

PARENTAL LEAVE LEGISLATION AND WOMEN'S WORK

A STORY OF UNEQUAL OPPORTUNITIES

WCW Lunch Seminar

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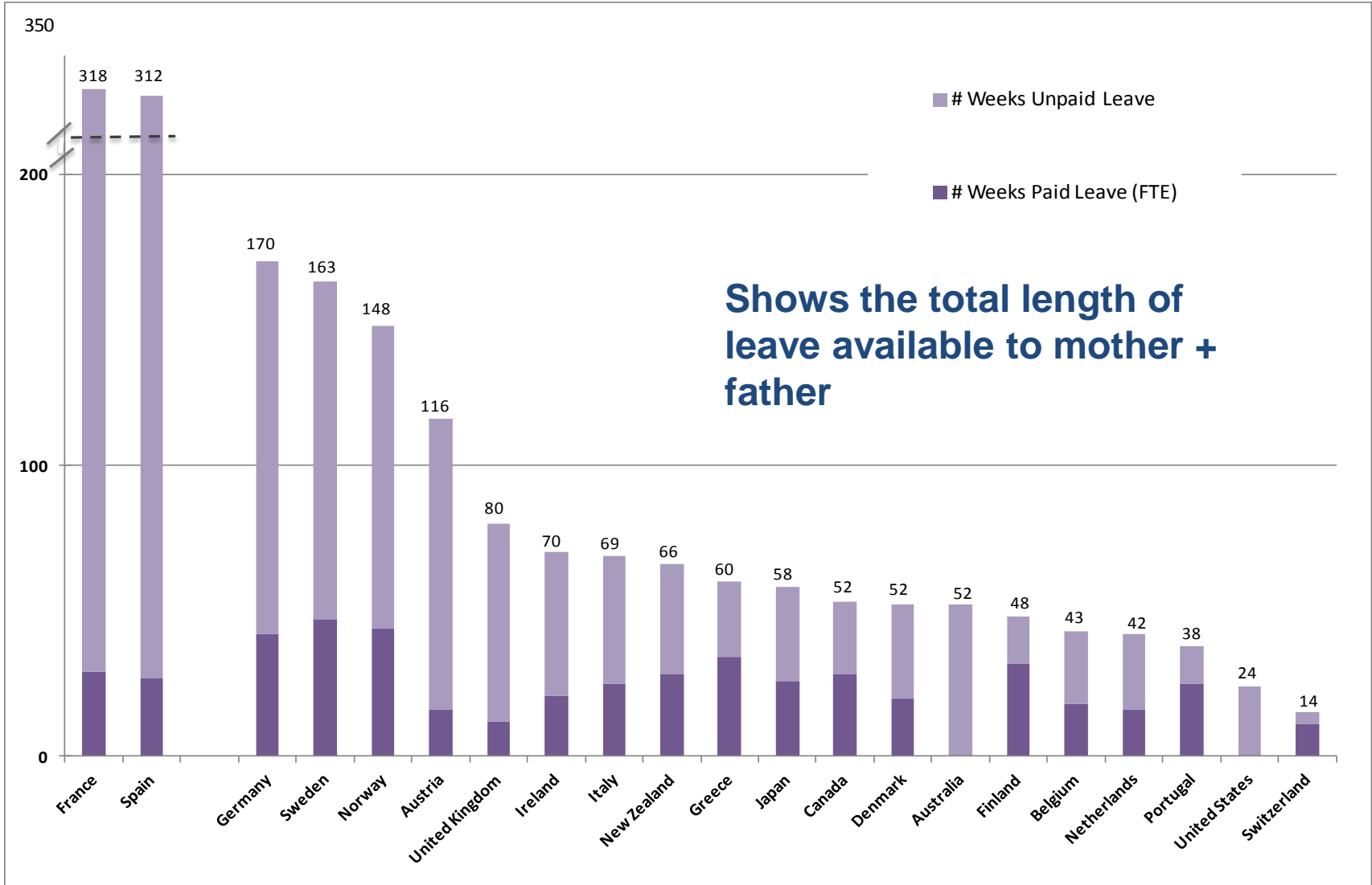
Family Leave and Working Life

- Family leave mandates are designed to protect a parent's job after childbirth
- Help employees balance work and family responsibilities by allowing reasonable leave for family reasons
- Accommodate the interests of employers, and promote equal employment opportunity for men and women
- Critics: leave used primarily by female employees makes women more expensive to employ than men – could lead to a subtle “discrimination” against women.
- Supporters: allows women to retain their position, and the associated benefit from their tenure with the employer.

