Enriching Family Life, Ties with Newborns

Time spent with a newborn child is a momentous period in any parent’s life. Bonding with and caring for infants strengthens families, plays an important role in parent-child attachment, and bolsters healthy child development. At the same time, taking leave from work to care for newborns can involve difficult economic hardship, especially for low-income families.

California launched one of the nation’s most ambitious paid family leave (PFL) programs in 2004, currently offering six weeks of paid leave following the birth of a newborn. By 2014, nearly half of all eligible mothers drew PFL benefits statewide. One-sixth of all fathers participated, and this share is growing rapidly.

In California, PFL provides benefits to parents for bonding with a new child and to individuals who need time away from work to care for a seriously ill family member. This brief focuses on PFL “bonding” benefits that aim to foster secure and rich ties between infants and parents, while alleviating the economic burden on families with new children.

Parents who take time off work to care for newborns face lost wages and may risk losing their jobs. Parents who take minimal leave for pregnancy often pay high costs for safe and reliable infant care. By making leave more affordable and increasing leave-taking, PFL interacts with the early care system, reducing demand for scarce and costly infant care.
Governor Gavin Newsom has proposed lengthening the period of paid family leave to six months, although split between two parents or principal caregivers. The Administration plans to appoint a task force to “consider different options to increase participation in the program and to phase-in and expand Paid Family Leave.”

A separate brief from the Berkeley Early Childhood Think Tank details evidence on the extent to which PFL affects parents’ downstream labor market experience and the growth of young children.

**FIGURE 1** Total PFL claims filed, 2004-2013

**FIGURE 2** Weeks of paid maternity and paternity leave offered by California programs

**CALIFORNIA’S LEADERSHIP ON PAID FAMILY LEAVE**

Prior to implementing PFL, California was already a national leader in supporting leave following the birth of a child. California law provided stronger maternity supports than most other states for decades in the form of partial wage-replacement benefits and job protection.

**Partial Wage Replacement** - PFL is a component of the state disability insurance program (SDI), an entitlement created in the 1940s, then extended to cover pregnancy in the 1970s. The disability tax and payout system is run by the Employment Development Department (EDD). Under SDI, expectant mothers employed by businesses with at least 5 employees are eligible for paid disability leave during pregnancy.

Disability insurance provides partial wage replacement benefits surrounding a typical pregnancy for three weeks of pre-partum and six weeks post-partum leave. This period may be extended for births involving Cesarean section complications such as post-partum depression. In 2002, SDI weekly benefits replaced 55% of “base period” earnings from a minimum of $50 per week to a maximum of $490.

**Job Protection** - While SDI programs provide wage-replacement during leave, they do not protect workers from losing their jobs. Two laws serve to protect parents surrounding the birth of a newborn. The California Family Rights Act (CFRA) protects qualified workers from job loss when taking up to 12 weeks of leave per year for personal or family illness, or to spend time with a newborn. To qualify for CFRA job protection (prior to 2018 changes), a worker must have been employed in a private firm with at least 50 employees for one year and worked for at least 1,250 hours in a 12-month period.

Under Pregnancy Disability Leave (PDL) expectant mothers employed by businesses with at least 5 employees are eligible for 4 weeks of job-protected leave before their due date and 6 weeks after. This leave may be extended depending on the worker’s health.

**Paid Family Leave** - The California legislature approved a comprehensive PFL program in 2002, affording 6 weeks of partial wage replacement for qualifying workers after the birth of a child. At the time of implementation, the share of wages replaced under PFL – financed by the disability payroll tax – was pegged to the standard SDI wage-replacement rate of 55%. This benefit can be used at any time during the first year after the birth, adoption, or foster placement of one’s child. Parents can break up the 6 weeks of PFL, they are not required to take all their leave at one time.

For pregnant women already eligible for disability insurance, this additional 6 weeks of coverage for bonding with a new child lengthened the total number of leave weeks to 15. PFL benefits also became available to eligible workers who care for a seriously ill family member. To be eligible for SDI, including PFL, workers must have earned wages of at least $300 in the base period from which SDI deductions are withheld.

