Family Friendly Policies

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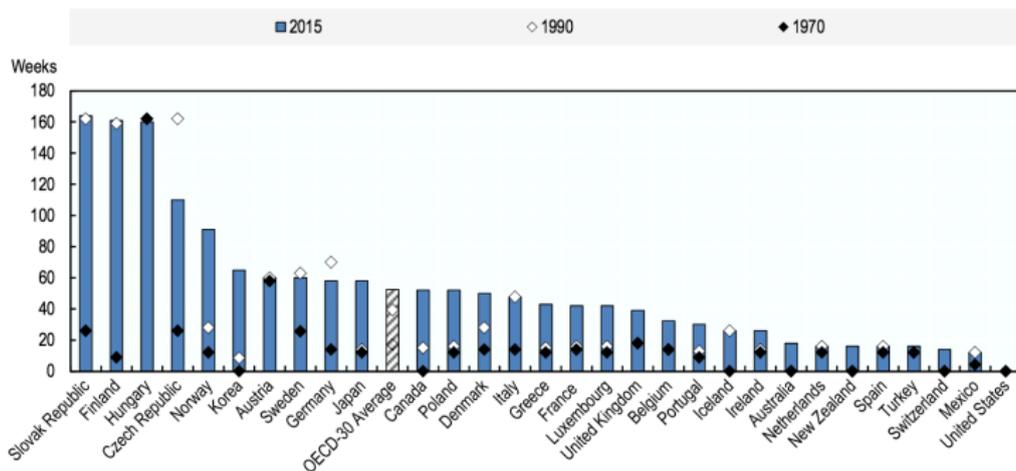# Family Leave

Parental Leave

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# Paid Protected Maternity Leave - OECD

Chart PF2.5.A. **Length of paid maternity, parental and home care leave available to mothers[a], 1970, 1990, and 2015**
In weeks

a) Information refers to weeks of paid maternity leave and any weeks of paid parental leave and paid home care leave (sometimes under a different name, for example, "childcare leave" or "child raising leave", or the Complément de Libre Choix d'Activité in France) that are available to mothers.

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Paid Protected Paternity Leave - OECD

Chart PF2.5.C. **Length of paid paternity leave and paid parental and home care leave reserved for fathers[a], 1970, 1990, 2000 and 2015**
In weeks
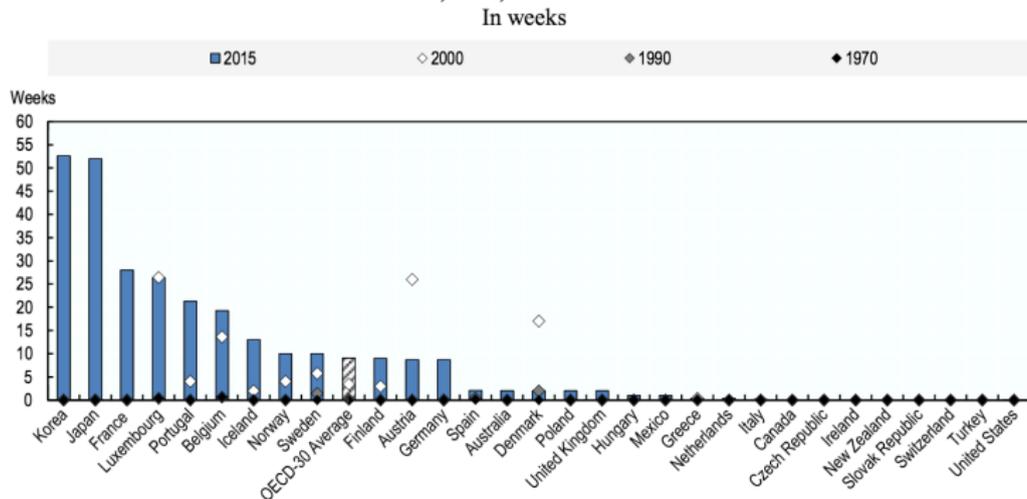
a) Information refers to entitlements to paternity leave, 'father quotas' or periods of parental leave that can be used only by the father and cannot be transferred to the mother, and any weeks of sharable leave that must be taken by the father in order for the family to qualify for 'bonus' weeks of parental leave.

