

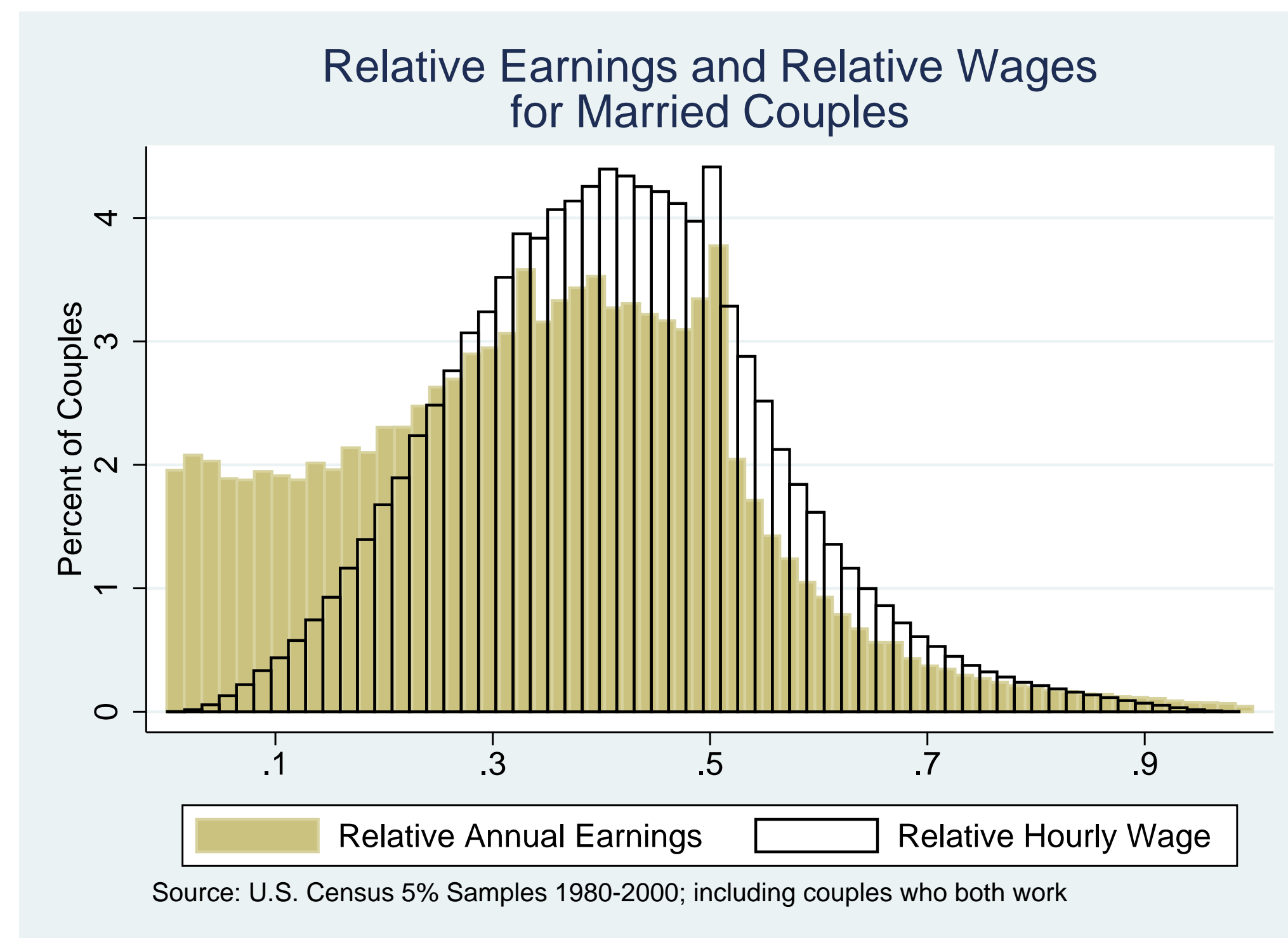
Do Couples Commit to Gender Norms? The Effect of Relative Wage on Married Women's Labor Supply

