



Making the Case for Paid Parental Leave

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Caring Economy Campaign

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1. BENEFITS FOR BUSINESS

- 1.1. WOMEN AND MEN ARE MORE LIKELY TO STAY IN THE WORKFORCE WHEN THEY TAKE PAID PARENTAL LEAVE
- 1.2. BUSINESSES SAVE MONEY ON EMPLOYEE REPLACEMENT COSTS AS PAID PARENTAL LEAVE REDUCES TURNOVER
- 1.3. FIRMS OFTEN BENEFIT IN IMPROVED MORALE AND COST-SAVINGS
- 1.4. CARING POLICIES REDUCE ABSENTEEISM

2. BENEFITS FOR ECONOMY

- 2.1. WOMEN AND MEN ARE LESS LIKELY TO RECEIVE PUBLIC ASSISTANCE WHEN THEY TAKE PAID PARENTAL LEAVE
- 2.2. PAID PARENTAL LEAVE INCREASES WOMEN'S LABOR FORCE PARTICIPATION
- 2.3. PAID PARENTAL LEAVE REDUCED UNEMPLOYMENT
- 2.4. PAID PARENTAL LEAVE BOOSTS OVERALL PRODUCTIVITY

3. BENEFITS FOR FAMILY

- 3.1. PAID PARENTAL LEAVE CATALYZES LASTING HEALTH AND WELL-BEING BENEFITS FOR CHILDREN
- 3.2. MOTHERS' OVERALL AND PSYCHOLOGICAL HEALTH IMPROVES
- 3.3. FATHERS WHO TAKE PAID LEAVE SPEND MORE TIME WITH THEIR CHILDREN THROUGHOUT THEIR CHILDHOOD

1 BENEFITS FOR BUSINESS

1.1. WOMEN AND MEN ARE MORE LIKELY TO ACCEPT JOB OFFERS AND STAY IN THE WORKFORCE

In a 2012 study by the Rutgers Center for Women and Work, women who worked at least 20 hours a week prior to a child's birth who took paid leave were 93% more likely to return to work postpartum 9-12 months than those who did not take leave.¹

Women with access to leave have an increased likelihood of working prior to having their child and also an increased likelihood of returning to the labor market after giving birth.²

Offering paid family leave increases the number of hours that a woman works after returning to work by about 2 to 3 hours per week.³

The availability of paid leave increases use of leave in the early months for mothers, but also increases their likelihood of returning to work by 9 to 12 months after the birth.⁴

Today, 37% of the workforce has children under age 18. Small wonder that in a Radcliffe survey, 83% of women and 82% of men aged 21-29 put having time to spend with their families at the top of their priority list, way ahead of a high salary and a prestigious job.⁵

1.2. BUSINESSES SAVE MONEY ON EMPLOYEE REPLACEMENT COSTS AS PAID PARENTAL LEAVE REDUCES TURNOVER

It is more costly for a firm to undergo a search for a replacement and to invest time and money training that replacement than it is to temporarily arrange for coverage of the workers' duties while they are on leave.⁶

¹ Houser, Linda and Thomas P. Vartanian. 2012. *Pay Matters: The Positive Economic Impacts of Paid Family Leave for Families, Businesses and the Public*. New Brunswick, NJ: The Center for Women and Work. <<http://smlr.rutgers.edu/paymatters-cwwreport-january2012>>

² Berger, Lawrence M. and Jane Waldfogel. 2004. "Maternity Leave and the Employment of New Mothers in the United States." *Journal of Population Economics*, 17(2): 331-349.

³ Rossin-Slater, Maya, Christopher J. Ruhm, Jane Waldfogel, 2011. "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes." NBER Working Papers 17715, *National Bureau of Economic Research, Inc.*

⁴ Baum, Charles L. and Christopher, Ruhm J. 2013. "The Effects of Paid Family Leave in California on Labor Market Outcomes." Working Paper No. 19741. *National Bureau of Economic Research* (December). <<http://www.nber.org/papers/w19741>>

⁵ Eisler, Riane. 2008. *The Real Wealth of Nations: Creating a Caring Economics*. San Francisco, CA: Berrett-Koehler.

