



## The Park Place Economist

Volume 9 | Issue 1

Article 15

2001

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### Recommended Citation

Lange '01, Alicia (2001) "The Family Gap: Do Mothers Earn Less," *The Park Place Economist*: Vol. 9

Available at: <http://digitalcommons.iwu.edu/parkplace/vol9/iss1/15>

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## The Family Gap: Do Mothers Earn Less

### **Abstract**

"Women must work fifteen months and eight days to earn what men earn in a year" (Lesley, 1999). In a society where women are often single mothers who must support both themselves and children, why would they get paid less than men for doing the same job? When John F. Kennedy passed the Equal Pay Act of 1963, which promised women "equal pay for equal work," women earned only 58 cents for every dollar men earned. This pay gap is disappearing at a rate of about ten cents every twenty to thirty years (Leinwand, 1999). And more recently, President Clinton announced last year that the government would enforce equal-pay laws more diligently in 1999 and in the future. Employers were told to look more closely at their compensation policies and other possible sources of (unintentional) gender bias (Fitzer, 1999).

# The Family Gap: Do Mothers Earn Less?

By Alicia Lange

## I. INTRODUCTION

“**W**omen must work fifteen months and eight days to earn what men earn in a year” (Lesley, 1999). In a society where women are often single mothers who must support both themselves and children, why would they get paid less than men for doing the same job? When John F. Kennedy passed the Equal Pay Act of 1963, which promised women “equal pay for equal work,” women earned only 58 cents for every dollar men earned. This pay gap is disappearing at a rate of about ten cents every twenty to thirty years (Leinwand, 1999). And more recently, President Clinton announced last year that the government would enforce equal-pay laws more diligently in 1999 and in the future. Employers were told to look more closely at their compensation policies and other possible sources of (unintentional) gender bias (Fitzer, 1999). Michael Bartlett, U.S. Chamber of Commerce manager of labor law policy, states that, “any pay inequity is the result of muddled arithmetic, faulty logic and failing to control for variables such as experience, education and choice of occupation. Women being absent from the work force for some period of time I think does adversely impact on their wages, as it should, because they don’t have as much experience.” When these variables are considered, the Independent Women’s Forum found the pay gap is almost non-existent for childless women between ages of 27 and 33. However, in 1999, women supposedly still earned only 76 cents for every dollar earned by a man (Leinwand, 1999).

The gender pay gap, no matter what the statistical discrepancy, is narrowing. But while the gender pay gap’s ‘glass ceiling’ has received so much attention, another pay gap has been increasing and has received very little attention. This pay gap is the ‘family gap’; the pay penalty that women with children get in relation to women without children. And it is this obscure pay gap, dealing with the division of domes-

tic labor, that is suspected to contribute to the gender pay gap (Joshi, Paci, & Waldfogel, 1999). Jane Waldfogel found that between 1980 and 1991, the pay ratio between mothers and non-mothers has increased by 7.5%. She states that “in 1980, young mothers earned 56% of the average male salary, while non-mothers earned 66%, so the gap between mothers and non-mothers relative to men’s pay was 10%. By 1991, young mothers had improved their hourly earnings to 72.6% of the average male level, but the ratio for non-mothers had risen all the way to 90.1% of average male earnings” (Waldfogel, 1998).

This paper will focus on this family pay gap because it is not as well publicized to the average female worker, although it affects millions of women everyday. There is abundant research available with theories on why this pay gap may or may not exist; although plentiful, the research is often contradictory. Section II will present the differing views on the family pay gap as presented in previous research. A statistical analysis using data from the National Longitudinal Survey of Youth (NLSY) database will also be presented with variables extracted from those theories. Policy implications will then be made based on the results of the regressions. And, especially if you are a woman planning on having children someday while working at a successful career, read on. The following pages will be of great interest.

