

Pay and Relative Income Within Couples

Since this month
contains Valentine's
Day, I got to thinking
about love and marriage
and ... compensation?

I always think about compensation, but since it is February, I figured I would add love and marriage to the mix. In heterosexual couples, women are increasingly earning more than their male counterparts. In fact, the percent of dual-earning married couples in which the wife earns more than the husband is now more than 28 percent, an increase of 58 percent over the past 24 years (see Figure 1). An interesting new study examines what the implications are of these facts.



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Marriage and Relative Income Within Couples

In the past four decades, there have been remarkable demographic and financial changes. Among them, a striking rise in women's earnings and a fall in marriage rates for young people. In "U.S. Labor Market Challenges Over the Longer Term," labor economist David Autor shows that the fraction of young adults who are currently married plummeted, dropping by 30 percent to 70 percent depending on gender, education and race/ethnicity (paper prepared for the Federal Reserve Board of Governors, 2010, Figure 15, <http://economics.mit.edu/files/6341>). At the same time, women's labor earnings have steadily increased.

Late last fall, I came across an interesting and provocative new working paper, "Gender Identity and Relative Income Within Households," by Marianne Bertrand, Emir Kamenica and Jessica Pan (working paper, November 2012), in which the authors try to determine how these two trends are related.

One of the things Bertrand, Kamenica and Pan focus in on is whether traditional gender identity, which they define as having an aversion to a wife earning more than a husband, is related to a host of variables, including marriage formation. They also simultaneously consider whether and how much a wife works outside the home for pay, a wife's income if she works outside the home, marriage satisfaction, likelihood of divorce and the division of labor in home production (i.e., who does how many of the household chores and family-management tasks, such as grocery shopping or paying bills). Marianne Bertrand presented this research at Cornell in November and, even among a packed house of statistically minded economists, the discussion was saturated with numerous personal anecdotes and questions.

Here are a few of the Bertrand et al. provocative findings, based on (somewhat) complicated statistical analyses (that I won't fully explain in the space here).

- Within existing couples, when a wife's earnings potential (estimated from characteristics like her age and education) is higher than her husband's, she is less likely to work outside the home, and if she does, will typically earn less than peers with equal earnings potential.
- Couples where the wife earns more than the husband are less satisfied with their marriages and have a higher chance of divorcing.
- Marriage rates decline "when a randomly chosen woman becomes more likely to earn more than a randomly chosen man."

This is not to say influencing factors come only from within the home. Emily Zitek, a colleague of mine in Cornell's ILR School, has just co-authored research analyzing survey responses of college students ("Marital Status Bias in Perceptions of Employees," *Basic and Applied Social Psychology*, Vol.34, No. 5, 2012). Zitek, and her co-author Alex Jordan, find these soon-to-be employees consistently reveal biases against married female employees when asked questions about the workplace productivity of married women vis-à-vis single women and married men.

Who's Doing the Household Chores?

The "American Time Use Survey" (ATUS) is an interesting nationally representative survey "that measures the

Figure 1 | Percent of U.S. (Dual-Earning) Married Couples Where Wife's Income is Greater Than Husband's



Source: Compiled by the Institute for Compensation Studies | Data Source: U.S. Bureau of Labor Statistics, "Wives Who Earn More Than Their Husbands, 1987-2011" Labor Force Statistics from the Current Population Survey, accessed at www.bls.gov/cps/wives_earn_more.htm on Dec. 14, 2012.

amount of time people spend doing various activities, such as paid work, child care, volunteering and socializing" (see www.bls.gov/tus/home.htm). The ATUS is one of the sources used by Bertrand et al. in their recent research. Using these data, the authors show how much more household work gets done by women in heterosexual couples. Furthermore, the gender gap in work done within the household is even larger when the wife earns more.

The "American Time Use Survey" data files only go back to 2003, making it a relatively new source for provocative research, such as Bertrand et al. I suspect this research, and other emerging work on this topic, will create a lot of discussion among researchers. And it should, but also among practitioners. For example, would this research suggest that nonwage compensation like concierge services or elder-care support provide a competitive advantage in recruiting and retaining high-earning women? Or, not only does flex time matter, but might it matter even more to your top-paid female employees or other groups? I don't have the answers and they may depend on organization-specific factors. But I will encourage emerging researchers to pursue this interesting area. And, I am hungry for some Valentine's Day chocolates. **WS**



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