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The Gender Wage Gap & Paternity-Leave Quotas

By Lara Seeff, 806249

Jeremie Mettoudi, 336522388

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Abstract

This paper delves into the significance of paternity leave quotas in addressing the gender wage gap and promoting gender equality in the labor market. By exploring the relationship between parental leave policies and the division between male and female wage, it sheds light on the underutilization of paternity leave and its contribution to the "fatherhood bonus."

Drawing upon a growing body of research, this paper intends to outline how the implementation of paternity leave quota policies can be effective in promoting gender equality in the workforce by encouraging fathers to take time off and share caregiving responsibilities, thus creating opportunities for women to enter or re-enter the workforce.

The paper recommends the implementation of "daddy quotas" as a means to incentivize fathers, and it proposes additional measures such as health insurance benefits to encourage their uptake. By learning from successful policies in Nordic countries and tailoring strategies to respect cultural differences, governments can pave the way for a fairer and more inclusive labor market. Ultimately, this paper emphasizes the importance of parental leave quotas in closing the gender wage gap, promoting shared responsibility in caregiving, creating a more just and equitable society.

Introduction

Parental leave is a benefit given to employees that enables them job-safety when they take leave after the birth or adoption of a child. It is considered to be a mechanism for the improvement of female employment, as mothers otherwise would cease their jobs in order to take care of their children. Paternity leave is not taken as generously as maternity leave is and on average, men are likely to opt out of paternity leave or take two weeks maximum (Han et al. 2009), where as women use the full maternity leave period (Han et al. 2009). This can create a division in the labour market between males and females, known as the "fatherhood bonus"(Lundberg, 2012).

In recent years, there has been a growing body of research that examines the relationship between parental leave policies and the gender wage gap. In 2010, women's wages and employment rate were creeping closer to equality with men (OECD, 2013). However, even the most democratic countries with equity-based policies such as Sweden, although slight, still have a division between men and women in the employment rate and weekly wage earnings (OECD, 2013).

The implementation of quotas for paternity leave, where fathers are required to take a certain amount of leave, has been proposed as a potential solution to the problem of gender discrimination and differences in the labour market (Patnaik, 2014). OECD countries that have implemented a father-specific leave policy, witnessed an increase of 4.9% in female labour force participation rates (O'Dwyer, & Ryan, 2016). The theory suggests that if both parents have an equal opportunity for an initial parenting experience, it can have a lasting impact on the wages of women, by decreasing the separation of roles between men and women in paid and unpaid care work (Kotsadam & Finseraas, 2011). This way, women will have less time away from the workforce, and the reasoning behind discrimination against them based on statistics will be weakened. This paper studies the effect of a correlation between a paternity leave quota on the gender wage gap and how it can provide insight into the ways in which the increase in paternity leave-taking may fix gender discrimination in the labour force, subsequently creating a more equal labour market.

Background and significance

Discrimination against women in the labour force

Although women have largely reached parity with men regarding human capital, one important factor that contributes to the gender wage gap is gender discrimination. Albrecht et al. (2015) find evidence of a 10% wage differential in Sweden between females and males before the birth of their first child occurs. Cukrowska-Torzewska & Lovasz (2020), find the gap among the childless women to be significant in countries where the motherhood penalty¹ is large. This suggests that gender disparities in wages cannot be solely attributed to birth and the differential impact of parental leave policies. Leave-taking within itself causes many reasons for employers to be hesitant in hiring a women, who in turn could cost them money and productivity by increasing employee absenteeism (II, C.L, 2003). Differences within parental policies began as a result of a patriarchal society that places women as primal caregivers and men as breadwinners. This sentiment and belief caused an imbalance of responsibilities in society but also within the labour market. Women became dependent on men to provide and therefore all emphasis was placed on the mother being home and being

¹ The motherhood penalty is a phenomenon where women experience a decline in career opportunities, lower wages, and limited advancement prospects as a result of becoming mothers. This penalty reflects the societal biases and assumptions surrounding women's caregiving responsibilities, leading to persistent gender disparities in the workforce.

