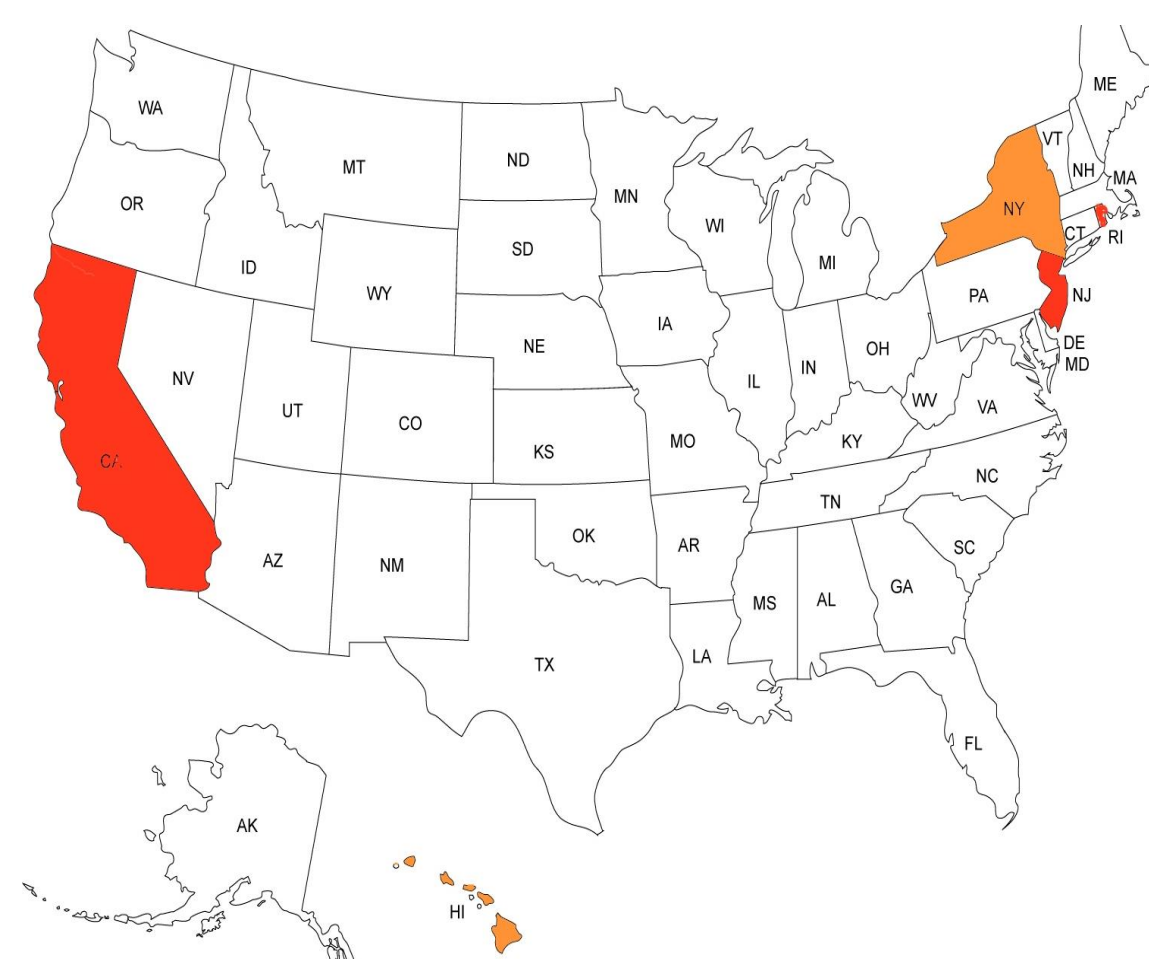# The Effect of Paid Maternity Leave on Low-income Families' Welfare Use

JiYoung Kang
School of Social Work

Background

The absence of a federal paid maternity leave has threatened the economic security of low-income families during and after childbirth, compelling many of them to turn to public assistance (Klerman, Daley, & Pozniak, 2012; Waldfogel, 2001). In the absence of federal paid maternity leave, five states (New York, Rhode Island, Hawaii, New Jersey and California) currently operate paid maternity leave through Temporary Disability Insurance (TDI) or Short-Term Disability Insurance (SDI). The different approaches that states have adopted vis-à-vis maternity leave comprise an excellent opportunity to examine whether paid maternity leave might promote different policy outcomes as they relate to family economic issues for low-income mothers.

