PAID FAMILY LEAVE IN THE UNITED STATES

by
Veronica Weis Goodman

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Abstract

This Capstone memorandum gives a background on economic trends in the latter half of the twentieth century to today that have changed the demographics of American families, including the rise of dual earner households and women’s labor force participation. With that history as a backdrop, this Capstone delves into the issue of family leave as a critical policy in accommodating working families and presents evidence on the social, political, and economic costs and benefits of paid family leave, including a review of the current states which mandate such programs for employees, and provides a policy path forward toward a national paid family leave program with specific recommendations.
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MEMORANDUM

FOR SENATOR KIRSTEN E. GILLIBRAND, UNITED STATES SENATE
FROM VERONICA WEIS GOODMAN
SUBJECT PAID FAMILY LEAVE IN THE UNITED STATES
DATE APRIL 19, 2016

Action Forcing Event

According to new 2015 data from the United States Department of Labor, dual-earner households have grown dramatically over the last few decades and today, 70 percent of mothers work.¹ In fact, more than 40 percent of mothers are the sole or primary breadwinners for their families.² The demographics of the American family continue to change as more than 50 percent of children today are born to unmarried mothers.³ Yet, despite these trends, the United States is the only developed economy that does not provide paid parental leave.⁴

Statement of the Problem

Millions of working Americans lack access to paid parental leave benefits.⁵ This negatively impacts our economy and families in a number of ways. First, it makes it harder for working parents to return to the labor force after the birth or adoption of a new

child. According to a recent 2015 report by the White House Council of Economic Advisers, women’s labor force participation has stalled since the 1990s and a lack of benefits is thought to be one cause. As shown in Figure 1 below, after rising for much of the latter half of the twentieth century, women’s labor force participation peaked in 1999 at 74 percent and has since fallen to 69 percent.

![Figure 1](image)

Source: White House Council of Economic Advisers

When less workers participate in the labor force, it means our economic growth and potential is stunted. In fact, the United States is the only industrialized nation which

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does not guarantee paid parental leave and also has one of the lowest women’s labor force participation rates. Many European countries, such as Switzerland, Germany, and France, among others, rank much higher than the United States on this measure and offer family-friendly work programs. A 2014 survey conducted by the Kaiser Family Foundation, *The New York Times*, and *CBS News* found that of non-working adults aged 25 to 54 in the United States, 61 percent of women said family duties were a reason they were opting out of the labor force, while 37 percent of men said the same. Of those women who identified as homemakers, nearly 75 percent said they would reenter the workforce if they could find a job with more flexibility or the option to work remotely. Among those polled, the challenges of working and raising a family seemed to be especially acute for lower-income individuals and those with less educational attainment, potentially making it a contributing factor to rising inequality.

Second, a lack of paid parental leave benefits is also bad for American businesses. A 2012 report found that raising the female labor force participation rate to the same level as males would increase GDP in the United States by 5 percent. A study by Goldman Sachs has estimated the GDP loss to be closer to 9 percent. The 2015 CEA report found that when costs and benefits of family leave programs were analyzed from an employer’s perspective, paid or unpaid leave can have a “positive effect on long-term productivity by improving recruitment, retention, and employee motivation.”

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their assessment included a survey conducted in California of 253 employers which found that over ninety percent reported either positive or no noticeable effect on profitability, turnover, and morale. Companies are starting to take note and in recent years, the number of businesses which offer varying levels of paid parental leave benefits has begun to increase.

Third, a lack of paid parental leave has consequences on both the health of the mother and child. According to a 2011 study of 141 countries with such policies, paid leave can reduce infant mortality by as much as 10 percent. Additionally, it also increases the likelihood of infants getting routine pediatric care and crucial vaccinations early in their lives, such as measles and polio vaccines. When given access to paid leave, mothers are also more likely to breast feed, according to a 2011 study in California. According to the Centers for Disease Control and Prevention, when infants are breast fed, they have a decreased exposure rate to infections and are also less likely to suffer from asthma, obesity, and sudden infant death syndrome. According to the CDC, the benefits also extend to the health of the mother: women who breast feed are less likely to get various forms of cancer, diabetes, heart disease, and suffer from depression.

All of these health outcomes have economic costs and benefits which show that a lack of paid leave access has a detrimental and costly effect on working families. To date, only three states – California, New Jersey, and Rhode Island – offer guaranteed paid leave. According to the Department of Labor, considering the three states and the private sector companies that offer such benefits, this translates to approximately only 12 percent of private sector workers have access to leave through their employers meaning that this problem is widespread.\textsuperscript{21}

**History**

In the late 1960s, women in the United States began entering the labor force in record numbers.\textsuperscript{22} This new trend was caused by a variety of catalyzing factors including World War II labor shortages, the rise of the Feminist movement, economic necessity due to increased cost of living and prices, passage of the governmental equal rights act, increased access to higher education, among others.\textsuperscript{23} The female labor force participation rate rose from 32 percent in 1948 to 60 percent in 2000.\textsuperscript{24} This demographics trend necessitated changes in the workplace and in policy in order to better accommodate women and the changing American family.

