The AEI-Brookings Working Group Report on Paid Family and Medical Leave

CHARTING A PATH FORWARD

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SEPTEMBER 2018

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A Note from the Codirectors of the AEI-Brookings Working Group on Paid Family Leave

The AEI-Brookings Working Group on Paid Family Leave published a report in 2017 that focused on parental leave. Despite disagreements, we put forth a consensus compromise proposal for a federal parental leave policy that would allow working parents to take eight weeks of paid time off while receiving 70 percent of their wages up to a limit. We recommended financing the leave through an employee payroll tax, as well as cuts in spending that were not directed at low-income taxpayers.

This year, with a larger working group, we shifted our attention to paid family care and medical leave. Paid family care and medical leave would allow working families to take some weeks off work with a certain level of pay to take care of their own illness or meet their caregiving responsibilities toward family members.

A starting point for our work was establishing the need for such leave and the existing gaps in coverage. On medical leave, we find there often is a gap in availability of short-term care that would help bridge the divide between short-term medical need, covered by sick days, and longer-term medical needs, covered through Social Security Disability Insurance.

In addition, as with our earlier report, we highlight how changing family demographics have made the issue of family caregiving more relevant. Today, with both spouses working in most homes, providing caregiving comes at the cost of work. Further, with an aging population and the increasing demand for long-term care, it is more important than ever that workplaces and policies better accommodate the need for such leave.

Designing these paid leave policies, however, has engendered discussion and debate among policymakers. From the business perspective, paid leave creates a variety of worries. One is that the proliferation of state laws and regulations will make it increasingly difficult for businesses to operate efficiently across state lines and will raise the costs of doing business. Businesses may well prefer one federal law to 50 state laws. In addition, there is also an obvious cost associated with the lower productivity imposed by an absent employee or the wages that must be paid to a replacement. At the same time, paid leave may reduce turnover costs by encouraging employees to return to work after a leave.

Paid leave laws should be gender-neutral so that women are not disadvantaged in hiring decisions and so that care responsibilities are more evenly divided. They should also be designed in a way that does not burden small businesses excessively. And ensuring access for the least advantaged workers should be a primary goal.

This brings us to our working group, which over the past year has spent many hours trying to figure out the best design for a federal policy. Our working group included a diverse group of experts from different organizations, backgrounds, and perspectives. Some are academics with research experience in the area of paid leave. Others are more policy oriented, with experience dealing with the practical applications and implications of such a policy. Some have conservative leanings, and others are more liberal. But at the end of the day, we came together because of our common interest in the need for a discussion about paid family and medical leave.

Our group continues to endorse the need for parental leave. We also think that addressing the need for medical leave through a federal temporary disability insurance system should be given serious consideration. However, such a proposal needs to be considered in conjunction with reforms to Social Security Disability Insurance (SSDI) in recognition of the potential interactions between the two programs and to address the problems with the current structure of SSDI.

Our most contentious discussions centered on family caregiving leave. While many in our group favored moving forward on paid family care leave, some members did not think that the benefits of family care leave, as currently understood, outweighed the costs. The concluding section of our report addresses this disagreement in more detail.

In addition to our discussions on paid family care and medical leave, we invited some members of the group to write reports on rethinking social insurance to better serve the needs of working families. These are at the end of this compilation.

Finally, our group included three modeling experts from three prominent organizations who worked together to write a report on the costs of paid leave. This effort should be beneficial to the debate on paid leave, which often gets stuck on the thorny issue of cost. The effort illustrated that costs are sensitive to a policy's design and to various assumptions about its effects. We will be providing an online platform for users to experiment with assumptions and policy parameters relating to paid leave proposals so that they can see the impact on cost estimates for themselves.

Our members have been generous with their time, thoughts, and expertise. They have attended many meetings and read through multiple drafts of this report. We thank them wholeheartedly for their investment in this project. We have also consulted advocates, outside experts, government officials, congressional staff, and business leaders. We thank them as well. We hope this effort will be useful to others by gathering in one place most of the data and research that currently exists, illuminating differences of opinion, and providing detailed estimates of the costs of paid leave.

Thank you to all who have contributed to this report and to those who find value in reading it.

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The AEI-Brookings Working Group Report on Paid Family and Medical Leave

Executive Summary

Public interest in paid family and medical leave policies has grown in recent years, and such policies have now been enacted in six states and the District of Columbia. The three main purposes of paid leave are to assist those who need to take a leave from work for the birth or adoption of a child, to care for an ill family member, or to address their own serious illness. The idea that workers should receive paid leave for different purposes has broad public support, with 82 percent favorable toward paid maternity leave, 69 percent favorable toward paid paternity leave, 67 percent favorable toward paid family care leave, and 85 percent favorable toward paid leave to deal with one's own serious health condition. However, there is less public knowledge or agreement on the best design for a paid leave policy.

In June 2017, the AEI-Brookings Paid Family Leave Working Group released a report focused on parental leave, which included a compromise proposal for a federal paid parental leave policy. Over the past year, our working group has turned its focus to paid family care and medical leave.

In Chapter I, we present data on the changing demographics of working families and the types of paid leave to which working families have access. The American workforce and family structures have changed dramatically over recent decades. Although these changes have brought substantial economic benefits, it is increasingly difficult for many Americans to balance the demands of work and family. We highlight how, in addition to alleviating these work-family constraints, paid family leave offers important economic and health benefits for workers and their family members.

In Chapter II, we discuss the status of existing state and international paid leave laws. In the absence of a federal policy, five states and the District of Columbia have passed paid family and medical leave policies, and Hawaii has a temporary disability insurance system. Some employers also offer paid family leave, but these benefits are less frequently available to low-income workers, precisely those who are most in need of assistance because they are less able to afford an unpaid leave of absence from work.

In 2017, this working group identified eight principles to guide policymaking for paid parental leave: limiting hardship for families at their time of need, maintaining long-term attachment to the labor force, supporting the healthy development of children, ensuring gender neutrality, minimizing costs to employers, ensuring access for the less advantaged, incorporating a shared contribution on the part of workers, and fully funding any new benefit. In Chapter III, we apply these principles to family care and medical leave, and we introduce the additional principles of flexibility, simplicity, and inclusivity. We also identify and discuss the key parameters in the design of paid family care and medical leave policies.

In Chapter IV, we assess a handful of existing proposals addressing paid parental, family care, and medical leave. These include the FAMILY Act, President Donald Trump's proposal, the Economic Security for New Parents Act, tax-favored savings accounts, and the Workflex in the 21st Century Act.

In the previous phase of this project, which focused on parental leave, our working group endorsed a compromise proposal of eight weeks of paid parental leave with a replacement rate of 70 percent of wages up to $600 per week. Our working group also supported medical leave through a federal temporary disability insurance system, implemented with reforms to the existing disability insurance systems. However, we did not agree on a federal program to provide paid family care leave.

In addition to this work, we asked four members of this working group to coauthor two reports

on rethinking the social insurance system. Heather Boushey and Elisabeth Jacobs consider the changing nature of US employment, the economic risks that families face, and how our employer-based social insurance systems may be ill-suited to the future of work. They develop four principles for paid leave in the context of rethinking the social insurance system: covering the full spectrum of care-based needs, covering all workers, implementing federal administration of the system, and ensuring gender neutrality.

Doug Holtz-Eakin and Ben Gitis coauthored a second report addressing the relevance of the social insurance system for paid family leave. They focus on the fiscal imbalances in existing social insurance programs, rising debt levels, and, in this context, the difficulty of adding any new responsibilities to the system. They propose a hybrid approach to implementing paid leave by allowing tax-deductible contributions to an account for paid leave up to $6,000 annually, with federal assistance provided to low-income families.

Finally, three working-group members—Ben Gitis, Sarah Jane Glynn, and Jeffrey Hayes—estimated the costs of different forms of paid leave, based on their experience modeling paid family and medical leave policies. Importantly, they collaborated to explore and reconcile the differences between their methods and how these affect estimated costs. They estimate the costs of a hypothetical paid leave program—providing paid parental, family care, and medical leave for up to eight weeks per year, with a replacement rate of 70 percent up to $600 per week—using three different methodologies.

They find that the cost of such a policy ranges from 0.23 percent of total wages if take-up rates follow patterns in New Jersey's program to 0.61 percent of total wages if leave usage follows Family and Medical Leave Act data. The main drivers of these differences are the underlying data sources used and assumptions about program participation. All the estimates strongly suggest that paid medical leave would be the most expensive and family care leave the least expensive, with parental leave falling between these two.

I. Introduction

For the past two years, the AEI-Brookings Working Group on Paid Family Leave has been studying paid parental, family care, and medical leave in the United States. The first type of leave, paid parental leave, encompasses both maternity and paternity leave and guarantees employees the ability to take a leave of absence to care for and bond with a new child. Paid family care leave enables workers to take time off to care for a sick family member. Qualifying family members can vary but often include children, spouses, and parents. Paid medical leave provides workers with time off to care for their own serious illness or disability. The three types of leave that were the focus of this working group are summarized in Table 1.

Other types of paid leave, such as paid vacation and paid sick days, are more frequently offered to workers voluntarily by their employers rather than as a benefit that the government administers. A growing number of states and municipalities have passed laws mandating that employers offer paid sick leave. Paid sick leave is distinct from own medical leave, as sick leave generally covers only a short and unexpected bout of illness that requires days, but not weeks or months, of recuperation. (See sidebar for more on paid sick leave.)

In an earlier report issued in June 2017, the AEI-Brookings working group focused on the need for parental leave.[3] We put forth a paid parental leave proposal that represented a compromise between experts in the working group with different perspectives. Our compromise plan suggested an eight-week parental leave policy with a 70 percent wage replacement, capped at $600 per week. The policy would be financed through an employee payroll tax alongside reforms to existing programs or tax expenditures.

Since the release of the report in 2017, a few new paid parental leave proposals have been put forward, which we review later in this report. However, this report expands the scope of our work to understanding the need for, access to, and costs and benefits associated with paid medical and family care leave, in addition to paid parental leave.

Existing Federal Policy on Paid Leave

At the federal level, the Family and Medical Leave Act (FMLA), signed into law by President Bill Clinton in 1993, provides workers with 12 weeks of *unpaid*, job-protected leave for the birth and care of a newborn child or the adoption or fostering of a newly placed child (parental leave). It also covers leave to care for the serious health condition of an employee's

Table 1. Glossary: Types of Paid Leave

Type of Leave	Purpose of Leave
Parental (including maternity and paternity leave)	To care for and bond with a new child at or around the time of childbirth or the adoption/fostering of a new child
Family Care	To care for a family member (usually an immediate family member) with a serious health condition
Medical	To attend to one's own serious health condition (such as cancer)

Source: Authors.

spouse, child, or parent (family care leave) and to tend to one's own serious health condition (medical leave).[4] To qualify for FMLA-protected leave, an employee must have worked with his or her employer for at least 12 months and worked at least 1,250 hours in the past year. Small employers are exempt from the FMLA, as it applies only to firms with 50 or more employees within 75 miles of the workplace.

Given these provisions, about 59 percent of American employees were eligible for FMLA protections in 2012.[5] Notably, less-educated and lower-income workers are less likely to be eligible for job-protected leave under the FMLA.[6] While a small minority of US states and cities have implemented their own paid leave policies, the absence of federal legislation has meant that the majority of American workers are not guaranteed access to paid family and medical leave.

In 2017, federal law addressed paid leave for the first time, as a temporary tax credit to businesses included in broader tax reform.[7] Based on the credit originally proposed in the Strong Families Act by Sen. Deb Fischer (R-NE), the provision created a general business credit for firms that provide paid parental, family care, or medical leave to qualifying employees. To qualify, the firm must provide at least two weeks (prorated for part-time workers) of specific paid family and medical leave to all its eligible workers (excluding any other paid leave policies, such as paid vacation or sick leave) that replaces at least 50 percent of wages. Firms could apply the credit only to employees who have been employed for at least one year and earn less than $72,000 annually (in 2018).

The credit covers a portion of the cost of paid leave taken, and its value is a function of the wage-replacement rate. Specifically, it rises from 12.5 percent of the cost of a paid leave benefit with a 50 percent replacement rate to 25 percent of the cost of one with a 100 percent replacement rate. However, the credit is temporary, and businesses can claim it only in the 2018 and 2019 tax years.

Because this is an unprecedented approach to paid family and medical leave, many uncertainties remain about its effectiveness. The credit is intended to help businesses afford paid family and medical leave and incentivize them to expand access to it. Yet, the credit may not be large enough to incentivize many firms to start offering paid leave to their low-wage workers or other workers who were not previously offered the benefit. In particular, small firms may still find it too costly to offer such leave to their employees, leaving a large portion of low-wage workers without access to such leave. In that case, the credit would largely subsidize firms that are already offering these benefits.

Moreover, with only a two-year window, the proposal has not been given much opportunity to succeed. The employers that would actually rely on the credit to afford new paid leave benefits are unlikely to do so if they will have to take away the new benefit when the credit expires in two years. Hence, this tax credit still leaves substantial room for improvement in ensuring access to paid family and medical leave, particularly among workers who need it the most, even though it is an important step forward.

Access to Family and Medical Leave

Next, we review the existing gaps in access to paid family care and medical leave, recognizing that many employees have access to a combination of benefits that might cover part or all of their leave for these purposes. We then review reasons to expand access to these types of leave, both to address existing disparities in access and in response to the demographic and economic changes our nation faces.

Own Medical Leave. Leave to care for one's own ailments can be separated into three types of leave: sick leave, for short-term illnesses or routine medical or preventative care; medical leave, for illnesses or temporary disability that may last for several weeks or months; and long-term disability leave, for disabilities that cause a person to exit the workforce either permanently or for several years. At the federal, state, and local levels, there exists a patchwork of different policies provided by employers and government programs that address different types of leave for medical needs.

This working group focused on medical leave, used for situations in which an individual may expect to

return to work following treatment or recovery. However, the line between this temporary form of leave and longer-term medical leave is not always clear, so we briefly discuss access to long-term disability insurance. Workers of all ages experience serious illnesses that require some time away from work. But as older Americans (who might be more prone to such health events) become a larger share of the labor force, understanding the interconnection of these various forms of medical leave is becoming more important than ever.[8]

Long-Term Medical Needs. Those with a long-term or permanent disability might be eligible for paid leave through the Social Security Disability Insurance (SSDI) program, Supplemental Security Income (SSI), or employer-provided long-term disability insurance. Workers may also receive workers' compensation for work-related illness or injury.

SSDI provides income support for individuals with sufficient work histories suffering from long-term physical or mental illnesses and disabilities. The condition must be expected to last at least 12 months (or result in death) and prevent the individual from engaging in substantial work-related activity.[9] SSI is similar, but it is a need-based program, designed to support individuals falling below a certain income threshold who do not meet the SSDI work history requirements.

Employer-provided long-term disability insurance covers workers who cannot work for extended periods of time. Such plans typically include waiting periods of several months, and benefits continue until retirement or for a specified period.[10] According to data from the Bureau of Labor Statistics (BLS), 34 percent of workers have access to long-term disability insurance, although access rates are lowest for service industry workers (14 percent), workers in the lowest wage quartile (8 percent), and part-time workers (5 percent).[11]

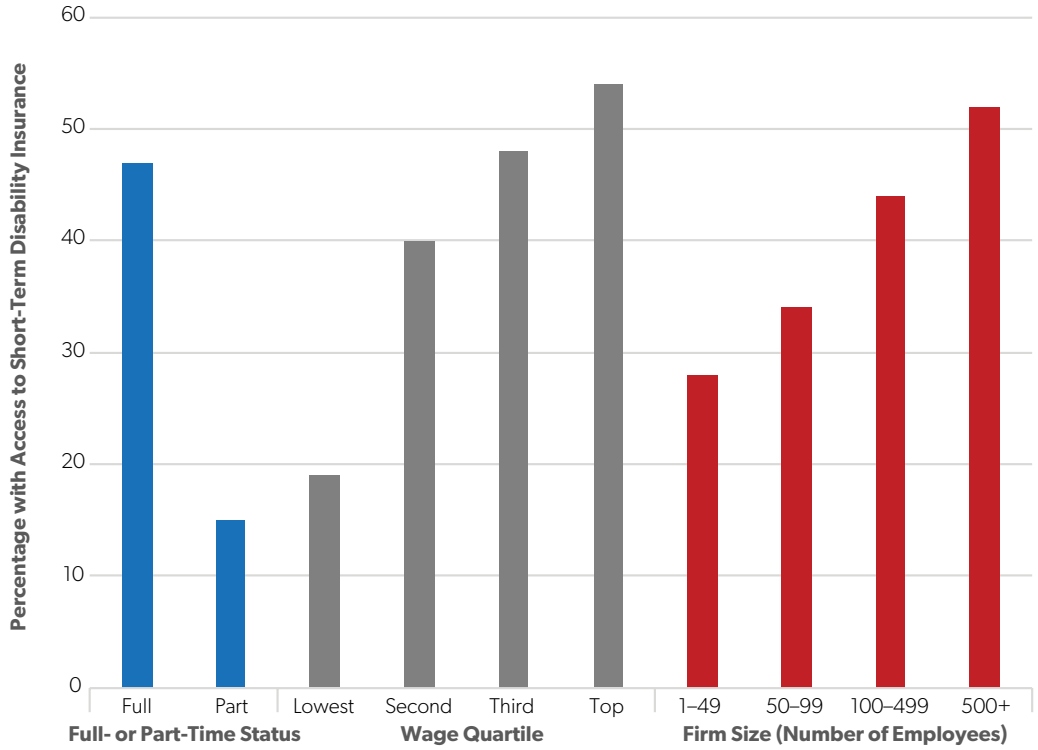
Together, SSDI, SSI, and long-term disability insurance can be thought of as long-term medical leave programs, rather than protections designed to support workers' leaves of absence to address temporary medical events, after which they plan to return to work. Because SSDI- and SSI-qualifying conditions, by definition, exclude individuals from gainful employment, they provide support only when the individual remains *out* of the labor force, rather than when the individual encounters impermanent work-preventing situations. The latter is the primary focus of medical leave in this report.

Short-Term Medical Needs. For those with temporary disabilities, serious medical conditions, or other ailments that require only a temporary leave from work, paid leave coverage is mixed. Many workers have access to other types of leave, such as paid sick leave and paid vacation, which can be used to cover some fraction of leave taken for a medical event. If recovery or treatment requires several weeks of leave, these forms of paid leave may not cover the entire period. And, as with other types of paid leave, access to sick leave and paid vacation varies substantially by wage, firm size, and occupation, with low-wage, part-time, and service-sector workers far less likely to have access than higher-wage workers in managerial or professional positions. (See sidebar for an overview of access to paid sick leave.)

Some workers also have access to employer- or state-provided short-term disability insurance. The BLS defines short-term disability insurance as a plan that provides benefits for non-work-related injury or illness on a per-disability basis, with a typical coverage of 6–12 months. This includes benefits provided directly by an employer, commercially insured benefits, and benefits under the five states with temporary disability insurance (TDI) programs.[12] State TDI programs generally stipulate that pregnancy and childbirth are covered as temporary disabling conditions.

The BLS estimates that 39 percent of workers had access to short-term disability plans in 2017. Access to these plans also varies by occupation, income, and worker and firm characteristics, but it does not vary as widely as access to long-term disability insurance. Figure 1 shows the rates of access to short-term disability insurance by full-time and part-time status, income, and firm size. Like other benefits, access is lower for low-income workers, part-time workers, and workers in small firms.

Figure 1. Access to Short-Term Disability Insurance



Source: US Department of Labor, Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2017*, September 2017, Table 16.

Family Care Leave. Over their working careers, many workers will face an unexpected medical event that requires some time away from work for recovery or treatment. So too will many workers face situations in which their close relatives require caregiving due to illness or injury. Caregiving needs can vary enormously, as some might require intensive care for an extended period while others may need only short-term help accessing care or intermittent assistance as they deal with an ongoing illness or disability.

As the population ages, these needs are increasing. Whatever the need, rising work rates among women mean that, relative to the past, far fewer people are in a position to provide care. This combination of more paid work among women and an aging population has increased demand for institutional care (often at great expense) while placing more pressure on employed adults to take on caregiving responsibilities themselves. In what follows, we review who has access to paid family care leave, who needs care, and who provides care.

Existing Family Care Leave. Workers rarely have access to a paid leave policy that is specifically designed to provide financial support to care for ill or aging family members, but they can frequently draw on more general forms of paid leave to finance at least some portion of their time away from work. Indeed, only 15 percent of civilian workers had access to a specific paid family leave benefit in 2017, ranging from 4 percent of workers in the lowest wage decile to just over one-quarter in the highest wage decile. ("Family leave" in this context included parental leave.)

However, the majority of workers received paid sick leave or paid vacations that might fill some of this gap.[13] Some employers allow the use of accumulated paid sick days to care for ill family members, and 10 states and the District of Columbia have enacted

kin care laws that allow employees with accumulated employer-provided sick days to use them for family care.[14] An analysis conducted by Ben Gitis at the American Action Forum found that over 70 percent of workers who took leave for family care in 2012 received at least some pay from their employers during this leave.[15]

In addition to the defined paid leave benefits that can support a worker while he or she confronts caregiving responsibilities, some private employers offer flexible work arrangements or allow workers to telecommute, which may enable workers with relatives requiring intermittent care to better integrate their caregiving and work responsibilities. But access to these arrangements depends on the nature of one's work, and lower-wage, service-based jobs tend to offer less flexibility and scheduling autonomy than salaried, white-collar professions.[16]

And, as is noted throughout this report, access to paid leave benefits of any kind is higher among higher-wage workers and those in managerial and professional positions than lower-wage and service-sector workers. Further, these general types of paid leave benefits might be insufficient given the extent of some caregiving responsibilities, which might require extended or intermittent periods of leave.

According to the Pew Research Center in 2017, while 11 percent of workers took time off work to care for a family member with a serious health condition at some point in the previous two years, an additional 10 percent needed or wanted to take time off but could not. Lower-income, less-educated, and female workers were more likely to fall into this latter category.[17]

The extent and sufficiency of existing access to paid family care leave are not straightforward. Similarly, the nature of caregiving needs and responsibilities is complex.

Who Needs Care? One of the most common types of informal care is eldercare, defined as the provision of unpaid care to someone age 65 or older for an *age-related* condition. Eldercare is typically provided by the recipient's child or spouse, and it often occurs intermittently over several years. According to the BLS, 16 percent of the US population ages 15 and older (over 41 million people) provided unpaid eldercare in 2015 and 2016. On any given day, about 26 percent of this population spent time providing unpaid eldercare, and caregivers spent an average of 2.8 hours on eldercare activities on the days they provided care.[18]

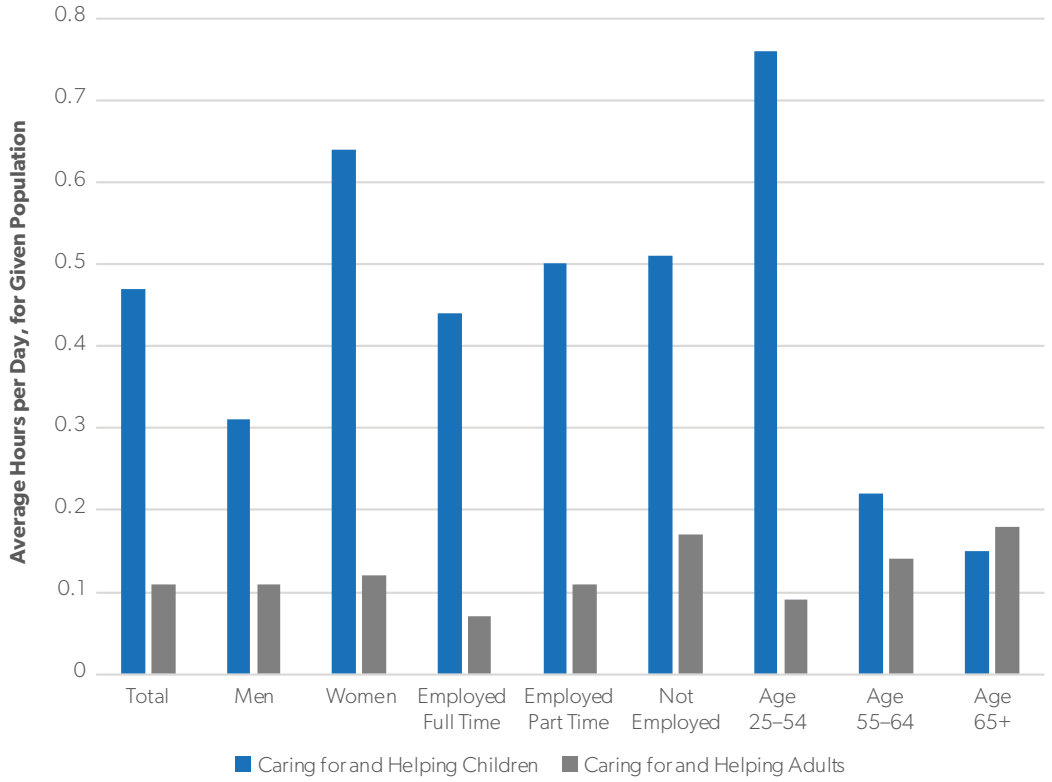
The demand for such care is expected to increase as the baby-boomer generation ages. According to the Congressional Budget Office, the population over age 84 will grow the fastest over the next few decades. As the elderly population grows, so too will the demands placed on informal caregivers.

