SUPPORTING AMERICA’S LOW-INCOME WORKING FAMILIES THROUGH UNIVERSAL PAID FAMILY LEAVE

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SUMMARY

Since it was enacted in 1993, the federal Family and Medical Leave Act (FMLA) has allowed 50 million workers time off (up to 12 weeks in a 12-month period) to recover from a serious health condition, care for a family member, or adjust to new parenthood. But despite its successes, the FMLA is far from perfect. The law protects workers’ jobs but does not guarantee a paycheck. Low-income new parents, in particular, must often choose between a paycheck and spending time with their newborn. Moreover, as a result of restrictive eligibility requirements, only 60 percent of workers are eligible for coverage.¹ Ultimately, the FMLA has not done enough to reduce disparities between low- and high-income families’ ability to take leave.²

In contrast, the majority of countries have policies offering job protection and a guaranteed paycheck to workers who need time off to recover from childbirth, bond with their child, or care for an ailing relative, recognizing the importance of such protections to maternal and infant health, overall employment, and job retention. Researchers have collected decades of empirical evidence proving that paid leave benefits not only parents and children, but also businesses.

Despite widespread public support for a national paid leave program, opinion is divided on the best policy options for offering such leave at the federal level in the United States. This brief explores three policy options—a federal employer mandate, a tax incentive, and a social insurance program—and makes a case that crafting a federal universal social insurance program would reach the most workers, minimize employer burden, and support the healthy development of low-income children. This policy brief focuses in particular on paid leave related to welcoming a new child: medical leave for recovering from childbirth and family leave to bond with a new child.

INTRODUCTION

When Lisa and her husband, Charles, learned that they were expecting their first child, the couple was already barely getting by on their small paychecks. She was earning minimum wage as a grocery store cashier and he worked two part-time, low-wage jobs to keep them afloat. The major expenses associated with becoming new parents—things like securing child care, moving to a bigger apartment, or even buying a car—took a back seat to the real and immediate concern over how to stay on top of
the family’s monthly bills while Lisa recovered from childbirth.

If Lisa and Charles lived in New York, New Jersey, California, or Rhode Island, they’d have a bit of help on that front. Those four states have instituted partial paid family leave policies—social insurance programs that allow workers to collect a portion of their paycheck while taking time off from their jobs to bond with a newborn or newly adopted child, or to care for a seriously ill family member.\(^3\) Five states—the four mentioned and Hawaii—have temporary disability insurance programs that also allow workers to take partially paid leave from work to recover from a serious health condition, including pregnancy- and childbirth-related conditions. Without exception, welcoming a new baby or caring for a sick relative is considered a major life event. Those states have implemented measures that guarantee some level of financial relief for working new parents—funded through employee-paid payroll taxes and administered through their respective disability programs—so that families’ already shaky financial situations aren’t stretched even further.

But Lisa and Charles lived in a state where that kind of protection wasn’t offered, and they both worked for employers who had not made the decision to craft company plans in the absence of a federal policy. Lisa was eligible for 12 weeks of unpaid leave through the federal FMLA because she had worked for her employer, a large grocery store chain, for more than 25 hours a week in the past year. But despite her FMLA coverage and the couple’s careful saving, Lisa was able to take only 2 weeks off to recover from childbirth before she had to return to work to make sure the family could continue paying rent. Just 14 days after giving birth, the still-healing new mom would have to leave her newborn in her mother’s care.

Like millions of low-income families in the United States, Lisa and Charles had to choose between caring for their newborn and paying their bills.

**EVERYWHERE BUT HERE: THE GLOBAL CONTEXT FOR UNIVERSAL PAID FAMILY LEAVE**

Working parents across the globe have much in common when it comes to welcoming a new child. Joy and excitement go hand in hand with exhaustion and the overwhelming responsibility of caring for a newborn. Low-income parents, already facing a range of economic challenges, have an added burden as they strive to balance
work and family responsibilities. But one aspect is unique to U.S. parents: despite the known benefits of instituting universal paid leave, the United States is one of few industrialized countries that still resist establishing a national, government-mandated policy to support all working families (see Figure 1).

Outside the United States, mothers who give birth are often guaranteed a number of weeks of paid leave during pregnancy and after childbirth to ease the transition to parenthood and help them effectively handle their new responsibilities. In fact, since 1942, Puerto Ricans have been able to take advantage of the commonwealth’s paid maternity program, but they aren’t guaranteed that same benefit if they move to the United States.

FIGURE 1:

The majority of European countries offer paid leave to both spouses, with a few exceptions (e.g., Ireland, Switzerland, Albania, Cyprus, and Turkey offer paid leave to mothers only).

