

Children: Do They Hinder Women's Careers?

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Women with more children work and earn less than women with fewer or no children.¹ There are two leading explanations for such labor market differences. The first is based on causation; that is, having children causes adverse labor market consequences for women. The second is based on adverse selection; that is, women with children would work and earn less even had they not had children.

The correct explanation is of interest to researchers and policymakers. To date, however, researchers know little about the causal labor market consequences of having children. Yet, policymakers often base their family-friendly policies (intended to support the labor supply of women with children) on arguments that children seriously hinder the labor market potential of women. Such family-friendly policies may be less efficient if women who have children would work and earn less even had they not had children, or had fewer children.

This report examines the labor market response to having a first child. To estimate this effect, we use an empirical strategy based on data from in vitro fertilization (IVF) treatments. Our data consist of childless women who go through IVF treatments in Denmark, where we compare the working careers of women after a successful first IVF treatment to those of women after a failed first IVF treatment (comparison group). Since the observed working histories of successfully and unsuccessfully treated women are virtually identical before they seek IVF treatment, we believe that IVF treatment success creates exogenous variation in the likelihood of having children. As a result, we use IVF treatment success as an instrumental variable to estimate the causal effect of having children on a wide range of labor market outcomes among women.

The results show that women with successful IVF outcomes earn persistently less due to having children. No such effect is found among their male partners. We explain the decline in annual earnings by women working less when children are young and receiving lower salaries when children are older. We explain the decline in hourly earnings, which is often referred to as the motherhood penalty, by women moving to lower-paid jobs closer to home. Equally interesting is our finding that the decline in annual earnings we estimate due to a first child is much larger than the decline in earnings we obtain for the effect of having additional children. To put our findings into context, we also estimate the effect of having additional children on earn-

ings using the more common instrumental variable strategy, employing twin births as an instrumental variable. We find that the effect of having additional children on labor market outcomes in Denmark is smaller than the corresponding effect found in the United States, which has, by Danish standards, meager maternity leave and childcare benefits.

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1. Browning (1992), Goldin (1992), Waldfögel (1998), Feyer, Sacerdote, and Stern (2008), and Bertrand (2011).