

The Male Marital Wage Premium: Further Results on an Enduring Puzzle

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Three decades of empirical research could not settle the question whether or not marriage makes men more productive workers. Meanwhile, some recent studies using panel data and fixed-effects methodology conclude that married men earn more mainly because of self-selection of high earners into marriage. A small causal effect nevertheless seems to remain.

Starting from this the authors go some steps further. Drawing on theoretical and methodological considerations they argue that (i) a causal effect should either increase with marriage duration or remain constant over time, that (ii) a causal effect should be confined to marriage (implying a larger wage increase compared to cohabitation as well as a negative effect of divorce), and that (iii) self-selection may not only operate on wage levels, but also on wage growth.

Using data from the German Socio-economic Panel 1984-2003 the results of the authors all speak in one direction: there is no causal effect of a marriage. Married men simply earn more because of self-selection. Or stated even more generally: processes of family formation and dissolution do not affect male wages.

Specifically, results of fixed-effects models point to a positive effect of first marriage on male wages only during the early years. However, allowing statistically for higher wage growth of to-be-married men eliminates most of the initial wage jump. Hence, men on a steep career track seem to be especially prone to marriage. This induces serial dependence of the errors in conventional fixed-effects models which shows up in an upward-biased effect of marriage in early years. Moreover, these methodological issues also can explain why married men seemingly gain more from their relationship than men cohabiting prior to first marriage. Finally, the authors find no causal effect of divorce or remarriage when only men are compared which have made the transition to first marriage.

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