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US Context

- "What do Papua New Guinea, Oman, and the United States have in common? They are the only three countries in the world with no paid-maternity leave law" (*The New Yorker, Jan 2015*)

- Family & Medical Leave Act 1993 (FMLA): provision mandating 12 weeks of unpaid leave for mothers of newborn or newly adopted children.

- FMLA does not apply universally:
  - Firm must have more than 50 employees
  - Maintain employment at that firm for 12 months
  - Accumulated at least 1,250 working hours in those 12 months (= $\sim$179 days at 7 hours per day; $\sim$ 36 weeks full time)

- 39% surveyed in ATUS 2011 reported access to paid family leave for the birth of a child

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US Access to Leave: ATUS 2011

Leave Type	Access to Paid Leave	Access to Unpaid Leave	Schedule Adjustment for Location
Table 2			
Access to Leave by Selected Worker Characteristics			
Total	59%	77%	56%
Demographic Characteristics			
Male	60%	75%	56%
Female	57%	78%	56%
White, non-Hispanic	62%	78%	58%
Black, non-Hispanic	61%	77%	50%
Asian, non-Hispanic	62%	72%	60%
Hispanic	43%	71%	48%
Educational Attainment (Workers 25 and Older)			
Less than high school	35%	70%	37%
High school	61%	76%	48%
Some college	66%	78%	56%
Bachelor's degree or higher	72%	75%	60%
Weekly Earnings			
$0-$540	50%	78%	48%
$541-$830	77%	79%	49%
$831-$1230	81%	75%	51%
$1230+	83%	75%	60%
All Workers			
Paid hourly	56%	80%	52%
Salaried	62%	73%	59%

Source: ATUS 2011; CEA calculations.

US Context

- ▶ Many states supplement these federal regulations

- ▶ 14 states have addressed eligibility requirements by lowering the firm size threshold

- ▶ California, New Jersey, Washington, Rhode Island - operate programmes that require private sector employers to pay their employees at some partial replacement rate

- ▶ NY, Hawaii, Puerto Rico: designate childbirth as a temporary disability guaranteeing mothers paid maternity leave through DI provisions

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State Paid Leave Policies

Table 5					
Current State Leave Policies					
State	**Type**	**Year Effective**	**Duration**	**Implementation**	**Replacement Rate**
California	Family Leave	2004	6 weeks	Temporary Disability Insurance	Up to 55% to a maximum of $1,067 a week in 2014
New Jersey	Family Leave	2009	6 weeks	Temporary Disability Insurance	Up to 66% to a maximum of $595 a week
Washington	Family Leave	Passed in 2009, scheduled to begin in 2015			
Rhode Island	Family Leave	2014	4 weeks; job protection also offered	Temporary Disability Insurance	Up to 60% to a maximum of $752 a week
Connecticut	Sick Leave	2012	Paid by employers		

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Parental Leave

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Impact of Motherhood

- ▶ Correlation between presence of children and lower participation rates, hours worked and wages for women

- ▶ Causal or selection?
  - ▶ Market productivity reduced through reduction in human capital and a specialisation within the home

  - ▶ Selection of low productivity women into childrearing — fertility is a choice, with the wage being one element of the 'cost' of a child

- ▶ How do institutions interact with this effect?

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Parenthood & Earnings: Lundberg & Rose

- Use US panel data (PSID) from 1980 to 1992 in order to investigate how the first child *changes* wages and hours worked (NB before FMLA)

- Information on husbands and wives matched at the household level; Only look at marriages who remained intact

- Allow for heterogeneity depending on whether in continuous work or not (other than the year of birth)