Children also experience illnesses or injuries that require hospitalization or intensive care from parents, with one in 30 children hospitalized at least once in a given year.[19] The majority of children miss some school each year due to illness, and 15 percent of elementary school students miss more than one week.[20] Moreover, 15 percent of children have special health care needs, with serious chronic conditions requiring ongoing low-intensity care and infrequent high-intensity care during severe episodes.[21] Given the rising incidence of dual-earner and single-parent families over the past 50 years, a working parent is much more likely to require time off to address a child's health issues than in the past.

In addition to children and the elderly, many workers face caregiving responsibilities when a spouse falls seriously ill and requires care. In fact, according to a Pew Research Center survey, taking leave to care for a spouse or partner is more common than taking leave to care for a sick child. Among women who took leave, caring for an ill spouse was second only to caring for a sick parent (25 percent of leave takers versus 38 percent). Among men who took family care leave, about one-third reported taking leave to care for a spouse, another one-third were caring for a parent, and only 13 percent reported taking time off to care for a sick child.[22]

Who Are the Care Providers? The BLS American Time Use Survey (ATUS) provides a useful, albeit incomplete, portrait of the comparative responsibilities of different groups of caregivers. According to the ATUS, among those caring for the elderly, 56 percent were women, and most were middle-aged or elderly

Figure 2. Average Hours per Day Spent Caring for and Helping Family Members, by Type of Caregiver, 2016



Note: To provide comparable care time across different types of care recipients, the estimates provided are all time spent caring for and helping the recipients. These average hours spent include the entire civilian population. Time spent conditional on providing care that day is significantly longer.
Source: Based on data from the US Department of Labor, Bureau of Labor Statistics, American Time Use Survey, 2016.

themselves. Women were far more likely to provide care for children than men were, but men and women had nearly equal probabilities of providing care to other adults.[23]

These findings from the BLS differ modestly from those in other surveys of eldercare provision. Based on an analysis of the 2008 Health Retirement Survey, MetLife found that 66 percent of eldercare providers over age 50 are women, while data from the BLS suggested that this figure was 56 percent.[24]

Figure 2 shows the average hours per day spent caring for children and adults by the age and sex of the caregiver. Younger and middle-aged adults naturally provided more care to children, and care provided to adults increased with the caregiver's age. Not surprisingly, those employed full time spent less time providing care than those employed part time or those not employed. These numbers include time spent caring for household and non-household members.

Of course, time spent caring for an individual can consist of many different types of activities. Of the total time spent caring for children, 40 percent was spent providing physical care and activities related to children's health. For eldercare, on days when care was provided, only 9.2 percent of the total time was spent providing physical and medical care to the eldercare recipient. While providing eldercare, caregivers spent a greater fraction of time also performing household activities and engaging in other activities, such as leisure and sports.[25] These data indicate that eldercare can involve a range of care activities, including preparing meals and providing companionship,

alongside direct care activities such as delivering medical assistance.

Women are more likely to provide care and spend more time doing so, and age is a strong predictor of the type of care provided. But age and gender are far from the only determinants of caregiving. Perhaps unsurprisingly, part-time and unemployed individuals also tend to spend more time providing care than their full-time counterparts.

Using data from 15 years of the British Household Panel Survey, F. Carmichael, S. Charles, and C. Hulme find that employment and higher wages reduce the probability of becoming a caregiver in subsequent years.[26] These effects are comparable across genders, and the results are stronger for more intensive caregiving (requiring more hours per day spent on caregiving or requiring that the caregiver reside in the same residency as the care recipient). Their findings are supported by other research finding that specific groups are more likely to become caregivers in the future, such as unemployed daughters and people who work in unskilled occupations.

Informal caregiving has a high opportunity cost. For employed workers, this opportunity cost is the value of the lost income due to working fewer hours or not at all to fulfill caregiving responsibilities. Thus, individuals with lower opportunity costs (such as the unemployed or lower-paid workers) are often more likely to take on caregiving responsibilities.[27]

These figures may underestimate the demands placed on caregivers. Informal care burdens may not be captured by standard labor market, economic, and population surveys and may not be well measured by direct questions on time spent. For example, analysis of time use surveys might omit the amount of time that a caregiver is simply "on call," which may constrain the caregivers' ability to engage in paid work or other productive activities. It may also underestimate the demands placed on individuals responsible for multiple care recipients—for example, an aging relative and a sick child.[28]

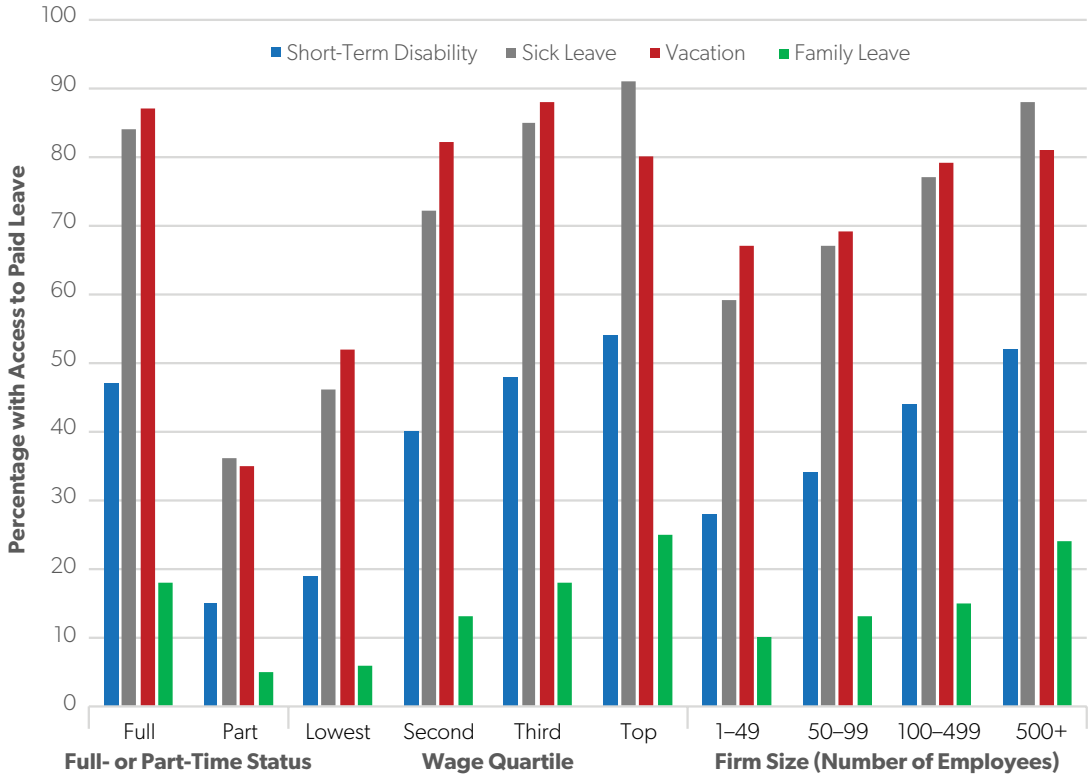
Existing Paid Leave Coverage for Other Types of Leave. As noted earlier, many workers have access to other, less specific forms of paid time off that they can often draw on to finance leave taken for family care or to recover from one's own illness. Although only 15 percent of workers had access to paid family leave in 2017 (which includes parental and family care leave) and 39 percent had access to short-term disability insurance, 72 and 74 percent had access to paid sick leave and paid vacation, respectively. Figure 3 breaks down the availability of these different types of leave by worker characteristics. For each type of leave, access is lowest for part-time workers, workers at small firms, and low-wage workers.

Given the variety of benefits available to many workers, paid leave for family care and medical reasons is fairly common, though far from universal. According to the most recent Department of Labor survey on family and medical leave in 2012, 65 percent of workers who took leave in the past 12 months received pay while on leave; 48 percent received full pay, and 17 percent received partial pay.[29] A survey conducted by the Pew Research Center in 2016 largely confirms these figures, suggesting that 47 percent of leave-taking workers received full pay and 16 percent received partial pay while on leave over the past two years.[30]

The Pew survey also confirms that workers are using a variety of paid leave benefits to cover different needs. Of those who received pay while on family or medical leave (regardless of the type of leave), 79 percent used paid vacation, sick leave, or paid time off (PTO); 22 percent used short-term disability insurance from their employer; 20 percent received specific paid family and medical leave benefits from their employer; and 9 percent received paid family and medical leave benefits from a state program.[31]

But again, these figures mask significant heterogeneity. Although existing paid leave benefits mean that workers are often compensated while on family or medical leave, there remain important gaps in coverage. Of workers with family incomes below the median, more than half received no pay while on leave, compared to 18 percent of those with family incomes above or equal to the median.[32] Figure 4 makes clear that less-educated, minority, and low-income workers are least likely to receive full or partial pay while on leave.[33]

Figure 3. Access to Different Forms of Paid Leave



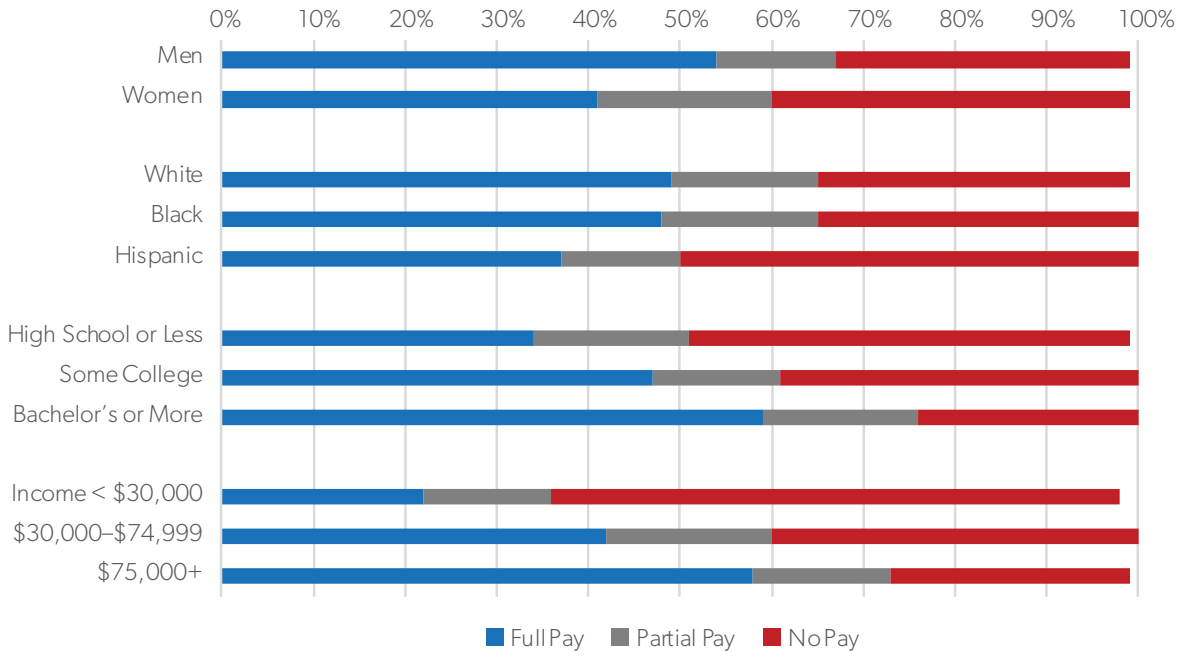
Source: US Department of Labor, Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2017*, September 2017, Tables 16 and 32.

Further, these figures refer only to workers who took leave; they fail to show the extent to which workers could not take leave to meet family caregiving responsibilities or recover from illness. Additionally, for leaves that exceed a few days, paid vacation and sick leave are often insufficient, and many workers must take more extended leaves of absence to confront serious medical emergencies and life events. Although there is little information about these workers, existing data indicate that unmet need for leave is limited. The 2012 Department of Labor survey found that only 5 percent of workers needed to take leave in the past year but could not do so, although a 2017 report from Pew Research found that 16 percent of workers needed to take leave in the past two years but were not able to.[34]

Workers who received no pay or partial pay while on leave used a variety of methods to cope with the loss of income. According to the Department of Labor survey discussed above, 48 percent of leave takers who received partial or no pay drew upon savings earmarked for this leave, 37 percent drew upon other savings, and 30 percent borrowed money. But many Americans have not saved enough for an extended period out of work or lack access to credit. Thus, over one-third of these leave takers put off paying bills, 15 percent went on public assistance, and 31 percent cut their leaves short.[35]

Thus, many workers face an unmet need for paid family care and medical leave. This may cause them to remain at work when they have other caregiving responsibilities or medical needs, or it places them in precarious financial situations when they do take leave. Further study is needed to understand the precise challenges that unmet need places on different populations, but the data presented above make clear

Figure 4. Pay While on Leave by Demographic



Source: Juliana Menasce Horowitz et al., *Americans Widely Support Paid Family and Medical Leave, but Differ Over Specific Policies,* Pew Research Center, March 23, 2017, http://www.pewsocialtrends.org/2017/03/23/americans-widely-support-paid-family-and-medical-leave-but-differ-over-specific-policies/.

that low-income, part-time, and otherwise vulnerable workers are least likely to have access to paid leave when they need it most.[36]

Reasons to Expand Access to Paid Family Care and Medical Leave

In this working group's previous report on parental leave, we identified five trends and reasons to expand access to paid parental leave.

1. More men and women are struggling to balance work and family responsibilities.

2. Parental leave can improve children's physical and cognitive health.

3. Fathers' involvement in childcare improves childhood development and gender equity.

4. Paid leave can improve health outcomes.

5. Paid leave improves labor force participation, earnings, and national economic growth.[40]

While certain factors are particularly relevant to paid parental leave (e.g., the benefits of parental leave on children's cognitive development), similar factors are placing increasing pressure on the need for paid family care and medical leave. Below, we review these factors and, when data are available, discuss how providing paid family care and medical leave may address these issues.

Growth of Women's Labor Force Participation and the Changing Structure of Families. Changes in labor force participation, the structure of families, and fathers' involvement in childcare have made it increasingly difficult for many Americans to balance the competing demands of work and family.

Paid Sick Leave

This report focuses on paid family and medical leave. The working group also recognizes paid sick leave as an important benefit that is not currently available to a portion of the American workforce. But because paid sick leave is often an accrued benefit paid for by the employer rather than administered by the government, it is frequently considered distinct from paid medical leave for slightly longer-term illnesses. This sidebar offers a brief overview of paid sick leave in the United States, but comprehensively addressing this topic or offering a specific paid sick leave proposal remains outside the scope of this report.

A growing body of research shows that access to paid sick leave decreases public and private medical costs, the probability of job separation, and the spread of contagions in workplaces and schools.[37] Perhaps for these reasons, employers frequently offer the benefit voluntarily. In addition to voluntarily provided benefits, nine states, two counties, and 31 municipalities have adopted paid sick leave laws and ordinances, which mandate that employers in these jurisdictions offer paid sick leave.

Typically, a worker accrues a certain number of hours or days of leave based on his or her tenure with the employer. This leave can often be taken in as small as hourly increments for doctor visits, to recover from one's own illness, or to care for a sick immediate family member.

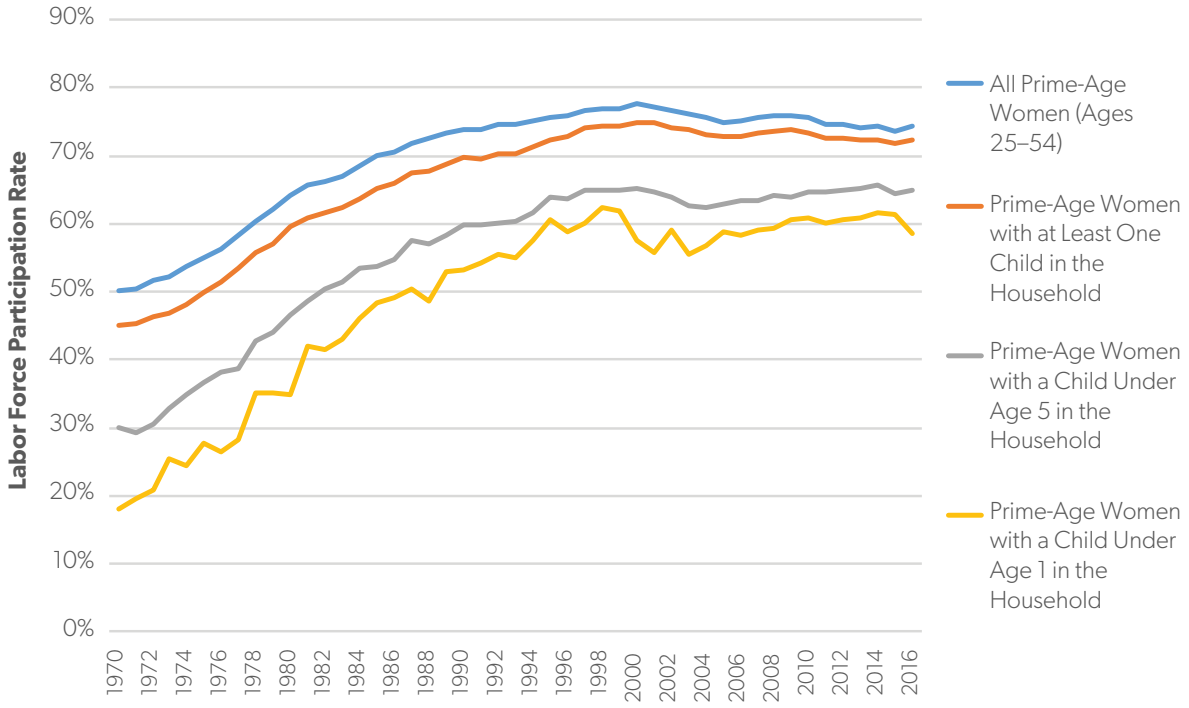
Under these laws and thanks to the relatively widespread adoption of these benefits, the BLS estimates that 72 percent of civilian workers receive paid sick leave. However, access varies substantially by worker and firm characteristics. While fewer than one-third of workers in the lowest wage decile receive paid sick leave, over 90 percent of those in the highest wage decile have access to this benefit. Access is lower for part-time than full-time workers (36 versus 84 percent). Those working in firms with fewer than 50 employees are less likely to have access than those in larger firms with 100 or more employees (59 versus 82 percent). And, like other leave benefits, access varies tremendously by type of work. For example, just over half of service employees receive paid sick leave, compared to 89 percent of managers and professionals.[38]

In general, paid sick leave for short-term health issues such as the cold or the flu is often considered distinct from paid medical leave as it is discussed in this report. Short-term illness is often unpredictable, and recovery usually requires only a brief period away from the workplace. The administrative burden associated with verifying a worker's need and delivering the benefit through a central federal office would likely be costly. Additionally, the waiting periods often associated with other types of leave would make little sense for a benefit designed to allow workers to take immediate leave for a sudden sickness.

Because benefit payments would likely be particularly complicated and costly to administer for short-term paid sick leave, policymakers in the states and abroad have commonly chosen to expand the benefit with a mandate on employers. One federal proposal that follows this model, the Healthy Families Act, would mandate that firms with 15 or more employees provide workers with a minimum of one hour of paid sick leave for every 30 hours worked, up to seven days per year. Smaller firms would be required to offer unpaid sick leave, but firms could offer more generous benefits if they desire.[39]

The working group did not address paid sick leave sufficiently to decide what policy, if any, policymakers should implement. Some members of the working group indicated that a federal employer mandate is an appropriate and necessary policy due to the economic and health benefits of paid sick leave. However, other members disagreed and expressed that sick leave mandates should be approached with caution given possible adverse impacts on employment, job growth, wages, and other benefits.

Figure 5. Labor Force Participation Among Prime-Age Women and Mothers with Children of All Ages



Source: US Department of Labor, Bureau of Labor Statistics, Current Population Survey, 1970–Present.

In the middle of the 20th century, the typical family consisted of a working father and a stay-at-home mother who tended to the majority of home and childcare needs. Between 1970 and the early 1990s, the labor force participation rate of women between the ages of 25 and 54 (considered "prime age") increased from about half to nearly three-quarters of this population.[41] The gains in workforce participation were even more dramatic for women *with children* in this age group, rising from 45 percent in 1970 to about three-quarters today.[42]

In 2016, 65 percent of mothers with children under the age of 5 and 58 percent of mothers with children under the age of 1 were in the labor force.[43] This increase in female labor force participation has contributed to economic growth, higher standards of living, and greater gender equity in the workplace and the household. But it also means that having a stay-at-home parent available to care for sick children or ailing relatives is no longer the norm. Figure 5 shows the increase in labor force participation among these populations over the past half century.

These gains in mothers' workforce participation do not mean that more men are simply staying home to care for children. Instead, more mothers and fathers are performing multiple roles. In 1970, about half of married couples with children under the age of 18 lived in a household in which the father was the only person employed. By 2015, two-thirds lived in dual-earner households.[44] At the same time, the fraction of children living with a single mother or single father increased; nearly one-third of children today do not live in two-parent households.[45]

The rise in mothers' workforce participation alongside a decline in two-parent families means that 63 percent of children now live in a household in which all parents work.[46] In two-parent families, these changes have altered the composition of caregiving responsibilities between parents. The amount of time the average father spends performing household

chores and childcare has increased threefold since 1965, though he still spends about one-half as much time on these activities as the average mother. Mothers now spend significantly more time on paid work than in the past. Given these increases, both mothers and fathers now spend more time performing paid work and unpaid housework and childcare combined than they did in the past.[47]

These changes imply that most American families no longer have a stay-at-home parent available to address caregiving responsibilities, as there often was in the past. Whether for an aging parent or sick child, families in which all parents work must decide how to address these caregiving responsibilities without sacrificing their incomes.

In 2015, nearly 36.5 million women and 30 million men lived with at least one child under 18 in the household. Of these, 70 percent of women and 93 percent of men were in the labor force.[48] With the joint responsibilities of the workplace and the family increasing, the case for providing paid time off from work for specific family needs is more relevant than ever. A federal paid leave policy could support the needs of millions of America's working parents who currently lack access to paid leave through their employers or existing state laws.

