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Policy Brief

Easing the Burden: Why Paid Family Leave Policies are Gaining Steam

By Maya Rossin-Slater

More than half of all American mothers and fathers of infants are in the labor force.[1] Paid family leave (PFL) policies are designed to help new parents balance competing work and family responsibilities by providing them with time off from work with partial wage replacement to care for their newborn or newly adopted children or ill family members.

Yet the United States is one of only a handful of countries in the world without any national PFL policy for new parents, and the only high-income country without one.[2] Moreover, only 14 percent of American private sector workers have access to PFL through their employers.[3]

The U.S. does provide 12 weeks of job-protected *unpaid* leave through the 1993 Family and Medical Leave Act (FMLA) to qualifying workers. But because of stringent eligibility requirements, less than two-thirds of the American workforce is eligible for the FMLA, with low-wage workers less likely to be covered than their higher-wage counterparts.[4] It is therefore perhaps not too surprising that the majority of working parents report that work-family balance is a significant challenge.[5]

In recent years, however, PFL has entered the mainstream political debate. During the 2016 election, for the first time in U.S. history, both Democratic and Republican presidential candidates included paid leave proposals in their campaign platforms. Advocates credit PFL with encouraging career continuity and advancement for women and improving child and family well-being. There is also growing interest in encouraging men to take leave, in an effort to promote gender equality both at home and in the labor market.

Opponents of PFL worry that paid time away from work could lower employees' attachment to their jobs, lead to discrimination against women (who are more likely than men to take leave), and impose substantial costs on employers.

While PFL legislation is not currently at the forefront of the federal policy agenda, there has been significant momentum in PFL implementation at the state level. Last month, New York became the fourth state in the

1 See: *https://www.bls.gov/news.release/famee.nr0.htm*.

2 For information on PFL policies around the world, see the WORLD Policy Analysis Center at UCLA (*https://www.worldpolicycenter.org/policies/is-paid-leave-available-to-mothers-and-fathers-of-infants/is-paid-leave-available-for-mothers-of-infants*).

3 See evidence from the 2016 National Compensation Survey: *https://www.bls.gov/ncs/ebs/benefits/2016/ownership/civilian/table32a.htm*.

4 To be eligible, workers have to have worked at least 1,250 hours in the preceding year for an employer with at least 50 employees (within a 75-mile radius of the employment location). Information on the share of workers who are eligible for FMLA comes from Klerman et al. (2012).

5 See, for example, evidence from the Pew Research Center here: *http://www.pewsocialtrends.org/2015/11/04/raising-kids-and-running-a-household-how-working-parents-share-the-load/*.

About the Author

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country to provide PFL, following California (since 2004), New Jersey (since 2008), and Rhode Island (since 2014). Washington state and Washington, D.C., have also recently passed PFL legislation, with programs set to go into effect in 2020.

The current PFL laws are similar in that they provide partial wage replacement during leave and cover a broad segment of the workforce through minimal eligibility requirements. But they differ on several key policy levers: duration, benefit amount, job protection, and funding mechanism. Both California and New Jersey provide six weeks of leave through PFL, while Rhode Island provides four weeks. Washington, D.C., will provide eight weeks for new parents, while New York and Washington state will provide 12 weeks when fully phased in.[6]

California and New Jersey do not have any provisions for job protection, while the other localities do. Benefits are set at different percentages of prior earnings and capped at different amounts across states. California and Rhode Island fund PFL entirely through employee payroll taxes, while the other states and D.C. require employers to pay into the system as well.

6 New York's policy is being phased in over four years. During 2018, New Yorkers are able to take eight weeks of leave, while by 2021 they will be entitled to 12 weeks.

In this policy brief, I describe the current research on the impacts of PFL on workers, children, and employers, with an eye toward understanding the costs and benefits of a potential federal program. I also briefly discuss how PFL may relate to the growth in socio-economic inequality in America, and whether a federal policy could help curb this trend.

PFL Takeup

A first-order question when considering PFL policies is whether workers actually use them. There are a number of barriers that may limit PFL takeup, including lack of policy awareness, too stringent eligibility requirements, too low pay, or the absence of job protection (Appelbaum and Milkman, 2011; Milkman and Appelbaum, 2013; DiCamillo and Field, 2015). These barriers may be especially high for workers in low-wage jobs (Fass, 2009).

Nevertheless, research on the introduction of California's first-in-the-nation PFL program (CA-PFL) documents increases in leave-taking among both mothers and fathers.

A 2013 paper I co-authored with Christopher Ruhm and Jane Waldfogel found that CA-PFL implementation nearly doubled leave-taking rates among mothers of children under 1 year old, relative to control groups of similar mothers in other states and mothers of slightly older children in California.

The relative impacts are largest for the least advantaged mothers (those who are unmarried, minorities, and with low education levels), who previously had the lowest leave-taking rates. Baum and Ruhm (2016) show that CA-PFL raised average leave duration by about five weeks among all eligible new mothers and by slightly less than one week among new fathers. Bartel et al. (2018) use a larger data set to focus on fathers, documenting that fathers of infants were about 1 percentage point (or, 46 percent relative to the pre-treatment mean) more likely to report being on leave after CA-PFL went into effect.

PFL and Workers' Labor Market Trajectories

The impacts of PFL on workers' subsequent labor market outcomes such as employment and wages are theoretically ambiguous (Klerman and Leibowitz, 1994; Olivetti and Petrongolo, 2017). On the one hand, if PFL increases time away from work among working parents, they could experience some loss in human capital and job-specific skills and have lower future labor market attachment. Employers who find leaves costly may discriminate against groups most likely to take leave — new mothers or females of childbearing age — by being less likely to hire them or offering them lower wages. On the other hand, if a new parent would have quit her job in the absence of PFL, then there could be a positive effect on job continuity and future labor market success.

