

The Impact of Paid Family Leave Policies

*Prepared by the Senate Office of Research for the Senate Select Committee
on Women, Work and Families*

November 20, 2019

This paper is primarily focused on the impact of paid leave policies, particularly California's paid family leave program, on maternal and infant health, labor market outcomes, and effects on employers. It also includes information about the current status of paid family leave in federal and state law.

Introduction

The rise in working parents and an aging population continues to create a scenario where workers are increasingly under pressure to balance their jobs with family caregiving responsibilities. According to a Pew Research Center survey, between 2014 and 2016, 27 percent of Americans who were employed for pay, including those who were self-employed, reported that they took time off from work during the period following the birth or adoption of their child, to care for a family member with a serious health condition, or to deal with their own serious condition. Approximately 6 percent took off from work for more than one of these three reasons during this period.

The experiences of leave takers varied significantly depending on factors such as educational attainment, gender, and household income. The survey found middle- and higher-income leave takers are much more likely than their lower-income counterparts to have access to paid time off. The most common reason a worker opted not to take time off from work (72 percent) was loss of wages or salary. Lower-income workers who took leave were less likely than those with higher incomes to say they received at least some pay during their time off.¹

The increase in women's labor force participation has led to a rising share of mothers with infants and young children in the workforce. In 2016, 50 percent of children younger than 1 year of age nationwide were living in such an arrangement—40 percent with two working parents and 10 percent with a single working parent. Thirty years earlier, this share was 39 percent; and in 1976, only 20 percent of infants were living in a home where both parents were working.² Nearly one in five mothers with very young children work in low-wage jobs, and women of color make up more than half of mothers with very young children in low-wage jobs. About four in 10 mothers who have very young children and work in low-wage jobs are employed full time.³

¹ Juliana Horowitz et al., "Americans Widely Support Paid Family and Medical Leave, but Differ Over Specific Policies," Pew Research Center, March 23, 2017, p. 52, 54.

² Ibid, p. 8.

³ Karen Schulman, J. Tucker, and J. Vogtman, "Nearly One in Five Working Mothers of Very Young Children Work in Low-Wage Jobs," National Women's Law Center, April 2017, p. 2–3.

The number of people providing informal unpaid caregiving to older adults also is expected to rise. Population estimates from the California Department of Finance project that the proportion of Californians age 65 and older will increase from the current share of 15 percent to nearly 26 percent by 2050⁴. Older adults also are staying in the labor force at higher rates than in previous decades. Nationally, among those 65 and older, approximately 18 percent were employed in 2018,⁵ up from 12 percent in 1980, according to the Pew Research Center.⁶

Federal Paid Family Leave

Currently, there is no federal law that requires private-sector employers to provide paid family leave (PFL) to their employees. This gives the United States the distinction of being the only industrialized country in the world not to offer some type of PFL. Although the Family and Medical Leave Act of 1993 provides eligible workers with a federal entitlement to unpaid leave for specified family caregiving needs, no federal law requires private-sector employers to provide paid leave. As of March 2019, 18 percent of private-industry employees had access to PFL voluntarily offered by their employers, and 88 percent had access to unpaid family leave such as the Family and Medical Leave Act.⁷ In contrast, 25 percent of state and local government workers nationwide had access to PFL benefits, and 94 percent had access to unpaid family leave. The availability of PFL in the private sector was more common among professional and management workers, high-paying occupations, full-time workers, and workers in large companies.⁸

There have been recent efforts on both sides of the aisle at the federal level to introduce a PFL program, although the approaches differ significantly. In December 2017, Congress passed H.R. 1, which included tax incentives for employers to voluntarily offer paid family and medical leave to employees. President Trump's fiscal year 2020 budget proposed to provide six weeks of financial support to new parents through state unemployment compensation programs. Congressional Republican proposals include allowing parents to obtain PFL benefits by agreeing to delay the start of their

⁴ California Department of Finance, "P-1: Total State Population Projections (2010-60), Total Population by Age (one-year increments)," <http://www.dof.ca.gov/Forecasting/Demographics/Projections/>, accessed on November 14, 2019.

⁵ U.S. Census Bureau, "2018 American Community Survey One-Year Estimates," <https://data.census.gov>, accessed on November 14, 2019.

⁶ Juliana Horowitz et al., "Americans Widely Support Paid Family and Medical Leave, but Differ Over Specific Policies," Pew Research Center, March 23, 2017, p. 8.

