Evaluating the San Francisco Paid Parental Leave Ordinance: Employer Perspectives

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Executive Summary

In 2017 San Francisco implemented the Paid Parental Leave Ordinance (PPLO). The ordinance is singular in its provision of at least six weeks of fully paid parental leave to all employees of firms subject to the ordinance within the City and County of San Francisco, and therefore stands to have a positive impact particularly on low-income workers. In this issue brief, we examine the impact of the San Francisco PPLO from the perspective of employers. We first document leave-taking from a survey of working mothers who gave birth in 2016, prior to the implementation of the ordinance. We next present results from a survey of Bay Area employers conducted in 2018, comparing changes in paid parental leave offering in San Francisco versus nearby counties.

In 2016, prior to implementation of PPLO, lower income women were less likely to take at least six weeks of leave; were less likely to receive pay from the government or their employer during their leave; and were offered a lower wage replacement rate by their employers than higher income women. While 90% of women we surveyed reported that they would have taken at least 12 weeks of leave had they been offered that amount at full pay, 82% actually took at least 12 weeks and low income women disproportionately returned to work within six weeks.

Findings from our survey of Bay Area employers indicates that the San Francisco PPLO significantly increased the proportion of San Francisco firms offering paid parental leave, from 44% in 2016 to 75% by 2018. Paid leave offering increased in surrounding counties as well, but by a much smaller amount: from 31% in 2016 to 45% in 2018. Firms with at least 50 employees had the largest increases and highest overall offer rates. Moreover, we find little evidence that implementing new policies or expanding existing paid leave policies negatively affected employers; only 6% reported adverse effects on profitability. Overall, 28% of firms that implemented new policies or expanded existing policies reported subsequent changes for their business, employees, or customers, with the most commonly reported changes being to raise prices (16%) to finance paid leave benefits. At the same time, 19% of firms reported improved employee morale and 17% reported improved retention.

However, many firms – particularly those with fewer than 50 employees – reported difficulty understanding legal requirements and administratively complying with the PPLO. During in-depth qualitative interviews, even some of the most supportive firms described compliance challenges they had faced, including problems communicating and coordinating benefits with the California Employment Development Department. Nevertheless, our survey found evidence of widespread support for the ordinance: 78% of San Francisco firms supported the PPLO, while only 6% opposed it.
1. Introduction: Paid Leave Context

While paid parental leave is commonplace in high-income countries, the United States remains the only high income 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, and increased immunization rates. (1–8) Despite these benefits, parents in the United States face incomplete job protection laws and a patchwork of state and local policies that provide only partial pay, and only for some parents. As a result, only about 13% of private-sector workers in the United States have any paid family leave through their employers. (9) Yet more than 4 million workers take parental leave each year, mostly unpaid. (10)

The 1993 Family and Medical Leave Act (FMLA) required covered employers to provide unpaid job-protected leave for the birth of a child, adoption, and foster care placement. Evaluations of the FMLA have consistently found increases in the share of mothers on maternity leave, however these increases are observed predominantly among college-educated and married mothers. (11) Since passage of the FMLA, several states have introduced additional legislation intended to support leave-taking among new parents. California’s Paid Family Leave (PFL) program, implemented in 2004, served to narrow socioeconomic gaps in leave-taking by providing partial pay during leave. In the wake of PFL, the average duration of maternity leave doubled from approximately three to six weeks, with the most substantial increases in leave-taking observed among women of lower socioeconomic status. (12)

Although California’s paid family leave law – which introduced nearly universal private sector coverage – made considerable progress in addressing unmet need for wage replacement during leave, critical gaps remain. Parental leave-taking in California continues to be less common among lower socioeconomic status parents, in part due to difficulty affording leave when it is only partially paid and may not be job-protected. 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, but based only on a very low pre-PFL leave-taking rate of 2 percent. (13)

The San Francisco Paid Parental Leave Ordinance

In April 2016, San Francisco passed the Paid Parental Leave Ordinance (PPLO). The ordinance is singular in its provision of fully paid leave to all qualifying employees of covered firms within the City and County of San Francisco, and therefore stands to have a positive impact particularly on low-income workers.

