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Motherhood Wage Penalty

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Abstract

Women in the United States have made monumental strides in recent decades to increase their participation in both higher education and the workforce. As it currently stands, young women are beginning to acquire bachelor’s degrees and professional degrees at higher rates than men and are entering the labor force at record numbers. Aside from these vast societal shifts, a staggering problem remains as the gender gap in pay fails to effectively close. The persistence of the wage gap can be primarily attributed to one significant factor: having children. The motherhood wage penalty occurs when women experience a drop in earnings and workplace opportunities following the birth of their children. Although many factors contribute to this problem, the predominant cause lies in the disproportionate child-rearing responsibilities women inherit and the subsequent career sacrifices they make. Addressing this problem will require a reform of current policy and a move towards a parental leave system that encourages increased participation among fathers. This paper will examine the extent of the problem, identify its underlying cause, explore the deficiencies of current policy, and conclude with a policy recommendation.

The Problem

The motherhood wage penalty is a widely documented phenomenon in which women experience a decrease in lifetime earnings along with foregone career opportunities following the event of having a child. Such a circumstance is not similarly experienced by men who have children and this disparity is largely thought to be the remaining factor contributing to the persistence of the gender wage gap. Essentially, when men and women of similar disciplines begin their careers, they follow a near-identical path and such a pattern persists for years.
However, women typically reach an inflection point in which their career trajectories seemingly plateau, while men’s remain unaffected and continue along an upward trend. This inflection point can be attributed to women having a child, thus giving way to the effects of the motherhood wage penalty.

The detrimental effects of the child penalty can be observed by comparing the earnings patterns of women with children to women without children, and women with children to men with children. In each of these situations, a significant impact on earnings can be observed and it is apparent that such a penalty persists over time.

Figure 1: The Earnings Impact of the Motherhood Wage Penalty

Researchers estimate that on average, the penalty mothers take is approximately 7 percent of lifetime earnings per child (Budig & England, 2001). Fathers, on the other hand, not only do not experience this penalty, but they actually often experience an increase in earnings, which is commonly referred to as the fatherhood wage premium. Estimates suggest that fathers experience approximately a 6 percent increase in lifetime earnings for each additional child (Budig, 2014).

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The Cause

Although there are certainly many factors that work in tandem towards contributing to this phenomenon, the predominant cause of such an occurrence is the disproportionate amount of household and childcare responsibilities women incur on account of having a child. Traditional gender roles delegated these responsibilities to mothers and although attitudes towards gender have progressed significantly in recent decades, these long-established notions still have implications in the modern era. Because mothers typically shoulder most of the work at home, they consequently are far more likely to make workplace sacrifices on behalf of the needs of their children. Such compromises can include leaving their jobs, reducing their hours, foregoing promotions, and trading off higher wages for more flexible positions (Krause & Reeves, 2018).

Survey data collected by Pew Research in 2015 demonstrates the prominent gap between mothers and fathers when it comes to making these workplace compromises. Among mothers with some work experience, 42 percent indicated they had reduced their work hours in order to care for a child at some point in their career, but only 28 percent of fathers reported that such a situation was true for them. Additionally, the same study revealed that mothers were approximately three times more likely (27 percent of women versus 10 percent of men) to quit their job so they could care for a child (Parker, 2015).

One significant reason traditionalist attitudes have had a lasting effect on the modern era is that gender roles are lagging behind labor force trends. It is undeniable that significant progress has been made in altering social norms surrounding gender in recent decades, but these advances seem to be one-sided. Females have largely changed their roles in order to become “more like men” by entering jobs that were traditionally male-dominated and pursuing higher
levels of education. The problem lies in the fact that their actions have not been reciprocated as men have not made widespread efforts to become more like women by increasing their role in household and child-rearing responsibilities. Women’s widespread participation in the labor force has paved the way for the potential adoption of a dual-earner, dual-carer family model, but this cannot be achieved until men equally compensate by picking up more tasks at home (Reeves & Sawhill, 2015).

