Columbia Business School

Economy & Policy

Getting the Job Done: How Paid Family Leave Impacts Employers

Key Takeaways

- Since New York began offering Paid Family Leave, employees, particularly in firms with fewer than 50 employees, have utilized the policy, which is significant because employees in these firms do not have access to leave provided under the federal Family and Medical Leave Act.

- Not only is Paid Family Leave valuable for employees, but it does not have adverse impacts on employers; in fact, the standardization of handling employee absences is beneficial to employers in some cases.

- The methodology used in this study (collecting data from firms both before and after the policy went into effect) should be used by other researchers who are studying PFL in other states.

Adapted from "The impact of paid family leave on employers: evidence from New York" by Ann P. Bartel of Columbia Business School, Maya Rossin-Slater of Stanford University School of Medicine, Christopher J. Ruhm of University of Virginia, Meredith Slopen of Columbia University School of Social Work, and Jane Waldfogel of Columbia University School of Social Work.

The paper from Columbia Business School, "The impact of paid family leave on employers: evidence from New York," explores the impact of paid family leave on employer ratings of employee performance and the ease of handling employee absences. The study was co-authored by Ann P. Bartel of Columbia Business School, Maya Rossin-Slater of Stanford University School of Medicine, Christopher J. Ruhm of University of Virginia, Meredith Slopen of Columbia University School of Social Work, and Jane Waldfogel of Columbia University School of Social Work.

Research

While the majority of Americans are supportive of Paid Family Leave (PFL), a policy that provides workers with paid time off while they care for newborn children or seriously ill family members, the United States does not have a national paid parental leave policy. Only 11 states have passed their own policies and four of these have not yet been implemented. Although the economic and health benefits of PFL for employees has been studied and proven, the lack of policy action partially reflects concerns about the potential burden PFL imposes on employers – particularly the costs and day-to-day coordination for small firms.

This research explores the impact of PFL on employers in New York, surveying firms with 10-99 employees in the areas of employee attendance, commitment, cooperation, productivity, and teamwork, as well as the ease of handling employee absences. In order to identify the impact of PFL, the researchers collected data, both two years before and two years after PFL went into effect in 2018. Additionally, researchers surveyed small Pennsylvania businesses, which do not have PFL, as the control group within the same timeframe. Each NY firm was matched to a PA firm on observable characteristics and the researchers then estimated difference-in-difference models within matched pairs.

Research (continued)

Surveys were conducted each fall from 2016-2019, and initial contact with employers was made by mail, with follow-ups conducted by mail, e-mail, and phone. In each firm, the Office for Survey Research (OSR) at Michigan State University, who conducted the surveys, asked either the owner or manager to complete the surveys.

In the first survey year (2016), the response rate was 46 percent in both states, resulting in a sample of 1,207 firms from each state. In the second survey year (2017), the researchers re-surveyed as many firms as possible from the preceding year, obtaining responses from 1,599 of these firms, and recruiting 820 new firms to generate a total of 2,419 firms (1,215 from New York and 1,204 from Pennsylvania). The researchers repeated this process in subsequent years, generating a final sample of 4,573 unique firms that participated in the survey in at least one year.

Results

The research demonstrates that when states establish PFL:

- Employees within smaller firms benefit, as they do not have access to federal leave.
- There are no statistically significant or economically meaningful adverse impacts on employer ratings of employee performance.
- In some cases, it was actually easier for employers to manage employee absences with PFL in effect.

The researchers report that “specifically, in the first year of the policy, PFL is estimated to reduce the difficulty of dealing with absences of 4 weeks or more by 0.31 standard deviations and of dealing with absences 2-4 weeks long by 0.37 standard deviations.”

Even in the second policy year, when there was an increase in employees taking leave, especially in firms with fewer than 50 employees, employers were not negatively affected. This is critical because it shows that establishing leave benefits is valuable for employees in small firms without burdening employers of small firms.

Conclusion

Opposition to government-provided PFL in the United States is primarily based on the argument that this policy will impose significant burdens on small businesses. For this reason, business community leaders and trade groups have expressed concerns about the impact of PFL legislation, but without empirical evidence to support these concerns.

This research introduces new data to the conversation, demonstrating that PFL is not only positive for employees, but that it does not negatively affect employers, particularly small businesses. The research can be used by policymakers to inform choices related to the implementation of state-standardized PFL in the future. Additionally, business owners can look to this research as a guide for how PFL might affect them. Finally, states considering implementing PFL can seek to replicate the methodology of examining firms both before and after the policy takes effect.

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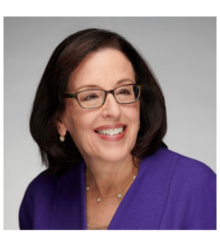

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