

# The Long-Run Effects of America's First Paid Maternity Leave Policy

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One of the most dramatic stories of the labor market in developed nations over the last 50 years is the rise of female labor force participation, even as women remained the primary caregivers in the typical household. The growth of this dual role was accompanied by rising interest in policies that guarantee maternity leave to working women. Billed as a means to help women pursue more continuous, higher-paying careers, nearly every developed nation has adopted policies providing income and job protection to women who take leave as long as 2 years in length (Dahl et al., 2016). The notable exception is the United States, where the debate over world's least generous maternity leave regime remains vigorous and the most recent presidential election featured competing proposals to create the nation's first universal paid parental leave mandate (Sholar, 2016).

Despite the growth of maternity leave as a fixture of the U.S. labor market, as well as the prominence of proposals to expand the availability of paid leave, there are many potential consequences of such policies that have proven difficult to measure. A large body of literature has examined the effect of paid and unpaid leave policies on mothers' short- and medium-run outcomes, such as leave-taking and employment (Han, Ruhm and Waldfogel, 2009; Waldfogel, 1999; Baum, 2003; Berger and Waldfogel, 2004; Baum and Ruhm, 2016; Byker, 2016; Rossin-Slater, Ruhm and Waldfogel, 2013). They find consistent evidence that parental leave policies lead working women to spend at home after childbirth and, in some cases, increase the likelihood that a new mother will remain in the workforce. However, less is known about the effects on women who are not mothers, who may nevertheless be affected by the way firms and other workers respond to the incentives put in place by a leave guarantee. Still more difficult to measure is the impact on children, who may be affected in theoretically ambiguous ways by changes in the amount of time spent bonding with parents, the family's income in during their formative years, or the environment in which they grow

up. Researchers have struggled to estimate these long-run effects in the United States largely because most relevant public policy changes, which typically provide the source of variation in evaluations of leave programs, are too recent to allow measurement of children’s outcome as adults.

This paper addresses these questions by exploiting a little-studied interaction between U.S. disability policy and anti-discrimination statutes enacted at the state and federal levels in the 1960s and 1970s. My research design draws on long-standing, cross-state variation in the availability of short-term disability insurance (STDI). These insurance policies, which were originally designed not as a vehicle for maternity benefits but rather to provide wage replacement to manual laborers, gained new relevance in the 1970s when a series of state and federal anti-discrimination laws required them to cover childbirth as a disability. For many working women – including those in states where STDI had long been virtually universal – the enactment of these anti-discrimination policies meant that their STDI benefits had suddenly become a source of paid maternity leave.

My research design makes use of the staggered roll-out of these laws and the cross-state variation in access to STDI to estimate the impact of the enactment of paid leave on a suite of important outcomes, including leave-taking, employment, wages, and the long-run human capital and economic outcomes of children. Importantly, the roll-out of STDI maternity benefits provides plausibly exogenous variation in access to paid leave because it resulted in an interaction between long-standing variation in access to STDI and the unveiling of anti-pregnancy discrimination laws. This institutional background inspires a difference-in-differences-based research design in which I compare individuals from the same state before and after the reform, and across states with different levels of access to STDI.

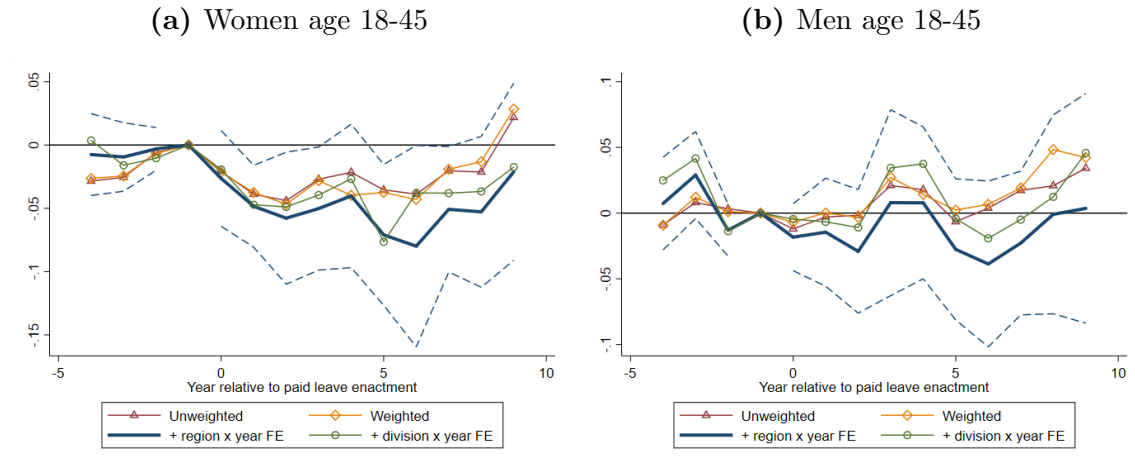
My main results rely on data from two sources. First, I construct a sample of women and men of child-bearing age, 18-45, who respond to the May Current Population Survey between 1973 and 1987. By matching these individuals to data I have gathered on the roll-out of anti-discrimination laws, as well as a measure of access to STDI, I can evaluate changes in labor-market outcomes driven by enactment of STDI-funded maternity leave. I find evidence that the response of firms and workers to this new benefit led to a decrease in hourly wages of about 5 percent for women, as shown in Figure 1, but no measureable effect on employment.