## II. THEORY & LITERATURE REVIEW

Four hypotheses will be looked at as potential sources of the family pay gap, with three coming from one prominent researcher in this area. Jane Waldfogel has done abundant research on the family pay gap, conducting several studies specifically aimed at the penalty for women with children, across several years. Waldfogel offers three of these hypotheses to account for the unexplainable portion of the family pay gap she discovered in her study (1998), which was a 10%-15% pay penalty for women with

children compared to women without - even after controlling for human capital differences:

- 1) Inadequate labor market institutional factors, such as maternity leave and child care policies
- 2) Women with children may have differing attitudes towards work than women without children. (i.e. they are less motivated to perform well or give less effort to their job and more to home)
- 3) Women with children are discriminated against by employers (Waldfogel, 1998)
- 4) Becker's Human Capital Model

In accordance with her first hypothesis, Waldfogel studied the maternity leave policies in several countries in relation to the family pay gaps, and found that countries with more adequate maternity leave policies (more weeks of absence allowed) had a smaller pay gap between mothers and non-mothers. To accomplish this, employers in these countries must either pay women more for the few hours they do work, or have paid maternity leave. The United States, on the other hand, was actually without a maternity leave policy until the passing of the Family and Medical Leave Act in 1993, only seven years ago! And still, the United States ties with Switzerland and offers the shortest leave period of twelve weeks (combined maternity and parental leave). These allowed absences in the U.S. are unpaid, unlike the majority of other countries. The countries with the longest maternity leaves were Denmark (18 weeks for maternity leave, 10-52 weeks for parental leave) and Finland (17.5 weeks for maternity leave, 26-156 weeks for parental leave). Germany's parental leave was as high as 156 weeks (Waldfogel, 1998)!

In addition, the United States also relies on private market distribution of child care, which raises the costs to women who have children. The cost of care as a percentage of female earnings for the U.S. is 22%, whereas it is 0% for Belgium and France, who also offer 15 and 16 weeks of maternity leaves, respectively. There is no notable pay gap between mothers and non-mothers in Belgium, Australia, Sweden, Finland and Canada, which is most likely reflective of the maternity leave and child care policies of those countries (Waldfogel, 1998). This may be reflective of the laws enforced in these specific coun-

tries regarding maternity leave. Another study compares the gender pay gap between Sweden, which has one of the highest gender pay ratios, and the United States, which has one of the lowest. The researchers found that the U.S. had a gender pay gap (men-women pay difference) 9% higher than that of Sweden. Part of this difference was attributed to Sweden's more generous family/maternity leave policy, which may cause more women to stick with one firm through her child-rearing and therefore not lose human capital or necessitate more firm-specific training when she re-enters the work force (Blau & Kahn, 1999). Groshen also theorizes that women most likely have a greater desire for a job with better fringe benefits, such as better maternity leave policies or flexible hours, and it is these jobs that have a lower wage in return for the greater benefits (Groshen, 1991).

Waldfogel's second hypothesis deals with women's attitudes and social factors. It is a well-established fact that women with children are less likely to have successful careers. One possible reason for this is that successful families must traditionally contain two specialized roles: one adult must earn money in the job-market, and one adult must maintain order and raise children in the 'home-market.' The woman usually ends up in this 'home-market', and therefore must leave her job if the family is to be as successful as possible; it is difficult to raise children if parents must split their time between a job and home. According to Blau and Ferber (1990), women select jobs that offer less penalties for taking time off, and therefore lose job experience. "Because women intend to spend substantial amounts of time out of the labor market, they are willing to accept lower rewards for experience in return for lower depreciation rates during periods of work interruption" (p.583). As cited by Waldfogel, another pay gap researcher, Goldin (1997), used several different definitions of 'career' and consistently found that college-educated women who had children were less likely to have a career than those who were childless (Waldfogel, 1998). This supports the theory that a woman's social factors and motivation levels can have negative effects on her career and income attainment, but it could also be attributed to the Human Capital Theory of job experience and productivity, which is the fourth hypothesis considered in this paper.