⁷ U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2019," <https://www.bls.gov/ncs/ebs/benefits/2019/employee-benefits-in-the-united-states-march-2019.pdf>, accessed on November 6, 2019. According to the Bureau of Labor Statistics glossary, "Paid family leave" is "granted to an employee to care for a family member and includes paid maternity and paternity leave. The leave may be available to care for a newborn child, an adopted child, a sick child, or a sick adult relative. Paid family leave is given in addition to any sick leave, vacation, personal leave, or short-term disability leave that is available to the employee." "Unpaid leave" is "granted to an employee to care for a family member. The leave may be used to care for a newborn child, an adopted child, a sick child, or a sick adult relative. A typical family leave plan extends leave without pay to an employee for a period of several months while the employee cares for the family member."

⁸ Ibid.

Social Security payments and allowing for tax-advantaged distributions from health savings accounts during family or medical leave. Democratic proposals for PFL include a plan to finance the program through an increase in the payroll tax shared by employers and employees. Proposals introduced by both Democratic and Republican cosponsors include a proposal that would allow new parents to accelerate a portion of their child tax credit for immediate pay following the birth of a child and a proposal to create tax-exempt parental leave savings accounts for the care of a child. In May 2019, the Senate Finance Committee established a bipartisan working group to study the issue of PFL and to consider the issue of federal PFL policies.

States with PFL Programs

As of November 2019, eight states and the District of Columbia have enacted legislation to create PFL programs for eligible workers who engage in specific caregiving activities. California, Rhode Island, and New Jersey are currently operating PFL programs. The New York program began phased implementation in 2018 and is slated to offer 12 weeks of paid family leave by 2021. The District of Columbia's and Washington state's PFL legislation was enacted in 2017, and benefit payments start in 2020 for both programs. Massachusetts' PFL program was enacted in 2018, and its benefit payments are to begin in January 2021. Connecticut and Oregon both enacted PFL programs in 2019; benefits will be effective in Connecticut in 2022 and in Oregon in 2023.

State PFL programs vary in specifics such as duration, eligibility, percentage wage replacement, how they are funded, and whether there is job protection. They offer between four and 12 weeks of benefits to eligible workers, with six states offering, or in the process of implementing, 12 weeks of PFL. Other differences include, for example, the definition of family member. Multiple states have more flexible definitions than California, such as Oregon, which includes in the definition of family member an "individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship." Many other states have considered PFL legislation recently, including Minnesota, Colorado, Vermont, and New Hampshire.

California's PFL Program

California was the first state in the nation to introduce a PFL program. SB 1661 (Kuehl), Chapter 901, Statutes of 2002,⁹ enacted an expansion to the State Disability Insurance program to extend disability compensation to individuals who take time off work to care for a seriously ill family member¹⁰ or to bond with a new child entering the family through birth, adoption, or foster care placement. PFL benefits are financed by covered workers through mandatory payroll deductions and provide up to six weeks of partial wage replacement within a 12-month period. Presently, PFL provides benefits that are approximately 60 percent of an employee's salary for higher income earners and 70 percent for lower income earners. The six weeks of benefits can be paid

⁹ Although the legislation was enacted in 2002, PFL benefits officially became available to covered workers on July 1, 2004.

¹⁰ "Seriously ill family member" under PFL is defined as a child, parent, parent-in-law, grandparent, grandchild, sibling, spouse, or registered domestic partner.

consecutively or may be split up while the claimant is working part time or intermittently as a result of their family leave. PFL does not provide job protection, only monetary benefits; however, an employee's job may be protected through other federal or state laws. Without job protection, an employee has no right to be reinstated to the same or a comparable job after returning from leave.

Between 2004 and 2018, more than 3 million PFL initial claims were filed with the Employment Development Department (EDD).¹¹ PFL claims fall into two broad categories: bonding claims (to take time off to bond with a new child) or caregiving claims (caring for an ill family member). Bonding claims are significantly more common than caring claims, although both types of claims have grown since PFL was first launched. Over a decade, individuals who used the California PFL program typically made only a single claim.¹²

In June 2019, Governor Newsom signed SB 83 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2019, which, beginning July 1, 2020, will extend from six to eight weeks the maximum duration of PFL benefits individuals may receive. SB 83 also includes legislative intent language to establish a task force to develop a proposal by November 2019 to extend the duration of PFL to six months by 2021–22 for parents to care for and bond with their newborn or newly adopted child. The proposal also will address job protection and the goal of providing a 90 percent wage replacement rate for low-wage workers.

