

Bartel, Ann P.; Rossin-Slater, Maya; Ruhm, Christopher J.; Slopen, Meredith;
Waldfogel, Jane

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The Impact of Paid Family Leave on Employers: Evidence from New York

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DISCUSSION PAPER SERIES

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Ann Bartel

Columbia Business School and NBER

Maya Rossin-Slater

*Stanford University School of Medicine,
NBER and IZA*

Christopher Ruhm

University of Virginia, NBER and IZA

Meredith Slopen

Columbia University School of Social Work

Jane Waldfogel

*Columbia University School of Social Work,
LSE and IZA*

APRIL 2021

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IZA – Institute of Labor Economics

Schaumburg-Lippe-Straße 5–9
53113 Bonn, Germany

Phone: +49-228-3894-0
Email: publications@iza.org

www.iza.org

ABSTRACT

The Impact of Paid Family Leave on Employers: Evidence from New York*

We designed and fielded a survey of New York and Pennsylvania firms to study the impacts of New York's 2018 Paid Family Leave policy on employer outcomes. We match each NY firm to a comparable PA firm and use difference-in-difference models to analyze within-match-pair changes in outcomes. We find that PFL leads to an improvement in employers' rating of their ease of handling long employee absences, concentrated in the first policy year and among firms with 50–99 employees. We also find an increase in employee leave-taking in the second policy year, driven by smaller firms.

JEL Classification: J21, J23, J32, I38

Keywords: paid family leave, employers, worker absences

Corresponding author:

Christopher J. Ruhm
Frank Batten School of Leadership and Public Policy
University of Virginia
204 Garrett Hall, 235 McCormick Rd.
P.O. Box 400893
Charlottesville, VA 22904-4893
USA
E-mail: ruhm@virginia.edu

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1 Introduction

The vast majority of Americans are supportive of Paid Family Leave (PFL), a policy that provides workers with paid time off while they care for newborn children or seriously ill family members.¹ Yet the United States remains the only high-income country without a national PFL policy, and only eight states and Washington, D.C., have implemented or passed PFL legislation. Although the economic and health benefits of PFL for workers and their families have been documented in an expansive literature (see [Olivetti and Petrongolo, 2017](#); [Rossin-Slater, 2018](#); [Rossin-Slater and Uniat, 2019](#); [Rossin-Slater and Stearns, 2020](#) for some overviews), the lack of policy action in the U.S. partially reflects concerns about the potential costs of PFL, especially on employers. While most federal PFL proposals—and nearly all current state-level policies—use employee payroll taxes as financing mechanisms, employers may face other costs associated with having to manage their workers’ absences, and these costs may be especially burdensome for small firms.

Thus, evidence on the impacts of PFL on employers is necessary to inform the policy debate, but this research has been severely limited. Existing survey and administrative data sets do not contain information about employers’ experiences with managing employee absences, which are key to understanding the potential costs that PFL may impose on firms.² In this paper, we collect our own survey data on these issues and use a natural experiment research design to provide some of the first evidence on the causal impacts of PFL on employer outcomes, focusing specifically on employers’ assessments of absence-related challenges.

We study the introduction of New York’s PFL policy, which was the fourth state-level PFL policy implemented in the U.S. (following California, New Jersey, and Rhode Island), taking effect in January 2018. We designed and fielded a survey over the years 2016 to 2019, using

¹For evidence on public support of PFL, see, e.g.: <https://www.forbes.com/sites/marybethferrante/2020/02/20/80-of-americans-support-paid-family-and-medical-leave-yet-less-than-20-have-access/#49e231673d9b>. See also: <http://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/state-paid-family-leave-laws.pdf>.

²Recent studies using administrative data from California and Rhode Island have examined the impacts of paid leave policies in these two states on a range of outcomes of the workers and their families ([Bana et al., 2020](#); [Campbell et al., 2017](#)). Another study using California administrative data shows that firms play an important role in determining the take-up of leave benefits, but does not shed light on the impacts of the program on employer outcomes ([Bana et al., 2018](#)). Related, [Kamal et al. \(2020\)](#) use data from the U.S. Census Bureau’s Longitudinal Employer-Household Dynamics (LEHD) and analyze the impact of a negative labor demand shock on employee composition for firms that are and are not covered by the provisions of the federal Family and Medical Leave Act.

a representative sample of firms with 10 to 99 employees in New York and Pennsylvania, a neighboring state without a PFL policy. Our survey asked employers to rate their employees' performance, as well as the ease of coordinating work schedules and handling employee absences of various durations. We also gathered data on the incidence of employee leave-taking for purposes of caring for newborn children or family members with serious illness; on the rates of employee quits and absences without advance notice during the past year; on the share of employees who are female and who work part-time; and on New York employers' attitudes toward the PFL policy.

To estimate policy impacts on employer outcomes, we match each NY firm to a comparable PA firm using the following characteristics: industry sector, location in a metro area, firm size, county unemployment rate, and the county average weekly wage. Then, we estimate difference-in-differences and event-study models to compare changes in outcomes in NY firms from before to after the policy was implemented, relative to the changes in outcomes in PA firms over the same period. Our specifications include match-pair-by-year fixed effects, so we obtain *within-match-pair* differences in outcome changes, controlling flexibly for match-pair-specific trends.

Our results show that, in the first year of New York's PFL policy, there is a 0.29 standard deviation (SD) increase in employers' rating of their ease of handling workers' absences longer than four weeks in duration, and a 0.33 SD increase in their rating of their ease of handling absences two to four weeks long. These effects are short-lived and mostly dissipate by the second policy year.

