



# The effects of paid maternity leave: Evidence from Temporary Disability Insurance



Jenna Stearns<sup>\*,1</sup>

University of California, Santa Barbara, United States

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## ABSTRACT

This paper investigates the effects of a large-scale paid maternity leave program on birth outcomes in the United States. In 1978, states with Temporary Disability Insurance (TDI) programs were required to start providing wage replacement benefits to pregnant women, substantially increasing access to antenatal and postnatal paid leave for working mothers. Using natality data, I find that TDI paid maternity leave reduces the share of low birth weight births by 3.2 percent, and the estimated treatment-on-the-treated effect is over 10 percent. It also decreases the likelihood of early term birth by 6.6 percent. Paid maternity leave has particularly large impacts on the children of unmarried and black mothers.

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## 1. Introduction

In many countries, maternity leave is thought to be essential to both child and parent well-being. Maternity leave programs are designed to provide compensated and job-protected time off from work so that mothers can prepare for and recover from childbirth and new parents can stay home to care for their infants. The United States is the only industrialized nation in the world without a national policy granting new mothers access to paid time off from work. However, several states offer paid parental leave to qualified workers through state-run insurance programs or state-mandated employer coverage. In this paper, I examine the impact of the introduction of statewide access to paid maternity leave on birth outcomes. Importantly, this leave can be taken in the period before birth. Despite the popular belief that both antenatal and postnatal leave are beneficial to the infant and mother, there is little causal evidence from the United States suggesting that expanding access to antenatal paid leave improves infant outcomes. I find that the availability of statewide paid maternity leave reduces the share of low birth weight births by 0.22 percentage points, or approximately 3.2 percent.

Paid maternity leave can affect infant birth outcomes through several channels. The availability of paid time off may reduce

physical and mental stress during pregnancy. Stress has been shown to have adverse effects on infant endowments of human capital, as measured by birth outcomes such as birth weight and gestational age (Aizer et al., 2012; Copper et al., 1996). Maternal prenatal stress is correlated with cognitive development in young children as well (Bergman et al., 2007). Access to paid antenatal leave may be especially important for single or low-educated mothers who are less likely to be able to afford to take unpaid time off and may have more physically demanding jobs. Jobs that involve standing, lifting, long hours, shift work, or noisy environments are all associated with negative birth outcomes (Mozurkewich et al., 2000). Additionally, while the income associated with paid leave may reduce mental stress, there are potentially also direct income effects for some families that could lead to improved birth outcomes. Finally, time off through paid maternity leave may impact choices regarding prenatal care visits or other types of medical care.

On October 30, 1978, Congress enacted the Pregnancy Discrimination Act (PDA). An amendment to the 1964 Civil Rights Act, the PDA prohibits discrimination in the labor force on the basis of pregnancy. This act requires that employers treat pregnancy and childbirth like any other temporary disability. Consequently, states with Temporary Disability Insurance (TDI) programs were required to start providing maternity leave benefits to pregnant workers. These benefits can be used in the period immediately before and after birth. This study evaluates the effects of the availability of this paid leave in the five states with TDI programs: California, Hawaii, New Jersey, New York, and Rhode Island. TDI covered approximately 50 percent of all women and over 80 percent of working women in these states in 1978, so access to paid maternity leave expanded substantially under this policy.

\* Tel.: +1 5037023031.

E-mail address: [stearns@umail.ucsb.edu](mailto:stearns@umail.ucsb.edu)

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This paper uses a difference-in-differences (DD) framework to examine the impact of statewide access to short-term paid leave through TDI on the share of low birth weight births in the state. Low birth weight is defined as weighing less than 2500 g (approximately 5.5 pounds) at birth and is a strong predictor of newborn health and survival probability (Goldenberg and Culhane, 2007). To estimate this effect, I use Vital Statistics natality data from 1972 to 1985. Because these TDI programs all predate 1978, the PDA is plausibly an exogenous shock to the ability of pregnant women to claim disability insurance. This identification strategy allows for the estimation of intent-to-treat (ITT) effects of widespread access to paid maternity leave for working mothers. Doing so is possible because workers in non-TDI states do not have any rights to paid leave at the state level. Because it is likely that access to paid leave has heterogeneous effects across demographic groups, I also estimate separate effects for white/Hispanic, black, married, and unmarried mothers.

The results show that access to paid leave reduces the percentage of low birth weight births in a state and that this effect is strongest for unmarried mothers, who are more likely to be employed and thus benefit from TDI. While the ITT effects are modest, analysis of TDI maternity leave take-up in California suggests that the treatment-on-the-treated effects are quite substantial. Furthermore, I demonstrate that TDI increases both gestational age and birth weight at other points in the distribution. Paid leave reduces the proportion of early term births by over 1 percentage point, or 6.6 percent. Additionally, it reduces the share of births in the bottom quintile of the birth weight distribution by 0.39 percentage points, or 2.6 percent. These results are all consistent with the policy increasing antenatal leave taking. Data from the Survey of Income and Program Participation (SIPP) indicate that almost 70 percent of women in TDI states who take paid postnatal maternity leave also take time off before birth during this period. Therefore, it is plausible that the policy affects birth outcomes. While this is the first study to evaluate paid leave specifically, the results are in line with research on the effects of other types of leave-taking on birth outcomes in the United States. In a sample of U.S. mothers, Del Bono et al. (2012) find statistically significant effects of stopping work up to one month before giving birth on birth weight. However, they do not distinguish between different reasons for the work absence or whether the leave is paid or unpaid. Rossin (2011) shows that the availability of unpaid maternity leave in the U.S. increases birth weight and decreases the likelihood of premature birth, primarily for college-educated and married mothers. However, in contrast to studies of unpaid leave, I show that access to short-term paid maternity leave has substantial impacts on the children of unmarried and black mothers.

