

# San Francisco's Paid Parental Leave Ordinance: The First Six Months<sup>‡</sup>

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## Abstract

In January 2017 San Francisco began implementing the Paid Parental Leave Ordinance (PPLO), the most far-reaching local paid parental leave law in the United States. Starting in 2004 California's state disability insurance program has provided 55% pay for six weeks of parental leave to bond with a new child (in addition to typically 6-8 weeks of postpartum disability leave for biological mothers, also at 55% pay). However, many parents cannot afford to take this bonding leave at only partial pay, particularly low-income parents. The PPLO is designed to address this by requiring San Francisco employers to now supplement up to 100% pay for 6 weeks of parental bonding leave. This issue brief examines implementation and challenges during the first six months of the law; perceptions by public health, labor, and employer stakeholders; and early changes in take-up of parental bonding leave.

Overall we find that the PPLO implementation has proceeded smoothly, with broad support and little organized opposition. The many nuances of eligibility and benefit levels have required an extensive outreach campaign to educate employers and potential leave-takers; this has resulted in high awareness of the ordinance, but in-depth employer interviews revealed that there is still substantial confusion over details and dissatisfaction about complexity. Some employers expressed concern over the costs of complying with the mandate, but for most employers the costs are modest (an upcoming large-scale survey of employers will explore this in more detail).

Finally, early administrative data indicates a 6% increase in the number of San Francisco women taking bonding leave in the first half of 2017 versus the first half of 2016 (as compared to virtually no change in the rest of the state). In contrast, there was a 28% increase in men taking bonding leave (as compared to 3-9% increases elsewhere in the state). Thus initially paternal bonding leaves have increased more than maternal leaves; future analysis will also examine changes in leave duration and other characteristics of leave-takers.

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## 1. Introduction

Paid parental leave is commonplace in other high-income countries, with the United States being the only wealthy country in the world without systematic paid leave benefits for new parents. The beneficial effects of leave-taking for both parents and children are well-documented: paid parental leave policies have been associated with increased breastfeeding, decreased infant mortality, decreased postpartum depression, increased immunizations, etc.<sup>1-8</sup> Despite these benefits, parents in the United States face incomplete job protection laws and a patchwork of state and local policies that provide partial pay for only some parents. As a result, only about 13% of private-sector workers in the United States have any paid leave through their jobs.<sup>9</sup> Yet more than 4.2 million workers take parental leave each year, mostly unpaid.<sup>10</sup>

Increased availability of (unpaid) parental leave enabled by the 1993 Family and Medical Leave Act (FMLA) has been associated with an increase in the share of mothers on maternity leave, but mostly among college-educated and/or married mothers.<sup>11</sup> California's 2004 Paid Family Leave (PFL) program somewhat narrowed this socioeconomic gap by providing partial (55%) pay during leave, doubling maternity leave utilization from approximately three to six weeks on average, with leave-taking expanding more among non-college educated, unmarried, and minority mothers.<sup>12</sup> Yet parental leave-taking in California remains less common among lower socioeconomic status parents, in part due to the difficulty in affording leave when only partially paid. Furthermore, it remains unclear what effect paid parental leave policies have on fathers' leave-taking, as they generally use parental leave at much lower rates than mothers. Fathers may be less responsive to existing paid parental leave policies because of stigma around men's work and childrearing norms, or because they view partially paid leave as too costly. A recent study of the California PFL program estimated a 0.9 percentage point increase in the share of fathers of infants on leave, representing a 46 percent increase over the pre-PFL leave-taking rate of 2 percent.<sup>13</sup>

In this issue brief, we describe San Francisco's Paid Parental Leave Ordinance (PPLO), its genesis and implementation, and early impacts six months after it took effect. We discuss findings from early administrative claims data from the California Employment Development Department (EDD); data from Annual Reporting Forms submitted by employers to the San Francisco Office of Labor Standards Enforcement (OLSE); and in-depth interviews with labor, public health, and employer stakeholders.

## 2. San Francisco's Paid Parental Leave Ordinance

In April 2016, San Francisco passed the Paid Parental Leave for Bonding with New Child Ordinance ("Paid Parental Leave Ordinance" or "PPLO"). The PPLO requires covered employers to provide supplemental wage replacement to employees taking up to six weeks of leave to bond with a new child through California's Paid Family Leave (PFL) program (Table 1). As of 2017, the statewide PFL program (financed by payroll taxes) provides 55% wage replacement for up to six weeks of bonding leave (with a cap for those earning above \$2133/week). In 2018, this statewide PFL wage replacement rate is scheduled to increase to 60% or 70%, depending on income (60% for workers earning above one-third of statewide average weekly wages, and 70% below that threshold).