present after the child was born. Feminism is and has been the catalyst for great change in society and laws. It helped women enter the working world and gain equal opportunities. Although discrimination against women in the workplace has been challenged for decades now, it remains implicit in government programs such as parental leave laws (Maureen Baker, 1997) and although converging, it's still implicit in the gender wage gap. In Europe, on average, mothers earn 12% less than childless women (C-Torzewska & Lovasz, 2020). Some feminists believe in the equality of the outcome (equal wages) rather than an equal opportunity in the work force, since systematic instruments do not allow women to compete with men- who will never become pregnant and therefore have fewer responsibilities to take away from their work duties (Maureen Baker, 1997).

Child birth

A study conducted in Sweden investigated the Swedish glass ceiling, primarily where it first exists and how it continues to exist. The study observes the wage gap of new parents, 4 years and one year before the birth of their first child; and continues observing five and ten years after the birth of their first child. Researchers identify that the wage gap between the parents started off unequal, with the father earning 10% more, and further increases after the birth of the first child. The log gender wage gap doubles ten years after the birth and at the median, they found the wage gap has tripled in size from four years before birth to ten years after birth. At the 75th percentile, the researchers found the wage gap to be four times higher ten years after the birth than 4 years prior (Albrecht, Björklund, & Vroman, 2003).

Parental leave, child care & the correlation to the gender wage gap

When examining the impact of parental policies on women's wage outcomes, it can be challenging to directly measure the causal effect. Country-level policies are highly endogenous, making it difficult to isolate their specific effects on wage gaps. Therefore, our study primarily observes correlations rather than establishing causality. However, researchers often use child responsibility and at-home-labour as a proxy variable.

Child responsibility refers to the division of caregiving and child-rearing duties between parents. The Swedish study by Albrecht et al. (2015), continues to realize correlation between parental leave and the gender wage gap. The findings conclude the gender wage gap in Sweden is found to be larger among the women who take extended maternity leave. One key factor is due to the extended absences from work that can result in interruptions to their

careers, as they may miss out on valuable work experience and opportunities for advancement. Consequently, these interruptions can contribute to lower wages for women who have taken more maternity leave.

Furthermore, the study finds women who take extended maternity leave are often found to be concentrated in lower-paying occupations such as secretaries. This concentration in lower-paying roles can further contribute to the observed gender wage gap. Although human-capital factors are now relatively unimportant in the aggregate (Blau & Khan, 2016), evidence suggests that women who take more maternity leave and work shortened hours may face challenges in accessing higher-paying positions, potentially limiting their earning potential (Albrecht et al., 2015).

And vice-versa, the study reveals among women in higher wage brackets, that there is a negative relationship between maternity leave and wages, which is more pronounced. Mothers who take two years leave face a larger wage penalty than mothers who opt for shorter leave, such as one year only, in order to mitigate the wage disadvantage (C-Torzewska & Lovasz, 2020). This suggests that maternity leave could be a contributing factor to the existence of the glass ceiling² phenomenon, implying that extended maternity leave may affect women's career trajectories and opportunities for advancement, potentially reinforcing this barrier.

Unpaid labour

In addition to the impact of childbirth and parental leave, women shoulder the majority of unpaid labor throughout their lives, creating a double burden that undermines their success in the workplace (Omidakhsh et al., 2020). In the United States, women spend an average of 1.9 hours more per day on unpaid work than men, encompassing activities such as housework, childcare, and other unpaid care work (Omidakhsh et al., 2020). Interestingly, in countries with more generous and equitable parental leave policies, like Sweden, men contribute more to unpaid labor, spending an average of 1.3 hours more per day than men in the United States (Wrohlich, 2013).

² The glass ceiling refers to the invisible barriers that hinder women's progress to top management positions.

