Marriage and Divorce: Does the Marriage Wage Premium Matter?

There is a sizeable literature identifying and attempting to understand the premium men receive for being married, which has been estimated to be as high as 25-30%. The three primary theories are: 1) married men are assisted by their wives, which allows these men to concentrate more on their careers (the decline in the premium began when married women began entering the work force in large numbers); 2) that there are unmeasured characteristics which make men desirable husbands and also make them better workers; 3) that married men are more future oriented and are more likely to take advantage of on-the-job training, which leads to higher wages. There is no evidence that a similar premium (or penalty) exists for married women.

There is also a sizeable and growing economic literature on marriage and divorce, which complements the large sociological, anthropological and demographic literatures on the same subject. But there has not been a study that has suggested that the changes in the wage premium could cause changes in divorce or marriage rates.

Using data on approximately 1500 men over a twenty year period, I plan to show that the size of the marriage premium for an individual man affects the probability that he will divorce, if he is married, or marry, if he is single. The magnitude of this impact will be compared to that of other variables effecting marriage and divorce in the literature. Finally, the results regarding the individuals in the sample will be applied to aggregate divorce and marriage rates in the US.

The data is from the National Longitudinal Survey of Youth 1979. This data set is comprised of 12,686 young men and women who were between the ages of 14 and 22 when they were first interviewed in 1979. They were interviewed every year thereafter until 1994 and have been interviewed biennially since then. Biennial data for white men, covering the years 1982 through 2002 are used.

First, the estimated wage premium has to be estimated for each individual in each period. Separate wage equations are estimated for single men and married men. The independent variables in these equations include: age; education; job tenure; weeks worked in the past year; hours worked per week during the past year; whether the individual is covered by collective bargaining; whether the individual is self employed; AFQT; occupation dummies; industry dummies; foreign born; the county unemployment rate; and county average earnings. Each married man's premium is estimated as the difference between his actual earnings and his earnings predicted by the single men's wage equation. Similarly, each single man's premium is estimated as the difference between his actual earnings and his earnings predicted by the married men's wage equation . Each individual's premium can change over time, so it is estimated for each biennium.

A second set of regression explaining an individual's change in marital status is also estimated. A logit is estimated using the pooled data for all married men in the sample. The qualitative dependent variable tales on a value of 1 if the individual is divorced or separated during the current period and 0 otherwise. The estimated wage premium from

the previous period is an explanatory variable in the divorce equation. Other variables include: age; predicted earnings; wife's earnings; number and ages of children; whether the individual is Catholic; whether the state where the individual resides has no-fault divorce laws; age when married; number of years of marriage; and whether the individual's parents were divorced.

A separate logistic regression will be estimated using the pooled data for the single men in the sample. The dependent variable will have value of 1 if the individual marries during the current period and 0 otherwise. Again, the estimated wage premium (a penalty for single men) from the previous period is one of the independent variables. Others include: the sex ratio in the nearest metropolitan area; predicted earnings; education; whether the individual has been previously married; average male earnings in the nearest metropolitan area; education of the individuals parents; and mother's county of birth.

The expected results for the marital status equations are as follows. Married men that with a smaller estimated premiums will be more likely to divorce. Single men with smaller estimated premiums will be less likely to marry. These results will have more credence if the other explanatory variables in the regressions have their expected signs.

The two estimated marital status equations, evaluated at the means of the independent variables, will provide probabilities of divorce and marriage. From these, it will be possible to determine how the probability of each changes as the wage premium changes. These estimates of the change in the probabilities can be interpreted as a change in the fraction of divorces and marriages due to the change in the dollar amount of the wage premium. Estimates on the change in the premium during the past twenty years will also be generated from this study (and are available from other studies), so the fraction of divorces accounted for by the change in the wage premium can be estimated as well. The same can be done for the change in the marriage rate during the past twenty years.

There has been extensive research on the wage premium paid to white, married men. Investigators have found 3 primary non-mutually exclusive explanations for the premium. But no one has used the wage premium itself as an explanatory variable in divorce and marriage equations. I believe that this will be an important contribution in understanding fluctuations in the divorce and marriage rates that have occurred over the past 20 years.