

## Chapter 7

# **THE FAMILY EARNINGS GAP AND POSTPONEMENT OF MATERNITY IN THE UNITED STATES**

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### 1. INTRODUCTION

One of the stylized facts in the United States from the past thirty years has been the declining rate of first births before age 30 for all women and the increase rate of first births after age 30 among women with four-year college degrees (Martin 2000). Accompanying this trend is the rising education level of mothers. This trend of older, more educated first-time mothers mirrors the overall trends observed in Western European countries. However, in the United States, these trends have occurred within a fairly stable total fertility rate, allowing the country to maintain a fertility rate approximately equal to the replacement rate since approximately 1990. In contrast, Western European countries have suffered declines in their total fertility rates, with some countries' rates at 1.3 or 1.4. What factors contribute to the US' maintenance of replacement rate fertility? We hypothesize that the link between motherhood and wages might play a role in fertility delay in the United States, and also might suggest an explanation for differing fertility rates internationally

The economic theory of fertility serves as a starting point for our discussion. The Becker fertility model (Becker 1985) posits that consideration of opportunity costs drives the fertility decision. That is, Becker's model assumes that, when women consider maternity, they consider their "next best alternatives," with a focus on labor market opportunities. In this framework, as women become more educated, they may reduce their fertility due to the rising opportunity cost of motherhood. In addition to the opportunity cost argument, Becker also describes a quantity-quality trade-off; i.e., as mothers' education rises, their demand for higher quality children rises (quality per child), also resulting in reduced fertility rates. While this model has broad appeal and does seem to explain some of the fertility changes that have occurred in the past century, the model is not successful in explaining the trend completely and in particular, it fails one critical test. In particular, if mothers in the

US and overseas both are experiencing increased human capital levels, why have the Western European countries suffered significant fertility declines while the US has not?<sup>1</sup>

Described more fully, in this chapter we posit that the relationship between motherhood, wages, and fertility delay might differ among countries, resulting in different fertility outcomes.<sup>2</sup> While our empirical research focuses on the United States, we speculate about our findings' implications for the question noted above. Using U.S. data, we contribute to this debate by re-formulating the fertility timing decision in the framework of a career-oriented woman's effort to minimize the so-called motherhood wage gap. Because education plays a role both in fertility decisions and in family pay gap outcomes, it is likely that education provides the link between these two factors. We find that college-educated mothers actually experience a wage boost compared with college-educated non-mothers, and this wage boost is enhanced by their postponement of motherhood. As explained in more detail in the final section of the paper, we speculate that, in the process of searching for family-friendly employers, college-educated mothers simultaneously are identifying those firms most likely to be friendly to women and to encourage their advancement within the firm.

A better understanding of the observed changes in fertility and the timing of childbearing are of interest and concern to researchers and policy-makers alike for four reasons. First, fertility rates below replacement rates serve as a threat to the long-term survival for any society as the impact of an aging population and reduced economic growth reverberates throughout the economy. Second, with rapidly aging (on average) populations, the ability to provide costly support services to the non-working elderly becomes more uncertain. Third, as women delay fertility, they face declining fecundity in their thirties and forties. Consequently, more families face increased medical expenditures as they confront this natural consequence of aging, a cost that is passed on to society in higher overall medical expenditures and rising health care costs. Furthermore, more women are remaining childless although their preferences are otherwise, merely as a result of delaying fecundity. Finally, because these fertility (as well as marriage trends) vary substantially by education, the resulting impact on family structure produces a rising unequal income distribution in the United States, with an increasingly marginalized population of "have-nots" characterized by poor education, low marital rates, and high rates of single parenthood (Ellwood and Jencks, 2001).

The popular media has also entered the discussion of these trends, most recently with the book titled *Creating a Life: Professional Women and the Quest for Children*, by labor economist Sylvia Ann Hewlett (2002). Hewlett describes the difficulties faced by educated women, including job market problems, mate-finding problems, and fecundity problems resulting from delayed childbearing. Most relevant for this research is her conclusions that the "costs" associated with motherhood are lower for younger first-time mothers than older first-time mothers.<sup>3</sup> Her argument is a convincing one were such choices made in a static framework, but not so convincing when one considers that fertility/employment decisions somewhat early in life affect wage levels and wage growth throughout a working lifetime.