We also observe that, in the second year of the policy, there is a 20.8 percentage point (53.3 percent relative to the pre-policy mean) increase in the incidence of employee leave-taking. This impact reflects increases in both female and male employees taking parental leaves, as well as male employees taking leaves to care for severely ill family members. Additional analyses suggest that the improvements in employers' ability to handle long employee absences materialize among larger firms with 50 or more workers, while the increases in employee leave-taking take place in firms with 10 to 49 workers. The latter finding is consistent with employers with fewer than 50 workers not being covered by the federal Family and Medical Leave Act, which provides 12 weeks of job-protected unpaid leave. Thus, for firms with fewer than 50

employees—which constitute about half of the employers in our study—New York’s PFL program provides the first experience of employees being able to use government-provided job-protected leave.³

Further, we analyze employer ratings of employee performance in terms of attendance, commitment, cooperation, productivity, and teamwork, finding no significant impacts on these outcomes. We note, however, that average employer ratings on these dimensions are already high in the years before the law, suggesting minimal scope for additional improvements in them. That said, we also do not find evidence of any adverse effects on these outcomes. We also find no significant changes in the share of employees who quit or are absent without advance notice, or who are female or employed part-time. These results suggest that our estimated impacts on employers are not driven by changes in employee composition.

Lastly, we examine trends in NY employers’ attitudes toward the PFL policy. We document that more than 50 percent of all NY firms are either very or somewhat supportive of the policy, in all survey years. At the same time, a small share of firms is opposed to the law, and this share has grown over time.

Our paper contributes to a small set of studies that have analyzed employers in the context of PFL. Eileen Appelbaum and Ruth Milkman pioneered the research on employers with a survey of 250 California firms, which was conducted four to five years after California’s first-in-the-nation PFL program was implemented. A central finding from this work is that 90 percent of California employers reported that the PFL policy had either a positive or a neutral effect on employee productivity, morale, and costs (Milkman and Appelbaum, 2013; Appelbaum and Milkman, 2011). Another study of 18 employers in New Jersey indicates that businesses do not report adverse impacts of NJ’s second-in-the-nation PFL program on profitability or employee productivity (Lerner et al., 2014). Most recently, Goodman et al. (2020) examine the impacts of San Francisco’s Paid Parental Leave Ordinance, which was implemented in 2017 and is the first U.S. policy that mandates that employers provide fully paid leave to workers.⁴ The authors surveyed employers in San Francisco and surrounding Bay Area counties in 2018, and

³As we note in Section 2, New York has a Temporary Disability Insurance program, which provides 6 to 8 weeks of partially paid leave to birthing mothers for the purposes of preparing for and recovering from childbirth. However, this leave is not job protected and the maximum wage payment received during the leave is low.

⁴Specifically, the ordinance requires that employers in San Francisco supplement the state-level PFL policy by providing workers with 100% wage replacement during leave.

show that employers report minimal negative impacts and high support for the policy. While these studies break new ground in collecting data on employer outcomes, they are limited by a lack of baseline data on pre-PFL outcomes, do not have control groups that can be followed over time, and do not use representative samples of firms.⁵ As mentioned, our survey indicates that employers have high ratings on these types of outcomes even in the years *before* the policy, suggesting limited scope of measurable improvements along these dimensions, and that pre-PFL data is essential for assessing the impacts that can be attributed to the policy.

Lastly, four recent studies using administrative data from Europe have analyzed the impacts of employee leave-taking on outcomes among employers. [Brenøe et al. \(2020\)](#) use Danish data, and find no impacts of a female employee taking parental leave on firm output, profitability, or survival. By contrast, [Gallen \(2019\)](#) indicates that a Danish reform that expanded fully-compensated parental leave by 22 weeks did have a negative effect on firm survival and the retention of mothers. [Ginja et al. \(2020\)](#) study a parental leave expansion in Sweden, and demonstrate that firms respond to this reform by hiring additional workers and increasing incumbent workers' hours, and thus incur additional wage costs. [Huebener et al. \(2020\)](#) analyze a German parental leave reform, and find impacts on firms' subsequent hiring decisions. However, the dramatic differences in statutory leave duration, labor market characteristics, and broader policy environments between these European countries and the United States make it challenging to infer lessons from this evidence for the U.S. setting.

2 New York's Paid Family Leave Act

Before 2018, some workers in New York had access to government-provided job-protected unpaid leave through the federal Family and Medical Leave Act (FMLA) of 1993, which covers workers who meet various eligibility requirements, such as working at an employer with 50 or more employees. In addition, since the 1978 Pregnancy Discrimination Act, birth mothers have been eligible for approximately 6 to 8 weeks of partially paid disability leave under NY's

⁵[Bartel et al. \(2016\)](#) analyze the impact of Rhode Island's third-in-the-nation PFL program on employers with a survey of small and medium-sized food services and manufacturing businesses in Rhode Island, Connecticut, and Massachusetts. They collected data both before and after the program went into effect, and report no statistically significant impacts on a wide range of outcomes. However, small sample sizes generate concerns for statistical power, and limit the conclusions that could be drawn from this analysis.

Temporary Disability Insurance (TDI) program to prepare for and recover from childbirth. TDI provides a wage replacement rate of 50 percent of the average weekly wage for the last eight weeks worked, but only up to a current (as of 2021) maximum benefit of \$170 per week, and the leave is not job protected.⁶

In January 2018, New York state implemented the Paid Family Leave Act (PFLA), thus becoming the fourth state to provide job-protected paid leave for new parents and employees caring for a severely ill family member. The program covers all private sector workers and has been implemented gradually over 2018 to 2021. In 2018, workers were able to claim 8 weeks of leave with a wage replacement rate equal to 50 percent of the employee’s average weekly wage (AWW), up to a maximum benefit set at 50 percent of the state-level AWW. In 2019 and 2020, workers could claim leave for 10 weeks, with wage replacement rates of 55 and 60 percent of their AWW, up to 55 and 60 percent of the state AWW, respectively. In 2021, the fully phased-in policy provides 12 weeks of leave, with 67 percent of the worker’s AWW replaced, up to 67 percent of the state AWW (corresponding to a \$971.61 maximum weekly benefit). Similar to many other state-level PFL programs, New York’s program is funded through a payroll tax on employees.⁷

3 Data

We surveyed a representative sample of firms with 10 to 99 employees in NY and PA in each fall (September to December) of 2016, 2017, 2018, and 2019.⁸ The survey was approved by the Institutional Review Board (IRB) at Columbia University and conducted by the Office for Survey Research (OSR) at Michigan State University (whose IRB also approved). We identified employers in each state using data from Survey Sampling Inc., and drew random samples within three firm size and 16 North American Industry Classification System (NAICS) code categories. Thus, within each state, approximately one third of the surveyed employers have 10 to 19 employees, a third have 20 to 49 employees, and a third have 50 to 99 employees.

