Abstract

For many people there is tradeoff between choosing a job that they will enjoy and one at which they are good and will earn a high income. We embed this observation in a matching model. Consider then men and women who are a priori identical in the sense that both are equally likely to be good at one of two jobs and their satisfaction from each job is drawn from the same distribution. They are randomly matched into households after making a career choice, and have decreasing marginal utility of money. Thus, a career is chosen before knowing one's future spouse's income. If the distribution of enjoyment is log concave and single peaked, with the modal individual enjoying the job at which they are good, then there is either a unique symmetric equilibrium that is stable or an unstable symmetric equilibrium and two (mirror image) asymmetric equilibria that are stable. The latter display a wage gap and an opposite satisfaction gap, with one gender, wlog men, earning more even controlling for occupation. These equilibria display novel comparative statics. For example a tax on high wage couples results in women shifting into their more satisfying jobs and forgoing income (as one would expect), while interestingly men shift into higher income jobs, forgoing job satisfaction.