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Motivation

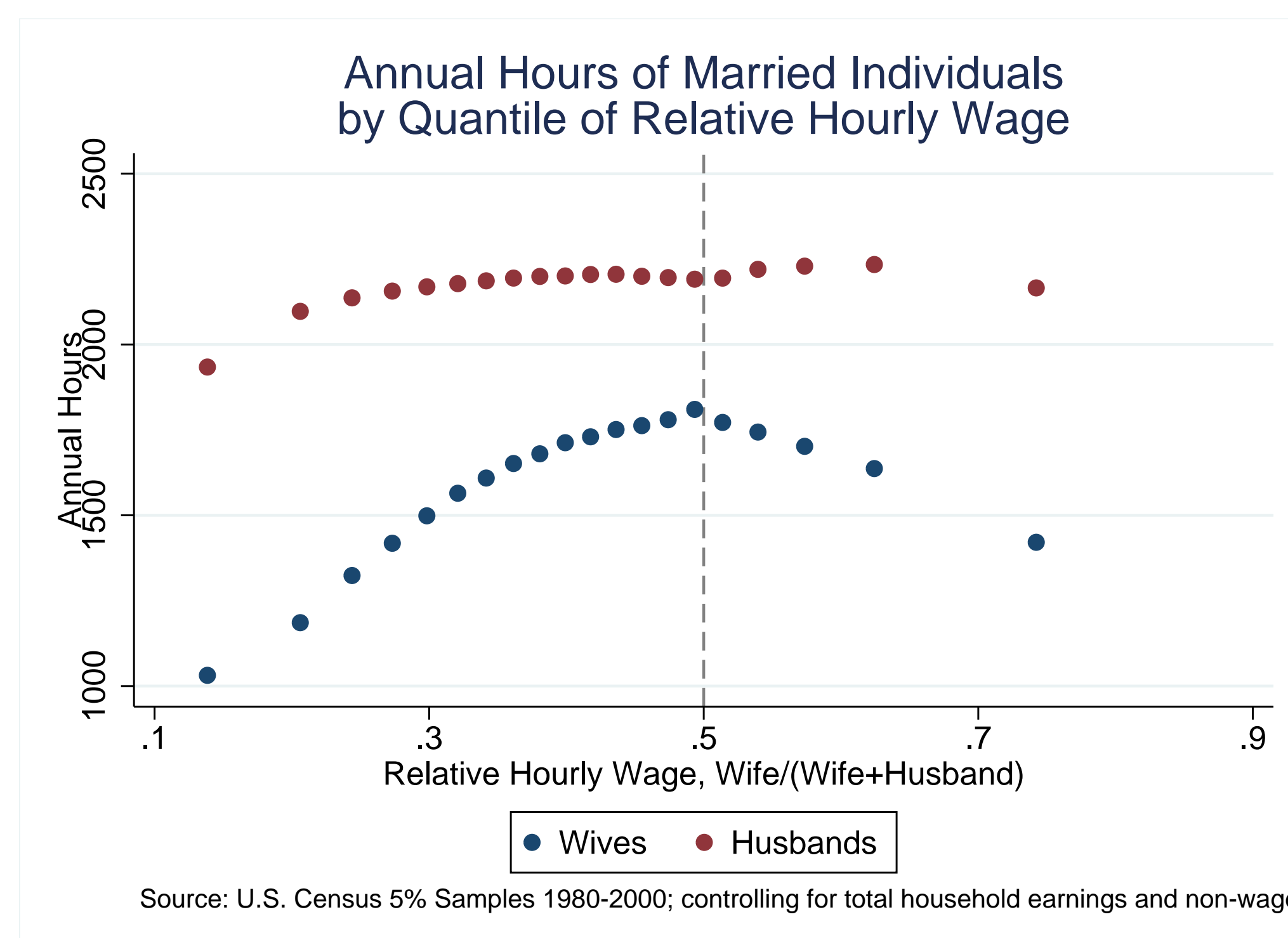
Hours are a key component in **earnings gap** for married couples



- Model of household specialization easily explains left side of figure
- How to understand asymmetry of right side?