As Figure 1 above and Figure 2 below show, the female labor force participation rate began to plateau in the late 1990s and has stayed relatively stable since then. Leading

\footnotesize
\textsuperscript{23} Ibid.
\textsuperscript{24} Elisabeth Jacobs, “The Declining Labor Force Participation Rate: Causes, Consequences, and the Path Forward,” Washington Center for Equitable Growth.
economists cite a lack of family-friendly workplace policies as one of the principal causes of stalled women’s entry into the workforce.²⁵

Figure 2

Source: St. Louis Federal Reserve²⁶

Concurrently, the number of two-earner households has increased from 47 percent in the 1960s to 66 percent in 2010, while the number of households with a female as the breadwinner has also risen in the past few decades.²⁷ The reality behind these trends has spelled longer work hours for workers, more difficulty juggling work and family, and an

²⁵ “The Economics of Paid and Unpaid Leave,” The White House.
increasing reliance on unaffordable child care.\textsuperscript{28} The confluence of these trends has also brought the issues around family-friendly workplaces and policies to the national agenda as workers seek to balance work and families. In recent decades, policymakers have tried to address these issues with a number of proposals.

The first major piece of legislation in the United States that guaranteed employees the right to take leave from work for medical reasons, the birth or adoption of a new child, or to care for an ill family member, was enacted in 1993 by President Bill Clinton’s Administration.\textsuperscript{29} This coincided with the decade in which women’s labor force participation peaked in 1999-2000.\textsuperscript{30} The law does not cover all workers and has limitations. The Family and Medical Leave Act (FMLA) allows for up to twelve weeks of unpaid leave during a twelve-month period and only applies to private employers with fifty or more employees.\textsuperscript{31} States are not restricted to the standards set by the FMLA and can chose to expand beyond those with their own family leave laws. According to the National Conference of State Legislatures, a number of states have expanded family leave beyond the 1993 law, including California, Connecticut, the District of Columbia, Hawaii, Maine, Minnesota, New Jersey, Oregon, Rhode Island, Vermont, Washington, and Wisconsin. Prior to the FMLA, medical leave was controlled by employers and

\begin{small}
\textsuperscript{30} Elisabeth Jacobs, “The Declining Labor Force Participation Rate: Causes, Consequences, and the Path Forward,” \textit{Washington Center for Equitable Growth}.
\end{small}
individual states and employees seeking leave were not guaranteed job security or legal protections.\textsuperscript{32}

As noted previously, to date, the United States is the only industrialized country in the world that does not offer mandated paid parental leave.\textsuperscript{33} There are a few states with individual paid leave programs, however, including California, New Jersey, and Rhode Island.\textsuperscript{34} According to the NCSL, these have structured the funding for these programs through employee-paid payroll taxes and are run through their state disability programs. In recent years, a number of other states, such as the District of Columbia, Delaware, Massachusetts, and Connecticut have considered passing similar legislation to create programs. The state of Washington passed a paid family leave law in 2007 but it has never been implemented due to budget issues and implementation hurdles.\textsuperscript{35} In 2016, New York state passed legislation that would offer partially paid family leave of twelve weeks but the program will not be enacted for several years.\textsuperscript{36} Also in 2016, San Francisco city supervisors voted to require employers to give their employees six weeks of fully paid parental leave, making it the first city in the country to pass such legislation.\textsuperscript{37}

\begin{footnotes}
\item[34] “State Family and Medical Leave Laws,” National Conference of State Legislatures.
\end{footnotes}
The states that have paid leave have structured their programs slightly differently, as shown below in Figure 4.

**Figure 4: State Paid Leave Program Structures**

<table>
<thead>
<tr>
<th>State</th>
<th>Year Effective</th>
<th>Duration</th>
<th>Implementation</th>
<th>Replacement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>2004</td>
<td>6 weeks</td>
<td>Temporary Disability Insurance</td>
<td>Up to 55% to a maximum of $1,067/week in 2014</td>
</tr>
<tr>
<td>New Jersey</td>
<td>2009</td>
<td>6 weeks</td>
<td>Temporary Disability Insurance</td>
<td>Up to 66% to a maximum of</td>
</tr>
</tbody>
</table>

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The Obama Administration has made attempts to encourage more states to establish their own paid leave programs and to further study paid leave and its effects through research conducted by the Department of Labor. First, President Obama has tried to incentivize more states to set up their own programs by including funding in the federal budget for support in the initial start up and implementation of such programs. In Fiscal Year 2017, the Budget includes $2.2 billion to provide competitive grants for up to five states to establish programs like in California, New Jersey, and Rhode Island.