Replacement costs vary by type of employee with an average replacement cost of \$4039 per worker overall with a substantial standard deviation of \$9800.⁷

Aetna's retention rate rose from 77% to 88% when it initiated a six-month maternity leave with flexible return to work possibilities — for a savings of \$1 million per year.⁸

1.3. FIRMS OFTEN BENEFIT IN IMPROVED MORALE AND COST-SAVINGS

Most firms studied simply did without any replacement workers, and fewer than 15% of firms reported any additional costs attributable to leaves of six weeks or longer, such as losses in productivity.⁹

99% of employers studied reported that paid family leave produced an increase in employee morale.¹⁰

87% of employers studied reported that paid family leave had not caused costs to increase.¹¹

8.8% of employers studied reported that paid family leave had resulted in cost savings because employees were able to use the paid family leave (financed by worker payroll taxes) instead of employer-provided benefits such as paid sick leave and vacation days. Because 60% of employers reported that they had coordinated their benefits, the authors surmise that the actual share of employers experiencing cost savings was much higher than 8.8%.¹²

A 2001 study showed that firms offering paid **parental leave** had 2.5 percent higher profits than firms that did not.¹³

⁶ Trzcinski, Eileen and Matia Finn-Stevenson. 1991. "A Response to Arguments against Mandated Parental Leave: Findings from the Connecticut Survey of Parental Leave Policies." *Journal of Marriage and the Family*, 53(2): 445-460.

⁷ Dube, Arindrajit, Eric Freeman, and Michael Reich. 2010. *Employee Replacement Costs*. UC Berkeley: Institute for Research on Labor Employment. Retrieved from: <<http://escholarship.org/uc/item/7kc29981>>

⁸ Burud, Sandra & Tumolo, Marie. *Leveraging the New Human Capital: Adaptive Strategies, Results Achieved, and Stories of Transformation* (2004). Boston: Nicholas Brealey America.

⁹ Trzcinski, Eileen and Matia Finn-Stevenson. 1991. "A Response to Arguments against Mandated Parental Leave: Findings from the Connecticut Survey of Parental Leave Policies." *Journal of Marriage and the Family*, 53(2): 445-460.

¹⁰ Appelbaum, Eileen and Ruth Milkman. 2011. *Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California*. Washington DC: Center for Economic and Policy Research. <<http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>>

¹¹ *Ibid.*

¹² *Ibid.*

¹³ Burud, Sandra & Tumolo, Marie. *Leveraging the New Human Capital: Adaptive Strategies, Results Achieved, and Stories of Transformation*. 2004. Boston: Nicholas Brealey America.

1.4 CARING POLICIES REDUCE ABSENTEEISM

There are also high business costs from absenteeism, which is often the direct result of workers' family responsibilities. For instance, Chemical Bank discovered that 52% of employee absences were caused by family-related issues. Businesses that have more caring policies radically cut turnover and absentee related losses. And this doesn't even take into account what a recent study found: that between 30 percent and 40 percent of employees planning to leave have already checked out mentally and emotionally, focusing instead on their next jobs rather than their current ones.¹⁴

¹⁴ Eisler, Riane. 2008. *The Real Wealth of Nations: Creating a Caring Economics*. San Francisco, CA: Berrett-Koehler.

2 BENEFITS FOR ECONOMY

2.1. WOMEN AND MEN ARE LESS LIKELY TO RECEIVE PUBLIC ASSISTANCE WHEN THEY TAKE PAID PARENTAL LEAVE

Paid family leave reduces the likelihood of receiving public assistance in the year after the birth of a child.¹⁵

Employees who are offered paid family leave are 39% less likely to receive assistance than women who keep working and have no leave at all.¹⁶

New mothers who are offered paid leave report \$413 less in public assistance than mothers who were not offered paid leave.¹⁷

Nearly 10% of eligible and covered workers (under the FMLA) receiving partial or no pay during leave went on some form of public assistance.¹⁸

2.2. PAID PARENTAL LEAVE INCREASES WOMEN'S LABOR FORCE PARTICIPATION

Increasing women's labor force participation rates to equal that of their male counterparts would increase GDP substantially in most countries (in the US, 5%; in some other countries, more than 30%).¹⁹

Higher labor force participation of women mitigates the effects of a shrinking work force due to aging.²⁰