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. In 2017, the statewide PFL program (financed by payroll taxes) provided 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 increased to 60% for workers earning above one-third of statewide average weekly wages, and to 70% for
workers earning below this 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 a cap) during the six-week bonding leave period. (14)

Covered employers include private sector firms with employees who work in San Francisco and who have at least 20 employees worldwide. Employers with 35 or more employees worldwide were covered starting July 1, 2017 and employers with 20 or more employees worldwide were covered starting on January 1, 2018. 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 (for employees who work at multiple locations, including outside San Francisco), 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 the State Disability Insurance (SDI) and PFL programs, the PPLO supplemental compensation (raising leave pay from 60-70% to 100%) is not financed by payroll taxes but instead is an unfunded mandate, with each employer required to self-finance the supplemental compensation for their own leave-taking employees.

Although the impacts of the PPLO for workers are generally anticipated to be positive, the implications of the ordinance for employers are less clear. Evidence from past expansions of parental and family leave, as well as other benefit mandates like paid sick leave, suggest the negative consequences for employers will be minimal. For instance, although many employers expressed opposition to the concept of job protected leave when it was introduced through the FMLA, (15) subsequent employer surveys conducted by the U.S. Department of Labor found that almost two-thirds of respondents found it either “very easy” or “somewhat easy” to comply with the FMLA. The majority of employers reported that the 1993 law had either no effect or a positive effect on productivity and profitability. (16) Similarly, the California Chamber of Commerce and other business groups opposed the introduction of Paid Family Leave in 2004, citing potential burdens on employers, especially small businesses. (17) However, evidence suggests that PFL may have helped to reduce turnover, potentially resulting in cost savings for employers. (18)

In this issue brief, we provide an in-depth examination of the impact of the San Francisco PPLO on Bay Area employers. We present 1) preliminary findings from a baseline survey of mothers who gave birth in 2016 prior to the implementation of the ordinance, with an emphasis on the experiences of low-income workers and 2) systematic evidence from a survey of San Francisco Bay Area employers, supplemented with in-depth interview and focus group data.

This work builds on our previous report on the first six months after the PPLO was enacted. That report indicated that the PPLO implementation was proceeding smoothly, with broad support and little organized opposition, but was accompanied by substantial confusion among employers about details and dissatisfaction about complexity. (19) We also reported early indications that the PPLO increased parental leave-taking by 6% among women, and by a much larger percent among men: there was a 28% increase in the number of San Francisco men taking bonding leave in the first half of 2017 versus the first half of 2016, compared to 3-9% increases elsewhere in the state.
2. Parental leave offering and take up among Bay Area mothers in 2016

The Bay Area Parental Leave Survey of 2016 Mothers collected data among women who gave birth prior to the implementation of the San Francisco PPLO.

Women who were employed or whose partners were employed during pregnancy and whose child was still living with them were eligible to participate. In January 2018 we mailed invitations to a stratified random sample from birth records for all women who delivered live births in the San Francisco Bay Area in 2016 to participate in a 25-minute phone or online survey. Participants were offered a $15 gift card for their participation. 580 women completed our survey (response rate of 18%). Non-responders were mailed up to two reminder cards (the second with a higher incentive offer) and the subset with identifiable phone numbers were subsequently called. We applied sampling and non-response weights to make our analyses representative of the population of mothers giving birth in the San Francisco Bay Area in 2016.

Employed women participating in the baseline survey were asked a series of questions about their job(s) during pregnancy; whether and how much leave from work they took after the birth of their child (postnatal leave); and what, if any, pay they received from their employer and/or the government (e.g., State Disability Insurance, Paid Family Leave). Women with employed partners were asked similar questions about their partners’ jobs, leave-taking, and pay. All women were asked about pre- and post-natal health conditions for themselves and their child. In this brief, we report only on women who reported employment at some point during pregnancy (N=500).

Eighty-eight percent of the employed women in our sample who gave birth in 2016 reported another parent living with them at the time of birth. Thirty percent of respondents spoke a language other than English at home and more than one-third were born outside the U.S. One-third of respondents had children other than their newborn living at home. A majority (57%) of respondents reported an annual household income above $97,000; 23% reported between $32,001-$97,000; and 19% reported $32,000 or below.

