

# A stunning chart shows the true cause of the gender wage gap<sup>[1]</sup>

The gender wage gap is really a child care penalty

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## EXCERPTS

It is a persistent fact that — across time and across countries — women earn less money than men. This is true in the United States (where women earn about 79 percent of what men do). It is true in Japan (women there earn 73 percent of what a man does). It is true in Denmark (which has a 15 percent wage gap). Look across the world and you won't find a country where men and women have equal earnings.

The big debate in this space isn't whether a gender wage gap exists — it's why the gap exists. Some think the wage gap is the result of gender discrimination, an economy that doesn't believe women can perform as well as men. Others point to women selecting into certain fields that pay less — while still others cite gaps in the types of education men and women pursue.

An important new study makes a compelling case for another explanation: The gender wage gap is mostly a penalty for bearing children.

The research comes from Henrik Kleven, an economist at Princeton University. He uses data from a country with one of the world's most robust social safety nets: Denmark. This is a country that offers new parents an entire year of paid leave after the birth of a child. The government offers public nursery care for children under 3 at the equivalent of \$737 a month — a fraction of typical costs in the United States.

Yet Denmark has a gender wage gap nearly the same size as that of the United States, a country where women are not guaranteed paid maternity leave and child care increasingly costs more than rent. How does that happen?

Kleven finds a sharp decline in women's earnings after the birth of their first child — with no comparable salary drop for men. The cumulative effect is huge: Women end up earning 20 percent less than their male counterparts over the course of their career.

His study is among a growing body of research that suggests what we often think of as a gender pay gap is more accurately discussed as a childbearing pay gap or motherhood penalty.

Childless women have earnings that are quite similar to men's salaries, while mothers experience a significant wage gap. Studies conducted in the United States have come to this finding — and Kleven's new research does too. This chart, for example, shows vastly different earnings trajectories for women who have children versus those who do not become mothers.

Childbearing, the study estimates, accounts for 80 percent of the gender wage gap in Denmark.

Kleven's research uses Danish data, but similar studies conducted in the United States have found similar results. Harvard economist Claudia Goldin has found that the gender wage gap in America is the largest for women in their 30s — in other words, their prime, childbearing years.

A 2009 study led by University of Chicago's Marianne Bertrand echoes that conclusion. It examined the earnings of thousands of business school graduates. It found that women earned an average salary of \$115,000 right out of graduate school, while men earned \$130,000. Men also worked, on average, a few more weekly hours and had a bit more prior experience as they entered the workforce.

But nine years into their careers, women saw their salaries rise to an average of \$250,000 — while men's salaries averaged out at \$400,000. Men were earning 60 percent more than women.

"The one thing which is not changing is the effect of children," Kleven says of the gender wage gap. "This is very persistent and constant. All the other sources are declining, but the child effect sticks, and that ends up taking over as the key driver."

Historical drivers of the gender wage gap — a lack of education among women, for example — are disappearing. But the professional penalty women face for having children is stubborn, and it isn't going anywhere.

In Denmark, childbearing creates a 20 percent gender wage gap

Much of Kleven's paper is designed to untangle what exactly happens after women have children that leads to this wage gap. He finds that women start to gravitate toward different jobs after the birth of a child, ones with fewer hours and lower wages. Ten years after childbirth,

women have a 10 percentage point higher probability of public sector employment than men. These are jobs that typically offer “flexible working hours, leave days when having sick children, and a favorable view on long parental leaves.”

Men, however, see their careers go on largely unchanged, with dads and non-parents having roughly equal earnings over the next decades.

Denmark’s generous leave policy might exacerbate the gender wage gap by pulling women out of the workforce for longer periods of time.

In theory, Danish policy does allow parents to split up their leave. But in practice, Danish women take off the vast majority of time after the birth of a child. Recent data shows that Danish men account for just 10 percent of parental leave taken in the country.

“When parental leave is neutral [not specifically divided up between two parents], then we wouldn’t expect it to do something great for the gender gap,” Kleven says.

While maternity leave is no doubt a family-friendly policy, it isn’t the type of policy that will fix the gender wage gap. If anything, it potentially can widen the gender wage gap by taking just women out of the labor force for as long as a year, likely reducing their earning potential in the future.

Other Scandinavian countries have revised their parental leave policies to address this exact issue. Iceland, for example, reserves 13 weeks of parental leave for dads — and now has more than 90 percent of new fathers using the benefit.

The unsolved question: why does the child care penalty exist?

I asked Kleven why the child care penalty is so persistent and stubborn as other causes seem to fade away.

“That’s the holy grail question,” he says. “We don’t answer it, but it’s one of the things that I continue to work on.”

It’s not totally clear why, for example, Danish women still take the vast majority of parental leave that could be used by either parent.

As Kleven sees it, there are two possible explanations — not necessarily mutually exclusive. One is an environmental explanation, where social norms make it harder for mothers to stay in the workforce. Under this explanation, moms may find that they aren’t offered certain opportunities — a job that requires significant travel or long hours, for example — because of the perception that they are the primary caregiver to a child.

Public opinion data that Kleven cites shows, for example, that most Danish adults (and American adults, for that matter) believe that women with young children should not hold full-time jobs.

The other is a biological explanation: that women may have a stronger preference for spending more time in activities related to child care.

“What our evidence shows is that a lot of gender inequality is associated with choices that suggest different preferences,” Kleven says.

“The holy grail is understanding whether those preferences are social norms, or something more intrinsic.”

Again, policy plays a role here too — countries have the ability to shape what child rearing looks like with how they structure parental leave policies, for example. Outside of Denmark, most other Scandinavian countries have decided it is a societal good to encourage men to take time off after the birth of their child — and assigned a set amount of leave just for fathers.

It’s a decision that each country makes about whether to enact policies that bring more equity to its labor forces, or ones that place the disproportionate share of child care on women.

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