



Aleksandra Holod, Sami Kitmitto,
Romina Tome, Aaron Ogletree, and
Jingyan Xia
American Institutes for Research

Wage Replacement During Family Leave and Mothers' Labor Market Outcomes in California

This policy brief examines associations between the amount of wage replacement that California mothers received during family leave and their subsequent labor market outcomes, including decisions to drop out of the workforce, return to work part-time after giving birth, or switch employers. The brief relies on data from the Family Leave and Health Outcomes Study, which was conducted jointly by the American Institutes for Research and Kaiser Permanente Northern California, Division of Research, to learn about California families' experiences with family leave and their subsequent health.

Family Leave Policy in California and Nationwide

Seven states and two cities have paid family leave policies, which vary considerably in terms of the proportion of prebirth income that is replaced during leave. Wage replacement rates in the states range from 50% to 90% of weekly wages (Congressional Research Service, 2019; National Partnership for Women and Families, 2019). At the time of this study, California's Paid Family Leave (PFL) program, in combination with the State Disability Insurance program, provided working mothers with up to 55% of base wages for at least 12 weeks after the birth of a child (Milkman & Appelbaum, 2013). In addition, San Francisco's Paid Parental Leave Ordinance provided supplemental compensation to families; when combined with state benefits, this meant that families received 100% wage replacement (San Francisco Office of Labor Standards Enforcement, 2019). Parents had flexibility in timing their use of paid family leave, including the ability to take it over multiple periods or to support a reduced weekly or daily



work schedule. In this research brief, we aim to contribute to a greater understanding of how PFL can help bolster mothers' connections to the labor force—one of the policy's potential benefits.

Data From the Family Leave and Health Outcomes Study

The Family Leave and Health Outcomes Study gathered data from approximately 2,000 new mothers who received their health care from Kaiser Permanente Northern California. This study surveyed mothers retrospectively about employment, income, experiences with family leave and demographic characteristics. Mothers were surveyed one to two years after the birth of a child. In the survey, we asked mothers how much of their usual pay they received from any source while they were on maternity leave, including state and employer benefits. We also asked about their labor force participation, including the following: whether they had returned to work; if so, whether they returned part- or full-time; and whether they had returned to the same employer.

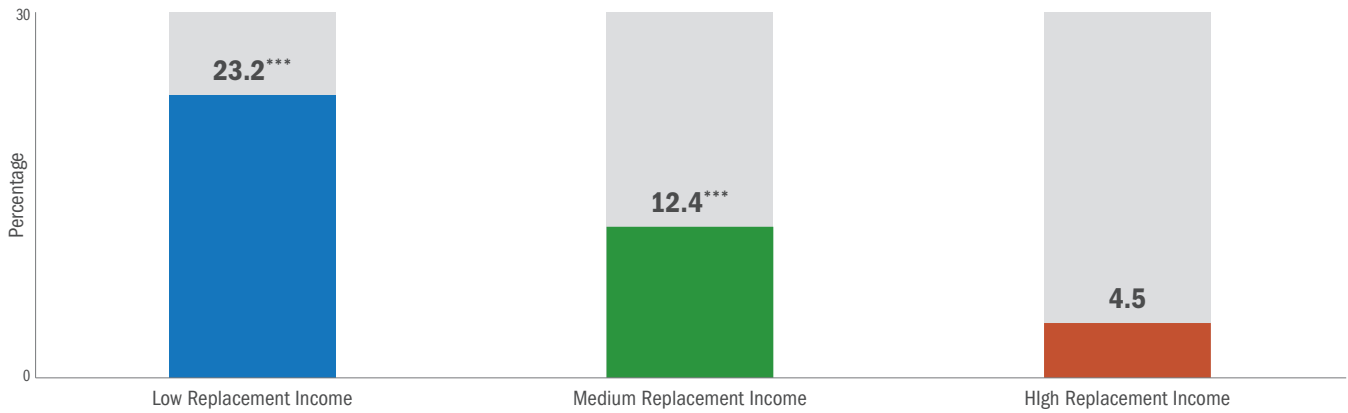
Methods

For our analysis we categorized mothers into one of three groups based on the percentage of their typical wages (prior to giving birth) that was replaced by leave benefits: low (less than 50% of typical wages), medium (50% to 74%) or high (75% or more). We then compared the labor force experiences of mothers across these three groups to see how those experiences differed by rates of wage replacement. Recognizing that there may be differences in the types of mothers who received different rates of wage replacement (e.g., lower wage workers typically do not receive benefits as generous as higher wage workers), we accounted for differences in mothers' background in our analyses, including race/ethnicity, education, income, marital status, and eligibility for job-protected leave under the Family Medical Leave Act.

Dropping Out of the Workforce

Economists have found that mothers earn lower wages than other workers in the long term, in part because of the time they take off from work to raise their children (Blau & Kahn, 2017; Gough & Noonan, 2013; Sigle-Rushton & Waldfogel, 2007). We found that women who received higher rates of wage replacement were more likely to be back at work when their child was 1 to 2 years old, compared with women who received lower rates of wage replacement. In other words, they were less likely to drop out of the workforce or have the type of long gap in employment that lowers future earning potential. The association between wage replacement rates and dropout persisted in models that accounted for differences in women's background characteristics: Women who received low rates of wage replacement were 18.7 percentage points more likely to drop out of the workforce than women who received high rates of wage replacement (Figure 1).

