

Premium or wage gap for fathers? The impact of parental leave on men's wages in Spain.

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The topic

This paper examines the influence of fatherhood on earnings in Spain, using panel data spanning from 2005 to 2021. While there exists substantial research regarding the adverse effects of motherhood on income, our understanding of its impact on fathers, particularly in the Spanish context, remains limited. In certain countries with available data, fathers tend to experience a financial advantage, commonly referred to as the "fatherhood bonus" or "fatherhood premium". This phenomenon is primarily attributed to gender role specialization, where women assume caregiving responsibilities while men engage in paid employment, employers' preferences for male employees, and the self-selection of individuals into parenthood, as those more established in the labour market may also be more likely to become fathers.

This paper seeks to assess the impact of fatherhood on men's earnings and explore its underlying factors by focusing on three understudied dimensions: the wage advantage or disadvantage concerning fathers' occupational categories, family structures (men residing in heterosexual partnerships, same-sex partnerships, or single-parent households), and the use of longer-term parental leave to take care of young children after an initial spell of maternity and paternity leave. The study is grounded in three primary hypotheses. Firstly, we anticipate that the fatherhood bonus will be notably pronounced among men in higher occupational strata, as they confront greater opportunity costs when adjusting their working hours. Secondly, we expect the fatherhood bonus to be more substantial among men in heterosexual partnerships, owing to the heightened likelihood of gender specialization in such arrangements. Thirdly, regardless of their occupational characteristics and family structure, we expect the use of parental leave will penalize men's wages due to the low commitment stigma.

The study relies on data obtained from the Continuous Sample of Working Lives, a survey encompassing individuals who have made contributions to or received benefits from the Spanish social security system during the reference years. To estimate the anticipated earnings of men with and without children, we employ unconditional quantile regression

on longitudinal data. Additionally, we integrate quantile regression with fixed effects techniques to account for self-selection into fatherhood.

Theoretical Focus

A "fatherhood bonus" refers to the advantages that working fathers get in terms of pay and perceived competence in comparison with working mothers and childless men. The fatherhood bonus occurs due to the belief that fathers have greater work commitment, stability, and deservingness, while mothers are perceived as exhausted and distracted at work, thereby perceiving them to be less productive.

Two main theories explain the "fatherhood bonus": the deterioration of human capital and the low commitment stigma. The deterioration of human capital occurs when mothers take a break from paid work, temporarily interrupt paid work, or reduce their working hours while fathers remain full-time life-long connected to their job. Human capital deterioration might be particularly acute for women taking long leaves as their work experience suffers, while existing knowledge and skills depreciate for the lack of use and adaptability to new technologies. If the career break is short, there is much more scope to make up for lost time in terms of training, and job prospects will not suffer to the same extent. Therefore, the child penalty may be sensitive to the duration of fathers and mothers leave and the likelihood of catching up with productivity levels prior to parenthood.

The low commitment stigma occurs when employers interpret taking leave as a signal of low commitment to work. If this stigma exists, it may translate into discrimination. Employers may discriminate against fathers and mothers with career interruptions when it comes to wage increases and may fail to involve them in new projects that might involve or create career opportunities. Employers may also penalize or stigmatize fathers and mothers who take breaks because fatherhood and care work are devalued, and thus in turn devalue people who do such work. This is related to existing norms in the labour market, in which the ideal worker is an individual with no additional responsibilities and an exclusive focus on the job. Different studies have found positive evidence of this type of discrimination against mothers. Leave-taking would add to this discrimination.

In addition to the theories outlined above, the literature has also shown that certain characteristics of the parental leave may influence men's wages during fatherhood. During the period covered by our data (2005–2021), the Spanish legislation provided two different types of unpaid long-term leave that could be taken after maternity and paternity leave. The first one, the 'leave of absence to care for a child, also known as 'full-time parental leave', enables both parents to interrupt their employment until the child is 3 years old. Their return to the same job is guaranteed during the first year, after which the employer is obliged to offer the worker a position within an equivalent category, but not necessarily the same job. The second type of leave, the 'reduction of working hours', or also called 'part-time parental leave', allows workers to reduce their working hours (from an eighth to a half) to care for a child under 12, while keeping the same job. The law protects workers on parental leave – full or part-time – and explicitly forbids companies from firing employees while they are on leave. It also ensures social security contributions for the whole period of full-time parental leave and until two years in the case of part-time parental leave, which affect the recognition of other rights, such as pension benefits, health coverage, unemployment benefits and new maternity and paternity leaves. Both

parental leave periods are in addition to paternity and maternity leave, which in Spain is 16 weeks for each parent, although its duration has varied during the period analyzed in this study