This paper is organized as follows: Section 2 provides background on maternity leave through TDI and other family leave programs in the United States. Section 3 reviews the relevant literature, and Section 4 describes the data used to evaluate the effects of this policy. The fifth section introduces the empirical strategy, and results are discussed in Section 6. Section 7 contains a discussion of possible mechanisms and Section 8 presents placebo tests. Finally, Section 9 provides concluding remarks.

## 2. Maternity leave in the United States

Women with young children make up a significant proportion of the labor force in the United States today. In 1975, 34 percent of mothers with children under the age of three were in the labor force; this number rose to 50 percent by 1985 and 61 percent by 2011 (U.S. Bureau of Labor Statistics, 2013). There are several explanations for this sharp rise in the percentage of working mothers. First, there has been an overall trend of increasing female labor

force participation as gender roles have shifted and women's educational attainment has increased. Second, the structure of the typical American family has changed in recent decades. More children are now raised by lone mothers, who are more likely to work than their married counterparts (Ruhm, 2011). The proportion of births to unmarried mothers rose from only four percent in 1950 to almost 20 percent in 1980, and reached over 40 percent of all births by 2010 (Lundberg and Pollak, 2013).<sup>2</sup> Both of these factors contribute to the work-family tradeoff that new mothers face, and illustrate the importance of understanding the impacts of policies that grant maternity leave rights to all working women.

The United States is one of the only countries in the world without some sort of national law that provides working mothers with access to partially paid leave around the time of birth.<sup>3</sup> Prior to 1993, the U.S. had no national policy to guarantee workers even the right to unpaid parental leave. The Family Medical Leave Act (FMLA) of 1993 provides 12 weeks of job protection during *unpaid* leave to qualified workers. However, only about half of all workers in the U.S. are eligible (Ruhm, 1997). This is due to firm size requirements as well as stringent requirements on the length of time an employee must work for the same employer (12 months and at least 1250 h). Furthermore, many eligible workers cannot afford to take three months off without pay.

While the U.S. lacks a national policy, five states – California, Hawaii, New Jersey, New York, and Rhode Island – have policies that grant most working women access to paid leave through Temporary Disability Insurance. TDI is state-mandated insurance coverage that extends to most private sector workers. It provides short-term partial wage replacement benefits to workers who suffer a loss of wages when they are unable to work due to a non-work related illness or injury. Prior to 1978, TDI did not generally cover normal pregnancy as a disability, although complications due to pregnancy were covered. After the Pregnancy Discrimination Act went into effect, however, these states were required to extend benefits to all eligible pregnant women. The TDI states all have similar eligibility and benefits structures, although the funding source and benefit amounts somewhat differ. TDI in California and Rhode Island is entirely employee funded, whereas both employees and employers pay into the state TDI fund in New Jersey. New York and Hawaii require employers to pay for TDI coverage either through a state plan or benefit-equivalent private insurance plans, but allow employers to cost share with their employees. These plans are not experience-rated: employee claims do not directly affect the future costs of employers or claimants. In each state, the vast majority of private-sector workers are eligible for TDI and the minimum work requirements are much lower than under the FMLA. Eligibility is tied only to earnings within the state, and is not employer specific.<sup>4</sup> Wage replacement is 50–66 percent of the worker's average weekly

<sup>2</sup> There are huge disparities by race. Among black mothers, 56 percent of all births in 1980 were non-marital births, compared to 24 percent of Hispanic births and only 10 percent of births to white mothers.

<sup>3</sup> The exact requirements for and benefits of these policies vary greatly from country to country. Most, but not all, provide at least twelve weeks of leave with partial wage replacement. In a study of 173 countries, Heymann et al. (2008) find that the only countries without a national policy guaranteeing at least some segment of the female workforce access to paid leave are the U.S., Lesotho, Liberia, Papua New Guinea, and Swaziland.

<sup>4</sup> Workers must earn at least \$300 in taxable wages in a 12 month base period in California, and \$400 in Hawaii. There is no minimum wage requirement in New York, but workers must have four consecutive weeks of employment history within the state. Workers in New Jersey must have earned at least \$145 per week for 20 (non-consecutive) weeks within the state. Rhode Island eligibility requirements are the most stringent; workers must have earned at least \$1200 over the past year during the majority of my sample period. The only state which requires public-sector participation in TDI is Hawaii. In the other states, government employers often provide temporary disability coverage to workers through their own private plan, or by electing into the state TDI plan.

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