

The “mothers would rather stay at home” argument

The previous chapter discussed the argument that there is a social agenda that discriminates against traditional families with an employed father and a stay-at-home mother. According to this argument, public programs favour families in which both parents are employed. By implication, a different system of taxation and programs would allow women to stay at home with their children. The “mothers would rather stay at home” argument suggests that this is what the mothers themselves would prefer.

The argument goes something like the following: if the system were not so discriminatory, most mothers would choose to do what they really want to, which is to stay at home with their children. Adrienne Snow (1998), then the Co-ordinator of Policy and Communications, National Foundation for Family Research and Education expressed this view:

Canadians may see daycare as an imperfect solution to the problem of raising children in a tough competitive economy. But this does not mean they see it as ideal ... If provided with adequate resources, most families would prefer to have one parent stay home when their children are young. If public debate about child care is to reflect the true opinions of most Canadians, it is time for the discussion to move beyond the creation of massive new government programs and begin to address a much tougher question: How can we help all families afford the child care choices they genuinely prefer?

REAL Women of Canada, in their statement about child care, argues: “We believe the ideal situation, even in a changing world, is that every family, who so chooses, would be able to look after their children in their own home.”

The phrase “who so chooses” seems to leave open the possibility of choice. But this kind of choice is practical only if families can afford to lose the mother’s income. The implication is that changes in the tax system would be necessary so that all women could afford to stay at home with their children, in which case one is imagining significant changes in the way Canada does business.

The popular media reflect this view somewhat more subtly in popular journalistic stories in which successful mothers reject the “sterile” rewards of the workplace in order to return to the more meaningful pursuits of hearth and home. While it is easy for us to poke fun at the antediluvian views of those who suggest that “a woman’s place is in the home,” there is no doubt that many Canadian women who remain in the labour force when their children are young feel somewhat ambivalent about that choice. Joseph Michalski, reporting on polling data, writes:

Widespread disagreement exists on the issue of whether or not parents should be subsidized more directly to remain at home to raise their children. More generally, the polling data confirm that there have been longstanding tensions between paid employment for women and child care responsibilities. In terms of children’s well being, a majority of Canadians believe that women ideally should not work outside of the home when their children are young. On the other hand, for a variety of other social and economic reasons, most women with children prefer either part-time or full-time employment. (1999, p. vi)

This ambivalence is not unique to Canada. Kathy O’Hara (1998) suggests that there is also a deep ambivalence in many countries with highly progressive child care systems. For example, in Sweden—where polls show that the vast majority believe that both spouses ought to contribute to the family finances, and that the best way for women to be independent is to have a job—a majority is also concerned about what happens to children when mothers work.

The Swedes have responded by designing a system that combines well-paid extended maternity and parental leave with high quality child care to support women's continuing connection to the labour force. The alternative in the "mothers would rather stay at home" argument is to alter the tax system to support mothers caring for their children full time in their own homes.

The argument that mothers really want to stay at home with their children and would do so if the tax and transfer system were not discriminatory rests on three distinct propositions:

- Proposition 1: The current system discriminates against families with a stay-at-home parent.
- Proposition 2: Most mothers would prefer to stay at home and care for their families full-time.
- Proposition 3: If we eliminated the discrimination by offering tax breaks to families with a stay-at-home parent, most mothers would stay at home, families would be better off, and the money saved by not subsidizing child care would pay for the tax breaks.

The first proposition was dealt with in chapter 5. In this chapter, we will address the other two propositions. Do the economic data reflect an overwhelming desire by working mothers to return to the home to care for their children? Put another way, is it true that reasonable changes in the tax and transfer system would cause large numbers of working mothers to leave the labour force and care for their children full time? Would the costs associated with such changes be small?

WOULD MOTHERS PREFER TO STAY AT HOME AND CARE FOR THEIR CHILDREN?

