



4th Asia Pacific Conference on Contemporary Research (APCCR- 2018).
Bali, Indonesia
ISBN :978-0-6481172-9-2
Asia Pacific Institute of Advanced Research (APIAR)
www.apiar.org.au

MEN AND WOMEN'S MARRIAGE PREMIUM: EVIDENCE IN INDONESIA

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Abstract

Being married may have some advantages, such as household specialization, raising worker productivity, and increasing the probability of remaining in a job and, as consequence, obtaining a wage premium. Yet, this effect may be different for men and women. This paper examines the marriage wage premium for men and women and tries to explore selection bias on observable characteristics as a source of this premium using cross-sectional data from 2007 Indonesia Family Life Surveys (IFLS4). We have accomplished this goal by considering marriage as a non random treatment with heterogenous potential outcomes of wages. Then, using propensity score matching, selection bias due to observable differences between married and single men and women has been determined. Results based on this cross-section semi-parametric technique follow. Consequently, we find a marriage wage premium for both men and women though women have smaller marriage wage premium as compared to men. The reduction in the marriage premium earned by married females that does not account for the presence of dependent children justify the negative effect of children on women's wages. While for men, an increase in the marriage premium that does not account for the presence of dependent children is in line with the theory of specialization or gains due to economies of scale.

Keywords: Marriage Wage Premium, Propensity Score Matching, IFLS.