Recent research conducted in Norway serves as a prominent demonstration of the detrimental effects of adherence to traditional gender roles and an unequal household division of labor. In order to investigate the underlying causes of the motherhood wage penalty, researchers followed the careers of birth mothers in same-sex relationships and mothers in heterosexual relationships. They found jarring differences. Birth mothers within same-sex relationships were found to experience an initial 13 percent drop in income, with their co-mothers also experiencing a wage penalty of approximately 5 percent. Although the mother who gave birth experienced a more profound penalty at first, she was shown to catch up to her partner within a period of just 2 years after birth. From that point on, the mothers faced similarly-sized penalties that decreased over time and were almost completely mitigated 4 years subsequent to the birth of their child (Andresen & Nix, 2019).

Now compare these results to the penalties experienced by heterosexual couples. Mothers in heterosexual relationships faced an initial drop in income of approximately 22 percent following the birth of their child whereas their male partners experienced no child penalty in terms of income. Because the income decrease experienced by mothers was so significant, it overall translated to a household drop in income of about 6 to 8 percent for heterosexual couples,
and this penalty was found to persist over time (Andresen & Nix, 2019). The stark contrasts in the results between same-sex couples and heterosexual couples suggest that there are differences in preferences and gender norms. These findings demonstrate the widespread implications that household divisions of labor can have on mothers’—and households’—lifetime earnings.

**Career-Specific Impacts**

Because an unequal division of labor at home is the primary driver of the motherhood wage penalty, women of different career types experience the penalty to varying extents depending on key characteristics of their occupations. Generally speaking, the less flexible the job, the more hostile it is to motherhood. Due to this situation, women employed in business, legal, and finance sectors tend to face the harshest penalties. The extent of the motherhood wage penalty is more severe in these occupations due to the fact that they often have strenuous requirements for particular hours, involve a considerable degree of client-contact, and commission their employees for independent projects (Goldin, 2015). In addition to these stipulations, common consequences of child-rearing such as less accumulated job experience, more career interruptions, and adopting shorter work hours are also particularly detrimental to the career trajectories of largely inflexible occupations (Bertrand, Golding, & Katz, 2009).

On the other hand, sectors that fare much better in this regard are those that have evolved to become highly flexible. Because it is now a particularly diversified field, women who work in careers in the health sector typically encounter less severe child penalties. A useful example of this occurrence would be a woman who works as a pharmacist. It is likely that a woman in the field of pharmacy would experience a significantly reduced wage penalty in comparison to other
occupations due to a number of factors including enhanced flexibility, the absence of a part-time earnings penalty, and the advent of larger groups and less individualized work (Goldin, 2015).

**Existing Policies**

In the United States, the only policy that currently exists to address parental leave nationwide is the Family and Medical Leave Act (FMLA), which was implemented in 1993. The FMLA stipulates that eligible employees are permitted to take up to 12 work weeks of unpaid leave within a 12-month period in order to care for a new child, care for an ill family member, or recover from a serious illness (Grossman, 2004). The installation of this policy essentially created job protection for employees who wished to take time off following the birth of their child, but did little beyond this.

When the law was first being drafted, it had much broader ambitions. When first enacted, Congress sought for the law to address the larger issue of gender equality in the workplace. Lawmakers envisioned that employers would offer caretaking leave to men and women on equal terms and that men and women would take leave equally, resulting in each parent sharing the burden of caring for their children. If such results were to arise from this legislation, it would have the additional positive effect of making male and female employees equally attractive as both would take equal periods of time off in the event of becoming parents. All of these circumstances would greatly contribute to women achieving equality both as parents and workers (Grossman, 2004).

