
The impact of a career break on a woman's wage

Introduction

Recently, the gender wage gap has been firmly addressed by the European Commission and by the European Trade Union Confederation, as well as by many national bodies. In the European Union, the wage gap remains at around 28 percent, and the persistence of

gender-related wage inequalities are considered unacceptable. Yet, this gender wage gap is partly explained by socio-demographic characteristics, leading to discussions about the size of the adjusted wage gap. For detailed analyses of the gender wage gap in a number of countries, see Gustafsson and Meulders (2000).

Before understanding the gender wage gap, it is necessary to understand wage differentials in the female work force, in particular the understanding of what is referred to as the 'family pay gap'. Are wage differentials between childless women and women with children due to the effects of motherhood, number and age of children, part-time working hours, career break, duration of the break, or to allocation to jobs particularly suited for women's demands to reconcile work and family life? In academic research attempts have been undertaken to gain insight in this issue only recently (Datta Gupta & Smith 2001, Joshi, Paci & Waldfogel 1999, Wetzels & Tjeldens 2001). This article does not aim to disentangle the impact of all factors, but is limited to the effect of a career break in explaining the wages of women with children.

Surveying women's wages

The data used here come from the Women's Wages Survey 2000/01, held in the Netherlands (see for the report Tjeldens 2001). This survey was held among working women and extensively covered the area of wages, including the many secondary remuneration elements that are quantified to some extent. The questionnaire was enclosed for subscribers to the three largest women's magazines, it was enclosed in trade union newsletters and magazines, and women could take part in the poll on two websites. From September 2000 to May 2001, a total of 15 508 usable questionnaires were returned, a little more than half of which were returned via the Internet.

The Women's Wages Survey has been used to establish a wage indicator on the Internet. Since May 2001, this wage indicator is available at www.loonwijzer.nl. It uses the visitor's occupation to calculate an average wage, given age, supervisory position and tenure. The indicator attracts thousands of visitors a week. The questionnaire is continuously available at the website. It has been changed slightly and now

includes male-dominated as well as female-dominated occupations. Since May 2001, approximately ten thousand visitors have completed the questionnaire. More information about the wage indicator project can be obtained from www.uva-aiaa.net/wage-indicator.

To ascertain how representative the survey was, we compared its distribution across industries, number of hours worked, age and education with that of women in the Labour Force Survey conducted by Statistics Netherlands. For most cells, the deviation was less than three percentage points, with the exception of a higher under-representation of women with a lower or intermediate vocational education. It is also examined which women answered the questionnaire on the Internet and which in the magazines. According to the results it is difficult to form a consistent image of groups that use the Internet and those that do not. Apparently the Internet has penetrated groups with a wide range of characteristics. The deviations are not such that the data cannot be regarded as being representative for the population of female employees.

Characteristics of re-entrant women

The Women's Wages Survey included detailed questions about women's work history. The respondent was asked if she had had no paid work for a period longer than one year. Altogether, 24% of the women had interrupted their careers for at least one year to take care of children or the home, and then started to work again. These women are defined as a re-entrant. It also classifies the women who had only started to work after the birth of their first child as women 'returning' to work. Here, two groups of women with children are compared, notably the re-entrants and the continuously working women.

The re-entrants' career break is on average 9.6 years. Women's age when quitting the labour market has hardly changed for the subsequent birth cohorts, but age at re-entrance decreased and so did the duration of the career break. Women born in the 1940s on average had a break of more than 11 years, women born in the 1950s withdrew for more than 9 years from the labour market, and women born in the 1960s had a break of almost 7 years. Of the women born in the 1940s, 59% had a break for more than 10 years. By contrast, 71% of the women born in the 1960s have taken a break shorter than 10 years. Yet it cannot be simply concluded from this that the duration of the break is decreasing over time, because a considerable number of women who were born in the 1960s are still in the career-break phase. This will, of course, cause the average duration of the break taken by women born in the 1960s as it has now been calculated, to increase.

The re-entrants differ considerably from women with children who have not, until now, interrupted their careers. Compared to women with children who have worked continuously, re-entrants have on average a lower gross hourly wage (€13.9 versus €12.1) and have been with their current employer for a shorter period (10.1 versus 7.9 years). The re-entrants also have fewer years of education, and this gap is increasing for younger cohorts of women. Re-entrants have more children living at their home, but they less often have a child under the age of four. Working hours however hardly vary across the two groups (26 versus 25 hours a week).

