



## What Americans Can Learn from California about the Advantages of Paid Parental Leave

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The United States is one of only two nations that do not provide paid leave to new mothers, with jobs guaranteed to be there when they return. Since 1993, the U.S. Family and Medical Leave Act has allowed some, but not all, new parents to take relatively short periods of *unpaid* leave. But most other industrialized countries guarantee all working parents longer periods of leave at higher rates of wage replacement. For example, Denmark, Finland, Germany, Norway, and Sweden provide at least eleven months of leave paid at more than two-thirds of earnings, and Canada provides a year off work with a 55 percent wage replacement rate. Two-thirds of developed countries also provide rights to more limited leaves for new fathers.

Previous research shows that paid leave policies contribute to improvements in mothers' employment and wages as well as reductions in infant mortality. But it is hard to tell whether experiences in Europe and Canada would translate to the United States. A better way to investigate what national U.S. paid leave might mean is by considering the experiences of U.S. states that have instituted their own paid leave programs or stretched temporary disability programs to cover new mothers. Here I focus on California, which instituted the first paid family and medical leave program in 2004. Often touted as a national model, the California program is similar to more recently instituted efforts in New Jersey and Rhode Island. With colleagues, I have explored the effects of this pioneering state program on families and the labor market.

### Effects of the California Law on Worker Choices

Available evidence shows that California's paid leave program is making a difference for workers in the state:

- More working parents are taking leaves during the period surrounding new births. On average, covered mothers use between two and five additional weeks of leave. New fathers also take more time off than in the past, usually just a few extra days.
- Leave use varies by sex in logical ways. New mothers use previously earned sick or vacation days to take some additional leave prior to births, but the largest increases in time off occur after Temporary Disability Insurance benefits are likely to be exhausted, at around eight weeks after births. Almost all increased leave-taking by new fathers occurs in the first few weeks after births, especially first births.
- Because the 1993 U.S. family leave law guaranteed only rights to take unpaid leaves, the employees who took increased time were disproportionately white, highly educated, and economically advantaged. By contrast, California's *paid* leave program appears to have increased leave-taking by all new mothers, including the economically less advantaged.

## Longer-Term Impacts

Early indications points to positive effects of the California program on families and the labor market. Because more workers are taking leaves, the program has been at least somewhat successful in allowing new parents to spend additional time with their children. In addition, the availability of paid leave appears to modestly increase the likelihood that working mothers in California will be on the job nine or more months after the births of their children – and there are some indications that working new mothers are earning higher wages. This makes sense, because paid leave programs are designed to allow working mothers to spend time at home with new infants without having to quit the jobs they previously held. New mothers retain productive skills linked to their current employers and thus tend to avoid prolonged future joblessness.

It is too soon to tell whether California mothers who take advantage of new rights to short paid family leaves will also reap long-term advantages in the labor market – better jobs and higher pay in the future. Long-term health benefits for children and families also remain to be seen. Leave use for new fathers is more limited in California (and other states), so we would not expect to see much impact on their labor market situations in the data available so far.

## Lessons for Other State and National Leave Policies

California's experiences with paid leave offer largely positive lessons to other states contemplating their own legislation and to proponents of nationwide paid leave. In the Golden State, worker rights to take modest amounts of paid leave have increased opportunities for both mothers and fathers to spend time at home with new infants. Despite concerns expressed prior to enactment, the program has been mostly a “non-event” for businesses. A large majority of California employers say in surveys that the leave law has had either no impact or a positive effect on their operations.

The California law is well designed compared to the unpaid and limited U.S. Family and Medical Leave Act. In California, leave pay is available, and almost all private sector employees are eligible. Specifically, coverage extends to those working for small employers. California's law replaces a reasonably high proportion of normal earnings when workers take leave, but also requires an employee “contribution,” in that not all wages are replaced during the leave. The relatively modest duration of the paid leave also limits the problems that might occur with a more expansive program, but does not preclude future extensions of leave durations.

In many ways, the California program provides a useful framework for future laws. In my view, new state laws or a nationwide program should include the following elements: widely available leave rights that include parents working for small employers; leave durations for both women and men falling somewhere between six and 14 weeks, as in California, New Jersey, and Rhode Island; and wage replacement somewhere between California's 55 percent and New Jersey's 66 percent, applicable up to relatively high wage and salary levels. Issues of administration and financing also need consideration as new laws are enacted. On the full range of

issues, every new jurisdiction has much to learn from California's experiences.

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Read more in Maya Rossin-Slater, Christopher Ruhm and Jane Waldfogel, "**The Effects of California's Paid Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes.**" *Journal of Policy Analysis and Management*, 32, no. 2 (2013): 224-245; and Charles L. Baum and Christopher J. Ruhm, "The Effects of Paid Family Leave in California on Labor Market Outcomes." *Journal of Policy Analysis and Management* (forthcoming).