

# The decline in income after the birth of children

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## Background

- Concern about the position of families with children: more expenditures and less time to work.
- Previous research found strong decline in income position for the Netherlands.

## Research questions

- To what extent does the decline in income position after the birth of children differ with income, age and marital status?
- To what degree are these differences in decline in household income caused by differences in the decline in the mother's income and the mother's labor income?

## Hypotheses

- Negative effect of getting children.
- This negative effect is stronger for people who already had a low income.
- This negative effect is stronger for young people.
- This negative effect is stronger for married couples (than for cohabiting couples).

## Data

- Prospective panel data
- Income Panel Study (IPO) of Statistics Netherlands (CBS)
- Information from tax records for a sample of 90,000 persons during the period 1989-2000.
- Data about household composition, marital status, municipality, age, and the children and the partner living in the household.

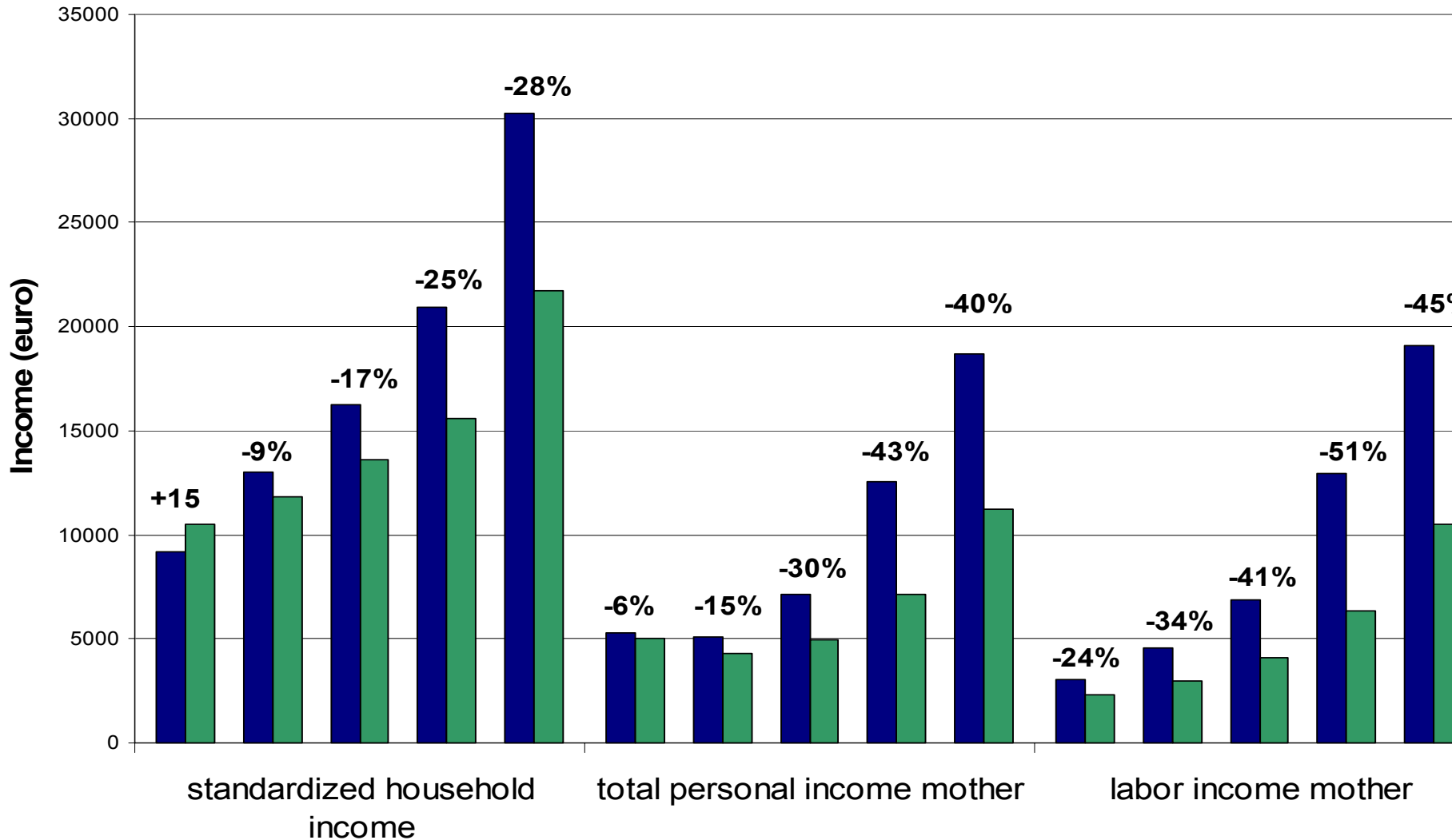
## Methods

- Bivariate:
  - comparison of income before and after birth for different groups.
- Multivariate:
  - Time series regression (in Stata).
  - Fixed effects models.
  - Interaction effects