The initial contact with employers was made by mail, with follow-ups conducted by mail,

⁶Women who experience childbirth complications are eligible for longer leaves, with doctor certification. The maximum amount of leave under the TDI program is 26 weeks.

⁷See: <https://paidfamilyleave.ny.gov/employees> for more details.

⁸We also surveyed firms in New Jersey but do not use them in this analysis for reasons discussed below.

e-mail, and phone. The survey was intended to be completed by either the owner or manager of each firm, who is knowledgeable about employee performance, the ease of managing employee absences, as well as employee composition and the incidence of employee leave-taking.

In the first survey year (2016), we had a response rate of 46 percent in both states, resulting in a sample of 1,207 firms from each state. In Year 2 (2017), we attempted to re-survey as many firms as possible from the preceding year. We obtained responses from 1,599 of these firms, and recruited 820 new firms to generate a total of 2,419 firms (1,215 from NY and 1,204 from PA). We repeated this process in subsequent years, generating a final sample of 4,573 unique firms that participated in the survey in at least one year.

The survey questionnaire covered multiple domains. First, we obtained data on firm size and employee characteristics, including the share of female employees and the share of employees who work part-time. We also obtained information on the share of employees who quit in the last 12 months and who had been absent without providing notice or with less than 24 hours of notice in the prior month.⁹ Second, we asked employers to rate employees' performance on a scale of 1 to 10 (with 1 representing "very poor" and 10 representing "excellent") along the following dimensions: attendance, commitment to the job, cooperativeness to get the job done, productivity, and teamwork. Third, we asked employers to rate their ability to coordinate work schedules and deal with employee absences of various durations (less than two weeks, two to four weeks, and more than four weeks) on a scale of 1 to 10 (with 1 representing "very difficult" and 10 representing "very easy"). Fourth, we asked whether employers had any employee who took time off work in the past year because they had or adopted a child, or had a family member with a serious illness. We also inquired about the employee's gender and the reason for leave (i.e., parental or serious family illness). Fifth, we asked employers in NY to rate their view of the law on a scale of 1 to 5 (with 1 representing "very supportive" and 5 representing "very opposed").

As noted previously, Pennsylvania, which has a lengthy border with NY and has never had a PFL law, serves as a "never treated" control state. We also collected data from another

⁹We asked employers to report the number of employees who are currently on payroll, including full-time, part-time, and temporary workers. We also asked them about the number of employees who are female, the number of employees who work part-time (35 hours or less), the number of employees who voluntarily left the firm in the past year, and the number of employees who were absent without notice or with less than 24 hours notice in the past month. We used these variables to calculate the shares.

neighboring state, New Jersey, which we hoped could serve as an “always treated” control state, since it has had a PFL program since 2009. However, in the middle of our data collection, New Jersey substantially expanded its PFL program, making it an unsuitable control state.¹⁰

Outcomes. To study employer ratings of employee performance and the ease of coordinating schedules and dealing with absences, we generate standardized z -scores by subtracting the analysis sample mean and dividing by the sample standard deviation. Thus, coefficients in regressions that use these outcomes as dependent variables can be interpreted in SD units.

We also create five indicator variables capturing employee leave-taking. These include binary variables set to 1 for employers who report that any employee has taken any leave for any family-related reason in the past year, and 0 otherwise, as well as separate indicators for employers who report having at least one: female employee take parental leave; male employee take parental leave; female employee take leave to care for a seriously ill family member; and male employee take leave to care for a seriously ill family member.

We study changes in employee composition by using as outcomes the shares of workers who quit in the past year, who were absent without advance notice in the past month, who are female, and who work part-time.

Finally, we analyze how New York employers’ views toward the policy have changed over time. This question was not asked among Pennsylvania firms, since they did not have a PFL program in place in any year, precluding us from comparing trends across states.

4 Empirical Analysis

Our goal is to estimate the causal effect of the NY PFL policy on employer outcomes. We use a difference-in-differences (DD) strategy, comparing the change in outcomes of NY firms to the change in outcomes of PA firms, from before to after the policy went into effect. The DD approach relies on the standard assumption that outcomes in the treatment and control states would have followed parallel trends in the absence of program implementation. Since we only have two pre-policy years of data (2016 and 2017), we are limited in our ability

¹⁰New Jersey elected a new Democratic governor in 2018, who had promised to expand the PFL program. The expansion was signed into law in 2019.

to comprehensively assess the validity of this assumption by analyzing long pre-treatment trends; however, we do examine changes in outcomes between these two years to obtain some indication of whether such trends exist.

We augment the standard DD methodology by first matching each NY firm to a comparable PA firm, using a nearest-neighbor algorithm, which makes an exact match on industry sector (one of 16 categories) and an indicator for whether the firm is located in a metro area based on the 2013 Rural-Urban Continuum Code.¹¹ Then, we conduct a “fuzzy” match (with replacement) using the following variables: number of employees in the firm in the first year available in the data, the 2016 county unemployment rate, and the 2016 county average weekly wage.¹² This process yields a sample consisting of a total of 2,364 matched pairs of firms (2,364 NY firms and their 682 PA matches).

Appendix Table A1 reports the means of county-level characteristics used in the matching process. We report the means for all NY and PA firms in the first two columns, and in the NY and PA firms in the matched pair sample in the following two columns. We also report the difference in means of these variables between firms in NY and PA before the match, along with the mean within-match-pair difference after the match. The table shows that the magnitudes of the differences in these variables decline after matching, indicating that the matched firms from PA more closely resemble firms in NY than when using the full sample of PA firms.

After constructing our matched pair sample, we estimate DD and event-study models that include match-pair \times year fixed effects. These models compare changes in the outcomes of NY firms to changes in the outcomes of PA firms within each matched pair. Our DD model takes the following form:

$$Y_{ipst} = \beta_0 + \beta_1 NY_s + \beta_2 Post_t + \beta_3 NY_s \times Post_t + \gamma' X_i + \theta_{pt} + \epsilon_{ipst} \quad (1)$$

for each firm i in matched pair p in state s observed in year t . NY_s is an indicator for firms located in New York, and $Post_t$ is an indicator set to 1 in the post-implementation years (2018 and 2019). X_i is a vector of baseline firm-level control variables measured in the first year

¹¹These codes were obtained from <https://www.ers.usda.gov/data-products/rural-urban-continuum-codes/>.

