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Title

The Impact of Family Structure on Wages

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Abstract

Family has a wide impact on people, not only at the personal but also at the professional level. This paper seeks to formally quantify the monetary impact of family structure, as given by marital status and number of children, on wages. Two widely researched phenomena are analyzed in depth: the male marital wage premium and the motherhood wage penalty. The male marital wage premium refers to the finding that married men earn more than single men with similar education and demographics. The motherhood wage penalty refers to the fact that mothers earn less than childless women with the same education and demographics. Previous research has found evidence for the existence of these two phenomena in a variety of European countries and in the United States. To explain these, various hypotheses have been suggested. Firstly, the male marital wage premium could be due to selection, if men choosing to marry are inherently different to those who choose not to marry. More precisely, they could have a higher earnings potential by being more stable and by generally being more ready to conform with expectations. Secondly, the marital wage premium could be due to labor specialization, if once men get married their wives start performing the housework freeing more time for their husbands to focus on their work. Thirdly, the premium could be due to human capital accumulation, if wives motivate their husbands to work harder, either simply by their presence or by active participation. Lastly, the premium could be due to employer discrimination, if employers assign higher wages to married men because of their higher perceived needs. Several causes could also explain the motherhood wage penalty. In fact, mothers could be less productive than other women, because they have less energy, time and motivation to perform their job once they have children. Alternatively, mothers could lose valuable human capital when they are out of the labour force during maternity leaves, making them lose important job-related skills. Relatedly, women could choose less demanding occupations to focus on their children once they become mothers. Lastly, mothers could suffer from taste-based employer discrimination, if employers choose to give them lower wages because of their lower perceived productivity. I consider each of these hypotheses in my analysis.

The dataset I use is the Swiss Household Panel from years 2009 until 2016. I focus on these years to avoid the exogenous change in family taxation in 2008, which made it more financially attractive for couples to marry. I restrict the analysis to women and men aged between 18 to 62 years old who are not self-employed, as is standard in the literature. With fixed effects models, I find that there is no impact of either marriage or parenthood on the wages of men. However, women suffer from a robust motherhood wage penalty of 7% per child on average if they are subject to unpredictable absences from work when their children are ill. On the opposite, unpredictable absences from work due to childcare duties do not penalize men. To explore further this phenomena, I conduct an analysis of the men and women who take care of their children alone when they are ill. Focusing on the occupations of these primary caregivers, I find that women who are primary caregivers tend to be in lower hierarchical positions than men. As people in lower hierarchical positions tend to have less flexibility than people higher up in the hierarchy, I hypothesize that women might be more penalized by childcare duties than men because of the lower flexibility they have at work. In other words, as hours spent in the workplace count more for women than for men, women suffer a wage penalty when they have to leave work unpredictably if their children are ill, while men do not. Another hypothesis compatible with this finding is that of employer discrimination. In fact, employers might discriminate against mothers because of their lower perceived productivity, thereby assigning lower wages to them than to men and failing to consider them for promotions. To investigate these two hypotheses of compensating differentials and employer discrimination, I restrict my analysis to the sub-sample of self-employed women, who enjoy the highest workplace flexibility and do not

suffer from employer discrimination as they do not have an employer. As expected, I find that these self-employed women do not suffer from a significant motherhood wage penalty, just like men do. This result provides further support for the compensating differentials and employer discrimination hypotheses. Taken together, my findings reveal novel causes for the gender wage gap with interesting implications for policy.