Twenty-four percent of respondents were employed in San Francisco, with the remainder employed in the seven surrounding counties. Sixteen percent were employed in the public sector, which the PPLO does not cover. Fifty-six percent were employed in private, for-profit companies; 13% in non-profit organizations; and 5% were self-employed. One-fifth worked for firms with less than 20 employees, putting them below the cutoff for PPLO eligibility. 45% worked for firms with 500 or more employees, with the rest distributed among other firm sizes. Half of respondents had worked for their employers between one and four years when they went on leave. Most (71%) respondents were full-time workers in the 12 months before they went on leave. More than three-quarters worked a regular daytime schedule, but 18% reported working a variable schedule (one that varies day to day or week to week).

Overall, the median duration of leave taken after birth was 16 weeks, but 6% returned to work less than six weeks after childbirth. Eighty-two percent of all women – and 71% of low-income women – took 12 or more weeks of leave (not shown). Figure 1 shows the distribution of postnatal leave duration by annual household income. Leave duration differed significantly across income groups: 20% of women with annual household incomes up to $32,000 reported taking less than six weeks of leave after birth compared to just 3% of women with incomes above $97,000. These differences were statistically significant (p<0.01).
Figure 1. Postnatal leave duration in weeks, by annual household income (weighted percentages). Source: Bay Area Parental Leave Survey of 2016 Mothers, N=478 employed women with a birth in 2016. *p<0.05; **p<0.01; ***p<0.001

Overall, among women who took parental leave, 71% received payment from the government (e.g., State Disability Insurance or Paid Family Leave) and 45% received some pay from their employers. Lower income women were significantly less likely to receive pay from the government (p<.001) or their employers (p<0.01) (Figure 2). Among women who reported any pay from their employers, there were not significant differences in the likelihood of being offered more than six weeks of paid leave, but lower income women were less likely to receive more than 50% of their wages (p<.001) compared to women in higher income groups. Just 8% of the lowest income women reported that their employers paid more than 50% of their wages, compared to 25% of middle income women and 62% of the highest income women.

Figure 2. Leave payment, by annual household income. Source: Bay Area Parental Leave Survey of 2016 Mothers, N=483 employed women with a birth in 2016. *p<0.05; **p<0.01; ***p<0.001

To provide context for potential policy responses, women who were not offered at least 12 weeks of fully paid leave were asked how much leave they would have taken if that much leave had been offered at full pay. Figure 3 shows...
responses by household income. Interestingly, responses to this hypothetical question varied significantly by income. While the modal response for all income categories was 12 weeks, women with household incomes below $32,000 were most likely to report that they would have taken less than 12 weeks of leave (p<0.01). Higher income women were more likely to report that they would have taken more than 12 weeks of leave (p<0.01).

![Figure 3: “If your employer had offered 12 weeks of fully paid leave, how many weeks would you have taken?” Hypothetical leave duration, by annual household income. Source: Bay Area Parental Leave Survey of 2016 Mothers, N=439 employed women with a birth in 2016 who were not offered at least 12 weeks of fully paid leave. *p<0.05; **p<0.01; ***p<0.001](image)

3. **Employer perspectives: Major findings from the Bay Area Parental Leave Survey of 2018 Employers**

To better understand the impact of the PPLO on employers, we conducted the Bay Area Parental Leave Survey of 2018 Employers, a cross-sectional telephone and online survey of human resources representatives from private firms in San Francisco and the surrounding counties. The survey collected information regarding employer knowledge, attitudes, and practices related to parental leave; reported effects on profitability, business operations, morale, recruitment, and retention; and changes in compensation or hiring resulting from the PPLO. The survey included interviews with establishments in San Francisco and the five surrounding counties (Alameda, Contra Costa, Marin, San Mateo, and Santa Clara) in summer 2018. Respondents were asked to report on their establishment (rather than their firm, which could be based elsewhere) but overall firm size was used to determine PPLO coverage. We recruited from establishments in San Francisco with 20 or more employees worldwide, stratified by industry wage level (oversampling low-wage industries) and firm size (20-99 vs. 100+ employees), and establishments outside San Francisco matched on industry wage level and firm size. Participants were offered a $25 gift card for completing the 15-minute survey. Our sample includes 297 establishments with complete data (response rate of 21.2%). We created weights based on firm size, industry wage level, and county to make the analyses representative of the population of private firms in the Bay Area with 20 or more employees.

