

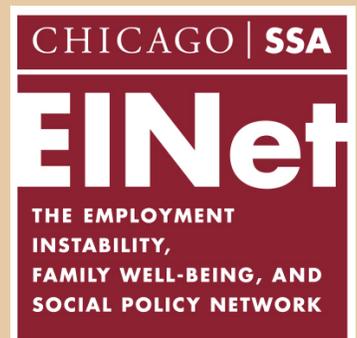


Paid Family Leave May Reduce Poverty Following a Birth: Evidence from California

A Research Brief of the EInet Measurement Group

Alexandra B. Stanczyk | University of California, Berkeley

June, 2016



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PAID FAMILY LEAVE MAY REDUCE POVERTY FOLLOWING A BIRTH: EVIDENCE FROM CALIFORNIA

A RESEARCH BRIEF OF THE EINet MEASUREMENT GROUP

Alexandra B. Stanczyk¹ | University of California, Berkeley
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ABSTRACT

Economic insecurity is common in the time following a birth and is detrimental to parent, child, and family wellbeing. Using a quasi-experimental research design, this study finds that California's Paid Family Leave program (CA-PFL) reduces mothers' risk of poverty following a birth, particularly among economically disadvantaged mothers. Efforts to add job protection, increase benefit levels, and raise awareness and take-up of the program could allow CA-PFL and similar programs to have even greater impact.

CALIFORNIA'S PAID FAMILY LEAVE PROGRAM (CA-PFL)

Implemented in 2004, CA-PFL provides parents in the state with six weeks of leave paid at 55 percent of pre-leave wages. CA-PFL is available on equal terms to men and women, and can be used to bond with a new baby or to care for a seriously ill family member. In addition to being one of the only publicly provided paid family leave programs in the US, CA-PFL has uniquely broad eligibility requirements. Parents are eligible to receive benefits if they are employed or actively looking for work when the leave period begins and have at least \$300 in earnings in roughly the year prior to leave. CA-PFL may be especially beneficial to low-income parents, who are unlikely to have access to paid leave through their employers (Winston, 2014).

In a new study, I test the expectation among policymakers, advocates, and researchers that programs like CA-PFL will boost economic wellbeing in the time following a birth. Economic insecurity during this period is common and can increase parents' stress, reduce the quality of partnered relationships, and is particularly harmful to children's development and later-life achievement (Duncan, Magnuson, & Votruba-Drzal, 2014). I find evidence that CA-PFL has little effect on the likelihood that mothers will experience poverty in the period closely following birth, but reduces poverty in the somewhat longer run, with strongest effects for single and less-educated mothers.

ESTIMATING THE EFFECTS OF CA-PFL

This study uses 2000–2013 data from the US Census Bureau's American Community Survey. I estimate the impact of CA-PFL on mothers' risk of poverty following a birth using a quasi-experimental research design. This design controls for many economic, demographic, and policy factors influencing economic wellbeing following a birth by comparing mothers in California who have access to CA-PFL in the post-implementation years to mothers in other states and mothers of older children who never had access to CA-PFL. I estimate results separately for mothers of infants (<1-year-olds) and mothers of 1-year-olds to provide some evidence of how effects differ from the period closely following birth to the longer term. I also look at results separately by mother's marital status and educational attainment.

RESULTS

Results show little evidence that CA-PFL increases or decreases poverty among mothers of infants.

This finding is in line with my expectation that, in the time closely following a birth, CA-PFL will affect economic wellbeing in opposing directions. The policy should boost economic wellbeing through providing pay during time off that would otherwise be unpaid or lower paid. However, CA-PFL has increased the amount of time that parents take off of work around a birth (Bartel, Baum, Rossin-Slater, Rhum, & Waldfogel, 2014) without full wage replacement, which likely reduces earnings and could increase the risk of poverty. The finding that CA-PFL has little net effect on poverty in the period closely following a birth suggests that the policy has allowed parents and infants to benefit from the positive health effects of longer periods of leave (Ziegler, Muenchow, & Ruhm, 2012), without negative economic consequences.

Results show that CA-PFL reduces poverty among mothers of 1-year-olds.

This finding suggests that CA-PFL boosts economic wellbeing in the somewhat longer run. These longer-run gains are likely driven by the policy's demonstrated positive effect on mothers' employment, job continuity, work hours, and wages (Bartel et al., 2014).

These longer-run reductions in poverty associated with CA-PFL are concentrated among single and less-educated mothers.