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Age-Wage and Age-Hours Profiles

$$Y_{it} = \beta_0 + \beta_1 Before_{it} + \beta_2 Born_{it} + \beta_3 After_{it} + \beta_4 Age_{it} + \beta_5 X_{it} + \mu_i + \eta_{it}$$
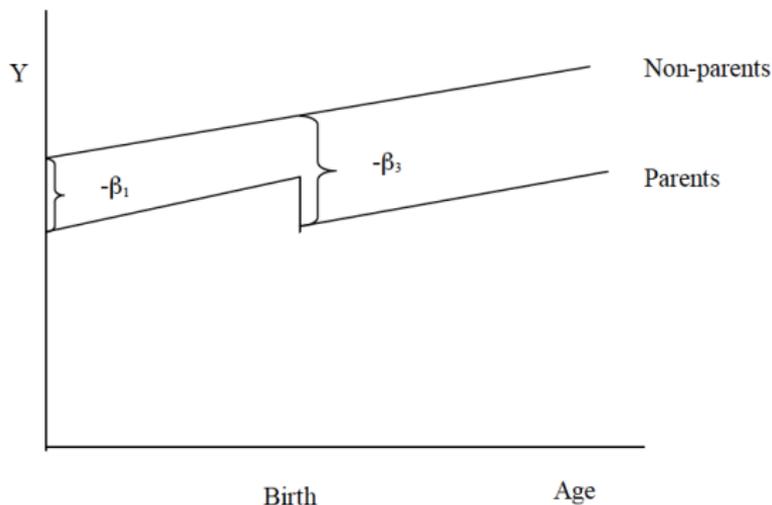
Age-Wage and Age-Hours Profiles

Table 1: Dependent Variable: Log of Real Wage Rate
Random Effects Estimates
(P-values for Hypothesis Tests in Shaded Region)

	(1) Wives	(2) Wives	(3) Wives	(4) Husbands	(5) Husbands	(6) Husbands
Sample	All 11134	Contin. 8058	All 11134	All 15106	Contin. 7777	All 15106
Before	-.09 (2.8)	-.10 (3.0)	-.06 (1.7)	-.09 (3.1)	-.10 (3.0)	-.07 (2.0)
After	-.15 (5.1)	-.10 (3.3)	-.32 (10.4)	-.01 (0.3)	-.03 (1.1)	.02 (0.7)
C*Before			.02 (0.6)			-.05 (1.8)
C*After			.28 (13.1)			-.06 (3.2)
$p(\beta_{Before} = \beta_{After})$	[.00]	[.99]	[.00]	[.00]	[.00]	[.00]
$p(\beta_{C*Before} = \beta_{C*After})$			[.00]			[.61]
$p(\beta_{Before} + \beta_{C*Before} = \beta_{After} + \beta_{C*After})$			[.83]			[.00]

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Age-Wage and Age-Hours Profiles

Table 2:   Dependent Variable: Hours Worked
Random Effects Estimates
(P-values for Hypothesis Tests in Shaded Region)

	(1) Wives	(2) Wives	(3) Wives	(4) Husbands	(5) Husbands	(6) Husbands
Sample	All 17334	Contin. 8814	All 17334	All 17403	Contin. 8840	All 17403
Before	243 (4.7)	104 (2.4)	80 (1.6)	41 (1.0)	71 (1.5)	-38 (0.8)
After	-577 (12.4)	-367 (9.9)	-1073 (28.3)	66 (1.8)	13 (0.3)	87 (2.2)
C*Before			345 (7.3)			122 (2.7)
C*After			991 (39.2)			-45 (1.7)
$p(\beta_{Before} = \beta_{After})$	[.00]	[.00]	[.00]	[.24]	[.03]	[.00]
$p(\beta_{C*Before} = \beta_{C*After})$			[.00]			[.00]
$p(\beta_{Before} + \beta_{C*Before} = \beta_{After} + \beta_{C*After})$			[.00]			[.12]

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Parenthood & Earnings: Lundberg & Rose

- ▶ Use fixed effects models to allow for unobserved heterogeneity and find quantitatively similar results and examine differences across cohorts

- ▶ Take aways:
    - ▶ For women not in continuous employment, declines in wages associated with an increase in specialisation in the household and reallocation of time by husband and wife

    - ▶ For women in continuous employment, negative effects seems to be driven by selection

    - ▶ Find that for younger cohorts, negative selection into motherhood higher but the effect of the birth of a child on women's wages is falling

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Parental Leave

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Impact of Leave

- Some controversy over the impact of mandatory parental leave on the labour market outcomes of women

- There is evidence that paid leave increases labour market attachment....

