	**335.4**	**290.6**	**370.4**	**344.3**
Politician's tertiary education (share)	0.65	0.67	0.52	0.53
Spouse's age	52.60	53.15	48.24	49.08
Spouse's earnings	282.8	289.8	174.6	179.5
Spouse's tertiary education (share)	0.42	0.46	0.54	0.52
Observations	235	406	492	749

Identification I: Event-Study DiD

$$Y_{iet} = \beta_t P_{ie} T_t + T_t + \delta ie + S_{ie} T_t + \tau_e T_t + \varepsilon_{iet},$$

- ▶ Dynamic DiD around the promotion year ($t = 0$); β_τ trace pre-trends and post effects.
- ▶ **Outcome:** remaining married (or divorce hazard) in year t.
- ▶ Fixed effects for elections (τ_E)
- ▶ β: capture the gap in remaining married between promoted and non-promoted people, relative to the size of that gap in $t = 0$

Descriptives

Panel A. Descriptive statistics, women and men separately
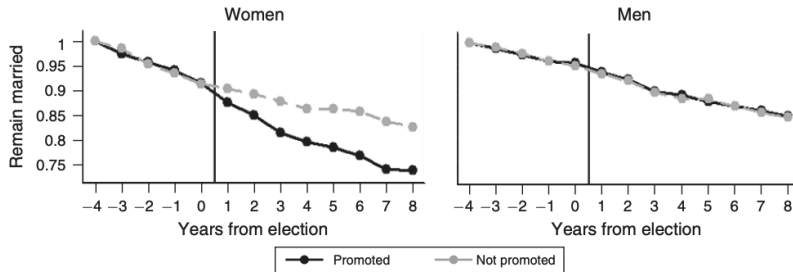
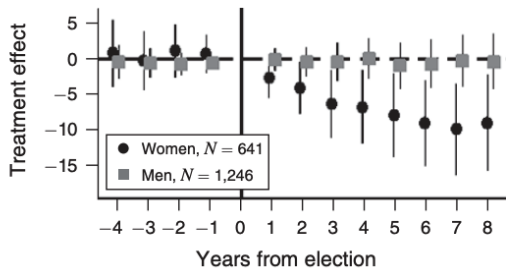Panel B. Difference-in-difference estimates, women and men combined

FIGURE 5. THE EFFECT OF POLITICAL PROMOTION ON REMAINING MARRIED

Main Result: Women vs. Men

▶ **Women:** sharp and sustained **decline** in probability of being married after promotion. Event-study effects reach roughly **–7 to –10 pp** by 6–8 years post.

▶ **Men: no robust effect** on remaining married in comparable designs.

▶ **Interpretation:** Women's promotions are associated with a **doubling of baseline divorce risk**; men's are not.

- There still exists selection problem here - women—but not men—decide to pursue a promotion when their marriage is on the rocks

- In proportional-representation elections, **seat majorities** turn on small vote shifts.

- Compare **winners vs runners-up** in "close" contests $\Rightarrow$ promotions are as-good-as-random near the threshold.

Panel B. Difference-in-difference estimates, women and men combined
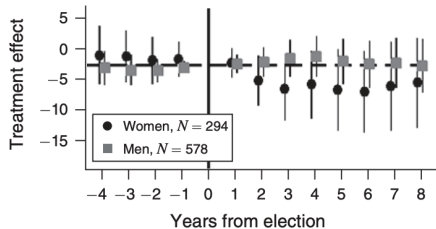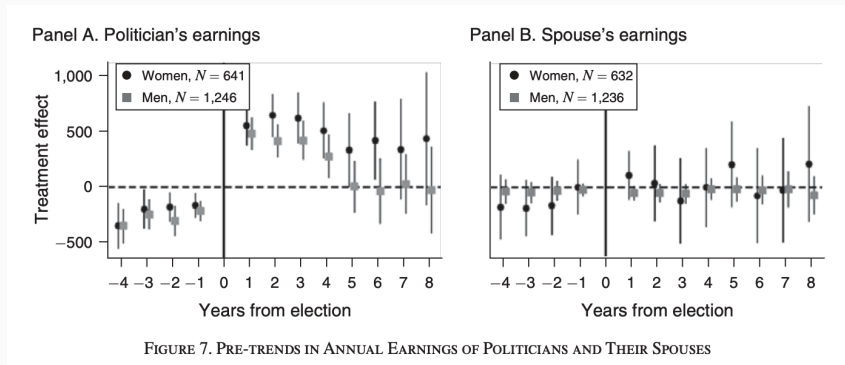
FIGURE 6. THE EFFECT OF POLITICAL PROMOTION ON REMAINING MARRIED IN A SUBSAMPLE OF CLOSE ELECTIONS

Qualitatively the same result, less precisely estimated

Sorting?