Failing to follow the example set by other countries has been costly for the United States and its low-income working families, but it has been especially costly for U.S. children living in poor families. The United States currently ranks 32nd in child poverty among 41 developed nations and last in infant health. In addition, maternal
mortality increased between 1990 and 2014. While these rankings can be attributed to a number of policy factors (e.g., childcare and healthcare policies), paid family leave is emerging as one policy solution with bipartisan support.

THE DEBATE OVER NATIONAL, UNIVERSAL PAID FAMILY LEAVE HAS FINALLY REACHED A TIPPING POINT

For decades, the National Center for Children in Poverty and others have explored what our current national leave policy—or rather, the absence of a universal paid leave policy—means for low-income working families like Lisa, Charles, and their baby. Through our research, we have heard countless stories of families without paid leave forced to prioritize their jobs over their infants’ needs, the pressing responsibilities of caring for a relative, or in some cases, their own health.

“WHEN I FOUND OUT THAT I WAS PREGNANT, I WAS THREE MONTHS, WORKING AT [COMPANY NAME]. AND PREGNANT PEOPLE AND FAST FOOD DON’T GET ALONG....I HAD TO STOP WORKING FOR FIVE MONTHS, BECAUSE MY BABY WAS REAL SENSITIVE. EVERYTHING I DID INSOFAR AS LIFTING, I WAS IN THAT RANGE OF LOSING HIM. I HAD TO STOP WORKING, AND IT WAS A STRUGGLE.”

—NEWARK, NEW JERSEY, MOTHER, PROTECTING WORKERS, NURTURING FAMILIES: BUILDING AN INCLUSIVE FAMILY LEAVE INSURANCE PROGRAM

The good news is that there finally seems to be a sea change in the offing when it comes to paid family leave in the United States. Recently, Washington state and the District of Columbia passed paid family and medical leave legislation. In addition, over the last two years, 24 states have considered (or are considering) paid leave legislation. What’s more, public opinion polls are showing widespread support for national paid family and medical leave across the political spectrum. All of these developments suggest that the time is ripe for a bipartisan push for a national,
universal paid leave program.

FOR U.S. WORKERS, PAID FAMILY LEAVE OPTIONS DEPEND ON WHERE YOU LIVE AND WORK

Today, most families’ plans for family leave hinge on whether or not the person taking leave is covered by the federal FMLA. Enacted in 1993, the FMLA offers federal job protection to people who take time off (up to 12 weeks in a 12-month period) to recover from a serious health condition (including pregnancy- and childbirth-related conditions), care for a family member, or bond with a new child. While the legislation was a huge win for working families across the nation (more than 50 million people have benefited from the FMLA in the 15 years since its passage), it is seriously limited in several important ways:

The benefit applies only to people who have worked 1,250 hours in the prior year (or about 25 hours per week) and have been at the same job for at least a year, a provision that leaves behind the growing number of involuntary part-time workers who struggle to find full-time jobs or juggle multiple part-time jobs in order to make ends meet. In addition, because the federal mandate applies only to businesses that employ 50 or more people within a 75-mile radius, only 60 percent of workers are eligible for coverage.

The law protects workers’ jobs but does not guarantee a paycheck, so people who live from paycheck to paycheck often have to cut their leave short because they cannot afford the loss of income. Some mothers return to work far too soon. Like Lisa, nearly one in four women in the United States returns to work less than two weeks after giving birth, and many fathers take no time off to bond with their new infant. For these reasons, the FMLA has not reduced disparities between low- and high-income families’ ability to take leave.

In recent years, some companies have taken steps to bridge the gap between the FMLA’s job protections and the ideal of a universal paid program by implementing their own family leave programs. But employer-level plans are hardly a real solution for most workers. The paid parental leave programs announced by companies such as Google, Facebook, Starbucks, Ikea, and others are good news for their employees—a population that tends to earn middle to higher incomes—but overall, only 14
percent of workers are lucky enough to have access to paid family leave through their employers. The dismal reality for most other U.S. workers is that leave benefits are driven by what an employer offers and can vary widely depending on the employee’s individual position, industry, and region, among other variables. Workers like Lisa and Charles, whose employers do not offer paid leave, must cobble together vacation and sick time after having a child, or go without a paycheck.

One thing that is certain for all U.S. workers: being employed offers no guarantee of paid time off when they need it most.