Population Aging. The elderly share of the population rose from 8 percent in 1950 to 12 percent in 2000, and it will reach 20 percent by 2050. This growth is even more dramatic for the share of the population 85 years of age or older, which will reach 4 percent by 2050.[49] The aging of the population will increase the demand for care from family members while reducing the supply of workers able to provide informal care. This is further exacerbated by the decline of single-earner two-parent households, as both parents are more likely to work and thus less likely to have time to care for ill or aging relatives.

Informal caregiving is already the primary source of long-term care for the elderly population, and it is primarily provided by working-age adults. The RAND Corporation estimates that Americans already spend over 30 billion hours per year providing informal care to elderly relatives and friends—and at a significant cost, particularly for working Americans.[50] As the elderly population increases thanks to improved longevity and as the baby boomers age into retirement, the demand for elderly caregiving is only expected to increase. For the many working Americans without access to paid leave, the increased demand for caregiving is likely to conflict with their ability to work.

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Indeed, the Congressional Budget Office predicts that as the population ages, demand for long-term services for the elderly (those age 65 and older) will rise substantially.[51] For example, the share of Americans living with Alzheimer's disease is anticipated to grow nearly threefold by 2050.[52] The rising share of the population suffering from functional and cognitive health problems will require increased investments in eldercare, including both formal and informal care.

A report by the Population Reference Bureau concluded that the aging of the baby-boomer generation could lead to a 75 percent increase in the number of elderly Americans requiring nursing home care by 2030. Combined Social Security and Medicare expenditures as a share of GDP are expected to grow from 8 percent today to 12 percent by 2050.[53] Improved access to paid family care leave could enable more working-age adults to confront their family caregiving responsibilities. Still, larger-scale interventions will likely be required to fully confront

the fiscal challenges arising from a rapidly growing elderly population.

Alongside the aging of the population, the labor force itself is expected to include an increasing number of older workers. The share of workers ages 65 to 74 is projected to grow seven times faster than the overall growth of the labor force between 2016 and 2026, and the share ages 75 and older will grow even more rapidly.[54] Thus, it is likely that a growing share of workers will face caregiving responsibilities for their aging spouses and other immediate family members, as well as their own medical needs.

Economic Effects of Medical and Family Care Leave. The economic effects of paid leave for one's own illness or to care for another family member have not been studied as extensively as the economic effects of parental leave. In what follows, we review what we now know, but we also urge that more research be done on these two issues.

Own Medical Leave. Paid medical leave could affect health outcomes, and therefore the cost of illness, through two mechanisms. The direct effect of medical leave is to encourage workers to receive proper treatment for an illness or injury. According to the 2012 FMLA technical report, of those who needed medical leave but did not take it, 52 percent postponed medical treatment, and 50 percent forwent some medical treatment.[55]

More recent work has focused on "presenteeism," when an employee goes to work despite having an illness or injury. This can impair employee health and productivity.[56] In the case of contagious illnesses (such as the flu), presenteeism also exacerbates the spread of disease, causing additional health problems and productivity losses as other employees become infected. This is particularly relevant to short-term illnesses that might be covered by paid sick leave (instead of slightly longer episodes that would be covered by paid medical leave).

However, even in the absence of contagious illnesses, the effects of presenteeism are not negligible. In an analysis of the total costs of chronic health conditions for Dow Chemical Company, James Collins et al. found that presenteeism reduced an employee's ability to function. Importantly, the productivity loss of presenteeism exceeded the combined costs of absenteeism and medical treatment.[57] This finding is borne out in other studies, and, in most cases, the overall economic burden of presenteeism exceeds medical costs of the condition.[58]

Given its potential to reduce presenteeism, a paid medical leave policy could reduce the productivity losses resulting from health conditions. However, the benefits of paid medical leave should also be balanced against the costs associated with an employee's absence.

Elisabeth Fevang, Inés Hardoy, and Knut Røed find that the labor supply of claimants of Norway's TDI is sensitive to the benefit's generosity and that reducing the generosity causes some claimants to transition back to work.[59] The fact that workers' leave behaviors are sensitive to the benefit level does not necessarily imply that workers are remaining on leave longer than is medically necessary, but it does imply that policymakers should be sensitive to the incentives embedded in any paid leave policy. In the case of medical leave, a policy's generosity should balance the costs of absenteeism, which increase with the benefit's generosity, against the costs of presenteeism, which decrease with the benefit's generosity.

Moreover, paid medical leave has an additional potential effect on labor force participation. A person who becomes disabled, whether permanently or for an extended period of more than 12 months, can apply for SSDI. However, SSDI essentially precludes beneficiaries from working. Because the waiting period for applicants to receive benefits can take months or years, many of those on the program are reluctant to rejoin the labor force, to avoid the high burden of reapplying for support.[60] And for those who do return to work, exceeding SSDI's substantial gainful activity income threshold can cause a person to lose his or her benefits. These barriers are not negligible. For those on the margin of entry into SSDI, the probability of employment is 26 percentage points higher if they do not receive benefits, and the employment effect increases to 50 percentage points for those with less-severe impairments.[61]

These barriers to rejoining the labor force might be avoided if there were a temporary alternative to the SSDI program, whereby TDI could provide time off without pushing workers into the SSDI program. If a TDI program reduces the use of existing longer-term disability programs (such as SSDI), it would likely increase labor force attachment for many workers.

Experiments in Norway (both local and national) provide some evidence on how a TDI program could affect use of SSDI. Fevang, Hardoy, and Røed use Norway's 2002 overhaul of its TDI system to estimate the effects on transition rates from the TDI program (in which recipients are out of work for medical reasons for at least one year but are not considered permanently disabled) back to work or onto permanent disability benefits. They estimate that Norway's TDI program participants are modestly responsive to the program's generosity, that a 10 percent increase in the generosity of the benefit reduces the program's exit rate by 2–4 percent, and that additional generosity also reduced the proportion of individuals who returned to the labor force (compared to those who went onto permanent disability).[62]

While, logically, paid medical leave should have positive labor force effects, research in the United States is lacking. However, a 2005 experiment in Norway that changed the reduction in benefits from additional earnings revealed that many recipients of (permanent) disability insurance have considerable capacity to work and that relatively younger (under age 50) disability insurance recipients are responsive to financial incentives to return to work.[63] The importance of such policies are echoed by European Commission and Organisation for Economic Co-operation and Development (OECD) reports, which recommend policies to improve employment reintegration for recipients of disability insurance and long-term sick pay.[64]

Family Care Leave. Because informal care is not paid, the opportunity cost of providing it is the wages lost while out of work (without pay) to provide that care. For workers who need to take leave for several weeks at a time to care for a severely ill or injured relative, this loss of income can be substantial.

Indeed, caregivers can experience negative employment effects and reduced financial stability. They may reduce their work hours or exit the labor force entirely, which is particularly common among older adults.[65] Some studies suggest that the negative effects of caregiving on labor market outcomes of caregivers are concentrated among a relatively small share of the population.[66]

However, most workers will face caregiving responsibilities at some point during their careers, and some might face these responsibilities for multiple family members at once. Researchers at Pew found that 14 percent of adults in their 40s and 50s have already cared for an elderly family member or aging parents, and another 68 percent say they will likely have to do so in the future. Many of these adults are simultaneously caring for their own children.[67]

Most workers will face caregiving responsibilities at some point during their careers, and some might face these responsibilities for multiple family members at once.

As a greater share of the workforce faces caregiving responsibilities, the overall economic burden of caregiving will likely increase as well. The RAND study discussed previously found that informal eldercare already comes at an opportunity cost of $522 billion annually to caregivers.[68] By providing at least partial wage replacement to caregivers while on leave, paid

family care leave policy could reduce this opportunity cost and enable family members to confront their caregiving responsibilities without a substantial loss in income.

Given the potential for caregiving to decrease work hours and labor force participation, it can hurt the financial security of care providers in the long term, in addition to the short-term financial strain of temporarily ceasing or reducing paid work. Over time, caregivers are more likely to fall into poverty, and they show relatively lower accumulation of savings and assets.[69] They are more likely to spend money out of pocket on care-related purchases, and full-time caregivers are more than three times as likely to report financial difficulty as those who provide no care.[70]

Those who reduce work hours to care for a family member on an ongoing basis not only forgo wages but also may lose the opportunity to further advance their careers. Those who exit the labor force to care for a family member lose wages and work-related benefits, and longer periods outside the labor force may seriously diminish work skills. Using detailed Swedish survey data, Per-Anders Edin and Magnus Gustavsson estimate that a full year out of work is associated with a 5 percentage point move down the skill distribution, a substantial loss of job skills with long-term negative impacts on current and future wages.[71]

While paid family care leave may keep these workers more attached to the labor force, little research to date has empirically demonstrated this connection. Existing research suggests there are financial costs associated with caregiving, but further research would be useful to identify the labor market effects of paid family care leave.

Just as the availability of paid family care leave can affect an individual caregiver's financial situation, so too can it affect the government's financial situation. For example, eldercare interacts with nursing home use. Given the high cost of nursing homes and their impact on the Medicare and Medicaid systems, the potential for privately provided eldercare to reduce nursing home use could improve the financial health of families, as well as that of the federal and state governments. In general, studies reveal a strong negative relationship between informal care and subsequent nursing home use.

A paper by Kerwin Kofi Charles and Purvi Sevak suggests that receiving informal care reduces the probability of nursing home use by between 39 and 49 percentage points.[72] The magnitude of this effect suggests that subsidizing informal care might reduce the burden of nursing home care on public health expenditures. Recent evidence from California's paid family leave program bolsters this case. Kanika Arora and Douglas Wolff find that the state's paid leave policy reduced nursing home use by about 0.65 percentage points, equating to an 11 percent decline in nursing home use in the state.[73] Although further research into an effect on nursing home use could provide additional clarity—including in other states that have implemented paid family care leave programs—expanding access to paid family care leave could clearly reduce the large anticipated increase in the number of elderly Americans requiring nursing home care.

Conclusions

This chapter reviews existing access to paid family care and medical leave and outlines specific trends that have increased the need for informal caregiving, as well as some of the reasons to expand access to these types of leave. Unlike parental leave, the need for family care and medical leave often arrives unexpectedly, and it can differ substantially by circumstance.

Some workers face serious health issues that require lengthy, but not indefinite, periods away from work. Others struggle to care for their aging parents and their sick children while working full time. But throughout one's career, most workers will likely need leave to confront their own medical needs or the serious health issues of their loved ones.

Most workers have access to some combination of PTO, paid sick leave, or paid vacation days that they can use to cover at least some of this need, but access to these benefits varies tremendously by worker characteristics, with the lowest-paid workers least likely

to have access. Medical leaves may be covered by short-term disability insurance provided by employers or available to most workers in the few states with TDI programs, but gaps in coverage remain.

The aging population and workforce means that more workers are facing informal eldercare responsibilities and will continue to in the future. Existing survey evidence suggests that taking leave to care for aging parents, spouses, and children is already widespread, though some workers take a pay cut to do so or are simply unable to meet their caregiving responsibilities due to lack of pay.

The evidence on the costs and benefits associated with these types of leave is not as well-documented as that for paid parental leave. But, similar to existing access to paid parental leave, we do know that white-collar, high-wage workers are more likely to have access to some combination of benefits that enable them to confront medical and caregiving needs without sacrificing their paycheck or their job. We also know that existing federal disability insurance programs discourage work and provide no support for individuals who face serious medical issues that do not necessarily preclude employment.

Existing laws and private benefits have clearly left gaps in access to paid family care and medical leave. The remainder of this report discusses policies in place designed to address these gaps at the state level and abroad, suggests key principles and issues that should be considered when designing a national policy, analyzes select paid leave proposals, and proposes a path forward toward addressing these issues.

II. Existing Family Care and Medical Leave Programs

Understanding the design of and experience with existing state paid leave policies and those in other OECD countries is instructive when considering the generosity and structure of potential federal paid family and medical leave policies.

State Paid Leave Policies

Beginning in the 1940s, five states established paid medical leave through TDI systems. In 2004, California became the first state to provide paid family leave as well, with the existing TDI program providing medical leave.[74] Since then, five states and the District of Columbia have enacted paid family leave programs, although the most recent two will not begin paying benefits until 2020.

The state programs have different structures, generosity, financing, and other features, and they can provide valuable insights when considering a federal program. In general, the original TDI systems provided much longer leave for medical reasons than their new parental and family care leave components.

Rhode Island. In 1942, Rhode Island became the first state to create a TDI program (which began paying benefits in 1943), and it expanded the program to include benefits for parental and family care leave in 2014 (enacted in 2013). Rhode Island uses a single state fund, in which the state collects the payroll taxes (levied entirely on employees) that finance the program and from which it pays the benefits. Rhode Island provides four weeks for parental and family care leave and up to 30 weeks for medical leave, depending on the medical condition and doctor recommendation.

The benefit schedule is the same for all types of leave, at a 60 percent replacement rate up to a cap of $831 per week in 2018. Family care leave can be taken to care for a child, parent, spouse, grandparent, or domestic partner. As of 2012, there is no waiting period, although paid parental and family care leave must be taken for at least seven consecutive days to receive pay. Rhode Island's original TDI program does not provide job protection, but parental and family care leave are job protected.

California. In 1946, California became the second state to enact a TDI program, known as the State Disability Insurance (SDI) system, which it expanded to provide paid family leave in 2004 (enacted in 2002). California's SDI program and the current paid family leave components operate through a state fund that collects payroll taxes (levied entirely on employees) and pays leave benefits.

However, it allows employers and employees to opt out under specific conditions. Those conditions are strict: The employer-provided plan must be at least as generous as the state program along every dimension, be more generous than the state program on at least one dimension, have the consent of the majority of its employees, and not have adverse selection effects for the state. The strictness of these rules, in combination with the increasing generosity of the public plan over time, has almost entirely crowded out privately provided benefits, with the percentage of workers covered by voluntary plans falling from 43 percent in 1958 to 3.4 percent in 2014.[75]

California's program provides six weeks for parental and family care leave and up to 52 weeks for own medical leave. It provides a tiered benefit formula,

paying a 70 percent rate on income up to one-third of the state average weekly wage and 60 percent beyond that, with a minimum benefit of $50 per week and a maximum of $1,216 in 2018.

In 2014, California adopted the most expansive definition of "family" for taking family care leave. It includes care for children, parents, spouses, domestic partners, grandparents, grandchildren, siblings, and parents-in-law. In 2018, California eliminated its one-week waiting period for parental and family care leave, but this waiting period remains for medical leave. Paid leave in California is not specifically job protected, but some leave is already covered under the FMLA and the California Family Rights Act.

New Jersey. New Jersey first enacted its TDI program in 1948, using a similar approach to California's SDI program (the default state fund). However, the requirements to opt out of the state program are not as strict in New Jersey. The employer-provided benefit must be at least as generous as the state benefit, but employee approval is required only if the employees must contribute to it.

The program was expanded to include benefits for parental and family care leave in 2009 (enacted in 2008). New Jersey originally funded the TDI program with employer and employee payroll taxes, but an increase in only the employee payroll tax funded the expansion to include parental and family care leave. The program provides six weeks for parental and family care leave and 26 weeks for medical leave, with a 66 percent replacement rate capped at $637 per week in 2018. The program uses a similar definition of family (for family care leave) as that in Rhode Island, except it does not include grandparents.

New Jersey imposes a seven-day waiting period, although the form of its waiting period is distinct from other programs. Whereas waiting periods are typically unpaid, with paid leave beginning after the waiting period, New Jersey's program pays benefits retroactively through the waiting period if the leave exceeds seven days. Paid leave in New Jersey is not specifically job protected, although job protection is available from the FMLA and the New Jersey Family Leave Act.

New York. Unlike the previous three states, New York structured its TDI program (enacted in 1949) as an employer mandate, in which employees contribute 0.5 percent of payroll up to 60 cents per week, and employers must pay the remaining cost of the paid leave. Employers may purchase insurance from the state insurance fund, purchase it from private insurers, or self-insure. This program is built on the state's established workers' compensation system, which had experience evaluating the merits of illness and disability claims.[76]

An employer mandate would be burdensome on employers and would incentivize firms to discriminate against those most likely to take parental leave: women of childbearing age.

Despite the potential bureaucratic advantage of workers' compensation systems, this working group considers employer-mandated paid family and medical leave particularly problematic. In our report on paid parental leave, we noted that an employer mandate would be burdensome on employers and would incentivize firms to discriminate against those most likely to take parental leave: women of childbearing age.[77] Perhaps for these reasons, New York's newly effective paid parental and family care leave program (enacted in 2016 and effective in 2018) is financed entirely by an employee payroll tax, without a direct burden on employers. Accordingly, New York's paid parental and family care leave program is structured separately from its TDI program.

New York provides up to 26 weeks of paid medical leave through the TDI system, with a replacement rate of 50 percent capped at $170 per week. Unlike the other states with TDI systems, this benefit has not kept up with inflation, resulting in relatively low replacement rates for most users. This program also has a one-week waiting period, and it does not provide job protection beyond the FMLA.

In comparison, New York's paid family leave program provides eight weeks of leave for parental and family care leave, phasing up to 10 weeks in 2019 and 12 weeks in 2021. The benefit generosity will phase in as well, with a 50 percent replacement rate up to 50 percent of the state average weekly wage, rising to 55 percent in 2019, 60 percent in 2020, and 67 percent in 2021 (with the replacement rate and the cap as a percentage of the state average weekly wage moving in tandem). For family care leave, New York defines "family" as a child, parent, spouse, grandchild, grandparent, or domestic partner. The parental and family care leave components have no waiting period and are job protected.

Hawaii. In 1969, Hawaii became the final state to enact a TDI program, structured as an employer mandate. However, unlike New York, Hawaii did not provide a state insurance fund for employers to purchase coverage, and it lacked strong enforcement mechanisms. Although Hawaii created a special fund to cover workers who were unemployed or whose employers did not pay the required benefits, it did not include a mechanism to punish firms when they did not pay those benefits.[78] The state also applied weaker restrictions on self-insurance by employers.

The program is administered by Hawaii's Department of Labor and Industrial Relations. It provides up to 26 weeks of paid leave following a seven-day waiting period, with a replacement rate of 58 percent up to a cap of 70 percent of the state average weekly wage. Hawaii has not created paid parental or family care leave programs, either as new systems or as parts of the existing system.

District of Columbia. The District of Columbia enacted a paid leave program in 2017, which will take effect in 2020. The program is structured as a single state fund. It is financed by an employer payroll tax, making it the only program to not require explicit employee contributions, although employer payroll taxes are typically passed on to workers through lower wages.

However, this structure remains up for debate. In 2017, five bills were proposed that would modify the structure of the paid leave program. Three would impose paid leave mandates on large employers, and one would impose a mandate on all employers. These bills are not currently advancing, but the program's structure may still be revised.

Unlike the states that added family leave to existing TDI programs, the District of Columbia allows less time for medical leave than for other types of leave, with two weeks for medical leave, six weeks for family care leave, and eight weeks for parental leave. The benefit is structured progressively, with a 90 percent replacement rate on income up to 150 percent of the full-time minimum wage, plus 50 percent of income above that threshold, up to $1,000 per week. The District defines eligible family members as children, parents, spouses, siblings, grandparents, and domestic partners, and it requires a one-week waiting period for all types of leave. It does not provide job protection beyond the FMLA and the District of Columbia Family and Medical Leave Act.

Washington State. The state of Washington enacted and attempted to implement a paid leave program in 2007. However, the state never established a funding mechanism, so the program never went into effect.

In 2017, the state became the newest one to implement a paid leave program, which is set to begin paying benefits in 2020. The program is structured as a default state fund and financed by payroll taxes on employers and employees. It allows employers to opt out by offering a benefit at least as generous as the state program. Unlike all the other state programs, Washington's program provides 12 weeks for any type of qualifying leave with an additional two weeks for complications from pregnancy. It pays a 90 percent replacement rate up to half the state

Table 2. Summary of Existing State Paid Leave Policies

	California	New Jersey	Rhode Island	New York	District of Columbia	Washington	Hawaii
Coverage	Parental, family care, and medical	Parental, family care, and medical	Parental, family care, and medical	Parental, family care, and medical	Parental, family care, and medical	Parental, family care, and medical	Medical
Maximum Duration	6 weeks for parental and family care; 52 weeks for medical	6 weeks for parental and family care; 26 weeks for medical	4 weeks for parental and family care; 30 weeks for medical	8 weeks for parental and family care in 2018, 10 weeks in 2019, and 12 weeks in 2021; 26 weeks for medical	8 weeks for parental; 6 weeks for family care; 2 weeks for medical	12 weeks for any type	26 weeks for medical only
Benefit Amount*	70 percent replacement rate (RR) for those making less than one-third of the state average weekly wage; 60 percent for those making above that, with a floor of $50 per week and a cap of $1,216 per week (2018)	66 percent RR, up to $637 per week (2018)	60 percent RR, up to $831 per week (2018)	For parental and family care, 50 percent RR, up to 50 percent of state average weekly wage; increases to 55 percent in 2019, 60 percent in 2020, and 67 percent in 2021; for medical leave, 50 percent RR up to $170 per week	90 percent RR on income up to 150 percent of the minimum wage multiplied by 40, plus 50 percent RR on remaining income, up to $1,000 per week	90 percent RR on income up to half the state average weekly wage, plus 50 percent RR on remaining income, up to $1,000 per week	58 percent RR, up to 70.2 percent of the state average weekly wage
Financing	Employee payroll tax	Employee payroll tax for family leave; employer and employee payroll taxes for TDI	Employee payroll tax	Employee payroll tax for family leave; employee contribution and employer mandate for TDI	Employer payroll tax	Employer and employee payroll taxes	Employer mandate with employee contributions
Definition of "Family"	Child, parent, spouse, sibling, grandchild, grandparent, domestic partner, and parent-in-law	Child, parent, spouse, domestic partner, and civil union partner	Child, parent, spouse, grandparent, and domestic partner	Child, parent, spouse, grandchild, grandparent, and domestic partner	Child, parent, spouse, sibling, grandparent, and domestic partner	Child, parent, grandchild, grandparent, sibling, spouse, and domestic partner	N/A
Waiting Period	One week for medical only	One week (paid retroactively)	None	One week for medical only	One week	One week for family care and medical only	One week
Job Protection	Not beyond FMLA	Not beyond FMLA	Yes for parental and family care leave; not beyond FMLA for TDI	Yes for parental and family care leave; not beyond FMLA for TDI	Not beyond FMLA	Yes, but with similar eligibility rules as FMLA	Not beyond FMLA
Program Structure	Default state fund, with strict opt out	Default state fund, with opt out	Single state fund	Employer mandate	Single state fund	Default state fund, with opt out	Employer mandate

Note: *The minimum and maximum benefit amounts are indexed to the state average wage in California, New Jersey, Rhode Island, Washington State, and Hawaii. In the District of Columbia, the $1,000 per-week cap will be indexed to inflation beginning in 2021. In New York, the parental and family care leave maximum benefit is indexed to the state average wage, but the medical leave maximum benefit of $170 per week is not indexed to wages or inflation and has not been raised since 1989.

Source: National Partnership for Women and Families, "State Paid Family Leave Insurance Laws," February 2018; Molly Weston Williamson, "Structuring Paid Family and Medical Leave: Lessons from Temporary Disability Insurance," *Connecticut Public Interest Law Journal*, forthcoming; and California Employment Development Department, "Disability Insurance (DI) and Paid Family Leave (PFL) Weekly Benefit Amounts," http://www.edd.ca.gov/pdf_pub_ctr/de2588.pdf.

average weekly wage, plus 50 percent on income in excess of that threshold, up to $1,000 per week.

The program uses the same definition of "family" as the District of Columbia, except it also allows leave to care for a grandchild. Family care and medical leave require a one-week waiting period, but parental leave does not. Washington's program also includes job protection. However, the eligibility rules for job protection are stricter than the eligibility rules for access to paid leave and only slightly less strict than the FMLA job-protection eligibility requirements.

