Midlands Economics Theory and Applications (META) Workshop
Abstracts of papers

Ezgi Kaya (Cardiff):

Heterogeneous Couples, Household Interactions and Labor Supply Elasticities of Married Women

Abstract: This paper estimates labor supply elasticities of married men and women allowing for heterogeneity among couples (by educational attainments of husbands and wives) and modelling explicitly how household members interact and make their labor supply decisions. We find that the labor supply decisions of husbands and wives depend on each other, unless both spouses are highly educated (college or above). For high–educated couples, the labor supply decisions of husband and wife are jointly determined only if they have pre–school children. We also find that labor supply elasticities differ greatly among households. The participation own wage elasticity is largest (0.77) for low–educated women married to low educated men, and smallest (0.03) for high–educated women married to low educated men. The own wage elasticities for low educated women married to high–educated men and for high–educated women married to high–educated men are similar and fall between these two extremes (about 0.30). For all types of couples, participation elasticity of non–labor family income is small. We also find that cross wage elasticities for married women are relatively small (less than -0.05) if they are married to low educated men and larger (-0.37) if they are married to high–educated men. Allowing for heterogeneity across couples yields an overall participation wage elasticity of 0.56, a cross wage elasticity of -0.13 and an income elasticity of -0.006 for married women. The analysis in this paper provides a natural framework to study how changes in educational attainments and household structure affect aggregate labor supply elasticities.