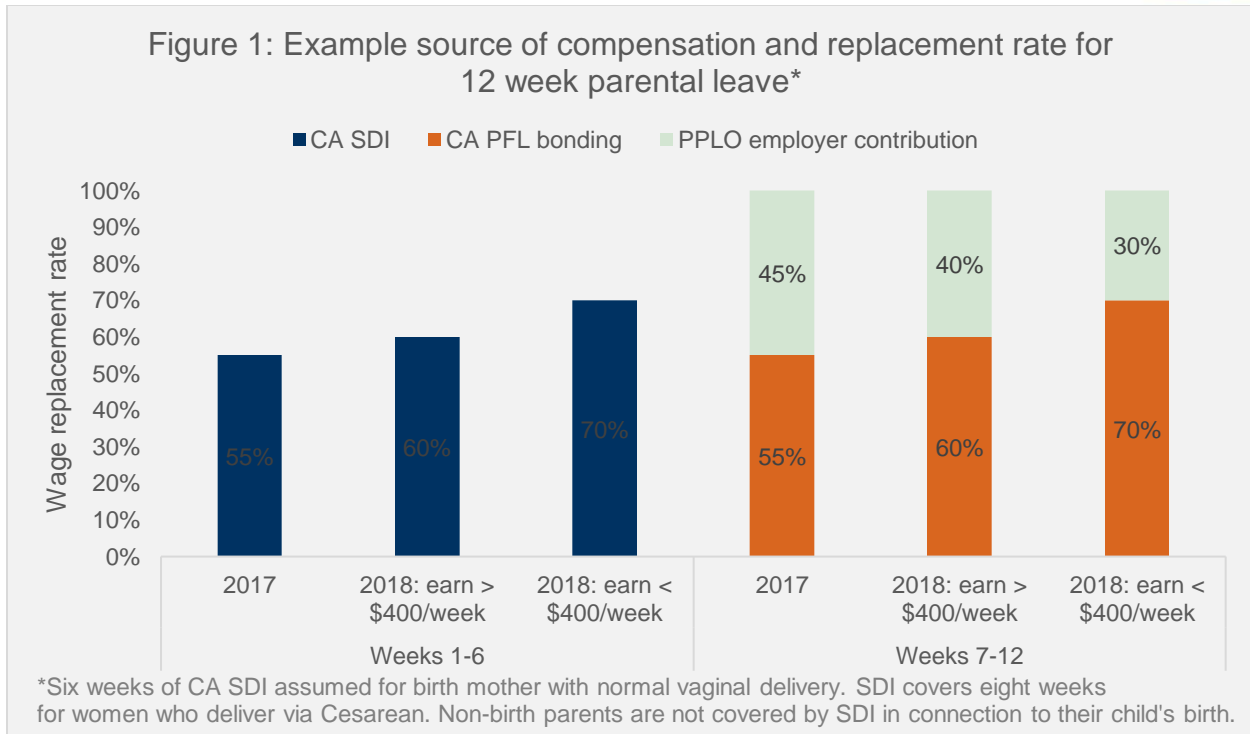
The San Francisco PPLO builds on the statewide PFL program by requiring covered employers to provide “Supplemental Compensation” such that an employee earns 100% of their weekly salary (up to the \$2133/week cap) during the six week bonding leave period (Figure 1).<sup>14</sup> Covered employers are generally private sector employers with employees who work in San Francisco; the initial phase of the law discussed in this issue brief was implemented January 1, 2017 for those employers with at least 50 employees worldwide, it was expanded to those with 35+ employees starting July 1, 2017, and will expand to those with 20+ employees starting January 1, 2018 (those with fewer than 20 employees are exempted). Covered employees must have started working for the employer at least 180 days prior to the leave and work in San Francisco for a covered employer at least 8 hours per week and 40% of their weekly hours, and be eligible for the California PFL benefits. These programs provide leave for both mothers and fathers, and include bonding with either a newborn or a newly adopted or foster child. Unlike California’s State Disability Insurance (SDI) and PFL programs, the PPLO supplemental compensation (raising leave pay from 55% to 100%) is not financed by payroll taxes but instead is a mandate that each employer self-finances the supplemental compensation for their own leave-taking employees.

The broad outlines of the eligibility and benefits discussed above have been feasible to communicate with employers and potentially eligible employees, but many people have expressed confusion about the nuances of exactly who is eligible, and who pays and receives how much. One crucial aspect of the PPLO that has been particularly unclear to many people is that it only mandates full pay during the six weeks of bonding leave, but not during the 6-8 weeks of disability leave that typically precedes bonding leave for new birth mothers. As noted in Table 1, birth mothers are also separately covered by California’s SDI program which provides 55% wage replacement while a birth mother is disabled, typically four weeks before the expected delivery date and six weeks (for a normal, vaginal delivery) or eight weeks (for a Cesarean delivery) after birth. (As with PFL, in 2018 the SDI replacement rate will also increase to 60% or 70%, depending on earnings.) Figure 1 illustrates this remaining gap: although PPLO enables six weeks of fully paid *bonding* leave which, after a normal birth, would occur during weeks 7-12 of postpartum maternity leave, the first six postpartum weeks of SDI leave are only partially paid. Thus many low-income San Francisco mothers may choose to cut-short the partially paid SDI leave, benefiting from six weeks of fully paid bonding leave, but with a total postpartum maternity leave of still well under the 12 weeks that some experts have called for.

