

Family matters: the cost of having children on women’s careers

Progress on closing the wage gap has stalled

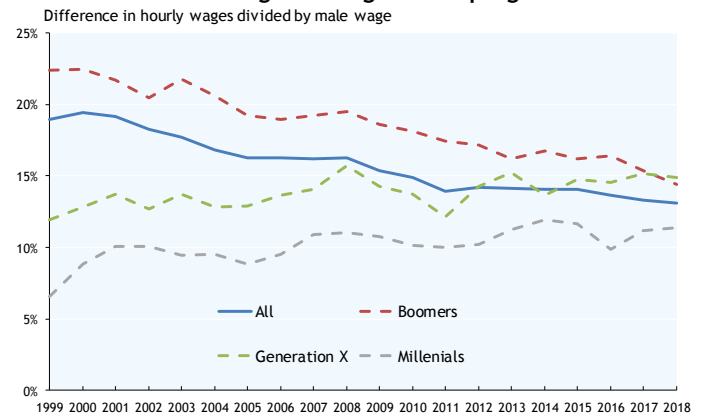
After a half century of successful efforts to reduce the gender wage gap, progress has largely stalled. Since 2011, women have earned between **13 to 14** per cent less than men. While baby boomers have been able to chip away at this gap later in their careers, and younger generations of women are entering the labour market at a wage more equal to men, the gender gap has remained relatively unchanged.

Many reasons are cited to explain why women earn less than men, ranging from their career choices to a greater need for more flexible work arrangements. But a common thread is that women must balance the demands of work and family to a greater degree than men, spending substantially more time doing unpaid work, especially childcare. More than **33%** of women aged 25 to 34 have a child under the age of six, corresponding to the stage when there is a significant jump in women’s labour market participation. This suggests women tend to have children during a key period for career development and advancement.

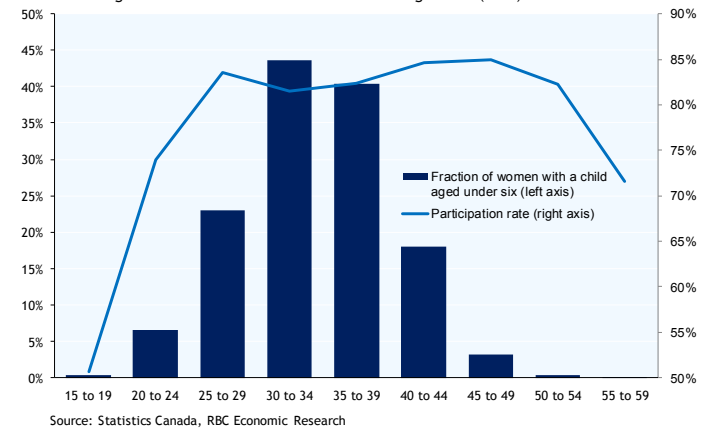
Having a child means an immediate drop in earnings

According to the 2016 census, in the year following the birth of a first child, women aged 25 to 34 experience a reduction in earnings of about **48%**. That isn’t surprising, given most women typically withdraw from the labour force on parental leave, which in Canada can run as long as 18 months. A more worrying statistic is that women experience a significant earnings penalty spanning five years after the birth of a child, especially those who are younger, with 25 to 29 year olds seeing an additional **14%** of earnings losses over this period. Men do not typically experience any penalty at all—in fact having children for men is associated with an increase in earnings! Whether this is because employers see fathers as harder working or

Women have seen significant gains but progress has stalled



Women must balance raising young children and starting their career





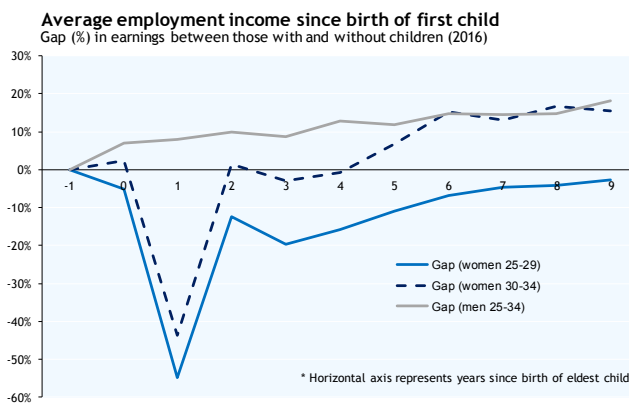
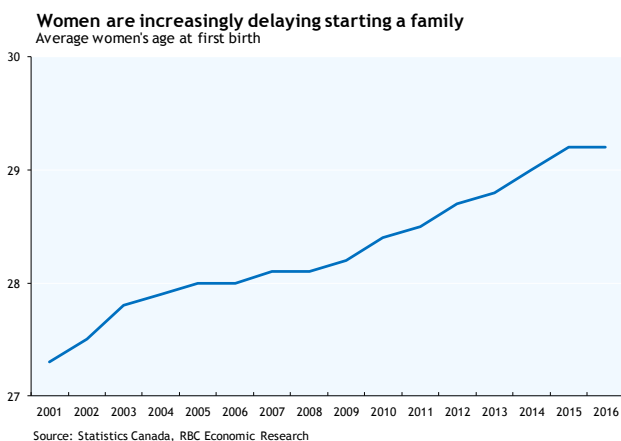
more committed than non-fathers is up for debate and further study, but the fact remains that career costs of parenthood are largely placed on women.