**Recent Policy Changes** - AB 908, approved in 2016 and effective in 2018, increased the wage replacement rate for SDI, which includes PFL. The wage replacement rate was raised from 55% to 70% for workers who earn less than one-third of the state’s average quarterly wage ($5,230 in
2018) during the highest quarter of their base period and to 60% for individuals who earn more than this amount.

The maximum weekly benefit is currently $1,252. An individual who receives the maximum payout would have earned about $2,000 per week in the base period or about $104,000 per year. The maximum benefit for individuals whose highest quarterly earnings were less than $929 in the base period is $50 per week.

SB 63, effective January 2018, expanded the scope of job protection laws for bonding with a newborn by reducing the threshold size of firms from 50 to 20 employees.  

**Financing Family Leave** - Almost all private employees contribute to SDI, including PFL, funded entirely by the disability insurance payroll tax. While some employers do fund supplemental family leave, the state's leave programs impose no monetary costs on employers. Most employees are subject to this tax. The taxable wage ceiling is about $118,371 for 2019, up from $68,829 in 2004. This means that income earned above $118,371 is sheltered from the SDI tax. There is no taxable wage floor as with state income tax. The maximum contribution was about $1,184 per employee per year in 2019.

The disability tax is currently set at 1.0% for all workers. The result of the disability tax schedule is that lower wage earners pay a higher proportion of their total income into SDI than higher income earners (Figure 4). In contrast, the state income tax rate is greater for higher income citizens than for lower income citizens.

The tax rate derives from a statutory formula that often shifts year to year to ensure that revenue is sufficient to cover SDI benefits and administration. It has fluctuated around this level by about 0.1% since 2002. This rate can be moved by 0.1% in a given year at the discretion of the EDD director.

In 2002, a cost benefit study estimated that an increase of 0.1% would raise $384 million in revenue. Today, due to higher wages, state population, and taxable income, a 0.1% increase would generate closer to $760 million in additional revenue.

In 2016, total SDI contributions equaled $5.9 billion and benefits dispersed reached about $5.8 billion. The end-of-year fund balance was just over $3 billion.

**WHO BENEFITS FROM PAID FAMILY LEAVE?**

In 2017, nearly 260,000 individuals filed PFL claims, either for bonding with a newborn or caring for a sick family member. About 230,000 of these claims were for bonding with newborns.

Most publicly reported data on PFL beneficiaries come from the first decade of the program’s operation, so we focus on this period. In 2014, 45% of employed new mothers and 8.9% of employed new fathers made a bonding claim. The average age of PFL mothers filing bonding claims was about 30 years. Fathers tended to be a bit older. Nearly 30% of all bonding claims were filed by fathers. About 80% of bonding claims reflected the parent’s first claim. Around 20% had previously filed a PFL claim for bonding with a previous newborn. For context, one in eight children born in the U.S. in 2014 was born in California.
The rate of bonding claims per birth was higher in the Bay Area than in other regions, and lower in Los Angeles and Fresno Counties.

Overall participation in PFL grew steadily during the program’s first 10 years. Total claims rose from 150,514 in 2004-05 to 215,830 in 2012-13, a 43% increase. This growth was driven mainly by a major increase in claims made by men. Female participation grew quickly in the first years of the program’s operation, but has been largely stable since, at about 125,000.

In 2012-13, 45% of mothers and 24% of fathers who filed PFL bonding claims earned less than $36,000 (Figure 6). Fathers tended to be from higher income groups. Thus the average beneficiary’s income increased over this period as fathers accounted for a growing proportion of claims.