State Paid Leave Programs: A Summary. Table 2 summarizes the policy details of each paid family and medical leave program. The details are those currently in law, although the programs for Washington State and the District of Columbia do not take effect until 2020, and the duration of New York's paid family leave program will phase in between 2018 and 2021.

All these programs (except Hawaii) include parental, family care, and medical leave, but they differ on many policy parameters. All the parental leave programs cover leave for the birth, adoption, and fostering of a new child. For parental and family care leave, the maximum durations range between four and 12 weeks. Generally, these programs offer the same amount of time for parental leave (in addition to medical leave for pregnancy) as for family care leave, except for the District of Columbia.

The range of maximum durations, however, is much greater for medical leave. The states that originally built TDI programs provide maximum durations between 26 and 52 weeks, but the states that enacted new paid family and medical leave programs without previous TDI programs provide much shorter medical leave, with two weeks in the District of Columbia and 12 weeks in Washington State. Replacement rates generally range from 50 to 90 percent. The required waiting periods are either one week or none at all. Rhode Island, New York, and Washington provide job protection, although the job-protection eligibility requirements are only marginally different from the FMLA requirements.

Paid Leave in OECD Countries

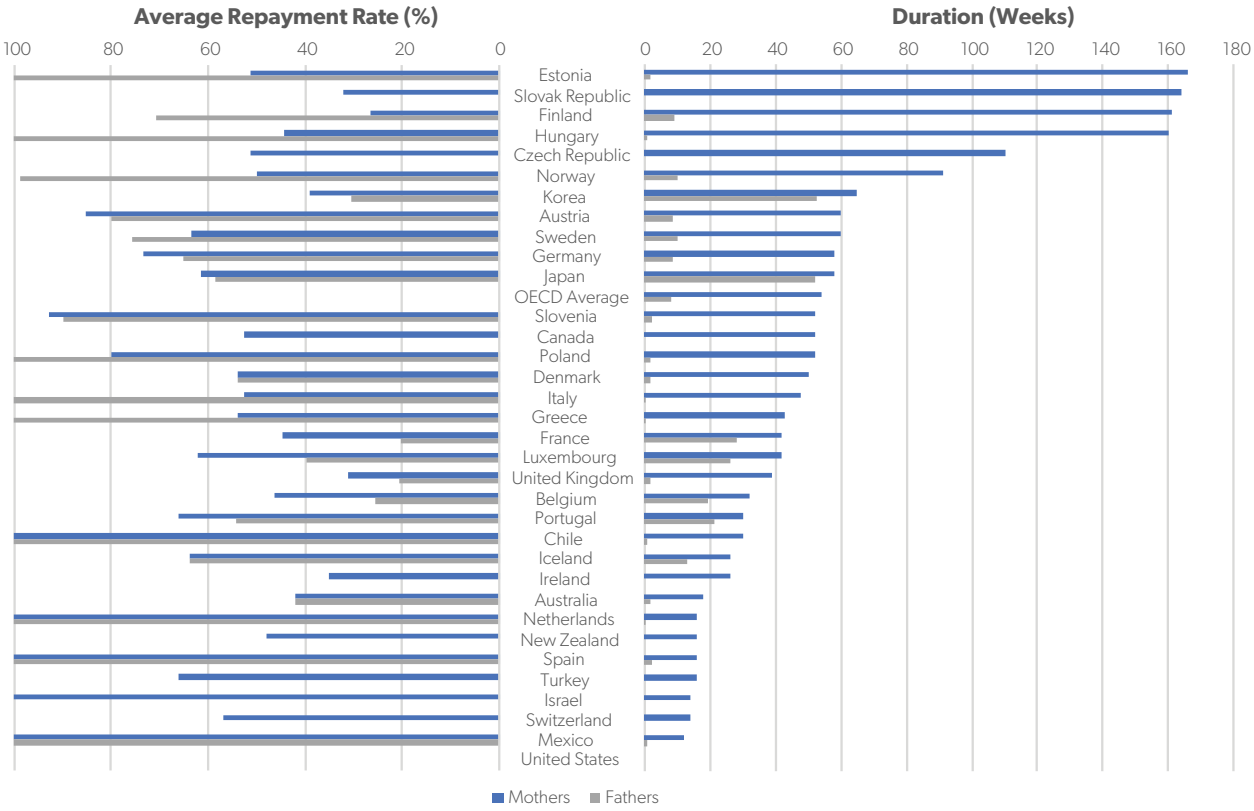
The paid family care and medical leave policies in other countries are instructive when considering how to design these policies in the US. In our working group's previous report, we identified and compared the durations and replacement rates of paid maternal and paternal leave in other OECD countries.[79] There were considerable differences between paid maternity and paternity leave. The average OECD maternity leave benefit was 18 weeks long, but the total paid leave available to mothers averaged 55 weeks. Most countries provided replacement rates of at least 50 percent.[80] Paternity leave benefits tended to have shorter durations. Figure 6 presents the average durations and replacement rates for maternal and paternal leave in OECD countries.

Paid family care and medical leave policies in OECD countries are less consistent and comparable than paid parental leave. Most OECD countries provide some form of paid sick or medical leave, but relatively few provide paid family care leave, especially leave to care for adult family members.

As of 2017, of the 35 OECD countries, nine had no national paid family care leave programs.[81] Of the remaining 26, six provided paid family care leave only to care for an ill child.[82] Of the remaining 20 countries that provide paid family care leave to care for children and adults, half provide differing benefits depending on the care recipient's age. Figure 7 presents the amount of paid family care leave available based on the severity of the illness and whether the care recipient is a child or an adult, conditional on that worker meeting the program's eligibility criteria and not having taken leave previously.

When it comes to caring for an adult family member who is not terminally ill, only Belgium, Italy, Japan, and Sweden provide paid leave beyond three weeks. Moreover, some of these programs may not be as generous as the numbers in Figure 7 indicate. For example, workers in Japan may take 93 days of paid family care leave, but this reflects the total number of days available over the care recipient's lifetime, rather than the maximum leave available to a worker for each caregiving event. Similarly, Italy's two years

Figure 6. Paid Parental Leave Entitlements in OECD Countries in 2015



Source: AEI-Brookings Working Group on Paid Family Leave, *Paid Family and Medical Leave: An Issue Whose Time Has Come*, May 2017, Figure 6. Produced using data from Organisation for Economic Co-operation and Development, "PS2.1: Key Characteristics of Parental Leave Systems," March 15, 2017, http://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf.

of paid family care leave are for the entire working life of the caregiver, rather than for a single event. And although Germany's program may appear to provide equal amounts of leave to care for children or adults, it provides 10 days per year to care for an ill child and 10 days over a lifetime to care for an ill adult. The paid family care leaves in Israel and New Zealand are allocated from the individual's sick leave allocation, making these countries' programs more comparable to the benefits established by kin care laws, which enable workers to use paid sick leave to care for immediate family members.

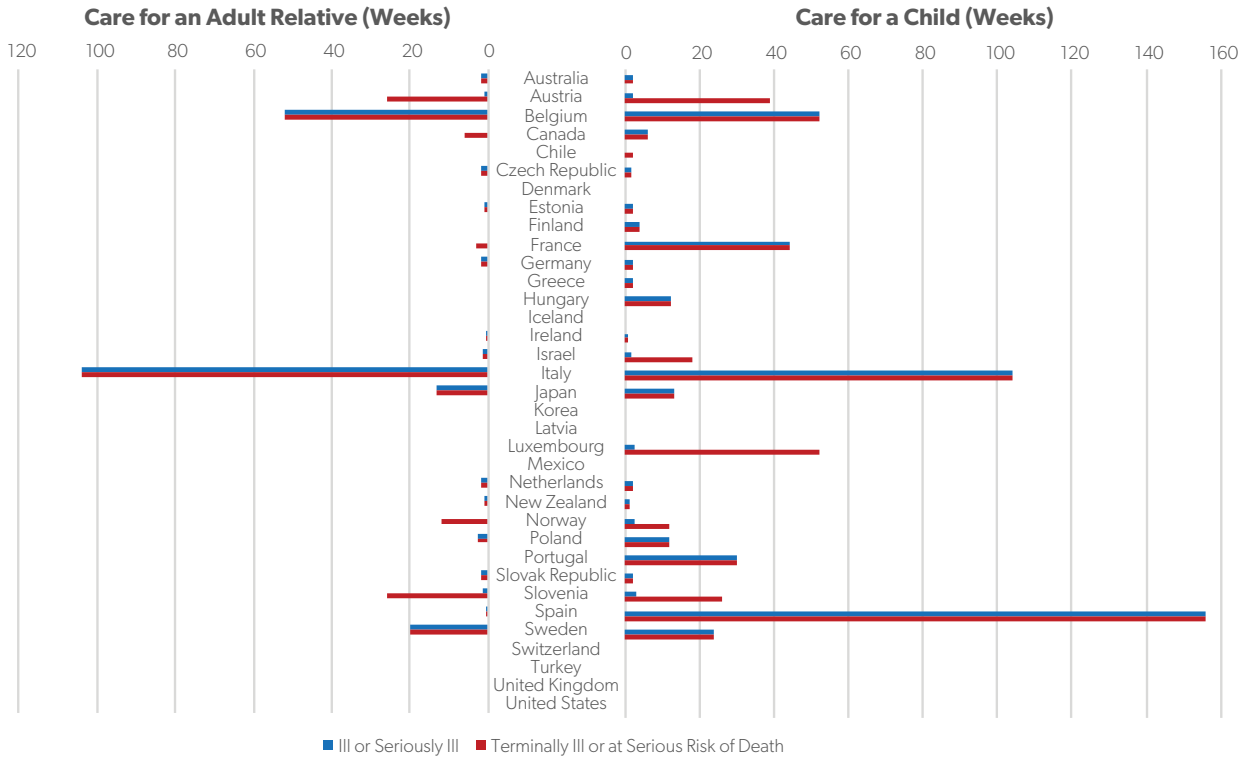
While paid medical and paid sick leave are widely available in other advanced economies, these policies take a variety of forms and are thus difficult to compare. In general, paid medical leave to care for a serious illness that requires a long period of leave is usually paid for and administered through social insurance.

To compare paid medical leave benefits across countries, Jody Heymann et al. considered the leave entitlement that would be available to a worker if he or she required 50 days off of work to undergo treatment for cancer (Figure 8).[84] The United States was the only country of the 22 included in the study that does not guarantee workers paid leave for this purpose. Of the remaining 21 countries, two (Luxembourg and Norway) provide full pay for all 50 days of leave for a worker at median earnings. Other countries offered either partial wage replacement or a shorter leave duration for the median worker.

To compare leaves with partial wage replacement, Heymann et al. estimated full-time equivalent

Figure 7. Paid Leave Entitlements to Care for an Ill Family Member in 2017

If a family member becomes ill and the worker has not previously taken leave, how many weeks of paid caregiving leave could he or she take?



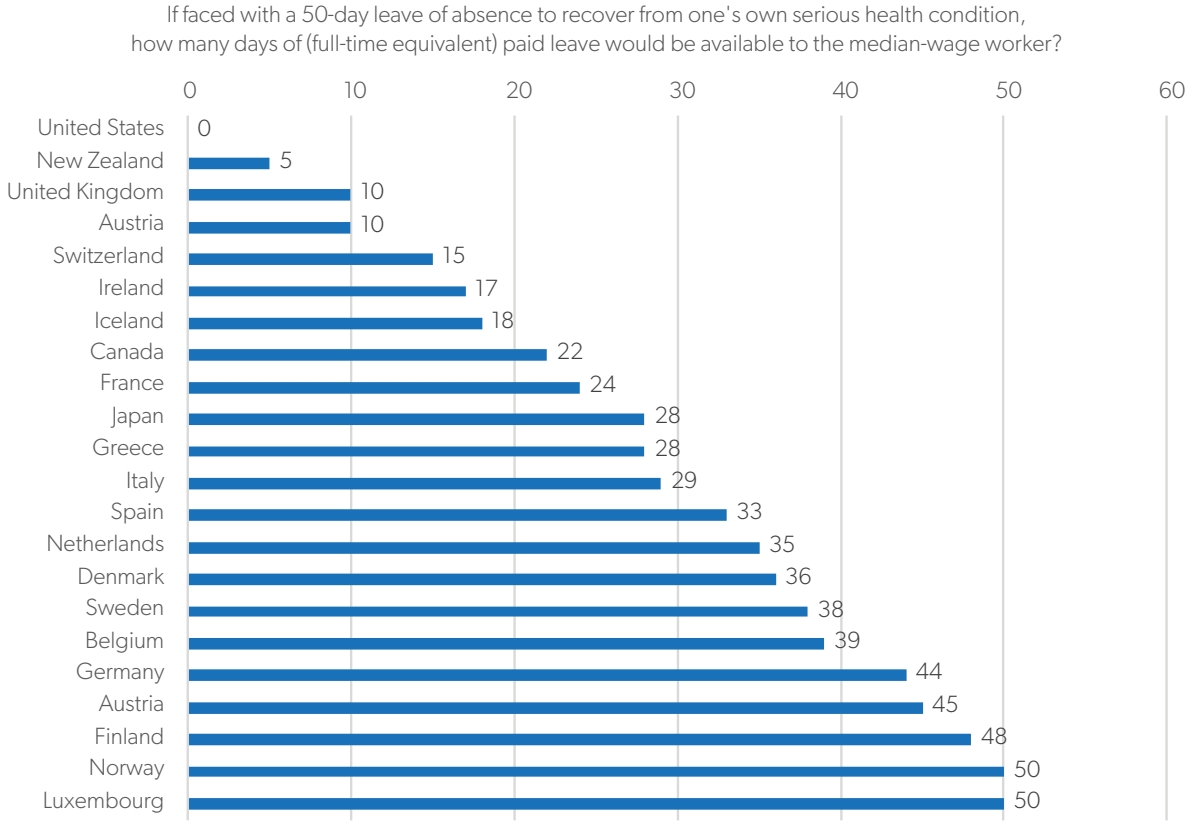
Note: In an effort to compare different programs, the duration shown is the amount of paid family care leave that can be taken if a family member (child or adult) has a one-time medical problem requiring care and such leave has not been previously used. Leave policies vary greatly and are not strictly comparable in general.[83]

Source: Sonja Blum, Alison Koslowski, and Peter Moss, eds., "International Review of Leave Policies and Research," International Network on Leave Policies & Research, April 2017, http://www.leavenetwork.org/lp_and_r_reports/country_reports/; Organisation for Economic Co-operation and Development, "PF2.3: Additional Leave Entitlements for Working Parents," June 12, 2016, http://www.oecd.org/els/soc/PF2_3_Additional_leave_entitlements_of_working_parents.pdf; and FEDIL, "New Law on Leave for Personal and Family Reasons," December 2017, https://www.fedil.lu/en/publications/new-law-on-leave-for-personal-and-family-reasons/?pdf.

(FTE) days as the product of the actual duration of the leave and the wage-replacement rate during that time, adjusted for caps and replacement rates tiered by income and duration. This number represents the number of days' worth of income that would be paid during the period of leave. Based on the equivalent full-time pay, these benefits ranged from 48 FTE days of pay in Finland to five in New Zealand. For example, the median worker in Sweden would have access to 38 FTE days during this 50-day period, those in Japan could receive 28, and those in Canada could receive 22. Within countries, there is also often variation in benefits based on worker and firm characteristics, and many countries offer more generous benefits to lower-wage workers.[85]

The only countries in the OECD without national paid sick leave or paid medical leave are the United States and the Republic of Korea.

Figure 8. Paid Leave Entitlements to Care for Own Illness, Full-Time Equivalent Days



Source: Jody Heymann et al., *Contagion Nation: A Comparison of Paid Sick Day Policies in 22 Countries*, Center for Economic and Policy Research, May 2009, Figure 1, http://cepr.net/documents/publications/paid-sick-days-2009-05.pdf.

III. Designing Paid Leave Policies

Any discussion of the design of paid leave policies is incomplete without first outlining the principles that guide our thinking and then the policy parameters on which to make decisions. Below we provide an overview of the principles and parameters that we consider key to framing and understanding paid leave policies.

Principles

Outlined below are the primary economic and moral principles that the working group highlighted to provide a guiding framework for the provision of paid family and medical leave.

Limit Hardship for Families at Their Time of Need. As a group, we strongly feel that providing parents and caregivers support during their times of need is crucial for a healthy society. Becoming a parent, looking after an ill family member, or experiencing illness can result in lost employment and wages. Federal policies should aim to limit significant financial hardship arising from these events.

Therefore, allowing such employees to take an adequate period of leave with job protection and some level of wage replacement is important. When employees can take care of themselves and their families, they can contribute productively to their jobs and to society as a whole.

Labor Force Attachment. Family and medical leave policies should support labor force attachment. As outlined earlier in this report, the economic reasons for paid family and medical leave arise from a recognition that, in most two-parent families today, both parents are working and share responsibility for their children's upbringing. This is a dramatic change from the 1960s, when few mothers worked and mothers bore the primary responsibility for raising children and caring for family members. As women work more continuously and as men work longer throughout their lifetimes, there are fewer stay-at-home caregivers to tend to ill spouses, aging parents, and other family members who need assistance.

According to the American Association for Retired Persons, among those caring for an adult over age 50, 17 percent took a leave of absence and 10 percent quit their jobs or retired early to provide care.[86] Moreover, in any given year, one child in 30 is hospitalized at least once, and 15 percent of children miss more than a week of school. Therefore, policies that allow working parents to take time off to bond with a new child and that allow other workers time off to care for ill family members or recover from their own serious illnesses may encourage some of these workers to remain in the labor force while they tend to caregiving responsibilities.

Healthy Development of Children. Parental leave and leave to care for a sick child contribute to the child's healthy development. Research shows that it is important for the health of the mother, the father, and the child to be able to bond in the early months of the child's life. Allowing a parent to stay home with an ill child also improves the child's healthy recovery and can reduce the spread of contagious illnesses in schools.

Gender Neutrality. While mothers have traditionally been and remain the primary caregivers for children and families, many fathers are increasingly taking on more of the responsibilities of parenting and caring for other family members. The share of stay-at-home dads has nearly quadrupled over the past few decades, even though that number is still low compared to stay-at-home mothers.

Therefore, one important principle in the provision of paid family and medical leave is gender neutrality. Any paid leave policy should apply to both mothers and fathers, daughters and sons, so that both men and women can be equally engaged in raising their children, bonding with children at the time of birth, and caring for sick children or aging parents.

Minimal Disruptive Effects on Employers. A concern with paid leave policies is the potential cost to employers. Mandating that businesses allow employees to take time off and pay them during that time off could be costly to businesses. But if the leave is financed by, say, a payroll tax on employees, there are no direct costs to the employer of paying for leave, although costs associated with some disruption in the workplace remain. These disruption costs include those related to finding and hiring a replacement and the likelihood that any replacement will be less experienced and thus less productive than the employee on leave.

At the same time, offering leave to employees allows employers to retain talented workers and forgo the cost of recruiting new workers when employees quit because they need such leave. Such policies may also boost employee morale and generally lead to a better and healthier work environment.

All these factors, but especially the financing mechanism, could influence employers' support or opposition to these policies. It is thus important to design policies in such a way that they minimize the costs to employers and the possible effects they might have on employment opportunities, especially for low-wage workers.

Ensuring Access to the Least Advantaged. Under the current system of unpaid leave provided under the FMLA, 40 percent of workers are not eligible for the FMLA's job protection because either they are employed in small firms that are exempt from the law or they do not meet the eligibility requirements in terms of hours worked with their current employers. In addition, since the leave is unpaid, those with fewer resources or less income are much less likely to take up this leave.

This has led to a situation in which the beneficiaries of current unpaid leave policies are primarily those with moderate or high incomes, stable jobs, and employment in larger organizations. In 2017, 54 percent of workers in the top wage quartile had access to short-term disability insurance, and 25 percent had paid family leave. In the bottom wage quartile, only 19 percent had short-term disability insurance, and a mere 6 percent had access to paid family leave.[87] Expanding access will require both extending job protection and improving paid leave coverage for lower-wage workers and those working in smaller firms.

Offering leave to employees allows employers to retain talented workers and forgo the cost of recruiting new workers when employees quit because they need such leave.

Earned Benefits and Shared Contribution. If paid parental, family care, or medical leave is extended, such benefits should be earned. A benefit can be earned in two ways. First, it can be earned by a sufficiently long work history and attachment to the labor force before taking leave, with the expectation that the employee will return to work after the leave. Second, it can be earned by financial contributions from employees in the form of payroll tax contributions and a wage-replacement rate that is less than 100 percent.

Cost-Effectiveness. Paying for a federal paid family and medical leave program can be costly. There are several different ways to fund such a program.

Currently, in states such as California, New Jersey, and Rhode Island, the costs are essentially being met through an increase in payroll taxes on employees. Such programs reduce the burden on employers and impose most of the costs on employees, keeping with two of our previous principles—minimizing employer burden and making the benefit an earned benefit. However, the costs get transferred to someone in the form of higher taxes, whether through payroll taxes or general revenues, and the question is whether the benefits are worth the new costs.

Some people will see the benefits as exceeding the costs for all the reasons spelled out earlier: more ability for workers to take care of their families, stronger attachment to the labor force, and so forth. Others will question whether the benefits warrant a new tax. They may be willing to consider providing access to paid leave only if it can be financed by savings to existing programs or tax expenditures in the federal budget.

Flexibility. The need for PTO to care for a family member or for one's own illness varies enormously from one person to another. Some workers have aging or ill parents that require assistance, while others do not. Similarly, some will face a serious illness that requires an extended period of treatment or recovery, while others will not. Some workers will require paid leave more than others because there are no other unpaid caregivers in the family or they do not have enough savings to finance a period without earned income. It may make sense to allow for as much flexibility as possible in the use of paid leave within some overall constraints, given the diversity of needs that workers face.

In the private sector, some firms allow individuals to use PTO for any purpose. Some might use their PTO for illness, others for family care, and still others to deal with a personal crisis. Many large businesses have adopted flexible plans for this reason, and, according to their reports, flexibility is something their employees greatly value.

Simplicity. Related to the need for flexibility is the need to keep paid leave policies reasonably simple. It is tempting to design a policy that treats every case we can imagine differently. When one interacts the different reasons for which people may need leave with varied personal circumstances, one quickly gets a policy with so many different rules that it becomes unwieldy.

Some differentiation is clearly valuable, but too much leads to excessive regulatory burdens on employers and governments, lack of transparency or confusion among recipients, and higher administrative costs. For these reasons, we believe any new policy should recognize the value of simplicity in its design.

Inclusivity. Inclusivity refers to the idea that any paid leave policy should cover all three types of leave: parental, medical, and family care. Some people do not need parental leave because they are not planning to have children or because they have aged beyond their childbearing years. Others do not need to worry about caring for an elder because they are still young or their elderly relatives have died. Still others may never face a serious illness. But when one looks at all these possible reasons for paid leave together, almost everyone can imagine needing leave at some point during their working lives. However, as a group, we did not agree on this principle, and some preferred to treat each type of leave separately.

Key Design Issues

Policymakers should consider the following parameters when designing paid leave policies. We identify the relevant implications and possible decisions for each parameter, as well as areas of agreement and disagreement.

Administrative Structure. Most of the states that have implemented paid family leave policies to date have folded the programs into their existing TDI systems. Since only one state has a TDI system without a paid family leave policy (Hawaii), this structure is not an option for paid family leave implementation in

most states or at the federal level. And although the Department of Labor currently handles complaints against employers under the FMLA, this department lacks experience with benefit payments.

We believe a federal policy has three potential administrative homes: the Social Security Administration (SSA), the Department of Labor (to administer eligibility determinations) in concert with separate bureaucracies to administer benefit payments, or the Treasury (or some combination). The SSA is particularly appropriate for implementing a social insurance benefit. Alternatively, the Department of Labor could administer eligibility for a paid family leave benefit with benefit payments by state unemployment insurance (UI) offices. A third type of paid leave policy, a tax credit, would naturally be implemented by the Treasury's Internal Revenue Service (IRS).