**PAID FAMILY LEAVE BENEFITS MOTHERS, FATHERS, BABIES, AND BUSINESSES**

A well-designed paid family leave policy is a vital investment in the future of young children and their families, especially children in low-income families. Research has shown strong associations between paid leave and improvements in child cognitive outcomes and infant health, increases in breastfeeding, higher likelihood of infant immunization and well-baby visits, and decreases in maternal depression. Men who take leave are more likely to be involved caretakers later in the child’s life. These positive outcomes are correlated with the length of leave taken by both mothers and fathers.

Furthermore, there is evidence that offering paid family leave, to low-income workers in particular, could go a long way toward making sure that fewer children grow up in poverty (see Figure 2). A 2012 study found that mothers who took paid leave had a lower likelihood of receiving public assistance and were more likely to report wage increases in the year following childbirth than women who did not take leave. Men who returned to work after taking paid family leave had a lower likelihood of receiving public assistance and food stamps in the year following the child’s birth, compared with those who took no leave. Moreover, women are more likely to stay in the workforce if they have access to paid leave.
FIGURE 2: UNIVERSAL PAID LEAVE WOULD ALLEVIATE CHILD POVERTY

The relationship between a well-designed paid leave policy and a decrease in child poverty is not always intuitive. But research suggests that providing universal paid leave can have wide-reaching impacts on family economic security and, ultimately, child well-being.

WHAT CONSTITUTES A WELL-DESIGNED PAID LEAVE POLICY?

We consider the following to be essential features of a sound paid leave policy:

- Gender neutral
- Protects jobs
- Easily understandable
- Efficiently administered
- Provides sufficient wage replacement
- Offers reasonable leave time

Countries that adopt policies that balance those ideals have seen positive impacts on maternal and infant health, overall employment, and job retention. What’s more, recent research on state-level policy has proven that paid leave, even in the U.S. context, benefits businesses, parents, and children. Studies have also called into question claims that the benefits of paid leave to parents and children come at a major cost to businesses. Companies that have offered paid leave to their workers have cited numerous gains as a result, including improved worker morale, higher rates of employee retention, and a positive or neutral effect on worker productivity and overall company profit.33
POLICY OPTIONS FOR UNIVERSAL PAID FAMILY LEAVE

Despite widespread public support for paid family and medical leave, public opinion has been divided on the best policy options for offering such leave. However, our research and analysis support a clear path toward a sound policy solution when it comes to universal paid leave. Of the three policy models presented below, one offers lawmakers the best chance of reaching all workers, minimizing employer burden, and supporting the healthy development of children.

A FEDERAL EMPLOYER MANDATE

What it would look like: Similar to the FMLA mandate that requires employers to give 12 weeks of job-protected leave (under certain conditions), a federal employer mandate for paid family leave would require businesses to pay all or a portion of worker wages for a prescribed number of weeks.

Potential benefits: Businesses that offer paid family leave benefits to employees report higher employee morale and retention, and lower employee turnover. Low turnover saves businesses money; the cost of replacing an employee can vary depending on worker skill set and industry, but is usually high for businesses, ranging from 10 to 30 percent of an employee’s annual salary.

Potential drawbacks: Imposing an employer mandate is unpopular among the public and business owners for several reasons:

• In addition to shouldering the wages of a worker on leave, companies must also arrange for work to be redistributed, pay additional wages for temporary workers, and/or provide overtime pay.
• Absorbing the full fiscal burden of the paid leave policy can mean higher costs for employers—especially those operating small or less profitable businesses—and unintended consequences for workers.
• Businesses may look to offset extra costs by lowering wages for workers, reducing their work hours, hiring only temporary workers, decreasing other benefits such as sick and vacation time, or adopting other measures that would pass the costs of the leave benefit on to workers.
• Depending on how the legislation is phrased or administered, such a mandate could pose a disproportionate burden on employers who hire more women of childbearing age (e.g., day care centers, schools). In addition, in countries where the national government has imposed an employer mandate, many have reported employer compliance issues, lower female workforce participation, and hiring discrimination, with employers being less willing to hire women of childbearing age.39

• Implementing a mandate on businesses without consideration for the uneven impact by business size and the unintended negative consequences on workers could exacerbate, rather than ameliorate, inequalities in worker conditions across industries.

“IN THE 12 YEARS I’VE BEEN RUNNING THIS BUSINESS, I’VE EXPERIENCED LITTLE TURNOVER AND I BELIEVE OUR POLICIES HAVE A LOT TO DO WITH IT.”