Are All Women Treated Equally?

- Eligibility to leave under federal and state mandates depends on job tenure, firm size and full-time status – current legislation does not cover everyone!
- Paid leaves are rarely available, and are at the employer's discretion – they are fringe benefits available mainly for women working in high-wage / high-skilled jobs
- Extended, unpaid leave is often not affordable for women in low-income (or even middle-income) families
- Even when eligible, women in the U.S. are allowed much less time on parental leave than women in other countries...

Parental Leaves: US and the World



Focus of This Study

- How did the federal and state laws affect parental leave eligibility and leave taking?
- Are leave eligibility and leave taking systematically related to the economic status of the new mothers?
- Are low income women specifically affected by certain FMLA (and state) criteria?
- How is leave taking related to labor market outcomes such as return to employment, wages and annual earnings, promotions?
- Look at multiple data sets: NLSY and CPS

Prior Evidence on Inequality vs. Family Leave

- Canada: paid family leave reform mainly benefited women in “advantaged population groups”
- US: high income women more likely to take leave under FMLA than women with lower incomes
- Bureau of Labor Statistics: low earners less likely (5%) to have access to paid family leave than high earners (11%). Unpaid leave available to 85% of all workers, but just 75% of the lowest ¼ of earners
- Good news flash - things are getting better! In 1992 about 25% of workers had unpaid leave available...

Prior Evidence on Labor Market Consequences for Women?

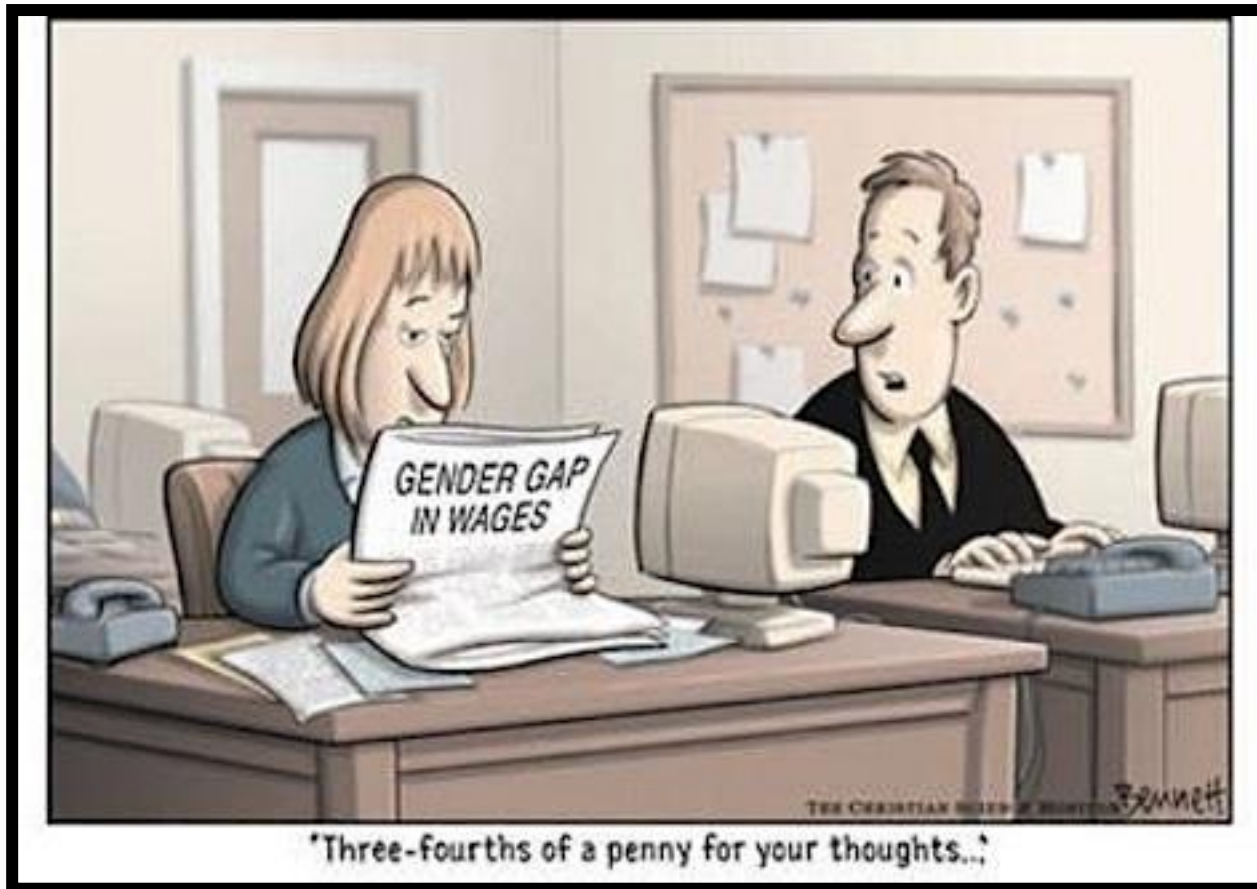
- While not necessarily related to parental leaves only, studies and data show earnings gaps between
 - Men and women (=gender wage gap)
 - Women without and with children (=family wage gap)
- Internationally, gender pay gap is quite universal, while the family pay gap varies greatly from country to country
- US: FMLA increased leave coverage, encouraged leave taking – but no effects on wages and employment
- FMLA had positive effects on female LFP
- How about other metrics: unemployment, promotions, hourly wages?

