The Labour Force Participation of Young Mothers versus Older Mothers

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Abstract

Previous research has suggested that women who have a baby before age 25 are more likely to drop out of the labour force than women who have a baby after turning 25. In addition, the research found younger mothers stay out of work for longer. This paper will use data from the six waves of HILDA to evaluate and discuss the factors that influence the labour force participation of younger mothers. Some of the possible explanations that will be examined are that more experienced women have greater flexibility to negotiate family friendly working conditions; that younger women have lower earning potential and find parenting payments or relying on her spouse a better alternative; or that women with few career ambitions are less likely to delay childbearing until after 25.

1. Introduction

Australian mothers of children aged five or less have low participation rates compared to OECD averages (Jaumotte, 2003). This participation rate is even lower for young mothers. Recent research based on the Household, Income and Labour Dynamics in Australia (HILDA) Survey showed that women who have a baby before their 25th birthday (referred to in this paper as ‘young mothers’) are far more likely to drop out of the labour force than women who had a baby after turning 25 (‘older mothers’) (Keegan, 2007). Similar findings were reported in Baxter (2008a). Both reports found that the probability of a woman being employed dropped if she had a young child, and that the employment of young mothers was much less than that of older mothers. Once out of the labour force, the young mothers tended to stay out of work for longer than the older mothers (Keegan, 2007). Less than half of the young mothers were still out of the labour force when their youngest child was three, while more than half of older mothers had returned to work when their youngest child was one.

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It should be noted that mothers aged under 25 are in the minority: the median age of mothers who gave birth in Australia in 2006 was 30.8 (ABS, 2007).

**Labour Force Participation Policy Issues**

These lower employment levels for a particular group of individuals – young mothers with pre-school aged children – may be of some concern to policy makers due to concerns relating to the ageing of the population. Longer life expectancies and declining birth rates are gradually increasing the average age of the population, and as a result, in the future it is highly likely that a smaller number of working people will be supporting a higher number of retired people, who experience higher health and aged care costs. As a result, without policy change the Australian Government will face a substantial budget deficit in the future (see, Productivity Commission, 2005; and Treasury, 2007). One method of reducing the expected deficit would be to increase labour force participation, particularly targeting groups with low labour force participation by international standards, a method proposed by both reports.

It is not proposed that mothers of very young children should be forced to enter the workforce, however, it is possible that mothers of young children would like to work, but there may be barriers that make it difficult or impossible for them to do so. If such barriers are policy-related, then it might be sensible to change these policies. For example, policies that enable or encourage mothers to re-enter the labour force, such as paid or unpaid maternity leave (Baxter 2008b), family-friendly workplaces (Productivity Commission, 2005) or reduction of effective tax rates (Payne, et al. 2007; and Kalb, 2007) have been suggested to help boost the labour supply and thus mitigate some of the negative consequences of the ageing population. If part of the reason why young mothers are less likely to work than older mothers is that these factors affect the former more than the latter, then policy changes may need to address this.

**The Focus of this Paper**

We have used data from the six waves of the HILDA survey, a longitudinal survey of Australian households that has run every year from 2001-2006. This paper focuses on the employment of young mothers – those aged less than 25 – with children aged four or under, and compares their reasons for working or not working with those of mothers aged 25 or older. The 25 year age cut-off was chosen for two reasons. Firstly, the relatively small number of teenage mothers in HILDA would result in an unacceptably small sample size if the focus was on mothers aged under 20, or even under 22. Australia has low rates of teenage motherhood compared with other Western or Anglophone nations (see, Singh and Darroch, 2000) a lower age limit would significantly reduce the number of observations available for analysis. Secondly, this paper’s focus is not only on women whose education has been interrupted by motherhood, but also on women who have children relatively early in their working careers. It will use six waves of HILDA to evaluate the factors that may prevent or discourage younger mothers from participating in the labour force.

This paper considers three possible explanations for the low labour force participation among young mothers.
1. Mothers aged 25 and over have more experience in the workforce, so are better able to negotiate family-friendly employment conditions such as paid maternity leave and part time work.