In addition to California PFL, San Francisco has had its own supplemental PFL program since 2017. The Paid Parental Leave Ordinance (PPLO) requires employers to provide supplemental compensation to employees receiving California PFL for purposes of bonding with a new child through birth, adoption, or foster care placement. During the leave period, covered employers are required to provide supplemental compensation so the California PFL compensation plus the supplemental compensation equals 100 percent of an employee's gross weekly wage.

Research shows the availability of California PFL increases leave taking and that the magnitude of the increases may be especially large for disadvantaged mothers.¹³ However, research also shows that workers who need the California PFL program most urgently (such as low-wage workers, young workers, immigrants, and disadvantaged minorities) are least likely to know about the program.¹⁴ There are several factors that affect the rates of leave taking among workers—for example, a recent study found that

¹¹ California Employment Development Department, "Overview of California's Paid Family Leave Program, 2019," https://www.edd.ca.gov/pdf_pub_ctr/de2530.pdf, accessed November 4, 2019.

¹² Kelly Bedard and M. Rossin-Slater, "Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department," October 13, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf, accessed on November 4, 2019.

¹³ Maya Rossin-Slater, C.J. Ruhm, and J. Waldfogel, "Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management*, vol. 32, no. 2, 2013, p. 224–245.

¹⁴ Ruth Milkman and E. Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of U.S. Work-Family Policy*, (Ithaca; London: Cornell University Press, 2013), p. 14.

workers in the lowest earnings quartile and who were employed in small firms were less likely to use California’s PFL program, compared with their counterparts with higher wages and in larger firms.¹⁵ Another found that higher benefits lead to longer leave duration and higher earnings one year after the claim.¹⁶ These results suggest that higher wage replacement rates and increased access to job protection may be important to increase PFL usage.

Effects of Family Leave on Maternal Health

Recent research on the health effects of family leave posits that parental leave is not only a workforce issue, but a public health one, and uses PFL as an example of a policy that may promote public health. Policies that relieve stress on new parents, such as PFL, “can have outside impact on long-term health trajectories and help to redress population-level health disparities.”¹⁷ A recent study based on a national survey found that women who took paid maternity leave experienced a 51 percent decrease in the odds of being rehospitalized at 21 months postpartum, compared with women taking unpaid or no leave. They also had 1.8 times the odds of doing well with exercise and stress management, compared with women taking only unpaid leave.¹⁸

The bulk of the research on the effects of family leave on parental health appears to focus on the mental health benefit of longer leaves for working mothers. Postpartum depression occurs in nearly 15 percent of births. It may begin shortly before or any time after childbirth but commonly begins between a week and a month after delivery.¹⁹ Research suggests that longer leaves result in fewer maternal depressive symptoms postpartum, lower incidence of depression, and greater life satisfaction.²⁰ A 2019 study found a 5.5 percent to 9 percent improvement in self-reported ratings of mental health among California mothers after the 2004 implementation of PFL, as compared to women who gave birth in California before the law went into effect and to those who live in other states.²¹ Another study found that a maternity leave of fewer than 12 weeks was associated with greater incidence of postpartum depression.²² Researchers also have

¹⁵ Sarah Bana, K. Bedard, and M. Rossin-Slater, “Trends and Disparities in Leave Use Under California’s Paid Family Leave Program: New Evidence from Administrative Data,” *American Economic Association Papers and Proceedings*, vol. 108, May 2018, p. 388–91.

¹⁶ Kelly Bedard and M. Rossin-Slater, “Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department,” October 13, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf, accessed on November 4, 2019.

¹⁷ Darby Saxbe, M. Rossin-Slater, and D. Goldenberg, “Transition to Parenthood as a Critical Window for Adult Health,” *American Psychologist*, vol. 73, no. 9, December 2018, p. 1,190–1,200.

¹⁸ Judy Jou et al., “Paid Maternity Leave in the United States: Associations with Maternal and Infant Health,” *Maternal and Child Health Journal*, vol. 22, no. 2, 2018, p. 216–225.

¹⁹ National Institute of Mental Health, “Postpartum Depression Facts,” <https://www.nimh.nih.gov/health/publications/postpartum-depression-facts/index.shtml>, accessed on November 4, 2019.