- ...but might increase labour market discrimination aimed at women

- We will focus more on the question of labour market discrimination next week

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Baker & Milligan: Job Protected Maternity Leave

- ► Canadian maternity leave mandates that are under provincial rather than federal jurisdiction for most workers

- ► Time at which the introduction of mandates varying over time across provinces which can exploit for identification

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Changes in Job-Protected Maternity Leave

Figure 2: Maximum Job-protected Maternity/Parental Leave Mandates by Province, 1963-2002
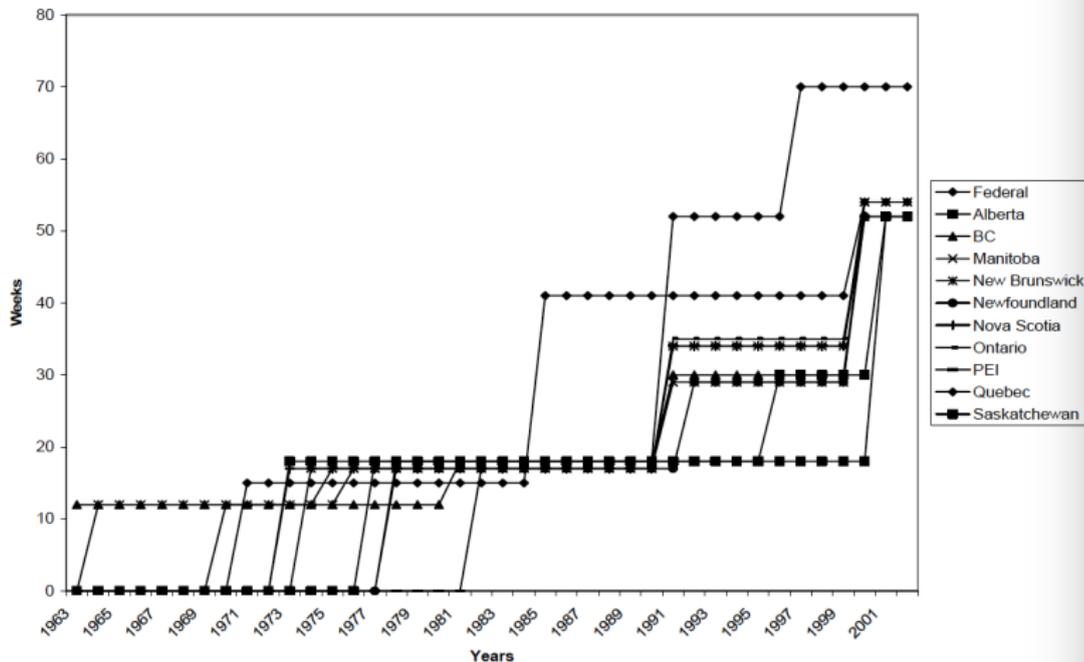
Baker & Milligan: Job Protected Maternity Leave

- ► Introduction of modest mandates (17-18 weeks) increase the job continuity of women with their pre-birth employer but has little impact on time with children

  - ► Switch from leaving job to taking leave

- ► Introduction of extended mandates increase the job continuity of women with their pre-birth employer and significantly increase the amount of time that women stay home after a birth

  - ► Mandate binding on choices

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Blau & Kahn: Why Is the US Falling Behind?

Table 1: Male and Female Labor Force Participation Rates,
Individuals Age 25-54, 1990 and 2010

Country	Men		Women	
	1990	2010	1990	2010
Australia	93.3	90.6	66.8	75.2
Austria	93.1	92.5	71.6	82.8
Belgium	92.2	92.2	60.8	80.4
Canada	93.1	90.5	75.5	82.3
Denmark	94.5	92.4	87.8	85.6
Finland	92.9	90.6	86.4	84.4
France	95.6	94.2	72.2	83.8
Germany	90.2	93.1	63.4	81.3
Greece	94.3	94.2	51.5	72.2
Ireland	91.8	89.9	45.4	72.2
Japan	97.5	89.4	64.2	64.4
Italy	94.1	96.2	53.9	71.6
Luxembourg	95.0	94.8	49.7	76.4
Netherlands	93.4	93.3	58.5	82.3
New Zealand	93.5	91.8	69.2	76.9
Norway	92.3	90.2	79.2	84.4
Portugal	94.3	92.5	69.4	84.9
Spain	94.4	92.5	46.9	78.3
Sweden	94.7	93.6	90.7	87.5
Switzerland	98.2	95.7	73.7	83.4
United Kingdom	94.8	91.4	73.0	78.7
United States	93.4	89.3	74.0	75.2
Non-US Average	94.0	92.5	67.1	79.5
US Rank of 22	14	22	6	17

Source: OECD Online Employment Database at:

Blau & Kahn: Why Is the US Falling Behind?