Becker (1985), who introduced the Human Capital Model for wage inequality, is cited by Korenman and Neumark (1992) as having hypothesized that "a portion of male-female wage differentials is attributable to gender-role specialization by married women and men. In particular, he has argued that the 'hourly earnings of single women [should] exceed those of married women even when both work the same number of hours and have the same market capital because child care and other household responsibilities induce married women to seek more convenient and less energy intensive jobs'" (p.235). This prediction that labor market experience explains much of the family pay gap has been supported by several studies, which found a narrowed family gap when tenure and experience are taken into account. As cited by Waldfogel (1997), Hill (1979) found no unexplained pay gap at all when controlling for work experience. But other studies, including Waldfogel's, found that an unexplained pay gap still remains, regardless of whether experience and number of hours are included even when controlling for part-time work status (Waldfogel, 1997). Along with the Human Capital Theory, Korenman & Neumark discuss four potential problems that may be encountered when studying the effects of marriage and motherhood on wages: endogeneity of marriage and motherhood, experience and tenure endogeneity, selectivity into employment, and heterogeneity. Even after including the variables tenure and experience, which were assumed to have biased previous research on this topic, the negative relationship between children and wages did not disappear. After running a regression, they came to the conclusion that "the size and statistical significance of the wage effects of children are sensitive to the exclusion of experience and tenure controls, and to their estimated coefficients". A regression in which these variables were included did not support the notion that children reduce wages. This may lead to the conclusion that motherhood indirectly penalizes wages, and this penalty only happens through loss of human capital and tenure (Korenman & Neumark, 1992).

Barry Gerhart (1990) studied the salaries of both men and women employed by a firm between 1976 and 1986, and looked at human capital variables. In his study, current salary was a function of

year of hire, potential experience, degree, firm tenure, college major, performance, and job title; these factors were studied for both college graduates and non-college graduates. There were three sets of exogenous variables: human capital (experience, education), college major, and tenure. In his results, Gerhart found that women's salaries are 97%-98% of men's in college graduates, and 94%-95% for the sample combining college and non-college workers. In terms of individual variables, men were found to have greater returns for higher degree levels. According to Gerhart, "College major was found to be a key determinant of differences between men and women in starting salaries, consistent with results obtained by Daymont and Andrisiani (1984). In the college graduate sample, differences in college major held by men and women accounted for 43% of starting salary differences" (Gerhart, 1990). Men's higher starting salaries were found to be significantly influenced by higher degree attainments and different college majors. Theoretically speaking, this unequal college major distribution, as well as unequal job distributions, was found to be important in determining if a gender pay gap does indeed exist. This also contributes to the concept of different human capital levels earning more or less pay, which can be traced across to the family pay gap as well.

Related to Human Capital theory, one study conducted in Britain looked at part-time working mothers and how their decreased time in the work force has a negative effect on their pay. Although this study is done with British women, many of the concepts may be applied to American women as well. In the late 1980s through today, many British employers are developing 'family-friendly' policies of more flexible hours, workplace nurseries, and more structured maternity leave time. However, after analyzing data collected from two longitudinal women's databases, there was "little evidence that having children in itself results in consistently adverse rates of pay, once one allows for human capital and sector of employment. However, taken together, our results suggest that the structure of the British labor market does present obstacles to high earnings by women with children . . . relative pay in part-time employment have deteriorated" (Joshi, Paci, & Waldfogel, 1999). It makes sense to then conclude that, unless new mothers con-

tinue working full-time, their human capital depreciates and their pay decreases. This is why adequate and effective maternity leave policies are so important.

The last theory is simply discrimination. Married men with children earn more than unmarried men without - the exact opposite of women. According to Waldfogel, not only do married women with children earn much less than all men and childless women, but they earn more than unmarried/divorced women with children. Married women with children had pay increases of 13.7% from previous pay between 1978 and 1994; they earned 76.5% of men in 1994. Divorced mothers had pay increases of 4% between the same years; they earned 66% of men's pay in 1994. To worsen this even more, never married mothers had pay decreases from 1978 to 1994; they earn only 56.5% of what men earn (Waldfogel, 1998). This is a startling statistic, considering the fact that single mothers are the ones that are in the most need of money to support themselves and their children. However, some single women who have children are also less likely to have adequate education to earn them higher-paying jobs. But it is also possible that these pay differences are a result of discrimination on the part of employers.

### III. HYPOTHESES & EMPIRICAL MODEL

Each variable included in the research design is intended to test one of the theories presented previously. The dependent variable is income (Income), measured as individual income from all wages and salaries within one year. The variables to be included for each theory are listed here and described in detail with their predicted signs and reason for inclusion in Table 1.

The empirical model for this cross-sectional study is:  $Income = A + B1(Gender) + B2(Mar) + B3(FamSize) + B4(SpseInc) + B5(Tenure) + B6(Age) + B7(ChldCare) + B8(FrngBen) + B9(Hours)$ . Two interaction variables will also be included in separate regressions: (FamSize x Gender) and (Gender x Mar x FamSize). This is to determine whether the presence of children or being married has a different effect for women than for men.