If the mother did not perform these domestic tasks, the cost of hiring someone else to do them would be substantial. Studies have estimated the economic value of women's unpaid labor by calculating the cost of hiring a domestic helper or childcare provider. For instance, in the United States, the annual value of women's unpaid labor has been estimated to be in the trillions of dollars (Budig & England, 2001). A study done recently by the McKinsey Global Institute found that the value of unpaid care work performed by women worldwide was \$10.9 trillion in 2018. This highlights the immense economic contribution of women's unpaid labor and underscores the importance of recognizing and valuing this work within society.

By analysing the distribution of child responsibility along with household chores and comparing it to the presence or absence of paternity policies, researchers can infer the potential impact of these policies on women's wage outcomes. Further evidence supports the notion that maternity leave plays a role in diminishing wages, ultimately contributing to the gender wage gap, particularly since it is predominantly utilized by women.

Analysis of existing studies & policies

A number of studies have been conducted to further understand the sensitive predicament of which partner is allowed leave, how much of their salary is covered, and the length of time they are eligible to miss work while still employed. Countries around the world have different labour laws and expectations that are forever changing to find an equal and equitable solution for gender-employment inequality.

The effects of the leave laws lead to different household decision outcomes and effects. This can be seen in a research study conducted by Han, Ruhum and Walkfoger (2009). Their study took place in the United States from 1987-1994. During these years the Federal Laws on Labour in the U.S. changed as the amount of leave allowed increased by 10 weeks for both mothers and fathers. The laws that passed also increased the eligibility of individuals taking leave. The findings in their paper concluded that as predicted, the implemented law increased mothers' leave-taking as it became more accessible to households. However, it had no significant change in the female employment rate or the leave-taking rate of fathers. The study found little sensitivity of the fathers' employment to paternity laws (the exception of a 1% decrease during the first month). As written in the paper, "This conforms to the commonly held belief that young children have a weaker impact on the labour supply of men than women" (Han et al. 2009, p.38).

Other policies have been implemented and tested in an attempt to understand the relationship between the labour market and leave laws. Baker (1997), looks at pregnancy benefits given to pregnant workers and their effectiveness in lowering the female unemployment rate in different countries. A policy implemented in Canada offers 15 weeks of maternity-paid leave given to the mothers and an additional 10 weeks of parental (paid) leave benefits given to the parent of choice (not both). The study was successful for the health of the children, but caused more discrimination against women and hurt the female employment rate since again, only 1% of fathers took advantage of the 10 weeks of benefit. Thus, most women took the 10 additional weeks and would not be at work for a total of 25 weeks.

Bakers's (1997) paper continues by exploring the issue in Sweden, where a gender-neutral program was designed for either parent to replace lost income during childbirth and encourage a joint responsibility of raising the child. This program includes coverage of 90% of previous earnings for 18 months of parental leave. Either parent, but not both, can take leave up until the child's 8th birthday. This resulted in very few men taking advantage of the leave, who instead preferred to advance their careers. The extent of the mothers picking up stereotypical household roles caused the government to intervene, out of fear that female employment would be negatively affected.

Market failure

Through Baker's studies, we can see a trend forming whereby men are not as incentivised to take leave even when they are fully compensated. Even when leave laws are extended, fathers reluctantly take more than 2 weeks off work after the birth of their child. There is evidently a market failure which can be attributed to several factors.

One factor could be a result of what has been termed, "the father wage premium". This phenomena says becoming a father can increase wages from 3 - 10% (Killer-wald, 2012; Lundberg & rose, 2002). This is explained by an increase in gender-specific specialization following child birth. The father tends to increase his uptake in labour hours while mothers decrease theirs (Cukrowska-Torzewska & Lovasz, 2020). This could be seen as a commitment to extending the family and the need for more income, or since the mother has decreased labour hours for the time being, the father may pick up extra hours in order to compensate for income loss. The father's reduced involvement in household responsibilities

and chores allows for greater specialization in the labour market, leading to increased participation and wage gains (Andersen, S. H., 2018). The wage premium has proven to be apparent in 26 European countries. The rise in men's average wages after the birth of their child has been identified as a factor that perpetuates gender inequality in wages globally (Cukrowska-Torzewska & Lovasz, 2020).