Stylized Fact

Average wives' annual hours **decline** when relative wage > 0.5



Question

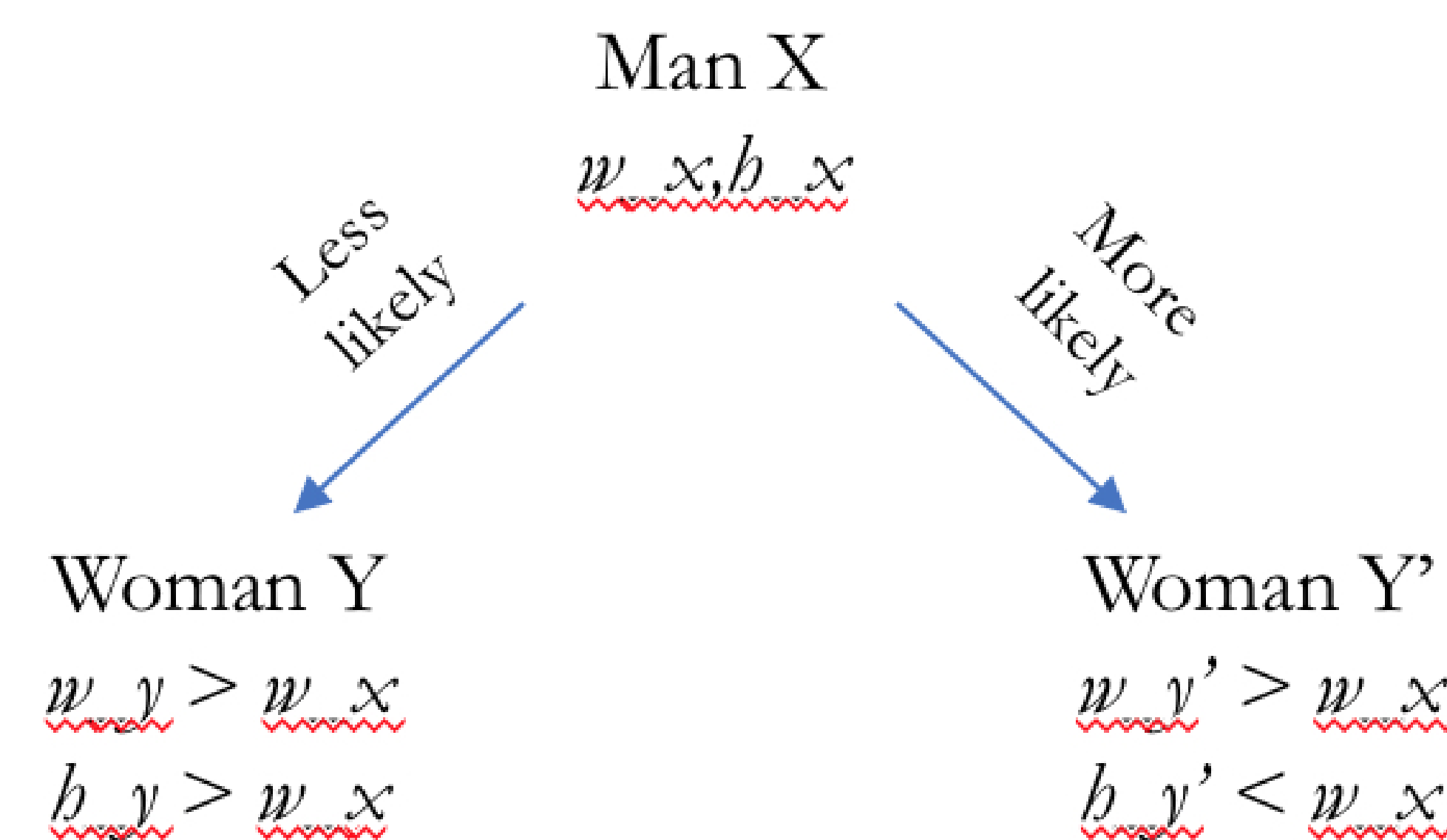
Which channel drives this relationship?

Channel 1: Selection

- Marriage rates decline when women's *annual income* greater than male matches' (Bertrand, Pan and Kamenica, 2015)
- Avoidance of matches with higher-earning wife:

