



## You can't be happier than your wife. Happiness gaps and divorce

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### ABSTRACT

Based on three large panel surveys, this paper shows that happiness gaps between spouses are a good predictor of future divorce. The effect of happiness gaps is asymmetric: couples are more likely to break-up when the woman is the less happy partner. De facto, divorces appear to be initiated predominantly by women who are less happy than their husband. This asymmetry suggests that the effect of happiness gaps is grounded on motives of relative deprivation (i.e. comparisons of happiness between spouses) rather than on a preference for equal happiness.

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## 1. Introduction

Are people averse to welfare inequality? Do they make happiness comparisons? And does this take place even within couples? Based on three different panel surveys, this paper suggests that the answer to each of these questions is yes. Controlling for the level of well-being<sup>2</sup> of spouses, as well as various characteristics that have been found to be associated with marriage stability, we find that a higher happiness difference between spouses increases the risk of divorce.

To the best of our knowledge, the hypothesis that happiness gaps per se (or gaps in utility) may exert an influence on the stability of marriages has never previously been explored in the literature on marriage, divorce and interactions inside

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<sup>2</sup> We use the terms well-being, life-satisfaction and happiness interchangeably in this paper, and we assume that these three self-declared mental states are approximations of experienced utility (as opposed to decision-utility, which is unobservable, see Kahneman et al. (1997)). For instance, the correlation between self-declared life satisfaction and self-declared happiness, both measured on a 1–10 scale, is 0.7 in the European Social Survey (waves 2002, 2004 and 2006; see Clark and Senik, 2011). See Graham et al. (2010) for a discussion.

couples.<sup>3</sup> The stylized fact that we uncover challenges the existing models by proposing a new argument in the utility function of spouses, namely relative deprivation. This motive is likely to influence the optimal behavior of spouses, e.g. in terms of labor supply, as well as the framework of gender-based public policy.

The evidence presented in this paper suggests that people care about the distribution of well-being per se. Income comparisons, status effects, and aversion to income inequality in general, have been widely documented, in the realm of the labor market in particular, but also in society as a whole (see Clark et al., 2008; Senik, 2009a,b). However, the ultimate interest of policy-makers, researchers and human beings in general lies in well-being rather than income per se. The usual focus on income is because income, as opposed to well-being, is an observable proxy, and is a metric of well-being, not only for researchers, but also in the daily experience of workers and citizens. However, in small organizations where people are involved into frequent, repeated and long-term relationships, well-being could be observable to a certain extent. Couples are obviously an extreme case of this type of situation, and it has actually been shown that spouses are able to predict each other's declared happiness levels (Diener, 1984; Sandvik et al., 1993). Actually, couples represent one of the rare real life groups (as opposed to experimental settings) in which researchers can be quite certain about the direction of comparisons that potentially occur between agents.

The third objective of the paper is to assert the reliability of subjective variables. Showing that self-declared happiness actually has a predictive power for decisions and actions can strengthen the confidence that it reflects more than the noise produced by mood, social desirability biases, framework effects, question ordering and other unessential phenomena. In the same spirit, Freeman (1978), Clark (2001), and Kristensen and Westergaard-Nielsen (2006) have shown that job satisfaction is a strong predictor of job quits, even when controlling for wages, hours of work and other standard individual and job variables.

We use three longitudinal surveys that contain a life satisfaction question labeled in very similar ways: the German Socio-Economic Panel (GSOEP, 1984–2007), the British Household Panel Survey (BHPS, 1996–2007) and the Household, Income and Labor Dynamics in Australia Survey (HILDA, 2001–2007). The two former surveys have been used extensively by the scientific community, especially in the field of happiness economics.

We find that a happiness gap between spouses in any given year is positively associated with the likelihood that a separation will occur in the following year or in subsequent years. In order to mitigate concerns about reverse causation, we show that even a happiness gap in the first year of marriage (for couples who were surveyed during their first year of marriage) increases the risk of a future separation. The influence of happiness differences is statistically significant both for couples who form a new couple after the break-up of their initial union and for those who do not. The widening of the happiness gap is also associated with a higher risk of divorce. Happiness gaps are associated with a higher risk of future divorce even for couples whose utility is higher than what can be deemed to be their outside option.

We interpret this finding as resulting from an aversion to unequal sharing of well-being within couples. This is consistent with the fact that couples who are unable to transfer utility are more at risk than others. It is also possible that assortative mating in terms of happiness baseline-level reduces the risk of divorce. However, assortative mating cannot totally explain our findings. First, a widening of the happiness gap over time increases the risk of separation. Moreover, after controlling for lagged values of the happiness gap, or for the initial value of the match (in the first year of marriage), the coefficient on the current happiness gap remains statistically significant, which we take as an indication that the effect goes beyond the initial quality of the marriage.

Finally, we uncover an asymmetry in the effect of happiness difference, which is driven entirely by women who are less happy than their partner. This suggests that the destabilizing effect of happiness gaps is based on a relative deprivation motive, rather than on a pure preference for equality (in well-being).

## 2. Happiness gaps and divorce in the economic literature

This paper belongs to the literature on the economic analysis of marriage and divorce. This body of literature has focused on the reasons for marriage,<sup>4</sup> the causes of marriage instability, the behavior of spouses in terms of the demand for goods and supply of labor, and the efficiency of the equilibrium in the cases of cooperative and non-cooperative bargaining. However, to the best of our knowledge, the literature has barely addressed the issue of the *difference* in spouses' utility or well-being as such.

<sup>3</sup> Although marriages and divorces are private matters, they actually have important implications for economic outcomes. For instance, as was suggested by Becker et al. (1977), the prospect of separation reduces the incentives of spouses to invest in marriage specific assets such as the number and human capital of children. Divorce is also related to the participation of women in the labor market, both as a cause and a consequence. Marriage and divorce, and the regulations that relate to them, thus have the potential to influence these important aspects of economic life.

<sup>4</sup> Marriage is considered as a "partnership for joint production and joint consumption", such as "producing and rearing children" (Weiss, 1997). Other justifications for marriage include the existence of couple-specific production technology or complementarity/substitutability between goods. Marriage as a long term arrangement is also grounded on the benefits yielded by increasing returns to scale, the division of labor, risk pooling and improved coordination between spouses (Weiss, 1997).

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