In each case, the Department of Labor might need to verify eligibility and leave use, and it is best prepared to adjudicate job-protection violations. The administrative structure that will work best would obviously depend on the policy design chosen.

Eligibility Rules. As a group, our consensus opinion is that paid leave should be an earned benefit. Since this benefit is intended to replace work income, it should go to only people with a work history. Many (but not all) of those in our group think that only those who have consistently worked with an employer should be eligible. Businesses will be averse to protecting employees' jobs during an extended leave of absence if they contributed only a short period of work before taking leave.

Some in our group are in favor of stricter eligibility rules, and some favor less-strict rules. But all agree that the employee should have contributed significantly to the economy through continued participation in the workforce and with a specific employer (for purposes of job protection).

One approach would provide less-strict eligibility rules for pay while on leave than for job protection. Although this would address concerns for part-time workers and those who change jobs frequently, take-up of paid leave would likely be lower for workers not covered by job protection.

Financing. We disagree on how to finance any paid family and medical leave proposal. This stems from a basic disagreement on whether to adopt a new program that would need to be financed with a payroll tax or to reform existing programs so that new benefits would be financed through cost savings to other programs. For example, new medical leave programs could better fit the needs of workers who are falling through the cracks left by SSDI and a lack of paid sick and medical leave.

Some members of the group feel strongly that a national TDI program should be considered to bridge the divide between existing access to short-term sick leave and long-term SSDI. Others believe that national TDI should be implemented in the process of reforming SSDI to reduce its negative effect on labor force participation.

Duration of Benefits. In terms of duration, we disagree about the length of leave that should be made available for medical and caregiving leave. For medical leave, we agree that leave duration should depend on medical need as certified by a doctor, up to a maximum duration. For job-protected paid medical leave, the maximum duration of leave acceptable to the working group varied widely. For caregiving leave, the length of leave acceptable varies from zero weeks (since caregiving could be provided through other types of leave such as paid sick days or vacation days) up to 12 weeks. One issue with caregiving leave is that that there could potentially be multiple caregivers in a family, which makes it less imperative to provide every worker with a long period of paid caregiving leave. However, some members of the working group believe it would be a mistake to have separate rules for parental, family, and medical leave.

Wage Replacement and Benefit Structure. Striving for simplicity suggests that any new paid medical or family care leave program should be structured with parameters similar to those of a paid parental leave program. Our previous recommendations for parental leave suggested a replacement rate of 70 percent up to $600 a week, although some working-group

members would prefer a benefit more targeted to low-income workers.

Job Protection. Ideally, a paid leave policy should ensure that the worker can return to his or her job following the period of leave. More than 40 percent of workers are ineligible for job protection under the FMLA. A lack of job protection may lead employees to return to work earlier than they otherwise would for fear of being replaced permanently. However, job protection—or the slightly weaker employment protection, which ensures that the leave taker retains a job with the same employer but not necessarily the same position or an equivalent one—should be available only to workers who have a sufficient work history with their current employer.

Interaction with State and Local Policies (Preemption). Federal, state, and local paid leave policies interact in important ways. In our previous report, we recommended that a federal parental leave program be neutral toward state and local paid leave policies, allowing states and municipal governments to expand the benefit if they so choose.

Currently, each state is free to determine its own rules and eligibility criteria for a paid leave policy, which can create substantial complexity and regulatory burdens for businesses with interstate activities. In the absence of a federal paid leave policy, several states have enacted their own policies, and more are considering enacting paid leave programs. Accordingly, many businesses would prefer a single federal program with preemption of state and local policies to prevent dozens of different requirements across jurisdictions.

Although we sympathize with this concern and worry about crowding out existing employer efforts by enacting a federal law, our working group does not favor preemption. Instead, a uniform federal policy that sets a "floor" on these benefits might ease concerns about the growing complexity of differing state and local rules. This policy should encourage states to experiment with different policies and allow states to "top up" any federal benefit.

Limitations on Repeat Use. An additional point of concern in the development of paid leave policies for multiple types of leave is repeat use. Some medical conditions that require leave may recur, resulting in individuals taking leave repeatedly to care for their own medical needs or the needs of others. Repeat use could result in individuals taking the maximum amount of time off every year, a costly outcome for the government and employers.

Potential solutions to this include limits on the total amount of leave used in any given year, as well as limits on use over multiple-year periods. Annual limits on paid leave appear in the Rhode Island and Washington State programs, which apply annual limits of 30 and 16 weeks of leave, respectively. Stricter limits on leave use could cap total annual leave at or modestly above the cap on each type of leave and limit total leave over subsequent years to a multiple of the cap on each type of leave.

Defining Qualifying Ailments and Recovery Times: Medical and Family Care. Unlike parental leave, leave to care for one's own illness (and potentially that of a family member) requires defining what ailments qualify for such leave and how much time a person would need to recover. One approach would require a doctor to certify a qualifying, specific medical need, which could be matched with a database of permissible medical events and recovery times and updated based on new developments in medical research and practices in medicine. However, any such mechanism would also require strong antifraud measures.

It is also important to address the potential for patients to "shop" for a doctor who will recommend longer leave times or "miscode" an illness to allow this. Although the extent to which this might occur is unclear, Simen Markussen, Knut Røed, and Ole Røgeberg found that doctors in Norway exercise significant influence on the duration of their patients' leaves from work.[88] An alternative approach would define by regulation the appropriate maximum duration of leave for each type of medical need, which would reduce the potential for "doctor shopping" at the cost of substantial additional bureaucracy and any

lag between changes in medical practices and bureaucratic policies.

Interaction with Broader Disability Insurance System: Medical Care. Unlike parental or family care leave, there already exists a patchwork of different programs addressing leave for one's own illness, including employer-provided leave, privately offered disability insurance, and the SSDI program. The implementation of a paid medical leave program should not ignore these existing structures. Enacting a paid medical leave program could be paired with reforming the SSDI system or other aspects of social insurance in the US. Potential ideas for this are discussed in accompanying reports.

Family Care: Defining Eligible Family Members. For purposes of family care leave, the FMLA defines qualifying family members as spouses, parents, or children. However, the state paid leave programs use more generous definitions. Other qualifying family members in the state programs include domestic partners, grandparents, grandchildren, siblings, and parents-in-law (only in California).

As the definition broadens, a program could become more expensive. But a broader definition of qualifying family members could also be paired with shorter leave periods for family care, as caregiving needs could be allocated across more family members.

Waiting Periods. Unlike parental leave, when the timing of the qualifying event and associated leave is generally known in advance, family care and medical leave are more difficult to anticipate. Moreover, the events for which these leaves are required may not last long, or the recovery periods may be difficult to predict.

Before 2018, all the state programs imposed waiting periods for own medical leave, and all but New York imposed waiting periods for family care leave. (Effective in 2018, California no longer requires a waiting period for parental or family care leave, although it retained its waiting period for medical leave.) The typical waiting period is one week, which limits the eligibility of leave to eliminate those requiring only short-term leave.

When designing a federal policy for family care and own medical leave, our group believed there should be some waiting period before one becomes eligible for paid leave benefits. Imposing longer waiting periods, such as two weeks, would reduce the cost but would leave many workers without pay for leaves shorter than two weeks.

IV. Current Paid Leave Proposals

Over the past several years, there have been a few key legislative and other proposals relating to the provision of paid leave. We review these proposals below.

The FAMILY Act

The Family and Medical Insurance Leave (FAMILY) Act, sponsored by Rep. Rosa DeLauro (D-CT) and Sen. Kirsten Gillibrand (D-NY), builds on the FMLA to provide paid leave.[89] It would provide workers with 12 weeks of paid leave for the same purposes as the FMLA—own medical leave, family care leave, parental leave, and military caregiving leave. The act generally relies on the definitions and requirements in the FMLA to define qualified care and medical needs. For caregiving, only care provided to a spouse, child, or parent is included. For caregiving and medical leave, certification from a health care provider is required.

The FAMILY Act also has more expansive eligibility than the FMLA by applying the SSDI eligibility formula, which is tied to an individual's work history instead of the FMLA's firm-specific approach. Eligible individuals must also have income from employment during the prior year. This expansion to part-time workers, contingent workers, and workers without job tenure ensures the benefit is available to low-wage workers, who are disproportionately likely to be in part-time or contingent work situations and thus ineligible for the FMLA.

Although this expansion does not include job protection, those not eligible for the FMLA would be protected by the anti-retaliation measures and employment protection in the FAMILY Act. Unlike job protection in the FMLA, which requires that upon returning from leave the employee must be given his or her previous job or an equivalent one, employment protection merely prevents the employer from firing the employee for taking leave. Because this proposal extends employment protection to small businesses, more research is needed to understand how these smaller employers that are traditionally exempt from the FMLA would fare.

Workers on leave would receive up to 66 percent of their regular wages, with a maximum reimbursement of $1,000 per week and a minimum reimbursement of $145 per week. The wage-replacement rates are in the range that we believe allow for families to feel comfortable taking time off while not discouraging individuals from returning to the workforce. The weekly cap on benefits is at the upper end of our recommendation, suggesting that some middle- and higher-income families will receive relatively high benefit levels. This could crowd out private plans and possibly some state plans.

The benefit would be financed through joint payroll contributions of 0.4 percent of a worker's wages, split evenly between employers and employees. However, this payroll tax may not be sufficient to fully fund the program.[90]

The FAMILY Act includes a five-day waiting period before the benefit period begins, although leave can be taken intermittently beyond the waiting period. Although intermittent leave provides greater flexibility, it would also impose substantial additional compliance costs on firms and the administering agency.

The FAMILY Act does clarify that it does not preempt or supersede state or local law and that it does not prevent employers from providing greater benefits. The policy is gender-neutral and therefore less likely to lead to discrimination against women in hiring than a maternity leave policy would. Moreover, it recognizes the important role that men play in caregiving.

Because the FAMILY Act includes all three types of leave, some estimates suggest that the program could be quite expensive, which would require high payroll taxes on workers. The authors of the legislation estimated that the program could be financed through joint payroll contributions of 0.4 percent of a worker's wages, split evenly between employers and employees. However, other estimates suggest that this payroll tax revenue would not cover the full costs of the program. A simulation from IMPAQ International and the Institute for Women's Policy Research estimated that the benefits from the FAMILY Act would require a 0.48 percent payroll tax to fund.[91] Ben Gitis of the American Action Forum previously estimated that the FAMILY Act would cost anywhere from $85.9 billion to $997.4 billion annually, depending on take-up.[92]

President Trump's Proposal

During the 2016 campaign, Donald Trump proposed a paid maternal leave policy.[93] Since then, his administration has expanded the policy to include parental leave for mothers, fathers, and adoptive parents.[94] The plan would provide six weeks of paid leave, somewhat less than the average length of private-sector leave.[95] Most mothers have medical examinations after six weeks to assess their recovery from childbirth. Many in the working group believe six weeks is too short for mothers to fully recuperate after childbirth and is insufficient time for parents to adequately care for and bond with their new child.

The benefit would be implemented through the state UI systems in partnership with the federal government. Running the paid leave benefit through a federal-state UI partnership means there could be a federal minimum level of paid leave, which states could choose to expand. If applied to only parental leave, this may not require substantial additional bureaucracy, as it is not difficult to determine the birth or adoption of a child. However, this structure would require new bureaucratic capacity to administer family care or own medical leave. The program would be paid for by offsetting reforms to the UI system.

There is substantial uncertainty regarding the proposal's specific details. According to the budget report, "Using the UI system as a base, the proposal would allow States to establish paid parental leave programs in a way that is most appropriate for their workforce and economy."[96] States would be responsible for determining the benefit amount and potentially some of the financing, with some degree of federal support. The states that have already created paid leave programs would need to either adjust to the UI mechanism or obtain a waiver to continue implementing their existing systems.

In addition to this administrative uncertainty, such a structure could also lead to dozens of different sets of rules and compliance requirements, although it provides states flexibility to experiment with new paid leave policies. The ambiguity resulting from deferring policy design decisions to the states provides insufficient information to evaluate the benefit amount, eligibility rules, job protection, interaction with privately provided paid leave, and the use of experience ratings in the state UI systems.

Economic Security for New Parents Act

Sen. Marco Rubio (R-FL) released a federal paid parental leave policy titled the Economic Security for New Parents Act on August 2, 2018.[97] This bill builds on a proposal by Kristen Shapiro and Andrew Biggs that allows new parents to claim a paid leave benefit based on SSDI, financed by delaying the collection of Social Security retirement benefits.[98] Under the Economic Security for New Parents Act, parents would be eligible for paid leave, with payment based on the SSDI benefit formula. The amount received would be equivalent to the eligible parent's three-month value in Social Security benefits for the calendar year in which the benefit is received.[99] However, using these benefits now would cause the parents to receive their Social Security retirement benefits about three to six months later.

Eligibility would be contingent upon meeting specified work-history requirements, and spouses could transfer the benefit to one another.

Additionally, the paid leave would extend to stay-at-home parents if they prove substantial past work history. Because many new parents are young and have little work experience, the bill requires only that they have worked at least four quarters, including at least two of the four quarters preceding their child's birth or adoption.

Sen. Rubio claims that most parents making below the median income of $70,000 would be eligible, with a wage-replacement rate of approximately 70 percent, which would potentially reach the low-income families that are left behind by the current legislation.[100] This act would not supersede any state legislation requiring paid family or medical leave, and better employer benefits as per other contractual agreements would be permitted. Recent work suggests that a two-to-one retirement delay offset would be the actuarially neutral requirement, with 12 weeks of leave offset by 25 weeks of delayed retirement.[101]

This proposal would provide paid parental leave but internalize the cost of taking it. Unlike a social insurance–based paid leave program—in which employers already providing paid leave could reduce their own costs by shifting their employees onto the government program—a completely internalized program may cause less employer crowd out. This is because a firm choosing to eliminate its own benefit and shift its employees onto such a government program would make those employees worse off (due to the delayed retirement). This internalization of the program's cost also allows it to provide relatively generous eligibility rules.

Moreover, the use of the SSDI benefit formula makes the program more progressive. Although it would replace only 45 percent of income for an average worker, it would provide a nearly 90 percent replacement rate for lower-income workers.[102] The much lower replacement rate for higher-income workers would make the program less attractive to higher-income workers, who are also much more likely to already have access to paid leave.

However, the bill has several drawbacks. The Economic Security for New Parents Act is set to expire in 2023. Additionally, the Social Security Trust Funds are set to run out in 2034, at which point there will be substantial across-the-board benefit cuts. American Action Forum found that a similar proposal would accelerate the Trust Funds' depletion by six months.[103] Since most of the parents who are eligible to claim the paid parental leave are expected to retire after 2034, a delayed retirement scheme in effect transfers six months of full retirement benefits from older individuals to younger workers who take paid parental leave. Moreover, if future changes to Social Security retirement benefits reduce the benefit generosity or eliminate the required retirement deferral ex post, then the program would no longer be actuarially neutral.

Additionally, the bill mandates a transfer from the Treasury general fund to the Social Security Trust Funds. This is intended to prevent the aforementioned accelerated depletion. Consequently, this program would increase government borrowing in the short run (offset by reduced deficits in the future), resulting in a rise in government debt equal to the amount transferred to the Trust Funds.[104]

At the time of this report's publication, this policy was recently unveiled, so its details and ramifications still need to be more thoroughly analyzed. Rep. Ann Wagner (R-MO) plans to release a similar proposal in the House in September 2018.[105]

Tax-Favored Savings Accounts

Another alternative would involve creating special tax-preferred savings accounts to enable workers to set aside money for unpaid or partially paid parental leave. Providing tax-free accounts specifically for this purpose could encourage workers to save more before needing leave. In 2016, the Independent Women's Forum recommended creating personal care accounts, which would allow individuals to contribute pretax dollars up to a limit, with the funds used while the individual is on leave.[106]

In 2017, Rep. John Katko (R-NY) introduced the Working Parents Flexibility Act of 2017, which would allow workers to deposit pretax dollars up to $6,750 annually and up to $24,000 over all taxable years.[107] Employer contributions to these accounts would also be nontaxable, and these funds could

be withdrawn tax-free within the first year after a child's birth. Although this approach would provide flexibility and be relatively inexpensive, it is unlikely to provide much benefit to lower-income workers, for whom saving is relatively difficult, as well as young parents, who have had little time to accumulate savings. Moreover, the Working Parents Flexibility Act denies the deduction to taxpayers with adjusted gross income over $250,000, creating a notch point in the tax rate schedule, although this could be addressed by phasing out the benefit instead of immediately eliminating it.

The Workflex in the 21st Century Act

The Workflex in the 21st Century Act, introduced by Rep. Mimi Walters (R-CA), would amend the Employee Retirement Income Security Act to allow employers to opt out of certain state and local laws if they met certain requirements for flexible scheduling and PTO.[108] The bill would create qualified flexible workplace arrangement (QFWA) plans with certain minimum requirements for paid leave and flexible workplace options.

The paid leave requirement in the bill is based on the firm's size and the employee's job tenure, ranging from 12 days for small firms (fewer than 50 employees) and employees with fewer than five years of tenure to 20 days for large firms (at least 1,000 employees) and employees with at least five years of tenure. The minimum requirements would be prorated for part-time workers. Importantly, up to six paid holidays would count as days of paid leave. For employers that offer two weeks of paid sick leave and two weeks of paid vacation annually, this would require no additional paid leave. The paid leave component would come with job protection for leaves not exceeding 12 weeks.

To satisfy the other component of a QFWA, the option for flexible work arrangements, the employer must offer employees a biweekly work program, a compressed work schedule, a telework program, a job-sharing program, flexible scheduling, or predictable scheduling. The flexible work arrangement would be required only for employees who worked with the same employer for the previous 12 months and had worked at least 1,000 hours during that period. Problematically, the bill would allow any plan that "substantially complies with the requirements" to be considered a QFWA, without defining substantial compliance.

Meeting the minimum requirements for these two components would preempt any state and local laws that relate to the requirements of the QFWA, as well as the executive order on paid sick days for federal contractors. This appears to allow employers that opt into the program by meeting the QFWA requirements for all employees to be exempt from state and local laws regarding paid sick days, flexible scheduling, predictable scheduling, and any other employer-paid time-off requirements, such as the employer-mandated TDI programs in New York and Hawaii. Any effects on state paid family and medical leave programs that are not implemented as mandates or do not come with job protection are more ambiguous.

As noted earlier, our working group generally does not favor preemption. This bill will probably ease the burden for larger firms facing complex multistate regulations, but it may not incentivize firms to establish programs in states where QFWA-related mandates do not currently exist. As such, the effects of this proposal on access to paid leave and other benefits are not evident.

V. Our Conclusions on Paid Family and Medical Leave

Paid family and medical leave includes three main types of leave—parental leave (leave to care for a newborn or newly adopted child), medical leave (leave for one's own illness), and family care leave (leave to care for a seriously ill family member). Over the past two years, we considered each of these types of leave in turn.

During our first year of work together, we had lengthy debates about paid parental leave. Group members agreed that a national paid parental leave program was needed. Different members of the group favored different durations of paid parental leave (mostly ranging from six weeks to 12 weeks or more), but in the end, we endorsed a compromise proposal of eight weeks of paid parental leave at 70 percent of wages up to $600 per week.

For the past year, we have similarly grappled with what to do about paid leave for medical or family care purposes. In the end, we did not all agree. There were two different views with nuances within them.

One view was that the US should provide paid leave for all three types of leave with benefits similar to those we agreed on for parental leave—eight weeks of paid leave with a 70 percent replacement rate capped at $600 per week. These working-group members note that we now have quite extensive evidence from state programs suggesting that the costs of a comprehensive program covering all three types of leave would be reasonable, that the impacts on employers would be neutral or minimal, and that, while providing eight weeks of paid leave will not address the need in every case, it would still help. They see value in treating all forms of leave as equally legitimate and, based on the evidence of unmet needs, in extending the population affected from just new parents to a broader group. Moreover, they believe that anything less could be read as a retreat from the basic principle—established in the FMLA and in all the state programs enacted thus far—that all three types of leave are needed.

A second view involved some provision for paid medical leave and paid family care leave but suggested treating these separately from paid parental leave. Parental leave addresses a distinct and well-defined event, whereas the conditions leading to medical leave or family care leave can be much more varied, justifying treating them differently. Some in our group were opposed to any federal paid leave policy for family care.

In the case of medical leave, we thought that any new policy to address temporary disability should bridge the gap between paid leave for short-term illness (through employer-provided paid sick leave) and longer-term disability coverage (through SSDI). This policy might take the form of a policy that provides paid medical leave alongside paid family leave, or it could be a freestanding paid medical leave or temporary disability policy. In either case, a federal paid medical leave or TDI program should take into account possible reforms to existing disability programs.

The program might work similarly to long-standing state TDI programs including carefully crafted definitions of qualifying conditions, medical verification, and duration. Further study would help address what such a program would look like, what it would cost, and how it would interface with sick leave and SSDI. The advantage of this approach is that it would allow workers who need temporary medical leave to take such leave and still remain in the workforce, instead of going onto SSDI, which typically requires participants to remain out of the labor market permanently.

In our cost estimates, we have shown that medical leave is the most expensive form of leave. However, the SSDI program and its budgetary costs have grown rapidly in recent years, and there could be offsetting savings from shifting some of its recipients to a TDI program. This would encourage more disabled individuals to remain active in the workforce, raising labor force participation and economic growth in the process. In fact, many of us are open to considering broader reforms to SSDI if these reforms are coupled with a new federal TDI program.

In the case of family care leave, we all agree that the ability to take leave to care for an ill family member would be beneficial for employees. However, there was no consensus regarding paying for this leave through a federal program.

On the one hand, many favor moving forward on paid family care leave at the national level, as part of an integrated paid family and medical leave policy. These group members note that, between the aging of the population and the increasing necessity of paid work for traditional caregivers (typically women), the illness of a family member can produce difficult choices. Statistics from existing programs indicate that, even when paid family care leave is offered, its usage is low and leave durations are short, so the costs of such a program would not be large. They point to emerging evidence suggesting that the benefits of paid family care leave include better health outcomes among those being cared for, better labor market outcomes for the employees providing care, and potential savings to public programs such as Medicaid. If paid leave for family care were to be adopted, we all agree that it should include limits on repeat use, a waiting period, certification of medical need, and a carefully defined set of relatives who would qualify as family.

On the other hand, other members were not ready to support a federal paid family care program. This group believes there is not a lot of unmet need for family care leave and worries that paying for it would impose burdens on taxpayers, employers, and employees that are not warranted given what we know at this time. They argue that this type of leave tends to be more intermittent and can often be covered with existing PTO or personal savings. And from an implementation perspective, it can be harder to verify, and it can involve repeated use to care for multiple family members.

Despite these differences, we believe our discussions were helpful in identifying points of agreement and disagreement and in suggesting areas where more research may be needed.

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Addressing 21st-Century Economic Risk in the United States

Executive Summary

The United States lags behind all other developed economies by not having nationwide paid family and medical leave. Most other countries enacted these policies decades ago as part of their comprehensive social insurance systems. Without paid leave to care for a new child, a seriously ill family member, or one's own medical needs, many struggle to address conflicts between their dual roles as workers and family caregivers. As a result, reduced labor force participation and diminished productivity are holding back US economic growth. Yet, the absence of a comprehensive policy in the US also presents the opportunity for solutions that are forward-looking and take into account 21st-century risks in the context of 21st-century labor markets.

The question today in Washington, then, is whether to set up a new system or add onto existing law to create a paid family and medical leave program. Which is the best option? And if federal policymakers were to start from scratch, what should they create?

To think this through, policymakers need to consider whether and how this type of paid leave is connected to the current landscape of US social insurance programs before they decide how to implement new coverage. In this report, we suggest they consider four principles that should underpin any new paid leave law. Specifically, an ideal family and medical paid leave system should:

- Cover a wide range of care-based needs;
- Cover all workers, regardless of how employment is structured;
- Be federally administered; and
- Be gender-neutral.