Additionally, the current Administration has increased funding to the Department of Labor for new, state-level research and analysis on the development of paid family and medical leave programs. In 2015, the Administration granted $500,000 to the District of Columbia, Massachusetts, and Montana to launch state paid leave program feasibility studies.

<table>
<thead>
<tr>
<th>State</th>
<th>Status</th>
<th>Duration</th>
<th>Program Type</th>
<th>Benefit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>Passed in 2009, not yet implemented</td>
<td></td>
<td>Temporary Disability Insurance</td>
<td>$595/week</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>2014</td>
<td>4 weeks</td>
<td>Temporary Disability Insurance</td>
<td>Up to 60% to a maximum of $752/week</td>
</tr>
<tr>
<td>New York</td>
<td>Passed in 2016, to be implemented in 2018</td>
<td>12 weeks</td>
<td>Temporary Disability Insurance</td>
<td>Up to 67% of a worker’s average wages for up to twelve weeks</td>
</tr>
</tbody>
</table>

Source: Data from The White House Council of Economic Advisers and NPR.

40 “Paid Family Leave Advocates Celebrate A Big Week, But The Battle's Not Over,” NPR.
42 Ibid.
studies, along with funding set aside for Rhode Island to study the impact of their recently-launched state paid leave program.\textsuperscript{43}

In 2015, President Obama also announced and signed a presidential memorandum giving federal workers six weeks of paid leave.\textsuperscript{44}

Paid leave has gained momentum in recent years, including in the Congress and 2016 Presidential elections. In 2013, Congresswomen Rosa DeLauro and Senator Kirsten Gillibrand introduced legislation to create paid family and medical leave via the Family and Medical Insurance Leave Act (FAMILY (H.R. 1439/S. 786)).\textsuperscript{45} The act would establish a national paid family and medical leave insurance program and create an independent trust fund within the Social Security Administration to collect fees and provide benefits.\textsuperscript{46} It would be funded through employee and employer of 0.2 percent of wages each and benefit levels would equal 66 percent of an individual’s typical monthly wages up to a capped monthly amount that would be indexed for inflation.\textsuperscript{47} Unlike the FLMA, the FAMILY Act would provide leave to individuals regardless of the size of their current employer, whether they are self-employed or currently unemployed, as long as the person has sufficient earnings and work history.\textsuperscript{48} The act has not moved forward in Congress as of February 2016.

\textsuperscript{44} Brigid Shulte, “Voters want paid leave, paid sick days, poll shows. Obama, too. Will Congress oblige?” \textit{The Washington Post}.
\textsuperscript{47} Ibid.
Presidential candidate Hillary Clinton has made paid leave a policy issue as part of her 2016 campaign. One of her campaign promises has been to guarantee up to twelve weeks of paid family and medical leave and ensure at least a two-thirds wage replacement rate for workers, while also stating that there would be no new business or employee mandate.49

A few Republican Presidential candidates in 2016 also introduced paid leave proposals as part of their campaign agendas. Senator Marco Rubio suggested offering a tax credit for employers who offer paid leave to their employees.50 Carly Fiorina also made incentivizing employers to provide paid leave a goal of her proposed overall economic agenda.51

As women and two-earner households become a permanent fixture of the labor force and women advance further in management and senior roles in industries across the economy, an increasing demand and public interest for employers to provide family-friendly policies to make balancing work and family more feasible seems inevitable. Since the enactment of the FMLA in 1993, policymakers have been slowly trying to find solutions to this increasing problem. These changing demographics have pushed paid leave and other family-friendly workplace policies onto the national agenda and have created more of a public discourse around the issue of how our society can better support families.

Background

The Family and Medical Leave Act of 1993 established unpaid leave in the United States with job protection for employees for up to twelve weeks. However, the demographics of the American workforce have drastically changed since its implementation twenty-three years ago. According to 2015 data from the United States Department of Labor, dual-earner households have grown dramatically over the last few decades and today, 70 percent of mothers work. In fact, more than 40 percent of mothers are the sole or primary breadwinners for their families and more than 50 percent of children today are born to unmarried mothers. According to a 2008 report by the Center for Economic and Policy Research, the United States ranks in 20th place out of 21 high-income countries in offering dual-earner households a combined 24 weeks of unpaid parental leave and that only accounts for the 60 percent of employees that qualify for the FMLA. As a result of stagnating and declining real wages, except for a period in the mid- to late-1990s, families have faced economic pressure to send two earners into the labor force.

According to economists, a lack of family-friendly policies has stalled the female labor force participation rate since 2000 when it peaked (Figure 2) and, as previously noted,

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54 Sarah Jane Glynn, “Breadwinning Mothers, Then and Now,” Center for American Progress.
has cost the national economy anywhere from 5 to 9 percent in potential GDP and economic growth.  