Is it true that mothers want to stay at home with their children, and is it true that they would do so in droves given relatively small changes in the tax system? The economic evidence is clear. Most women are in the labour force and intend to stay there. Any survey evidence to the contrary may simply reflect the healthy concern that parents feel about leaving their children in the care of others. Mothers with young children are naturally ambivalent about working, and this ambivalence occurs in many countries. Parents want to care for their children. But women also understand that to leave the labour force for a significant period of time may involve sacrificing their careers as well as the satisfaction and income that those careers produce. Further still, that income protects their children now and when they grow older.

The ambivalence we observe generates public fascination with the decisions of new parents. We suspect that this is why we periodically read newspaper stories of women in high-pressured jobs who have children, return to the home, and report that they are significantly better off because of it. And the internal conflicts of working mothers are grist for the Hollywood mill. In *Baby Boom*, the storyline is improved by having Diane Keaton discover a fulfilling and lucrative job that can be run from the home while caring for her child!

In reality, the choices are much more difficult. When mothers state that they would prefer to stay at home with their children if they were financially able to do so, in effect they are saying that they would prefer to care for their own children if doing so required no economic and career sacrifice. This tells us little about mothers' true preferences. Most workers, whether they are parents or not, would prefer to stay at home and still collect their salaries. And parents have an additional reason to make this fairly obvious choice: child care purchased outside the home is quite expensive. This is why most mothers with new babies take advantage of parental leave provisions under the Employment Insurance scheme. And it is why the statement that one sometimes reads—that mothers would prefer to spend more time caring for their children—is not particularly useful.

When faced with the real choice of leaving the workplace and giving up the income derived from working in order to care for their children in the home full time, most mothers and almost all fathers choose to stay at work. Parents believe that their families are better off when they make that choice. The income earned by parents provides financial security and future opportunities that would otherwise be unavailable to their children.

Those who would have women stay in the home sometimes portray employed mothers as selfish. But these mothers are concerned for their children, whatever the cost to themselves. The income they earn, both when their children are young and when their children are older (because continuing attachment to the labour force increases future earnings), allows families to purchase homes, to provide savings for college or university education, and to provide the economic security that children need to flourish. Of course the same is true for employed fathers, but the debate seldom addresses the issue of whether fathers would rather stay at home!

In essence, women are concluding that their families' well-being depends in part on them maximizing their productivity. Because of better education and increased opportunities in the work world, most women are more productive working outside the home than in it. This conclusion is true for the economy as a whole, as well as for these individual families. The cost to the economy of withdrawing mothers from the labour force and returning them to the home would be unacceptable. The social reality—that much of our current economic prosperity is linked to the productivity of increasingly educated and able women—is mirrored in the individual decisions of those women to stay in the labour force.

WHAT IS THE EVIDENCE ON PARENTS' ATTACHMENT TO THE LABOUR FORCE?

The data on labour force participation by young mothers are clear—women are in the workforce to stay. The labour force participation rates of mothers with children under the age of 6 have risen dramatically over the past 35 years and continue to do so. In 1967, only about 17% of mothers with young children were in the labour force. By 2000, that number was about 68%. Even this number tends to understate the strong attachment of women to the workforce. The 32% of mothers with pre-school children who are not in the labour force include mothers with very young children and single mothers who are encouraged by the welfare system to stay out of the labour force. If we look at women in 2000 whose youngest child was between the ages of 3 and 5, and limit ourselves to women who had a husband present in the household, the labour force participation rate was 74.2%. Two thirds of those women were working full time (Statistics Canada, 2002, derived from the Labour Force Survey).

All of this represents an enormous social change in the ways in which women view themselves and in the way in which children are cared for. There is a tendency, from time to time, to look back through rose-coloured glasses at a simpler time when mothers presumably raised large families in houses with white picket fences. Whether such an idyllic view of the past bears any relation to reality is unclear. That women have in dramatic numbers rejected a life outside the labour force and have chosen higher levels of education and significant involvement in the world of the workplace is without debate. Mothers have been entering the labour force in larger and larger numbers because they want to and need to for their own good and the good of their families. They feel that they are more productive by working in the labour force than by working in the home and understand that the sacrifices implicit in staying home full time with their young children are not good either for them or for their children.