As expected, these results suggest CA-PFL is particularly beneficial to economically disadvantaged mothers. These mothers are unlikely to have access to employer-provided paid leave and face a particularly high risk of quitting a job or being fired around a birth (Laughlin, 2011).

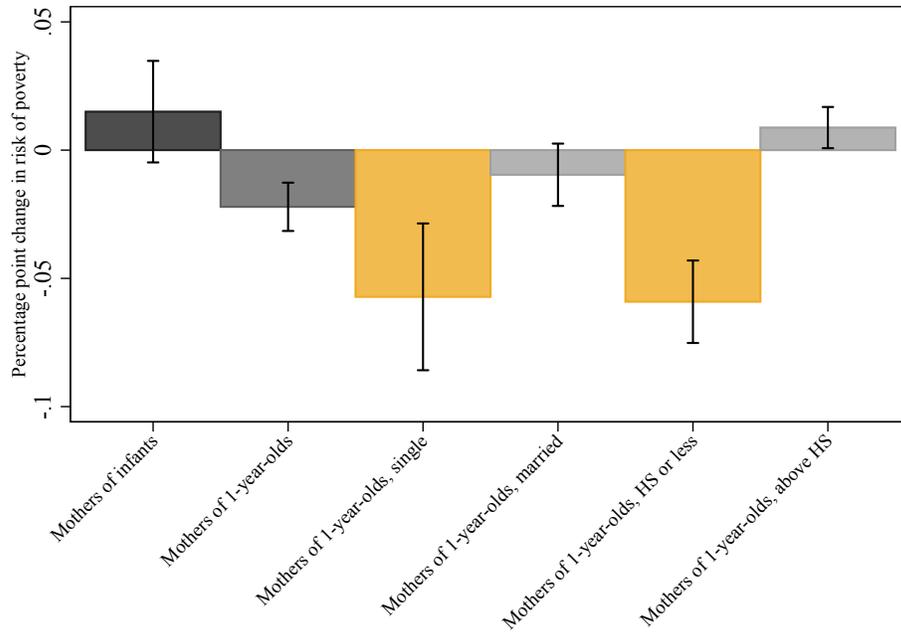
BUILDING ON THE SUCCESS OF CA-PFL

Findings from this study suggest that parents, children, and families will benefit from expanded access to programs like CA-PFL. Proposals for similar programs are active in several other states and municipalities, and at the federal level.

Improvements to CA-PFL could lead to even greater gains and could serve as a model for similar programs. First, CA-PFL should include job protection, which is currently not provided. Parents can access job protection during CA-PFL leave through the federal Family and Medical Leave Act or a similar California law. However, only a small share of low-income parents are covered by these programs (Ross Phillips, 2004). Additionally, a higher or progressive wage replacement rate, and a higher minimum benefit level (currently the minimum benefit is \$50/week), could lead to economic gains in the period closely following birth. An important step in this direction, recently enacted legislation (CA A.B. 908, 2016) will raise the CA-PFL wage replacement rate for low-income workers to 70 percent, starting in 2018. Finally, efforts to increase awareness and participation in CA-PFL, which are currently low overall and lowest among economically disadvantaged groups (Milkman & Appelbaum, 2013), could also increase the policy's reach. These efforts could include greater communication and partnership between the state agency that administers CA-PFL and county social service agencies.

Overall, findings from this study suggest that a policy like CA-PFL could be an effective approach to boost economic wellbeing in the critical period following a birth.

FIGURE. ESTIMATED EFFECTS OF CA-PFL ON RISK OF POVERTY AMONG MOTHERS OF INFANTS, MOTHERS OF 1-YEAR-OLDS, AND MOTHERS OF 1-YEAR-OLDS BY MOTHER’S MARITAL STATUS AND EDUCATIONAL ATTAINMENT



Notes. Figure presents the estimated effects of CA-PFL on risk of poverty among different groups of mothers. Results presented suggest that CA-PFL has led to a statistically significant reduction in poverty among mothers of 1-year-olds, which is concentrated among single and less-educated mothers of 1-year-olds. Policy effects are calculated using quasi-experimental triple difference regression models. Comparison groups include mothers of older children (10–14-year-olds) and mothers in other states (AZ, IL, NY, TX, WA). Regression models include state, year, and child-age fixed effects; a full set of two-way fixed effects; controls for mother and household characteristics; relevant state policy changes; and the state unemployment rate in the mother’s age group. All analyses are weighted with mother’s person weights provided by Census. Vertical bars indicate 95 percent confidence intervals created using standard errors clustered at the state-child-age level.

Source. Author’s calculation of 2000–2013 data from the American Community Survey.

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