Studies show that nearly a third of this decline relative to other countries is because they are expanding family-friendly policies like paid leave and the United States has not.  

Since implementation of the FMLA, only 12 percent of workers have access to paid family leave, with low-income workers being significantly less likely to have access to any leave at all. At a time when income inequality is present on the national conscience, paid leave could be considered another contributing factor. A 2015 Bureau of Labor Statistics report provided detailed breakdowns of earnings by various demographics and included data on access to leave benefits across the wage spectrum. According to the BLS, higher earners are much more likely to have access to leave in general, but the disparity grows much larger for paid leave. In fact, according to that report, over one-fifth of all workers in the top quarter of earnings have access to paid family leave, while only five percent of those in the bottom quarter have access. Minority groups, such as Hispanics and Blacks, are disproportionately less likely to have access to paid leave which could be an exacerbating factor in the racial wealth gap.

A lack of paid leave can have a negative cascading effect for workers and the economy since employees work less to care for a child, recover from illness, or another family emergency, they earn less income which means they are less likely to earn raises and

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promotions over time in the short-term at the same pace that they would otherwise. Furthermore, working less generally translates to reduced access to workplace benefits, such as retirement savings, and ultimately could lead to lower lifetime earnings and savings.

I. Important Actors

There are a number of individuals and organizations as stakeholders with influence over the issue of paid parental leave, including Congress, the Executive branch, State and Local governments, corporations and the private sector, and consumer advocacy groups. Below is a table summarizing the key proponents and opponents of paid family leave and their respective positions.

**Figure 5**

<table>
<thead>
<tr>
<th><strong>Key Proponents of Paid Family Leave and Their Positions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senator Kirsten Gillibrand</strong></td>
</tr>
<tr>
<td><strong>Representative Rosa DeLauro</strong></td>
</tr>
<tr>
<td><strong>President Barack Obama</strong></td>
</tr>
<tr>
<td><strong>National Partnership for Women and Families</strong></td>
</tr>
<tr>
<td><strong>Corporations: YouTube, Vice Media and Kinkos</strong></td>
</tr>
<tr>
<td><strong>U.S. Women’s Chamber of Commerce</strong></td>
</tr>
<tr>
<td><strong>Small Business Majority</strong></td>
</tr>
<tr>
<td>American Sustainable Business Council</td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>A Better Balance</td>
</tr>
<tr>
<td>Family Values @ Work</td>
</tr>
<tr>
<td>Working Families Party</td>
</tr>
<tr>
<td>Academics: Christopher Ruhm, Maya Rossin-Slater, Betsey Stevenson, among others</td>
</tr>
</tbody>
</table>

**Key Opponents of Paid Family Leave and Their Positions**

| House Small Business Committee Chairman Steve Chabot | Opposes paid leave because he believes it will place an undue burden on small businesses and potentially drive some out of business or cause them to be less competitive |
| National Federation of Independent Business | Opposes paid leave and argue that it will hurt American businesses who cannot afford to provide such benefits |
| American Enterprise Institute | Believes paid leave that puts costs on employers will lead to lower wages and less hiring of women |
| Representative Charlie Dent | Believes it will create issues in the United States like the European models have had |
| Chamber of Commerce | Has historically been opposed to the FMLA and further benefits mandates on businesses |

**Policy Proposal**

In the short term, it would be potentially more feasible to incentivize individual states and cities with demonstrated public support for paid leave and the political will to enact legislation, especially given President Obama’s paid leave fund for states interested in piloting such programs. Paid sick leave across cities and states in the United States has taken a similar path in terms of momentum, starting with the major urban centers.62 Advocates and local officials in cities and states where it is feasible to shore up support

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would have to follow the same campaign strategies as has been done with paid sick leave in recent years with support from key Democrats in Congress and party support.

In the long-term, legislation to establish a national paid leave fund would expand access to all Americans. In 2013, Congresswomen Rosa DeLauro and Senator Kirsten Gillibrand introduced legislation to create paid family and medical leave via the Family and Medical Insurance Leave Act (FAMILY (H.R. 1439/S. 786)). The act would establish a national paid family and medical leave insurance program and create an independent trust fund within the Social Security Administration to collect fees and provide benefits.

I. Policy Authorization Tool

For the short term cities and states campaign plan, city and state governments would need to pass and implement their own paid leave plans. As for the long-term proposal, The FAMILY Act would have to be passed by both houses of Congress and then signed into law by the President. It would then be up to the states to implement the program.