Unfortunately, this is not how the law has worked in practice. Currently, mothers tend to be the only parent that takes a significant amount of leave as only about 25 percent of fathers will take more than a week off following the birth of their child (Murkoff, 2018). Given this
disparity, it is apparent that the policy does not contribute significantly to equalizing the burdens of caretaking. Rather, the FMLA, as it currently functions, primarily serves to ensure job security for working mothers. Because this legislation initially failed to take into account that many men do not take time away from work for parenting or other child-rearing tasks, it was not able to make substantial gains in addressing gender inequality in the workplace and likely contributed to preserving employers’ incentives to prefer male employees. After the FMLA was adopted, women gained job security, but not equality (Grossman, 2004).

The limited impacts of the FMLA are demonstrated in the ways it alleviated some problems but exacerbated others. Following its implementation, more women returned to the workforce after the birth of their child, improving upon previous outcomes in which many mothers dropped out of the workforce completely. However, the FMLA also had the detrimental impact of lessening the amount of promotions women received, which is likely due to the fact that employers often use signaling to infer that women will take more time off than men (Reeves, 2019). Such outcomes demonstrate the deficiencies of the current policy and how it serves to contribute to the persistence of the motherhood wage penalty. Until men and women take equal periods of leave following the birth of their children, signaling effects within the workforce coupled with the disproportionate responsibilities women take on at home will continue to worsen the problem.

**Policy Solutions**

Given the root cause of the problem and the failures of the existing policy, a system of parental leave that employs the use of fathers’ quotas is necessary to promote the goal of gender equality. A father’s quota is a period of paid leave that is specific to fathers, is non-transferrable
to the mother, and if the father does not choose to use the leave, these weeks are lost upon the couple altogether. Such a distinction is necessary to ensure that fathers actually take an extended period of leave, and studies have shown that the use of fathers’ quotas has been identified as the most effective policy instrument in encouraging this behavior (Haas & Rostgaard, 2011).

Evidence gathered from studies of many countries’ leave policies has demonstrated that a generous plan in and of itself is not enough to reduce the motherhood wage penalty. For instance, Denmark has a remarkably generous parental leave policy in terms of the amount of paid leave it allows parents to take following a birth or adoption. But because this leave is gender-neutral and parents can split the time however they please, the mother takes nearly all of the leave in a majority of households. Overall, Danish fathers only take about 6 percent of the shared days made available to them through this policy, which further perpetuates gender disparities (Haas & Rostgaard, 2011). The deficiencies of this policy demonstrate that maternity-only leave policies, along with gender-neutral policies, run the risk of aggravating the current issue at hand.

Quebec’s recent implementation of their “use it or lose it” program, which is a system that uses fathers’ quotas, offers valuable insights into the potential positive outcomes of a well-designed parental leave policy. Because Quebec currently is the only province in Canada to adopt this policy, comparisons can be made between the behavior of parents in Quebec and parents within the rest of the country. With the program currently in place, an upwards of 73 percent of fathers in Quebec take extended periods of leave as compared to 15 percent among fathers throughout other Canadian provinces (Montreal, 2018). Additionally, this take-up of leave by fathers has been shown to translate to greater participation in responsibilities at home. When participants of this program were evaluated in a period of 1 to 3 years later, fathers were
shown to have increased the time they spent performing household tasks whereas mothers were found to have increased their time spent in the labor force (Patnaik, 2018).

The figure below illustrates the concept that fathers’ quotas can serve to potentially alter the behavior of fathers through encouraging increased participation in childcare processes.

**Figure 2: The Effect of Policy Implementation on Caretaking Behavior**

The graph at left maps the general composition of families’ caretaking behavior prior to the implementation of a father’s quota policy in Iceland. The figure indicates that the mother took care of the child for a majority of the time. Although the mother’s share of caretaking decreased as the child aged week-to-week, at the final 35 week period, care was still not evenly divided between parents. The graph at right features data from families after a father’s quota was put into place. Although it is still the case that the mother does a majority of the caretaking in the first few weeks of the child’s life, there is an apparent change in behavior as the child ages. Following the initial few weeks, we can observe an upward trend in which a majority of the care is evenly divided between parents (Schulte, 2014). These results support the idea that

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encouraging fathers to increase the amount of leave they take through a policy nudge such as a father’s quota subsequently leads to them increasing the amount of time they spend performing child-rearing responsibilities. Such behavior would serve to lessen the workload for women at home and allow mothers to make fewer workplace sacrifices, which would positively contribute to the ultimate goal of reducing the motherhood wage penalty.