**Table 1: Key paid leave policies in California**

	<b>State Disability Insurance (SDI) - Pregnancy</b>	<b>CA Paid Family Leave (PFL) - Bonding</b>	<b>SF Paid Parental Leave Ordinance (PPLO)</b>
<i>Effective date</i>	<ul style="list-style-type: none"> <li>Established 1946</li> <li>Covered pregnancy disability starting 1978 (Pregnancy Discrimination Act)</li> </ul>	<ul style="list-style-type: none"> <li>July 1, 2004</li> </ul>	<ul style="list-style-type: none"> <li>January 1, 2017 (employers with 50+ employees)</li> <li>July 1, 2017 (35+ employees)</li> <li>January 1, 2018 (20+ employees)</li> </ul>
<i>Benefit amount<sup>†</sup></i>	<ul style="list-style-type: none"> <li>In 2017, 55% wage replacement while disabled by pregnancy or childbirth, typically 4 weeks before expected delivery date and 6 weeks (for normal delivery) or 8 weeks (for Cesarean delivery) after birth</li> <li>In 2018, wage replacement increases to 60% or 70%, depending on earnings</li> </ul>	<ul style="list-style-type: none"> <li>In 2017, 55% wage replacement up to 6 weeks</li> <li>In 2018, wage replacement increases to 60% or 70%, depending on earnings</li> </ul>	<ul style="list-style-type: none"> <li>100% of weekly salary, subject to a cap, for 6 weeks</li> </ul>
<i>Eligibility</i>	<ul style="list-style-type: none"> <li><u>Birth mothers</u> who are unable to perform their regular and customary job duties</li> <li>Employee has paid CA SDI payroll taxes</li> </ul>	<ul style="list-style-type: none"> <li><u>Mothers and fathers</u></li> <li>Employee has paid CA SDI payroll taxes</li> </ul>	<ul style="list-style-type: none"> <li><u>Mothers and fathers</u></li> <li>Worked for employer for ≥180 days</li> <li>Work ≥8 hours/week and 40% time in San Francisco</li> <li>Receiving CA PFL bonding benefits</li> </ul>
<i>Financing</i>	<ul style="list-style-type: none"> <li>Financed through California's State Disability Insurance (SDI) payroll tax</li> </ul>	<ul style="list-style-type: none"> <li>Financed through California's State Disability Insurance (SDI) payroll tax</li> </ul>	<ul style="list-style-type: none"> <li>Employers self-finance supplemental pay (above CA PFL replacement rate) for their own leave-taking employees</li> </ul>

<sup>†</sup>Neither CA PFL nor SF PPLO provides job protection for employees on leave. Some employees have job protection if they are also covered by the Family and Medical Leave Act and/or California Family Rights Act, which cover firms with 50 or more employees. Beginning January 2018, a new law, the New Parent Leave Act will provide job-protected bonding leave to employees who work for companies with 20-49 employees.



## Origin of the PPLO

Prior to its passage, a group of government agencies, nonprofit organizations, community groups, and employers in San Francisco laid the groundwork for the PPLO. The Healthy Mothers Workplace Coalition (HMWC) formed in 2012 to “promote health and equity for working parents and their children” in San Francisco. The HMWC consists of diverse members representing non-profit, for-profit, and government stakeholders, including Legal Aid at Work, the San Francisco Department of Public Health, and the San Francisco Department on the Status of Women. This group identified a set of policies to improve working conditions for parents, contributing to the San Francisco Family Friendly Work Ordinance, the SB 63 New Parent Leave Act, and the PPLO. Members of the HMWC assisted the San Francisco supervisors and their staff as they debated and drafted the PPLO, and their expertise was helpful in ensuring integration with the California Paid Family Leave program, as well as in communicating with a broad range of key stakeholders. Numerous interviewees recommended that a coalition similar to the HMWC be formed in other jurisdictions considering paid parental leave policy changes.

The ordinance passed the Board of Supervisors unanimously, with little organized opposition. San Francisco is politically more liberal than most other cities in the United States, but nevertheless the business community often lobbies against potential legislation that is perceived as harmful to local businesses, thus it is remarkable that opposition was relatively muted. We did not engage in a thorough examination of the political forces underlying the PPLO, but that merits research as an interesting case study.

Some respondents noted that the public narrative on paid leave may be shifting more generally, in part because of the perceived public health benefits. A representative from the local public health department talked about paid leave as one of the major social determinants of birth outcomes that can be addressed:

*There are extremely broad inequities ... that we'd like to influence, but in terms of specific policies of inequity between some European countries or even Canada and the United States, this is one of the easiest and lowest hanging fruits that we can do.*