Women with less stable marriages might compete more fiercely to get elected and perhaps simultaneously strive harder for a promotion in their job outside of politics

Panel A. Politician's earnings

Panel B. Spouse's earnings

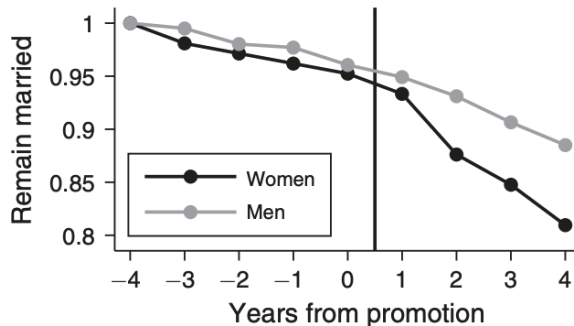FIGURE 7. PRE-TRENDS IN ANNUAL EARNINGS OF POLITICIANS AND THEIR SPOUSES

Not quite

External Validation: CEOs

- Being a CEO is very prestigious in any firm, typically the pinnacle of a career

- Helps generalize beyond political careers (different work environments, selection)

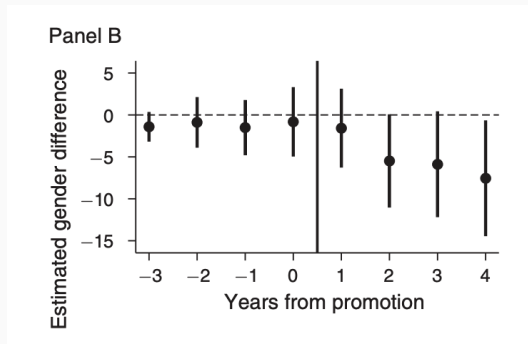- Problem: only observe **successful** promotions, not "almost-promoted" CEOs

CEO Results

Panel A

- ▶ Does not permit causal inference
- ▶ However, very similar to results on politicians
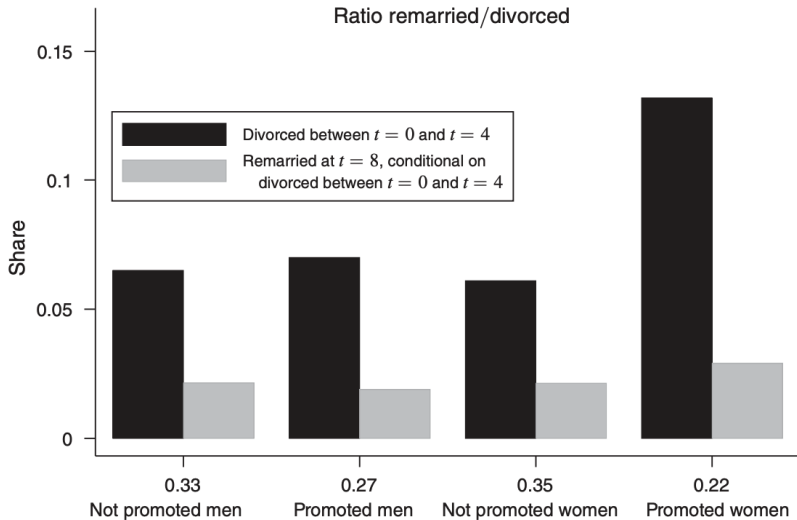
CEO Results

Panel B

- ▶ Female CEOs who were married at the time of their promotion are more than twice as likely to have gotten divorced three years after their promotion
- ▶ Gender difference is statistically significant at the 5 percent level
- ▶ Prior to the promotion, the sample shows no clear gender difference in rates of divorce

Temptation Effect?

▶ A promotion can change a person's work environment and introduce them to new potential partners.