²⁰ Katharina Staehelin, P.C. Berteau, and E.Z. Stutz, “Length of Maternity Leave and Health of Mother and Child: A Review,” *International Journal of Public Health*, vol. 52, no. 4, 2007, p. 202–209.

²¹ Lindsey Rose Bullinger, “Effect of Paid Family Leave on Infant and Parental Health in the United States,” *Journal of Health Economics*, vol. 66, 2019, p. 101–116.

²² Katelin R. Kornfeind and H.L. Sipsma. “Exploring the Link Between Maternity Leave and Postpartum Depression,” *Women’s Health Issues*, vol. 28, no. 4, 2018, p. 321–26.

found that in the first postpartum year, an increase in leave duration is associated with a decrease in depressive symptoms until six months postpartum.²³

A study of a nationally representative sample of 14,000 children born in 2001 and followed until kindergarten looked at maternal health outcomes and found that both the length of leave and how long it was paid were associated with reductions in depressive symptoms, as well as overall health improvement.²⁴ Studies have linked maternal mental health to child development, finding that depression in new mothers can be an important risk factor for adverse emotional and cognitive outcomes for children during the first few years of life.²⁵

Effects of Family Leave on Breastfeeding Rates and Duration

The length of maternity leave also is linked to breastfeeding duration. The American Academy of Pediatrics recommends that infants be exclusively breastfed for about the first six months with continued breastfeeding alongside introduction of complementary foods for at least one year. Along with numerous benefits for infants, breastfeeding is associated with maternal health benefits such as a decreased risk of breast and ovarian cancer, decreased postpartum bleeding and more rapid uterine involution, and decreased menstrual blood loss and increased child spacing.²⁶

It is estimated that California PFL has increased exclusive breastfeeding from 3 percent to 5 percent and rates of breastfeeding through three, six, and nine months by 10 percent to 20 percent.²⁷ In a study examining California and New Jersey, PFL policies resulted in a modestly greater likelihood of exclusively breastfeeding at six months. However, the study also found that while exclusive breastfeeding improved after implementation of PFL policies in the overall sample, additional benefits were noted for married, white, higher-income, and older mothers. This suggests that subsequent PFL policies should be designed to target more vulnerable mothers.²⁸

²³ Rada K. Dagher, P.M. McGovern, and B.E. Dowd, "Maternity Leave Duration and Postpartum Mental and Physical Health: Implications for Leave Policies," *Journal of Health Politics, Policy and Law*, vol. 39, no. 2, 2014, p. 369–416.

²⁴ Pinka Chatterji and S. Markowitz, "Family Leave After Childbirth and the Health of New Mothers," National Bureau of Economic Research, working paper, July 2008, p. 21; researchers used data from Early Childhood Longitudinal Study.

²⁵ Ronald F. Gray, A. Indurkha, and M.C. McCormick, "Prevalence, Stability, and Predictors of Clinically Significant Behavior Problems in Low Birth Weight Children at 3, 5, and 8 Years of Age," *Pediatrics*, vol. 114, no. 3, 2004, p. 736–743.

²⁶ American Academy of Pediatrics, "Benefits of Breastfeeding," <https://www.aap.org/en-us/advocacy-and-policy/aap-health-initiatives/Breastfeeding/Pages/Benefits-of-Breastfeeding.aspx>, accessed on November 4, 2019.

²⁷ Rui Huang and M. Yang, "Paid Maternity Leave and Breastfeeding Practice Before and After California's Implementation of the Nation's First Paid Family Leave Program," *Economics and Human Biology*, vol. 16, January 2015, p. 45–59.

²⁸ Rita Hamad, S. Modrek, and J. White, "Paid Family Leave Effects on Breastfeeding: A Quasi-Experimental Study of U.S. Policies." *American Journal of Public Health*, vol. 109, no. 1, 2018, p. e1–e3.