Inadequate labor market institutional factors will be tested using fringe benefits (FrngBenefits), or

whether maternity/paternity leave allows the employee to return to her/his old job or one that pays equally after having children. Child care (ChldCare) represents whether the employer provided or subsidized child care. The main potential problem with these variables is that they may actually reduce income; an employer may offer a \$50,000 salary with few benefits or a \$40,000 with abundant benefits (therefore the benefits come at the sacrifice of the salary). But here, the hypothesis remains that benefits such as maternity leave or child care prompt a woman to work more hours, because she can do so without worrying about the care of her child.

Low motivation theory is going to be very hard to test, but the variable hours worked (Hours) might serve as both a control variable and also to indicate that women who are less motivated to work (who allow themselves to fall behind in their job) will take more hours or sick days off. The spouse's income (SpseIncome) variable is included because, although this is a broad assumption, I am assuming that a mother whose spouse makes a high income will be more likely to prioritize children at the sacrifice of her job or hours worked. With this theory, an alternative explanation for low motivation is that women have less job opportunities, and therefore have less motivation, but this doesn't directly tie into how the presence of children affects women's pay. Though hard to measure and not included in this study, fewer job opportunities is a feasible explanation for the gender pay gap.

Discrimination theory variables will include the marriage (Mar) variable to test if married women are penalized with lower pay. A family size (FamSize) variable is included to test for the main problem, whether pay decreases with the presence of children. As the family size increases, the time needed for children may increase; the type of job a mother of five accepts may differ from the type of job a mother of one accepts, therefore decreasing pay. However, it should be noted that there may be some cross-over effects with this theory and Becker's Human Capital theory for these two variables. Gender (Gender) will serve to compare women to men as well, because it would be interesting to see if children or marriage have the same effects for men as for women.

Becker's Human Capital theory will involve

**Table 1: Variables Included in Empirical Model**

VARIABLE CATEGORY	VARIABLE NAME	DEFINITION	HOW MEASURED	PREDICTED SIGN
<b>Labor Market Factors Theory</b>	<i>FrngBen</i>	Does employer offer (p)maternity leave?	0 - No 1 - Yes	+
	<i>ChldCare</i>	Does employer provide child care?	0 - No 1 - Yes	+
<b>Low Motivation Theory</b>	<i>Hours</i>	Hours worked per year	Hour amount	+
	<i>SpseIncm</i>	Spouse's income per year	Dollar amount	-
<b>Discrimination Theory</b>	<i>Mar</i>	Is subject married?	0 - Not married 1 - Married	-
	<i>FamSize</i>	Number of family members	Numerical amount	-
	<i>Gender (female)</i>	Sex of subject	0 - Female 1 - Male	+
<b>Human Capital Theory</b>	<i>Tenure</i>	Number of weeks with employer	Numerical amount	+
	<i>Age</i>	Age of subject	Numerical amount	+
<b>Dependent Variable</b>	<i>Income</i>	Income of subject per year	Numerical amount	

**Table 2: Descriptive Statistics**

VARIABLE	N	MINIMUM	MAXIMUM	MEAN	STD. DEVIATION
<b>Income</b>	7,924	0	163,158	25,518.66	26,527.12
<b>SpseIncm</b>	4,734	0	197,918	28,639.68	32,790.42
<b>FamSize</b>	8,399	1	15	3.34	1.63
<b>Age</b>	8,399	33	41	36.81	2.25
<b>Hours</b>	8,304	0	8,736	1,780.73	1,074.16
<b>Tenure</b>	7,427	1	1,477	277.03	271.67
<b>Valid N</b>	4,146				

the variable tenure (Tenure), which will also serve as a control for level of job status, which would affect level of pay. Age (Age) will also serve as a control, assuming that pay increases with age and experience. A variable for education could be included, but because different areas of study yield very different levels of pay despite hours worked and job tenure, this was left out.

The data for this study comes from the National Longitudinal Survey of Youth (NLSY) data series. Each variable, with the exception of gender, was chosen from the most recent year, 1998. The descriptive statistics explaining the collected data are found in Table 2.