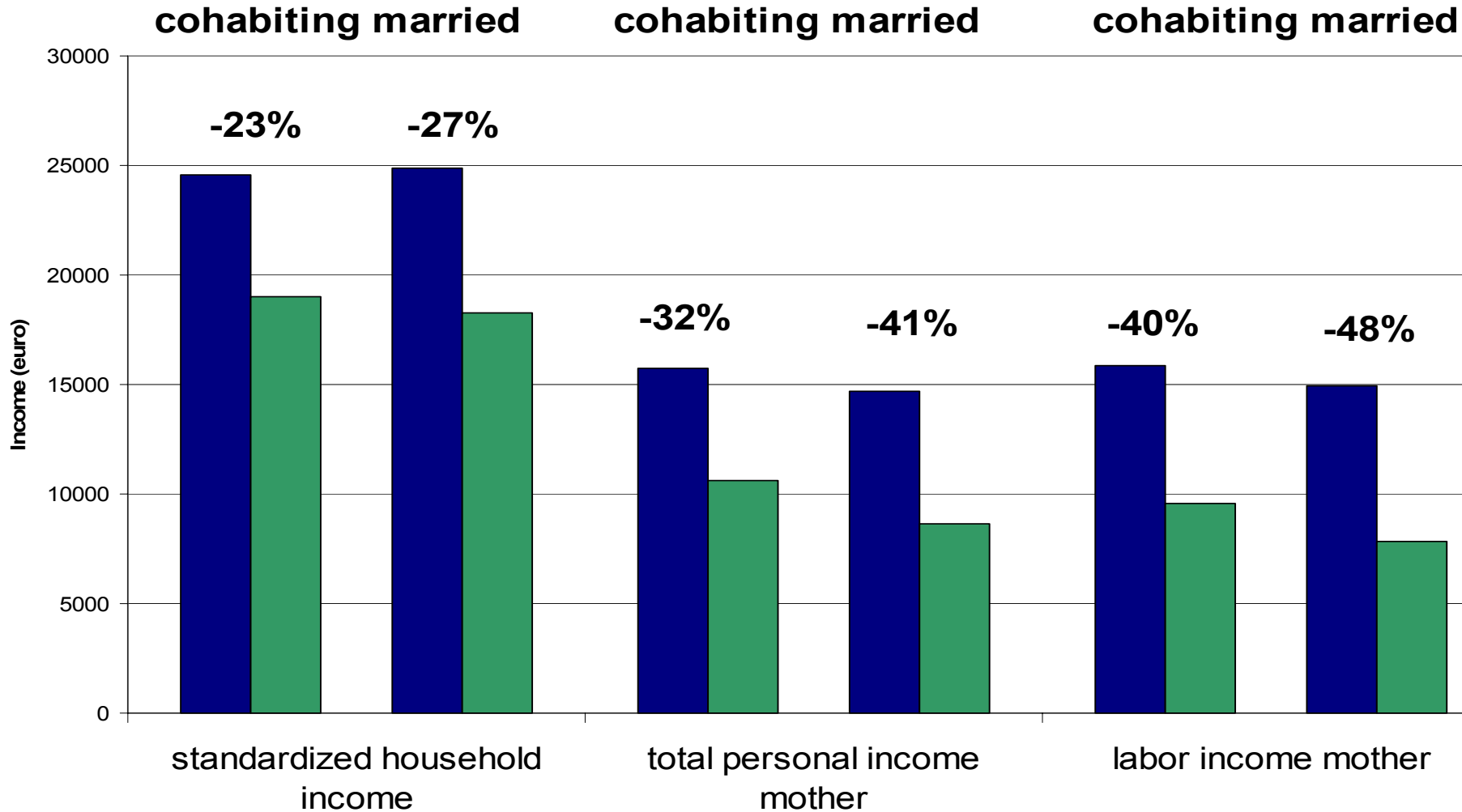
## Income

- I estimate three models:
  1. income of couple standardized for household composition
  2. mother's total personal income
  3. mother's labor income
- Income is standardized with the equivalence scale of Statistics Netherlands.
- The natural logarithm of income is taken