Much of the existing research on PFL's labor market effects focuses on mothers and considers policies outside the U.S. These studies find that provisions of leave up to one year in length typically increase employment shortly after childbirth and have positive or zero effects on wages, while longer leave entitlements can have adverse effects on mothers' employment and wages in the long term (Ruhm, 1998; Baker and Milligan, 2008; Kluve and Tamm, 2013; Blau and Kahn, 2013; Dahl et al., 2016; Stearns, 2016; Olivetti and Petrongolo, 2017; Rossin-Slater, 2018).

With regard to fathers, several studies have focused on reforms in Canada and a few European countries, which earmarked part of a general parental leave policy to fathers. Although these reforms substantially increase paternity leave takeup, they have no impacts on fathers' subsequent labor market outcomes (Ekberg et al., 2013; Cools et al., 2015; Patnaik, 2016).

In the U.S., analyses of CA-PFL implementation find positive impacts on employment and wages among mothers (Rossin-Slater, Ruhm, and Waldfogel, 2013; Baum and Ruhm, 2016). Additionally, Bana, Bedard, and Rossin-Slater (2018) consider parents with earnings near the maximum benefit threshold and isolate the effects of benefit amounts, finding no adverse effects on subsequent labor market outcomes for either mothers or fathers.

PFL and Children

PFL could impact child well-being in several ways. Access to leave may lower maternal stress during pregnancy, which has been shown to adversely affect child well-being at birth and in later life (Currie and Rossin-Slater, 2013; Black, Devereux, and Salvanes, 2016; Aizer, Stroud, and Buka, 2016; Persson and Rossin-Slater, 2018). PFL may also impact breastfeeding duration, enable parents to obtain prompt health care for their infants, and strengthen parent-child bonds. Payment during leave could increase a family's material resources for child rearing.

While studies of the impacts of extensions in already generous PFL policies on children from other countries find no effects (Baker and Milligan, 2008; 2010; 2015; Liu and Skans, 2010; Dahl et al., 2016), they offer little guidance on what one might expect from the introduction of shorter PFL programs such as those considered in the U.S.

An important exception comes from research on the long-term impacts of the 1979 implementation of a four-month paid maternity leave policy in Norway: Carneiro, Løken, and Salvanes (2015) show that it led to a reduction in high school drop-out rates and an increase in adult earnings, concentrated among children from disadvantaged backgrounds.

In the U.S., Stearns (2015) finds that the introduction of paid maternity leave through the Temporary Disability Insurance system in five states lowered rates of low birth weight and pre-term births, with the largest impacts among African-American and unmarried mothers. California's PFL introduction has been associated with increases in breastfeeding rates (Huang and Yang, 2015) and improvements in some measures of child health in kindergarten (Lichtman-Sadot and Pillay Bell, 2017).

PFL and Employers

A central concern among opponents of PFL is about the costs imposed on employers. Even if employers do not have to fund the leave (as in California and New Jersey), they could face indirect costs from needing to hire replacement workers or coordinating schedules of their employees. Alternatively, employers could experience cost savings, if workers who would have otherwise quit instead return to their jobs and reduce turnover rates.

The existing evidence on the impacts of PFL on employers is very sparse. Surveys of selected firms in California and New Jersey find that the vast majority of employers report either positive or neutral effects of PFL on employee productivity, morale, and costs (Appelbaum and Milkman, 2011; Milkman and Appelbaum, 2013; Ramirez, 2012; Lerner and Appelbaum, 2014). These studies do not find much evidence that program administration has been challenging or that employees resent their co-workers who take leave.

Bartel et al. (2016) surveyed small and medium-sized businesses in the food services and manufacturing sectors in Rhode Island, Connecticut, and Massachusetts just before and shortly after Rhode Island's PFL program went into effect. Comparing Rhode Island employers pre- and post-law with Massachusetts and Connecticut employers over the same time period, the study found no evidence of significant impacts of the law on outcomes such as turnover rates or employee productivity. However, the sample sizes were small, limiting the conclusions that could be drawn from this analysis. Bedard and Rossin-Slater (2016) use administrative data on nearly all California employers that ever existed between January 2000 and December 2014 and study within-employer changes in outcomes as a function of changes in employee leave-taking rates. They find no evidence that firm turnover or wage costs change when leave-taking rates rise — in fact, the average firm has a lower per-worker wage bill and a lower turnover rate today than it did before CA-PFL was introduced.

Conclusion

As other states and the nation as a whole consider PFL legislation, understanding the costs and benefits of existing programs is critically important. The current research yields the following key takeaways.

First, despite barriers to leave takeup, both mothers and fathers respond to the introduction of PFL legislation through higher leave-taking rates and longer leave duration.

Second, leave entitlements less than one year in length can improve job continuity for women and increase their employment rates several years after childbirth, although longer leaves could have adverse consequences for mothers' long-term career opportunities.

Third, extensions in already generous paid-leave policies in other countries have no impact on child well-being, but the introduction of shorter paid-leave programs improves children's short- and long-term outcomes.

Lastly, while more research needs to be done, the current evidence shows minimal impacts of existing state programs on employers.

Paid family leave programs seem to afford at least some benefits to workers and their families, at little or no cost to the employers. Importantly, the benefits may be largest for the least advantaged families, where parents are the least likely to have access to any employer-provided paid leave. A growing body of evidence underscores rising inequality and persistent intergenerational transmission of low socio-economic status in America, perpetuated through disparities in early childhood circumstances (Solon, 2001; Currie, 2011; Aizer and Currie, 2014; Chetty et al., 2014).

A federal PFL policy could level the playing field for children from all backgrounds and play a role in curbing the rising inequality trend.

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