## Employee, Public Health Department

### 3. Increase in PFL Bonding Claims during the First Six Months of PPLO Implementation (January – June 2017)

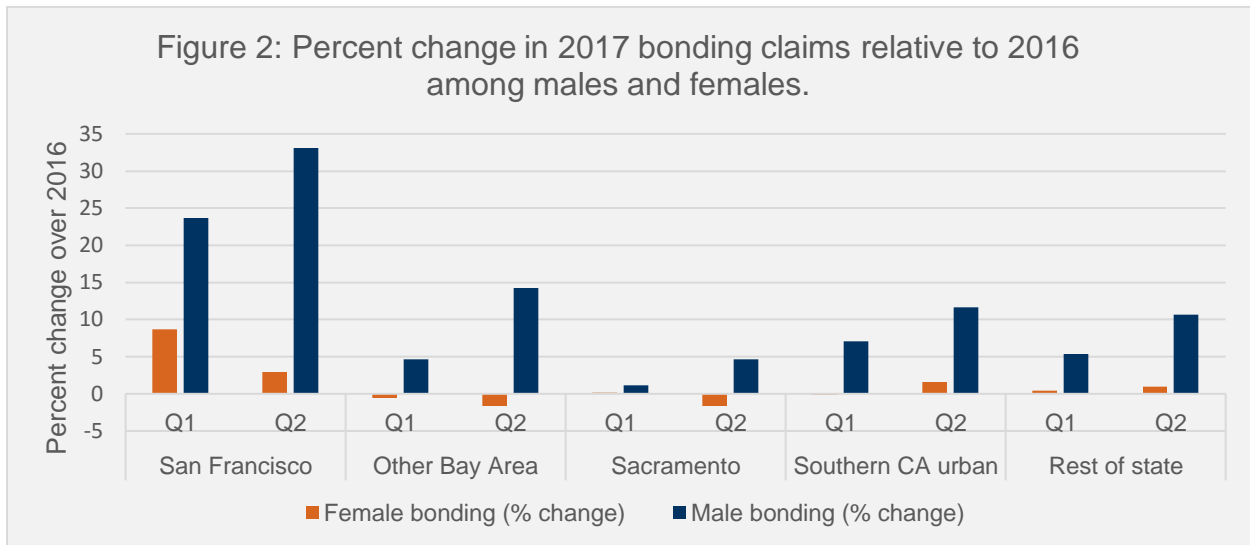
We examined early data on quarterly PFL bonding claims filed with EDD by males and females in 2016, the year prior to the PPLO's implementation, and the first half of 2017. We compare claims filed by residents of San Francisco, surrounding Bay Area counties (where some residents may have benefited from the law if they worked for an employer in San Francisco), Sacramento, Southern California urban counties, and the rest of the state. In San Francisco, the quarterly count of PFL bonding claims ranged from 841 to 924 among females and from 417 to 583 among males (Table 2).

**Table 2: Quarterly counts of PFL bonding claims for San Francisco residents, by sex, 2016-2017.**

	Female Bonding	Male Bonding
2016 Q1	850	447
2016 Q2	841	438
2016 Q3	886	509
2016 Q4	872	417
2017 Q1	924	553
2017 Q2	866	583

Source: Early results from California Employment Development Department

Figure 2 shows the percent change in 2017 PFL bonding claims relative to the same quarter in 2016 (e.g., 2017 Q1 compared to 2016 Q1, etc.) for males and females by geographic area. While females in San Francisco filed more claims for PFL bonding after PPLO implementation, this increase was small (8.7% in Q1, 3.0% in Q2, thus averaging about 6% in the first half of 2017). In contrast, males in San Francisco filed 23.7% and 33.1% (averaging 28%) more claims in the first two quarters of 2017 compared to the year before; male claims in the rest of the state increased between 3-9% in the first half of 2017, thus San Francisco male claims increased 19-25% more than the trends elsewhere. The relatively smaller increase in PFL bonding claims among females may reflect higher baseline levels of leave-taking (see Table 2) as well as the availability of six weeks of paid pregnancy disability leave through the State Disability Insurance program that birth mothers must take before filing for PFL bonding. Data presented here show changes in uptake of PFL for bonding; data on average duration of claims, when available, may reveal changes in the duration of leave taken among women.



Source: Early results from California Employment Development Department

#### 4. Early stakeholder perceptions

In July and August of 2017, we conducted semi-structured interviews with seven key informants in the labor and employer communities and in San Francisco city departments who were involved with the passage and/or implementation of the PPLO. Stakeholders were asked to describe the genesis of the PPLO, problems that have arisen during implementation and efforts to address them, and perceptions of awareness and support among San Francisco employers and employees.

Additionally, the San Francisco Office of Labor Standards Enforcement (OLSE), the office charged with enforcing the PPLO, shared data gathered from employers through mandatory Annual Reporting Forms (ARF). As of June 2017, 3,680 San Francisco employers who filed an ARF with OLSE reported being covered by the PPLO, representing 68% of respondents (Table 3); because smaller employers were in fact not yet covered, awareness of the mandate appears quite high overall. Most employers report that they will integrate benefits with the state PFL program, but 8% report that they will go beyond the requirements of the PPLO and provide fully paid leave to employees. A majority of employers report that they will not require employees to use two weeks of vacation prior to taking PFL, though they are allowed to impose such a requirement.

**Table 3: Employer compliance plans reported in OLSE Annual Reporting Form.**

	N	%
When will you (the employer) be covered by the Paid Parental Leave Ordinance?		
Already Covered	3680	68.2
July 1, 2017	644	11.9
January 1, 2018	760	14.1
No Response	310	5.7
We will provide six weeks of paid leave to comply with the San Francisco Paid Parental Leave Ordinance as follows:		
We will “integrate” benefits with the state, meaning we will pay the employee the remainder of the employee’s normal wages after the California Paid Family Leave Program benefit.	4460	82.7
We will provide six weeks of fully employer-paid wages and the employee will receive no state benefit.	454	8.4
No response	480	8.9
Will you require employees to use two weeks of vacation prior to taking California Paid Family Leave?		
Yes	1394	25.8
No	2826	52.4
No response	1174	21.8

Accessed June 14, 2017. N=5,394 employers.

### What is Working?

Overall, stakeholders reported a positive impression of early implementation efforts. Several stakeholders representing labor groups and government expressed surprise at the lack of opposition from the business community, which they credited to early outreach efforts. Government stakeholders convened meetings early on where business groups were given an opportunity to inform the policymaking process and offer amendments. This provided OLSE with



a solid foundation in what the concerns and points of confusion might be before they started writing rules for enforcement.

