

Spousal Bargaining Power: Decoupling Gender Norms and Earning Status

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April 29, 2021

JEL: J16, J22, D10

Keywords: gender norms, labor supply, collective model

Extended Abstract

The collective labor supply model introduced by Chiappori (1988, 1992) provides a spousal bargaining framework of household labor supply that requires the researcher to divide couples along one dimension so that one spouse can bargain with the other. Most empirical studies divide different-sex couples by sex (e.g., Chiappori, Fortin, and Lacroix 2002; Moreau and Donni 2002; Vermeulen 2006; Blundell et al. 2007; Donni and Moreau 2007; Cherchye, De Rock, and Vermeulen 2012; Gayle and Shephard 2019, among others). However, institutional factors in the labor market, such as the gender wage gap and traditional gender norms surrounding labor supply, suggest that husbands are more likely to be primary earners in their households, meaning that husbands' estimated bargaining power may reflect both gender norms and earning status in the household. It is, therefore, unclear to what extent gender norms influence bargaining power within couples separately from each spouse's earning status in the household. For example, Hofmarcher and Plug (Forthcoming) conclude that household specialization differences between same- and

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different-sex couples are driven by the most traditional different-sex couples, Bartels and Shupe (2018) conclude that earning status in the household, rather than sex, is a more influential driver of responses to work incentives, and Baldwin, Allgrunn, and Ring (2011) suggest that the traditional male-female division in household labor supply has become less useful over time. In addition, Hansen, Martell, and Roncolato (2019) and Isaac (2020) estimate heterogeneous responses of same-sex partners' labor supply to same-sex marriage legalization by both sex and earning status in the couple, suggesting that gender norms and earning status play a role in household specialization and that they may interact in different-sex couples.

Disentangling the role of gender norms in spousal bargaining power and labor supply can not only illuminate the extent to which gender inequality drives intra-household inequality and economic outcomes, but can also help inform policies aimed at decreasing inequality and inform expectations about labor supply elasticities. For example, if observed differences in men's and women's labor supply are entirely attributable to gender norms, then policies aimed at addressing institutional inequalities, such as reducing marginal tax rates for secondary earners, may have little effect on women's labor supply leading to small elasticity estimates. On the other hand, if observed labor supply differences are not affected by gender norms, then policies aimed at addressing institutional inequalities may be particularly effective.

In this paper, I estimate collective labor supply models for different-sex and same-sex married couples to quantify the role of gender norms in spousal bargaining power. Although this is my main goal and contribution in this paper, there are two other contributions to the literature. First, I provide updated collective labor supply estimates for same-sex couples relative to the path-breaking work by Oreffice (2011), who uses data on same-sex cohabiting couples from the 2000 U.S. decennial census. The institutional context Oreffice (2011) studies pre-dates any legal access to same-sex marriage in the U.S., meaning the comparison of same-sex cohabiting partners' collective labor supply parameters to different-sex married spouses' parameters does not as cleanly identify the role of gender norms.¹ Second, I provide updated collective labor supply estimates

1. Massachusetts was the first state to legalize same-sex marriage, and did so in 2004.

from the model outlined by Donni (2003), which allows for both non-participation and non-linear budget constraints due to taxation. Moreau and Donni (2002) and Bloemen (2010) are the only others to estimate this model, to the best of my knowledge, and did so using French data from 1994 and Dutch data from 1990-2001, respectively. This model is useful in my context because there were substantial tax changes for same-sex married couples during my sample period, for which the model can account, and which I use to identify the unrestricted labor supply parameters.²

I use the 2012–2019 American Community Surveys to construct a sample of different- and same-sex married couples in which both spouses are between 25 and 60 years old. The 2012 American Community Survey is the first of the U.S. Census Bureau surveys to explicitly identify same-sex married couples in the data, whereas prior Census Bureau surveys suffered from substantial measurement error that made it difficult to reliably identify same-sex married couples (Black et al. 2007; Gates and Steinberger 2010). I divide different-sex couples by sex, as is common in this literature, and use a machine learning LASSO approach to divide same-sex couples by predicted earning status in the household. Identification of the sharing rule rests upon a distribution factor, defined as “variables that affect the household members’ bargaining position but not preferences or the joint budget set” (Chiappori, Fortin, and Lacroix 2002). I use the age difference between the two spouses as a distribution factor in this paper.³ Identification of the effect of gender norms on spousal bargaining power comes from the fact that bargaining power between different-sex spouses necessarily includes differences in the spouses’ sexes, whereas these differences are not present during bargaining between same-sex spouses. My empirical strategy allows me to recover the structural Marshallian labor supply parameters as well as the relative Pareto weights on the utility functions of wives in different-sex couples and predicted lower earners in same-sex couples.

I have defined the theoretical model, derived the expressions for the structural parameters, constructed the main data set, and defined an estimation strategy, but the empirical estimates and results are currently pending.

2. Friedberg and Isaac (2020) and Isaac (2020) study these tax changes in more detail and estimate their effects on marriage and labor supply, respectively.

3. Browning, Chiappori, and Weiss (2014) list the age difference between spouses as a distribution factor that has been used elsewhere (page 204).

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