II. Policy Implementation Tool

This plan would successfully expand paid leave to all eligible workers and close the gap in access for paid leave. The trust would be self-sufficient and would not add to the federal budget. As noted, benefit levels would work off of the existing structures that have been successful in California and New Jersey, and would equal 66 percent of an individual’s typical monthly wages up to a capped monthly amount that would be

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64 “DeLauro, Gillibrand Introduce Family And Medical Insurance Leave Act,” Congresswoman Rosa DeLauro.
indexed for inflation.\textsuperscript{66} The FAMILY Act would make leave available to all workers, regardless of the size of their current employer or their employment status. The goal is to expand access to some of the most disadvantaged -- including the young, part-time, and low-income workers.\textsuperscript{67}

The trust would be run and administered through the Social Security Administration which would then require the individual states to run the programs.

Overall, from enacting the FAMILY to implementation would be expected to take two to five years.

\textbf{Policy Analysis}

There is evidence both from the three states that have paid leave programs and from other developed countries that suggest that paid leave can have both positive and negative overall societal and economic effects.

As previously mentioned, according a 2015 report by the White House Council of Economic Advisers, women’s labor force participation has stalled since the 1990s, causing us to have one of the lowest women’s labor force participation rates, and a lack of family-friendly policies is thought to be one of the reasons.\textsuperscript{68} Also previously noted, prior studies suggest that raising the female labor force participation rate to the level of males in the United States would raise GDP by 5 to 9 percent.\textsuperscript{69} This is a significant loss to the United States economy on a yearly basis. Paid parental leave benefits can also greatly benefit American businesses. When workers do not return to their jobs, this

\textsuperscript{66} “Paid Family and Medical Leave,” Kirsten Gillibrand: United States Senator for New York.
\textsuperscript{67} Ibid.
\textsuperscript{68} “The Economics of Paid and Unpaid Leave,” The White House.
increases recruitment costs related to employee turnover. The 2015 CEA report found that when costs and benefits of family leave programs were analyzed from an employer’s perspective, paid or unpaid leave can have a “positive effect on long-term productivity by improving recruitment, retention, and employee motivation.” In fact, a survey in California of 253 employers found that over ninety percent reported either positive or no noticeable effect on profitability, turnover, and morale.70

Working mothers who lack access to family-friendly policies will tend to sacrifice work over family, taking on less hours at the office, which lowers their lifetime earnings and leaves them and their children economically worse off.71 A 2012 study conducted by the Center for Women and Work at Rutgers University found that women who use paid family leave are much more likely to be working nine to twelve months after a child’s birth than those who did not take leave.72 They also saw increases in women’s wages during this period. The authors of the study commented that, “While we have known for a long time about the maternal and infant health benefits of leave policies, we can now link paid family leave to greater labor force attachment and increased wages for women, as well as to reduced spending by businesses in the form of employee replacement costs, and by governments in the form of public assistance,” says author Linda Houser, an affiliate fellow of the Center for Women and Work and an assistant professor at Widener University.

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A specific example comes from California’s paid family leave program, using data from the program, economists found that having access to paid leave increased the usual weekly work hours of employed mothers of one-to-three year-old children by 6 to 9 percent and their wage incomes may have risen by a similar amount. Overall, as the Rutgers study found, women who take paid leave are therefore less likely to have reduced work hours and wages and remain or become reliant on public assistance programs which is a net savings to the government and society as a whole.

Paid parental leave can also produce benefits for the health of the mother and child and, subsequently, society as a whole. According to a 2011 study of 141 countries with such policies, paid leave can reduce infant mortality by as much as 10 percent. According to a study of outcomes following the FMLA by economist Maya Rossin-Slater, the FMLA and maternity leave has led to small increases in birth weight, decreases in the likelihood of premature birth, and substantial decreases in infant mortality for children of college-educated and married mothers, who were most able to take advantage of unpaid leave. As previously mentioned, it also increases the likelihood of infants getting routine pediatric care and crucial vaccinations early in their lives, such as for measles and polio. When given access to paid leave, mothers are also more likely to breast feed, according to a 2011 study in California. According to the Centers for Disease Control and

Prevention, when infants are breast fed, they have a decreased exposure rate to infections and are also less likely to suffer from asthma, obesity, and sudden infant death syndrome.\textsuperscript{78} According to the CDC, the benefits also extend to the health of the mother: women who breast feed are less likely to get various forms of cancer, diabetes, heart disease, and suffer from depression. In \textit{Time Off With Baby: The Case for Paid Care Leave}, the authors argue that the first few years are fundamental to development and establishing habits of care and therefore, ensuring parents paid leave will have vast education, health, and economic benefits over a child’s lifespan.\textsuperscript{79}