¹⁵ Houser, Linda and Thomas P. Vartanian. 2012. *Pay Matters: The Positive Economic Impacts of Paid Family Leave for Families, Businesses and the Public*. New Brunswick, NJ: The Center for Women and Work. <<http://smlr.rutgers.edu/paymatters-cwwreport-january2012>>

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ Kleman, Jacob, Kelly Daley, and Alyssa Pozniak. 2013. *Family and Medical Leave in 2012: Technical Report*, Cambridge: Abt Associates. <<http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf>>

¹⁹ Aguirre, DeAnne, Leila Hoteit, Christine Rupp, and Karim Sabbagh. 2012. *Empowering the Third Billion: Women and the World of Work in 2012*. Booz & Company Inc. <http://www.booz.com/media/file/BoozCo_Empowering-the-Third-Billion_Full-Report.pdf>

²⁰ Elborgh-Woytek, Katrin, Monique Newiak, Kaplana Kochhar, Stefania Fabrizio, Kangni Kopdar, Philippe Wingender, Benedict Clements, and Gerd Schwartz. 2013. *Women, Work, and the Economy: Macroeconomic Gains from Gender Equity*. Washington, DC: International Monetary Fund (September). <<https://www.imf.org/external/pubs/ft/sdn/2013/sdn1310.pdf>>

2.3. PAID PARENTAL LEAVE REDUCED UNEMPLOYMENT

Parental leave policies are associated with higher employment to population ratios (by about 3 to 4 percentage points) as well as decreased unemployment.²¹

2.4. PAID PARENTAL LEAVE BOOSTS OVERALL PRODUCTIVITY

A one-week increase in available family leave is associated with an increase in aggregate labor productivity and multifactor productivity.²²

Both paid and unpaid leave increase productivity but paid leave has a larger effect.²³

The US would see an increase in multifactor productivity of approximately 1.1% over time if it were to institute paid maternity leave at the average OECD level of 15 weeks.²⁴

2.5 PAID PARENTAL LEAVE BOOSTS FUTURE HUMAN CAPITAL QUALITY

Neuroscience findings indicate that good early care is a major factor in human capacity development, and parental leave makes it possible for parents to better provide this care, thereby contributing to the high quality human capital that is key to success in the knowledge-service age.²⁵

²¹ Ruhm, Christopher. 1998. "The Economic Consequences of Parental Leave Mandates: Lessons from Europe." *The Quarterly Journal of Economics* 113 (1): 285-317

²² Bassanini, Andrea, and Danielle Venn. 2008. "The Impact of Labour Market Policies on Productivity in OECD Countries." *International Productivity Monitor* 17 (Fall): 3-15.

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ Ghosh, Indradeep, with Riane Eisler, Natalie Cox, and Brandon Smith. *Social Wealth Economic Indicators*. Pacific Grove, CA.: Center for Partnership Studies.

3 BENEFITS FOR FAMILY

3.1. PAID PARENTAL LEAVE CATALYZES LASTING HEALTH AND WELL-BEING BENEFITS FOR CHILDREN

In their early years, children experience rapid rates of brain and nervous system development.²⁶ In their early years, children form important social bonds with their caregivers.²⁷

Breastfeeding can increase bonding between the child and nursing mother, stimulate positive neurological and psycho-social development, and strengthen a child's immune system.²⁸

Breastfeeding can reduce the risk of health problems like diarrheal disease, respiratory illnesses, asthma, acute ear infection, obesity, Type 2 diabetes, leukemia, and sudden infant death syndrome.²⁹

Women are more likely to breastfeed when they take maternity leave, and longer leave increases both the likelihood and duration of breastfeeding.³⁰

Children whose mothers take time from work after childbirth are more likely to receive well-baby checkups in the first years of life.³¹

When mothers stay home with an infant for at least 12 weeks after giving birth, their children have a greater likelihood of receiving all the recommended vaccinations.³²

After controlling for per capita GDP, health care expenditures, and societal factors, each 10% increase in the duration of full-time equivalent paid leave in a country results in increased rates of vaccinations.³³

²⁶ Shonkoff, Jack P. and Deborah Phillips, eds. 2000. From Neurons to Neighborhoods: *The Science of Early Childhood Development*. Washington, DC: National Academy Press.