Addressing 21st-Century Economic Risk in the United States

HEATHER BOUSHEY AND ELISABETH JACOBS

Policymakers on both sides of the aisle have begun to recognize what working families have known for decades: The conflict between labor market responsibilities and caregiving responsibilities is a problem for not only family economic security but also macroeconomic concerns such as labor market participation and productivity. As the national conversation unfolds about how best to address this conflict through effective public policy, a growing body of research from state-level paid family and medical leave policies provides compelling evidence for the efficacy of social insurance–based policies that cover not only parental leave but also medical leave to care for one's own serious illness, as well as caregiving leave to care for a seriously ill family member. In the pages that follow, we rely on that research to provide guidance for those considering new policies designed for not only today's needs but also tomorrow's economy.

This report begins with a quick refresher on why working families need a paid leave program. Women are increasingly co-breadwinners or sole breadwinners for their families, which means they are no longer available to provide family care without a shock to family incomes. Families increasingly have aging parents to care for. And many with caregiving responsibilities are young, which means they are only on the first rungs of their earnings potential on a lifelong income ladder, with little ability to save given the demands of young children and aging parents. Few of them or their partners have meaningful access to paid leave.

Our report then turns to the changing nature of US workplaces today—and the potential for even greater upheavals in the years to come. More workers are working in so-called fissured firms, in which all but the most important business activities have been outsourced to contractors or individual freelancers—jobs that overwhelmingly do not include employer-provided benefits of any kind. Moreover, these jobs are increasingly part-time positions depending on the business sector and the business cycle.

None of these developments in the workplace are conducive to implementing paid family and medical leave policy based on employers. Yet employers remain central to our nation's hodgepodge of programs for social insurance, such as Social Security retirement and disability insurance, unemployment insurance, and Medicare. This is why we then examine how the needs of families and firms and the programs in place to help workers cope with caregiving interact. As we detail, the state of play is not encouraging, although beacons of success are evident in some states.

Finally, we look at what all this means for paid family and medical leave insurance and whether covering the full spectrum of families' care-based work interruptions requires rethinking the components of our current system. Taking our four principles detailed above, we believe policymakers in Washington have a unique chance to create a new paid family and medical leave program that will help workers and their families engage in needed caregiving responsibilities while enabling their employers to become more productive—a win-win for

employers, workers, and the US economy more generally. Some of the most significant economic risks facing the United States are tangled up in our lack of paid family and medical leave, from lower workforce participation to declining productivity.[1] Crafting a new system will be hard work. But continuing with the current system is no longer an option.

Why Does the US Need Insurance Against Employment Interruptions to Care for Oneself or a Family Member?

The past five decades have seen dramatic shifts in the structure of individual families, in how families connect to employment—and thus earn their livelihoods—and in how care is provided for the young, aged, sick, and disabled. Central to these shifts is who is providing this care and how these interruptions play out in the broader US economy. So let's consider each of these shifts within and outside of families as they intersect with the economic consequences.

Workers Face a Host of Care-Related Responsibilities That Can Create Destabilizing Interruptions to Labor Market Participation. Women now make up nearly half (46.7 percent) of all employed US workers. Today, 58.3 percent of women 20 years of age and older participate in the labor market (compared to 33.9 percent in 1950). The majority of married mothers are either breadwinners (24.1 percent) or co-breadwinners (28.8 percent), bringing home at least of quarter of their families' incomes.[2]

Many more families have one parent who is both a solo caregiver and the sole breadwinner. Between 1970 and 2015, the share of families headed by a single mother more than doubled, from 12 percent to 26 percent.[3] The dramatic increase in single-parent families over the past 45 years means that more workers—and especially women and nonwhite workers—are juggling both work and care responsibilities with no second adult available to assist.

Women's increased labor market participation is more important to both family economic security and national macroeconomic well-being than ever before.[4] The combination of the feminist revolution and economic necessity means that most women today work outside the home. Yet caregiving needs persist: Babies join families, workers get sick, and aging parents need care.

America Is Aging. The size of the baby-boom generation now entering its retirement years means the sheer number of elderly individuals grows each year. In addition, medical advances have extended many Americans' life spans. The result is a growing cohort of elderly Americans, many of whom will live longer and will need care—care that their adult children often need (and want) to provide.

Advances in medical technology also mean many aging Americans are able to continue to work, but aging increases the risk of an employment-based interruption for care-based needs. The probability of elderly workers experiencing health problems that temporarily interrupt their ability to work increases with age, as does the probability that a working or nonworking elderly spouse will need care. Their working-age children also will increasingly experience work interruptions to care for their parents.

Changes in the Nature of Working-Age Americans' Health Challenges. Debilitating health problems that permanently eliminate individuals' ability to earn a living through meaningful work are a real and enduring problem and are unlikely to disappear anytime soon. That means a key starting place for paid family and medical leave is an insurance system that provides a safety net for workers who find themselves permanently out of the labor market. At the same time, a growing number of Americans are experiencing health problems that interrupt work for a temporary period—but need not necessarily interrupt work for good. In addition, the Americans with Disabilities Act of 1990 introduced a new set of protections for the disabled, which opened up the possibility of gainful employment to many disabled individuals who previously would have been precluded from participating in the labor market.

Taken together, all these shifts in circumstances around the relationship between disability and work

raise the question of whether the existing Social Security Disability Insurance program is filling the need for individuals who need temporary time away from work to accommodate an illness or disability.

The Changing Nature of Work. At the turn of the 20th century, work was becoming increasingly formalized, and policymakers in Washington, statehouses, and city halls around the country were laying out rules to govern stable, full-time employment when most workers were employed by a single employer for their entire working lives. Now, however, strong indications show that the future of work in the 21st century will be heavily comprised of unstable, contingent, or contract employment. Three significant shifts to the structure of the labor market have implications for levels of risk born by workers, as well as the distribution of those risks—the rise in contingent work, the fissuring of the workplace, and changes in part-time employment. These shifts affect how we think about insuring workers and their families against risk.

Rise in Contingent Work. Today's economy is increasingly characterized by "gig" employment, in which workers take on short-term jobs, often as self-employed workers or "1099" contract employees (named after the tax form these workers must file with the IRS). Much of this change has occurred in just the past decade. A recent study finds that the share of workers engaged in "alternative work arrangements" (including temporary help-agency workers, on-call workers, contract workers, and independent contractors or freelancers) rose from 10.7 percent in 2005 to nearly 16 percent in 2015.[5]

Indeed, a stunning 94 percent of net employment growth between 2005 and 2015 was made up of growth in nonstandard work.[6] According to a Federal Reserve Board Enterprising and Informal Work Activities survey, 36 percent of adults undertook informal paid work to complement or substitute for more traditional or formal work arrangements.[7] Today's worker no longer has a traditional "employer" with whom to share the burden of risk.

Fissuring. Trends in alternative work arrangements overlap with trends in the structure of the labor market more generally, notably the rise of what economist David Weil at Brandeis University calls "the fissured workplace."[8] In geology, a fissure in a once-solid rock deepens and spreads. In the same way, businesses also fissure as they shed secondary functions—think Goldman Sachs & Co. outsourcing its janitorial services to a contract custodial firm—and those fissures deepen and spread as these secondary businesses doing the work often shift some of their activities to yet another company.

A key starting place for paid family and medical leave is an insurance system that provides a safety net for workers who find themselves permanently out of the labor market.

The result is an increasingly complex layering of employees within businesses to the extent that some employees may not even have a clear sense of who their actual primary employer is. Weil notes, "The farther down the fissure one goes, the slimmer the profit margins and the greater the incentive to cut corners," which raises questions about how fissuring affects the availability of non-compensation employee benefits such as paid leave.[9] As companies cut corners by reducing wages, benefits, and workplace protections for employees, workers' abilities to address conflicts between work and care responsibilities are at stake.

While substantially more research remains to be done on fissures in the workplace, especially as the structure of work continues to evolve, early research on its consequences for workers employed by so-called non-primary firms—think the contract custodial firm that services Goldman Sachs & Co.—suggests that, as compared to similar workers employed in non-fissured firms, their earnings are depressed, and they are less likely to have access to the employer-based health, retirement, and sick leave benefits.[10]

This rise in contingent work also is presenting challenges of misclassification, which affects who is covered by social protections, such as unemployment insurance and workers' compensation, and who is responsible for payroll taxes, including those that fund federal Social Security and Medicare social insurance programs.[11] Consider ride-hailing service companies Uber Technologies Inc. and Lyft Inc., which employ drivers as individual contractors who thus must pay both the employer's and the employee's share of payroll taxes. Designing a paid family and medical leave program needs to take this development into account, too.

Part Time. Our nation's current workplace rules and regulations are largely premised on the 20th-century idea of full-time work. Yet part-time work plays a crucial role in the US labor market. Nearly one-fifth of all workers are employed part time, a trend that has remained reasonably steady since the early 1980s.[12] The composition of the part-time workforce has shifted in important ways, too. The part-time workforce once was comprised of young workers (age 16 to 24) and married women, but today's part-time workers are increasingly likely to be prime-working-age individuals (age 25 to 54) with less than a high school degree.[13]

Then there is the growing share of involuntary part-time workers—those who either are unable to find full-time employment or have had their hours cut back, typically because of ebbs and flows in the business cycle. The slow recovery from the Great Recession of 2007–09 was characterized by an unusually slow decrease in the share of involuntary part-time workers, which only returned to prerecession levels in early 2018, nine years after the start of the downturn.[14] Involuntary part-time work remains elevated for African American and Hispanic workers compared to white workers and for those with less than a high school degree compared to college-educated workers.

Involuntary part-time workers are five times as likely as other workers to live in poverty, and they earn 19 percent less per hour than comparable workers with similar full-time jobs.[15] Taken together, these data suggest that the part-time working population is an important and vulnerable group of individuals, with cascading consequences for their families' economic well-being.

Unpaid and Paid Leave for Full-Time and Part-Time Workers Today. When New Deal–era US Secretary of Labor Francis Perkins laid down the foundations for the federal social protections that endure today, the majority of American families enjoyed a clean division between non–labor market care work traditionally done by women and labor market work done by men.[16] Now that more women need (and want) to be in the workforce, most workers have—or will have at some point—care responsibilities alongside job responsibilities. These care responsibilities include care for others: a new baby, a sick or disabled child, or an ill or aging family member. They also include care for one's self due to a temporary disability or illness that interrupts one's ability to work for more than a few days, but not for a lifetime.

Despite these risks, the United States has no federal policy providing insurance against care-related interruptions to labor market participation. Our sole federal family leave policy is the Family and Medical Leave Act of 1993, which requires that employers provide a minimum of 12 weeks of job-protected leave without pay to any eligible worker for bonding with a new baby, caring for a sick relative, or tending to one's own serious medical condition.[17] Yet access to basic job-protected unpaid leave is limited, as the Family and Medical Leave Act applies to only employers with 50 or more employees and requires a worker to be on the job for at least a year to receive the law's protection.

Paid parental leave, temporary disability leave, and medical leave are provided either through private employers—with substantial levels of variation in access and generosity and no access at all for many workers—or through a handful of state-level public temporary disability insurance programs. Because of the absence of a federal policy, access to insurance against care-related work interruptions is limited and uneven. In 2017, just 15 percent of US civilian employees had access to paid family leave as an employee benefit,[18] 39 percent of US civilian employees had access to employer-administered short-term disability benefits, and 34 percent had access to long-term disability benefits through their employer.[19]

Part-time workers fare even worse. Just 5 percent of part-time workers had access to paid family leave, 15 percent had access to short-term disability leave, and 5 percent had access to long-term disability leave. Low-wage workers also were substantially limited in their access to care-related leave. Just 6 percent of workers with access to paid family leave were in the bottom quarter of the earnings distribution. Similarly, just 19 percent of workers in the bottom quartile had access to short-term disability leave, and just 8 percent of workers in the bottom quartile had access to long-term disability leave.[20]

The United States is a global exception in its failure to provide broadly accessible insurance against work interruptions due to care responsibilities. But it is an outlier in another noteworthy but positive way: gender neutrality.[21] The Family and Medical Leave Act is available for any worker who needs to care for a new child or a seriously ill family member. This benefit is attached to the worker; if a new father chooses not to take his leave, the mother cannot use it, and the family loses those weeks of leave. Often in other countries, parental leave can be taken by one parent, but the family chooses which parent, although that is changing as policymakers introduce "use it or lose it" leave. Therefore, in the United States, access to leave is gender-neutral, meaning any eligible worker, regardless of gender, has access to job-protected unpaid leave to care for a loved one.

At What Level Should We Insure Against Risks to Family Economic Security?

The absence of a comprehensive insurance policy protecting against care-related risks provides an important opportunity to take a step back to consider the different ways of providing paid family and medical leave insurance. Federal old-age, disability, and unemployment insurance are all social insurance programs in which the risks are transferred to and pooled by government, which in turn is legally required to provide benefits to the relevant eligible populations. Yet social insurance is only one option for risk pooling; the responsibility for insurance also can be placed on individuals, employers, or some combination of both. Policymakers grappling with how best to create more comprehensive insurance policies that both protect family economic security and promote more broad-based economic growth (by enabling more workers with care responsibilities to be the most productive at work) need to think carefully about what level of risk pooling is most appropriate.

Any insurance program would have to address how to cover costs. With self-insurance, expenses are the responsibility of individuals, their employers, or some combination of the two. With social insurance, current programs such as Social Security and Medicare are paid for by payroll taxes—some from employers, some from employees, and some joint—that are paid into trust funds to cover the plan's current and future expenses. Some of these payroll taxes have earnings caps; others do not.

A well-designed social insurance program should be properly funded upon startup and designed to be sustaining over the long term. Various policy options exist for funding, including a small increase in payroll taxes or the elimination of the cap on earnings for paying Social Security payroll taxes, as was done in the early 1990s on Medicare taxes. The existing social insurance programs face revenue shortfalls in coming decades as the number of retirees rises. Here, too, are various options to fill in the gap. Experts estimate that Social Security's projected shortfall could be addressed entirely if the cap on earnings were lifted. This is an especially appealing idea given the large tax

cuts that those at the top of the income ladder have received through the Trump- and Bush-era tax cuts.

Paid family and medical leave could tap into these existing social insurance programs in various ways, or any new program providing support for caregiving could be developed outside these existing programs. To gauge which might be the best approach, it is important to understand how individuals, employers, and employees contribute to current insurance programs. We now turn to this.

A well-designed social insurance program should be properly funded upon startup and designed to be sustaining over the long term.

Individuals. Individuals are responsible for protecting their future selves against myriad risks in today's society. For instance, car owners are legally responsible for purchasing their own automobile insurance policies, and homeowners are required to purchase homeowner's insurance policies. But there is no national market for caregiving insurance products. The one existing national market, for long-term care insurance, contracted significantly beginning around 2002 and today offers insurance that is prohibitively expensive.[22] This means individuals must, for the most part, rely on savings when providing caregiving or coping with their own short-term illnesses.

A quick snapshot of most families' household balance sheets suggests that most workers are not in a position to use savings when they face a major—or even minor—interruption to employment for caregiving or medical-related recovery. The Federal Reserve Board's nationally representative Survey of Household Economics and Decisionmaking finds that nearly half (44 percent) of people report that they do have $400 in the bank to cover an emergency expense. Higher-income families are more likely than lower-income ones to have some savings to cover an emergency. Blacks and Hispanics are less likely than whites to have access to emergency funds. The balance sheets of most US households simply do not allow for self-insuring against economic shocks of any real magnitude. Nearly a quarter of respondents to the Fed survey said they were unable to pay the current month's bills in full.[23]

There are also questions about whether individuals would voluntarily self-insure for future caregiving needs. Mortgage companies require homeowner's insurance for a reason: People—even those with a vested property interest—are likely to underinsure. Research in behavioral economics teaches policymakers and consumers alike that we are highly susceptible to myopia in decision-making, which means that asking workers to save today to insure against a future risk pushes against human nature.[24]

What would it mean to require people to self-insure for paid leave? In addition to the myopia challenge inherent in human nature, there are other serious challenges to placing the full burden of responsibility for caregiving-driven interruptions to labor market participation on individuals or families. One feature of any self-insurance plan is that needing time off to care for a new child tends to occur early in people's adult lives, when they have had insufficient time to save funds to cover the leave and are trying to save up for a home and pay off school debt, all before reaching peak earnings years in their careers. The years during which the overwhelming majority of people start their families—their 20s and early 30s—are the same years that workers tend to earn the lowest salaries of their adult lives.

Another challenge for single parents is dealing with eldercare. Single mothers are likely to be low earners and thus are less likely to have saved substantially over their careers. Their ability to endure an interruption to their earnings when the time comes to care for an aging parent is low, and they do not have a partner with whom to co-save or smooth over lower family

income when one partner needs to not work due to care responsibilities.

Employers and Employees. The United States has long relied on employers to provide a host of benefits to workers in the form of non-earnings compensation. Perhaps the best example is our health insurance system, in which most Americans gain access through employer-based risk pools and in which premiums are funded through a combination of employer and employee contributions—even after the expanded access to non-employer, semipublic risk pooling created by the Affordable Care Act of 2010.[25]

Insurance for care-related work interruptions also is largely employer based in the United States, and most employers do so through self-insurance—that is, by directly covering the cost for their employees. Except for the handful of states that have developed state-based social insurance programs providing paid family and medical leave, US workers with access to paid leave for caregiving responsibilities today receive that leave through employer-based leave policies.[26] As noted earlier, while the Family and Medical Leave Act requires that eligible workers receive 12 weeks of job-protected unpaid leave from their employer, it does not require employers to offer paid leave; whether to offer such compensation is up to the employer.

Further, the overwhelming majority of people are "at will" employees who are not represented by a union and have few rights relative to their employers. The fissuring of the workplace discussed above and the rise in monopsony labor markets—markets in which a reduced number of employers are able to set lower pay scales for their workers akin to how monopoly power enables a few firms to charge high prices for consumers—also conspire to reduce workers' bargaining power over much-needed benefits.[27]

What would it mean to require employers to offer some form of paid family and medical leave? Mandating that employers provide paid caregiving leave to their workers essentially aggregates risk at the employer level, which raises a host of questions.

First, would requiring employers to provide paid caregiving leave increase the probability of discrimination against those who are most likely to require caregiving leave, among them women of childbearing age or older workers, both of whom already face significant labor market discrimination without paid leave mandates?

Second, would some employers be systematically disadvantaged by the cost of leave due to a high concentration of workers more likely to need caregiving leave? One could imagine this playing out at the level of firms, occupations, or industries, particularly in light of high levels of occupational gender segregation.[28] For instance, more than 88 percent of all home health care aides are women, and these jobs are typically low-wage positions.[29] Low-wage home health care workers likely cannot save to self-insure against care-related interruptions to their work, and, given women's enduring role as family caregivers, the workforce as a whole is likely to be highly vulnerable to care-related interruptions.

Third, to what extent would requiring employer-based leave contribute to "job lock," making it more difficult for workers to move from job to job? Decades of economic research teach us that job-to-job mobility is crucial both for individual upward economic mobility and for maximizing labor market productivity and therefore economic growth.[30] Research on employer-based health insurance provides good evidence that it contributes to diminished worker mobility, reducing the voluntary worker turnover rate by 25 percent.[31] Further, employers have to pay a significant set of implicit taxes to bring on any full-time worker, contributing to this problem. Whether employer-provided paid family and medical leave contributes to job lock remains an open research question.

Fourth, the US labor market's changing structure raises important fundamental questions about whether employers are an appropriate institutional home for insuring workers against work interruptions, including caregiving responsibilities. The rise of the gig economy means that workers are less likely to be employed by a single employer, which reduces the possibility that any one employer will provide benefits.[32] This reorganization of the structure of work collapses risk back onto the shoulders of the individual worker because firms are increasingly less likely to pool risk.

Social Insurance. Many of the concerns with placing the onus of insurance against the risk of care-based employment interruptions on the individual or the employer stem from questions of the right way to pool risk. In our view, expecting individuals to self-insure through savings seems inadequate given that many of those most likely to need access to insurance are those least able to save, and the magnitude of the savings required far exceeds what the vast majority of workers and their families can accomplish today. Pooling risk at the employer level also comes with a host of concerns, particularly in light of a changing labor market, where the social compact between an employer and employee has eroded in the face of a fissured workplace.

Social insurance then logically emerges as the best option for paid family and medical leave because it allows for a combination of individual and employer contributions while providing access to benefits across a worker's career in ways that circumvent many of the concerns detailed above. A social insurance–based model, however, raises a host of specific policy design questions that are well beyond the scope of this report, such as funding, eligibility, and benefit levels. But the evidence tells us that policy design questions belong in the realm of developing a workable social insurance policy rather than individual- or employer-based alternatives that are ill-suited to address the caregiving problem at hand.[33]

Another key factor that points toward a federal social insurance system for paid family and medical leave is the changing face of the US macroeconomy today. Policymakers should take into account the caregiving risks associated with the future of work in light of rapidly evolving global trade and its impact on US labor markets. Technological changes mean that workers may be more likely to work part time or as contract workers, pooling income from multiple jobs or employers. This means that any new program should address head-on workers who may not be eligible for benefits from any of their employers or who need benefits that are portable across employers. The social insurance model provides a benefit available for workers as they transition across jobs.

How seriously to take this concern, and on what time horizon, is an open question. In our view, however, without anything other than fuzzy predictions and the likelihood that the centrality of work in American life will endure, pursuing an expansion of social insurance to more fully recognize the scope of risks to family economic security stemming from work interruptions seems prudent. As former US Treasury Secretary Tim Geithner said when facing an economic crisis of a different sort amid the Great Recession, "Plan beats no plan."[34]

How Does Social Insurance for Paid Leave Map onto What Is Offered in Practice?

On the issue of paid family and medical leave, the federal government has left it to individuals, employers, states, and municipalities.

Self-Insurance. No market currently exists for self-insurance for paid family leave. This may be changing given recent policy changes in New York State. There also may be lessons about the market's capacity to provide this kind of insurance based on the difficulties with setting up a market for long-term care insurance, which contracted by 83 percent between 2002 and 2014.[35] Yet at this time, without a market for insurance, self-insurance means relying on savings, which, as noted above, is insufficient.

Employer-Based Coverage. Employer-based paid leave coverage is sparse. For most companies, some form of retirement savings program (e.g., 401(k)s) and health insurance are typical, but not for leave policies. Even in a given firm, not all employees may have access to the same paid family and medical leave benefits.

Employers provide paid family leave—a paid, extended leave of a few weeks or months to care for a new child or ill family member or to recover from one's own serious illness—for about 15 percent of employees.[36] But only 6 percent of workers in the bottom quarter of earners have paid family and medical leave through their employer compared with

25 percent in the top quarter. Young workers also are less likely than others to have access to paid family and medical leave, which makes little sense when we consider that most women have their first child by the age of 26.[37]

Temporary disability insurance programs cover about 40 percent of all workers.[38] The majority of employers (80 percent) who provide paid maternity leave do so through a temporary disability insurance policy. These policies typically do not cover paternity leave, parental leave for adoption, or caregiving leave.[39] Access to employer-provided disability insurance varies by earnings level and occupation, with low-wage and part-time workers less likely to have access to employer-provided private plans and employers in occupations with high rates of injury (such as construction) less likely to offer such plans.[40] The relatively low overall levels of access and uneven distribution of coverage suggest that the private insurance market is not a particularly effective way of covering workers, nor is it especially useful to firms; the prevalence of employer-provided short-term disability insurance coverage has also been declining over time.[41]

Social Insurance at the Federal and State Levels. As a society, we have long recognized some of the fundamental uncertainties around work that place family economic security at risk. At the federal level, the foundation for our social insurance system is the Social Security Act of 1935. The premise of the Social Security Act was that, to address economic risks of workers and their families, the nation needed an insurance system to replace the earnings of a breadwinner when he was too old to work, could not find work, or died.[42]

The rules sought to ameliorate risk while not discouraging labor force attachment. The presumption in the 1930s was that this insurance was to insure against the loss of the primary (typically male) breadwinner, and the law's rules meant that most employed African Americans at the time were categorically excluded from coverage by not requiring companies in predominantly minority-employed industries such as agriculture and housecleaning to pay and collect payroll taxes. The original law created two national social insurance programs: retirement benefits for workers after they reached the age of 65 and unemployment compensation administered by the states for workers who had lost their jobs through no fault of their own.[43]

Unemployment insurance was created as a federal-state partnership funded by payroll taxes employers paid. States set the parameters of their own unemployment insurance payroll taxes and remit those funds to a federal Unemployment Trust Fund, where each state has its own account for covering unemployment benefits. In addition to each states' separate fund, these payroll taxes also help fund a federal fund. This federal fund covers administrative costs, makes loans to states that deplete their own trust fund reserves, and covers part of the cost of extended unemployment benefits made available when states experience prolonged periods of deep unemployment.