Gender and Income Trends - An analysis by the Senate Office of Research reported that among all male claims between fiscal years 2004-05 and 2012-13, the share of...
claims from low-income males (individual income under $24,000 per year) decreased slightly. During this same period, the proportion of male claims from relatively high earners (individual income of at least $72,000) rose substantially (Figure 7).20

Among women, the income trend in claims was more severe. The share of all PFL claims made by low-income working mothers declined from 33% to 25%. The share of female claims made by high-income workers increased from 11% to 23% over the same period (Figure 7). Despite the significant growth in overall PFL participation, claims from low-income women were stagnant or slightly decreasing.

Paid leave appears to advance gender parity in parenting.

Gender differences in these trends are particularly striking, as one rationale for paid family leave is to improve maternal health and reduce the “motherhood wage penalty” – the cost of parenthood that falls disproportionately on women.21

PFL appears to advance greater gender parity in parenting. Given this increase differs by income, the gain in gender parity is stronger for more affluent families.

Two-parent Families - In California, a large share of infants is born to single mothers. From 2000 to 2013, births to unmarried women accounted for 35% to 40% of all births. Given that fathers are less likely to be single, the growth in PFL claims during its first decade of operation was likely driven by affluent two-parent families. Future reform should examine strengthening supports for one-parent families to avoid exacerbating inequality.

Overall, as currently structured, PFL largely operates to support better-off two-parent families, while regressively financed with wages of lower and middle-income workers. A single mother earning $60,000 a year may pay $600 to help finance paid leave for fathers earning much more. And this hypothetical mother may be unable to afford six weeks away from work, potentially receiving PFL benefits of just under $700 per week.

Such disparities in who pays and who benefits from PFL is not unique to California. A 2011 study by the U.S. Census Bureau documented national disparities in access to paid leave by education level.22 This uneven access was driven largely by the concentration of employer-provided leave at upper echelons of the labor force. California’s PFL program is publicly financed, yet it struggles to avoid the disparities that characterize employer-provided leave benefits.

Household Income - Existing analysis of the distribution of PFL benefits by income relies on individual-level claim data.23 Income data for individuals – while logically collected by the employment agency – may distort how we characterize the economic status of PFL-aided families.

For example, one fifth of female claims come from women earning between $24,000 and $36,000 per year. The household income for a woman earning $36,000 with one child and a partner who also earns $36,000 would approximate the state median income (SMI) in 2013.24 However, if she was a single earner, her household’s income would have been closer to 50% of SMI.

Generally, low-income women are less likely to be married or belong to a dual-earner household. Male PFL claims come from higher income individuals who are more likely to belong to a dual-earner household and draw PFL benefits jointly with their spouse.

Household-level claim data would facilitate a much more informative assessment of disparity and regressivity in PFL benefits.

EXPLAINING INEQUALITY IN PFL CLAIMS

The level of inequality in PFL claims is not yet entirely clear, nor are factors that drive this disparity. Weakening levels of PFL participation among low-income parents may be driven by varying levels of awareness, benefit

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**FIGURE 8** Percentage of women who received paid leave before or after their first birth, by educational attainment

levels that are too low to make leave affordable, or by fear of job loss and other employment repercussions.

**Awareness**- One study of paid family leave (Milkman and Appelbaum, 2013) found that awareness of PFL is lowest among Latinos, low-wage workers, younger employees, and immigrants – populations that would benefit greatly from family leave. The study also found that most workers who are aware of PFL learn about it through their employers. The authors note that employers who offer their own leave benefits stand to benefit the most from their employees drawing publicly financed leave, as the state’s PFL generates savings for such employers.25

To the extent that these employers shape PFL awareness and employ better paid workers, these workers again benefit disproportionately. A second study noted that availability and knowledge of integrated employer leave is positively correlated with PFL utilization.26

To address the lack of PFL awareness, the employment department has made significant outreach efforts. These include the creation of dedicated email and toll-free hotlines to reach EDD representatives regarding PFL; building relationships with community partners and organizations; creating a dedicated PFL portal that includes a benefit calculator; radio and digital ads in English and Spanish.27

**Job Protection**- Milkman and Appelbaum also found that some workers chose not to use PFL, fearing repercussions from their employer.