Another contributing factor shows that fathers, like mothers, have a negative leave-wage coefficient, however still more negative than the mothers. Further dis-incentivising fathers to take the advantage of the paternity leave allocated to them.

The last contribution to the lack of leave taken by fathers is the perpetuation of gender stereotyping across countries where leave laws are not as generous for fathers and employer bias exists. Or as a result of households who conserve gender norms and expectations, reinforcing the disproportionate burden of caregiving on women and limiting men's involvement in parenting.

Parenthood contributes to the gender wage gap through both the motherhood penalty, mentioned before, and the fatherhood wage premium. It creates a wage imbalance within the home known as “family wage gap”, or the gender pay gap within households. The shortcoming in family wages are larger in countries with less generous parental leave policies and in countries with more traditional gender norms (C-Torzewska & Lovasz, 2020). The motherhood wage penalty is 10% in Eastern Europe, 5% in Continental Europe, and 2% in Nordic countries (C-Torzewska & Lovasz, 2020), which is in line with their leave policies that range from highest to lowest respectively.

Paternity leave

There are three ways mentioned in literature to close the gender wage gap. The first would be an obvious one; increase fathers leave taking; they work less and earn less. Since there would be a limit on maternity leave, if paternity leave were to increase, mothers would return to work thereby changing the dynamic of the family wage gap ever so slightly.

The second is through the “paternity leave hypothesis”. This hypothesis posits that an extended leave period for fathers leads to increased involvement in childcare, both in the short and long term. This increased engagement alleviates some of the burdens traditionally

placed on mothers in the household, ultimately enhancing mothers labour market participation and wages (Andersen, S. H., 2018) and decreasing the motherhood penalty. Johansson (2010) used Swedish reforms to better understand how parental leave reduces labour market outcomes. Her research revealed that fathers' leave had a positive effect on mothers' earnings. She found that each month of leave taken by the father, the mother's earnings increased by 6.7%. Johansson also goes on to prove that the positive effect from paternity leave outweighed the negative effect on earnings from maternity leave, ultimately narrowing the gender wage gap.

Lastly, it has also been found that positive changes to parental leave policy that incentivise or encourage fathers to take time off are associated with improvements in attitudes toward women's equality in the workplace (Omidakhsh et al., 2020). As a result the bias against women being solely responsible for taking leave will be weakened. Therefore, the second factor addresses the issue by rectifying the stigmas associated with taking leave.

To understand the extent of how paternity leave has an effect, Andersen (2018) found that when fathers' share of the leave increases, either because the duration of his leave increases or because the duration of mothers leave decreases, causally reduces the labour market penalty of maternity leave. In sum, given existing literature, we can expect an increase in fathers leave uptake to affect the motherhood wage penalty, the fatherhood premium and ultimately the gender wage gap (C-Torzewska & Lovasz, 2020).

Application of instruments

Quota systems

There is evidently an imbalance in the distribution of parental leave taken by mothers and fathers, irrespective of time allocated. Simply making leave available to men has seen to be insufficient in creating change. In an effort to address the issue of paternity leave uptake, policymakers and advocates have explored strategies like implementing quotas. Quotas aim to ensure a more equal distribution of leave by setting specific targets for fathers' involvement.

This idea came from the Norwegian government in 1993 following a failed attempt the year prior which again followed the same pattern of the previous papers mentioned above, of the mothers taking full maternity leave and fathers not utilising the paid leave. The reform

increased leave laws by 3 weeks, totaling a full year - and included 100% compensation of wages. The lack of change in fathers' behaviour triggered the government to introduce a four-week paternity leave quota (increasing the total leave to seven additional weeks). The paternity quota came on the condition that the father had to take the full paternity leave in order to receive the full 7 weeks and the mother had to return to work. This has drastically increased fathers taking paternity leave from 2.6%-60% (Cools et al., 2018). The quota had a negative, but overall statistically insignificant effect on the father's labour market. Conflicting with the contrary hypothesis, the policy also had very little effect on the mothers' labour market outcome.

