

The Impact of Parenthood on the Gender Wage Gap – a Comparative Analysis of European Countries and Family Policies

Ewa Cukrowska-Torzewska

Anna Lovasz

Abstract

We use cross national data coming from the EU-SILC database to show how much children and the responsibilities that relate to them contribute towards the divergence of men's and women's average wages, and consequently to the formation of the gender wage gap. Our analysis is based on the modification of standard Oaxaca-Blinder mean decomposition that reveals what portion of the gender wage gap may be attributed to the existence of: (1) the motherhood wage penalty; (2) the fatherhood wage premium and (3) the gender wage gap among childless individuals. To account for a problem of a double selection - to parenthood and employment - that is embedded in the estimation of gender- and parent-specific wage equations, we use Dubin's and McFadden's (1984) selection model. We derive the relative contribution of the gender-specific parenthood wage gap for a set of twenty five European countries covered by the EU-SILC database and analyze the obtained results in the comparative framework, with a special focus on the family policies. To this end we combine country specific estimation results with country level data on family policies and institutional determinants, coming from various data sources: World Bank, Eurostat, Eurobarometer, OECD Family Database and Multilinks Database. The countries in our analysis can be categorized into three groups based on their labor market characteristics, family policies, and cultural norms. Family policies are evaluated based on how well they support maternal labor market activity and the reconciliation of work and family duties, as seen in Leitner (2003). The three groups we distinguish are: 1) Southern European countries, 2) Western European countries, and 3) Central and Eastern European (CEE) as well as Austria and Germany.

Our findings show that in Southern European countries, in which female employment rates are relatively low and traditional gender norms are strong, the gender wage gap is small and the motherhood wage gap is positive, meaning that childless women receive lower wages than mothers. This suggests that in Southern European countries selection into employment plays an important role for both women in general and mothers in particular. The main contributor to the gender gap in these countries seems to be the fatherhood premium. In Western European countries, the magnitude of the motherhood wage gap varies, but it is not a significant contributor to the overall gender wage gap. This is likely due to family policies, cultural norms, and labor market characteristics that allow mothers to better reconcile work and family obligations. The gender gap in these countries is rather due to the fatherhood premium, and the gender wage gap among childless individuals. In the CEE countries, as well as in Austria and Germany, the motherhood penalty is significant, and the most important contributor to the overall gender gap, alongside the fatherhood premium. Family policies which support mothers to be the primary caretakers for children, labor market inflexibility, and traditional cultural norms in these countries lead to the long absences of mothers from work, and a wage disadvantage when they return.

Overall, we find that the most important determinants of the gender wage gap vary highly among countries, and the analysis of these components highlights important policy considerations. We can see that the motherhood penalty is higher, and contributes significantly to the overall gender wage gap when policies are unsupportive of maternal employment, as seen in the CEE countries. Greater gender equality in these countries can only be achieved through family policy reforms and significant shaping of cultural attitudes. The fatherhood premium is an important contributor to the gender gap in most countries. Even when mothers do not receive lower pay than non-mothers, they do not see the gains that fathers do after having a child, leading to the overall divergence of wages by gender. This difference can only be addressed by policies encouraging the greater involvement of fathers in childcare duties. Finally, the low motherhood penalties – and gender wage gaps - seen in the Southern European countries do not reflect a more favorable situation for women, as these are likely to arise due to their low employment, and the selection of high-skill, highly paid women and mothers into the labor market. Since the increase in employment of women and mothers is a policy goal in these countries and the EU overall, it is important to remember that these would likely lead to an increase in the motherhood penalty and the gender wage gap, unless policies and cultural norms are also addressed at the same time.