The expansion of job protection under the 2018 reforms (SB 63) may, in part, mitigate low PFL utilization among workers at small businesses. Yet, job protection may be difficult to enforce, and unlikely to address fears surrounding diminished chances for advancement. The effects of these recent adjustments on PFL utilization deserve careful study.

**Benefit Levels**- AB 908 aimed to address financial barriers to PFL access. Prior to its passage, a worker earning $24,000 would likely have received approximately $254 in weekly benefits. This amount may not have been sufficient to render leave affordable, or offset the opportunity cost of returning to work after PDL benefits expire. This opportunity cost consists not only of lost wages, but also of expected future repercussions on the job.

With the recent benefit increase (AB 908), that same employee would likely receive approximately $290 in weekly benefits. It remains to be seen whether such increases will result in increased utilization among low-income parents.

**MIGHT EMPLOYERS CONTRIBUTE?**

Critics of greater public support may argue that private firms should provide this benefit as a way to boost staff morale and reduce staff turnover. We need to learn more about how small firms can afford PFL without some financing from the state.

Major companies with California operations, however, have created paid leave options. Netflix recently announced a 52-week paid leave option at full pay, available to salaried workers. Hewlett-Packard offers up to 16 weeks of paid leave. Figure 9 lists the paid leave elements supported by major firms nationwide.

**POTENTIAL LEVERS FOR FUTURE REFORM**

**Levers to redress disparity in participation**- California’s recent legislative reforms have strengthened the benefit structure for low-income workers – creating tiered benefit levels based on income and expanding job protection to workers at small firms. Raising benefit levels for low-income workers may induce greater participation.

To further redress disparity in PFL participation, reform efforts might 1) adjust wage-replacement rates, including the minimum wage-replacement rate, 2) create additional wage-replacement income tiers, 3) increase the benefit duration, and 4) strengthen job protection.

**Levers to adjust regressivity in PFL funding**- A less regressive payroll tax would serve to shift the burden from low-income workers who cannot afford to utilize
With this goal, reforms might 1) adjust the taxable income ceiling, 2) introduce a taxable income floor below which this payroll tax would not be paid, or 3) establish a bracketed tax so that higher incomes are taxed at higher rates.

**Other avenues for reform** - San Francisco’s Paid Parental Leave Ordinance requires employers to provide supplemental wage replacement to employees taking leave through PFL. California might consider similar legislation. Where this is less feasible, the state might require employer contributions to the PFL portion of the insurance pool if they do not provide comparable benefits.

As many children are born into single-parent families, reforms might consider child-centered eligibility for bonding claims. For example, PFL eligibility might expand to allow single parents to designate secondary caregivers. A reform in this spirit would serve to redress the disparity in PFL benefits by family structure.

In a similar vein, EDD might consider collecting claim data on household income, marital status, family size, and the prevalence of joint claims. This would facilitate a better picture of who pays for and who benefits from paid family leave.

PFL to higher-income earners who are more likely to benefit from the program.

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**Potential Levers for Reform**

**Benefit Structure**
- Wage replacement rates and income tiers
- Wage replacement minimum and maximums
- Leave duration
- Job protection eligibility

**Funding Structure**
- Taxable income floor and ceiling
- Tax rates and brackets
- Employer contribution requirements

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**FIGURE 9** Companies with paid leave programs

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<th>SALARIED WORKERS</th>
<th>Non-Salaried Workers</th>
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<td>Other parent</td>
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<td>Home Depot</td>
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<td>JP Morgan</td>
<td>16 weeks (primary parent)</td>
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<tr>
<td>Target</td>
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Members of the Berkeley Panel include Catherine Atkin, Erin Gabel, Angie Garling, Scott Moore, Kim Patillo Brownson, Karla Pleitez Howell, September Jarrett, Patricia Lozano, Hanna Melnick, Sarah Neville-Morgan, Michael Olenick, Chris Steinhauser, Gerry Shelton, Deborah Stipek, Pete Welty, and Lisa Wilkin. Members of the Berkeley panel have discussed and helped craft the ideas presented in this brief. The authors are responsible for the content, along with any errors or misinterpretations. Much appreciation is expressed for the data and counsel provided by Chas Alamo, Lisa Gardiner, Jenna Gerry, Caleb Horel, Susan Muenchow, and Julia Parish. Special thanks go to the Heising-Simons Foundation for their steady support.