▶ Look at pre-promotion exposure to (opposite-sex) coworkers

▶ Get "high" or "low" expected temptation based

▶ Sample split

Temptation Effect? A more direct test

Ratio remarried/divorced

Legend:
- Divorced between $t = 0$ and $t = 4$
- Remarried at $t = 8$, conditional on divorced between $t = 0$ and $t = 4$

| 0.33 | 0.27 | 0.35 | 0.22 |
| Not promoted men | Promoted men | Not promoted women | Promoted women |

Heterogeneity by Gender Norms

▶ Marriages may be destabilized if job promotions move the division of paid or unpaid labor away from the spouses' expectations of those divisions

▶ Measure couple "**gender-traditional**" vs "**gender-equal**" using pre-promotion indicators:

- ▷ Spousal age gap: 3 bins
- ▷ Division of parental leave: traditional if she took up more than 90% of leave

▶ **Result:** Divorce increases are **concentrated in gender-traditional couples**; **gender-equal couples** show **little to no increase**.

Age Gap
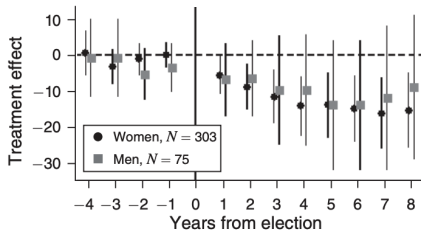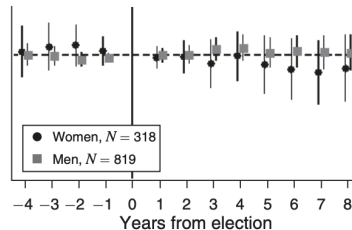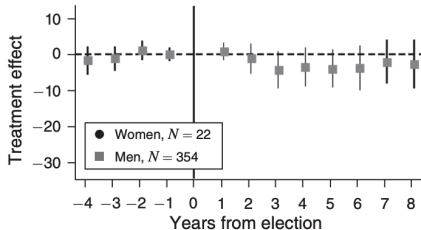
FIGURE 11. THE EFFECT OF POLITICAL PROMOTION ON REMAINING MARRIED IN SUBSAMPLES BASED ON THE SPOUSAL

Panel A. Wife took at least 90% of parental leave   Panel B. Wife took less than 90% of parental leave
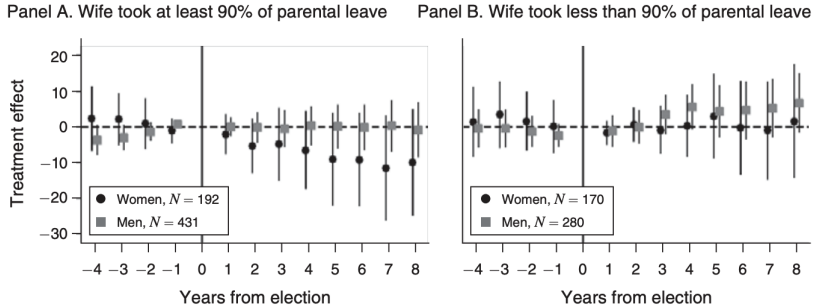
FIGURE 12. THE EFFECT OF POLITICAL PROMOTION ON REMAINING MARRIED IN SUBSAMPLES BASED ON THE WIFE'S SHARE OF TOTAL PARENTAL LEAVE

Economic Independence?

- Potential support for this by showing greater sensitivity to women's than to men's economic outcomes
- Divide the sample based on change in earnings after promotion
- Does not seem to be the case - similar effects for high and low earners
- This lack of evidence is unsurprising - the women were already high earners before the promotion

Discussion of Mechanisms

- Mechanisms point to the importance of a mismatch between expectations about spousal behavior—in the early phases of the relationship—and actual labor market outcomes as an explanation of women's divorces after promotion.

- Couples face adjustment costs when the spouse whose career was initially subordinate is promoted

- The baseline finding of women's increased divorce rate after promotion could therefore stem from the fact that women more often find themselves in relationships that initially focus on the career of the other person, while men do not

Conclusion

- ▶ The main result is that promotions destabilize women's marriages but not men's
- ▶ Giving up on the relationship may very well be the woman's choice and may be a positive outcome for her
- ▶ But highlight a large gender inequality in access to the first-best option for most: a functioning relationship and a successful career
- ▶ The candidate pool for top jobs would be skewed by a condition for women, but not for men, to put their relationship at risk
- ▶ Prioritization of the husband's career remains common around the world, even in progressive countries like Sweden
- ▶ Future research could explore the conditions that allow women at the top of the ability distribution to expand their choice set of partners to "marry down," and for men to do the opposite
- ▶ A less permissive context could prohibit professional women from getting married in the first place

- All the Single Ladies — Folke & Rickne (AEJ Applied, 2020)

  ▷ Setting, Data, & Measurement

  ▷ Results

- Divorce Law and Marriage-Specific Capital — Stevenson (JLE 2007)

Betsey Stevenson (2007). *The Impact of Divorce Laws on Marriage-Specific Capital*, *Journal of Labor Economics*, 25(1): 75–94.

