

## Non-technical summary

### *The impact of parenthood status on male-female wage differentials: Are children driving the gender wage gap? Evidence from Poland and Hungary*

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This research analyzes the role of wage differentials due to parenthood (the family gaps) in explaining the overall gender wage gap. Previous research indicates that women generally experience a decrease in wages (motherhood penalty), while men tend to benefit in terms of wages (fatherhood premium) when they become parents. This is clearly an underlying component of the overall gender wage gap, however, the direct role of the family gaps in the gender gap has not yet been quantified. We propose a decomposition method – and extension of the well-known Oaxaca wage decomposition – that can be used to do so, including the use of selection corrections that take potential biases due to selection into employment and parenthood status into consideration. The decomposition is carried out using household datasets from Hungary and Poland, two transitional countries with relatively similar cultural and historical backgrounds.

The main results of the analysis can be summarized as follows:

- mothers in Poland receive 3% lower wages than childless women; the respective gap in Hungary is around 8%;
- fathers experience substantial wage premiums from parenthood equal to 13% for Poland and 9% for Hungary;
- both in Poland and Hungary, men who do not have children receive a significant premium from marriage;
- in both countries, men and women tend to select themselves into particular employment-parenthood status, which leads to biased estimates of the wage gaps;
- in Hungary the unbiased family gap among women is insignificant and close to zero, and consequently it does not contribute to the prevalence of a gender wage inequality;
- in Poland the true motherhood penalty incurred by women is more negative than 3% and accounts for around 20% of the overall gender wage gap;
- In both countries, the fact that men receive high positive fatherhood premium explains about half of the existing gender wage inequality.

Overall, the results suggest that contrary to the expectations, it is mainly the positive wage premium from parenthood incurred by men, and not the wage penalty of mothers that leads to the divergence of men's and women's wages, and consequently, the prevalence of a gender wage gap.

**Keywords:** Gender Wage Gap, Family Gap, Motherhood Penalty, Wage Gap Decomposition