But the argument about whether mothers “should” return to the home is, in the end, moot. Women are working in ever-increasing numbers, and it is impossible to imagine that they are likely to choose otherwise. The following four tables provide more detailed data on these trends. Table 6.1 contrasts the employment of men and women, by age group, between 1976 and 2001. Table 6.2 looks at the employment of mothers in two-parent families, by age of youngest child. Tables 6.3 and 6.4 provide information on labour force participation in the year 2000. It should be noted that the figures for labour force participation exceed the figures for employment because labour force participation includes those who are unemployed at the time of the survey.

The data on employment by men and women in Table 6.1 shows that while employment for men has fallen slightly over the 25 year period, it has risen dramatically for women. This is most striking in the 25–44 age range, where we would expect to find the most women with young children. In 1976, 50% of the women in this age range were employed, while 91% of the men had jobs. Twenty-five years later, 75% of the women and 86% of the men were in the labour force. This table shows the figures only in five year increments, for ease of reading.

TABLE 6.1 Percent employed by age and gender, 1976–2001, selected years

	Ages 15–24		Ages 25–44		Ages 45–54		Ages 55–64	
	Women	Men	Women	Men	Women	Men	Women	Men
	%	%	%	%	%	%	%	%
1976	51.6	60.0	49.9	90.9	45.6	88.9	30.4	72.8
1981	57.0	63.3	60.2	90.1	51.7	88.5	31.0	70.7
1986	57.9	60.4	66.2	86.2	55.8	85.9	30.3	62.6
1991	57.7	56.9	70.4	83.5	64.3	84.2	32.4	57.1
1996	52.2	53.2	70.9	82.9	66.2	82.4	33.6	53.7
2001	56.3	56.5	75.3	85.9	72.2	84.2	39.4	57.6

Table 6.2 focuses on employment for women with partners, by age of youngest child. The growth of employment over this period is unprecedented. We have concentrated on mothers with partners for reasons discussed below. But what is most striking is the persistent growth in all categories across the entire 25-year period. It is difficult to know when this growth will stop, although we might be tempted to argue that labour force participation by women with young children will always be somewhat below that for other women. What is obvious in the data is that this is an important and dramatic trend that is very unlikely to be reversed.

The statistics are often presented for all women with children. We have chosen to divide this group into women with partners (Table 6.3) and single women (Table 6.4) because we believe that, if anything, the global numbers for women with children understate the extent of the commitment of mothers to paid employment. Single mothers with young children are in an extraordinarily precarious position economically. In Canada, many of these women receive social assistance, but the current system is heavily biased against employment. There is no doubt that women respond to the obvious economic disincentives in the welfare system by staying out of the labour market. Thus, as Tables 6.3 and 6.4 reveal, although women whose youngest child is between 6 and 15 participate actively in the world of work regardless of whether they have partners present in the home, single women demonstrate lower levels of labour force participation when children are younger. Tables 6.3 and 6.4 provide more detail on the data in Table 6.2, focusing on one year (2000) and looking at labour force participation and on the full-time/part-time breakdown for those women who had jobs.

If we focus on mothers living with a partner in the household, we remove the impact of the strong disincentive to work built into the welfare system. In that case, we find that 74.2% of women whose youngest child was between the ages of 3 and 5 participated in the workforce in 2000. Ignoring those women who were unemployed when the survey was carried out, we find that about 7 out of 10 of those working mothers had full-time jobs. The numbers for women with younger children (under the age of 3) are only a little smaller: 66.4% of those mothers were in the labour force in 2000, and again about 7 out of 10 of those who worked did so full time.