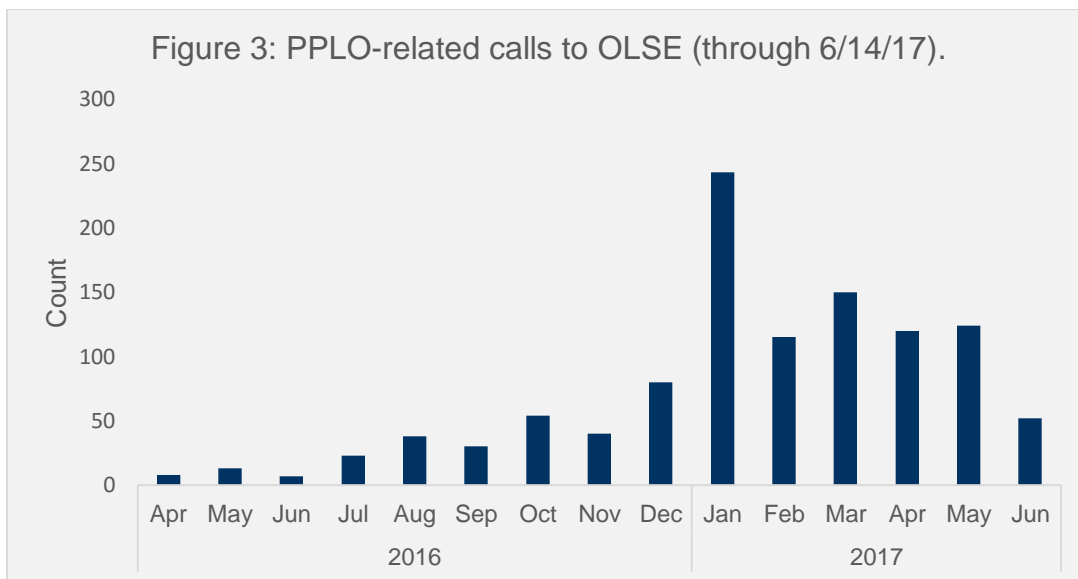
*The lack of opposition was kind of amazing. There was never a “we can’t do this”; only “these are things to change.”*

### **Attorney, Labor Advocacy Group**

*Never wholesale strong opposition but concerns from small business community about what this meant to them from a labor cost perspective and ability to manage requirements; from larger employers, it was more about compliance with local and state requirements. Opposition was not to the policy overall from an objectives perspective, but more focused on what it meant from a cost and implementation perspective. We did work through the legislative process to ameliorate these concerns. This is why the phase-in was added at the end (to give smaller businesses more time to adjust).*

### **Aide to a San Francisco Supervisor**

Stakeholders reported a perception of overall good awareness of the policy among large employers, but some limitations among smaller employers. OLSE counted a significant increase in the number of phone calls and emails from employers between April 2016 when the PPLO passed and June 2017, but report few complaints about the Ordinance (Figure 3). They commented that most employers seemed to accept the objective of the policy.



Source: OLSE

## Challenges

Stakeholders identified several challenges with early implementation of the PPLO that they were working to address. These issues related especially to calculation of the amount that the employer owes, and challenges in harmonizing with the California PFL program.

- *Base period for benefits calculation:* The State and San Francisco use different base periods as the basis for benefits calculations. The State calculates benefits based on past earnings, not current, which for some employees includes wages from a past employer.
- *Multiple employers:* If an employee works for more than one employer, each employer must know how much the employee earned from the other employer in order to calculate the compensation owed. This can be awkward, time-consuming, and bring up privacy issues.
- *Tipped workers:* The State calculates any reported tips as wages so an employee gets 55% inclusive of tips. Under the PPLO, employers who have tipped workers aren't responsible for what they don't actually pay (i.e., tips). Employer has to know what tips an employee makes and then remove those tips (from the state benefit calculation) to calculate what the actual weekly benefit amount should be that the employer must pay. This also implies that tipped workers will not receive 100% of their prior earnings.
- *Delays receiving benefits:* There were early concerns that when an applicant for State benefits indicates that they will be receiving additional benefits from their employer (i.e., through the PPLO), their state PFL application could be delayed. We have not heard any confirmation of this occurring beyond a few anecdotal accounts. This potential challenge may have been averted.

These issues result both from a system that was designed to integrate with an existing statewide program and from the diversity of employment situations that exist.

*What seems very simple, like “You get 55% from the state so your employer gives you 45%” is easy in a very typical situation, but there are lots of atypical scenarios.*

### **Employee, Local Government Department**

Stakeholders reported that these were not issues that could have been easily prevented, as the PPLO was designed to integrate with the State program. Stakeholders reported working with the California EDD to identify places that they could improve their system to better work with PPLO (e.g., clearer labeling on forms).

Another challenge is increasing awareness among individuals and small employers. While many in San Francisco have a general awareness of the PPLO, explaining the details has been difficult. This issue is expected to increase as smaller businesses (20-34 employees) become covered on January 1, 2018.

*The PPLO has received a lot of media attention so people are generally aware that San Francisco passed something, but don't know what it does or how it works.*

### **Attorney, Labor Advocacy Group**

## Outreach Efforts

Several stakeholder groups reported efforts to address challenges and increase awareness among employers and employees. OLSE contracted with Legal Aid at Work to engage in outreach efforts. As of Summer 2017, Legal Aid At Work has held three webinars targeting employers, each attended by 200 to 600 participants, as well as in-person trainings for businesses and other organizations. They noted that each outreach event includes partner organizations, including the Department of Labor Women's Bureau, Small Business Majority, Start with LUCY, Small Business Administration, Women's Leadership Conference, Bay Area Council, and the San Francisco Department on the Status of Women. They plan to conduct additional outreach targeting smaller employers as the PPLO phases-in to cover employers with 20-34 employees in January 2018. Additionally, outreach efforts will target restaurants and other businesses who employ tipped workers in order to focus trainings on those challenges.