To evaluate the potential long-run effects on children, I use a complete, restricted version of the long-form decennial Census and the 2001-2016 American Community Survey (ACS)

matched to administrative records on the date and place of birth from the Social Security Administration's Numident file. These data allow me to use individuals' date and state of birth to impute their mothers' exposure to paid benefits and measure human capital and economic outcomes decades later, between the ages of 25 and 62. I focus on four measures of educational attainment – years of schooling, high school graduation, college attendance, and 4-year college degree attainment – as well as five measures of economic activity – employment, hours and weeks worked, wage and salary earnings, and poverty status. I provide evidence that children with mothers exposed to STDI maternity benefits achieved worse human capital outcomes in the long run. As shown in Figure 2, a result driven by a 1.9 percent decrease college attendance and a 3.1 percent decrease in the likelihood of attaining a 4-year college degree.

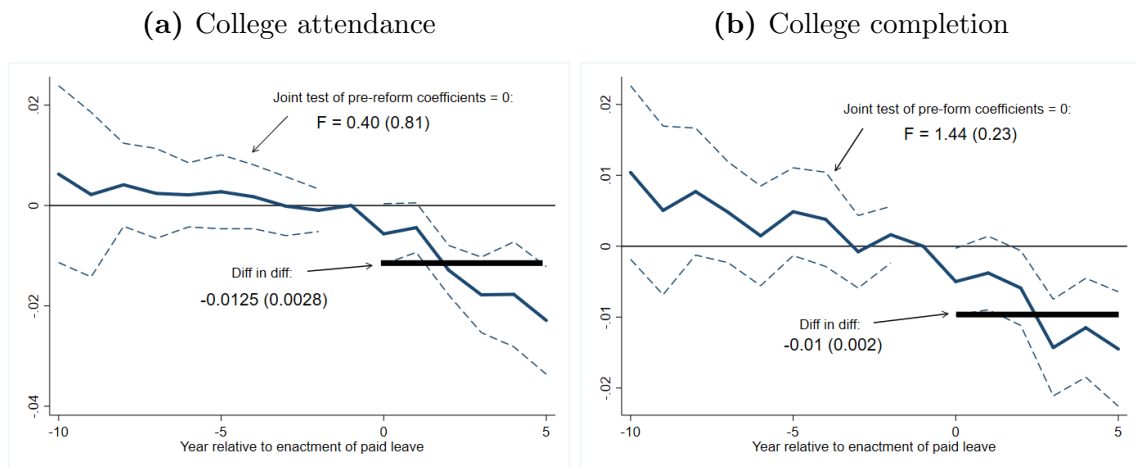
My estimates of the effect of paid leave on children in the long run are the first from a U.S. context. However, they offer a contrast with previous findings on the effects of maternity leave on children. Studies of U.S. maternity leave programs have generally reported positive or null effects on indicators of child well-being in the short run (Rossin, 2011; Washbrook et al., 2011; Stearns, 2015). In addition, Carneiro, Loken and Salvanes (2015) use a regression discontinuity approach to evaluate a Norwegian expansion of paid-leave and find large positive effects on children's educational attainment and wages as adults. My results suggest that these positive effects may be offset by other factors, such as deterioration of women's labor-market outcomes, that are not taken into account by estimates using regression-discontinuity designs. Overall, the story of the roll-out of STDI-funded paid maternity leave suggests that, while paid leave policies may confer important benefits on working mothers, they also may carry significant costs with important implications for any comprehensive cost-benefit analysis of such policies.

**Figure 1:** Effects of paid leave on log wages



Notes: Graph shows event-study estimates using samples of women and men age 18-45 from the 1973-1987 May CPS. Standard errors clustered at state-group level.

**Figure 2:** STDI maternity benefits and fertility



Notes: Coefficients displayed are estimated intent-to-treat, event-study effects of exposure to paid maternity benefits on children in the long run. Standard errors clustered at state level. Sample includes individuals in the restricted 2000 long-form decennial Census and 2001-2016 American Community Survey, using cohorts born in the United States between 1954-1985, and individuals age 25 or older when surveyed.