Table 1. Program rules of state paid maternity leave

State	Eligibility (Base period + Earning)	Benefits
Hawaii	14 weeks of employment during each of which the employee was paid for 20 hours or more	58% of weekly wage (Max $570 (2016))
New York	Four or more consecutive weeks for a covered employer	50% of weekly wage (Max $170 (2016))
California	Earnings of at least $300 for a base period (12 months and divided by quarters)	55% of weekly wage (Max $1,129 (2016))
New Jersey	20 calendar weeks in covered employment and have earned at least $145 per week or $8,400 per year during the 52 weeks	66% of weekly wage (Max $ 615 (2016))
Rhode Island	Earned at least $11,520 during the base period (the earliest four of the five	4.62% of employees highest calendar quarter wages (Max $795 (2016))

States with paid maternity leave
California, Hawaii, New Jersey, New York, Rhode Island

Research Questions

Even though paid maternity leave generally benefits low-income families by providing income replacement, the effect of the availability of paid leave on the likelihood of expectant mothers turning to public welfare programs – and to Temporary Assistance to Needy Families (TANF) in particular – partially depends on whether families would be better off financially with TANF or with maternity leave benefits. On the one hand, paid maternity leave would increase family income for low-income mothers who would otherwise have no income or only partial income during their maternity leave. Conversely, paid leave could potentially increase the amount of time that a worker must survive on less-than-full wages (Bartel, Baum, Rossin-Slater, Rhum, & Waldfogel, 2014; Stanczyk, 2016). Some mothers who would otherwise return to work immediately after childbirth to earn full wages again may decide to take leave with partial payment and end up turning to TANF.

1. Does the availability of paid maternity leave reduce TANF use for low-wage working mothers following the birth of a child?
2. Does the reduction vary across states according to the leniency of eligibility rules?

Hypothetical Expectation

The following hypothetical consideration uses different sets of paid maternity leave (PML) and TANF rules in California and New Jersey to identify those who are most likely to be affected by paid maternity leave among low-income working single mothers with two children. These two state programs represent antipodes of a generous paid maternity leave policy (California) and a restrictive one (New Jersey).

Figure 1.1. California Better-off with leave   Figure 1.2. New Jersey Better-off with leave

The formulation above suggests that paid maternity leave is likely to increase the family income of many low-income mothers following childbirth, especially for the less financially disadvantaged. However, paid maternity leave is not expected to incentivize every eligible low-income mother to turn to paid leave over TANF. This is because some, mostly those in group (B), are better off with TANF while others, represented by (A), may not be eligible for paid maternity leave.

A comparison of the hypothetical New Jersey estimate of the relationship between paid maternity leave and TANF to the hypothetical California estimate reveals how different sets of program rules for both paid maternity leave and TANF produce different consequences. Due to stricter paid maternity leave eligibility and less generous TANF benefits, the size of group (A) and (D) in the New Jersey case seems much larger than in the California case.

Methods and Data

This study uses multiple years (2002–2014) of the cross-sectional dataset from the Current Population Survey (CPS) March Annual Social and Economic Supplement. Difference-in-Difference (DinD) design with robust standard error logistic regression is used to estimate the effects that paid maternity leave has on TANF use in low-income single female-headed families with newborn children. The outcome of interest is whether mothers did or did not receive TANF during the year in which they gave birth to a child.

Residence in five states (California, Hawaii, New Jersey, New York, and Rhode Island) protecting pregnancy through TDI is considered as the treatment. By using these two different eligibility criteria, this study runs two different analyses separately and finds the range of the treatment effect. Definition of subject and control groups are summarized in Table 2.

Table 2. Definition of subject and control groups

Generous Eligibility (CA)	Restrictive Eligibility (NJ)
Subject	**Subject**
Single, 20-35-year-old low-income mother with infant; *worked longer than 12 weeks last year; earned more than $300*	Single, 20-35-year-old, low-income mother with infant; *worked longer than 20 weeks last year; earned more than $8400*
Control	**Control**
Single, 20-35-year-old low-income mother with a child age 1; *worked longer than 12 weeks last year; earned more than $300*	Single, 20-35-year-old low-income mother with a child age 1; *worked longer than 20 weeks last year; earned more than $8400*

A set of demographic characteristics is controlled for, such as mothers' age, race (white, black, Hispanic, other), educational level, and number of family members. I also control for state characteristics such as state unemployment rate, state welfare efforts and state TANF exemption policy.

