Estimating the Impact of Marriage on Women’s Wages
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Introduction
Marriage is contested terrain in America. Federal initiatives to support marriage are being launched at the same time that marriage is described as the entry point to a life of domestic drudgery and dissatisfaction (Kripin 2004). Rates of entry into marriage remain high, but so, too, do rates of divorce (Cherlin 2009). While not the only yardstick by which to measure marriage, financial well-being is certainly an important one, as financial resources may be used to procure other desirable outcomes.

The financial benefits of marriage and costs of divorce for women are well-known (Waltz and Gallagher 2002; Smock, Manning, and Gupta 1999). At the same time, claims of the cost of marriage for women’s careers date from the 1960s (Friedan 1963), and contemporary writers continue to note the potentially detrimental effect of marriage on women’s career trajectories (Gershuny 1996; National Science Foundation 2004; Xie and Shauman 2003).

Research Questions
1. Do women’s wages rise or fall following entry into marriage (after controlling for life-cycle effects)?
2. How much of the association between marriage and women’s wages is attributable to the association between marriage and fertility?
3. Do wage changes following marriage appear to be unique to marriage, or do transitions to marriage and cohabitation have similar effects on women’s wages?
4. Do the wage changes that occur when women enter co-residential unions appear to be causally related to that transition, or due to time-varying selection on unobserved characteristics?

Data and Methods
- National Longitudinal Survey of Youth 1979 (NLSY79)
  - N=3,148 women ages 18-40, 39,026 person-year observations.

Dependent Variable:
- ln(hourly wage) at most recent job

Addressing Selection Effects
1. Selectivity into marriage: individual-level fixed effects
2. Selectivity into the labor force: we use a bivariate normal selection model to correct for the fact that women who experience more positive wage effects due to marriage may be more likely to remain in the labor force following marriage.
- The Inverse Mills Ratio (IMR) term is negative and significant in the wage equation. This increase in women’s probability of employment are, on average, associated with wage losses.
- The estimated relationship between entry into marriage and women’s wages is minimally affected by the inclusion of the IMR term. We present the unadjusted results, for simplicity.

Models
- Models control for a quadratic in potential labor force experience, interacted with education level

Model 1: gross effect of marriage
- Dummy variable for whether the individual has ever married (as of the current year)

Model 2: marriage effect net of divorce and motherhood
- Dummy variables for whether the individual is currently married or currently divorced, plus whether she is a mother

Model 3: comparing marriage and cohabitation
- Model 2, plus dummy variable for whether the individual is currently married, but cohabiting

Model 4: looking for time-varying selection
- Model 2, plus dummy variables to measure whether the individual is about to marry: a dummy for whether she will marry in exactly two years and one for whether she will marry in exactly one year. These variables are created separately for cohabiters and those who are not cohabiting.
- For cohabiters, a separate dummy variable indicates that the individual is cohabiting but will not marry for at least 3 years.
- Separate dummy variables are constructed for whether the individual is currently married and cohabited prior to marriage or currently married and did not cohabit prior to marriage.

Results

Table: Models 1-3: % Wage Change Associated with Family Status Transitions

<table>
<thead>
<tr>
<th>Model</th>
<th>Divorced</th>
<th>Married</th>
<th>Mother</th>
<th>Cohabiting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td></td>
<td></td>
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<tr>
<td>Model 2</td>
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<tr>
<td>Model 3</td>
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</tbody>
</table>

Table: Models 4: % Wage Change in Years Preceding Marriage

<table>
<thead>
<tr>
<th>Cohabitors</th>
<th>Not Cohabitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>p-value</td>
<td>p-value</td>
</tr>
<tr>
<td>0.05</td>
<td>0.05</td>
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<tr>
<td>Notes:</td>
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<td>Never-married women are the excluded group.</td>
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References:

Conclusions and Implications
- There is no evidence that women experience wage losses when they marry. The gross effect of marriage on women’s wages is extremely close to zero. Net of divorce and motherhood, the marriage premium for women is less than 3%, substantially smaller than for men.
- Positive effects of marriage on women’s labor force productivity, such as increases in human and social capital, may be offset by negative effects of specialization.
- Women experience significantly higher wages when they are married, divorced, or cohabiting than when they are single, but wages are statistically indistinguishable between periods of divorce, remarriage, and cohabitation.
- The wage premium for married women as compared to never-married women does not appear to be unique to the institution of marriage.
- Women’s wages are higher in the two years immediately prior to marriage than in earlier years, regardless of whether they cohabitate prior to marriage. This suggests that the marriage premium may be due to selection into marriage on the basis of time-varying characteristics, not a causal effect.
- Women may choose to marry following wage increases that provide them with greater financial stability.
- Changes in unobserved characteristics may be associated with increased probability of entry into marriage and increases in wages.
- A similar logic may explain the cohabitation premium.