The increased leave from 1992 policy increased mothers' earnings and part-time participation, but post-1993 reform, mothers' earnings decreased with a decrease in labour supply as well as the net movement of both females and males in and out of the labour market. Another reason for the insignificant change in the labour market can be explained by the complement of the mother and fathers both being at home (Cools et al.2018). The findings however are compromised since the study is unable to find causality between the female employment market and paternity leave quota. There are several unaccounted (omitted) variables such as the decrease in labour supply since the quota was implemented. Heteroskedasticity was also found as the results are still reflected from the previous reform of 1992. Thus, indicating that more data needs to be included to accurately study the relationship of paternity leave quotas and the labour market.

Similarly a couple years later, in 2006, Quebec implemented what was known as the "daddy quota". This quota ensures 5 weeks of non-transferable time of work for fathers after the birth of a newly-born or newly adopted child. This came about as parents had 32 weeks to share between them, resulting in fathers never exceeding 22% of their 16 weeks (3 weeks) (Patnaik, 2015). The intention behind this provision was to encourage fathers to actively participate in childcare and bonding with their children. Implementation of the daddy quota in Quebec resulted in fathers' leave participation increasing significantly. Patnaik states that fathers' claim rates for parental leave under the Quebec Parental Insurance Plan (QPIP) increased by 53 percentage. Additionally, fathers' leave duration increased by 3 weeks on average.

The paper also highlights that the average father in post-reform Quebec consumed exactly 5 weeks of paid leave, which corresponds to the duration allocated by the daddy quota. This

suggests that fathers, on average, did not exceed the amount of leave provided by the quota, even when there were unused weeks of parental leave still available. In other words, the daddy quota effectively encouraged fathers to take their entitled weeks of leave. Another important finding, is that daddy quotas have influenced behaviour through labeling effects rather than binding restrictions. It provides evidence that generous compensation combined with daddy-only labels can create a flypaper effect, possibly by taking down stigmas and perceived professional penalties, making leave more likely to be taken by fathers (Patnaik, 2014).

The quota ultimately resulted in less gender specialisation in their division of labor (Patnaik, 2015). However, it also revealed disparities favoring certain groups, suggesting the need for further considerations in policy design to address potential inequalities and ensure more equitable outcomes.