Effects of Family Leave on Infant and Child Health

Supporting new parents is an important way to promote healthy child development. Parent–child relationships are among the most important social relationships, and policies that “reduce stress on parents and protect the parent–child bond can reverberate through families, workplaces, and societies and resonate for generations.”²⁹ Researchers have found PFL to be beneficial to infant and child health. For example, a 2019 study found improvements in parent-reported overall infant health and reduced rates of asthma among children born after PFL implementation in California.³⁰

Recent research on PFL found that it significantly predicts lower odds of infant rehospitalization.³¹ One study that reviewed infant hospitalizations in California after PFL was implemented found that hospital admissions for infants declined by 3 percent to 6 percent. This decrease was concentrated among causes that are potentially affected by extended or better home care, and to a lesser extent, breastfeeding.³² Another study looked at infant and young toddler hospitalizations for abusive head trauma and associations between California’s PFL policy and hospital admissions. Compared with seven states without PFL policies, the introduction of PFL in California was found to have resulted in a significant decrease in hospital admissions for pediatric head trauma for infants and young toddlers.³³

As noted previously, the length of maternity leave also is linked to breastfeeding duration, and PFL in California has been estimated to have increased exclusive breastfeeding from 3 percent to 5 percent and rates of breastfeeding through three, six, and nine months by 10 percent to 20 percent.³⁴ Breastfeeding can protect against a variety of diseases and conditions in infants, such as diarrhea, respiratory tract infections, type 1 and type 2 diabetes, lymphoma, leukemia, and childhood obesity.³⁵

PFL also may affect the health outcomes of older children. One recent study looked at elementary schoolchildren following the introduction of PFL in California.³⁶ The study evaluated the incidence of health outcomes such as ADHD, weight, and hearing issues

²⁹ Darby Saxbe, M. Rossin-Slater, and D. Goldenberg, “Transition to Parenthood as a Critical Window for Adult Health,” *American Psychologist*, vol. 73, no. 9, December 2018, p. 1,190–1,200.

³⁰ Lindsey Rose Bullinger, “Effect of Paid Family Leave on Infant and Parental Health in the United States,” *Journal of Health Economics*, vol. 66, 2019, p. 101–116.

³¹ Judy Jou et al., “Paid Maternity Leave in the United States: Associations with Maternal and Infant Health,” *Maternal and Child Health Journal*, vol. 22, no. 2, 2018, p. 216–225.

³² Ariel Marek Pihl and G. Basso, “Did California Paid Family Leave Impact Infant Health?” *Journal of Policy Analysis and Management*, vol. 38, no. 1, 2019, p. 155–180.

³³ Joanne Klevens et al., “Paid Family Leave’s Effect on Hospital Admissions for Pediatric Abusive Head Trauma,” *Injury Prevention*, vol. 22, no. 6, 2016, p. 442–45.

³⁴ Rui Huang and M. Yang, “Paid Maternity Leave and Breastfeeding Practice Before and After California’s Implementation of the Nation’s First Paid Family Leave Program,” *Economics and Human Biology*, vol. 16, January 2015, p. 45–59.

³⁵ American Academy of Pediatrics, “Benefits of Breastfeeding,” <https://www.aap.org/en-us/advocacy-and-policy/aap-health-initiatives/Breastfeeding/Pages/Benefits-of-Breastfeeding.aspx>, accessed on November 4, 2019.

³⁶ Shirlee Lichtman-Sadot, and N.P. Bell, “Child Health in Elementary School Following California’s Paid Family Leave Program,” *Journal of Policy Analysis and Management*, vol. 36, no. 4, 2017, p. 790–827.

usually not diagnosed until early elementary school. The results suggest improvements in health outcomes among California elementary school children following PFL's introduction. PFL's role in increasing breastfeeding, reducing prenatal stress, prompt medical checkups at infancy, and reduced non-parental care during infancy have been associated with these health outcomes. The improvements were driven by children from less advantaged backgrounds, which suggests that California's PFL program has the greatest effect on leave-taking duration after childbirth mostly for less advantaged mothers who previously could not afford to take unpaid leave.

PFL and Nursing Home Utilization

A recent study is the first of its kind to examine long-term care outcomes associated with a state-level policy on paid family leave.³⁷ It analyzed whether California's PFL program influenced nursing home utilization in California during the 1999 to 2008 period and found that PFL reduced nursing home usage by about 0.65 percentage points, which represents an 11 percent relative decline in elderly nursing home utilization. While the study did not directly test the mechanism connecting PFL to lower nursing home utilization, the authors posit that PFL may have increased the hours of care provided by family caregivers, thus reducing institutionalization.