The Gender Wage Gap



- Difference in wages between men and women
- Most international studies show women earning about 75% to 80% of what men earn
- 2009 International Social Inequality Survey

Country	% mothers work full-time	% mothers work part-time	Gender pay gap (full-time)
United States	48.9%	16.4%	0.76
UK	30.7%	26.9%	0.74
France	54.4%	27.1%	0.78
Germany	23.0%	39.6%	0.74
Spain	36.6%	8.6%	0.85
Sweden	54.9%	26.9%	0.85
Denmark	73.8%	7.3%	0.82



Source: Christian Science Monitor

The Family Wage Gap

- Wage difference between women with / without children
- US: Negative gap for women, but positive for men!
- May explain part of gender pay gap: For example,
 - Single women make 95% of single men's pay, married mothers 60% of married men's pay

	Full-time workers	
Country	Female gap	Male gap
United States	0.93	1.09
UK	0.83	1.14
France	1.01	1.05
Germany	0.91	1.18
Sweden	1.10	1.20
Denmark	1.03	1.11

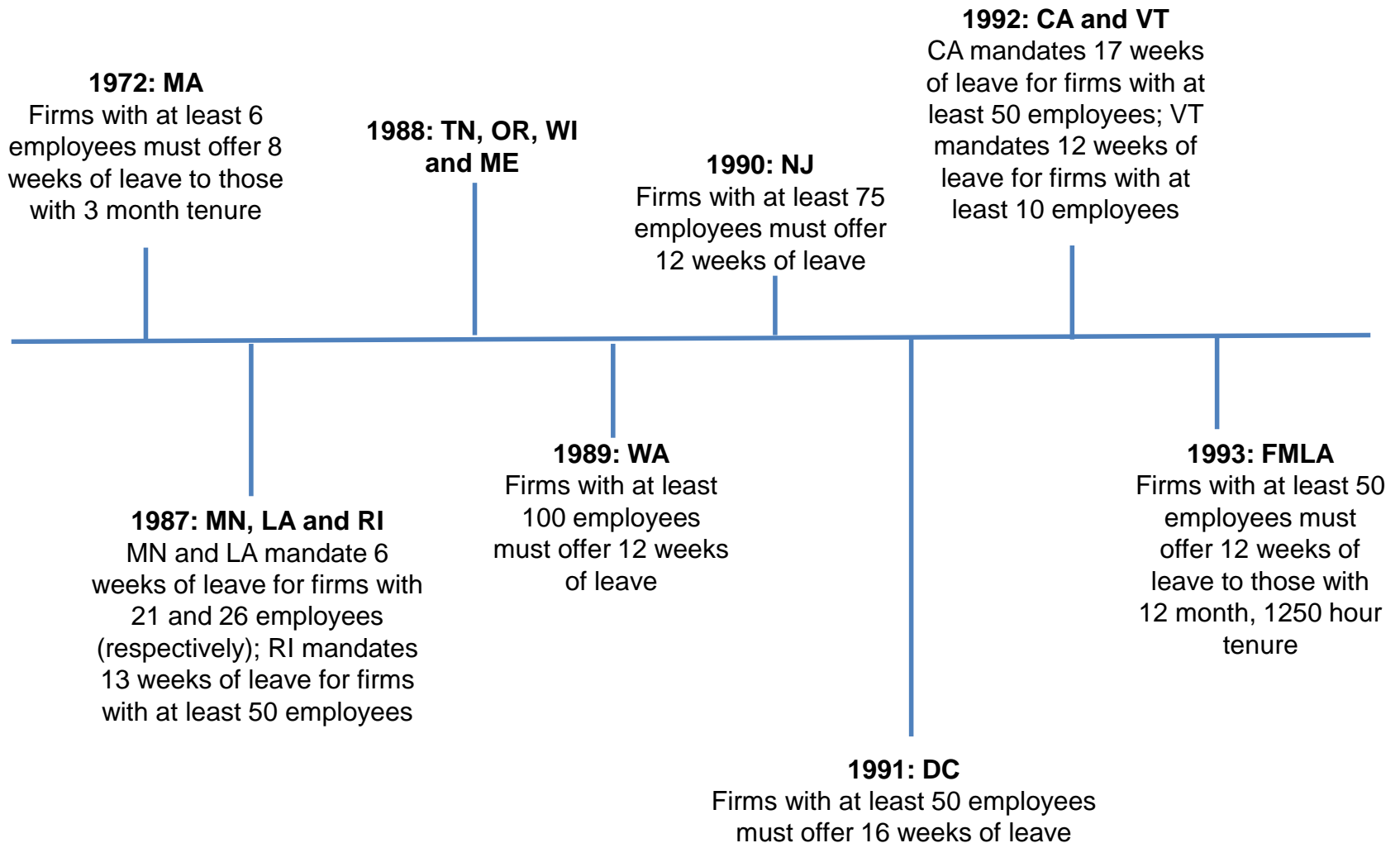
Mandated or Individually Bargained Parental Leave?



Parental Leave Legislation in the U.S.

- Federal Family and Medical Leave Act (FMLA) was enacted in 1993
- FMLA guarantees 12 weeks of job protected parental leave for employees who are
 - Working for private firms with at least 50 employees, and
 - Have worked for 12 months for a total of 1,250+ hours / year
 - Public sector employees are covered regardless of employer size
- Prior to 1993, 13 States had some form of parental leave legislation in place for private sector employees
- FMLA does not guarantee PAID leave
- More recently, California, Washington and New Jersey have enacted some form of paid family leave laws

History of Parental Leave Legislation: Private Companies