2. Younger mothers, due to their lower levels of education and experience, command lower wages. Because of this, relying on government parenting payments or their partners’ earnings is a relatively more attractive option than working. That is, the opportunity cost of a young mother with low earnings potential staying at home is much less than the opportunity cost of an older mother with higher earnings potential staying at home. Low earnings potential may mean that young mothers experience higher effective marginal tax rates (EMTRs). EMTRs represent the percentage of extra income earned by a person that is lost due to taxes, removal of welfare payments and (possibly) increased childcare costs and housing payments. These two factors may mean that young mothers receive much less net income from working than older mothers, which may act as a disincentive to work.

3. If a woman chooses to have a baby when she is relatively young rather than spending time on career development, study or travel, this may be in part because she places a higher priority on motherhood than other pursuits. It might reasonably be expected that such a young woman would be eager to spend most or all of her time looking after her child and would prefer not to pursue paid employment. This hypothesis effectively reflects three types of young women – those that are very enthusiastic about mothering, those with few career opportunities they find interesting, and a combination of both.

The analysis in this paper is based on 18,174 observations of women aged 15-45 from across the six waves of HILDA. Young women (those aged 24 or less) make up 5,716 of the sample, of whom 485 were mothers of young children (youngest child aged four or less). Of the older women, 3,782 were mothers of young children. The longitudinal nature of the data means that some observations will be of the same woman over several years. Full time students were excluded from the sample, as full-time study tends to quite significantly reduce labour force participation.

2. The Lower Participation of Young Mothers

Baxter (2008a) examined the childbearing and working patterns of several cohorts who were aged 18-54 in 1997 and found that women who had their first child aged 15-24 tended to remain out of the labour force for longer than women who had their first child later. Data from HILDA show that women aged 15-24 with a young child tended to have lower participation rates than older women. Figure 1 shows how the labour force participation rates of women change prior to the birth of a baby, and during the child’s early years.
Two years prior to having a baby – that is, prior to the women conceiving – the gap in employment rates between older mothers and young mothers was ten per cent (65 per cent of older mothers compared to 55 per cent of young mothers were in employment). One year prior to the interview in which they reported the birth of a baby in the previous 12 months, employment of women of both ages dropped, as some women quit jobs, took maternity leave or stopped looking for new jobs because of pregnancy. Employment dropped further in the survey where the baby was aged less than one year. However, employment rates for young women fell to a lower level than the rate for older women (19 per cent compared to 39 per cent respectively). In other words, the younger women had a greater drop out rate.

As figure 1 also shows, the participation rate of young mothers remains lower than that for older mothers at least up until their youngest child reaches the age of three. No conclusions can be drawn for mothers whose youngest child is aged four or older because of very small sample sizes for young mothers in this category (most women are either over 25 before their child is four, or have had another child).

In short, a woman who is aged under 25 when she has a baby is much more likely to drop out of the labour force, and remain out for longer, than a woman aged 25 or over who otherwise has similar characteristics.

**Youth and the Labour Force**

Young people have different patterns of labour force participation to older people generally. For this reason, it is important to distinguish between the overall labour force patterns typically associated with youth, and those specifically associated with young motherhood.
People aged under 25 of both sexes are generally more likely to be unemployed or out of the labour force than people aged over 25, although this gap diminishes substantially at higher education levels. Based on the HILDA surveys, 66 per cent of women not in full-time study aged under 25 were employed, compared to 72 per cent of women aged 25 and over. However, this general tendency for young women to have lower employment rates than their older peers is not the sole cause of young mothers working less than older mothers. While employment rates for young women were lower than those for older women, the employment rate of young mothers with a child under four was much lower than the employment rate for older mothers (25 per cent compared to 53 per cent). Furthermore, of the mothers who were out of the labour force, more younger mothers than older mothers told HILDA interviewers that their labour force status was due to their inability to find a job (11 per cent of young mothers compared to eight per cent of older mothers), suggesting a higher rate of discouraged jobseekers among younger mothers. To summarise, part of the reason why young mothers work less than older mothers is because young women in general work less than older women. However, this is a contributor to the difference in the participation rates of older and young mothers; it only explains a small proportion of the difference.