One way for women to mitigate the earnings costs may be to delay having children. Focusing on women who have their first child between the ages of 30 and 34, we find that while there is again a substantial initial cost, earnings quickly return to, and even surpass, the level of those without children. This suggests that having children early in one's career can have an outsized impact on earnings.

Part of this decline in earnings is that women are much more likely to work part-time in order to care for their children, especially when the children are very young. Since a woman working part-time earns **74** cents for every dollar a full-time female worker earns, compounding even further the wage gap. Additionally, working part-time may make it more difficult to be considered for promotion into higher-paying management roles, contributing even further to the difference in wages between men and women.

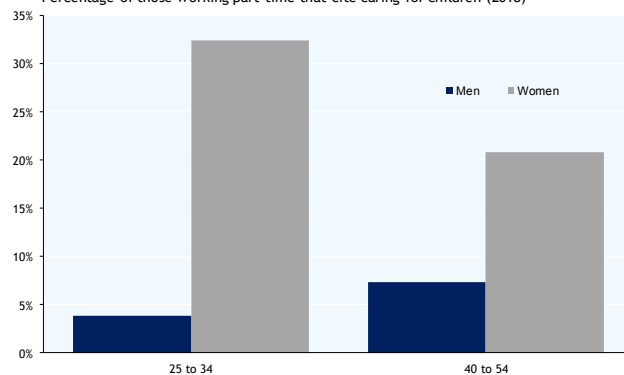
Women may already be mitigating these costs by delaying fertility

Whether by design or circumstance, women may already be working to limit the hit to income by delaying having children. Since the beginning of this century, the average age of women at first birth has increased



Source: Statistics Canada, RBC Economic Research

Women much more likely than men to reduce hours to care for children
Percentage of those working part-time that cite caring for children (2018)



Source: Statistics Canada, RBC Economic Research

1.9 years. While there are a number of theories to explain this increase, the data suggests some women are waiting until their career is more established before starting a family. This is especially true as more and more women enter professional programs such as law, medicine or business. For example, according to data from the Law School Admission Council, women now make up **55%** of law school applicants. Because of this, **54%** of those who have only been members of a law society for less than five years are now women. These fields often tend to expect long hours or aggressive

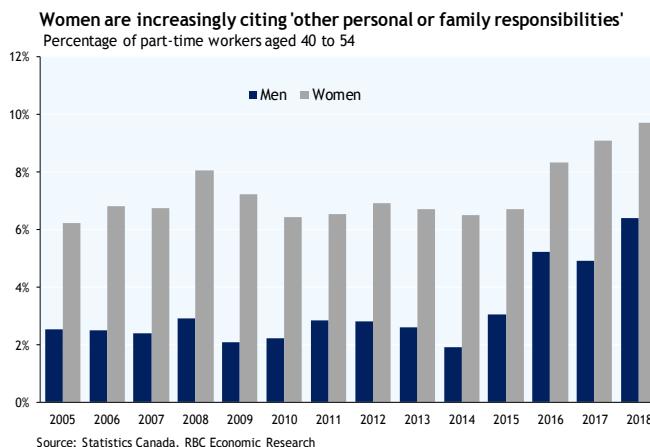
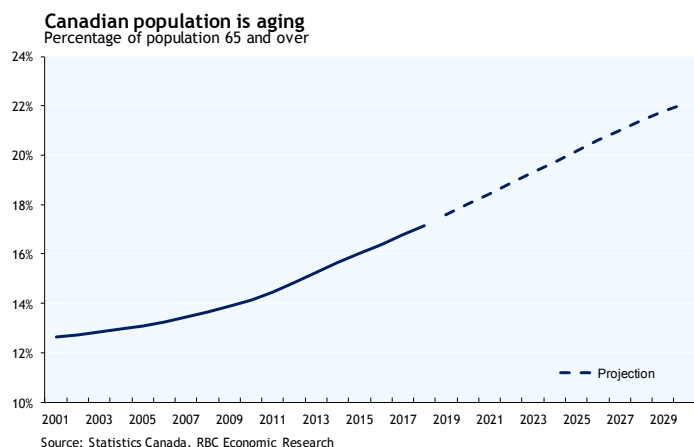


pursuit of advancement, working against those women who want to start a family. Furthermore, delaying having children is associated with smaller family sizes and therefore less time away on parental leave.

Looking to the future: we can't ignore the role of demographics

Declining fertility rates and smaller family sizes are a growing concern as our population ages. Policy that better addresses career and family challenges can have positive benefits not only for women's wages but for society as a whole. The theme of this year's International Women's Day was *Balance for Better*, suggesting we should rethink our approach to some of these challenges.

And children aren't the only factor that could weigh on earnings. With the population of Canada aging rapidly, increasing numbers of Canadians require additional care from their family. While there has been an increase in both men and women reducing their work hours due to "personal or family responsibilities," women continue to bear the greater burden. In 2016, the number of Canadians aged 65 years+ surpassed the number aged 0-14 years. This trend is projected to continue, creating a new imperative for policymakers to help women manage the responsibilities of not only raising children but caring for the elderly as well.



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