The change in those numbers in a single generation is staggering. In 1967, only 17% of mothers with children under the age of 6 participated in the labour force. The shift into the labour force of women in general, and mothers in particular, represents probably the most dramatic social change in the latter half of the 20th century. To suggest that women somehow want to return full time to their households is implausible.

TABLE 6.2 Percent employed, women with partners, 1976, by age of youngest child

	Youngest <3	Youngest 3-5	Youngest 6-15
	%	%	%
1976	27.7	36.2	45.7
1977	29.3	37.0	46.4
1978	32.2	40.4	48.5
1979	34.8	42.8	50.3
1980	37.1	44.7	52.7
1981	40.0	46.2	55.4
1982	40.1	46.4	55.1
1983	43.1	48.5	55.1
1984	45.3	49.7	56.9
1985	47.9	52.8	59.1
1986	51.2	55.5	62.1
1987	52.0	57.2	64.4
1988	53.9	59.6	67.2
1989	55.2	60.7	69.7
1990	55.8	61.4	71.0
1991	57.2	62.4	70.3
1992	57.5	62.4	69.4
1993	58.7	62.6	70.5
1994	59.8	61.9	70.3
1995	59.8	64.4	71.7
1996	61.2	63.4	71.4
1997	62.1	65.1	72.8
1998	63.2	66.6	73.4
1999	63.1	68.4	74.4
2000	62.9	70.0	75.1
2001	63.6	68.5	75.7

Source for Tables 6.1 and 6.2: Statistics Canada, Labour Force Survey, cited in Statistics Canada, *Women in Canada: Work chapter updates*, Catalogue Number 89F0133XIE

TABLE 6.3 Labour force participation by women with partners, 2000

	Total number (thousands)	% in labour force	Of those working, % full time
Youngest child <3	816.5	66.4	70.9
Youngest child 3–5	535.0	74.2	69.5
Youngest child <6	1351.6	69.5	70.3
Youngest child 6–15	1472.9	79.5	73.1
Youngest child <16	2824.5	74.7	71.8
No child <16	4241.3	56.3	77.9
Total	7065.8	63.7	75.1

Note: The term “with partners” refers to all women with partners present in the household. “Total Number” refers to all individuals, whether in the labour force or not.

Source: CDROM of Labour Force Survey, Statistics Canada

TABLE 6.4 Labour force participation by single women, 2000

	Total number (thousands)	% in labour force	Of those working, % full time
Youngest child <3	86.6	50.5	70.8
Youngest child 3–5	96.3	64.9	76.6
Youngest child <6	182.8	58.1	74.2
Youngest child 6–15	288.8	78.7	79.4
Youngest child <16	471.7	70.7	77.8
No child <16	515.3	57.8	79.9
Total	987.0	64.0	78.8

Note: The term “single” refers to all women in families without partners present in the household. “Total Number” refers to all individuals, whether in the labour force or not.

Source: CDROM of Labour Force Survey, Statistics Canada

WHY ARE SO MANY WOMEN IN THE LABOUR FORCE?

To understand why women do not want to return to their homes as full-time housewives, it is worth revisiting some of the arguments offered by labour economists for why women have entered the workforce in such large numbers in the past 35 years. Of course, the phenomenon is a complex one since it involves fundamental shifts in the ways in which both men and women view the roles of women in the family. It is difficult to separate out cause and effect, since a number of different things have been changing simultaneously, and since the interactions among all these variables are quite complex. Despite this, several factors jump out at any analyst:

- Wages paid to women have risen dramatically over the past 35 years. This makes paid work more attractive relative to work within the household.
- Discrimination against women in the labour market—while still present—has decreased. Women can now compete for better jobs, which is partially responsible for the rise in wages.
- Maternity leave provisions allow women to have children while retaining a claim on their jobs.
- There are more and cheaper labour-saving devices for home production—washing machines, dryers, wash-and-wear fabrics, vacuums, microwaves, frozen/prepared foods, etc. These reduce the amount of time needed for basic home services, and thus, free more time for paid work.
- Canadians are having fewer children, which makes household work less productive (there are fewer children to care for) and lowers the cost of child care when women work. Furthermore, this means that women have more time in their lives when they do not have small children, making an ongoing attachment to the labour force more attractive. The decision to have smaller families is also determined in part by the increased opportunities available to women in the workforce.
- Men are expected to participate more actively in the raising of children (and some actually do), and this shift frees mothers to carry out other functions, including working.
- Women are pursuing higher levels of education, which increases their productivity outside the household. This is reflected in recent statistics showing that women are now in the majority in areas of higher education—law and medicine being two examples—that were formerly almost the exclusive province of men. These high skill jobs are more complex and require fewer absences from the labour market. The increased connection to the labour force makes the economic gains from education larger, so the causation runs both ways; that is, more education makes work more attractive, and the greater inclination to work makes higher levels of education more attractive.

Whenever there is a dramatic social change, such as the entry of mothers with young children into the paid labour force, there is a tendency to look backward. That earlier period looks simpler and “easier”. But mothers have entered the labour force freely and in ever greater numbers because they and their families have been made better off by that choice. These benefits are fairly obvious (although they are less so for those who value a time when mothers stayed at home full time):

- Families are made better off because the incomes earned by women make those families (and, by implication, the children in those families) more financially secure. Families can buy homes instead of renting them, can help children attend university, can protect children from poverty, and so on.
- Permanent attachment to the labour force protects women and children somewhat in cases where marriages dissolve.
- Women’s lives are improved (which also makes them better parents) because they are able to lead full and engaged lives.
- The change is good for men and women because both are allowed to explore definitions of self and to find fulfilment in a variety of different ways. All of this is better for children because it provides them with better role models.
- The greater productivity of the Canadian economy because of the entry of skilled and able women into the labour force allows us all to support our social programs, as a result of the taxes paid by those working women and their employers.

This final point provides the central reason why Canada could ill afford to force women back into the home, even if this were possible.

IS IT PRACTICAL TO IMAGINE REVERSING THESE TRENDS THROUGH TAX POLICY?

This leaves only Proposition 3—that women could be induced to return to the home to care for their children if only we would make small but important changes to the tax and transfer system. Such a proposal amounts to increasing the take-home incomes of families in which the husband works and the wife stays at home to care for the children. We have seen little detailed discussion of exactly how such a proposal would be structured. One way this could be done would be to increase the value of the spousal credit on the income tax form, or by other kinds of cash transfers to such families. This might be financed in part by increasing the taxes on employed women, perhaps by eliminating the Child Care Expense Deduction or by eliminating the personal credit for the lower-income earner in the household. Another approach would

be to tax household income rather than individual income, which would mean that lower-income earners would be taxed at higher rates.

When Proposition 3 is examined closely, it amounts to a statement that having mothers in the labour force is a trend that can be reversed with rational tax policies. We have argued that this flies in the face of at least 30 years of increasing labour force participation of mothers with young children. The size of the tax breaks necessary to reverse this trend would be so large as to be impractical. Such a cost would also be much larger than the cost of any proposed support for good quality early childhood services!

As we will show below, few mothers are likely to respond to relatively small changes in the tax system. Technically, this analysis can be done in terms of estimates of the various responses of mothers to changes in income and wage rates. Economists call these responses “elasticities” (in this case, the elasticity would measure the percentage change in participation rates when there is a 1 percent change in income or in wages). Although estimates of elasticities do vary, they are in general small enough to allow us to state that only enormous changes in the tax system would drive a significant number of mothers out of the labour force.

SOME ESTIMATES OF CHANGES IN THE TAX SYSTEM

What would happen if we were to change the tax system to be consistent with the argument that we ought to induce mothers to return to their homes to care for their children? One obvious way to do this would be to provide greater tax breaks to families in which mothers stay at home to care for children. What kind of changes might we expect in the labour force participation of mothers with young children?