Data: National Longitudinal Survey of Youth

- NLSY was initiated in 1979 with 12,686 respondents
- Annual from 1979 through 1993, then every two years from 1994 through 2008
- Over 30,000 questions over the last 30 years...
- Wide array of information on e.g.:
 - Employment, wages, promotions, employer characteristics
 - Fertility, care giving and families
 - Fringe benefits, including parental leave
- We use data on mothers giving birth in 1985-1999, who were working in the private sector prior to giving birth
- Sample size 3,533 births

NLSY Births by State Policy Changes

Group of States	Total Births	Before State Policy or FMLA	After State Policy,	
			Before FMLA	After FMLA
States with Pre-FMLA Parental Leave Policies	1,105	539	328	238
States without Pre-FMLA Parental Leave Policies	2,428	1,943	n/a	485
All States	3,533	2,482	328	723

Data: Current Population Survey

- CPS is a monthly survey of 60,000-80,000 households
- Collects data on employment and unemployment, and adds supplements on special topics: income, education, fertility, and others
- Available for every month from 1976 onward
- Can be used to evaluate parental leave eligibility and usage before and after the FMLA and state reforms
- Each household is interviewed for 4 months, then not for 8 months, then returned to the sample for more 4 months
- Does not follow the same households over a long period – cannot be used to analyze the effect on career metrics

CPS vs. NLSY: Eligibility Under State and FMLA Criteria (All Women)

Eligibility	NLSY	CPS
State mandates	35%	42%
Low-income	25%	34%
High-income	41%	45%
FMLA	40%	46%
Low-income	26%	34%
High-income	45%	52%