▶ **Question:** Do *unilateral* divorce laws change couples' incentives to invest in **marriage-specific capital** early in marriage?

▶ **Design:** Use cross-state legal changes in the **1970s** as quasi-experimental variation to compare newly married couples before/after adoption of **unilateral divorce**.

Motivation

- In the 1970s and 1980s, many states adopted unilateral divorce laws
- This legal change was part of a broader movement in which states began to recognize "irreconcilable differences" as a legitimate reason for divorce
- Marriage and divorce laws set the parameters for intertemporal bargaining between partners
- Couples make decisions - whether or not to have children, how many children to have, whether to buy a house, whether one spouse should invest in more education, and how to divide home vs market work
- These affect both the value of their marriage in the future and their outside options - central to marriage

Divorce Laws and Marriage-Specific Capital

- ▶ If divorce reform raises divorce rates, each spouse is less likely to reap the benefits of marriage-specific capital, reducing the incentive to invest jointly

- ▶ Shifts bargaining power within the household, then decisions about marital investments may change, particularly if couples differ in their preferences

- ▶ The incentive to invest jointly may depend upon the ability of the couple to commit to a specific distribution of future rents, which is likely shaped by divorce law

- ▶ Couples may use investment in marriage-specific capital strategically—overinvesting today so as to constrain their future selves to prefer to remain married than to divorce

Institutional Background

- **Unilateral divorce** ("no-fault"): either spouse can dissolve a marriage without proof of wrongdoing.
- Staggered adoption across U.S. states during **late 1960s–1980s** creates variation.
- **Property division regimes** (community property, common law, equitable distribution) shape who shares returns to MSC if divorce occurs.

Empirical Strategy (High-Level)

▶ Compare **new marriages** formed in states *before vs. after* unilateral divorce adoption to states that have not yet adopted.

▶ Effect on early-life outcomes: spouse-in-school, fertility in first years, LFP/specialization, home ownership.

▶ **Difference-in-differences** logic with state and time fixed effects; controls for demographics; robustness to alternative codings of legal changes and to property-law interactions.

Outcomes and Measures

- **Spouse's education support:** indicator that one spouse is enrolled while the other works ("putting spouse through school").

- **Children:** probability of having a child **within first two years** of marriage; parity in early years.

- **Household specialization:** wife's labor-force participation; both spouses working full-time vs. one specializing at home.

- **Home ownership:** indicator of owning a home in early marriage; interaction with property-division laws.

Main Results (1): MSC Falls After Unilateral Divorce

▶ Adoption of **unilateral divorce** is associated with **lower** investment in most MSC margins for newlyweds:

  ▷ **Less** "spouse in school" support.
  ▷ **Lower** likelihood of having a **birth in first two years** of marriage.
  ▷ **Less** household specialization (e.g., **higher** wife LFP; **more** both spouses full-time).

▶ Interpreted as a response to a reduced expected surplus from partner-specific investments when *exit becomes easier*.

Table 2
Divorce Laws' Impact on Marital Investments of Newlyweds

Dependent Variable	Mean (%)	(1)	(2)	(3)	(4)
Student spouse supported (working, student couple)		−.013***	−.011***	−.011***	−.009***
	10	(.003)	(.003)	(.003)	(.003)
Both employed full time		.017***	.022***	.022***	.020***
	25	(.007)	(.007)	(.007)	(.007)
Wife employed		.015**	.025***	.028***	.024***
	52	(.006)	(.007)	(.007)	(.007)
Have child(ren)		−.008	−.017**	−.019**	−.024***
	31	(.008)	(.008)	(.008)	(.009)
Own home		.007	.010	.010	.002
	31	(.007)	(.008)	(.008)	(.008)
Controls:					
State, year, gender, years of marriage		X	X	X	X
Demographic controls by sex (race, ethnicity, age, education[a]), metro status			X	X	X
Spouses demographic controls (age, education, race × sex)				X	X
No-fault property division					X
Type of property division law (equitable division, common law, community property)					X