People aged 15-24 are much more likely to be involved in study, especially full-time study, than people aged 25 and over. In the sample used for this paper, 44 per cent of young women were full-time students, compared to two per cent of older women. Full-time study often makes labour force participation, particularly full-time work, difficult if not impossible. However, HILDA data shows that young mothers left the labour force at higher rates even when full-time students are excluded from the sample.

It is possible that young mothers are more likely to study part-time if their mothering responsibilities take up a lot of their time. If so, part-time study and motherhood may preclude paid employment and may be a reason why some young mothers do not participate in the labour force. Unfortunately it is difficult to determine whether part-time study is keeping younger mothers from working for two reasons. First, HILDA only contains data on part-time post-school study. A young mother finishing high school part-time would not have her studies recorded by HILDA. Second, HILDA does not provide data on how many hours a week a person dedicates to study. It is feasible that a part-time course requiring 20 hours of study per week might prevent a young mother from working; it is not feasible that one hour per week of study would be the sole factor in preventing her from holding a job.

Bearing in mind the limitations of the data outlined above, the difference between the percentage of older mothers and younger mothers whose study affected their ability to work was small. HILDA asked respondents who were not in the labour force but wanted to work what kept them seeking work. Of the young mothers who responded, only nine per cent said they did not work because of study, as did seven per cent of older mothers.

3. Reasons for Low Labour Force Participation of Young Mothers

This section examines some of the possible reasons why young mothers might participate in the labour force less than older mothers. It considers the responses to some of the
qualitative and quantitative questions in HILDA, relating to family friendly working conditions, why respondents who are out of the labour force do not work, and people’s feelings towards their child-rearing responsibilities and the work-family balance. We compare the responses of young mothers, older mothers and non-mothers to these questions. The prevalence of responses among different groups could shed light on why young mothers have lower labour force participation levels than older mothers.

As noted above, three hypotheses have been considered to explain why young mothers participate in the labour force less than older mothers when their children are young.

**Older Mothers Have More Flexible Work Arrangements**

Many more young mothers who were not in the labour force said they wanted to work (48 per cent of young mothers compared to 32 per cent of older mothers.) It is possible that some of these young mothers may not be in the labour force because young people, with less experience in the labour force and a greater likelihood of working in a casual position, do not have the bargaining power to negotiate family-friendly working conditions in their job that would allow them to work and provide suitable care for their child.

Baxter (2008b) found that access to maternity leave, either paid or unpaid, was associated with an earlier return to the workforce. Young women are more likely to be employed on a casual basis (34 per cent) compared with older women (22 per cent); and unpaid maternity leave is only required by law for permanent staff who have been with the same employer for at least one year (although some awards may have provision for maternity leave for casual employees). It may be that young mothers are as keen to work as older mothers, but they have less access to working conditions that make combining work and motherhood feasible.

**Figure 2 - Family Friendly Working Conditions by Women’s Age Group (2006)**

![Bar chart showing family friendly working conditions by women's age group](image)

*Data source: Authors’ calculations based on HILDA Survey data.*
Figure 2 shows the percentage of women aged 15-24 and 25-45, both mothers and non-mothers, who have access to a series of family friendly conditions. Older women were more likely to have access to most of these conditions than younger women, with the exception of flexible working hours. To test whether these differences were significant, we created a series of logit models, with ‘aged under 25’ as the explanatory variable and access to each family friendly condition as the dependent variable. These were used to determine if youth was associated with less access to family friendly conditions. Full-time students were excluded from the sample, as their working patterns are affected by their studies. Standard errors were adjusted for clustering on individuals due to the longitudinal nature of the data.

Table 1 - Impact of Being Aged under 25 on Access to Family Friendly Working Conditions

<table>
<thead>
<tr>
<th>Coefficient of ‘aged under 25’</th>
<th>Standard Error</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid maternity leave</td>
<td>-0.62</td>
<td>0.12</td>
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<tr>
<td>Unpaid maternity leave</td>
<td>-0.67</td>
<td>0.13</td>
</tr>
<tr>
<td>Parental leave</td>
<td>-1.00</td>
<td>0.13</td>
</tr>
<tr>
<td>Special caring leave</td>
<td>-0.82</td>
<td>0.13</td>
</tr>
<tr>
<td>Permanent part-time work</td>
<td>-0.31</td>
<td>0.12</td>
</tr>
<tr>
<td>Home based work</td>
<td>-0.87</td>
<td>0.15</td>
</tr>
<tr>
<td>Flexible start and finish times</td>
<td>0.21</td>
<td>0.11</td>
</tr>
<tr>
<td>Childcare facilities</td>
<td>-0.07</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on HILDA data.