The Social Security Disability Insurance program, added to the Social Security system in 1956, recognizes the risk of a debilitating physical or mental disability to a worker's ability to earn a living, and it provides basic economic security for disabled individuals able to prove eligibility through a medical review process. Workers are eligible for Social Security disability benefits only if they fully exit the labor force, and the program requires a mandatory five-month waiting period before receipt of Social Security Disability Insurance benefits.[44] Sixty percent of workers' initial claims are denied, and the average wait time for reconsideration of applications is 101 days.[45] Eighty-nine percent of reconsidered applicants are denied a second time and must then wait an average of 18 months for a hearing to appeal the denial of benefits.[46] Despite strict eligibility criteria, the lengthy application process, and the limited availability of income supports while workers wait for benefits determination and are out of the labor force, the number of workers receiving federal Social Security Disability Insurance benefits grew from 2.9 million in 1989 to 9.3 million in 2016.[47]

Slightly more than half of all current Social Security Disability Insurance recipients qualify due to mental or musculoskeletal disorders, which some

have identified as a "subjective" diagnosis. This raises the question of whether a beneficiary might actually be able to combine work and benefits or eventually return to work full time. These types of claims are more likely to be filed by younger workers and have the greatest potential for future labor force participation.[48] Providing benefits more quickly for employees who experience work-limiting disabilities and helping them transition back to work when they are able would increase employment rates for workers with disabilities, save funds, and increase the long-term solvency of Social Security Disability Insurance.

The number of workers receiving federal Social Security Disability Insurance benefits grew from 2.9 million in 1989 to 9.3 million in 2016.

These three insurance-type programs address the most significant risks that come from relying on income from employment: the inability to work due to being elderly, laid off, or permanently disabled. In all three situations, workers' income risks are pooled, and payments into the system are made on the basis of expected benefits. Eligibility for all three of these programs depends on a worker's history of employment and payment into the system.[49]

Today, these programs are near universal—that is, they cover everyone—but the original programs were far more restricted.[50] For example, the original Social Security retirement program excluded federal and state employees, agricultural workers, and domestic workers. As a result, when the act was signed into law in 1935, about 20.1 million employed workers, or about half of all workers, were excluded from retirement benefits. Among those working, about one-third of employed African Americans were covered, compared with nearly two-thirds of whites.

The systems are paid for out of current workers' contributions (a "pay as you go" system). In the retirement and disability programs, employers and employees pay an equal amount of taxes on earned income up to a fixed maximum, set at $128,400 for 2018, which means contributions are regressive. The distribution side, however, is progressive, repaying more to low earners relative to their contributions. The funds for unemployment insurance typically come from a tax on employers and are "experience rated," meaning that the tax rate rises for employers whose laid-off employees use the system, although some states tax employees as well.

Beginning in the 1940s, five states (California, Hawaii, New Jersey, New York, and Rhode Island) plus Puerto Rico have had a program designed to provide wage replacement for nonoccupational illness or injuries—in other words, temporary medical leave for reasons not covered by workers' compensation programs, including pregnancy and childbirth.[51] These programs provide wage insurance—at about 60 percent of pay—for workers who cannot be at work due to a short-term illness.[52] In all but Hawaii, these states' temporary disability programs use a social insurance model, pooling resources to achieve cost sharing in exchange for legally required benefits provision to eligible workers.[53] These statewide programs also cover pregnancy and recovery time, which means that about a fifth of women in the United States have the right to some pay during maternity leave, in which the typical mother covered takes 10 weeks off to be with her newborn child. [54]

Four of these five states have added a program to provide paid family and medical leave, building on their long-standing temporary disability programs. California enacted paid leave in 2002, followed by New Jersey (2008), Rhode Island (2013), and New York (2016). The new laws expanded their long-standing statewide temporary disability insurance programs by adding caregiver leave for new parents and workers who need to care for a seriously ill family member. Benefits are for six weeks in California and New Jersey, four weeks in Rhode Island, and

12 weeks in New York,[55] and they typically cover about half or more of an employee's pay, capped at around what the typical worker earns in a week. Benefits are paid for through an employee-only payroll deduction, spreading the costs of leave so that employers do not bear those costs.

Next in line is Washington State, which in 2007 became the first state to pass legislation establishing a new stand-alone program for paid parental leave, but it took a decade for the state to enact the program (in 2017). Also in 2017, Washington, DC, became the second place to pass legislation to set up a stand-alone program, and policymakers are currently developing regulations to guide implementation.

What Is Missing from Federal Social Insurance? The Social Security Act's coverage was designed with a particular economy in mind, one in which most families had one full-time, stay-at-home caregiver and in which workers were increasingly employed full time in jobs they tended to hold for a long time. The panoply of programs does not address short-term illnesses, parental leave, or time off to care for an ailing loved one. In the 1930s and even during the last rounds of major changes to the Social Security Act in the 1950s and 1970s, policymakers did not prioritize the issue of how workers split their time between work and care.[59]

Today, this set of programs no longer fits the way families work and live. The current system fails to bridge the gap between women's role as workers and women's role as caregivers. This may explain the plateau in women's labor force participation that set in around 2000.[60] And it may also explain the decrease in labor force participation for women who would otherwise be at the peak of their careers.[61]

Further, this set of programs operates under the assumption that coverage would be provided to only full-time workers in regular work. Most of the coverage exclusions were for jobs that were intermittent, temporary, or less than full time. This made sense in that in the 1930s, as unions were ascendant, work was becoming increasingly formalized. This no longer makes sense.

Underpinning the current system are two key assumptions. First, the system assumes that workers are employed at one job at a single firm for the bulk of their careers. Second, the system assumes full-time work. Neither of these assumptions hold today, as the structure of work has changed in fundamental ways and is likely to continue to evolve in the decades to come.

The existing social insurance system largely ignores the important role of part-time work. Work-hour requirements for unemployment insurance eligibility

What About Paid Sick Days?

Employers provide paid sick days—paid time off when workers or possibly their family members have a short-term illness, like a cold or flu—to about 72 percent of US workers. But employers are much more likely to provide this benefit to higher-waged workers, with 89 percent of managerial and professional workers receiving paid sick time compared to only 72 percent of service industry workers in 2017.[56] Only 31 percent of workers with wages in the bottom 10 percent of earnings received paid sick days compared to 92 percent of workers with wages in the top 10 percent in 2017.[57] Further, only 36 percent of part-time employees have paid sick time.

As of February 2018, 42 jurisdictions have passed laws giving workers the right to paid sick days. This includes nine states, the District of Columbia, 30 cities, and two counties, covering more than 33.5 million workers.[58] These laws generally require employers to give workers around five to seven days of paid time off to recover from one's own illness or care for a sick child. In some cases, this also includes time to recover from and address domestic violence.

Paid sick leave policies are important, but they are for short-term, sporadic care rather than the longer-term caregiving puzzles that paid family and medical leave policies must solve. As a result, we view them as a necessary complement to a broader system of paid leave for longer workforce interruptions, not a substitute.

are a de facto exclusion of part-time workers in all but a handful of states that have worked to modernize their unemployment insurance programs to recognize the changing labor force.[62] And employer-based benefits are far less likely to be made available to part-time employees.[63]

Our existing system also assumes that a worker holds one full-time job at a time and for a substantial period of time—often his or her entire career. As a result, unemployment insurance requires a substantial accumulation of job tenure with a sole employer in order for a worker to qualify for benefits. Even the Family and Medical Leave Act, which extends job protection but provides no wage replacement for time off, has job tenure eligibility requirements reflecting this outdated notion of the employment relationship between worker and firm. The absence of universally accessible public programs providing wage replacement for work interruptions stems in no small part from a belief that employers had every reason to take care of "their" workers.

This set of programs also presumes that disabilities are permanent. While workers in the five states that have temporary disability insurance are covered, for the remaining share of the US working population, the only option for wage replacement for workers who need time away from work to care for an injury or illness is the federal Social Security Disability Insurance program. Yet this program relies on the original 1956 definition of disability as the "inability to engage in substantial gainful activity" in the US economy, which essentially precludes labor market participation.[64] Once an individual qualifies as eligible for disability benefits—a lengthy process requiring a determination of medical eligibility from a Social Security examiner and often involving multiple appeals—labor force reentry is extremely uncommon.

This stark dichotomy between work and disability may not be necessary if the program were redesigned to recognize evolutions in both work and worker health. For instance, one recent analysis exploits random variation in medical examiner assignment to assess labor force outcomes for otherwise-equal applicants to the Social Security Disability Insurance program and determines that employment has the potential to be up to 50 percentage points higher for benefits recipients with relatively less-severe impairments.[65]

Principles for 21st-Century Social Insurance

As our analysis above makes clear, the contemporary landscape for insuring against care-related interruptions to work is a patchwork of state and federal policies, employer-based insurance programs, and private savings. For many workers, especially those with the fewest resources (especially low-income families and young families just beginning their careers), our patchwork system can feel like a threadbare, crazy quilt. Familiar, common, and important life events—the joyful arrival of a new baby and the bittersweet last months of a well-lived life—create individual family economic crises on an all-too-often basis due to our piecemeal system of insurance. The consequences for our broader economy suffer as a result. We can and should do better.

What would an ideal system for insuring against care-based interruptions to employment look like? In the section below, we outline a set of principles to provide a direction for a comprehensive system that would meet the needs of today's (and tomorrow's) families. We conclude with a set of questions worthy of further consideration as policymakers consider a blue-sky redesign of social insurance.

Principle No. 1: The Ideal System Should Cover a Wide Range of Care-Based Needs. An ideal system recognizes the full spectrum of care needs—both giving and receiving—across the life span of a worker, including mild and more serious illnesses. Our current patchwork system fails to meet the mark here because it has not adapted to a variety of contemporary realities. Who works, for how long, and in what type of job have all changed in fundamental ways since the development of our current system for insuring against earnings interruptions. A new system must recognize these changes. It should also be flexible enough to continue to adapt to the rapid changes that come with technological advances and globalization.

Principle No. 2: The Ideal System Should Cover All Workers, Regardless of How Employment Is Structured. An ideal system for insuring against interruptions to employment must cover all workers, regardless of where they work or how their employment relationship is organized. The risks woven into the current system stem from the combination of tectonic shifts in the organization of employment and the trends in labor supply described in the earlier section, particularly the rise in women's labor force participation and the aging of the workforce. The resulting risk points to a need for greater access to insurance products that are not tied to any one employer and that do not rely on the individual for self-insurance. Social insurance models emerge as the most sensible, forward-looking response to an existing problem.

Changes in the structure of work, and the uncertain future of work in light of the rapid pace of structural changes that have occurred in the past several decades, raise a few key considerations. First, without a primary employer-employee relationship due to the rise in contingent work and the fissuring of the employment relationship, locating the responsibility for employment at the firm level makes little sense. Further, employers are increasingly asking for more "flexibility," pushing to be allowed to classify workers as contractors, and abdicating their role of providing benefits. Second, the rise in alternative work arrangements means that an employee may have multiple jobs at one time—or have no employer at all and be self-employed as a freelancer or gig worker—tethering benefits eligibility to job tenure, which is an outdated notion.

The changing nature of part-time work today leads to two fundamental issues. First, the important role of part-time work for a substantial share of the labor market—and the key role of these earnings for many US families, especially those with lower levels of education—suggests that ensuring access to insurance for this segment of the labor market is crucial. Access to insurance against care-based interruptions for part-time workers is especially important given the dominance of women in the part-time labor force and the persistence of women's role as the traditional family caregiver. Second, the rise of part-time unemployment suggests that work may simply be more precarious than in the past, especially in the wake of business cycle downturns and especially for already vulnerable low-wage, lower-skill workers. As a result, an insurance system that takes this into account and does not layer on additional risk is all the more important.

To be clear, taking into account the changing nature of work and the resulting shifts in the relationship between employee and employer do not preclude taking into account a worker's employment history to determine eligibility for insurance. Work-history-based eligibility requirements can play an important role in ensuring sufficient labor force attachment for beneficiaries and in preventing program abuse. But the calculation of eligibility ought to take into account the various ways that employment relationships have changed. Rather than rely on job tenure or other employer-based forms of work history, policymakers ought to take into account steady periods of work as quantifiable through administrative records on earnings history when designing a new paid family and medical leave program.

Principle No. 3: The Ideal System Should Be Federally Administered. The current social insurance architecture in the United States is a patchwork of both state-based and federal systems. The uneven history of state-based social insurance programs suggests that the ideal program would be administered by the federal government, for several key reasons. First, a federal program with uniform eligibility and benefit schedules would eliminate the existing unevenness among states, creating a level playing field for state finances, employers, and workers. Where one lives and works in the United States should not determine the availability of essential protections against economic shocks. States should not have to compete against one another to lure employers on the basis of the presence or absence of public benefits or regulations.[66]

Second, a federally administered system is substantially more efficient to administer than 50 separate state programs. Unified information technology systems, data collection, and staffing creates fundamental

efficiencies that would accrue to beneficiaries, employers (especially multistate employers, who currently must comply with a dizzying array of varying state regulations and policies), and the public in the form of administrative cost savings.[67]

Principle No. 4: The Ideal System Is Gender-Neutral. Gender neutrality is a crucial starting place for any insurance policy designed to provide economic security on working families' behalf, for several reasons. First, while women continue to spend considerably more time than men on family caregiving, men are playing an increasingly important role in providing care.[68] To the extent that gender neutrality both promotes economic security and encourages continued progress toward equalizing the cultural norms around caregiving, it is a key element of policy design. Second, policies that privilege the traditional women-as-caregivers role risk creating disincentives to hiring women, especially women of childbearing age.[69] Encouraging this bias would harm individual family financial well-being and overall US economic growth.

Concluding Questions

While the principles of universal social insurance coverage and a federally based social insurance system are well supported by existing evidence, several crucial questions remain as policymakers and researchers continue to think through a more comprehensive set of principles on which to build a 21st-century policy architecture for ensuring against care-related employment interruptions.

First, most discussions of wage replacement for care-based work interruptions gloss over that many illnesses—both workers' own health problems and care needs of others—may require intermittent care, recovery time that would allow for part-time work, or a different alternative work arrangement. Some of these needs might be better met by employer accommodations, such as flexible schedules or telecommuting. Regulated "right to request" alternative work arrangements might be a complementary piece of a more comprehensive social insurance program designed to help workers and employers address the dynamic care needs of workers.

Second, the question of exactly how to consolidate existing programs and policies remains open. The current patchwork of public insurance programs comes with a host of downsides—including the maze of benefit programs that both workers and firms must navigate, uneven and unequal access, and administrative inefficiencies—such that a federally administered, substantially more integrated system is a basic starting principle. Yet whether to consolidate multiple programs into one system or to work to build a complementary parallel set of systems that is knitted together to better serve workers' needs is an open question. For sure, the administrative efficiencies of one system have the potential to be enormous. But the needs of workers with different types of care-based interruptions to work vary enormously, such that different programs may require different types of professional expertise, differing levels of ease of access, and differing wage replacement rates—all based on differing program goals.

We also need to consider how any new benefit is paid for. There are political and economic considerations, which overlap. Funding a new paid leave program out of general tax revenue may make it easier to pass into law but may lead to underfunding over time. The state programs have instead gone with raising the payroll tax. Regardless of the tax chosen, it is important that this be a new program, not paid for by cutting revenue for programs that already serve poor and middle-class populations.

Paid family and medical leave—and to a lesser extent, paid sick days—provides a unique opportunity to rethink how we support workers and their families. As we have described above, our current system developed along a set of path-dependent lines, much of which is not how we would build up a new system from scratch. Taking these factors into consideration, we conclude with a set of questions for further thought.

First, do we need to redefine what an employee is? How we provide benefits in an increasingly 1099 economy could be important. Employers are asking for more flexibility. Yet so long as benefits are tied to

employment, allowing employers that flexibility puts workers at greater risk of economic security. Should we consider introducing a new category, or should we propose having only one category?[70]

Second, there are questions about who should administer paid family and medical leave. Given the current policy landscape, there are three options for creating nationwide family and medical leave. One is as a new stand-alone program inside the Social Security Administration, similar to how Social Security Disability Insurance was added in 1956. This is the path laid out in the Family and Medical Insurance Leave Act, which creates a universal paid family and medical leave program administered by the Social Security Administration and funded through payroll taxes. The second way is through a new program alongside the 53 unemployment insurance programs the states run. And a third avenue could be to support the states to create their own paid leave programs, perhaps by also creating a temporary disability insurance program.

Third, questions persist about how to define a family or whether we should consider alternative tax schemes to establish more equity in benefit eligibility across families. The structure of families has changed with an aging population, an increase in single-parent and blended families, and an increase in those who never have children. Workers currently designate a beneficiary for their 401(k) retirement accounts to tell program administrators to whom benefits should flow in the case that the worker dies. Should some version of this beneficiary determination process be part of a new paid leave program to give workers the flexibility to choose whom they define as "family" for the purposes of caregiving leave?

Where Do We Go from Here?

While the above section details a set of crucial questions for future analysis, the four basic policy principles that we have outlined in this report provide a clear starting place for policymakers looking to adequately address the economic risks facing American families, businesses, and our economy as a whole. We have made a clear case for a social insurance–based system, relying on a wide array of evidence that suggests that the alternatives are simply not well suited to addressing the problems at hand.

A key question for managing insecurity involves the appropriate level of risk pooling, and evidence suggests that both individual-level and employer-based risk pooling fall short. We should not build a system around self-insurance when we know not only that those most likely to need access to insurance are the same families that are least able to save and accumulate wealth but also that the magnitude of the savings required far exceeds what the vast majority of workers and their families are able to accomplish today. We ought not build a system that relies on employers to pool risk, given the rapidly changing nature of work, the eroding social compact between workers and their employers, and the uneven distribution of demand and talent across firms.

A social insurance–based system for covering the care-based risks to labor force participation and family economic well-being is a viable, forward-looking solution to a real problem. Every state in the nation that has adopted a family leave policy has used the social insurance model, for good reason. Well-designed social insurance policy provides the opportunity to offer wide-ranging, broad-based, flexible, and gender-neutral coverage. The time has come for the federal government to follow the lead of the laboratories of democracy and move ahead with designing an effective policy accessible to all.

Acknowledgments

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Notes

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3. Francine D. Blau and Anne E. Winkler, "Women, Work, and Family" (working paper, National Bureau of Economic Research, Cambridge, MA, August 2017), http://www.nber.org/papers/w23644.

4. Of course, the ideal of a stay-at-home mother never applied to the families of African American or immigrant women, many of whom toiled in the homes of upper-class whites. In 1920, married African American women were five times more likely than married white women to work outside the home. Further, many working women were newcomers to the United States. But the family with a male breadwinner was the norm among whites and among the majority of families.

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12. Rob Valletta and Leila Bengali, "What's Behind the Increase in Part-Time Work?," Federal Reserve Board of San Francisco, 2013, http://www.frbsf.org/economic-research/files/el2013-24.pdf.

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14. Current Population Survey, "Seasonally-Adjusted Employment Level—Part-Time for Economic Reasons," US Department of Labor, Bureau of Labor Statistics, March 20, 2018.

15. Rebecca Glauber, "Involuntary Part-Time Employment: A Slow and Uneven Recovery," University of New Hampshire Carsey School of Public Policy, 2017, scholars.unh.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1299&context=carsey.

16. The experience of the majority of American family comes with many important exceptions. For instance, African American women's labor force participation was substantial well before white women entered the labor market. For more, see Claudia Goldin, "Female Labor Force Participation: The Origin of Black and White Differences, 1870–1880," *Journal of Economic History* 37, no. 1 (1977): 87–108.

17. "Medical leave" and "sick leave" are generally treated as two distinct policy issues. Sick leave refers to a few days off at a time—for example, to recover from the flu or tend to a child's cold. Medical leave refers to a longer period of leave, either intermittent or consecutive, to tend to a more serious or persistent medical condition—for example, to receive treatment for cancer, care for a child undergoing a series of recurring outpatient surgeries, or care for an aging relative undergoing a hip replacement.

18. This is defined in the survey as: "Family leave is granted to an employee to care for a family member and includes paid maternity and paternity leave. The leave may be available to care for a newborn child, an adopted child, a sick child, or a sick adult relative. Paid family leave is given in addition to any sick leave, vacation, personal leave, or short-term disability leave that is available to the

employee." See US Department of Labor, Bureau of Labor Statistics, "National Compensation Survey: Glossary of Employee Benefit Terms," https://www.bls.gov/ncs/ebs/glossary20162017.htm#paid_leave.

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26. California, Rhode Island, New Jersey, and New York have all implemented paid family and medical leave programs that build on their state's long-standing temporary disability insurance programs, and a similar policy is moving through the legislative process in Hawaii. Washington State and Washington, DC, are the only other two in the nation that have passed legislation enacting paid family medical leave without existing temporary disability insurance programs to build on, and both are in various stages of the process of implementing those policies.

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35. Johnson, "Who Is Covered by Private Long-Term Care Insurance?"

36. Employee Benefits Survey, "Table 32. Leave Benefits: Access, Civilian Workers," US Department of Labor, Bureau of Labor Statistics, March 2017, https://www.bls.gov/ncs/ebs/benefits/2017/ownership/civilian/table32a.htm.

37. Employee Benefits Survey, "Table 32."

38. Acosta, *National Compensation Survey*, Tables 16 and 22. These data include civilian employees covered in the five states that mandate temporary disability insurance coverage. Of all civilian employees with temporary disability insurance coverage, 15 percent

are in states with mandated coverage.

39. On private temporary disability insurance, see Workplace Flexibility 2010 and Urban Institute, "Fact Sheet on Extended Time Off (EXTO)," February 16, 2011, http://workplaceflexibility2010.org/images/uploads/EXTO_Fact_Sheet.pdf. On state temporary disability insurance programs, see Social Security Administration, "Social Security Programs in the United States—Temporary Disability Insurance," accessed July 16, 2013, http://www.ssa.gov/policy/docs/progdesc/sspus/tempdib.pdf. For authors' calculations of the share of the female populations, age 20 and over, of California, Hawaii, New Jersey, New York, and Rhode Island, divided by total US female population, age 20 and over, see US Census Bureau, "Population Estimates," accessed April 27, 2015, http://www.census.gov/popest/data/index.html. Hawaii, New Jersey, and New York offer a maximum of 26 weeks, Rhode Island offers a maximum of 30 weeks, and California offers a maximum of 52 weeks of temporary disability insurance. However, workers typically do not take the full amount of time. Additionally, workers in Rhode Island, New Jersey, and California who are eligible for family leave can take paid leave up to a maximum of four weeks (Rhode Island) or six weeks (California and New Jersey). See National Partnership for Women and Families, "Expecting Better: A State-by-State Analysis of Laws That Help New Parents," June 2014.