¹²County-level characteristics are obtained from the 2016 Quarterly Census of Employment and Wages.

the firm is observed in the survey that includes the number of employees, the proportion of employees who: work part-time, are female, have worked for the firm for more than one year, quit in the past 12 months, and were absent without advanced notice in the past month.¹³ θ_{pt} are interactions between matched pair and survey year fixed effects, allowing us to make comparisons of changes in outcomes within matched pairs of firms. The key coefficient of interest is β_3 , which measures the impact of the NY PFL program on the outcome of interest, relative to the change in the matched PA firm over the same time period.

We also estimate event-study models, which replace the single $Post_t$ indicator in equation (1) with indicators for each survey year (while keeping all of the other variables the same). The interactions between the NY_s indicator and the survey year indicators in these event-study models allow us to examine differential trends in outcomes in NY relative to PA firms, both before and after the law. We omit the 2016 \times NY interaction term, so the other coefficients measure differential trends relative to the first survey year.

Lastly, since we analyze a large set of outcomes, we address concerns with multiple hypothesis testing by using the Romano-Wolf correction. We report the Romano-Wolf p -value associated with our key coefficients of interest for each outcome.¹⁴

Descriptive statistics. Appendix Table A2 reports the means of our key variables in our sample of matched pairs of firms, separately for PA and NY firms, before and after the policy. There are several take-aways from this table. First, average employer ratings of employee performance are consistently high in both states and in all years. In particular, across all five dimensions, and for firms in all categories (PA, NY, pre- and post-policy), the mean rating is higher than 8 on a scale of 1 to 10. This suggests that there is not much scope for improvements to be measured along these dimensions. It is noteworthy that high ratings are observed in both the pre-policy years and in PA, which does not have a PFL policy, suggesting that high ratings on these variables are unlikely to be attributed to the PFL policy.

¹³We exclude these firm-level baseline controls when analyzing employee characteristics (share of employees who: are female, work part-time, quit in the past year, and were absent without notice in the past month) as outcomes. We also find that our results for other outcomes are similar if we exclude these controls (results available upon request).

¹⁴The Romano-Wolf correction controls for the familywise error rate, which is the probability of rejecting at least one true null hypothesis among a family of hypotheses under a test. We treat each set of outcomes in each table panel as a family. See Romano and Wolf (2005a), Romano and Wolf (2005b), Romano et al. (2010), Romano and Wolf (2016), Clarke et al. (2020).

Second, employer ratings of the ease of coordinating work schedules and dealing with worker absences are considerably lower. Absences longer than four weeks (and to a lesser extent those between two and four weeks) appear to present particular challenges for many employers. Third, we observe no large changes in employee composition, quit rates, or rates of absences without advance notice in either NY or PA firms. Fourth, although the incidence of leave-taking increases over time in both states, the magnitude of the increase is larger among NY firms.

5 Results

Table 1 reports results on the impacts of the NY PFL policy on employer ratings of employee performance. Panel A presents the estimates of the β_3 coefficients from equation (1), while estimates of the coefficients from the event-study models are in Panel B. As noted above, in addition to reporting heteroskedasticity-robust standard errors, we also display Romano-Wolf p-values that adjust for multiple hypothesis testing. We find no statistically significant impacts on any of the five dimensions of employer ratings of employee performance.

Table 2 presents the analogous results for employer ratings of the ease of coordinating work schedules and dealing with employee absences of different durations. Panel A, which presents results from our DD models, shows that the NY PFL policy leads to a 0.25 SD increase in employers' assessment of the ease of dealing with employee absences longer than 4 weeks. This result is marginally significant when adjusting for multiple hypothesis testing. The event-study estimates in Panel B indicate that there are no pre-trends in these outcomes, and that the positive impacts are large and statistically significant in the first year after implementation, becoming insignificant in the second year. Specifically, in the first year of the policy, PFL is estimated to reduce the difficulty of dealing with absences of 4 weeks or more by 0.29 SD and of dealing with absences 2–4 weeks long by 0.33 SD. There is also some suggestive evidence of an improvement in the ease of coordinating work schedules in the first year, but we note that this result is not robust to multiple hypothesis adjustments, and may in part reflect the continuation of a pre-policy trend (i.e., the coefficient on the interaction term between NY and 2017, the year immediately before the policy, is also fairly large and positive, albeit

insignificant).

Next, we analyze employee leave-taking variables in Table 3. While none of the coefficients is statistically significant in the DD models in Panel A, we do find that the effects on leave-taking materialize in the second year of the policy in the event-study models in Panel B. Specifically, we find a 20.8 percentage point (53.3 percent at the pre-policy mean) increase in the likelihood of any employee using any leave in the second year post-law. We also find 11.6, 8.8, and 10.3 percentage point (73.4, 68.6, and 128.8 percent) increases in the likelihoods of female employees taking parental leave, male employees taking parental leave, and male employees using leave to care for ill family members.

In Table 4, we check whether the effects on employers' ratings of the ease of dealing with employee absences are heterogeneous across firms with and without any recent experience with workers taking leave by including an interaction with the indicator for whether a firm has any employee taking any leave in the past 12 months. While the results are not statistically significant once we account for multiple hypothesis testing, the large positive coefficients on the interaction terms are consistent with the improvement in the ease of dealing with employee absences being concentrated among firms that have had at least one employee take leave.

Lastly, Appendix Table A3 reports the results for the employee attribute outcomes from our DD and event-study models. We do not see any statistically significant impacts on any of these outcomes. These results suggest that the previously discussed findings on employer experiences with dealing with worker absences and on employee leave-taking rates are not driven by changes in firm composition.