SOURCE.—The 1970 and 1980 Censuses of Population; Integrated Public Use Microdata Series (IPUMS); Ruggles and Sobek (1997).
NOTE.—Probit regressions, evaluated at the cell mean, involve 329,952 observations, and standard errors are clustered at the level of state × year of census cells. Sample includes individuals and their spouses for whom both spouses are in their first marriage and both are at least 18 years old. Race includes a dummy variables for black and Asian. Ethnicity is a dummy variable for Hispanic. Age is a saturated set of dummy variables for nine age categories. Education includes dummy variables for high school graduate, some college, and college. Metro status is a saturated set of dummy variables.
[a] Education is not controlled for in the regressions estimating the effect of unilateral divorce on spousal support of education.
** Statistically discernible from zero at the 5% level.
*** Statistically discernible from zero at the 1% level.

Main Results (2): Home Ownership Depends on Property Law

► Unlike other MSC margins, **home ownership** does *not* uniformly decline.

► **Interaction:** Effect on home ownership depends on **property-division laws**.

► Intuition: If the legal regime **shares** asset value at divorce, the hold-up risk for a titled asset can be mitigated, preserving (or even encouraging) home investment.

Table 3
Divorce and Property Division Laws Impact on Marital Investments of Newlyweds

	Student Spouse Supported	Both Employed Full Time	Wife Employed	Have Child(ren)	Own Home
A. Unilateral divorce by property division laws:					
Unilateral divorce × equitable division	−.019***	.014*	.021***	−.022**	.018**
	(.004)	(.008)	(.008)	(.010)	(.008)
Unilateral divorce × common law	.010*	.016*	.030***	−.007	−.046***
	(.006)	(.009)	(.006)	(.016)	(.013)
Unilateral divorce × community	−.008*	.035***	.032***	−.018**	.026***
	(.005)	(.012)	(.010)	(.009)	(.009)
R^2	.018	.045	.080	.152	.078
B. Unilateral divorce and fault in property division laws:					
Unilateral divorce without no-fault property division	−.008*	.017**	.023***	−.027***	−.001
	(.004)	(.008)	(.007)	(.010)	(.009)
Unilateral divorce with no-fault property division	−.013**	.034***	.038***	−.014	.013
	(.006)	(.010)	(.014)	(.014)	(.009)
No-fault property division	−.006	−.002	−.001	.013	.029***
	(.004)	(.010)	(.015)	(.015)	(.009)
R^2	.018	.045	.080	.152	.078

Source.—The 1970 and 1980 Censuses of Population; Integrated Public Use Microdata Series (IPUMS); Ruggles and Sobek (1997).
Note.—Probit regressions, evaluated at the cell mean, involve 329,952 observations, and standard errors are clustered at the level of state × year of census cells. Individuals and their spouses include marriages in which both spouses are in their first marriage and both are at least 18 years old. All regressions control for state and year fixed effects; a saturated set of dummy variables for the race, ethnicity, and age, by sex, of both the individual and their spouse; and metro status. Education dummy variables for high school graduate, some college, and college are included in the regressions for both employed full time, wife employed, children, and home ownership.
* Statistically discernible from zero at the 10% level.
** Statistically discernible from zero at the 5% level.
*** Statistically discernible from zero at the 1% level.

Identification Concerns

- **Policy endogeneity:** states might adopt unilateral laws amid broader social change.

- **Response:** state/time FE; controls; focusing on **newlyweds**; robustness to excluding early/late adopters; exploring alternative law codings.

- **Composition effects:** If unilateral divorce changes *who marries*, estimates reflect both selection and behavioral response

Mechanisms & Economic Intuition

- **Threat-point shift**: Unilateral divorce raises each spouse's option value of exit $\Rightarrow$ lowers expected returns to partner-specific investments.

- **Household specialization** becomes riskier (less insurable) when continued marriage is less certain.

- **Asset division rules** can partially *insure* titled investments (e.g., homes), dampening the hold-up.

Policy Takeaways

- Family-law reforms change **ex-ante** incentives—not just **ex-post** dissolution rates.

- If policymakers value MSC (e.g., early fertility, schooling investments, specialization for childrearing), then **exit rules** and **property division** should be considered jointly.

- Design implication: **Complementary** policies (e.g., equitable asset division, portable benefits, or child-related insurance) can protect MSC when exit is easier.

Connecting to the Course Theme

- **Bargaining in the shadow of the law:** Legal rules set outside options and shape intra-household allocations.

- Here: **divorce law** shifts *ex-ante investment* incentives in marriage.

See you next time!