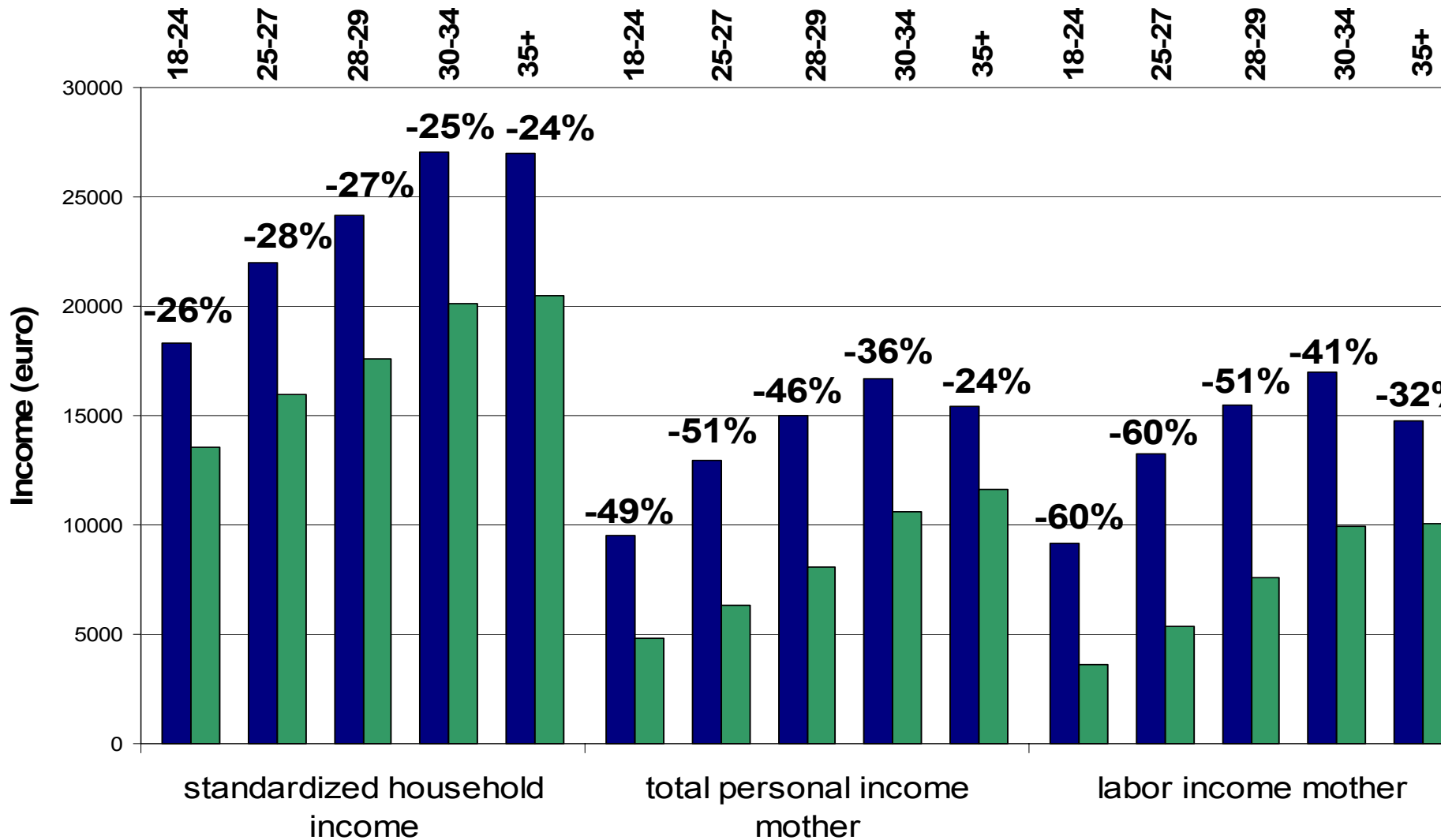
## Income before and after birth child by income quintile



## Income before and after birth child by marital status



## Income before and after birth by age mother



## Multivariate analyses

|                              | <b>stand. hh.<br/>inc.</b> | <b>pers. inc.<br/>mother</b> | <b>lab. inc.<br/>mother</b> |
|------------------------------|----------------------------|------------------------------|-----------------------------|
| <b>lagged income</b>         | <b>.129 *</b>              | <b>.085 *</b>                | <b>.135 *</b>               |
| <b>child</b>                 | <b>-.258 *</b>             | <b>-1.089 *</b>              | <b>-.734 *</b>              |
| <b>child x lagged income</b> | <b>-.103 *</b>             | <b>.101 *</b>                | <b>.041 *</b>               |
| <b>empty nest</b>            | <b>.195 *</b>              | <b>.091 *</b>                | <b>-.024</b>                |
| <b>empty x lagged income</b> | <b>-.007</b>               | <b>-.128 *</b>               | <b>-.110 *</b>              |

## Conclusion

- The decline in income after the birth of children:
  - weaker for those with a low income (household income)
  - stronger for those with a low income (women's personal/labor income)
  - is stronger if women give birth at a lower age (especially women's personal/labor income)
  - is stronger for married couples