We also conducted a series of interviews and one focus group with city employers who had been recognized by the Healthy Mothers Workplace Coalition with an award of excellence.
In total, we conducted seven interviews and had seven other individuals participate in the focus group. The moderator’s guide used for the interviews and focus group was comprised of a series of open-ended questions about parental leave policies in general and the PPLO in particular.

Over the past four years, 116 Healthy Mothers Workplace Awards of Excellence have been given to 62 unique employers that have implemented family supportive policies (including designated lactation rooms, on-site daycare, and flexible work arrangements, as well as paid parental leave) to support employees who have recently become parents. The 14 individuals who participated in these in-depth qualitative interviews and focus group therefore represent the perspectives of a select sample of highly motivated San Francisco employers.

Employers in San Francisco increased their paid parental leave offer rates from 2016 to 2018, above and beyond the corresponding increases elsewhere in the Bay Area (p<0.01). In 2016, employers in San Francisco were slightly more likely to offer paid parental leave compared to employers outside (44% vs. 31%; p<0.05); this difference increased significantly by 2018 (75% vs. 45%; p<0.01) (Figure 4). Employers were characterized as offering paid parental leave if they reported offering paid family or paid parental leave to all or some of their employees.

![Figure 4. Paid parental leave offering (weighted percentage of employers in SF and surrounding counties that offer paid parental leave to some or all employees, by year). Source: Bay Area Parental Leave Survey of 2018 Employers, N=318 firms. *p<0.05; **p<0.01; ***p<0.001](image)

Offer rates varied according to firm size (not shown). Both inside and outside San Francisco, offer rates increased across all firm sizes from 2016 to 2018. For smaller firms (20-49 employees), differences in 2016 were not significant between San Francisco and the surrounding counties; by 2018, San Francisco employers with 20-49 employees were significantly more likely to offer paid parental leave than comparable employers outside San Francisco (71% vs. 45%; p<0.05). San Francisco employers with 50 or more employees showed the largest increases in PPL offer rates, even after accounting for the higher offer rates in 2016 (p<0.05). By 2018, 82% of larger employers in San Francisco offered paid parental leave to all or some employees, compared to 46% of larger employers in surrounding counties (p<0.001). Significant increases in paid parental leave were also seen among San Francisco employers with a high share of part-time workers and those that are part of a chain of establishments (not shown).
Overall, 28% of employers that implemented new policies or expanded existing policies reported subsequent changes for their business, employees, or customers, with some differences by firm size (Figure 5). The most commonly reported changes were raising prices or otherwise passing on costs to consumers (16%), decreasing sick or vacation time (7%), converting sick or vacation time to paid time off or paid parental leave (6%), and changing hiring practices (6%). No employers reported reducing paid leave benefits for non-parents, and very few reported decreasing pay raises or bonuses (3%).

San Francisco employers were asked how familiar they were with the PPLO at the time of interview. More than three-quarters of employers overall were at least moderately familiar with the ordinance, although very few small firms (with 20-49 employees) reported that they were extremely familiar with the ordinance (Figure 6).

Employers with any familiarity of the PPLO reported several sources of information, with San Francisco’s OLSE as the most commonly cited, followed by employer organizations, “other”
sources, the media, and employees. “Other” sources included legal professionals, business groups (Chamber of Commerce, Golden Gate Restaurant Association), benefits brokers, and internet searches (Figure 7).

Overwhelmingly, San Francisco employers reported no negative effects of complying with the PPLO on profitability, productivity, employee morale, customer service, or employee retention (Figure 8). While 6% of employers reported worse profitability, 3% reported better profitability and 91% reported no change. A substantial number of employers reported improvements, particularly in employee morale (19% reported better/much better) and employee retention (17% reported better/much better). Indeed, many of the employers who participated in qualitative interviews and focus groups emphasized their firm’s commitment to workplace policies that support new parents. Some respondents expressed their desire to serve as an example for other Bay Area employers:

It's good to recognize that we are doing things as a company that is promoting, you know, healthy families and financial well-being. But also, just spreading the word. I think it's important that other companies see that there is movement in this space.