Data

We base the analysis on the Continuous Sample of Working Lives ("Muestra Continua de Vidas Laborales," hereafter MCVL), waves 2005–2012. This dataset provides an organized group of anonymized microdata extracted from three different administrative sources: the social security system, the municipal registry of inhabitants, and income tax registers. The target population of this survey is made up of all of those who contributed to or received contributory benefits from the Spanish social security system at some point in the reference years (2005–2021), regardless of whether this was on a temporary or permanent basis. Men and women can enter the sample at any time within the window of observation, and they can also exit the sample if they leave the labour market or lose their unemployment benefits. We selected men and women who were between twenty-five and forty years of age when they entered the sample, starting in 2005, and followed them until they left the sample—or until 2021. This means that if an individual is first observed in 2005 and stays in the sample for the whole window of observation, we follow him until this person is thirty-nine in 2021.

The MCVL is an individual register dataset, but it can be matched to the municipal registers. We use this information to construct our fatherhood bonus variable, and we define fathers/mother as person who live in a household where a child is registered in a specific month. A person become father/mother in month n if we observe a child living in the household that was not there in month $n-1$. We define non-fathers as men who live in a household where no children are registered. This measure is of course biased, as some men may have children living in another household, or they might move in with a partner who has children. However, this is a common practice in the literature given the data limitations, and we expect the bias to affect only a small number of cases. The MCVL is a reliable source of information for our research question, as it is a large representative sample of the Spanish population with longitudinal records.

Methods

The effect of parenthood on wages is a classic example of possible unobserved heterogeneity because the decision to have children may be related to labour market outcomes and preferences. For instance, if women who are career-oriented and very productive are less likely to have children, this leads to a spurious correlation between the number of children and wages. In the literature, it has thus become standard to estimate the parenthood wage gap using fixed-effects models. Fixed-effects estimators' control for the observed and unobserved characteristics of individuals that do not vary over time, considering the within-variance stemming from changes in individuals' lives. This type of model allows us to control for men's and women's inclinations regarding parenthood and work.

Moreover, in this research we go a step further and also analyse the wage penalty for children with an unconditional quantile regression (UQR) estimator to estimate two

models. The model estimates the wage penalty using UQR at the 10th, 20th, 30th, 40th, 50th, 60th, 70th, 80th, and 90th quantiles of the wage distribution, including the ever-parent and all other control variables. Clustered standard errors control for multiple observations of individuals in the panel. Unconditional quantile regression is a powerful tool for examining the parenthood wage penalty because it allows for a detailed analysis of how the penalty varies across different parts of the wage distribution, can handle non-linearity, endogeneity, and heterogeneity, and provides insights that are valuable for both researchers and policymakers.

Expected findings

So far, our analysis has focused on a sample of women, showing that the costs associated with childbearing are significantly higher for working mothers who opt for reduced working hours (part-time parental leave) or long-parental leave (Dominguez-Folgueras, González, & Lapuerta, 2022). Turning to men, we expect that, in line with the theory of the flexibility stigma, the wage premium associated with fatherhood will be particularly pronounced for men with high occupational status who refrain from taking temporary career breaks or reducing their working hours. In the specific context of Spain, we also expect the fatherhood wage premium to be more pronounced among men in heterosexual partnerships. This expectation stems from the greater likelihood of gender specialisation in such arrangements. Finally, although fathers' rights to spend more time with their children are extended and parental leave is equalised for mothers and fathers, we expect the negative impact of longer-term care leave on wages to be higher for men than for women. This will be due to the greater social acceptance and legitimacy of their use by women and the stigma of low work commitment faced by fathers who use them.

Reference:

Dominguez-Folgueras, M., González, M. J., & Lapuerta, I. (2022). The Motherhood Penalty in Spain: The Effect of Full-and Part-Time Parental Leave on Women's Earnings. *Social Politics*, 29(1), 164–189. <https://doi.org/10.1093/sp/jxab046>