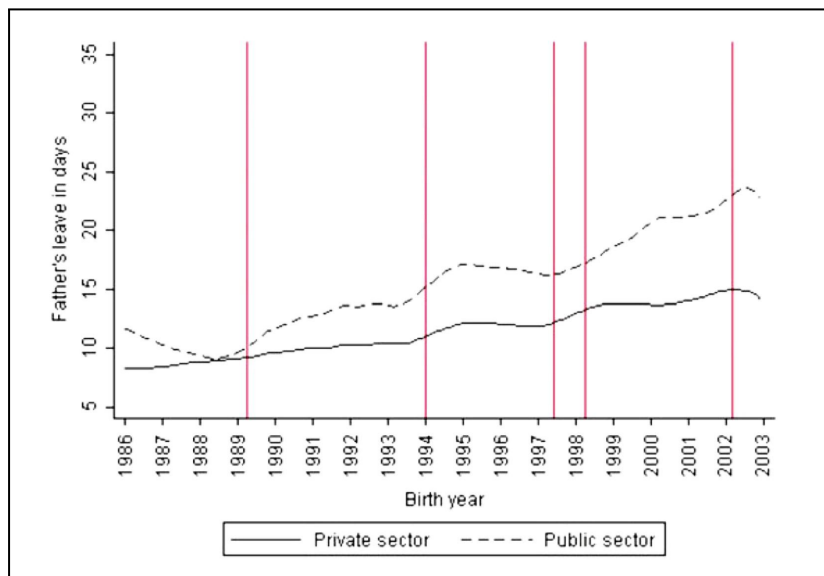
Incentives

A paper recently published by Nambimadam, in 2020, investigates using incentives to encourage fathers to take paternity leave rather than implement quotas. Nambimadam et al, interviewed 12 human resources professionals at firms with different levels of paternity leave usage to understand the factors that influence whether or not fathers take paternity leave. The most significant insight was access to paid leave. Firms that offered paid paternity leave had paternity leave usage rates that were 2.5 times higher than firms that did not offer paid leave (Nambimadam et al, 2020). Other secondary factors that had an influence on the likelihood of taking paternity leave include flexibility of job responsibilities and coworker attitudes. “Fathers were more likely to take paternity leave if their coworkers were supportive of their decision. This is because they felt less pressure to return to work early if they knew that their coworkers would be understanding”.

Full wage compensation plays a big role in affecting change in leave taken by fathers. A study on 5 Danish reforms from the years 1997 to 2002, provides insight on the most transformative ways to increase paternity leave. The reforms vary from an increase in leave, full leave compensation, part compensation for different sectors, decrease in leave given and non-monetary incentives. In figure 1, we can see how fathers leave-taken days are effected by the different reforms from different years. The most successful and consistent reform was in 1997, where paternity leave increased by 10% (Andersen, 2018). The reform that drove this

success offered full wage compensation for time taken by fathers in the private sector, but most importantly it did not come with a limit on earnings. This benefitted fathers that were burdened by economic constraints and missed earning potential. The next substantial reform was in 2002, where shared leave increased from 26 to 48 weeks, including full compensation for those weeks. It is noteworthy that the number of father-specific weeks, which serves as a non-economic incentive, was reduced from four to two, marking a reversal of a prior reform that aimed to expand leave availability (accompanied by a small economic incentive) but resulted in decreased compensation and negative impacts on fathers' wages. Although this reform coincided with the dot-com bubble and our have more causality with the market at the time rather than the insufficiency of incentives.

*Fig 1.*³



Evidence from this study shows that the primary motivation for fathers to take paternity leave is predominantly driven by financial incentives and compensation rather than non-economic factors, although the latter may contribute to reducing social stigmas. While non-economic incentives such as improved work-life balance, child-care programs, and longer leave make leave-taking more equitable, it is the financial benefits, such as paid leave and wage replacement, that have a more significant impact on fathers' decision-making.

³ Andersen, S. H. (2018, October). Graph demonstrate the usefulness of the five reforms as sources of exogenous variation in the duration of father's leave and in the between-parent leave ratio.

Both (economically incentivised) reforms substantially decreased within household gender wage gap by increasing mothers wages (Andersen, 2017), which aligns with Patnaik's (2015) findings.

Policy recommendation & application

Our contribution

In summary, the available evidence presents a nuanced picture with regards to the relationship between paternity leave and changes in the gender wage gap, showing mixed findings but also indicating a discernible connection. However, the current body of research lacks a definitive recommendation regarding the optimal duration of paternity leave and the implementation of a comprehensive policy framework that effectively encourages fathers to take leave beyond mere governmental provisions. Consequently, there is a notable gap in the existing literature when it comes to identifying a sustainable approach that not only incentivizes fathers to participate in leave-taking but also leads to a reduction in both the family wage gap and the gender wage gap. Thus, our study, comprised of a collection of literature which has been synthesized and analyzed, aims to fill this research gap. By providing insights into the development of a recommended time frame, and an actual policy that addresses these crucial objectives, it will ultimately foster greater gender equality in the labor market.