When investigating labour market allocation for women with children, the percentages of continuously working women and re-entrants differ sharply by profession. In occupations where a university grade is required, less than 20 percent of the women with children are re-entrants. In professions such as primary school teacher or secretary, about 50 percent are re-entrants. In the caring and cleaning occupations, more than

60 percent are re-entrants. In the supervisory positions, 37 percent are re-entrants. When it comes to industry, the lowest percentages re-entrants among the female employees with children are found in manufacturing industry and commercial services, whereas they are high in trade, health care, and education. Regarding firm size, re-entrant women are more often employed in small and medium-sized firms compared to continuously working women. This suggests particular mechanisms of allocation in the labour market. Some occupations and industries apparently are attractive to re-entering women, and others facilitate the reconciliation of work and family life.

Compared to the continuously working women, re-entrants are less ambitious with regard to aiming at supervisory positions or going to courses. A re-entrant is, however, less often satisfied with her wage and career prospects. She more often prefers to be covered by a collective bargaining agreement. A re-entrant more often states that she only will continue her job when she can combine work and family life, and she less often wants to have an income of her own. A continuously working woman more often faces time-related problems. She more often prefers to work at home every now and then, more often likes to reduce her working hours, more often wants another timing of the work, and more often cannot perform her job in the time given. When re-entering the labour market, re-entrants obviously search for jobs that suit their time-related needs rather than their financial needs.

Re-entrants' wages

In explaining wage differentials by statistical methods, mostly the logarithms (log) of the hourly wages are predicted, using so-called OLS regression analyses. Several wage estimations have been performed on the dataset (Wetzels and Tijdens 2001). Here the results are presented

regarding the determinants of the log hourly wages of women with children only. The results show that, in line with human capital theory, each extra year of education and each extra year of age have a substantial positive effect on the hourly wage (0.055 and 0.022 respectively). Age squared, indicating that after a certain age the wage effect of age turns negative, has a minor negative impact on the wages, as expected. Each extra year of service with the current employer has a small impact (0.007).

Three dichotomous determinants have a large positive effect, notably having mostly male colleagues, being in a supervisory role, and having been promoted (0.060, respectively 0.040 and 0.039). Firm-size has a positive effect (0.025 for each additional category, ranging from 1, less than 10 employees, to 6, more than a thousand employees). The number of hours worked has hardly any significant effect on women's hourly wages. Finally, being a re-entrant has a severe negative effect (-0.084). When estimating the wages for the re-entrants only, the duration of the break can be included in the analyses, and the effect of each additional year of interruption appears to be negative but not that large (-0.009). In conclusion, a career break as such has a great impact on women's wages, while the impact of the duration of the break is of less importance.

Plans for further research

The women's wages survey has proven to provide useful information for analysing women's wages and other features in the labour market. It can lead to greater insight into wage differentials in the female workforce, and thus ultimately to a better understanding of the gender wage gap.

Yet we still need to improve our insight in the processes of allocation at the labour market. Do re-entrant women search for jobs that primarily

meet their time-related demands and will they therefore be allocated to jobs in particular sectors of industry, occupations or collective bargaining agreements? Previous studies have focussed on pay discrimination in collective agreements (see *TRANSFER* 6, 2, 2000). Very few datasets on wages include information about the agreement the employee is covered by, but the Wage Indicator Survey does. Future research will hopefully provide greater insight into wage differences across agreements, as well as industries and occupations.

With the introduction of the euro, wages will be more easily compared across member states, which probably is a first step to convergence. In 2000 the European Commission argued that the policy of nominal wage restraint that in the 1990s has helped to get inflation under control has now paved the way for the convergence needed to establish economic and monetary union. By January 2002, our wage indicator and our questionnaire is 'euro-proof'. The questionnaire has been translated into English. This offers possibilities to broaden the project to other euro-zone countries, and to study whether wage convergence is indeed happening for male and for female employees. Moreover, we will hopefully be able to perform wage analyses for groups of women, as well as for other groups of employees, based on comparisons across a number of European countries.

References

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