

Time is Money – The Influence of Parenthood Timing on Wages

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Abstract

This paper studies the effect of parenthood timing on future wages. Using data from the German Socio-Economic Panel (SOEP), we employ an instrumental variable approach to identify the causal effect of delaying parenthood on wages of mothers and fathers. Consistent with previous studies, we provide evidence for a positive delaying effect on wages. We further study the underlying mechanisms of the wage premium, paying particular attention to the relationship between career stage and fertility timing. We find that delaying parenthood by one additional year during the career implies a wage premium of 7%.

Keywords: Fertility; Wage Differentials; Career Path

JEL classifications: J13, J24, J31

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