We explore heterogeneity in our findings by firm size in Appendix Tables A4 through A6. We split our sample into larger firms with 50 or more employees and smaller firms with 10 to 49 employees, reflecting FMLA eligibility for the former but not the latter sub-group. Interestingly, the impacts on the ease of dealing with long worker absences appear to be driven entirely by the larger firms, while the increase in employee leave-taking occurs exclusively among the smaller firms. Thus, it seems that New York's PFL policy helps larger firms—in which employees do not change their leave-taking behavior since they likely previously had access to some type of leave either through the FMLA or through the firm's benefits package—handle long leaves, at least in the first program year. For smaller firms, any improvement in

the ease of handling absences may be outweighed by the fact that there are significantly more workers taking leaves once the law has been in effect for some time.

5.1 Employer Attitudes Toward Paid Family Leave

Our findings suggest that New York’s PFL policy has imposed minimal costs on employers. If anything, employers are finding it easier to deal with lengthy employee absences, at least in the first year of the policy. At the same time, employees in small firms, many of whom previously did not have access to any job-protected leave, are more likely to take leave once the policy is in effect, potentially raising new challenges for employers.

How have employers’ views about the policy evolved over the four study years? In Figure 1, we present the proportion of NY firms in our sample that report each level of support or opposition (on a scale of one to five) in each year of the survey. There are two main takeaways from this graph. First, the majority of firms are either very or somewhat supportive of the policy, across all survey years. Second, the share of firms very opposed to the law, while very small, has also grown over time—from 4.1 percent of firms in 2016, to about 9.5 percent in 2019. Additional analyses suggest that being very opposed, although still rare, is somewhat more pronounced among smaller employers, for whom we also do not find any improvements in the ease of handling long employee absences. It remains to be seen how views about NY PFL will continue to evolve in future years, once the policy is fully implemented and employers have had time to get accustomed to it.

6 Discussion

Opposition to government-provided paid family leave in the United States largely rests on an argument that this policy will impose large burdens on businesses. Accordingly, business community leaders, trade groups such as the National Federation of Independent Business, and the U.S. Chamber of Commerce have repeatedly expressed concerns with proposed PFL legislation.¹⁵ However, empirical evidence supporting these arguments has been lacking, largely

¹⁵For more discussion of the opposition of PFL in the business community, see, for example: <https://www.npr.org/sections/itsallpolitics/2015/07/15/422957640/lots-of-other-countries-mandate-paid-leave-why-not-the-us>.

due to data constraints. To date, we have known very little about how employers navigate employee absences, and this information is critical for assessing the potential costs of PFL on firms.

In this paper, we bring new data and empirical analysis to inform this discussion. We study New York’s PFL program, which went into effect in 2018, and analyze outcomes among firms with 10—99 employees, using a survey that we conducted over a four-year period from 2016 to 2019. We match each NY firm with a PA firm on observable characteristics, and then estimate difference-in-differences models within matched pairs to compare changes in outcomes in NY firms from before to after the policy was implemented relative to changes in similar firms in PA during the same time period.

Our analysis generates several key findings. First, we observe high employer ratings of employee performance along dimensions like attendance, commitment, cooperation, productivity, and teamwork, even prior to the implementation of PFL in New York and in Pennsylvania, which does not have a PFL policy. This evidence implies limited scope for measurable improvements on these variables that can be attributed to the availability of PFL. That said, we note that we find no evidence of adverse effects on these outcomes, either.

Second, employer ratings of their ability to deal with employee absences are considerably lower on average. Thus, it is notable that the NY PFL program significantly increases employers’ ratings for these outcomes, especially with regard to managing lengthy absences of four weeks or longer. However, the improvements appear to be short-lived, and dissipate in the second year following policy implementation.

Third, we find a large increase in the incidence of employee leave-taking in the second year post-policy, concentrated among firms whose employees were previously not eligible for FMLA leave. Fourth, we do not observe any changes in the shares of female or part-time workers, quit rates, or the rates of absences without advance notice, suggesting that the significant impacts on employers’ ease of dealing with absences and employee leave-taking are not driven by changes in employee composition.

Fifth, the majority of New York firms in our data are supportive of the PFL policy, both before and after it is implemented. At the same time, a small share is very opposed, and this fraction grows over our study period, particularly among the smallest employers.

While our study delivers some of the first estimates of the causal impacts of PFL on employer outcomes, important questions remain. As noted above, the New York program gradually expanded in generosity through 2021, and more research is needed to shed light on how changes in program parameters influence employers. More generally, our data reflect a phase-in period when employers (and employees) were still learning about the program. Qualitative comments from firms in our study indicate that some of them lacked adequate understanding of program details, a problem likely more significant for smaller firms who may not have access to professional human resources staff and support. More follow-up, especially with the smallest firms in our sample, may be necessary to understand how employers learn about and implement state-level PFL programs. In addition, while our findings suggest largely positive overall PFL effects on employers, over the period we examine, they also raise the possibility of less favorable trends along some dimensions in the longer-run effects of PFL programs on employers.

It is also important to note that in 2017, the year before NY PFL went into effect, New York state initiated a gradual minimum wage policy targeting a \$15 minimum wage, with the exact schedule varying by region and firm size.¹⁶ This policy may have also influenced employer outcomes, although it is unlikely to have had a direct impact on their ease of managing employee absences. That said, the initiation of the minimum wage policy may help explain some of the “pre-trend” coefficients for employer ratings of employee performance.

Further, the COVID-19 pandemic has significantly disrupted business operations and underscored the urgent need for paid leave for workers who get sick, must take care of ill family members, or lack childcare due to closures of schools and daycares. Our most recent follow-up survey from fall 2020 will provide more evidence on the implications of New York’s PFL program for businesses during COVID-19.

Finally, our pre-PFL period only includes two years of data collection, which limits our ability to comprehensively assess outcome pre-trends. As a growing number of states are planning to implement PFL programs in the coming years, researchers may consider collecting baseline data from other states for future analyses of PFL impacts on employer outcomes.

¹⁶For more details, see: https://labor.ny.gov/stats/minimum_wage.shtm.