#### IV. RESULTS

The results for the regressions are in Table 3. Regression #1 is the original and first regression run,

in which every variable is included. Unfortunately, the family size variable was not significant. It should be noted, that with an alternate variable for marriage (that was not included in the final regressions in this study), with 1=never married, 2=married, spouse present, 3=other, family size was significant when a regression was run. This is in opposition to the Marriage variable that was actually used here (a simple dummy variable with not married=0, married=1), which, when combined with family size, the latter was not significant. The reason for this is not clear, but because of the interaction variables and complex number of other factors being examined here, a simplified marriage variable was most appropriate to use. Therefore, the insignificance of family size, which is in essence testing one of the main factors of this paper, is simply due to an interaction with the marriage variable that was used. This will be shown in a later re-

**Table 3: Regression Results: Coefficient Value (Significance Level)**

Variable	Regression #1	Regression #2	Regression #3	Regression #4
<i>Constant</i>	-37,144.5 (.000)	8,910.1 (.000)	-29,304.3 (.000)	-28,860.5 (.000)
<i>Gender</i>	16,166.2 (.000)	16,687.4 (.000)	4,605.4 (.172)	6,987.5 (.000)
<i>Tenure</i>	11.1 (.000)		10.9 (.000)	11.1 (.000)
<i>Hours</i>	9.5 (.000)		9.87 (.000)	9.6 (.000)
<i>Mar</i>	7,494.0 (.000)	9,821.2 (.000)	7,206.2 (.000)	
<i>FamSize</i>	161.8 (.696)	-464.0 (.094)	-1,451.6 (.017)	
<i>SpseIncm</i>	.118 (.000)		.122 (.000)	.128 (.000)
<i>ChldCare</i>	5,145.0 (.003)	5,840.9 (.000)	4,992.2 (.003)	4,847.8 (.004)
<i>FrngBen</i>	4,723.9 (.000)	9,656.7 (.000)	4,658.6 (.000)	4,703.9 (.000)
<i>Age</i>	623.5 (.002)		605.6 (.003)	596.9 (.003)
<i>(FamSize x Gender)</i>			2,831.1 (.000)	
<i>(Gender x Mar x FamSize)</i>				2,377.9 (.000)
<i>R<sup>2</sup> value</i>	.275 (.000)	.178 (.000)	.278 (.000)	.279 (.000)



gression, in which combining family size and marriage into one variable yields favorable results.

Regression #2 focuses on the family gap alone; the labor market theory variables are included here and the control variables are not. This was done to see if child care benefits and marriage affect income in the absence of control variables. The value of fringe benefits increased here by almost 100% as compared to the original regression, which can be interpreted as follows: the higher the benefits (such as flexible hours or maternity leave) and child care availability, the easier it is for an individual to work more hours or maintain a high income. Another interesting finding in this regression is that, without control variables such as hours worked, family size was actually negative and more significant than previously (although not at the .05 level); implying that the larger the family, the less income one earns. Unfortunately, the R-square value also drops to a poor .178.

Regression #3 includes the interaction variable gender x family to determine if the effect of children is different for women than for men. In this context, family size is very significant. According to these results, there is a difference in favor of men, which is seen because of the positive sign on the coefficient. This means that men are rewarded with higher pay if children are present, possibly even as number of children increase, but this cannot be determined here for certain. Regression #4 includes a triple interaction variable of gender x family size x married. Its positive value indicates it is favorable to be a married male with children, although the number of children cannot be determined.

The R-square value was pretty low for all four regressions, ranging from .178 to .279. This may be because there are so many factors influencing income, including some not taken into account here, such as region of residence, education level, industry of work for a few examples. But the high significance of the regressions as a whole (.000) indicate that these variables do succeed in influencing income in the way in which they were believed.

For the most part, the variables all had their expected signs and were significant. FamSize and SpseIncm are two exceptions, which will be discussed further in the next section.