For the economist, this question can be examined in the following way. A tax break for families in which women stay at home amounts to a reduction in the after-tax wages paid to working mothers, combined with an increase in the after-tax income earned by fathers. This is because such a tax break raises the income of families in which only the father works, and because the tax break disappears when the mother enters the labour force, thus reducing the benefits to the family in having the mother work. To analyse the effect of such a policy, we need to know how mothers would respond to such a change. In the language of the economist, this means that we need to know the elasticity of the mother’s labour force participation.

Killingsworth & Heckman (1986) examine these elasticities as studied by a number of different economists. Needless to say, the estimates vary significantly, but none of them are particularly large. By this, we mean that the estimates lead to the following conclusion: relatively small changes in the tax system will not have a dramatic effect on work by mothers.

To illustrate this matter, we have chosen to use the estimates derived by Cleveland, Gunderson & Hyatt (1996) in their study of mothers with pre-school children. This study uses data from 1988 and focuses on the group of most interest to us—women with young children. The study finds that a \$1000 per year increase in the father’s earned income would reduce the mother’s probability of working by 0.3 percentage points, while a \$1000 per year reduction in the mother’s wage rate would reduce the mother’s probability of working by 2.5 percentage points. There has been about 40% inflation between 1988 and 2002, so this means that the equivalent changes in 2002 would be a \$1400 per year increase in father’s earned income and a \$1400 per year reduction in mother’s wage rate.

In 2002, approximately 65% of women with children under the age of 6 were employed (see Statistics Canada, 2002, p. 12). As we discussed in chapter 5, a major criticism of the current tax system by those who believe that mothers should stay at home focuses on the Child Care Expense Deduction (CCED). The CCED allows mothers with young children to deduct up to \$7000 of eligible child care expenses. For most employed mothers, even if they can take the full deduction, this deduction is worth at most between \$1600 and \$2300 (for women with incomes below \$31,677, the federal tax rate is 16%, so a \$7000 deduction is worth \$1120 in federal taxes saved and about another \$500 in provincial taxes, depending on the province; for women with incomes between \$31,667 and \$63,354, the federal tax rate is 22%, so the \$7000 deduction is worth \$1540 in federal taxes saved and about another \$700 in provincial taxes). Suppose we gave an equivalent tax benefit of \$2300 to all stay-at-home mothers? What effect would this have?

According to the Cleveland, Gunderson and Hyatt study cited above, each \$1400 benefit extended to families with young children and stay-at-home mothers in 2002 would reduce the probability of the mother working by 2.8 percentage points (2.5 percentage points due to the impact on the implicit wage earned by the mother and 0.3 percentage points due to the impact on father's net wage). Put more simply, this works out to a 2 percentage point decrease in labour force participation for every \$1000 in benefit in 2002.

This means that a \$2300 tax break would reduce the labour force participation rate by 4.6 percentage points. But in 2001, we found that 68.5% of the mothers with children between the ages of three and five were in the labour force (looking only at women with partners). A reduction of 4.6 percentage points in that figure is not significant, and would amount to moving only about one in every 15 working mothers from the labour force to the home.

How about a larger tax benefit? In our earlier monograph on the costs and benefits of good child care, we proposed that mothers with young children be provided with high quality child care. We estimated the cost of this care at about \$8500, of which parents would pay 20%. This would mean spending about \$6800 of public money on each child. Inflating this by about 10% to get to 2002, this figure becomes about \$7500. Suppose that instead of funding child care, we provided a tax break worth \$7500 to all stay-at-home mothers. What kind of impact would that have?