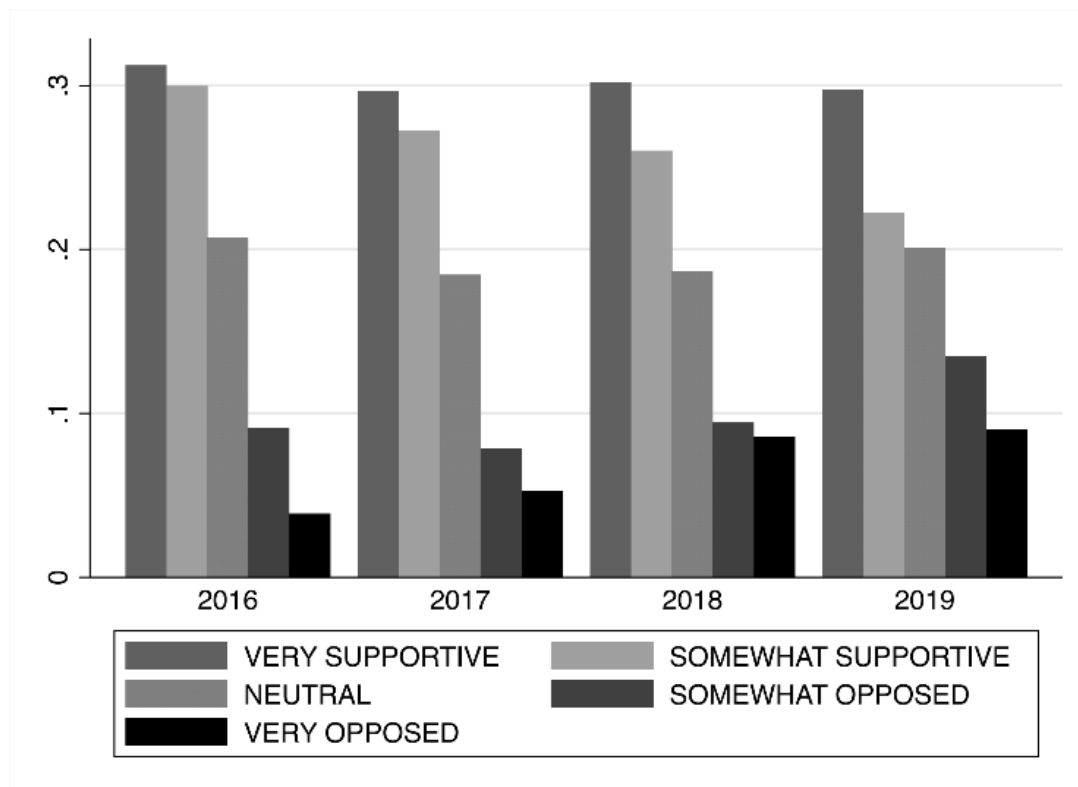
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7 Figures

Figure 1: Employers' Views about New York's Paid Family Leave Policy by Year, 2016—2019



Notes: Each bar represents the proportion of firms reporting each level of support/opposition for New York's Paid Family Leave Act, which was passed in 2016 and implemented in 2018.

8 Tables

Table 1: DD and Event-Study Estimates of the Effects of NY Paid Family Leave on Employer Ratings of Employee Performance

	(1) Attendance	(2) Commitment	(3) Cooperation	(4) Productivity	(5) Teamwork
A. DD Models					
Post \times NY	0.007 [0.077]	0.106 [0.081]	0.126 [0.084]	-0.042 [0.082]	-0.008 [0.084]
<i>Romano-Wolf p-value</i>	0.998	0.719	0.621	0.962	0.998
B. Event-Study Models					
2017 \times NY (pre-policy)	-0.018 [0.122]	0.095 [0.129]	0.244 [0.134]	0.231 [0.128]	0.198 [0.134]
<i>Romano-Wolf p-value</i>	0.986	0.986	0.908	0.475	0.687
2018 \times NY (post-policy)	0.091 [0.111]	0.278 [0.118]	0.354 [0.123]	0.196 [0.123]	0.198 [0.126]
<i>Romano-Wolf p-value</i>	0.485	0.134	0.166	0.485	0.485
2019 \times NY (post-policy)	-0.093 [0.108]	0.033 [0.115]	0.151 [0.122]	-0.040 [0.121]	-0.009 [0.123]
<i>Romano-Wolf p-value</i>	0.487	0.513	0.623	0.240	0.469
Firm/Year Observations	9186	9188	9192	9181	9170

Notes: All dependent variables are expressed as z -scores. Panel A reports the β_3 coefficients from equation (1), while Panel B reports the coefficients from the event-study version of equation (1), separately for each dependent variable. Heteroskedasticity robust standard errors are in brackets, while Romano-Wolf p-values adjusted for multiple hypothesis testing are reported in the rows below the standard errors. Significance levels (based on Romano-Wolf p-values): * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

Table 2: DD and Event-Study Estimates of the Effects of NY Paid Family Leave on Employer Ratings of the Ease of Coordination and Handling of Employee Absences

	(1) Coordination	(2) Handling Absences <2 Weeks	(3) Handling Absences 2-4 Weeks	(4) Handling Absences >4 Weeks
A. DD Models				
Post \times NY	0.117 [0.0848]	0.0693 [0.0848]	0.159 [0.0865]	0.248* [0.0873]
<i>Romano-Wolf p-value</i>	0.439	0.509	0.323	0.090
B. Event-Study Models				
2017 \times NY (pre-policy)	0.153 [0.131]	0.035 [0.132]	-0.007 [0.137]	-0.125 [0.138]
<i>Romano-Wolf p-value</i>	0.976	0.976	0.757	0.232
2018 \times NY (post-policy)	0.252 [0.123]	0.156 [0.123]	0.332** [0.127]	0.292** [0.130]
<i>Romano-Wolf p-value</i>	0.357	0.357	0.032	0.044
2019 \times NY (post-policy)	0.140 [0.117]	0.019 [0.120]	-0.018 [0.121]	0.076 [0.124]
<i>Romano-Wolf p-value</i>	0.996	0.970	0.567	0.994
Firm/Year Observations	9148	9117	9030	9047

Notes: All dependent variables are expressed as z -scores. Panel A reports the β_3 coefficients from equation (1), while Panel B reports the coefficients from the event-study version of equation (1), separately for each dependent variable. Heteroskedasticity robust standard errors are in brackets, while Romano-Wolf p-values adjusted for multiple hypothesis testing are reported in the rows below the standard errors. Significance levels (based on Romano-Wolf p-values): * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

