

Paid Family Leave Might Reduce Wages: But Does that Matter?

[A new study](#) has just been released that, at first glance, seems to undercut the case for paid parental leave. The study compares outcomes for women who gave birth in California in 2004, just before and just after the state's Paid Family Leave Act (PFLA) went into effect. According to the authors:

We find little evidence that PFLA increased women's employment, wage earnings, or attachment to employers. For new mothers, taking up PFLA reduced employment by 7 percent and lowered annual wages by 8 percent six to ten years after giving birth. Overall, PFLA tended to reduce the number of children born and, by decreasing mothers' time at work, increase time spent with children.

In terms of wages, that reduction was significant and long-lasting, amounting to a net loss of approximately *twenty-four thousand dollars* over a ten-year period. Lost income? Lower rates of employment? Fewer children? Does all of this mean that paid family leave is actually bad for women and their families?

Not so fast.

It's true that some advocates of [paid family leave](#) view it primarily as a tool for achieving precise gender equity – a world in which 50 percent of CEOs are women, as Sheryl Sandberg [would prefer](#), and a world in which mothers work exactly as much and earn exactly as much as their male counterparts. Others – including a growing contingent of social conservatives – support paid leave as part of [pro-natalist](#) policy packages that are meant to reverse our

declining birthrates.

But are those the metrics by which we should judge the success of pro-family policy efforts? Would perfect labor-market equality really make women happier and families stronger? Is paid leave not worth the cost if it doesn't result in more babies?

The short answer? No. Obviously, employers should recognize and reward the talents of the women they employ, sex-based discrimination in the workplace is unacceptable, and we need to reverse our declining birthrates. But, when it comes to women and work, purely economic analyses – convenient as it may be – don't tell the whole story. Instead of striving for perfect numerical equality, we should be working toward stronger, healthier families and happier, more fulfilled mothers, even if those outcomes are harder to measure.

Behind the Numbers

Why did the moms who took paid family leave earn less than the moms who didn't?

It's important to remember that this is a quantitative study, based upon analysis of earnings and employment data reported to the Internal Revenue Service, cross-referenced with data from the Social Security Administration. The study has notable strengths, such as a very large sample size (over 150,000) and a good control group (women in the same state giving birth just a few months earlier), but it also has some necessary limitations. Qualitative research based on in-depth interviews with women about the factors that influence and constrain their decisions about work arrangements and family size could give us a more nuanced picture of the ripple effects of paid family leave. Still, even without such qualitative data, the study's authors are able to posit and evaluate two potential explanations.

The first possibility is that women's wages dropped after having children because of external, demand-side factors. In other words, mothers might have earned less because employers discriminated against them.

The second possibility is that women freely choose to work less after they are granted paid leave. This interpretation would make sense, given that the IRS data showed a nearly 50 percent increase in self-employment income among mothers who took leave, indicating that many of them shifted into freelance or independent contracting roles that traded a higher income for increased flexibility. Such arrangements might allow mothers to spend more time with their children by working from home and setting their own hours – say, while their babies sleep.

If that's the case, perhaps California's paid leave legislation isn't "responsible for a discrimination-induced *reduction of wage earnings of \$24,000*" but is instead "responsible for an *increase in investment of \$24,000 worth of mothers' time in children.*" The authors hypothesize that:

...additional leave may encourage women to invest more in their children (and less in their careers)–even if treatment by employers at the time they return to work is the same... Under this model of parenting and labor supply, women themselves may reduce their labor-force investments following a longer leave, thereby reducing their longer-term employment and annual wage earnings.

The authors see two pieces of evidence suggesting that this second interpretation is more likely. The first is that the wage and employment gap is much larger for first-time mothers who took paid leave than it is for those who already had older children. If discrimination were the culprit, that discrimination should apply equally to both first-time mothers and those who already have children. On the contrary, "The

larger effect on new mothers implies that the Act may lead to different parenting and work behaviors on the part of parents, which is consistent with the labor-supply explanation.”

The second piece of evidence for the supply-side explanation is the lower birth rate among mothers who took paid leave. Again, the question here is “Why?” Why would taking paid family leave nudge women to have fewer children? The authors note that there’s actually a relatively simple economic explanation.

If the Act increased investments in children, then standard economic models posit the number of children should fall, because increases in child “quality” (i.e., investment in children) increases the shadow price of child quantity... The 2004 and 2008 SIPP [Survey of Income and Program Participation] suggest that paid leave increased maternal time investments in children, raising the time parents read to their children, took them on outings, and had breakfast with them.

There are some important caveats here. As [Lyman Stone](#) has pointed out, the data used in this study is not complete; the CDC reports tens of thousands more births in California during those months than the IRS data includes. Large as it is, this omission means that the authors’ sample may not be representative, since it excludes a significant number of low-income mothers (who may have higher fertility preferences) and includes a higher percentage of married mothers (who may have more flexibility to cut back at work, thanks to their husbands’ income) than the state’s general population.

Still, if these results are generalizable, it seems that California’s paid leave law encourages mothers to spend more time with the children they do have and to find more flexible work arrangements. That doesn’t make it a failure. In fact, the authors themselves conclude that “these results suggest

that California's 2004 Paid Family Leave Act may have benefited families and children—even if the policy did not reduce the gender gap.”

Work and Motherhood Demand Tradeoffs

These results shouldn't surprise us. They reinforce what should be common sense: when you give mothers time to bond with their babies, they *bond with their babies*.

When women are given a chance to acclimate to the seismic shift that accompanies motherhood, they are able to incorporate this challenging new identity into their understandings of themselves as people. For many women, that process inspires them to reevaluate their career trajectory.

This was true for me, and it's true for many of the women I've interviewed about their experiences of work and motherhood. Some of the women I've talked to were ready to jump right back into full-time work outside the home after a few weeks of leave, but most were not. First-time mothers are often surprised by how difficult it is to leave their children in someone else's care. Some decide to take a break from professional employment to become stay-at-home mothers, at least for a time. Others don't want to totally leave their careers behind, so they come up with creative strategies to keep their foot in the door and bring in an income without having to put their child in someone else's care for forty-plus hours every week.

This might sound like “having it all.” In some ways, such arrangements do allow women like me to enjoy the best of both worlds, continuing to do fulfilling professional work and to spend a substantial amount of time with our children while they're young. But, as this study indicates, no decision is without tradeoffs. For mothers, working more has a higher

opportunity cost, since it involves sacrificing time with their children. On the other hand, working less generally means earning less. There are concrete changes employers can make to reduce that economic sacrifice and to do a better job capitalizing on the unique strengths mothers bring to the table, and I'll be writing more about those changes in the coming months. Still, even when more intensive mothering means a smaller paycheck, for many families that's a net benefit.

This study doesn't mean we should stop supporting paid family leave. It just means that we should rethink how we measure the success of such policies. Whether or not paid leave leads to booming birthrates or results in equal numbers of men and women in the workplace, if it improves the welfare of children and helps women pursue careers without sacrificing motherhood, it's a policy worth supporting.

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