

Effects of postponing fatherhood on wages: A
comparison of West Germany and the United Kingdom
European University Institute

Linda Vecgaile

1 Extended Abstract

Prior research has shown that fatherhood predicts a wage premium. Nevertheless, the degree of fatherhood premium appears to differ across countries. In the US, it has been detected to range between 6 to 13 per cent, depending on the factors such as the number of children, marital status, model specification and other (Hodges & Budig, 2010; Lundberg & Rose, 2002). As regards Scandinavian countries, no visible effect is found among Norwegian (Cools et al., 2017) and Danish men (Landais et al., 2018). Meanwhile, findings from studies on Germany display a wage increase after entering fatherhood, which ranges from 2-3 per cent (Pollmann-Schult, 2011) to 20-23 per cent (Choi et al., 2008), where results vary depending on the number of children as well as the model specifications.

Commonly, explanations for the fatherhood premium include couple specialisation, changes in work effort, employer favouritism and selection. However, empirical findings show that certain mechanisms dominate more in some contexts rather than in the other. Besides the established mechanisms, which may potentially explain fatherhood premium formation, the implications of fatherhood timing have not been investigated yet. According to the past research, women who postpone parenthood experience smaller motherhood penalties as a benefit of higher education, increased productivity and stronger job attachment developed in the years preceding birth delay (Herr, 2016; Sobotka, 2004; Taniguchi, 1999). In the meantime, the question whether fatherhood effects vary by parenthood timing has remained unanswered.

Past research suggests that there may exist a link between fatherhood timing and the degree of fatherhood premium. Kravdal and Rindfuss (2008) showed that the highly educated men become fathers later than the less educated ones, and the better educated men generally receive higher fatherhood premiums. This raises the question whether, similar to education effects, extended human capital accumulation in the form of work experience can also consequently lead to increased earnings when compared to “earlier” fathers.

With the above in mind, this study examines whether additional year of work experience at fatherhood entry is associate with increase in wage during parenthood. Additionally,

provided that returns to human capital may vary across countries due to institutional disparities (Dustmann & Pereira, 2008), I implement analysis on men in West Germany and the United Kingdom (UK) that are two nations representing contrasting labour market settings with different educational and job training systems, and wage setting mechanisms. Given that the focus of this study is to compare wage trajectories of men who become fathers at different timing and considering that childless men are potentially systematically different from fathers, I limit my analysis to fathers only.

To address the established questions, I employ longitudinal survey data that come from “The German Socio-Economic Panel” (GSOEP) (1984-2018) to study men in West Germany, and from the 1991-2008 “British Household Panel Survey” (BHPS), and the 2009-2018 “Understanding Society” (“the UK Household Longitudinal Study” (UKHLS)) to explore men in the UK. I apply fixed effects models to estimate children effect on wages and use accumulated work experience at the year of first childbirth as a moderator to distinguish variance in wage trajectories between “early” and “later” fathers. I further estimate timing effects of subsequent children by introducing additional fixed effects model specification. Despite institutional differences between Germany and the UK, obtained results demonstrate rather similar parenthood effects on wages in both countries. Average wage levels of “early” first-time fathers in the UK and West Germany are significantly lower than those of “later” ones. Additional year of work experience prior to entering parenthood indeed leads to higher wages in both the UK and West Germany. Nevertheless, the rate of return to same work experience is higher among early fathers.

2 References

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