Results

The interaction between the treatment group and paid maternity leave, presented as an odds ratio in Table 3, captures the DinD estimates for the net treatment effect and demonstrates the effect of paid maternity leave on those likely to be eligible for it. The net treatment effect of paid maternity leave for both generous eligibility (A) and minimal eligibility (B) in Table 3, are associated with less TANF use (OR = .590, p < .05 in model (A); OR = .304, p<.001 in model (B)) in states that offer paid maternity leave; this accounts for the difference in TANF use between the treatment group and the comparison group in states that offer no paid maternity leave.

Table 3. The effect of paid maternity leave on TANF use (Odds ratio)

	Generous Eligibility	Restrictive Eligibility
Paid maternity leave **×** Subject (treatment effect: the effect of paid maternity leave)	.590 **	.304 ***

Controls are education, age, race, family size, state unemployment rate, state welfare generosity, state TANF exemption, and year fixed effects (2002-2014) (omitted from the table). * p < .05; ** p < .01; *** p < .001
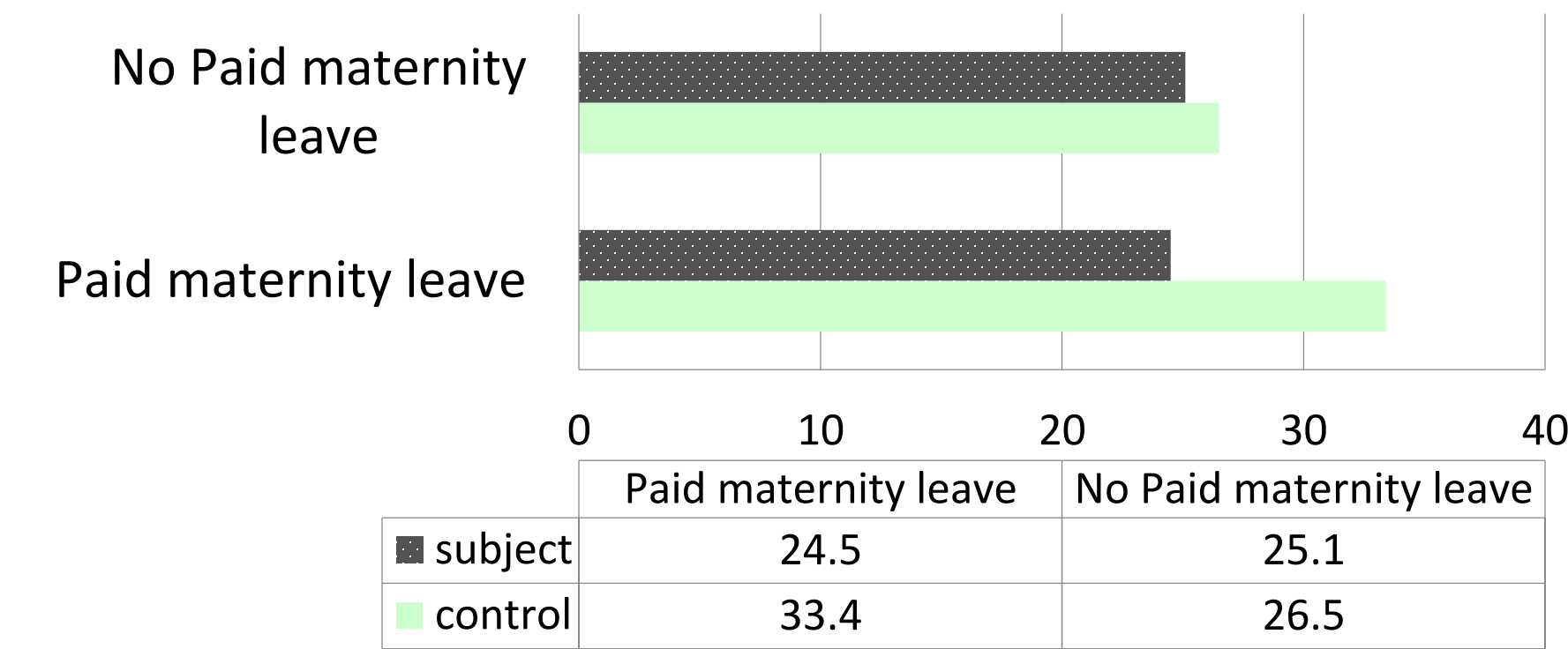