Legal Aid at Work developed a calculator (currently in Excel, soon available online) to help employers determine the Supplemental Compensation required under the PPLO. Employers enter their employees' normal weekly wage and PFL weekly benefit amount and the calculator provides both the weekly amount owed to the employee as well as the total amount owed if the employee takes the full six weeks of PFL. The calculator works for both tipped and non-tipped employees and those with single or multiple employers.

Stakeholder groups are engaged in parallel efforts to raise awareness among employees in San Francisco. Legal Aid at Work has held in-person trainings for employees in partnership with La Clínica de La Raza, San Francisco Family Support Network, and the California Work & Family Coalition.

Through ongoing medical-legal partnerships with the Zuckerberg San Francisco General (ZSFG) hospital and the Comprehensive Perinatal Services Program (CPSP), which serves MediCal-covered pregnant women, Legal Aid at Work conducts trainings for healthcare providers on workplace rights and has integrated information about the PPLO and related state and local laws. They provide technical assistance to social workers and healthcare providers to increase their capacity to follow up with patients who report employment-related concerns, as well as training them how to help patients complete PPLO forms. For example, the ZSFG Health Advocates Program screens patients in the Women's Health Center for legal-related issues, including employment concerns like getting paid and taking time off work, and women who identify employment or legal concerns are referred to Legal Aid at Work. Thus this medical-legal partnership infrastructure has been a major element of outreach to individuals in San Francisco.

However, one stakeholder warned that this strategy may be hard to replicate in other cities that do not have a large population of corporate lawyers with a tradition of providing services *pro bono*. Other strategies for identifying and assisting individuals with employment-related concerns could include adding questions to state Medicaid prenatal screening forms or opening a statewide helpline, similar to a smokers' helpline, but it is unclear how effective those would be in comparison to the outreach that has been possible in San Francisco.

## 5. Early employer perceptions

In July and August of 2017, we conducted one-on-one in-depth phone interviews with representatives from 12 San Francisco employers. Interview respondents were knowledgeable about their employer's attitudes and practices towards parental leave (i.e. human resources coordinators or general managers). Respondents were asked to characterize the parental leave policy at their firm, and to discuss the impact of the PPLO – either positive or negative – on both employees and their employer.

### Employer Characteristics

The firms were chosen to represent a diverse set of firm sizes, industries, and potential perspectives. Nine of the 12 firms were covered under SF PPLO at the time of the interview; the three smallest firms will be covered effective January 1, 2018. The employers represent a variety of industries – including retail, service, staffing, e-commerce, public relations, and education – and range in size from 20 employees to over 3,000. Only two of the 12 firms had offered supplemental wage replacement for parental leave prior to implementation of the PPLO. Many employers initially reported that they had offered paid leave prior to PPLO, but on further questioning were in fact referring either to payments made to employees by state disability insurance (SDI) or to the use of accrued sick days or vacation time for the purposes of parental leave.

### Employers' Knowledge of PPLO

All but one respondent reported that they were familiar with the PPLO. However, our interviews suggest that employers' knowledge of PPLO is variable. For example, many employers were unaware that the ordinance applies not only to new mothers, but also to fathers and other non-birth parents. One respondent from a small public relations firm was unsure how the ordinance would impact their existing paid leave policy, which was a tiered system that offered more senior employees more generous leave policies. Respondents also expressed uncertainty regarding wage calculations for temporary and part-time workers, and for workers whose wages fluctuate substantially from week-to-week (i.e. service industry employees), reinforcing the challenges identified by stakeholders. One human resources manager from a medium-sized grocery retail outlet reported that while her employer was prepared to offer supplemental wage replacement under PPLO, none of the employees eligible for paid parental leave had successfully filed the paperwork to receive SDI or PPLO.

*Another question is ... are both parents entitled to the parental leave? Or...how does it work?*

**Marketing Manager, Professional Cleaning Service**

*That's one thing that I need to talk to the city about because I know it's specifically service industry ... so the weekly wage is gonna fluctuate, obviously. For instance what a person's making on paper versus plus tips. So I'm not sure what their suggestion is on that but I will find out.*

**General Manager, Restaurant**

*So far no one has finished all the paperwork to get the SF PPLO. Which I find...strange. Especially since we were super clear about what we need, as is the EDD. And our employees are service industry employees, so a lot of them are working with the very knowledgeable professionals who are helping them with all their medical stuff, and those people are also helping and advising them on how to do the paperwork and what to do, but I still haven't gotten any yet.*

**Human Resources Manager, Grocery Store**

### Perceived Impact on Employees

Overall, employer respondents agreed that the ordinance would have a positive effect on their workforce. Many respondents felt it was important to provide financial support and protected time for their employees to bond with a newly arrived child. Some employers also noted that their employer had been considering a paid leave policy prior to PPLO, and that the Ordinance served as the impetus to roll out paid leave for their workers.