- In addition, FMLA made 38% of women eligible in States that had no prior mandate (NLSY) (45% in the CPS)
 - Varies from 34% to 52% depending on family income (CPS)

Eligibility to Parental Leave by Income

Pre-FMLA State Policies	(1) <i>Quartile 1</i>	(2) <i>Quartile 2</i>	(3) <i>Quartile 3</i>	(4) <i>Quartile 4</i>
Eligible	20%	46%	57%	44%
Not Eligible	80%	54%	43%	56%
<u>Of those not eligible:</u>				
Tenure only not met	6%	9%	8%	12%
Hours only not met	10%	9%	12%	18%
Firm size only not met	29%	27%	34%	53%
Tenure & hours not met	15%	9%	4%	0%
Tenure & firm size not met	19%	21%	4%	12%
Hours & firm size not met	6%	12%	19%	6%
No criteria met	15%	12%	19%	0%
<u>Overall, of those not eligible:</u>				
Tenure < 12 months	54%	52%	35%	24%
Hours < 1,250	45%	42%	54%	24%
Firm size < 50	69%	73%	77%	71%

Eligibility to Parental Leave by Income

FMLA (NLSY)	(1) <i>Quartile 1</i>	(2) <i>Quartile 2</i>	(3) <i>Quartile 3</i>	(4) <i>Quartile 4</i>
Eligible	32%	39%	52%	49%
Not Eligible	68%	61%	48%	51%
<u>Of those not eligible:</u>				
Tenure only not met	8%	16%	13%	10%
Hours only not met	9%	6%	7%	8%
Firm size only not met	43%	48%	51%	52%
Tenure & hours not met	9%	9%	5%	1%
Tenure & firm size not met	15%	5%	9%	11%
Hours & firm size not met	8%	7%	5%	14%
No criteria met	8%	7%	9%	4%
<u>Overall, of those not eligible:</u>				
Tenure < 12 months	41%	38%	37%	27%
Hours < 1,250	34%	31%	27%	27%
Firm size < 50	76%	68%	75%	81%

Eligibility to Parental Leave by Income

FMLA (CPS)	(1) <i>Quartile 1</i>	(2) <i>Quartile 2</i>	(3) <i>Quartile 3</i>	(4) <i>Quartile 4</i>
Eligible	34%	45%	50%	52%
Not Eligible	66%	55%	50%	48%
<u>Of those not eligible:</u>				
Tenure only not met	11%	11%	15%	20%
Hours only not met	32%	27%	25%	20%
Firm size only not met	22%	30%	30%	30%
Tenure & hours not met	10%	7%	7%	7%
Tenure & firm size not met	6%	7%	9%	10%
Hours & firm size not met	17%	14%	11%	10%
No criteria met	6%	5%	5%	5%
<u>Overall, of those not eligible:</u>				
Tenure < 12 months	61%	52%	47%	40%
Hours < 1,250	32%	30%	35%	41%
Firm size < 50	48%	54%	54%	53%

Utilization of Parental Leave

- Studies conducted after 1993 indicate
 - FMLA increased parental leave coverage: up to 45% of employed women are covered (BLS Employee Benefits Survey)
 - FMLA also increased leave usage (Waldfogel, 1999; Han & Waldfogel, 2003);
- Our data indicates that both State level mandates and the FMLA increased the coverage, utilization and length of parental leaves
- Utilization of family leave is particularly poor for low wage earners who likely cannot afford to take unpaid leave
 - Only 34% of those with family income below \$40,000 took any parental leave (50% of those with income greater than \$40,000)

Utilization of Parental Leave (NLSY)

Pre-FMLA State Reforms	(1) <i>Quartile 1</i>	(2) <i>Quartile 2</i>	(3) <i>Quartile 3</i>	(4) <i>Quartile 4</i>
	<i>Pre-Reform All Firms</i>			
Employer provides paid leave	54%	54%	66%	73%
Takes paid leave	19%	19%	26%	43%
Takes any leave	38%	35%	40%	56%
Leave length	4.7	3.6	3.9	7.3
	<i>Post-Reform</i>			
Employer provides paid leave	55%	66%	80%	84%
Takes paid leave	28%	33%	43%	66%
Takes any leave	40%	52%	62%	79%
Leave length	3.7	6.4	6.6	8.7