Table 3: DD and Event-Study Estimates of the Effects of NY Paid Family Leave on Employee Leave-Taking

	(1) Any Employee, Any Leave	(2) Female Employee, Parental	(3) Male Employee, Parental	(4) Female Employee, Serious Fam. Illness	(5) Male Employee, Serious Fam. Illness
A. DD Models					
Post \times NY	0.072 [0.043]	0.052 [0.033]	0.031 [0.030]	-0.001 [0.030]	0.034 [0.026]
<i>Romano-Wolf p-value</i>	0.629	0.644	0.657	0.964	0.649
B. Event-Study Models					
2017 \times NY (pre-policy)	0.072 [0.062]	0.027 [0.044]	-0.012 [0.042]	0.050 [0.040]	0.062 [0.033]
<i>Romano-Wolf p-value</i>	0.960	0.958	0.948	0.948	0.958
2018 \times NY (post-policy)	0.011 [0.060]	0.015 [0.045]	-0.040 [0.043]	0.032 [0.040]	0.030 [0.036]
<i>Romano-Wolf p-value</i>	0.497	0.876	0.493	0.876	0.876
2019 \times NY (post-policy)	0.208** [0.060]	0.116 [0.043]	0.088* [0.040]	0.017 [0.041]	0.103 [0.036]
<i>Romano-Wolf p-value</i>	0.032	0.124	0.096	0.786	0.162
Pre-Policy Dep. Var. Mean	0.390	0.158	0.128	0.111	0.080
Firm/Year Observations	9226	9227	9227	9226	9227

Notes: Panel A reports the β_3 coefficients from equation (1), while Panel B reports the coefficients from the event-study version of equation (1), separately for each dependent variable. Heteroskedasticity robust standard errors are in brackets, while Romano-Wolf p-values adjusted for multiple hypothesis testing are reported in the rows below the standard errors. Significance levels (based on Romano-Wolf p-values): * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

Table 4: Differential Effects of NY Paid Family Leave on Employer Ratings of the Ease of Coordination and Handling of Employee Absences, by Whether Firms Have Any Leave-Takers

	(1) Coordination	(2) Handling Absences <2 Weeks	(3) Handling Absences 2-4 Weeks	(4) Handling Absences >4 Weeks
Post \times NY	-0.002 [0.134]	-0.092 [0.133]	0.008 [0.139]	0.005 [0.141]
<i>Romano-Wolf p-value</i>	1.00	0.958	1.00	1.00
Any Leave-Takers \times Post \times NY	0.301 [0.245]	0.380 [0.249]	0.362 [0.253]	0.593 [0.256]
<i>Romano-Wolf p-value</i>	0.483	0.483	0.483	0.194
Firm/Year Observations	9147	9116	9029	9046

Notes: All dependent variables are expressed as z -scores. This table reports the coefficients from estimating an augmented version of equation (1), which includes an indicator for whether a firm/year observation has at least one employee who has taken any leave in the past 12 months, as well as an interactions between this indicator and the NY_s indicator, the $Post_t$ indicator, and the triple interaction with $NY_s \times Post_t$. Models are estimated separately for each dependent variable. Heteroskedasticity robust standard errors are in brackets, while Romano-Wolf p-values adjusted for multiple hypothesis testing are reported in the rows below the standard errors. Significance levels (based on Romano-Wolf p-values): * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

For Online Publication

The Impact of Paid Family Leave on Employers: Evidence from New York's 2018 Policy

Bartel, Rossin-Slater, Ruhm, Slopen, and Waldfogel (2021)

Table A1: Pre- and Post-Match Variable Means, NY and PA Firms, 2016–2019

	All Firms		Matched Firms		Pre-Match	Post-Match
	NY	PA	NY	PA	Diff.	Diff.
County Unemployment Rate, 2016	4.593	5.575	4.593	4.748	-0.981	-0.154
County Average Weekly Wage, 2016	1200.34	1025.37	1200.34	1063.47	174.964	136.86
Number of Employees at Baseline	36.680	36.002	36.680	36.281	0.678	0.407
Number Unique Firms	2364	2198	2364	655		

Notes: The first two columns report means for all NY and PA firms in our data, respectively. The next two columns report means for NY and PA firms in the matched-pair sample, respectively. The second-to-last column (“Pre-Match Diff.”) reports the difference between mean characteristics in NY and PA firms before the match. The last column (“Post-Match Diff.”) provides the mean within-matched-pair difference. County-level characteristics are from the 2016 Quarterly Census of Employment and Wages. Firms are also matched on exact NAICS industry code and an indicator for whether the firm is in a metro area.

Table A2: Means of Key Outcome Variables, Matched Pair Sample

	PA Firms		NY Firms	
	Pre	Post	Pre	Post
<i>A. Employer Ratings of Employee Performance</i>				
Attendance	8.11	8.08	8.05	8.08
Commitment	8.14	8.11	8.17	8.26
Cooperation	8.30	8.21	8.29	8.38
Productivity	8.05	8.11	8.15	8.21
Teamwork	8.01	8.15	8.21	8.29
<i>B. Employer Ratings of Ease of Coordination and of Handling Absences</i>				
Ease of Coordination	7.44	7.39	7.33	7.39
Ease of Handling Absences < 2 Weeks	6.80	6.57	6.71	6.58
Ease of Handling Absences 2 – 4 Weeks	5.35	4.70	5.16	4.87
Ease of Handling Absences > 4 Weeks	4.48	3.51	4.13	3.70
<i>C. Incidence of Employee Leave in Past 12 Months</i>				
Female Employee—Parental	0.17	0.20	0.14	0.21
Male Employee—Parental	0.13	0.17	0.12	0.15
Female Employee—Serious Family Illness	0.10	0.14	0.12	0.17
Male Employee—Serious Family Illness	0.08	0.11	0.07	0.14
Any Employee Taking Leave	0.38	0.47	0.38	0.53
<i>D. Employee Attributes</i>				
Share Part-time	0.32	0.30	0.34	0.31
Share Female	0.50	0.53	0.54	0.54
Share Quit in the Past Year	0.19	0.18	0.24	0.19
Share Absent Without Notice	0.10	0.09	0.09	0.09
Number of Unique Firms	461	473	1624	1638

Notes: This table presents the means of the matched sample of firms in the pre- and post-policy periods (2016-2017 and 2018-2019, respectively). Panel A presents employer ratings of employee performance, while Panel B presents employer ratings of the ease of coordination and of handling employee absences, on a scale of 1 to 10, with 1 being the most negative rating and 10 being the most positive rating. Panel C provides the proportion of firms with at least one employee using leave by gender and type of leave. Panel D provides the proportion of employees in a firm by attribute.