Figure 1. Mothers With Lower Rates of Wage Replacement Were More Likely to Drop Out of the Workforce

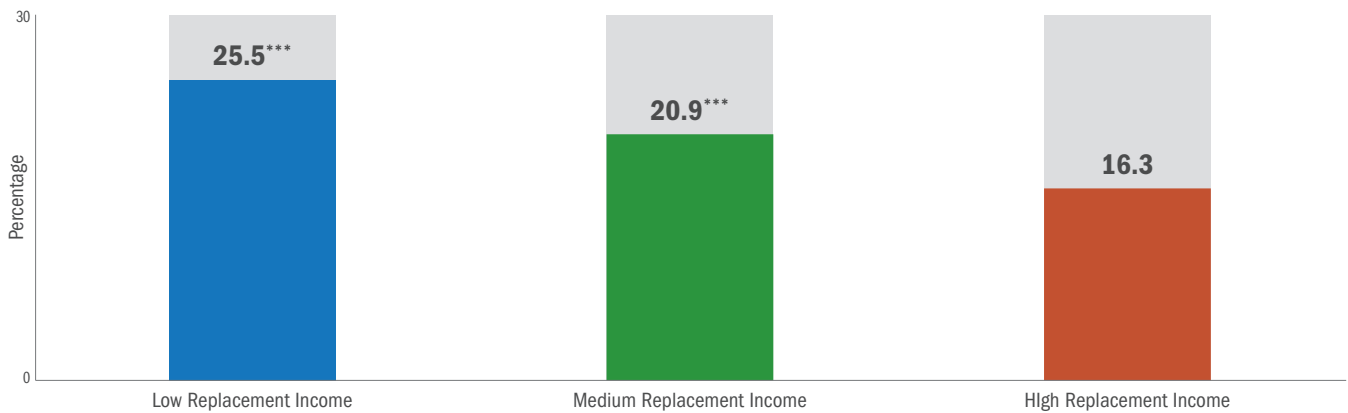


Note. *** $p < 0.001$; the high replacement income group is the reference category.

Returning Part-Time

Part-time employees earn nearly one-fifth less than full-time employees for similar work (Bardasi & Gornick, 2000). They are also less likely to receive benefits or opportunities for promotion (Buehler & O'Brien, 2011). However, mothers may choose to return to work part-time in order to balance home and work responsibilities. Mothers in our study who returned to work were significantly less likely to return to work part-time if they received higher rates of wage replacement, regardless of their work schedule prior to giving birth. After controlling for demographic differences, we found that women with low rates of wage replacement were 9.2 percentage points more likely than women with high rates of wage replacement to return to work part-time (Figure 2).

Figure 2. Mothers With Lower Rates of Wage Replacement Were More Likely to Return to Work Part-Time



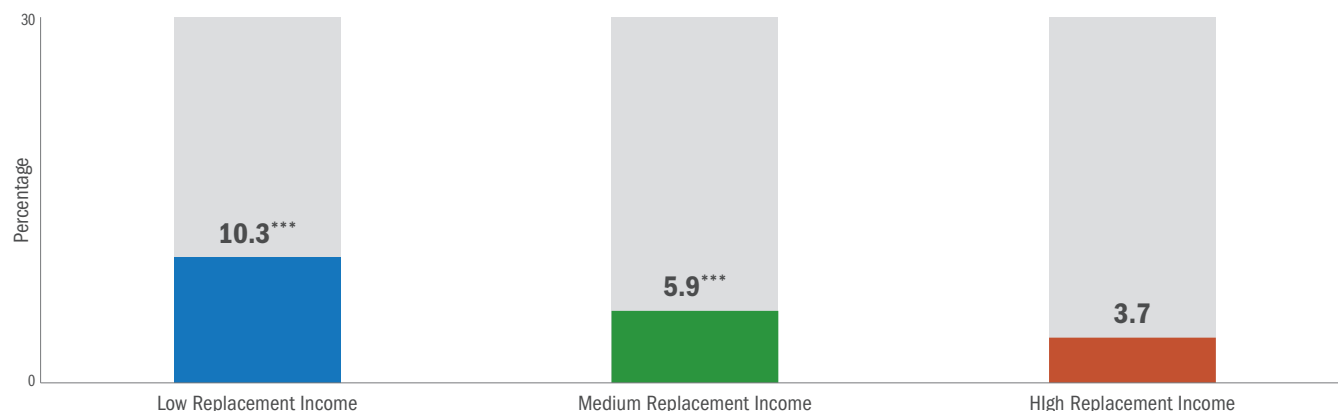
Note. *** $p < 0.001$; the high replacement income group is the reference category.

Change in Employer

Paid family leave may reduce job transitions, which may in turn reduce mothers' financial insecurity, stress and time out of the workforce (Byker, 2016; Thomas, Benzeval, & Stansfeld, 2005). Reduced turnover may also benefit employers, because the costs of hiring and training new employees are significant (Hinkin & Tracey, 2000). Again, we found that mothers who received high rates of wage replacement and returned to work were significantly less

likely to experience a change in employer, compared with women who received low rates of wage replacement. Women who received low rates of wage replacement were 6.6 percentage points more likely to switch employers than women with high rates of wage replacement (Figure 3).

Figure 3. Mothers With Lower Rates of Wage Replacement Were More Likely to Have a Job Transition



Note. *** $p < 0.001$; the high replacement income group is the reference category.

Conclusion

The results of these analyses suggest that more generous rates of wage replacement during family leave are associated with higher rates of labor force participation and employment stability among mothers. These findings may have implications for wage replacement rates offered through state and local paid family leave policies, although further research is needed to draw firm policy conclusions. Due to the nature of our survey, women in our study who received higher rates of wage replacement were likely to be receiving a combination of state- and employer-provided benefits. Higher benefit rates may be linked to greater labor force participation because they increase women's sense of attachment and loyalty to their employers; or because they signal higher quality jobs overall, with more flexibility and benefits.

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