—MARCIA ST. HILAIRE-FINN, OWNER, BRIGHT START CHILDCARE & PRESCHOOL, BETTER WORKPLACES, BETTER BUSINESSES40

A TAX INCENTIVE

What it would look like: The Tax Cuts and Jobs Act passed in December 2017 allows employers who offer paid leave to receive as a tax credit a capped percentage of the wages they have paid to their employees on leave.41 While it may be “the first nationwide paid family leave policy,” 42 as Senator Deb Fischer (R-NE), the legislator behind the provision, asserts, it is not a universal leave policy. The provision fails to address inequalities in eligibility, access, and usage, leaving behind the families and children most in need of coverage.

Potential benefits: Offering a tax credit to employers means that companies would not have to shoulder 100 percent of the costs of paid family and medical leave benefits for their workers.

Potential drawbacks: A tax model relies on limited federal resources to refund
businesses and ignores businesses without the initial capital to pay wages to employees on leave. In addition, the model rewards businesses that already offer, or plan to offer, paid leave, skewing heavily toward higher-earning workers. Some 22 percent of people who currently have access to paid leave through their employers are in the highest wage quartile, compared with only 6 percent in the lowest wage quartile.43

“THE CHALLENGE POSED HERE IS NOT THE PROVISION OF PAID TIME OFF TO EMPLOYEES; RATHER, THE CHALLENGE TO EMPLOYERS LIKE OURS IS THE OVERLAPPING, INCONSISTENT REQUIREMENTS—PROCEDURAL AND SUBSTANTIVE—OF THESE MANDATES.”

—BARBARA BRICKMEIER, VICE PRESIDENT FOR HUMAN RESOURCES AND BUSINESS DEVELOPMENT, IBM, STATEMENT OF THE U.S. CHAMBER OF COMMERCE ON WORKPLACE LEAVE POLICIES44

A SOCIAL INSURANCE PROGRAM

What it would look like: Examples of social insurance programs for paid family leave are already underway as state programs in California, New Jersey, Rhode Island, and New York. Social insurance programs involve a high input of government resources for administering benefits, issuing guidance, and collecting taxes from workers. Still, unlike a federal employer mandate, this policy model means businesses would be better able to cover their workers without having to pay from their own coffers. Moreover, the taxes on workers are small; current programs are funded through worker payroll deductions ranging from 0.09 percent in New Jersey to 1.1 percent in California, and worker contributions are capped at a yearly amount.45

Potential benefits: While employers would still be responsible for properly arranging for employee absences, a national social insurance program would ensure that any possible negative consequences from workers taking longer leaves, such as a loss of productivity, would be equalized across all businesses, industries, and geographic areas and would not affect the company’s national competitiveness. For example, by being
able to offer paid leave, even small businesses would be able to compete with larger businesses in attracting talented employees.

**Why this policy model would work:** Having a national program would resolve much of the confusion both workers and employers face when navigating leave benefit options, especially for larger businesses that work across states with differing leave policies. (State programs all differ in terms of eligibility, percentage of wage replacement, and weeks of leave.\(^46\)) Additional benefits include these:

- Studies of current state programs have shown that offering paid family leave through a social insurance model is associated with new mothers’ taking longer leaves,\(^47\) improvements in workforce attachment,\(^48\) an increase in breastfeeding duration,\(^49\) less dependence on public benefits,\(^50\) and more fathers and disadvantaged mothers who take leave.\(^51\)
- Such a model would ensure that all low-income workers have access to family leave without enduring a loss of income.

**WE CAN SOLVE THE PROBLEM OF PAID LEAVE FOR WORKING FAMILIES IN THE UNITED STATES**

All babies deserve the best possible start in life; in most cases, that means having the opportunity to be cared for by their parents during their first, crucial months. A parent’s decision to spend time caring for a newborn should not depend on the generosity or capacity of his or her employer. Of the three policy options discussed, it is clear that a national social insurance program is the most effective way of providing income support to all workers during crucial and vulnerable periods, and a sound universal paid leave policy would ensure that low-income parents do not have to choose between a paycheck and their children. After decades of debate, research and public support are lifting up a clear solution that supports working families when it comes to paid leave. This is a problem that we know how to solve—and it’s long past time to make it happen.
ENDNOTES


11. Ibid.


31. Ibid.


36. Stepler, “Key Takeaways.”


41. 115th Congress, H.R. 1, § 13403, Employer Credit for Paid Family and Medical Leave, https://www.congress.gov/115/bills/hr1/BILLS-115hr1enr.pdf.


46. Winston et al., Exploring the Relationship; Setty, Skinner, and Wilson-Simmons, Protecting Workers, Nurturing Families.

47. Appelbaum and Milkman, Leaves That Pay.


50. Houser and Vartanian, Pay Matters.