PFL's Effect on Labor Market Participation

There are multiple studies on the effect of California PFL on women's labor market outcomes. While there is evidence that California's PFL program may increase employment and job continuity of mothers, the results are not uniform among all subgroups. For example, a 2018 working paper found that high-earning women who receive a higher benefit during leave are more likely to return to their pre-leave employers rather than find new jobs, potentially because higher benefits during leave may improve worker morale or promote firm loyalty.³⁸ Another study found that among California PFL claimants taking bonding leave to care for a new child, higher-earning women are more likely to be attached to the labor market after the leave than lower-earning women. One study found that between 38 percent and 55 percent of high-earning women are classified as always employed post-leave, while between 21 percent and 32 percent of low-earning women are similarly classified. This pattern holds true for men taking leave; between 49 percent and 64 percent of higher-earning men are more likely to be attached to the labor market after the leave, while between 36 percent and 45 percent of lower-earning men are similarly classified.³⁹

³⁷ Kanika Arora and D.A. Wolf, "Does Paid Family Leave Reduce Nursing Home Use? The California Experience," *Journal of Policy Analysis and Management*, vol. 37, no. 1, 2018, p. 38–62.

³⁸ Sarah Bana, K. Bedard, and M. Rossin-Slater, "Impacts of Paid Family Leave Benefits: Regression Kink Evidence From California Administrative Data," National Bureau of Economic Research, working paper, issued March 2018, revised June 2019, p. 3.

³⁹ Kelly Bedard and M. Rossin-Slater, "Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department," October 13, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf, accessed on November 4, 2019.

One study using data from 1999–2010 found evidence that PFL in California increased the hours worked of employed mothers of 1- to 3-year-olds by 10 percent to 17 percent and that their incomes may have risen by a similar amount.⁴⁰ Another California-specific study found that rights to paid leave were associated with higher work and employment probabilities for mothers nine to 12 months after birth, possibly because it increases job continuity among those with relatively weak labor force attachments. The study also found positive effects of California's program on hours and weeks of work during their child's second year of life.⁴¹ Among PFL claimants who remain in the labor market four quarters after the claim, another study found that all are more likely to end up at their pre-claim workplace than at a different workplace. Older and higher-earning women are more likely to return to their pre-claim employers than younger and lower-earning women, while men at all income levels are more likely to return to their pre-claim firms than women.⁴²

Other studies have found mixed results of California PFL on the labor market. One study found that the labor force participation rate among young women rose in California, compared with states that did not adopt PFL. However, the unemployment rate and the duration of unemployment among young women rose in California compared with men (particularly young men) and older women in California, and compared with other young women, men, and older women in states that did not adopt PFL, suggesting an unanticipated effect of the PFL program. The authors posit that PFL policies could alter employer demand for labor, with an increase in demand for men and older women and a decrease in demand for women of childbearing age. These demand shifts can result in higher rates of unemployment among young women relative to other population groups.⁴³

A 2019 working paper analyzed the short- and long-term effects of California PFL by comparing the careers of women who were able and unconstrained from taking PFL with women who were eligible but constrained from taking it because they gave birth shortly before the program went into effect in 2004.⁴⁴ The authors found that new mothers who took PFL did not have increased employment, wage earnings, or attachment to pre-birth employers, and found statistically significant reductions in employment and annual wages 10 years after PFL was implemented. The authors posit that the effects on annual wage earnings appear to be driven by factors such as mothers working fewer hours and weeks and changing to jobs with lower wages and

⁴⁰ Maya Rossin-Slater, C.J. Ruhm, and J. Waldfogel, "Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management*, vol. 32, no. 2, 2013, p. 224–245.

⁴¹ Charles L. Baum and C. Ruhm, "Effects of Paid Family Leave in California on Labor Market Outcomes," *Journal of Policy Analysis and Management*, vol. 35, no. 2, 2016, p. 333–356.

⁴² Kelly Bedard and M. Rossin-Slater, "Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department," October 13, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf, accessed on November 4, 2019.

⁴³ Tirthatanmoy Das and S.W. Polachek, "Unanticipated Effects of California's Paid Family Leave Program," *Contemporary Economic Policy*, vol. 33, no. 4, 2015, p. 619–635.