## V. DISCUSSION & POLICY IMPLICATIONS

Upon studying the results, there seems to be a pay penalty for women with children and for women who are married with children, as shown mostly by the interaction variables included in the regressions of this study. Each theory is supported, using these results. The discrimination theory is tentatively supported, particularly in the case of the triple interaction variable of gender x family size x marriage. However, Becker's Human Capital theory may also be responsible for the results favoring men. But, the gender variable still favors men when control variables are removed in regression #2, indicating marriage and family size have negative effects on women not even taking hours worked and tenure into account. Labor Market Theory is also supported because both fringe benefits and child care had a positive effect on income. Human Capital Theory was supported as well, but these were also expected results because the variables here were largely utilized as controls. The Low Motivation Theory was the only one that wasn't clearly supported. This is because the variable for spouse's income, which was predicted to be negative, was positive (but by a very small amount). Hours in this category was also positive, but again, served as a control, so this was expected. One possible explanation for the positive sign of spouse's income is that people with similar income earnings potentials are likely to marry each other, which may be related to education levels and what couples are more likely to succeed in a marriage. This theory was the hardest to measure in a regression and represent in a variable, because it deals with an intangible like motivation.

This study did produce results similar to previous studies. Jane Waldfogel's (1998) study found that "having children had positive or no effects for men, but very strongly negative effects for women" (p.147). The interaction variable coefficients in regressions #3 and #4 of this study were 2,831.1 and 2,377.9, respectively; both favoring men with children. However, Waldfogel used two regressions in her study, which is why she yielded negative results for women. If Female=1 had been used in this study, a negative result would have been obtained. Another one of Waldfogel's studies had the same results of a negative impact on women with children over both

non-mothers and men with and without children (Waldfogel, 1997). Also similar to Waldfogel's study, is the finding that maternity leave, or fringe benefits, raises women's (and men's) income. Waldfogel's reasoning is that benefits such as maternity leave raise the probability that a woman will return to work at the same job, or at least with the same employer, after giving birth. Waldfogel points out that although this effect is positive, it may also be offset by a strong negative effect if the leave time taken from work is very high. Overall, this study's findings closely resembled the findings in both of Waldfogel's, both of which were discussed previously in the theory section (Waldfogel, 1998).

Korenman and Neumark (1992) conducted a similar study, also discussed previously, in which they found that the penalties to pay lessened (statistically) when control variables such as tenure were added to the regression. This means that the size of the effects of children on pay reacts to these variables. The findings in this study find the same thing; the family size coefficient went from -464.0 without tenure and hours, to 161.8 with these variables added. The effect seemed smaller with the added control variables, which supports the findings of their study.

One finding that contradicts one researcher's ideas is that fringe benefits and child care are chosen by women at the sacrifice of higher paying jobs. Groshen (1991) states that, "if women have a greater taste for fringe benefits or good working conditions, and these vary by occupation or employer, women will sort themselves into high-benefit/low-wage jobs" (p.469). According to these results, however, there was a positive effect of benefits and child care towards income. As explained previously, this is probably due to an increased probability that women will return to work or dedicate more hours towards her job if child care is available. Groshen's idea wasn't supported clearly in his study either, but the results from the regressions in this study offered more clear evidence against this idea than his job-cell analysis (Groshen, 1991).

Despite the results in this study complying rather nicely with previous ones, there have been studies conducted which did not support a family pay gap for women who choose to have children. Joshi, Paci, and Waldfogel (1999) found "little evidence that hav-

ing children in itself results in consistently adverse rates of pay, once one allows for human capital and sector of employment" (p.561). There is obviously room for further research in this area of study, and more factors can be looked at.

Potential flaws with this study arise because there are so many variables that affect each other, which may bias results. The number of hours worked may be influenced by tenure, and number of children may be affected by marriage, which may indeed be the case here because there was an interaction between FamSize and Mar. To continue this research, it would be interesting to see if the family gap affects younger mothers differently than older mothers. Also, future research could emphasize regional differences; such as if urban areas are more tolerant of mothers working, and not staying in the home with children, than rural areas.

Several policy implications follow this kind of study. One is that sufficient maternity leave policies, along with other fringe benefits, should be administered to maintain their positive affect on income. Along with this same idea, more child care policies should be administered by employers, looking at the graphs in the appendix section, it is obvious that benefits such as this are rare, yet are essential for a mother to maintain her job and income level to better support her family. This especially would apply to the case of the single mother, who often has no other source of income other than her job. Apart from the just the family pay gap, a policy such as this would also be beneficial to the children of working mothers. Although this is costly for the employer, in the long run it is the best way to maintain good job matches with employees and for maintaining a positive work environment; it is likely that working mothers will be more efficient if they know their children are being cared for properly. Employers, mothers, and children would all benefit from more family-friendly work environments and salaries.

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