*It's been great, yeah. It's actually been good. We had been looking into somehow providing more benefits; specifically you know, maternity disability. Because that is the norm. The norm was going that way and so we just hadn't really gotten our act together to pull together a policy and this, essentially, helped us get there. So we're really making our employees whole. And we feel good about that.*

**Human Resources Manager, Staffing Firm**

Respondents' perspectives regarding the impact of the PPLO on employee morale were mixed. While some respondents felt that PPLO would have a positive effect on employee morale, others felt that there was not enough awareness of PPLO within their workforce or that the ordinance would affect too small of a subset of workers to improve morale. One respondent, the co-owner of a small pharmacy, suggested that the PPLO could perhaps be a detriment to morale at least initially, because it focuses only on new parents and will detract from potential benefit spending that could have helped other employees.

*And a lot of people come to me and they know about it already. They're very excited and some people are just blown away, they can't believe it.*

**Leave of Absence Manager, Private University**

*And I would say even within the realm of parents, I was just talking with an employee the other day who has two kids who are school-aged and she was saying, "Oh, I'm so bummed that this policy came into place after I had my kids and I really need help finding a place for them to go during the summer when they're out of school and I don't have daycare." and, so, even for parents, it's not applied equally.*

**Co-Owner, Pharmacy**

Many respondents felt the ordinance would have little or no effect on employee retention, explaining the greatest financial constraint their workers face is the high cost of living in the Bay Area. We asked all respondents whether they felt that the ordinance would change hiring practices at their firm. Nearly all respondents reported that their employer would not change

hiring practices in response to the ordinance, however most respondents speculated that the ordinance may encourage other employers to discriminate against women of reproductive age.

*I think to some degree, you know I think that the biggest challenge that we have because we're located in San Francisco it's just a really high cost area and so it will help to a degree, but our largest challenges are trying to pay competitive wages to employees.*

**Chief Financial Officer, Membership-Oriented Non-Profit**

*I probably will not go through this often enough where it's gonna be such an issue, but, you know, discrimination's everywhere. Yeah. Yes, it will happen.*

**General Manager, Restaurant**

### Impact on Employers

Both very small and large employers asserted that it would not be difficult to comply with PPLO administratively, though some were unhappy about increased bureaucratic paperwork.

*I think it's just time-consuming for somebody who does the paperwork, which is me. Basically every ordinance means more paperwork, more record-keeping, and more complying as in documenting and proving to the city that you're complying with the ordinance. So, as great as they are and definitely need them and it's great that we're doing it it's just a lot...because they're all different.*

**General Manager, Restaurant**

Many of the employers indicated that their biggest concern with the PPLO was the new cost of paying 45% of wages during a six week leave, although almost all indicated that this cost was manageable. Respondents at small and medium-sized firms seemed most concerned with the cost of the Ordinance (we did not interview employers with fewer than 20 employees, as these small firms are exempted from the Ordinance). Many of these respondents additionally asserted that the Ordinance disadvantages smaller businesses (for whom a single employee's leave will constitute a greater share of payroll) and businesses in industries with narrow profit margins. Although no respondents anticipated having to reduce benefits, raises, or bonuses to pay for the Ordinance, some did note that it would forestall the provision of additional benefits. Some respondents expressed frustration with the fact that employers are responsible for wage replacement under PPLO, and would have preferred that the ordinance were funded through a city-wide tax.

*We are parents ourselves. We really believe in the importance of baby bonding and spending time with your young children... finding affordable daycare and child care and all of those things we really support, but we would much prefer to see it on a broad-based small tax that everybody would contribute to a small amount and have it be able to be drawn upon rather than, again, having it be said to the businesses, "You solve this problem. You're gonna take up the rest of what we haven't managed to cover in terms of our state policy."*

**Co-Owner, Pharmacy**

Many respondents noted that while the financial burden and transaction costs imposed by PPLO alone are not unduly burdensome, the various city, state, and federal ordinances that San Francisco businesses are required to comply with collectively create substantial work and confusion for employers.

*We have to add into account that there might be other ordinances and fees and things like that and that might make it harder for a business not just to pay bills and just keep going, but that's the bigger picture, you know. There's many other factors and laws that have to be followed.*

**Marketing Manager, Professional Cleaning Service**

## 6. Potential costs to employers

To better interpret employer perspectives on PPLO costs, in Table 4 we calculate examples of how much employers are being mandated to pay in different scenarios. The actual costs depend on specific circumstances, so Table 4 depicts various extreme cases to illustrate the range of costs.

For example, column (1) shows an upper bound example: an employee in 2018 earning the maximum eligible salary (approximately \$2209/week in 2018, which translates to \$55/hour for a full-time worker). Over six weeks of leave that results in total pay of \$13,254. At the 2018 state PFL replacement rate of 60%, the employer will be responsible for 40% of this amount, or \$5,302. This is an extreme upper bound, but would nevertheless be a substantial new cost for the employer. We note though that for the average firm the cost of this will be only a small percentage of payroll, since on average fewer than 2% of workers are expected to take leave in any given year. If 1 out of 50 workers paid at this \$55/hour wage takes leave in a year, this averages out to a cost of 0.09% of payroll, or the equivalent of raising compensation for all of these workers by \$0.05/hour. However, with an employer mandate (as opposed to a payroll tax of the type that funds PFL), this cost may in actuality fall differentially across firms, with some more likely to hire workers of childbearing age. Furthermore, smaller firms will have more variability across years in the percent of their employees taking leave at any given time, and thus may perceive greater burden.