Table 2: Selected Labor Market Policies and Part-Time Work Incidence, US and Average of 16 Non-US OECD Countries

	1990		2010	
	US	Non-US Average	US	Non-US Average
Parental Leave: Weeks	0	37.2	12	57.3
Parental Leave: Replacement Rate (including zeros)	0	26.5	0	38
Right to Part Time Work (1=yes)	no	0	no	0.313
Equal Treatment, Part Time Workers (1=yes)	no	0.125	no	0.750
Public Child Care Spending/GDP (*100)	0.0286	0.3469	0.1144	0.4653
Male Part Time Work Incidence	0.028	0.031	0.039	0.051
Female Part Time Work Incidence	0.147	0.258	0.131	0.260

Sources: Data are from the Max Planck Institute for Demographic Research, Comparative Family Policy Database, available at http://www.demogr.mpg.de/cgi-bin/databases/FamPolDB/index.plx ; OECD Social Expenditures Data Base available at http://stats.oecd.org/ ; OECD (2010a and b); the OECD Online Employment Database; and NBER (2011).

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Blau & Kahn: Why Is the US Falling Behind?

- ▶ Cross-country regressions with time and country fixed effects to examine the factors correlated with the differing rates of change in female LFP across countries

- ▶ Cautious about giving a causal interpretation to the results because of endogenous changes in laws

- ▶ Results suggestive that family friendly policies encourage female-LFP

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Cross Country LFP

Table 3: Selected Regression Results for Labor Force Participation, Age 25-54

	Men	Women	Men-Women	Log Ratio Men/Women
A. Years 1990-2010				
Parental Leave: Weeks	0.018**	0.041	-0.023	-0.000
	(0.008)	(0.050)	(0.048)	(0.001)
Parental Leave:				
Replacement Rate	0.003	0.045	-0.043	-0.001
	(0.003)	(0.032)	(0.033)	(0.001)
Right to Part-Time Work	0.462	4.304**	-3.842*	-0.059*
	(0.369)	(1.989)	(1.962)	(0.033)
Equal Treatment, Part-Time				
Workers	0.406**	2.281*	-1.875	-0.039*
	(0.194)	(1.244)	(1.211)	(0.020)
Male Unemp. Rate	-0.021	0.194	-0.215	-0.002
	(0.043)	(0.262)	(0.240)	(0.004)
F Test: all policy variables	p=0.0018	p=0.0121	p=0.0359	p=0.0166
F Test: parental leave				
policies	p=0.0005	p=0.1205	p=0.2359	p=0.2237
F Test: part-time policies	p=0.0718	p=0.0099	p=0.0276	p=0.0165
N	424	424	424	424
R squared	0.872	0.921	0.934	0.911

Other Impacts?

- ▶ Have the increases in female LFP in other countries come at the expense of female advancement once women are in the labour force?

- ▶ Find that family friendly policies are largely raising part-time work — women who are employed in the US, more likely to be employed full time

- ▶ Women in the US working at higher positions than elsewhere — virtually equally likely to be managers, while there is a gender gap in other countries

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Paternity Leave

- Attention now being paid to the interaction of paternity and maternity leave to allow for both men and women to share the burdens of early childrearing and reduce the negative impacts on female labour force advancement

- California, NJ, Rhode Island - paid leave to both men and women

- Many private sector companies offer generous paternity leave: Google offers men 7 weeks of paid leave; Yahoo, 8; and Reddit and Facebook, 17.

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Other Impacts?

- ▶ Will examine the theory of labour market discrimination that informs this position next week

- ▶ Audrey Shen: How Does Parental Leave Affect Fertility & the Return to Work?

- ▶ Michael Leopold: Parental Leave - A Policy Evaluation of the Swedish Daddy Month Reform

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