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Reading Note: Kleven, Landais & Sogaard (2017), “*Children and Gender Inequality: Evidence from Denmark*”

Introduction and Motivation

Due to the fact that gender earning gaps have narrowed but does not seem to close, the paper is to show that the persisted gap is largely due to the “child penalties” – labor market outcome gaps from women’s childbirth and the choices they make after childbirth. With large panel data from Denmark, the authors attempted to determine the size of penalty both short and long run, and determine if an intergenerational transmission contributes to the persisted child penalties.

Methodology

The main approach used is the “event study” method where event here is year of the first childbirth. The implementation is that the outcome of interest (e.g. wages, hours working) is regressed on dummy variables of time after the first childbirth while controlling age and year for both genders. A child penalty is defined as a difference of coefficient corresponding to time dummy between men and women in percentage. To understand the component behind the estimation, the framework that allows a direct childbirth effect and indirect childbirth effects (from the labor market choices as a result of childbirth) on labor market outcome is also constructed. Furthermore, Oaxaca-style decomposition is employed in decomposing labor market outcome gaps between men and women in order to determine the size of child penalty. The last estimation is to determine the correlation between child penalty and labor supply of the grandmother using the same event study method but interacting time dummy with a quartile position of grandmother’s labor supply. This is in order to document an intergenerational transmission.

Findings and Re-interpretation

The persistence of gender inequality in earnings can be largely explained by the persistence of child-related gender inequality; i.e., child penalty. Robustness check is also completed using methodology from existing literature such as instrumental variable method. In fact, the gaps in labor market outcome are not only explained by childbirth but also the choices that women make conditioning on childbirth. For example, it is found that after the first childbirth, women tends to have a higher probability of working in family-friendly firm which employs large number of women with children, presumably firms with suitable workload for female parents. In addition, the persistence of child penalty can also be explained by the labor market choice made by the grandmother (intergenerational transmission of child penalties), that is; woman’s labor supply choices are heavily influenced her mother choices when she was young. This shows that although people are increasingly open about mother working full-time, the labor market outcome gaps that exist today are partly results of “traditional” expectation of the gender role.