The potential cost to employers may be reduced though to the extent that they take advantage of two provisions in the state and local laws. The CA PFL law allows employers to require an employee to use up to two weeks of accrued vacation before PFL begins. The PPLO further allows employers to apply up to two weeks of the employee's accrued but unused vacation to offset the cost to them of the supplemental wage replacement. Hence, our estimates provide an upper bound of what employers may actually be required to pay.

At the other extreme of the cost distribution are firms hiring minimum wage workers. The San Francisco minimum wage is phasing-up to \$15/hour as of July 1, 2018, thus column (2) shows similar calculations for a full-time worker earning \$15/hour, for whom the employer cost of the PPLO-mandated leave pay will be \$1,440 in 2018. For the average firm this is equivalent to

raising the minimum wage workers' wages by only \$0.01/hour (0.09% of payroll), though again this cost will be distributed unevenly across firms.

Finally, starting in 2018 the state PFL contribution will rise to 70% replacement rate for workers earning up to one-third of the statewide weekly average wage, which at a \$15 minimum wage is equivalent to a part-time worker with less than 26.8 hours per week (i.e. earning up to \$402/week). The employer's cost for this worker's leave will be \$723.60, which for the average firm would be 0.05% of payroll, equivalent to an average raise of \$0.01 for these minimum wage workers. As described in the previous section, however, different firms will have different perceptions of the extent to which these amounts are a burdensome mandate or instead a benefit cost that they are willing to absorb (especially if their local competitors are paying for a similar benefit).

**Table 4: Examples of 2018 estimated employer costs for 6-week bonding leave**

	Employee at maximum eligible salary (\$2209/week) <sup>1</sup>	Full-time employee at SF Minimum Wage <sup>2</sup>	Part-time employee at SF Minimum Wage <sup>3</sup>
Assumed hours/week	40	40	26.8
Wage (\$/hour)	55.23	15	15
Total salary over 6 week leave	\$13,254	\$3,600	\$2,412
Employer's responsibility (replacement rate)	40%	40%	30%
Employer cost	\$5,301.60	\$1,440.00	\$723.60
Total annual payroll for 50 full-time employees at this wage level	\$5,743,400.00	\$1,560,000.00	\$1,560,000.00
Leave cost as % of total payroll <sup>4</sup>	0.09%	0.09%	0.05%
Leave cost/hour, spread across all employees	\$0.05	\$0.01	\$0.01

Notes:

<sup>1</sup> Maximum salary at which benefits are capped is projected to be \$2209/week in 2018.

<sup>2</sup> SF Minimum wage will be \$15/hour as of 7/1/18.

<sup>3</sup> Beginning 1/1/18, California AB908 will increase the state replacement rate to 70% for workers earning up to 1/3 of the statewide average weekly wage (SAWW), thus reducing employer responsibility to 30% for those workers. The 2018 California SAWW is projected to be \$1207, 1/3 of which is \$402. At the minimum wage of \$15/hour that is equivalent to working 26.8 hours/week, or 67% of a 40-hour week.

<sup>4</sup> Assuming one out of 50 employees takes bonding leave per year.



## 7. Discussion of early findings

Although the San Francisco PPLO is still in its first year, our assessment of early implementation suggests several findings.

- The PPLO is acceptable to most employers and other stakeholder groups. Mandating employers to contribute partial pay during parental leave appears broadly acceptable across stakeholder groups, at least in a generally wealthy and politically liberal city such as San Francisco. This has been aided by a pre-existing coalition of stakeholders that has helped with consultation and communication outreach.
- The mandate has been feasible to implement. This has been facilitated by a strong supporting infrastructure of city agencies and nonprofit assistance groups, as well as an existing state agency that already tracks wages and PFL benefit eligibility. Starting a local program without this infrastructure would be considerably more challenging.
- Integrating the PPLO with existing state programs has made it complex and sometimes confusing, despite outreach efforts. The mandate required many nuanced rules to address the wide variety of employer-employee relationships, but this complexity causes both confusion and frustration. When a local program such as this is also integrated with the separate complex bureaucracy inherent to the state PFL program, the result is even more complexity and confusion. This is despite the substantial effort and funds that the city dedicated to outreach, without which implementation would have likely been problematic. There are some signs that the overall complexity may inhibit the ability of parents to claim paid leave, but further work will be necessary to quantify the extent to which that may be occurring, and to understand how to mitigate it.
- The cost to employers is minimal on average, but falls unevenly across employers. When layered on top of the state PFL program, the 30-45% replacement rate that employers are mandated to pay is generally perceived as manageable—on average. If 2% of employees take bonding leave in any given year, then this is equivalent to raising wages by \$0.01/hour for minimum wage employees, up to \$0.05/hour for highly paid employees at the earnings cap. However, the incidence of the actual costs falls unevenly across employers, and if a smaller employer has multiple claimants in a year then that can add up to a substantial cost. Some interviewees debated whether an increased payroll tax would be a fairer way to distribute the social costs of fully paid parental bonding leave.
- Preliminary data indicate that leave-taking has increased more among fathers than among mothers in San Francisco. In the first six months of implementation, the biggest increase in bonding leave claimants was not among mothers, but among fathers. Further research would be helpful to understand the family benefits of this, as well as whether this is a pattern that will continue in San Francisco and in similar programs elsewhere. Our future analyses will also examine the duration of claims to examine the extent to which mothers are extending their existing leaves now that they are fully paid, as well as the extent to which the PPLO is achieving the goal of increasing leaves among low-income parents.

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