

'Motherhood penalty': Women's earnings halve in first 5 years of parenthood ^[1]

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EXCERPTS

Becoming a mum in Australia doesn't come without a high price for women. There's a "motherhood penalty" according to a new Treasury analysis that sees mums' earnings falling by an average of 55 per cent in the first five years of parenthood.

The motherhood penalty occurs primarily because women take time out of the workforce or work fewer hours after having a child. However, the penalty was the same regardless of a woman's breadwinner status before having children and remains persistent for at least a decade into parenthood.

"This is the case even for women who significantly out-earn their partner," the analysis said.

"Furthermore, highly educated women experience a larger penalty, despite the higher opportunity cost of reducing their participation—suggesting again that choices around work and care are not always responding purely to financial considerations."

As for becoming a father? The analysis found men's earnings were "unaffected by entry into parenthood".

Even so, researchers found that neither mums or fathers feel wholly satisfied in the gendered expectations of raising a child.

Using data from the Australian Taxation Office and the Melbourne Institute's Household, Income and Labour Dynamics in Australia survey, the analysis found the following to be true: Fathers feel their work negatively affects their family life and mums feel their family life negatively affects their work.

The last ten years have seen a considerable reduction in gender inequality but researchers say there's still a notable gender gap in Australia.

"A gender earnings gap presents a challenge for aggregate output and productivity," says Treasury researchers. "It typically represents significant untapped potential in the labour market."

Compared to other countries, Australia's estimated long-run motherhood penalty looks similar to the United Kingdom and fairs behind places like Denmark, Sweden and the US but ahead of Germany and Austria.

Countries with more conservative gender norms have worse long-run penalties, according to the analysis.

The analysis points out that Australia's positioning across countries suggests underlying gender norms likely reinforce the motherhood penalty.

Workplace flexibility also proves to be an important factor affecting the penalty.

The analysis found that "women who had greater access to flexible conditions before having children are more likely to remain employed after having children."

Nonetheless, workplace flexibility isn't a fix-all. Even women in flexible occupations were found to cop a wage penalty and forgo promotion opportunities due to motherhood and the extra household responsibilities they take on.

The motherhood penalty is a complex issue that requires complex solutions and with neither gender feeling satisfied in the balance between family and work following parenthood, there's likely a need for more equal allocation of responsibilities.

Grattan Institute senior researcher Kate Griffiths told the Financial Review that better balance could be achieved by giving families more flexibility when it comes to accessing parental leave.

Griffiths also pointed out that reducing childcare costs would increase female workforce participation.

The analysis shows that social norms, workplace norms and government policy settings all seem to contribute to barriers in closing the gender pay gap and putting an end to the motherhood penalty.

Treasury researchers say, "Tackling these barriers will nonetheless be a necessary precursor to further gains in female labour force participation, the allocation of talent across paid and unpaid work, and improved diversity in the workplace."

Region: Australia and New Zealand ^[3]

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