Table A3: DD and Event-Study Estimates of the Effects of NY Paid Family Leave on Employee Attributes

	(1) Share Part-Time	(2) Share Female	(3) Share Quit	(4) Share Absent w/out Notice
A. DD Models				
Post \times NY	-0.006	-0.029	-0.013	0.004
	[0.025]	[0.030]	[0.022]	[0.010]
<i>Romano-Wolf p-value</i>	0.956	0.924	0.956	0.956
B. Event-Study Models				
2017 \times NY	-0.012	0.077	-0.009	-0.023
(pre-policy)	[0.037]	[0.050]	[0.040]	[0.016]
<i>Romano-Wolf p-value</i>	1.00	0.543	1.00	0.681
2018 \times NY	-0.001	0.030	-0.008	-0.007
(post-policy)	[0.034]	[0.044]	[0.028]	[0.014]
<i>Romano-Wolf p-value</i>	0.994	0.998	0.998	0.998
2019 \times NY	-0.021	-0.006	-0.026	-0.007
(post-policy)	[0.033]	[0.044]	[0.027]	[0.014]
<i>Romano-Wolf p-value</i>	0.866	0.709	0.860	0.866
Pre-Policy Dep. Var. Mean	0.330	0.521	0.215	0.094
Firm/Year Observations	9759	9751	9533	9358

Notes: Panel A reports the β_3 coefficients from equation (1), while Panel B reports the coefficients from the event-study version of equation (1), separately for each dependent variable. Heteroskedasticity robust standard errors are in brackets, while Romano-Wolf p-values adjusted for multiple hypothesis testing are reported in the rows below the standard errors. Significance levels (based on Romano-Wolf p-values): * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

Table A4: DD Estimates of the Effects of NY Paid Family Leave on Employer Ratings of Employee Performance and Ease of Coordination and Handling of Employee Absences, by Firm Size

A. Employer Ratings of Employee Performance					
	(1) Attendance	(2) Commitment	(3) Cooperation	(4) Productivity	(5) Teamwork
<i>Firms with 50–99 Employees</i>					
Post × NY	-0.199 [0.135]	0.108 [0.153]	0.0139 [0.161]	-0.00181 [0.148]	0.00488 [0.158]
Firm/Year Observations	3105	3102	3104	3098	3104
<i>Firms with 10–49 Employees</i>					
Post × NY	0.121 [0.100]	0.0480 [0.0980]	0.151 [0.100]	-0.0754 [0.103]	-0.0688 [0.103]
Firm/Year Observations	6085	6090	6092	6087	6070
B. Employer Ratings of Ease of Coordination and of Handling Absences					
	(1) Coordination	(2) Handling Absences <2 Wks	(3) Handling Absences 2-4 Wks	(4) Handling Absences >4 Wks	
<i>Firms with 50–99 Employees</i>					
Post × NY	0.176 [0.148]	0.133 [0.141]	0.352 [0.154]	0.475 [0.164]	
Firm/Year Observations	3076	3052	3034	3022	
<i>Firms with 10–49 Employees</i>					
Post × NY	0.0434 [0.108]	-0.00561 [0.111]	0.000109 [0.112]	0.0975 [0.109]	
Firm/Year Observations	6072	6065	5996	6025	

Notes: All dependent variables are expressed as z -scores. The table reports the β_3 coefficients from equation (1), separately for each dependent variable, and for each sub-sample. Heteroskedasticity robust standard errors are in brackets.

Table A5: DD Estimates of the Effects of NY Paid Family Leave on Employee Leave-Taking, by Firm Size

	(1) Any Employee, Any Leave	(2) Female Employee, Parental	(3) Male Employee, Parental	(4) Female Employee, Serious Fam. Illness	(5) Male Employee, Serious Fam. Illness
<i>Firms with 50-99 Employees</i>					
Post \times NY	-0.0668 [0.0750]	0.00941 [0.0668]	-0.0127 [0.0632]	-0.0423 [0.0574]	-0.0193 [0.0506]
Pre-Policy Dep. Var. Mean	0.433	0.215	0.139	0.115	0.101
Firm/Year Observations	3111	3112	3112	3111	3112
<i>Firms with 10-49 Employees</i>					
Post \times NY	0.147 [0.0552]	0.0778 [0.0381]	0.0590 [0.0363]	0.0141 [0.0375]	0.0565* [0.0313]
Pre-Policy Dep. Var. Mean	0.366	0.127	0.122	0.109	0.068
Firm/Year Observations	6115	6115	6115	6115	6115

Notes: The table reports the β_3 coefficients from equation (1), separately for each dependent variable, and for each sub-sample. Heteroskedasticity robust standard errors are in brackets.

Table A6: DD Estimates of the Effects of NY Paid Family Leave on Employee Attributes, by Firm Size

	(1) Share Part-Time	(2) Share Female	(3) Share Quit	(4) Share Absent w/out Notice
<i>Firms with 50–99 Employees</i>				
Post \times NY	0.0292 [0.0347]	-0.0241 [0.0349]	-0.0346 [0.0193]	0.0149 [0.0116]
Pre-Policy Dep. Var. Mean	0.261	0.450	0.154	0.064
Firm/Year Observations	3387	3389	3257	3153
<i>Firms with 10–49 Employees</i>				
Post \times NY	-0.0234 [0.0359]	-0.0269 [0.0466]	-0.00007 [0.0354]	-0.00184 [0.0152]
Pre-Policy Dep. Var. Mean	0.368	0.560	0.249	0.110
Firm/Year Observations	6372	6362	6276	6205

Notes: The table reports the β_3 coefficients from equation (1), separately for each dependent variable, and for each sub-sample. Heteroskedasticity robust standard errors are in brackets.