**Potential Unintended Consequences**

As is the case with any policy, it is possible that adopting a system of parental leave that uses fathers’ quotas will give rise to a number of unintended consequences. Because fathers’ quotas have been a prominent feature of the leave programs of many Nordic countries for an extended period of time, examining the effects of their implementation can give valuable insights into potential problems. Although it is undeniable that these various policies have substantially increased the uptake of leave by fathers, it is unclear whether they have been fully successful in achieving the objectives they were designed to address.

The parental leave policies of these Nordic countries were drafted with the specific goal of benefitting working mothers. However, evidence has shown that the policy design may have produced an incentive structure that in some ways undermines its initial intended purpose. Although Nordic women are almost as likely to work as men—which is not the case in most other areas of the world—this does not necessarily translate to success in leadership. In Sweden, only 11 percent of managers and professionals are women, which is markedly lower than other comparable economies such as France, the United States, and Germany. Even though the cause of this outcome has not been explicitly identified, it may be the case that lengthy leave programs unintentionally push women to lose momentum in developing human capital and workplace
seniority and to put more effort into domestic life. Additionally, the high taxes required to maintain the family-friendly welfare state also have the potential to encourage women to work fewer hours as the taxes have the effect of reducing the opportunity cost (Hymowitz, 2018).

Another potential unintended consequence is that fathers may not use the leave exactly as the policy intended. Research conducted on fathers’ quotas has shown that not all fathers who take the full period of paid leave use this time to become more involved in child-rearing processes or other household responsibilities. Rather, some fathers elect to use this time to direct their attention to other tasks, such as home improvement (Bjornholt, 2012). If fathers taking more time off does not subsequently lead to them becoming more involved in taking care of their children, the underlying cause of the problem will not be sufficiently addressed.

Although it is not at all possible to mandate how fathers will specifically spend their time off, addressing the incentive structure in regards to women’s employment outcomes may be possible. The aforementioned problems surrounding women in leadership and women becoming less incentivized to return to work are likely exacerbated by the remarkably extensive periods of full paid leave they are offered. The weeks of leave in Nordic countries differ, but are definitely generous by most standards. Norway, in fact, offers an entire 46 weeks of fully funded time off. The unintended consequences pertaining to women could potentially be reduced by offering paid leave of a shorter time span. Conversations among policymakers in the U.S. have recently suggested granting mothers and fathers paid leave for a period of 12 weeks, which may serve to mitigate some of the complications that arose from the policies of Nordic countries. Overall, each of the potential unintended consequences of adopting fathers’ quotas must be taken into careful consideration before moving forward with the implementation of such a policy.
Conclusion

The motherhood wage penalty is an urgent policy problem that, left unaddressed, will persist without much hope for measurable improvement. Child-rearing processes generate broad social benefits as children who hail from a sound upbringing are more likely as adults to be well-behaved and productive, contribute to economic productivity, and commit crimes at lower levels. Despite these widespread benefits, the costs are borne disproportionately—and at times entirely—by mothers. Encouraging fathers to become more involved in the lives of their children through policy incentives would not only be beneficial for mothers’ labor market outcomes, but it would also be highly valuable for children as kids whose fathers are more involved perform better on numerous metrics later in life. Unfortunately, it is unlikely that a shift to a dual-earner, dual-carer model will occur naturally in a timely manner absent proper policy nudges. The United States currently faces a prominent policy dilemma as the existing legislation not only does not sufficiently address the issues surrounding the motherhood wage penalty, but perhaps even contributes to making the problem worse. The lack of effective policy serves as an important opportunity for policymakers to identify the downfalls and deficiencies of policies abroad so that when the time finally comes to reform existing laws and introduce a policy of our own, we can try to get it right the first time.
References