	Paid maternity leave	No Paid maternity leave
subject	24.5	25.1
control	33.4	26.5

Figure 2-1. Generous leave eligibility (California)

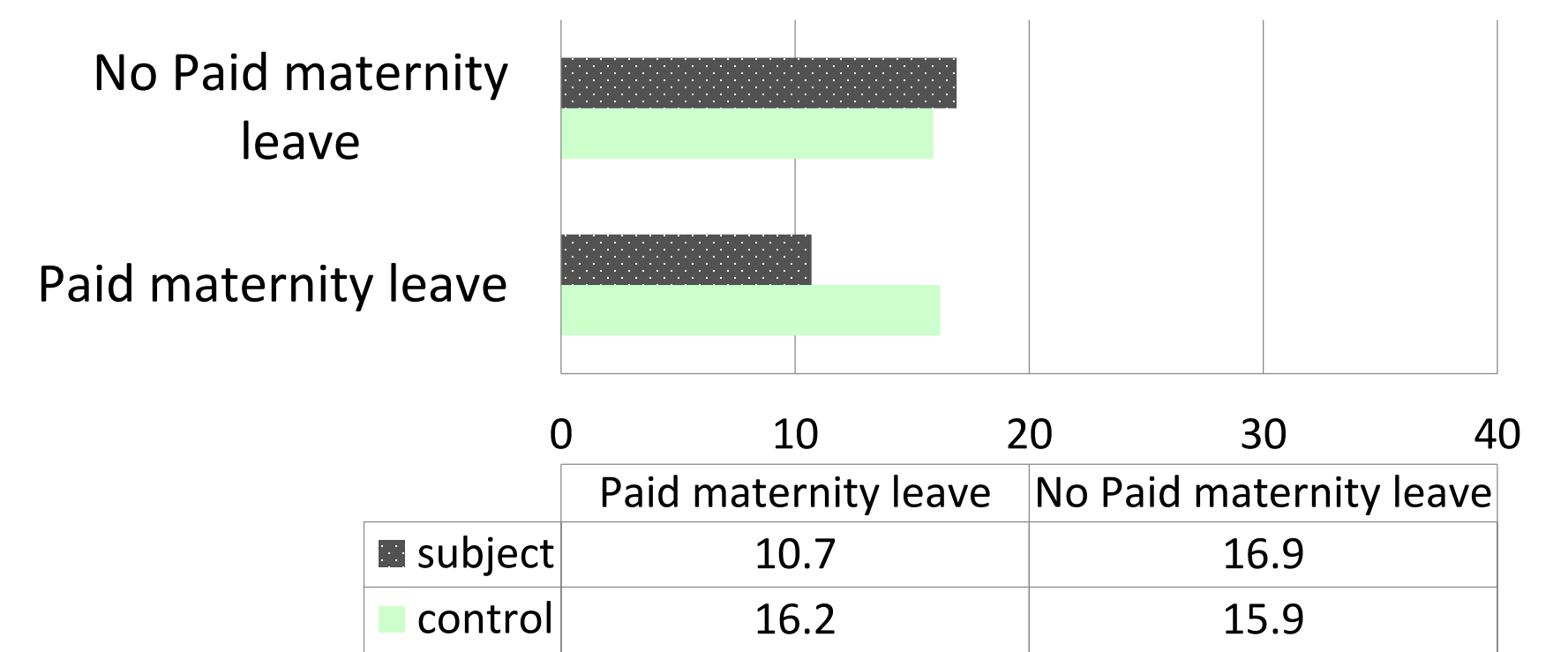|	Paid maternity leave	No Paid maternity leave
subject	10.7	16.9
control	16.2	15.9

Figure 2-2. Restrictive leave eligibility (New Jersey)