Table 1 shows the coefficients, standard errors and p-values for the ‘aged under 25’ explanatory variable from these logit models. They show that young women have less access to paid and unpaid maternity leave, parental leave, special leave to care for family members, permanent part-time work and home based work; and more access to flexible start and finish times compared with older mothers (significant at five per cent). There was no significant difference in access to childcare facilities between older women and younger women.

Some of this difference may be due to young women having different working patterns to older women. Young women are less likely to be self employed (which can provide a great deal of flexibility) more likely to work on a casual basis (no entitlement to maternity leave) and tend to have lower levels of education (lower skills, less bargaining power). A second series of logit models were used, with access to each working condition as the dependent variable and ‘aged under 25’ as an explanatory variable, with self-employment, work status (permanent, casual or contract) and education levels (less than Year 12, Year 12 only, trade/diploma, bachelor or higher) also included as explanatory variables. The coefficients, standard errors and p-values for the ‘aged under 25’ variable are presented in table 2.
Table 2 - Impact of Being Aged under 25 on Access to Family Friendly Working Conditions, Controlling for Employment and Education Factors

<table>
<thead>
<tr>
<th></th>
<th>Coefficient of 'aged under 25'</th>
<th>Standard Error</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid maternity leave</td>
<td>-0.18</td>
<td>0.13</td>
<td>0.15</td>
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<tr>
<td>Unpaid maternity leave</td>
<td>-0.34</td>
<td>0.13</td>
<td>0.01</td>
</tr>
<tr>
<td>Parental leave</td>
<td>-0.60</td>
<td>0.14</td>
<td>0.00</td>
</tr>
<tr>
<td>Special caring leave</td>
<td>-0.45</td>
<td>0.13</td>
<td>0.00</td>
</tr>
<tr>
<td>Permanent part-time work</td>
<td>-0.07</td>
<td>0.13</td>
<td>0.57</td>
</tr>
<tr>
<td>Home based work</td>
<td>-0.87</td>
<td>0.15</td>
<td>0.00</td>
</tr>
<tr>
<td>Flexible start and finish times</td>
<td>0.18</td>
<td>0.11</td>
<td>0.10</td>
</tr>
<tr>
<td>Childcare facilities</td>
<td>0.04</td>
<td>0.20</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on HILDA data.

When self-employment, work status and education levels were controlled for, young women still had less access to unpaid maternity leave, parental leave, special caring leave and home-based work (significant at five per cent) than older women. Differences in access to paid maternity leave, permanent part-time work and flexible start and finish times were no longer significant at the five per cent level when these other factors were controlled for.

Paid maternity leave is likely to have an impact on the number of mothers deemed to be in the labour force, because a person on paid leave is classified as employed, but a person on unpaid leave is classified as not in the labour force. Thus if older mothers have more access to paid maternity leave, they are more likely to be recorded as employed even if they are caring for children full-time. This may result in an overstatement of the number of older women actually working when their children are infants. This will only have an impact on the apparent employment of mothers whose youngest child is aged less than one, as paid maternity leave is typically granted for much less than one year in Australia. Since older women whose youngest child is aged one have higher employment rates than younger women with a similar aged child, greater access to paid maternity leave is not the only cause of the gap between older mothers and younger mothers.

This analysis finds that women aged 24 years or less have less access to family-friendly working conditions than women aged 25 and over. Part of this gap, but not all, can be explained by the lower education levels, casual employment status and low levels of self-employment of young women relative to older women. Thus when a young woman becomes pregnant, she is less likely than an older woman to have access to the family friendly working conditions she may need to combine motherhood with employment.