Paid leave is, however, not without consequences. Evidence from the international community suggests that laws requiring paid leave can lead to lower wages for women, a lower probability of being hired in the first place, less promotions, and a decline in full-time stable jobs available to women.\textsuperscript{80} In Europe, generous policies have led to women being less likely to become managers or achieve upper-level management positions. According to a recent study from Cornell University economist Mallika Thomas, following the implementation of the FMLA, women are 5 percent more likely to remain employed but 8 percent less likely to get promoted.\textsuperscript{81} Economists at Cornell supported these trends with data from 22 OECD countries by comparing the effects of expanding family-friendly policies and found that a lack of such policies explains 28-29 percent of the decrease in women’s labor force participation in the United States relative to other

\textsuperscript{78} “Hospital Actions Affect Breastfeeding,” The Centers for Disease Control.
\textsuperscript{81} Ibid.
countries from 1990 to 2010.\textsuperscript{82} However, complicating the overall take away from the findings, these policies in Europe appeared to lead to more part-time work for women and employment in lower level positions, while American women were more likely to have full-time jobs and work as managers or professionals.\textsuperscript{83} Overall, in that study, Francine Blau and Lawrence Kahn calculated that if the United States offered the same policies as its European counterparts, the women’s labor force participation rate would have been seven percent higher by 2010. A 2015 study by Chilean economists found that mandated employer-provided child care in Chile resulted in 9 to 20 percent lower wages for women in firms that had the child care requirement imposed.\textsuperscript{84} This bolsters fears that employers would likely pass off the costs to working women in the form of lower wages and less promotions.

One policy mechanism for overcoming some of these losses for women is to encourage fathers to also take paid leave, thus making the policy gender neutral and leading to less direct discrimination of women.\textsuperscript{85} Additionally, structuring programs to make sure they are not directly financed by employers can limit the negative effects of paid leave. For example, California, Rhode Island, and New Jersey finance paid family leave through employee payroll taxes.\textsuperscript{86}

Recent research suggests that when it comes to paid leave, there is too much of a good thing. While the twelve weeks of unpaid leave offered through the FMLA and six weeks paid leave offered by three states are insufficient, too much leave can also end up

\textsuperscript{82} Francine D. Blau and Lawrence Kahn, “Female Labor Supply: Why is the US Falling Behind?” National Bureau of Economic Research.
\textsuperscript{83} Ibid.
\textsuperscript{86} Ibid.
harming working mothers. In Europe, for example, leave policies that go beyond a year tend to hurt women’s labor market outcomes. Economist Christopher J. Ruhm of the University of Virginia found that short to moderate leaves can be beneficial for the economy and employment with little effect on women’s wages, but a policy of over nine months can begin to have an increasingly negative effect.87

Opponents of national paid family leave argue that there would be significant costs to small businesses that cannot afford to provide the same benefits as larger corporations.88 House Small Business Committee Chairman Steve Chabot argued that mandating such a benefit would lead small businesses to hire less workers and former Speaker of the House John Boehner has suggested that it would even potentially drive some small businesses out of business and hurt the overall economy.89

Additionally, an economic study of data from paid family leave in Norway found that large extensions of paid leave from 18 to 35 weeks can be rather costly with little to no measurable effect on outcomes and regressive redistribution properties.90 A 2008 paper which examined the Canadian maternity leave expansions found a weak impact of the increase in maternal care on indicators of child development.91

Individual state programs vary in cost and scale to implement which is why President Obama included 2.2 billion dollars of funding in the Fiscal Year 2017 Budget for a state paid leave fund to help those states willing to pilot program cover the initial cost of

89 Ibid.
setting up the program, as well as half of the cost of providing benefits for three years.92 The three current paid leave programs, which are financed through payroll deductions, cost individual employees less than one dollar per week.93 In New Jersey, the program is financed 100 percent by worker payroll deductions and in 2016 each worker contributes .08 percent of the taxable wage base or the first $32,600 in covered wages earned. Eligible workers can then take a maximum of six weeks paid leave and receive weekly benefit rates equal to two-thirds of their average weekly wages that are capped at a certain percentage.94 In California, the nation’s largest paid leave program, eligible employees can take up to six weeks of paid leave with weekly benefits of about 55 percent, capped at $1,067 per week as of 2013. Each employee pays approximately $30 a year to participate in the paid leave fund and the program has paid 1.8 million claims and authorized 4.6 billion in benefit payments.95

Political Analysis

The Democratic Party in recent years has echoed increasing public support for implementing mandatory paid leave in the United States.96 Indeed, one of the political strengths of such a program is that a majority of Americans favor more family-friendly policies for workers. In a 2015 survey of 800 likely 2016 voters, Lake Research Partners found that about 81 percent of those polled agree that workplace rules to ensure equal pay, paid time off to care for family members, and affordable child care are in the best

92 “Paid Family and Medical Leave,” National Partnership for Women and Families.
interest of the nation. That figure breaks down to 94 percent of Democrats, 80 percent of Independents, and 65 percent of Republicans.