The evidence suggests that implementing an effective paternity leave policy is crucial to boost the paternity leave taken. And to encourage fathers to take the paternity leave allocated to them, a quota system should be implemented. The quota should be called "The daddy quota" as C-Torzewska and Lovasz (2020) suggested. This earmarked time will be known as "daddy quotas" to address stigmas and emphasize the significance of fathers' involvement in caregiving.

Andersen (2018) found that fathers' leave is more effective at reducing the gender wage gap when it is taken early in the child's life. Therefore, the first three to four weeks after the birth or adoption of a child will be the mandatory "daddy quota" for fathers. This aligns with the recovery period needed by women after childbirth, as suggested by Haataja (2009), who advocates for a quota system for the first three weeks of paternity leave, coinciding with mandatory post-birth leave for mothers (six to eight weeks). This ensures that fathers are present and available to provide assistance when the mother returns from the hospital post

partum. The length of time is in between the previously implemented quotas in Norway (three weeks), that saw no change in wages and Quebec (five weeks) that found change in the share of responsibilities. The “daddy quota” will be accompanied by other incentives such as free health insurance for the family for the next two years if the full four weeks are taken, as there are many health benefits that arise from the father taking paternity leave.

Nordic countries, known for having the smallest gender wage gaps (OECD, 2023 & C-Torzewska and Lovasz, 2020), can serve as models for designing policies to close the gap. Norway and Denmark for instance, have implemented mandatory maternity leave of 6 to 10 weeks for mothers, followed by generous shared parental leave periods of 30 and 32 weeks for each parent respectively (N.d.). These policies allow parents to choose how long each will take from a given time period, promoting a more balanced division of caregiving responsibilities. Based on research done by Johansson (2010), indicates that fathers experience a 7.5% reduction in wages for one month of paternity leave, while mothers experience only a 4.5% reduction for the same duration. Implementing a mechanism where fathers take one month for every two months the mother takes, or one week for every two weeks, can help ensure equal impact on both parents. This framework can be applied and implemented how each government sees fit.

A recommendation is that the mothers full-time leave does not exceed one year, as after this period the likelihood of the mother returning to work has proven to decrease. Taking one year only, helps to mitigate the wage disadvantage (C-Torzewska & Lovasz, 2020). Another recommendation would be to allow leave to be taken separately between mother and father, rather than together (after the initial four weeks). This is recommended as it is found that mothers who took leave together with their partners experienced a larger wage penalty than mothers who took leave separately (Harknett & Waldfogel, 2003).

Other incentives such as better child-care supported by the government will also increase the return to work by both mothers and fathers after the allocated leave has been exhausted. Employers should also consider fostering supportive company cultures to encourage fathers' uptake of a continuation leave. This aligns with the findings that longer leave durations and supportive workplace environments contribute to increased father participation and consequently, a reduction in the gender wage gap. By fully compensating the chosen time off,

with no limit on compensation, and taking into consideration the preferences of time allocation in each country, this approach can be applied universally.

Incorporating such policies and practices, along with ongoing efforts to challenge gender stereotypes and biases, can contribute to closing the gender wage gap and creating a more equitable society for all. It is crucial to recognize that addressing the gender wage gap requires a multi-faceted approach that encompasses legislative changes, cultural shifts, and continuous evaluation to ensure progress in achieving gender equality in the labor force.

Discussion

Short run consequences

In the short run, there may be some challenges and consequences associated with reducing the gender wage gap through the implementation of a parental leave quota. One potential issue is the temporary decrease in household wages and overall productivity in the labour market (Andersen, 2018). It is important to acknowledge that when fathers take parental leave, there might be a reduction in household income during the leave period. However, research by Blau and Kahn (2016) suggests that any job losses experienced by men as a result of such policies are likely to be minimal.

On the other hand, studies have shown that fathers taking parental leave can lead to an increase in the fatherhood wage premium. When fathers actively participate in caregiving responsibilities, they are perceived as more committed and involved parents, which can enhance their value in the labor market (Blau & Kahn, 2016). This can potentially counterbalance any short-term negative effects on household wages after the leave-period.

