# Differences in Labor Market behavior among Married and Cohabiting Individuals across Gender. An Analysis of European Union Countries

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**Introduction.**

Long-term cohabitation is more widespread in Europe than in the US, particularly in Nordic countries (see Table 1). Whether there are gender differences in the marriage and union income premium and in labor market attachment of cohabitants with respect to married individuals is the subject of this research.

In most previous research on earnings from work, marital status is identified by a dichotomous variable, currently married versus not currently married. Married men earn more than single men, while married women earn less than single women. Whether the differences arise from selection (those with more potential earnings are more likely to marry) or from more specialization (within a marriage men specialize in labor market skills) has been long debated in an extensive literature. In this analysis, however, there is a tricotomous marital status variable. Are those cohabiting more like married or more like single individuals? An extensive literature notes the larger instability of unions versus marriages. The expectation of a shorter commitment may deter specialization and reduce gender differences among unions as opposed to marriages.

**Data:**

This study uses the 1994-2001 waves of the European Community Household Panel (ECHP) Survey to conduct an analysis of individual earnings from work of individuals across civil status. The ECHP is a dataset produced by Eurostat that presents comparable micro-level (person/households) data on income, living conditions, demographics and work, for households across the old 15 European Union member states.

**Preliminary Results on Earnings**

After controlling for relevant demographics and country effects, preliminary results show that individuals living with a spouse, whether married or cohabitating, have higher earnings than

single workers. Table 2 shows some of these results from previous work in Adsera and Chiswick (forthcoming). Married men earn 3 to 4% more than those in consensual unions and around 32% more than single men. The fact that married men earn relatively more than those with other civil status –the "marriage premium"- has already drawn extensive attention in the literature (Korenman and Neumark 1991, 1992, Loh 1996). Stratton (2002) also finds that marriage is associated with higher wages than cohabitation. Controlling for the number of children in the household, married women earn around 7% more than single women but around 15 to 16% less than those in consensual unions. Waldfogel (1997) & (1998) provide a good review of the literature analyzes the "family gap" in earnings between men and women and argues that family factors, more than differences in human capital across gender are behind the gender earnings gap. The differences found between marriage and cohabitation for both men and women are consistent with the expectation that within cohabiting unions there is less specialization and division of labor than in marriages (Willis and Michael 1994), although intrahousehold specialization among married couples may be dwindling (Light 2004).

The number of children in the household is associated with lower women's earnings of around 14% per child. Thus, while married women without children earn more than singles, married mothers with one child earn 7% less than single women without children. This result is consistent with the decline in wages associated to motherhood found in Neumark and Korenman (1994), Waldfogel (1998) and Lundberg and Rose (2000), among others. For men, the coefficient on the number of children is significant and positive, but negligible in size (around 1% per child) (as in Loh, 1996). If the number of children is excluded from the specification, married women on average earn about 3% less than single women. Besides the bias from the omitted variable, this change in the relative ranking across marital status may also be related to the fact that the measure of potential experience employed here is further away from actual experience for married women than for others, particularly if they have interrupted (temporarily) their careers to bear children. Lundberg and Rose (2000); Jacobsen and Levin (1995) and Anderson, Binder and Krause (2003) offer recent analysis of the effect of intermittent careers on women's earnings.

**Additional analysis**

The paper will complete the analysis of earnings differentials and will study whether those differences appear also in a country-by country case. Besides completing the analysis of the marriage and union premium I will analyze differential market attachment across gender for

individual in unions and in marriages. Married women (with children) have shown to have weaker labor attachment than single women whether the reverse hold for men. I will conduct a similar analysis with the cohabitants.

Additionally I will exploit the panel dimension of the data to difference the data to eliminate fixed-effects and study within-person variation from changes in marital status. The focus of the paper will be to study whether these changes in earnings differ by gender.

Finally, similar to Light (2004), I will use data on total household income and earnings to study the effect from changes form stable unions into marriage within the same household. Still the sample size for those cases in this particular dataset may limit the interest of these last set results.

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**Table 1. Percentage of working adults in stable cohabiting unions**

| Country | Men | Women |
|---|---|---|
| Germany | 8.00 | 7.86 |
| Denmark | 17.34 | 16.76 |
| Netherlands | 8.78 | 9.00 |
| Belgium | 8.57 | 7.81 |
| Luxembourg | 7.53 | 7.10 |
| France | 10.16 | 9.59 |
| U.K. | 10.02 | 9.12 |
| Ireland | 1.77 | 1.78 |
| Italy | 1.38 | 1.42 |
| Greece | 1.10 | 0.83 |
| Spain | 1.94 | 1.73 |
| Portugal | 2.32 | 2.21 |
| Austria | 6.50 | 6.16 |
| Finland | 12.34 | 12.33 |
| Sweden | 21.23 | 21.03 |
| Total | 6.64 | 6.36 |

Note: Individuals with positive work earnings.
Source: ECHP- Waves 1-7.

**Table 2.** Regression analysis of earnings by gender.

| | Men | Women |
|---|---|---|
| Less Secondary Education | -0.241** | -0.339** |
| | (0.006) | (0.008) |
| Tertiary Education | 0.412** | 0.583** |
| | (0.007) | (0.008) |
| Yrs. Experience | 0.101** | 0.107** |
| | (0.001) | (0.001) |
| Yrs. Experience Squared | -0.002** | -0.002** |
| | (0.00002) | (0.00002) |
| Foreign Birth | -0.424** | -0.427** |
| | (0.040) | (0.053) |
| Years since Migration | 0.031** | 0.030** |
| | (0.003) | (0.005) |
| Sq. YSM | -0.00045** | -0.00037** |
| | (0.00007) | (0.00009) |
| N. Children | 0.010** | -0.143** |
| | (0.003) | (0.004) |
| Married | 0.321** | 0.075** |
| | (0.008) | (0.009) |
| Cohabiting | 0.280** | 0.233** |
| | (0.009) | (0.010) |
| N.Obs | 316,182 | 231,457 |
| Adj.R-Sq. | 0.28 | 0.20 |

Note: Dependent variable: natural logarithm of work earnings. Robust standard errors clustered by individual are below coefficients. Complete estimates also include country dummy variables. + significant at 10%; * significant at 5%; ** significant at 1%
Source: ECHP- Waves 1-7.