Young Mothers Face Higher EMTRs

Effective marginal tax rates (EMTRs) is the term given to amount of each additional dollar earned that is lost to tax and reduction in welfare payments (Harding et al., 2006). Some analyses can include the loss of earnings to childcare costs (Payne et al., 2007). The interaction of these effects can mean that relatively low earners can have higher EMTRs than people on much higher incomes. In practice, high EMTRs can
provide a great disincentive for a person to enter or remain in the labour force, or seek more hours of work (Harding et al., 2006).

Some differences between older and younger mothers suggest that young women may be more likely to experience high EMTRs, and thus have greater disincentives to undertake paid employment.

Young women generally have lower incomes than older women due to lower levels of education and less experience in the labour force. Of the women who responded to HILDA in 2006, women aged 25 and over earned an average of $19 per hour, compared to $15 per hour for women aged under 25. Even when women aged 20 or less are removed from the sample (because they may earn junior wages), women aged 21-24 only earn an average of $17 per hour. Lower income earners tend to face higher effective marginal tax rates than middle or high income earners (Payne et al., 2007), especially when childcare must be paid for. This means that younger families are more likely to receive very low returns from women re-entering the workforce than older women – especially if the mother earns junior wages. Families with children are the household type most likely to face high EMTRs (Kalb, 2007). Thus it follows that young women with children are more likely to be subject to high EMTRs. Mothers aged 24 or less are more likely to be single parents than mothers aged 25 and over – thirty five per cent of younger mothers were unpartnered (no husband or de facto partner) compared to ten per cent of the older mothers. Mothers aged 15-19 were much more likely than other mothers to be reliant on parenting payments, followed closely by mothers aged 20-24 (Bradbury, 2006). Harding et al. (2006) finds that sole parent families are more at risk of suffering high effective marginal tax rates than any other family type.

Question D13 of HILDA asked if the respondent was not in employment because they were worried that their earnings would affect their pension entitlements. Only six mothers aged over 25 (less than one per cent) and no mothers aged under 25 stated that they did not work because their welfare payment or pension might be affected. In itself, this is not concrete evidence that low wages expected by young mothers or high EMTRs are not factors in young mothers’ low employment rates. Some young women may have felt too embarrassed to sit with an employed interviewer and say they did not work because they did not want to lose their pension. Alternatively, women who gave other reasons for not working may have given an honest reason that masked their true concerns about their disposable income increasing little if they took up a job. For example, a mother may say that she does not work because she ‘prefers to look after children’ with the subtext ‘…rather than end up with very little additional money from working 20 hours per week’. If a mother says she does not work for ‘other childcare reasons’, this may mean that childcare costs take such a large portion of her potential wages that she receives little benefit from working.

Although young mothers do not admit to avoiding paid employment to keep government payments at a greater rate than older mothers, it appears that they are more likely than older mothers to experience high EMTRs.

Young Mothers Place a Higher Priority on Motherhood

Another possible reason why young mothers may have a lower propensity to work than older mothers is that if a young woman places a high priority on motherhood relative to career or paid work, she will be less inclined to delay childbirth for other
pursuits (so she is more likely to have a child before she turns 25). Since she has strong aspirations to motherhood (or low career aspirations), it is likely that she will focus as much of her attention as possible on rearing children, and less on working. Conversely, young women who give their careers high priority – and would thus be more likely to work when their children are young – would be more likely to delay motherhood until they are older. Stewart (2003) found that among United States teenagers, high career and educational aspirations were predictive of a higher age at first birth. Evans (2001) found that teenagers in Australia who became pregnant were more likely to have the baby (as opposed to having an abortion) if they had left school with no or low qualifications, or if they had poor marks at school.

Of the young mothers who were not in a job who said they might like a job, 85 per cent said they did not have a job because of pregnancy/maternity leave or because they preferred to look after children, compared to 80 per cent of older mothers. Although this difference is not large, it is statistically significant at the five per cent level.