Utilization of Parental Leave (NLSY)

FMLA	(1) <i>Quartile 1</i>	(2) <i>Quartile 2</i>	(3) <i>Quartile 3</i>	(4) <i>Quartile 4</i>
	<i>Pre-FMLA</i>			
Employer provides paid leave	55%	64%	65%	75%
Takes paid leave	22%	26%	35%	45%
Takes any leave	36%	43%	50%	59%
Leave length	3.8	4.5	4.9	5.7
	<i>Post-FMLA</i>			
Employer provides paid leave	60%	70%	88%	82%
Takes paid leave	27%	38%	54%	58%
Takes any leave	45%	47%	67%	66%
Leave length	3.4	4.6	7.1	5.8

Utilization of Parental Leave (CPS)

FMLA / CPS	(1) <i>Quartile 1</i>	(2) <i>Quartile 2</i>	(3) <i>Quartile 3</i>	(4) <i>Quartile 4</i>
			<u>Pre-FMLA</u>	
			<i>Births in April - June</i>	
Employed in June	69%	83%	94%	94%
On parental leave	26%	39%	42%	48%
On parental leave or vacation	26%	39%	42%	48%
			<u>Post-FMLA</u>	
			<i>Births in April - June</i>	
Employed in June	83%	87%	96%	94%
On parental leave	38%	44%	59%	61%
On parental leave or vacation	39%	45%	61%	65%

FMLA and Leave Taking: Econometric Evidence from the NLSY

- Regression analysis shows that overall leave taking increased after the FMLA
- ...but also confirms the stark differences in leave taking by family income
- These leave taking patterns remain unchanged by the FMLA
- No evidence that FMLA had larger effects in a) States with no prior mandates, b) for women who met the criteria prior to the FMLA, c) for women working in medium sized (100-499) or large firms (>500)

Effect of Leave Taking on Career Metrics: OLS Regressions for All Families (NLSY)

	(1) <i>Pr(Emp)</i>	(2) <i>Pr(Unemp)</i>	(3) <i>Log(Earn)</i>	(4) <i>Log(\$/Hr)</i>	(5) <i>Pr(Promo)</i>
I. Take Any Parental Leave					
1 Y After Birth	.261*** (.019)	-0.093*** (.022)	.456*** (.058)	.138*** (.027)	.100*** (.023)
2 Y After Birth	.200*** (.019)	0.003 (.020)	.413*** (.061)	.144*** (.027)	.049** (.024)
3 Y After Birth	.191*** (.021)	-0.029 (0.020)	.408*** (.069)	.149*** (.033)	.004 (.027)
4 Y After Birth	.131*** (.022)	-0.042** (0.019)	.336*** (.065)	.131*** (.031)	-0.001 (.035)

Effect of Leave Taking on Career Metrics: Did the FMLA Change Anything?

- Estimate difference-in-difference models for births taking place before versus after the FMLA
- Results show no significant changes in the effect of parental leave taking on the career metrics after FMLA
- Same is true for the sample of low-income families (i.e. women in the bottom 1/3 of the family income distribution)
- Why no changes detected?
 - FMLA affected population not very well defined (firm internal policies may matter more than the mandates)
 - Small NLSY sample
 - FMLA did not drastically increase leave length (12 weeks max)
 - Additional leaves induced by FMLA truly had no career effects...

Conclusions

- Low-income women are less likely to be eligible for legally mandated parental leave, less likely to have employer provided paid and less likely to utilize their leave even if they are eligible
- Policy solutions & recommendations include:
 - Paid, job protected parental leaves (improve ability of women from all family income groups to retain their jobs while affording to take time off to care for the newborn)
 - Extending the FMLA coverage to smaller firms and employees with a shorter tenure (increase the eligibility of low-income women to parental leave and reduce the eligibility gap)
 - As the career consequences of taking a 12-week leave are minor, no reason why the U.S. mandates could not be extended beyond 12 weeks, as is the case in most other industrialized countries

What Next?

- Larger and better data sources to address the statistical significance? (Combination of CPS and Census Bureau Employer – Employee data)
- What are the effects of parental leave for men?
- Are the effects similar in other countries where leave mandates are more extensive?
- What are the effects on firms? Productivity?
- Can we look at companies that have more extensive “family friendly benefits”?