Figure 2. Probability of using TANF for a hypothetical person using California and New Jersey Paid Maternity leave Eligibility rules
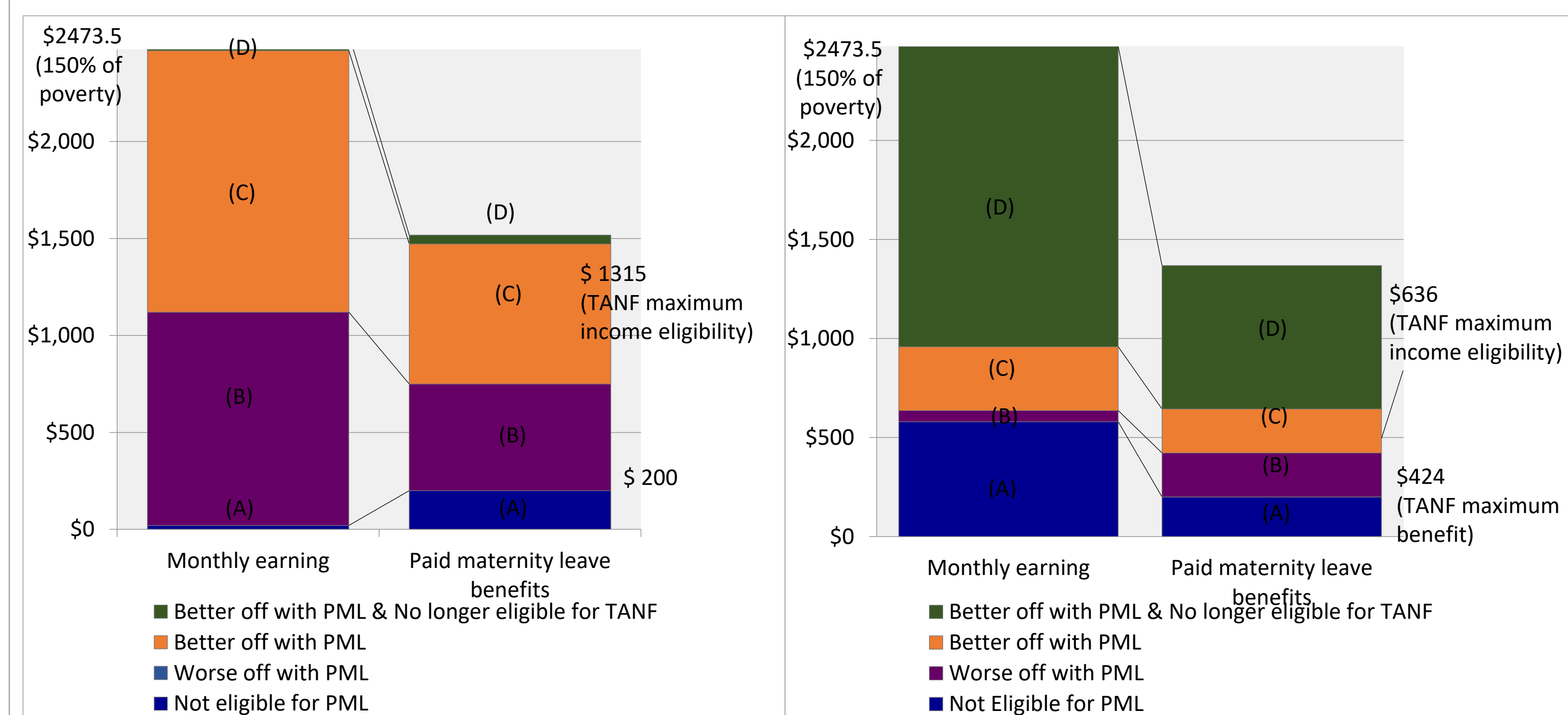
Because DinD estimates in logistic regression are not easy to interpret, Figure 2 presents the probability of using TANF for the treatment group and the comparison group by different eligibility criteria. The probability is estimated based on a hypothetical low-income 20-year-old African American single mother with less than a high school education. Using generous (California) eligibility criteria, in paid maternity leave states, the hypothetical 20-year-old single mother mentioned above who is likely to be eligible for paid leave and has a child aged 0 has a much lower probability of using TANF (0.245) than another similar hypothetical person from the comparison group. TANF use probability with restrictive leave eligibility also indicates that treatment group in paid maternity leave states is less likely to receive TANF.

Discussion

This study finds that availability of paid maternity leave is associated with lower use of TANF. With the wage replacement available via paid maternity leave, low-income mothers are less likely to rely on TANF benefits, which use often afflicts its dependents with strict working requirements, lifetime limits, negative connotations, and social stigma.

In addition, empirical examination of both the California and New Jersey cases indicates that the generosity of paid maternity leave eligibility rules interactively influence the impact of paid maternity leave on TANF use. The differential intersection between paid maternity leave and TANF further suggests various program rules that might be used to provide low-income mothers with economic support during the inevitable job interruption after childbirth.

CENTER FOR STUDIES IN DEMOGRAPHY & ECOLOGY

UNIVERSITY *of* WASHINGTON