Using the same approach as we did for the smaller tax break, we can show that such a tax provision would reduce the labour force participation rate for mothers with partners by 15 percentage points, from 68.5% to 53.5%. This is a significant reduction still leaves more than half of the mothers of pre-school children in the labour force. And a tax benefit of this magnitude is completely out of line with any other benefit on the tax form. To put it into perspective, the personal credit of \$7412 on the 2001 income tax form was worth \$1186 in federal taxes and \$457 in Ontario provincial taxes, or about \$1643 in total. In other words, we would be providing a tax break to families with stay-at-home mothers that is about four-and-a-half times as large as the current personal credits available to Canadian taxpayers.

Furthermore, a tax break of \$7500 to families with stay-at-home mothers would amount to extraordinary taxation for most employed mothers. In 1998, the average hourly wage rate for working mothers was \$15.61 (Drolet, 2002). Inflating this by about 10% to allow for inflation between 1998 and 2002, we obtain an average hourly wage rate of about \$17, which generates an annual income for full time work of about \$32,000. When a mother enters the labour force and earns \$32,000, she pays Canada/Quebec Pension Plan, Employment Insurance, and Federal and Provincial Income Tax. In addition, her husband loses the credit he currently receives for a stay-at-home spouse. We would estimate the additional taxes paid by the family when the mother works at more than \$7000. Sales taxes increase this cost. If we add to this an additional \$7500 stay-at-home spouse tax break, which disappears when the mother goes to work, the average working mother would see roughly half of her earnings disappear.

Finally, for the sake of argument, what kind of tax break would be necessary to reduce the labour force participation rate for mothers with young children down to the 17% mark that existed in 1967? (We pick Canada's centennial year because the low labour force participation rate for mothers in that year might seem to be representative of the "good old days" presented by those opposed to mothers' working.) Again repeating our earlier procedure, we would need to provide a tax benefit of about \$25,000 to families with stay-at-home mothers in order to return labour force participation rates to their 1967 values. This is about fifteen times as large as the value of the personal credit available to all taxpayers. This figure is so large as to be absurd.

Return to the \$7500 tax benefit. Aside from any other problems, this kind of program would be enormously costly to the government. To see this, consider a father earning a gross salary of \$75,000 per year (which is well above the Canadian average). This person would pay federal and provincial taxes of about \$20,000. A stay-at-home credit of \$7500 would wipe out about 40% of the income taxes paid by this affluent taxpayer. Lower income fathers would see even larger reductions in their taxes. Needless to say, this would be expensive! In 2001, there were 1,534,400 mothers with children under the age of 6. If we provided stay-at-home benefits of \$7500 to half of these women (remember, about half would still be working, even with this tax break), we would obtain a total cost for the program of just under \$6 billion. On top of this, the government would lose the taxes currently being paid by the women who are induced to leave the labour force.

Remember that we estimated that the stay-at-home benefit of \$7500 would move about 15% of mothers back into the home, and that families now pay about \$7000 more in income taxes when these mothers work. These lost income taxes would total about \$1.6 billion, and lost sales taxes would increase this figure. So the total cost of the \$7500 stay-at-home benefit would be about \$7.5 billion.

This cost is well above the cost of the early childhood care and education program we proposed in 1998. But our program offered benefits to all children: better care to those whose mothers were employed and similar educational services to those whose mothers stayed at home. A \$7500 stay-at-home benefit offers nothing to all the children whose mothers would continue to work (about half the children), and no guarantee to children with stay-at-home mothers that the money would flow to early education.

Furthermore, even \$7.5 billion is a conservative estimate of a \$7500 stay-at-home grant. Since the mother who stayed at home would lose future wage increases due to productivity gains and experience, we could also expect many mothers to stay out of the workforce even when their children turned 6 years old. This would cost further tax revenue.

THE CONTRIBUTION OF EMPLOYED MOTHERS TO THE CANADIAN ECONOMY

The obvious answer to the “mothers would rather stay at home” argument is that neither the families nor the Canadian economy could afford such a move. Mothers are employed because their families depend on them financially. In addition, Canada’s prosperity depends critically on the contributions made by working women. The entry of women into the labour force has helped to fuel Canada’s economic expansion for 35 years, and employers have access to well-educated and well-trained workers of both genders. The entry of young women into the work force has helped counteract the reductions in the number of workers that occurs as Canada’s population ages.

