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Executive Summary

“The Effects of California’s Paid Family Leave Program on Mothers’ Leave-Taking and Subsequent Labor Market Outcomes” (NBER Working Paper No. 17715)

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This paper provides the first comprehensive analysis of the causal effects of California’s paid family leave (PFL) program on new mothers’ leave-taking and subsequent labor market outcomes. Particular attention is paid to examining whether PFL has reduced previous disparities in leave-taking, whereby advantaged mothers have been much more likely to use leave than their less advantaged counterparts (Han, Ruhm, and Waldfogel, 2009).

- The United States is the only advanced industrialized country without a national law providing new mothers (and often fathers) with entitlements to paid family leave (PFL). However, two states have implemented paid leave insurance programs, the first of these being California, where PFL took effect in July 2004.
- Until enactment of the Family and Medical Leave Act (FMLA) in 1993, the United States did not even provide rights to *unpaid* leave. Under the FMLA, eligible workers are offered 12 weeks of job-protected but unpaid time off work to care for newborn or newly adopted or foster children (as well as for other reasons such as serious medical problems). However, firm size and work history requirements imply that only around half of all employees are eligible for FMLA leave.
- California PFL offers six weeks of partially paid leave income to bond with a newborn or a recently placed foster or adoptive child, or for other reasons (such as to care for seriously ill relatives). Unlike the FMLA, almost all private sector workers are eligible and wage replacement is 55% up to a ceiling based on the state’s average weekly wage (Fass, 2009).
- We use data from the March Current Population Survey (CPS) from 1999-2010. To isolate the causal effects of PFL from other factors, we implement an approach in which the leave-taking outcomes of employed mothers with children who are less than one year old (the treatment group) are compared to outcomes of three control groups, before and after the implementation of PFL in 2004.

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- As control groups, we consider employed mothers with older children aged 5-17 years old, employed childless women, employed men with non-infant children, and employed new mothers in other states. The analysis controls for general trends in leave-taking over time and isolates changes in leave-taking that are specifically due to PFL implementation.
- We also perform subgroup analysis by studying the effects of PFL separately for mothers with different levels of education (high school or less, some college, and college or more), marital status, and race/ethnicity (non-Hispanic white, black, and Hispanic).

RESULTS

- **The analysis provides robust evidence that California's PFL program more than doubled leave use, increasing it from around three weeks to six or seven weeks for the typical new mother.** Such substantial effects seem reasonable since eligibility for California PFL is nearly universal. Moreover, some workers who cannot afford to take unpaid time off work may be able to do so when receiving partial wage replacement.
- **The growth in leave-taking is especially large for relatively disadvantaged mothers. In particular, the estimates indicate that non-college educated, unmarried, Hispanic, and black treatment group mothers increased average time on leave from between one and two weeks to between four and seven weeks.** By contrast, college-educated, married, and non-Hispanic white mothers were predicted to use six to seven weeks of paid leave after implementation of California's PFL program, versus three to five weeks before it. **Thus, the California paid leave program substantially reduced previous disparities in leave-taking.**
- Our results are consistent across different control groups and specifications.
- We also provide an exploratory analysis of the subsequent labor market outcomes of mothers when their children are one to three years old. This investigation provides suggestive evidence that PFL led to 6% to 9% increases in work hours, conditional on employment, one to three years after the birth, and possibly with similar growth in wage income.
- The overall conclusion is that California's PFL program achieved the first-order objective of increasing leave-taking among new mothers, particularly those who are disadvantaged. Moreover, it probably did not damage their medium-term labor market outcomes and may have yielded benefits.
- Link to the full report: <http://www.nber.org/papers/w17715>.

REFERENCES

Fass, Sarah. 2009. *Paid Leave in the States: A Critical Support for Low-Wage Workers and Their Families*. Mailman School of Public Health, Columbia University, accessed at http://www.nccp.org/publications/pdf/text_864.pdf.

Han, Wen-Jui, Christopher J. Ruhm and Jane Waldfogel. 2009. "Parental Leave Policies and Parents' Employment and Leave-Taking." *Journal of Policy Analysis and Management* 28(1): 29-54.