In addition to this, young mothers were more likely to feel that they bore the greater burden of childcare. Young mothers were substantially less likely to have a partner – that is, a de facto partner or husband – than older mothers (65 per cent of young mothers had a partner, compared to 90 per cent of older mothers). Raising a child as a single parent is undoubtedly harder than raising a child as part of a couple. Furthermore, younger mothers were more likely to report that they did more than their fair share of looking after the children, whether they had partners or not. Eighty per cent of young mothers with partners felt they did more than their fair share of childcare, compared to 70 per cent of older, partnered mothers. Of the mothers without partners, 90 per cent of the younger mothers and 83 per cent of older mothers said they did more than their fair share of childcare.

If young women are more likely to feel that they are carrying more than their fair share of the childcare duties, they may be reluctant to seek paid work for fear that their partner will not be willing to increase their share of the childcare duties, and that their children will not be adequately cared for.

These figures suggest that young women are more likely than older women to deliberately avoid paid employment in favour of looking after their children – either out of desire to be the primary carer or concern that the child’s father will not share the load.

Other Possible Factors
Lack of access to transport and childcare concerns were more widely reported among young mothers as a reason for not working than older mothers. However, the proportion of mothers reporting transport or childcare difficulties as reasons for not working was small.

4. Discussion and Conclusions
It seems clear that mothers aged under 25 are more likely to leave the labour force, and stay out for longer, than mothers aged 25 and over with similar characteristics. Policymakers concerned with increasing labour force participation may wish to focus on why this group has low levels of participation, especially since many of the nonemployed in this group expressed a desire to engage in paid work.
Based on HILDA responses and research in the area, there is no single overarching reason why young women are more likely to remain out of employment after childbearing than older women. However, some factors that are likely to affect this are:

- The lack of access to family-friendly conditions by young mothers, in particular reduced levels of access to paid maternity leave;
- Low financial returns to paid employment; and
- Greater preferences for caring for children compared with paid work among young mothers.

This analysis finds that young mothers have less access to a number of family friendly working conditions than older mothers, namely unpaid maternity leave, parental leave, special caring leave and home-based work. If young mothers who want to work are locked out of the labour force because they lack the bargaining power to arrange family-friendly working conditions, employers will need to expand access to family friendly conditions to ensure the labour supply requirements of the ageing population are met. However, youth alone may not be the direct cause of lack of flexible working conditions. It may be that young women tend to be concentrated in industries or occupations in which family-friendly conditions are not widespread or are infeasible. It may be that young women do not seek jobs with family-friendly conditions because either they do not wish to work once they have children or they do not wish to have children for several years. Further research in this area may consider whether the lack of family-friendly conditions for young mothers is due to their lack of experience in the workforce or lack of bargaining power, or if other factors are involved.

This paper’s findings about the possible effects of high EMTRs on younger mothers were mixed. Evidence from HILDA and the literature on EMTRs shows that young mothers, on average, receive lower returns from working than young non-mothers and older mothers. This is due to low wages and EMTRs that tend to be higher for low income parents compared with nonparents and higher income families. Despite few mothers explicitly telling HILDA researchers that they do not work to preserve their pension entitlements, it is unlikely that low returns from employment have no impact whatsoever on low participation of young mothers.

There has been some discussion regarding the labour supply effects of high effective marginal tax rates and how to combat them (see, Buddelmeyer et al., 2006; and Harding et al., 2008). Increasing tax free thresholds, reducing marginal tax rates, reducing taper rates and increasing the amount of income that can be earned before benefits start to be withdrawn are all means of reducing effective marginal tax rates. Cai et al. (2005) found that changes to the Australian tax and transfer system in 2000 had a positive impact on the labour supply of sole parents.

The final issue should not be of concern for policymakers. If young women put a higher priority on caring for their children in the first years of their child’s lives, and thus avoid paid employment, then they should not be discouraged from doing so. It is unfortunate that many young mothers feel that they do more than their fair share of childcare, but policy intervention in this area is neither feasible nor desirable. There may be some concerns relating to welfare dependence because young non-working mothers are more likely to be on some form of parenting payment than older mothers, but that is not relevant to this issue.
More targeted research into this area may glean important insights into which of these factors actually causes the low labour force participation of young mothers. For example, a survey of younger and older mothers could ask non-employed mothers if they wished to work and what barriers would need to be lifted to allow them to go back to work. Such research could be used to guide policy to remove these barriers and allow mothers eager to work to do so.

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