Institut für Arbeitsmarktund Berufsforschung Die Forschungseinrichtung der Bundesagentur für Arbeit



IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

Einladung 05/2015

Marriage Wage Premium with Productivity Heterogeneity in Search Equilibrium

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We propose a theoretical explanation for the existence of the so called marriage wage premium. Our explanation does not rely on ex-ante heterogeneity in the labour market. It is based entirely on search frictions in both the marriage and the labour market. We analyse the interaction between the two markets and show the existence of a search equilibrium with marriage wage premium. We show that the size of the

premium depends on productivity: it is higher among less productive men. This is also purely the result of frictions in both markets. We test this theory using data from the BHPS.



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