A potential drawback in support is public perception that providing paid leave and other employee programs could be too burdensome for American businesses. That same poll by Lake Research Partners demonstrated that support decreased and voters were more evenly split when asked if requiring employers to provide paid sick time was too burdensome – 49 percent disagreed while 43 percent found it might overburden employers. Gauging public support among political lines becomes more nuanced when these voters were asked to choose between two candidates: Candidate A who “believes Family Comes First and this means supporting equal pay for equal work, making sure parents who work can have their young children in quality childcare, and ensuring every American can take time to recover from illness or care for families in emergencies without losing their paycheck” and Candidate B who “believes families are best served when they can make their own decisions and this means having employers pay as they see fit, opposing government-backed childcare, and allowing each employer the freedom to create policies about sick days and family leave that best suits their particular situation.” Candidate A won 53-29, with 71 percent of the Democratic vote. Republican voters, by a slim margin, 51 percent, chose Candidate B. Some economists, such as former Council of Economic Advisers member, Betsey Stevenson, have long argued, particularly by using evidence from California’s paid leave program, that paid leave

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97 Ibid.
98 Ibid.
99 Ibid.
policies do not overburden businesses but in fact end up economically benefiting both employers and employees in the long-term.\textsuperscript{101}

Consistent with the above polling, a January 29-February 1, 2015 survey of 1,000 American adults conducted by YouGov/Huffington Post showed that most think that there should be policies in place that require companies to offer paid sick and parental leave.\textsuperscript{102} In fact, 70 percent agreed with a requirement for paid sick leave and 67 percent agreed with a requirement for paid maternity leave.\textsuperscript{103} 55 percent polled agreed that companies should also be required to provide paid paternity leave, less than those that supported maternity leave but still a majority.

Again, Americans were largely split along party lines with Democrats being much more likely to support all three policies. Republicans still showed a majority support for paid sick and maternity leave, only showing a decreased support for paternity leave.\textsuperscript{104}


\textsuperscript{103} Ibid.

Additionally, during President Obama’s 2015 State of the Union, he mentioned his support for paid leave. A subsequent poll by the Roosevelt Institute following that speech found that 83 percent of respondents, including 85 percent of independents and 67 percent of Republicans, said “requiring employers to provide employees with paid sick days and family leave to care for themselves or a loved one when needed and to ensure that women do not lose their jobs when they have a baby” would be effective at creating a better economy.\(^{106}\)

While it appears that a majority of Americans support paid sick and parental leave, the political parties are much more split. While President Obama has repeatedly expressed support for paid leave policies and provided funding to seed new state programs,

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Congress has failed to take up any legislation on the issue. Historically, working family legislation has been tough to pass. The FMLA took ten years to gain traction while receiving two vetoes and ultimately succeeding following an extended debate. The FAMILY Act, introduced by Senator Kirsten Gillibrand and Representative Rosa DeLauro, has failed to gain momentum in Congress despite her attempts to repeatedly introduce it and there is no interest on this issue by the Republic Party at present. Former Republican Speaker of the House John Boehner once described the FMLA as “another example of yuppie empowerment” suggesting that a paid leave program would be an even more unlikely victory for working family advocates. At present, there does not appear to be an appetite by the Republican-controlled Congress for another government program that would mandate benefits for working families making the future of the FAMILY Act and other similar legislation uncertain in the short term. Current Speaker of the House Paul Ryan has historically voted against or ignored any legislation that would introduce paid leave for workers, including the FAMILY Act which was referred to the House Ways and Means Committee which he chairs. Thus, while taking a pro-paid leave position nationally might look good publicly, any legislative efforts in the short term might mean wasted efforts.

However, as the political history of the FMLA shows, it can take a decade and continued introductions and campaigns to pass such legislation. Because it is unlikely that a Democratic majority will be elected to both houses of Congress in the next

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108 Ibid.  
109 Ibid.  
election, the FAMILY Act is unlikely to gain attention or pass in the foreseeable future. The next opportunity for a debate on this Act would be the next time Democrats secure both houses of Congress, if the political will and interest is there. Therefore, keeping the FAMILY Act relevant in the discussion should remain a priority for those who support it while other state campaigns to drum up support are pursued. Additionally, because public support is steadily increasing for paid leave policies, it would stand to reason that it would benefit politicians to individually support such a policy depending on the attitudes of their constituents, especially if a real chance at national legislation is unlikely in the short term.