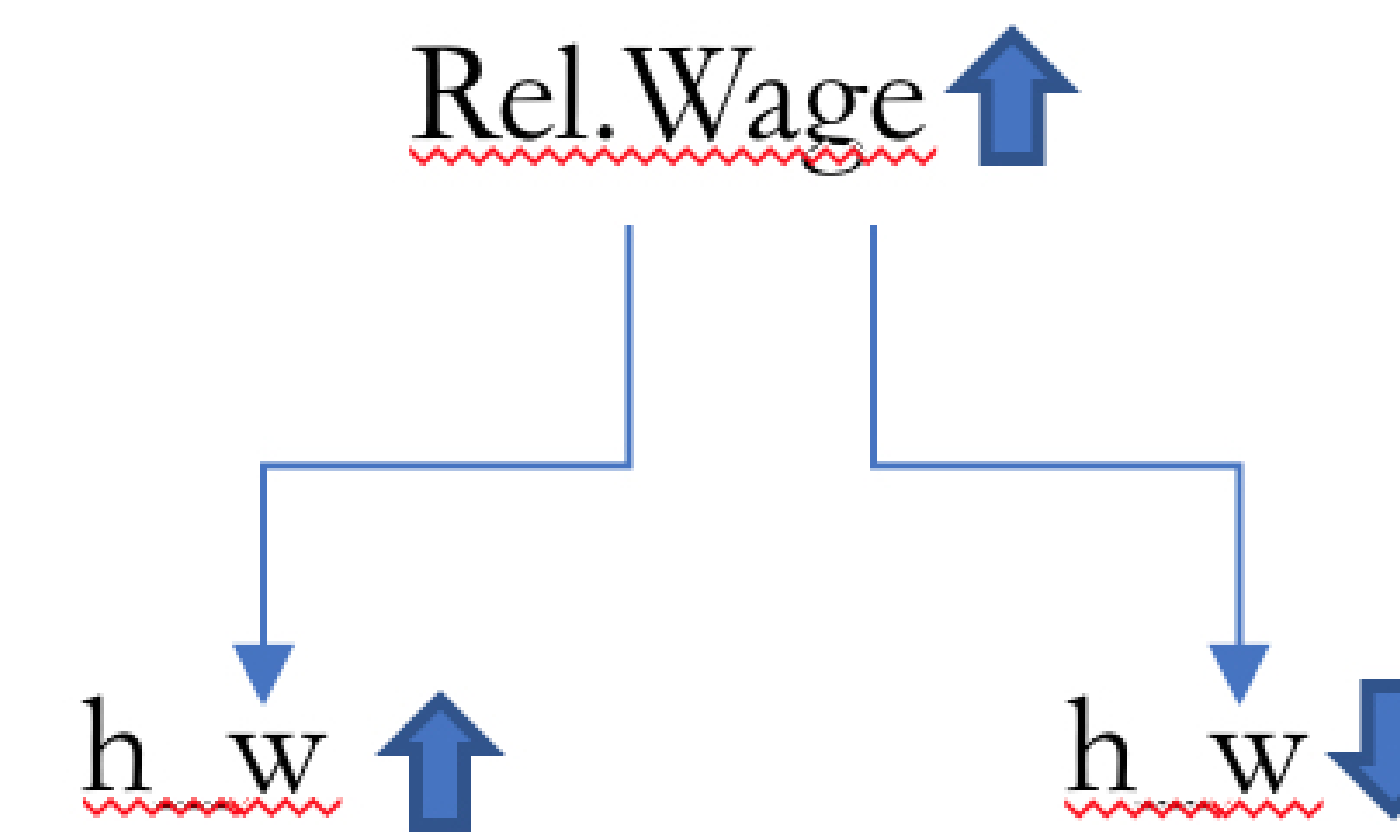
$$w_w \cdot h_w > w_h \cdot h_w$$

Hypothesized Matching Pattern



Channel 2: Causal Responses

Potential Responses



- Either theoretically possible
- Decrease in hours could be due to norms
- Increase in wives' hours would be consistent with labor literature (Blau and Kahn 2004)
 - Would imply that selection matters

Empirical Strategy and Results

- If selection a major factor, effect of relative wage will be negative if $w_w \geq w_h$
 - Not necessarily capturing *causal response* to relative wage
- Need relative wage measure that is exogenous to joint decision of marriage, wives' hours
 - Use labor demand shocks (Bartik 1991) to predict wages and estimate causal response

	Observed Wages	
	$w_w < w_h$	$w_w \geq w_h$
Wife's annual hours		
RelWage	24.30 (0.76)	-19.85 (0.85)
TotIncWage	3.38 (0.24)	4.86 (0.23)
Constant	678.28 (45.36)	2,440.09 (62.72)
Observations	19,739	14,001
R-squared	0.45	0.52

	Bartik Wages	
	$w_w < w_h$	$w_w \geq w_h$
Wife's annual hours		
RelWage_Bart	14.37 (1.38)	11.87 (2.00)
TotIncWage	2.59 (0.26)	5.17 (0.25)
Constant	1,043.31 (70.80)	830.15 (92.97)
Observations	19,739	14,001
R-squared	0.39	0.49

Contribution

Married individuals matter for gender gaps

- Gaps in hours, earnings among married important for overall gender gaps in wages and earnings (Blau and Kahn 2017)

Understanding potential for policy

- Focus on when $w_w > w_h$ to understand potential constraints for targeting gaps
- To what extent can observed gaps be reduced?

Conclusion

Findings for $w_w \geq w_h$

- *Observed wages*: Negative relationship between hours and relative wage
- *Bartik wages*: Positive relationship \rightarrow causal response is positive

Implications

- Positive causal effect suggests important role of selection driving observed negative relationship
- Possible to reduce gaps in hours via economic incentives, but effectiveness likely limited