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Educational homogamy and earnings inequality of married couples: Urban China, 1988–2007[☆]

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ABSTRACT

Using data from the urban sample of the Chinese Household Income Project in 1988, 1995, 2002, and 2007, we examine the association between increasing educational homogamy and rising earnings inequality of married couples. Using methods of counterfactual decomposition and random mating, we reveal that, over the years, increasing educational homogamy among urban married couples with senior high school and tertiary-level education is associated with a growing inter-household earnings gap and reduced intra-household earnings inequality. These two types of inequalities, in combination, have driven down the overall earnings inequality of married couples. This study highlights a demographic mechanism between large-scale institutional transition and increasing economic inequality in China, and helps understand the inequality formation process, especially in developing societies where mate selection patterns undergo rapid change as a result of improvement in educational attainment.

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1. Introduction

Over the past decades, earnings inequality has grown worldwide, both in developed and developing countries. For instance, earnings gap has increased substantially in the United States since the 1970s (Autor & Dorn, 2013; Levy, 1998; Okazawa, 2013). In China, one of the major emerging developing economies, the household Gini coefficient rose from 0.33 in 1993 to 0.41 in 2008 (OECD, 2010), and the Theil index increased from 0.14 in 1995 to 0.17 in 2002 (Wu, 2011).¹ Against this background, a large number of studies investigate the underlying mechanisms that promote the rapid increase in economic inequality, with some focusing on the particular role played by demographic

¹ The Gini coefficient has been used more frequently than the Theil index. China's National Bureau of Statistics (NBS) released the Gini coefficient regularly until 2000, when the Gini was 0.41 (Xie and Zhou, 2014).

change (Blossfeld, 2009; Blossfeld & Timm, 2003; Breen & Andersen, 2012; Breen & Salazar, 2010, 2011; Firebaugh, 2003; Martin, 2006; Schwartz, 2010a, 2010b).

Demographic processes, such as marriage, affect overall earnings inequality in a society because it alters the distribution of earnings across different types of couples. Clearly, educational attainment is an important indicator of earnings. Educational expansion in China, as in the rest of world, is well documented and seen as the great “equalizer” of a society (Hout, 1988; Torche, 2011). Yet, this equalizer may lead to greater inequality of married couples if men and women marry each other with a same level of education (i.e., educational homogamy). In this paper, our goal is to examine how increasing educational homogamy plays a role in growing earnings inequality of married couples in urban China.

Research on social stratification often focuses on individuals, such as the growing returns to educational attainment at the individual level in an emerging labor market (Esping-Andersen, 2007). While this line of research provides valuable information on earnings growth of individuals, it does not extend to the level of couples, where resources are *pooled*. Through marriage, the effect of individual-level determinants on social stratification – e.g. educational attainment – may be either reinforced or weakened, which influences economic inequality at the *aggregate* level. In this paper, we focus on married couples and show how changes in educational pairing affect the extent of earnings inequality.

To date, studies on the nexus between earnings inequality of married couples and educational homogamy are only found in several developed countries (i.e., United States, United Kingdom, and Denmark). China provides an interesting comparison. Once egalitarian in the regime of state socialism, China stands out in its rapid transition toward economic disparity in the process of a large-scale social reform toward a market-oriented society (Demurger, Li, & Yang, 2012; Fang, Zhang, & Fan, 2002; Knight & Song, 2003). Meanwhile, phenomenal expansion of education has been witnessed over the past decades (Tsui, 1997; Wu, 2010). These features of Chinese society constitute a unique social setting to understand the intricacies between improvement in educational attainment, assortative mating patterns, and couple-level earnings differentials, thus shedding theoretical lights on the relationship between educational homogamy and earnings inequality.

2. Theoretical background

2.1. Educational homogamy and earnings inequality

In a marriage market, unmarried men and women *compete* for partners with desirable attributes (Kalmijn, 1994, 1998). Due to such competition, the most desirable individuals may end up selecting among themselves while the less desirable individuals have no other options but to choose each other. The resulting married couples would have many characteristics in common, suggesting a homogeneous pattern of union formation, namely, homogamy.

Homogamy involves similarities of an assortment of attributes between two parties of a couple (Blossfeld, 2009;

Smits & Park, 2009). Individuals tend to find mates with similar levels of education because they share not only similar tastes and values but also similar earning capacities. Thus, educational homogamy has always been an important dimension of assortative mating. Yet, educational homogamy may not always be possible given gender differences in educational attainment. Consequently, the norm used to be such that men tend to marry women with less education than themselves in traditional societies. The modernization process may have changed the norm because of improvement in educational attainment, especially among women. Educational homogamy increasingly becomes a norm, due either to people's preference for a homogenous partner or an increase in the “supply” of such equivalent partners. As a result, increasing educational homogamy indicates that percentages of couples in which both the husband and wife have same levels of education would grow, which is likely to exacerbate earnings inequalities between couples with differential levels of education.

Given distinct educational pairings of married couples, earnings inequality can be decomposed into components of *within-household-type inequality* (WI) and *between-household-type inequality* (BI), where household types are defined according to the educational background of spouses (Breen & Andersen 2012; Breen & Salazar, 2010, 2011). By definition, WI is the weighted summation of the extent of earnings inequality *within specific types of households* and BI is the earnings inequality *across household types*.

The effect of changing educational homogamy on BI is somehow straightforward. As Breen and Salazar (2011) have explained, “differences between household types arise because educational assortative mating brings together individuals with different capacities to generate earnings by virtue of their education” (812). One example could illustrate this point of view. Suppose people are dichotomously classified into either the better educated or the less educated. If they are increasingly looking for a mate with a similar level of education, the frequencies of better educated and less educated households would both increase. As a result, the population is gradually *polarized* at the familial level, and the earnings gap between these two types of households, that is, BI, would be enlarged.

Firebaugh (2003) has made the case that changing “weight” of different types of groups over time may indeed affect BI. On global income inequality, Firebaugh demonstrates that between-nation income inequality declined between 1965 and 1989 because the faster-than-world-average growths in income and in population among poor countries (especially China and India) narrowed the gap between poor countries and the world income mean. Relatedly, the effect of educational homogamy on couples' earnings inequality follows the same mechanism, but in an opposite direction. Specifically, the *growing* weight of couples with a *higher* level of earnings capacity (better educated couples) would increase the overall income mean, enlarge its distance to the income level of the less-educated couples, and as a result promote BI.

What about the connection between educational homogamy and WI? The answer to this question depends

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