²⁷ Schore, Allan N. 2001. "Effects of a Secure Attachment Relationship on Right Brain Development, Affect Regulation, and Infant Mental Health." *Infant Health Medical Journal* 22(1-2): 7-66.

²⁸ U.S. Department of Health and Human Services. 2000. *HHS Blueprint for Action on Breastfeeding*. Washington, DC: Department of Health and Human Services, Office on Women's Health.

<<http://www.womenshealth.gov/archive/breastfeeding/programs/blueprints/bluprntbk2.pdf>>

²⁹ U.S. Department of Health and Human Services. 2011. *The Surgeon General's Call to Action to Support Breastfeeding*. Washington, DC: U.S. Department of Health and Human Services, Office of the Surgeon General.

<<http://www.surgeongeneral.gov/library/calls/breastfeeding/calltoactiontosupportbreastfeeding.pdf>>

³⁰ Appelbaum, Eileen and Ruth Milkman. 2011. *Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California*. Washington DC: Center for Economic and Policy Research. <<http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>>

³¹ Berger, Lawrence M., Jennifer Hill, and Jane Waldfogel. 2005. "Maternity Leave, Early Maternal Employment, and Child Health and Development in the U.S." *The Economic Journal* 115 (February): F29-F47.

³² *Ibid.*

The longer the duration of leave from work that a mother takes after giving birth – up to six months – the lower are her postpartum depression scores on the Edinburgh Postnatal Depression Scale.³⁴

3.2. MOTHERS' OVERALL AND PSYCHOLOGICAL HEALTH IMPROVES

Women who took a maternity leave longer than 12 weeks reported fewer depressive symptoms, a reduction in severe depression, and, when leave is paid, an improvement in overall and mental health.³⁵

There is a positive association between the duration of breastfeeding and a reduction in a woman's risk of breast cancer (especially in women with a family history of the disease) and ovarian cancer.³⁶

There is a positive association between the duration of breastfeeding and a reduction in a woman's risk of rheumatoid arthritis.³⁷

There is a positive association between the duration of breastfeeding and a reduction in the risk of Type 2 diabetes among young and middle-aged mothers.³⁸

3.3. FATHERS WHO TAKE PAID LEAVE SPEND MORE TIME WITH THEIR CHILDREN THROUGHOUT THEIR CHILDHOOD

Fathers who take time from work around childbirth are more likely to spend more time with their children in the months following childbirth.³⁹

³³ Daku, Mark, Amy Raub, and Jody Heymann. 2012. "Maternal leave policies and vaccination coverage: A global analysis." *Social Science & Medicine* no 74 (2): 120-124.

³⁴ Dagher, Rada, Patricia M. McGovern, Bryan E. Dowd, and Ulf Lundberg. 2011. "Postpartum depressive symptoms and the combined load of paid and unpaid work: a longitudinal analysis." *International Archives of Occupational and Environmental Health* 84:735-743.

³⁵ Chatterji, Pinka, Sara Markowitz, and Jeanne Brooks-Gunn. 2011. "Early Maternal Employment and Family Wellbeing." Working Paper Series No. w17212, National Bureau of Economic Research. <http://www.nber.org/papers/w17212.pdf?new_window=1>

³⁶ Stuebe, Alison M., Walter C. Willett, Fei Xue, and Karin B. Michels. 2009. "Lactation and Incidence of Premenopausal Breast Cancer, A Longitudinal Study." *Archives of Internal Medicine* 169 (15): 1364-71.

³⁷ Karlson, Elizabeth W., Lisa A. Mandl, Susan E. Hankinson, and Francine Grodstein. 2004. "Do breastfeeding and other reproductive factors influence future risk of rheumatoid arthritis? results from Nurses' Health Study." *Arthritis & Rheumatology*. 50(11): 3458-3467.

³⁸ Stuebe, Alison M., Janet W. Rich-Edwards, Walter C. Willett, JoAnn E. Manson, Karin B. Michels. 2005. "Duration of Lactation and Incidence of Type 2 Diabetes." *Journal of the American Medical Association* 294 (20): 2601-2610.

³⁹ Nepomnyaschy, Lenna and Jane Waldfogel. 2007. "Paternity Leave and Fathers' Involvement with Their Young Children: Evidence from the American Ecls-B." *Community, Work and Family* 10 (4): 427- 453.