ENDNOTES

1 Department of Finance (2019). 2019-20 Governor's Budget Summary: Early Childhood. Sacramento, p.28

2 In relatively rare circumstances, mothers may be eligible for up to 4 months of post-partum pregnancy disability leave. Most mothers are eligible for 6 to 8 weeks.

3 The base period is a 12-month segment that occurs five to 18 months before the beginning of the PFL claim. This base period is divided into four three-month quarters. The weekly benefit amount is based on the highest quarterly earnings among these four quarters. Example: A claim beginning November 2, 2018, uses a base period of July 1, 2017, through June 30, 2018. https://www.edd.ca.gov/disability/Calculating_PFL_Benefits_Payment_Amounts.htm


5 In 2015, SB 770 extended the definition of qualifying family members from parents, children and spouses to grandchildren, grandparents, siblings, and parents-in-law.

6 Individuals employed at a business with 20 or more employees within a 75-mile radius, who worked at least 1,250 hours in a 12-month period, are entitled to 12 weeks of protected leave for personal or family illness or to care for a new child. This amendment was made to the CFRA, not the FMLA. The extension of job protection to employees of smaller businesses is restricted by state law. There was no extension of federal job protection.

7 Under reasonable and plausible "imperfect" market conditions, employers bare some incidence of payroll taxes. It is entirely possible that businesses do bare some of the cost of SDI funding. Research examining the effects of PFL on employers has found neutral or positive effects, overall. See Bedard, Kelly, and Maya Rossin-Slater. "The Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department." (2016).

8 In 2018, the Bureau of Labor Statistics estimated that about 18.5 million people were employed in California. The EDD estimated that about 18.3 million employees pay a mandatory contribution to SDI. Public Employees are generally not eligible. Self-employed persons are not eligible unless they participated in the SDI Effective Coverage Program.

9 Statute also gives the EDD director discretion to raise or lower this rate by 0.1%.


15 Bedard, Kelly, and Maya Rossin-Slater. (2016).

16 Lindsay, B. and Hunt, D. “California’s Paid Family Leave Program: Ten Years After The Program’s Implementation, Who Has Benefited And What Has Been Learned?” California Senate Office of Research, July 1, 2014.


18 Bedard, Kelly, and Maya Rossin-Slater. (2016).

19 Lindsay, B. and Hunt, D. (2014).

20 The reported figures are not adjusted for inflation. The Bureau of Labor Statistics reported that $24,000 in 2005 is equivalent in purchasing power to $28,628 in 2013. If these trends were driven by inflation only, we should not see such discrepancies by gender. It is also notable that trends in PFL participation by income did not respond to the Great Recession.


24 In 2013, California SMI equaled $67,401 for a family of three.


THE BERKELEY THINK TANK ON EARLY CHILDHOOD POLICY

Policy thinkers and seasoned practitioners have come together to delineate feasible policy options for equalizing access to quality child care and pre-k providers. Scholars at Berkeley’s Institute of Human Development facilitate deliberations of the 17-member Think Tank Panel.

The panel aims to synthesize key pieces of evidence regarding demographic trends, enrollment in extant programs, and dimensions of quality that elevate children’s early growth and learning. Then, we put forward realistic policy options, estimate costs, and focus on trade-offs – based on core principles and always thinking long term. Broad consensus among stakeholders is required to boldly move forward. Our North Star shines bright: seeking to build an easily accessed set of quality early-childhood options for California’s families.

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