Another possible consequence of reducing the gender wage gap is increased competition for jobs. As women earn more and become more economically empowered, they may be more inclined to pursue jobs that were traditionally held by men. This can result in higher competition for these positions but also has the potential to drive up wages for everyone (Blau & Kahn, 2016).

It is worth noting that the effect of parental leave on earnings varies for mothers and fathers. Research conducted in Sweden by Johannes, indicates that both own and spousal parental leave have a negative impact on earnings. However, the effect of spousal leave is more significant for mothers than for fathers. This suggests that when fathers take parental leave, it

allows mothers to allocate more time to their careers, leading to higher earnings for mothers (Johannes, n.d.).

One of the primary concerns arise from households not wanting governmental interference with their personal decisions. This resistance is particularly evident when the leave decisions are deeply rooted in cultural and societal norms. Some households may feel apprehensive about the potential impact on their wages and the perceived infringement on their autonomy.

It is essential to address these concerns by emphasizing the voluntary nature of the policy and highlighting its benefits for both individuals and society as a whole. By providing comprehensive information and raising awareness about the positive outcomes of parental leave, such as increased gender equality, improved child development, and enhanced work-life balance, households can be encouraged to view it as a valuable opportunity rather than an imposition.

Moreover, it is crucial to tailor the parental leave policy in a way that respects cultural differences and allows flexibility within the framework. By incorporating elements that accommodate various cultural practices and preferences, households can feel more comfortable and empowered in making leave decisions that align with their values and traditions.

Beneficial in the long run :

The implementation of mandatory paternity leave quotas may not bring about immediate benefits but holds significant long-term advantages. Reducing the gender wage gap and promoting gender equality have far-reaching implications for society. As stated by Blau and Kahn (2016), the long-term benefits include increased economic growth, improved health outcomes, and the establishment of a more just society.

The Quebec daddy-quota study provides evidence that policy reforms leading to an increase in fathers' leave duration can have enduring effects on household dynamics (Patnik, 2015). By prompting a shift in traditional gender roles and encouraging fathers to take an active role in caregiving, the quota system can foster long-term changes in societal behavior. This in turn, contributes to greater gender equality and a more balanced distribution of household responsibilities.

The introduction of mandatory paternity leave also has a profound impact on the labor market. When it becomes known that fathers are required to take leave, employers will be indifferent when hiring new employees, irrespective of their gender, as they anticipate potential absences related to childcare responsibilities. This reduces discrimination within the labor market and ultimately leads to increased female employment. Over time, the stigmas associated with parental leave will weaken, and it will become the norm for both parents to take time off work when needed for their children.

Furthermore, Andersen's research (2018) demonstrates that fathers' extended leave results in an increase in the total household wage income. By sharing household responsibilities more equally, fathers enable mothers to spend more time in the labor force, which leads to higher wages for mothers and an overall rise in household income. This financial stability benefits the entire family and contributes to long-term economic well-being.

Conclusion

In summary, a paternity leave quota or policy can rectify the gender wage gap. A quota system should be adopted by countries that have less egalitarian concerns for paternity leave as a way to increase the uptake of leave by fathers. While there may be some short-term challenges associated with reducing the gender wage gap through parental leave policies, such as temporary decreases in household wages and potential job competition, the long-term benefits outweigh these concerns. The positive impacts on gender equality, fatherhood involvement, and overall household income, make it a worthwhile endeavor to pursue equitable parental leave policies that address the gender wage gap. By carefully considering and mitigating the short-term challenges, societies can create a fairer, more inclusive, and economically prosperous future.

Future extension of this research

An interesting future extension of this research would be to study when the effect of the paternity hypothesis comes into affect, if there is a specific time that should be taken. Other studies can be done to identify the exact gaps in policies that could lead to fathers taking paternity leave by their own choice rather than using incentives and a quota system to do so.

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