⁴⁴ Martha J. Bailey et al., "Long-Term Effects of California's 2004 Paid Family Leave Act on Women's Careers: Evidence From U.S. Tax Data," National Bureau of Economic Research, working paper, October 2019, p. 24–26.

potentially greater nonwage compensation. The analysis also found that some of the decline in annual wages was offset by increases in self-employment income, suggesting that some women transitioned to more flexible working arrangements. However, by increasing parental time spent with children, PFL may have benefited families even if it did not reduce the gender wage gap. Researchers suggest that to further promote gender equality in the workplace, PFL should be coupled with other policies such as affordable child care and encouraging more men to take paternity leave.

Caretaking claimants are more likely than bonding claimants to be attached to the labor market both before and after PFL. For most groups, claimants' average firm sizes and quarterly earnings also are higher than those of bonding claimants. Similar to bonding claimants, high-income caretaking claimants are more attached to the labor market than low-income caretaking claimants and return to their pre-claim employers at higher rates. Caretaking claimants also tend to be older than bonding claimants, and caretaking claims are highest for women ages 45–54.⁴⁵

Effect of PFL on Employers

The recent implementation of mandated leave programs in a few states has led to primarily survey-based studies on the impact of parental leave policies on employers, although more research is needed in this area.

Recent research has found that companies have adapted to the implementation of PFL, and that some employers have experienced cost savings as a result of PFL. The cost savings were found to result from PFL indirectly subsidizing employers who previously provided other forms of wage replacement during family leaves, insofar as their employees draw on the state's PFL benefits instead. The study also found that "only a few employers have incurred additional costs as a result of the introduction of PFL, and even they have benefited from improved worker morale and reduced turnover." Small businesses (those with fewer than 50 employees) report more positive or neutral outcomes than large businesses (500-plus employees) in profitability, productivity, retention, and employee morale.⁴⁶

Another recent study commissioned by the EDD examined data on California employers between January 2000 and December 2014. It concluded there is no evidence that firms with higher rates of PFL take-up experience higher wage costs or significantly increased employee turnover rates. It found the average firm has a lower per worker wage bill and a lower turnover rate today than it did before PFL was introduced.⁴⁷

⁴⁵ Kelly Bedard and M. Rossin-Slater, "Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department," October 13, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf, accessed on November 4, 2019.

⁴⁶ Ruth Milkman and E. Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of U.S. Work-Family Policy*, (Ithaca; London: Cornell University Press, 2013), p. 13–14.

⁴⁷ Kelly Bedard and M. Rossin-Slater, "Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department," October 13, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf, accessed on November 4, 2019.

As for San Francisco’s supplemental PPLO program, according to a survey of Bay Area employers conducted in 2018, 78 percent of San Francisco firms supported PPLO, while 6 percent opposed it. Support was slightly lower among firms with fewer than 50 employees. The vast majority of employers reported their support of the PPLO would either improve or not change if it was funded through a payroll tax like California’s PFL program rather than being self-financed through employers. The survey found little evidence that implementing new policies or expanding existing paid leave policies negatively affected employers as only 6 percent reported adverse effects on profitability. Some 28 percent of firms that implemented new policies or expanded existing policies reported subsequent changes for their business, employees, or customers, with the most commonly reported changes being to raise prices (16 percent) to finance paid leave benefits. Another 19 percent of firms reported improved employee morale and 17 percent reported improved retention.⁴⁸

The California Society for Human Resource Management recently noted that employers are enhancing their benefits to recruit and retain employees in a tight labor market. According to the society’s 2018 employee benefits survey, employer-based paid family leave programs have increased significantly from 2016. Paid maternity leave, which includes coverage by family or parental leave policies but excludes leave covered by short-term disability or state law, rose to 35 percent of organizations (up from 30 percent in 2017). Paid paternity leave rose to 29 percent of organizations (up from 24 percent in 2017).⁴⁹ In 2019, many of these changes have stabilized, with all types of paid parental leave remaining within 2 percentage points of their 2018 measure.⁵⁰

—*Prepared by Rebecca Rabovsky*

⁴⁸ Julia M. Goodman, W.H. Dow, and H. Elser, “Evaluating the San Francisco Paid Parental Leave Ordinance: Employer Perspectives,” University of California at Berkeley, February 2019, p. 7–14.

⁴⁹ Society for Human Resource Management, “2018 Employee Benefits,” https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2018_percent20Employee_percent20Benefits_percent20Report.pdf, accessed November 5, 2019.

⁵⁰ Society for Human Resource Management, “2019 Employee Benefits,” <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/benefits19.aspx>, accessed November 5, 2019.