We have already suggested that it would be very hard to offer tax breaks that would cause a significant number of mothers with young children to return to the home without those tax breaks bankrupting the government. But even if we could manage to push mothers back into their homes, could the Canadian economy afford such a move?

Consider the impact of employed mothers on the economy as a whole. In Canada in 2000, looking only at mothers with children under the age of 6, there were 691,500 mothers working full time and 286,800 mothers working part time. Assume that these numbers are the same in 2002, and use our earlier estimate of the gross hourly earnings of these mothers of \$17 per hour. If the full-time workers put in 36 hours per week and the part-time workers put in 18 hours per week, we get the following totals:

691,500 full-time X 36 hours X 52 weeks X \$17 = \$22.01 billion
286,800 part-time X 18 hours X 52 weeks X \$17 = \$4.56 billion

This would represent a loss to the economy of about \$26.57 billion per year if all of these mothers were to stop working. However, even this number is an underestimate. Even if these mothers all rejoin the labour force when their children reach the age of six, they will have lost the benefits of increased wages due to not having gained experience and seniority. These are real productivity losses suffered by the Canadian economy because the mothers have taken off time from the labour force during which their skills have eroded and they have not benefited from on-the-job learning. In our earlier monograph, we estimated these losses to be equal to the salaries earned by these mothers. That means that the economy will lose another \$26.57 billion per year because of the effects of a less experienced workforce. The total cost to the economy in lost production would be about \$53 billion per year, or about 5 per cent of Canada’s Gross Domestic Product.

But all of this probably understates the contributions of working mothers to the economy. Faced with this dramatic decline in the Canadian workforce, we might expect in the long run that there would be less investment of all kinds in Canada. Canada currently has roughly 13 million workers. Again remember that there are 691,500 mothers employed full time and 286,800 mothers employed part time (considering only mothers with children under the age of six). This amounts to about 7.5 per cent of Canada’s workforce. In equilibrium, we might expect the effect of the removal of mothers from the workforce to be a shrinking of the Canadian economy by 7.5 per cent. This would be closer to \$83 billion.

Finally, if we are really imagining a return to the past, we should also imagine that many of these non-employed mothers will obtain less education and may not return to work even after their children are in school. In that case, the losses will be far greater.

SUMMARY OF THE ARGUMENTS

The argument that “mothers would rather stay at home” exploits the ambivalence felt by most mothers who enter the labour force. Parents care deeply for their children and are sometimes nervous when others care for them. But despite these concerns, young women want to remain attached to the labour force even when their children are young. It is the reward from this attachment and not some illusory bias in the tax system that keeps women working when they have children. Our arguments in this chapter can be summarized as follows:

- Mothers are in the work force in ever greater numbers. Roughly 3/4 of mothers with husbands and with children under the age of 6 are in the labour force and that number grows every year. There is no evidence that this number can be easily reduced, even if we wanted to do so.
- The tax breaks necessary to induce even a small number of mothers to return to the home are quite large. To get a large number of these mothers to return to the home would involve enormous tax breaks and would dwarf the cost of even the best child care program.
- The cost to the Canadian economy of withdrawing a large number of mothers from the workforce is enormous. The number becomes even larger when we consider the reduction in investment in a now smaller economy and the losses of productivity that arise because we withdraw workers for extended periods of time during which their skills erode.
- Since we are both unable to get mothers to leave the labour force and unable to tolerate the losses of productivity were they to do so, we have only two options. Either we ensure that the children of these mothers are well cared for, or we tolerate the current low levels of quality in the care of the most vulnerable and precious of our citizens. Those are the only real choices facing Canada.