As a very small employer we actually can set a good example for other small employers when establishing leave policies...because as a small organization that doesn't really have the ability to hire replacements or temporary staff, we can sort of show how we can make it work even with a small staff.
Employers of all sizes reported difficulty understanding the legal requirements of the PPLO, understanding their responsibilities regarding the wage replacement rate, and administratively complying with the PPLO – including recordkeeping and notification requirements (Figure 9). Thirty-six percent of employers reported difficulty understanding the legal requirements and 41% reported difficulty administratively complying. Thirty-eight percent also reported difficulty understanding their responsibilities regarding wage replacement. Even employers that were highly supportive of the PPLO encountered difficulty:

*I think the biggest challenge that we have is dealing with the state for both disability and… paid family leave and trying to coordinate pay and make sure our employees are being paid correctly. I feel like maybe 40% of them are not being paid correctly by the state.*

*And the challenge is that we're happy to supplement but we don't know how much to supplement because getting the information from the state and how much they're being paid, um, has been the hard part. The first five days isn't covered so we don't know exactly how much is being deducted so we tend to overpay them and then have to withdraw the money back and tell 'em, you know, “We wanna make sure you're whole, but we're not sure what whole means so if we short pay you we'll correct it, if we overpay you we're gonna have to correct it and get the money back.” And it's a hard concept sometimes to explain.*
Despite these challenges, San Francisco employers were overwhelmingly supportive of the PPLO (Figure 10). Seventy-eight percent reported they were either very supportive or somewhat supportive of the ordinance, and just 6% were opposed. Support was slightly lower among firms with fewer than 50 employees.

In previous in-depth interviews with a small group of San Francisco employers, we heard from many employers that, though they were supportive, they would have preferred a program that better distributed the burden of providing paid leave. That is, they would have preferred
something akin to the state’s Paid Family Leave program, which is funded through a payroll tax, over a mandate that employers provide paid leave to their own employees who go out on leave. To better understand how widespread that feeling was, we asked employers whether their support for the PPLO would change if it were structured as a payroll tax rather than an employer mandate. Almost half (44%) of all employers reported that they would be more supportive of the PPLO if it were structured as a payroll tax, with a slightly greater proportion of small employers reporting that this change would increase their support (Figure 11).

Figure 1. Percentage of San Francisco employers that would be more or less supportive of the PPLO if it were funded through a payroll tax (weighted). Source: Bay Area Parental Leave Survey of 2018 Employers, N=150 firms.

**4. Key Takeaways**

Two years after the San Francisco PPLO took effect, our assessment has produced several key takeaways:

- **Income disparities in access to parental leave are large.** Before the PPLO took effect, lower income women were less likely to take over 6 weeks of leave; were less likely to receive pay from the government or their employer during their leave; and were offered shorter amounts of leave at a lower wage replacement rate by their employers than higher income women.

- **Women want more leave than they are taking.** While 90% of women reported that they would have taken at least 12 weeks of leave had they been offered that amount at full pay, 82% actually took 12 or more weeks. Moreover, low income women disproportionately returned to work within six weeks.

- **The PPLO significantly increased the proportion of San Francisco employers offering paid parental leave.** In 2018, 75% of San Francisco employers with 20 or more employees offered paid parental or family leave, compared to 44% in 2016. Employers with at least 50 employees had the largest increases and highest overall offer rates.

- **Implementing new policies or expanding existing policies does not negatively affect employers, employees, or customers.** Few employers reported negative impacts of
changing their paid leave policies, and some reported positive impacts.

- **Difficulty understanding and complying with the PPLO was common.** Many San Francisco employers reported difficulty understanding legal requirements and responsibilities and administratively complying with the PPLO, particularly smaller employers.

- **Support for the PPLO is high.** Seventy-eight percent of employers reported being supportive or very supportive of the PPLO while only 6% were opposed. The vast majority of employers reported that their support of the PPLO would either improve or not change if it were funded through a payroll tax.

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**References**