As some lawmakers and policy experts have suggested, the easiest path to a national paid leave policy might be through the states since once voters see workers in other states benefitting from such policies, they might be more willing to make it a voting priority.\textsuperscript{111} This political sense is reflected in President Obama’s paid leave state fund. In 2015, President Obama signed a presidential memorandum directing agencies to allow federal workers to take six weeks of advanced paid sick leave to care for a new child or ill family members.\textsuperscript{112} This policy directive also included a call for cities and states to do the same in the face of national inaction on the issue. In 2015, the District of Columbia’s City Council began to consider the Universal Paid Leave Act which would be the most generous paid leave policy in the country offering four months.\textsuperscript{113} As of January 2015, there were active campaigns in 28 states and cities to make at least paid sick leave

\textsuperscript{111} Pat Garofalo, “Not So Family Friendly,” \textit{U.S. News & World Report}.
\textsuperscript{112} Steven Mufson and Juliet Filperin, “Obama expands parental leave for federal workers,” \textit{Washington Post}.
\textsuperscript{113} Pat Garofalo, “Not So Family Friendly,” \textit{U.S. News & World Report}.
mandatory. In response, conservative legislatures in at least 10 states have passed laws to prohibit paid sick leave legislation, making this a contentious issue. Creating momentum in the short-term by passing legislation in cities and states with strong Democratic support for working families legislation might be the most effective strategy for expanding access in the immediate future until a Congress that might be willing to take up the issue is elected.

**Recommendation**

Based on the evidence presented in this memorandum, it is recommended that despite opposition and a political environment that is not amenable to national paid family leave legislation in the short term, advocacy efforts in the states continue, alongside maintaining national legislation in the public discourse for future long-term legislative opportunities should the Democrats secure both houses of Congress.

There is strong evidence that the policy benefits of paid family leave outweigh the costs. Providing paid leave to women means they are more likely to stay in the labor force rather than exiting when having or adopting a child. Without paid leave, it is estimated that millions of women have exited the labor force, thereby lowering the female labor force participation rate. Providing family-friendly workplace policies would increase the number of female workers and could potentially mean a 5 to 9 percent GDP increase which would translate to economic growth for the United States.

Additionally, there is evidence that suggests that minorities and disadvantaged groups like low-income and younger workers are more likely to lack access to paid leave. These

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115 Ibid.
groups are the most likely to need such policies to stay financially afloat and care for their families. Therefore, increasing access to paid leave would have immense benefits for these groups. Evidence suggests that if more workers are kept in the labor force in the long-term, they reach higher wages over their professional lives and accumulate more retirement savings. Moreover, when parents are given paid leave and can remain in the workforce, they are less likely to depend on government assistance programs and overall, have more financially stable lives for themselves and their respective families. This can translate to economic savings in the long-term.

Lastly, there are robust health benefits for both parents and children when parents are allowed to care for a new or adopted child. Women who have maternity leave tend to suffer less from conditions such as depression and create better health habits for their new children. As a result, children who are cared for by their mothers are less likely to die as infants, be obese, or suffer from chronic conditions, such as asthma.

Staking out a position on paid leave might also have political benefits with constituents since there is polling data that suggests that paid leave is an issue that is widely supported by Democrats and at least a considerable number of Republicans.

Paid leave, however, is not without political and policy drawbacks. There is evidence from global studies that suggest that paid leave can lead employers to discriminate against female employees of child-bearing age in a number of ways. Women are hired at lower salaries than their male counterparts, are less likely to be hired for full-time positions, and achieve upper management positions or have upward mobility in their careers. Leaves extending beyond nine months or that place all of the costs on employers tend to exacerbate these consequences so the structure of paid leave programs must pay
close attention to these details. Paid leave programs can be costly and can potentially produce little to no positive outcomes beyond a certain point, as in the example of Norway and Canada. Some critics also argue that paid leave policies harm small businesses across the country and are economically too burdensome. However, as evidenced by data from California’s program, it had little to no effect on businesses. In fact, many businesses reaped economic benefits from the program’s implementation.

In the short term, paid leave advocates have had notable successes passing paid leave policies in cities and states with strong public support, such as in Washington, D.C. Adding public support for such campaigns would do well to bolster messaging around the social, health, and economic benefits of paid family leave. Momentum for national legislation could ultimately come from the enactment of paid leave programs in cities and states across the country.

Therefore, while it is unlikely politically that national legislation will be enacted in the short-term future, there are still compelling reasons for keeping the issue on the table for future legislatures. Additionally, demonstrating support nationally might compel more cities and states, as has been the case in recent years, to take up paid parental leave legislation and create a path forward for national legislation that would benefit millions of families across the country.
Curriculum Vitae

Veronica Weis Goodman grew up in South Florida and currently resides in Washington, D.C. After graduating from The George Washington University with an undergraduate degree in International Affairs, she worked as a fellow in New Delhi, India through the William J. Clinton Fellowship for Public Service and as a freelancer for The Wall Street Journal. She has also worked at a national nonprofit dedicated to promoting financial security and college accessibility for low-income Americans in the United States. While attending graduate school at Johns Hopkins University, she has interned at the White House Council of Economic Advisers, the Department of the Treasury, and the White House Office of Management and Budget.