40. Acosta, *National Compensation Survey*, Table 16.

41. Workplace Flexibility 2010 and Urban Institute, "Fact Sheet on Extended Time Off (EXTO)."

42. The "survivors'" portion of the original Social Security program ushered "widows pensions" into the 20th century. The benefit was premised on the fact that most American women spent the majority of their lives providing caregiving responsibilities outside the formal labor market and thus had little to no Social Security retirement benefits of their own. Survivors' benefits provided a percentage of a deceased worker's Social Security payments to the surviving spouse, who was typically a woman—a fact that remains the case today. Despite increasingly equal levels of labor force participation, women typically outlive men, and men typically outearn women and thus receive more generous benefits.

43. There are really 53 unemployment insurance systems—one in each state, as well as the District of Columbia, Puerto Rico, and the Virgin Islands. Each sets its own eligibility rules and benefit levels, so long as they meet the federally set program requirements. If workers meet their state's requirements (such as a minimum duration of employment, sufficient earnings, and a qualifying reason for losing their job through no fault of their own), they are eligible to receive benefits regardless of wealth or nonwage income. Because states set the eligibility rules and the benefit levels, coverage and benefits vary widely across the country. Note that unemployment insurance (UI) operates as a joint state-federal partnership with considerable variation in generosity, duration, and eligibility across states, unlike the near-universal Social Security program. UI thus does not cover all workers, with particular gaps around part-time, contingent, or contract employees and workers with irregular work histories. Recent modernizations to UI also allow for limited use of the program for family caregiving reasons, but the limits on use are so significant that the program does not effectively serve the purpose of helping insure against care-based reasons for work separations. For more, see Rick McHugh, Liz Ben-Ishai, and Kathleen Ujvari, "Access to Unemployment Insurance for Family Caregivers: An Analysis of State Rules and Practices," National Employment Law Project, 2015, www.nelp.org/publication/access-unemployment-insurance-benefits-family-caregivers-analysis-state-rules-practices/.

44. Umar Moulta-Ali, "Social Security Disability Insurance (SSDI): The Five-Month Waiting Period for Benefits," Congressional Research Service, 2013, https://fas.org/sgp/crs/misc/RS22220.pdf.

45. Social Security Administration, "Annual Statistical Report on the Social Security Disability Insurance Program, 2016," 2016, Table 61, https://www.ssa.gov/policy/docs/statcomps/di_asr/2016/sect04.pdf; and Social Security Administration, "Social Security Administration Annual Data for Disability Reconsideration Average Processing Time (in Days)," March 2018, https://www.ssa.gov/open/data/disability_reconsideration_average_processing_time.html#dataCollectionDescription.

46. Average wait time is calculated across Social Security Administration field offices. See Social Security Administration, "Annual Statistical Report on the Social Security Disability Insurance Program," Table 6; and authors' calculations using Social Security Administration, "Average Wait Time Until Hearing Held," March 2018, https://www.ssa.gov/appeals/DataSets/01_NetStat_Report.html.

47. Insight, "Do Disability Benefits Discourage Work?," RAND Corporation Center for Disability Research, August 2011, www.rand.org/content/dam/rand/pubs/working_briefs/2011/RAND_WB111-1.pdf; and Kaiser Family Foundation, "Total Disabled Social Security Disability Insurance Beneficiaries, Ages 18–64," accessed April 2018, https://www.kff.org/medicare/state-indicator/total-disabled-social-security-disability-insurance-ssdi-beneficiaries-ages-18-64/?currentTimeframe=0&selectedRows=%7B%22wrapups%22:%7B%2

2united-states%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

48. Till von Wachter, Jae Song, and Joyce Manchester, "Trends in Employment and Earnings of Allowed and Rejected Applicants to the Social Security Disability Insurance Program," *American Economic Review* 101, no. 7 (2011): 3308–29.

49. The "old age" and "disability" portions also provide benefits to dependents after a breadwinner's death. The dependent's eligibility is based on the eligibility of the deceased, among other things.

50. We do not know for sure why policymakers excluded workers in these fields. Hearings on the matter included testimony that collecting taxes from them would be difficult. But we also know that Franklin Roosevelt needed the votes of Southern Democrats, who were concerned that this policy might either reduce labor supply or lead to demands for higher wages among African Americans. What we do know is that coverage played out along the lines of race. See Jill Quadagno, "Welfare Capitalism and the Social Security Act of 1935," *American Sociological Review* 49 (1984): 632–47; Larry DeWitt, "The Decision to Exclude Agricultural and Domestic Workers from the 1935 Social Security Act," *Social Security Bulletin* 70, no. 4 (2010): 49–68, http://www.ssa.gov/policy/docs/ssb/v70n4/v70n4p49.pdf; and Jill Quadagno, *The Color of Welfare: How Racism Undermined the War on Poverty* (New York: Oxford University Press, 1994), 20. For a list of extensions to the Social Security Act, see Heather Boushey and Sarah Jane Glynn, "Comprehensive Paid Family and Medical Leave for Today's Families and Workplaces: Crafting a Paid Leave System That Builds on the Experience of Existing Federal and State Programs," Center for American Progress, August 2012, Table 7, http://www.americanprogress.org/wp-content/uploads/2012/09/BousheyUniversalFamilyLeavePaper.pdf.

51. California, Rhode Island, New Jersey, and Puerto Rico administer temporary disability insurance through their state employment security agencies, and Hawaii administers benefits through a division of its department of labor. New York administers its law through its workers' compensation board. Note that pregnancy is considered a "disability" in all these states because of the 1978 Pregnancy Discrimination Act; thus pregnancy is covered under temporary disability insurance—including both pregnancy-related complications pre-birth and recovery following the birth of a child.

52. National Partnership for Women and Families, "State Paid Family Leave Insurance Laws," February 2018, http://www.nationalpartnership.org/research-library/work-family/paid-leave/state-paid-family-leave-laws.pdf.

53. It is not a coincidence that three of the five states with temporary disability insurance are also among the handful of states whose original state unemployment systems included an employee payroll tax and an employer payroll tax.

54. National Partnership for Women and Families, "State Paid Family Leave Insurance Laws."

55. This is phased in—eight weeks in 2018, 10 weeks in 2019, and then 12 weeks in 2021.

56. US Department of Labor, Bureau of Labor Statistics, "Table 6. Selected Paid Leave Benefits: Access," March 2017, https://www.bls.gov/news.release/ebs2.t06.htm.

57. US Department of Labor, Bureau of Labor Statistics, National Compensation Survey.

58. National Partnership for Women and Families, "Map: Paid Leave and Paid Sick Days Laws Are Helping More Than 41 Million People Better Care and Provide for Their Families," October 2017, http://www.nationalpartnership.org/issues/work-family/how-many-million-americans-benefit.html.

59. Teresa L. Amott and Julie A. Matthaei, *Race, Gender, and Work: A Multi-Cultural Economic History of Women in the United States* (Brooklyn, NY: South End Press, 1996), Table 9-2.

60. Francine D. Blau and Lawrence H. Kahn, "Female Labor Supply: Why Is the U.S. Falling Behind?," *American Economic Review* 103, no. 3 (2013): 251–56.

61. Claudia C. Goldin and Joshua Mitchell, "The New Life Cycle of Women's Employment: Disappearing Humps, Sagging Middles, Expanding Tops," *Journal of Economic Perspectives* 31, no. 1 (2017): 161–82.

62. Jason Furman, "The Economic Case for Strengthening Unemployment Insurance," Center for American Progress, July 11, 2016, obamawhitehouse.archives/gov/sites/default/files/page/files/20160711_furman_uireform_cea/pdf.

63. Society for Human Resource Management, "2017 Employee Benefits: Remaining Competitive in a Challenging Talent Marketplace," www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2017%20Employee%20Benefits%20Report.pdf.

64. 42 USC § 423(d)(1)(A).

65. Nicole Maestas, Kathleen J. Mullen, and Alexander Strand, "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt," *American Economic Review* 103, no. 5 (2013): 1797–829. The Social Security Administration conducted a national demonstration project on benefit offsets, testing the impact of a $1 reduction in benefits for every $2 in earnings in combination with employment supports over a period of 72 months, to understand whether combining a benefits phaseout with a return to work would encourage labor force reentry among Social Security Disability Insurance recipients. The pilot project found that a policy change from an abrupt loss of benefits upon employment to a gradual phaseout of benefits led to a 25 percent increase in beneficiaries with annual earnings above the threshold value of labor income for program eligibility. While the labor income cutoff for benefits eligibility is far too low to qualify as "secure"—$11,760 in 2009 dollars, just above the federal poverty threshold of $10,830 for an individual's income—the experiment suggests that program revisions that reconsider the bright line between work and benefit receipt could help workers better navigate the fuzzy relationship between medical care needs and work. Robert R. Weathers and Jeffery Hemmeter, "The Impact of Changing Financial Incentives on the Earnings of Social Security Disability Insurance (SSDI) Beneficiaries," *Journal of Public Policy Administration and Management* 30, no. 4 (2011): 708–28.

66. State-based programs have run up against a host of complications in the decades since their creation. The federal-state partnership in the unemployment insurance system has resulted in serious problems for both administration and financing, especially in the wake of the Great Recession. State variation in their willingness to fund their reserve funds for a "rainy day" has created substantial competition and ill will between the states willing to save versus those who slash payroll taxes and find themselves with little in reserve when the economy turns south. And state variation in eligibility creates unevenness in access and the comprehensiveness of coverage. Many eligible workers do not apply for unemployment insurance at all simply because they find the system too daunting. Jeffrey Wenger, "State Trends in Unemployment Insurance Eligibility, Benefits, and Take-Up, 1990–2000," Economic Policy Institute, 2011, wdr.dolata.gov/conference/pdf/uioriginal.pdf.

67. State-based temporary disability insurance programs provide similar cautionary lessons pointing in the direction of a federally administered system. It is not a coincidence that five of the six states with paid family and medical leave insurance programs layered those programs on top of their state temporary disability insurance programs. The funds provided by these employee-side taxes were used to jump-start temporary disability insurance reserves and gave these states a leg up in providing an expanded set of wage replacements for workers facing care-driven interruptions to employment. Until 2018, when Washington began implementing a stand-alone paid family medical leave program, no state had enacted a new nonoccupational medical leave benefit program. Margaret Weston Williamson, "Structuring Paid Family and Medical Leave: Lessons from Temporary Disability Insurance," *Connecticut Public Interest Law Journal*, 2017, ssrn.com/abstract=3042223.

68. Kim Parker and Wendy Wang, "Modern Parenthood: Roles of Moms and Dads Converge as They Balance Work and Family," Pew Research Center, 2013, www.pewsocialtrends.org/files/2013/03/FINAL_modern_parenthood_03-2013.pdf.

69. Bridget Shulte, "The Case Against Maternity Leave," *Slate*, May 18, 2017, www.slate.com/blogs/better_life_lab/2017/05/18/the_case_against_maternity_leave.html.

70. One starting place for considering how to modernize labor laws to better meet the needs of both employers and workers comes from Seth Harris and Alan Kreuger's paper on proposing a new legal category of "independent workers" who occupy the gray area between independent contractors and traditional employees. See Seth D. Harris and Alan B. Krueger, "A Proposal for Modernizing Labor Laws for Twenty-First Century Work: The 'Independent Worker,'" Hamilton Project, 2015, http://www.hamiltonproject.org/papers/modernizing_labor_laws_for_twenty_first_century_work_independent_worker.

Thoughts on Paid Parental Leave and the Future of Social Insurance

Executive Summary

There has been widespread interest in the possibility of a variety of federal paid parental leave, typically a new government program with the benefit and eligibility defined by statute and payroll taxes levied and used to finance the new paid leave benefit.

This is precisely the same approach used with Social Security (longevity risks), Medicare (health risks), Unemployment Insurance (employment risks), Social Security Disability Insurance (disability risks), and others. We review the financial performance of those programs. The bottom line is far from promising. To a great extent, social insurance programs *are* the large and growing federal budget problem. Moreover, the programs themselves are financially unsustainable and will ultimately fail to deliver promised benefits. Thus, in the aggregate and individually, social insurance programs are *creating* financial risk—hardly the original intent.

As an alternative to the existing social insurance programs, we propose a paid parental leave program that should be:

1. Pre-funded;

2. Effectively targeted;

3. Limited, imposing a finite, capped liability on taxpayers; and

4. Voluntary (i.e., no additional mandates).

All individuals would be eligible for a parental leave savings account that could be housed by the Treasury or a private institution. The tax treatment of these accounts would mirror traditional Individual Retirement Accounts. Contributions to the accounts would come from individuals, their employers, and federal assistance to lower-income workers.

Individuals and their employers would be permitted to make tax-deductible contributions, up to a maximum of $6,000 annually. These donations could finance a maximum of 12 weeks of (taxable) paid leave.

Federal assistance for family leave would be made available via the accounts to those in households below 325 percent of the federal poverty limit and to low-income workers eligible for the federal benefit, and their employers would also be permitted to make tax-deductible contributions that cover the regular weekly pay not provided by the federal benefit.

Thoughts on Paid Parental Leave and the Future of Social Insurance

BEN GITIS AND DOUGLAS HOLTZ-EAKIN

There has been widespread interest in the possibility of a variety of federal paid leave programs in the United States, paid parental leave in particular. There are various ways to accomplish this. It could take the form of a mandate on employers to provide paid leave. Or one could provide a taxpayer-financed inducement (e.g., a tax credit) for employers to set up a paid leave program.

But the most broadly discussed and seemingly most popular proposal is to set up a new government program using a social insurance model. That is, the government would serve as the mechanism for developing an insurance pool and policy design against the risk of losing income in the event of childbirth or adoption. Specifically, the benefit and eligibility would be defined by statute, and payroll taxes would be levied and used to finance the new paid leave benefit.

This is precisely the same approach used with Social Security (longevity risks), Medicare (health risks), Unemployment Insurance (employment risks), Social Security Disability Insurance (disability risks), and others. It raises the question: How well has social insurance worked in practice in the United States? Is it wise to extend this model further into the realm of paid leave? Or should other approaches be considered?

In the next section, we briefly review key aspects of mechanisms for providing insurance. The third section reviews the performance of major social insurance programs in the United States. To anticipate the bottom line, we conclude that the social insurance model has not served the United States well. The fourth section outlines our hybrid proposal in the context of paid family leave. The final section concludes and reviews the argument.

Key Aspects of Insurance Mechanisms

The demand for insurance is well understood, as individuals seek to insulate themselves (at least in part) from the financial consequences of economic events. In the current context, the need to care for a newborn impedes working and reduces income. Insurance serves to replace income in the event of a birth and has value for that reason.

There are a variety of ways to provide such insurance, which differ in two key dimensions: (1) pre-funded versus pay as you go and (2) social, market, or government mechanisms.

Pre-funded insurance systems accumulate the resources needed to honor claims for income. The most familiar form of pre-funded insurance is commercial insurance in which insurance companies charge premiums and accumulate reserves to be used in the event of claims. This can take place over relatively short periods of time such as one year—for example, health insurance—or over decades in the case of annuities or life insurance. Obviously, these examples also rely on market mechanisms.

An important nonmarket alternative for the pre-funded approach is self-insurance, in which individuals or families accumulate assets that can be sold

to replace lost income. The advantage to pre-funded approaches is that the accumulation of economic resources aids the process of capital accumulation and economic growth, thereby increasing the aggregate resources to meet insurance and noninsurance needs.

In the context of social insurance, pay as you go is much more common. In the absence of government programs, families and social networks can serve to provide insurance. In the event of a birth, for example, families can transfer income to the new parents. Alternatively, they can donate childcare services and permit the parents to continue working. In either event, the income flow of the newborn's family is preserved. Notice, however, that this comes at the expense of those providing the insurance—the system as a whole does not accumulate resources and thus takes a pay-as-you-go form.

An important nonmarket alternative for the pre-funded approach is self-insurance, in which individuals or families accumulate assets that can be sold to replace lost income.

The same kind of insurance is provided in many circumstances by government programs. Social Security provides insurance against the loss of income and consumption in retirement; Medicare against the financial cost of health care for the elderly; Medicaid against the cost of health care for lower-income families; and so forth. In the United States these programs are structured as pay-as-you-go systems in which current taxes are used to pay current claims for insurance. This link is clearest in Social Security and Unemployment Insurance and is weaker in other programs that use other tax resources and federal borrowing.

The concern surrounding government social insurance is twofold. First, the existence of social insurance obviates the need for self-insurance or commercial insurance. In the aggregate this reduces national saving, capital accumulation, growth, and the measured standard of living. Second, the use of tax-based finance exacerbates this impact by reducing the incentives to work.

The Performance of US Social Insurance

This section briefly reviews some aspects of the performance of social insurance programs with a particular eye toward economic impacts, finances, and sustainability. In doing so, we make no pretense at a full cost-benefit analysis. That is, we emphasize that Social Security, Medicare, Medicaid, and other programs have enormously affected the welfare of US citizens. However, evaluating the welfare benefits or distribution of those benefits is beyond the scope of this report. Instead, we focus more narrowly on financing issues.

Social Security. Social Security is designed to provide benefit payments in the event of retirement and permanent disability. The 2018 trustees' report, the most recent report, estimated that the combined (retirement and disability) Social Security trust funds will be exhausted by 2034. If the trust funds are exhausted as projected, revenue will fund only 79 percent of promised benefits, deteriorating to 74 percent by 2092.

In addition, in 2017, Social Security spent $952.5 billion but collected only $911.5 billion in noninterest income. This is the eighth year in a row that Social Security has run a cash deficit, with a cumulative deficit of $457 billion since 2010. The Treasury funds these deficits by borrowing from the public—in effect, raising the overall debt issuance by the federal budget.

Looking at the longer-term picture, Social Security's promised benefits exceed projected payroll

taxes and trust fund redemptions by $13.2 trillion. As a share of taxable payroll, this is an imbalance of 2.84 percent—the second-highest reported imbalance since 1982.

This troubling financial outlook is mirrored by the two key programs that make up Social Security: the Disability Insurance (DI) and Old Age and Survivors Insurance (OASI) programs.

Disability Insurance. The trustees' report indicates that the DI trust fund will go bankrupt in 2032. A temporary reallocation of the share of payroll taxes devoted to the DI trust fund in 2015 prevented it from depleting sooner. This is not the first time the DI program has been spared from immediate bankruptcy. To avoid trust fund exhaustion, in 1994 Congress increased the allocation of payroll taxes devoted to the DI Trust Fund. In 2017, DI had a positive cash flow for the second time since 2004, but it has added $206.7 billion to the debt since 2004. Over the longer, 75-year horizon, Social Security's promised disability benefits exceed projected payroll taxes and trust fund redemptions by more than $1 trillion.

In addition, there is broad consensus that the disability program is contributing to the decline in labor force participation among younger workers. Between 1967 and 2014, the fraction of prime-age men on DI rose from 1 percent to 3 percent. During the same period, the portion of prime-age men in the labor force fell by 7.5 percentage points. This suggests that DI could account for a meaningful portion of the decline in labor force participation among prime-age men.[1]

Researchers have found that the growth in DI is tied to an applicant screening process that is based on the physically intensive labor force of the 1950s, not the modern work environment. The growth is also linked to an increase in the program's benefits relative to the benefits available in other public assistance programs. Reforms that prevent able-bodied individuals from enrolling in DI (without overburdening those who are legitimately disabled) and encourage able-bodied adults who are currently receiving benefits to seek employment could increase labor force participation.

Retirement Insurance. The basic picture of retirement insurance is identical. The trustees' report estimated that the OASI trust fund will be bankrupt by 2034. In 2017, OASI spent $806.7 billion but collected only $742.4 billion in noninterest income. This is the eighth year in a row that OASI has run a cash deficit, adding $288.4 billion to the debt since 2010. Looking forward, the retirement program is underfunded by $12 trillion over the 75-year horizon.

Medicare. The 2018 trustees' report estimated that the Medicare hospital insurance trust fund will be bankrupt by 2026. While the bankruptcy projection may snag the headlines, three key budgetary aspects should not go unnoticed:

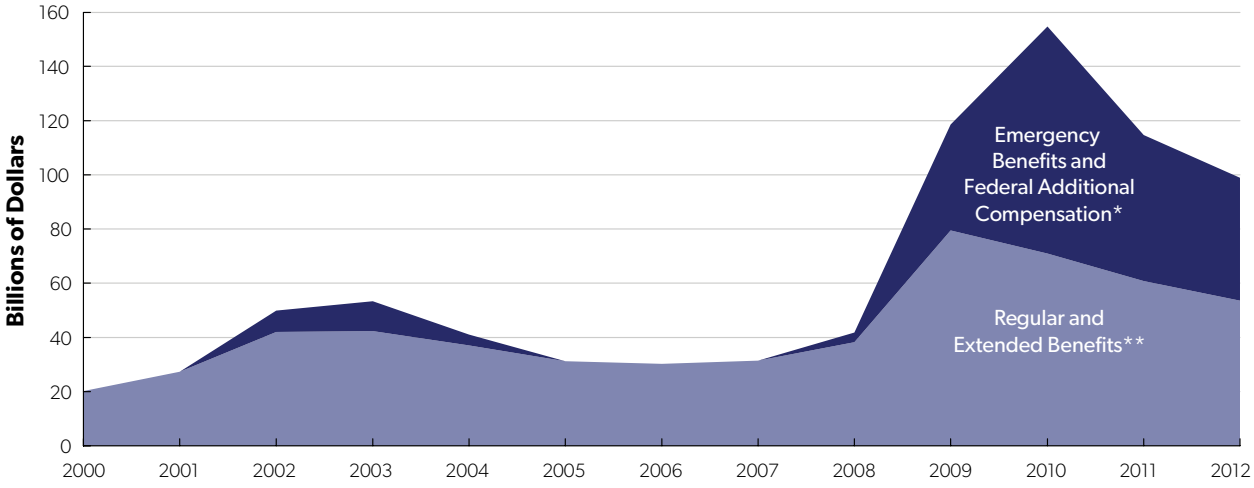
1. In 2017, Medicare spent $710.2 billion on medical services for America's seniors but collected only $358.5 billion in payroll taxes and monthly premiums. This cash shortfall represented 49 percent of the federal deficit in 2017.

2. Medicare has had a cash shortfall every year since its creation except two—1966 and 1974—which it covers by "borrowing" unrelated tax revenues from other programs.

3. America's fiscal trajectory is unsustainable, and Medicare is the primary source of red ink driving this trajectory. Its cash shortfalls are responsible for nearly one-third of the federal debt.

Unemployment Insurance. At first glance, the state-based unemployment insurance (UI) system would appear to have avoided the fiscal difficulties of the federal social insurance programs. Unfortunately, at the times when UI is most important—namely, recessions—the UI system generates fiscal stress of a similar character. Figure 1 shows annual UI spending since 2000. Moreover, during recessions the federal government decides that standard UI benefits (26 weeks) are not long enough and substantially extends them. In both 21st-century recessions, UI spending swelled, and states could not meet the

Figure 1. Spending on Unemployment Benefits, by Fiscal Year



Note: *Emergency benefits may be temporarily authorized during periods of high unemployment, as they were from March 2002 through March 2004 and from July 2008 through December 2012. A weekly supplement of $25, termed federal additional compensation, was available to people receiving unemployment benefits between February 2009 and June 2010. **Regular benefits are provided according to state laws under broad federal parameters. Typically, regular benefits are available for up to 26 weeks. Extended benefits may provide an additional 13 or 20 weeks of benefits, depending on a state's laws and unemployment rate.
Source: Congressional Budget Office, "Unemployment Insurance in the Wake of the Recent Recession," November 2012, 10, Figure 2, https://www.cbo.gov/publication/43734. Based on data from the US Department of Labor, Employment and Training Administration.

fiscal challenge of extended and emergency benefits. Instead, the federal government took on essentially 100 percent of the cost of the additional UI, in some cases saddling the state systems with loans for years thereafter.

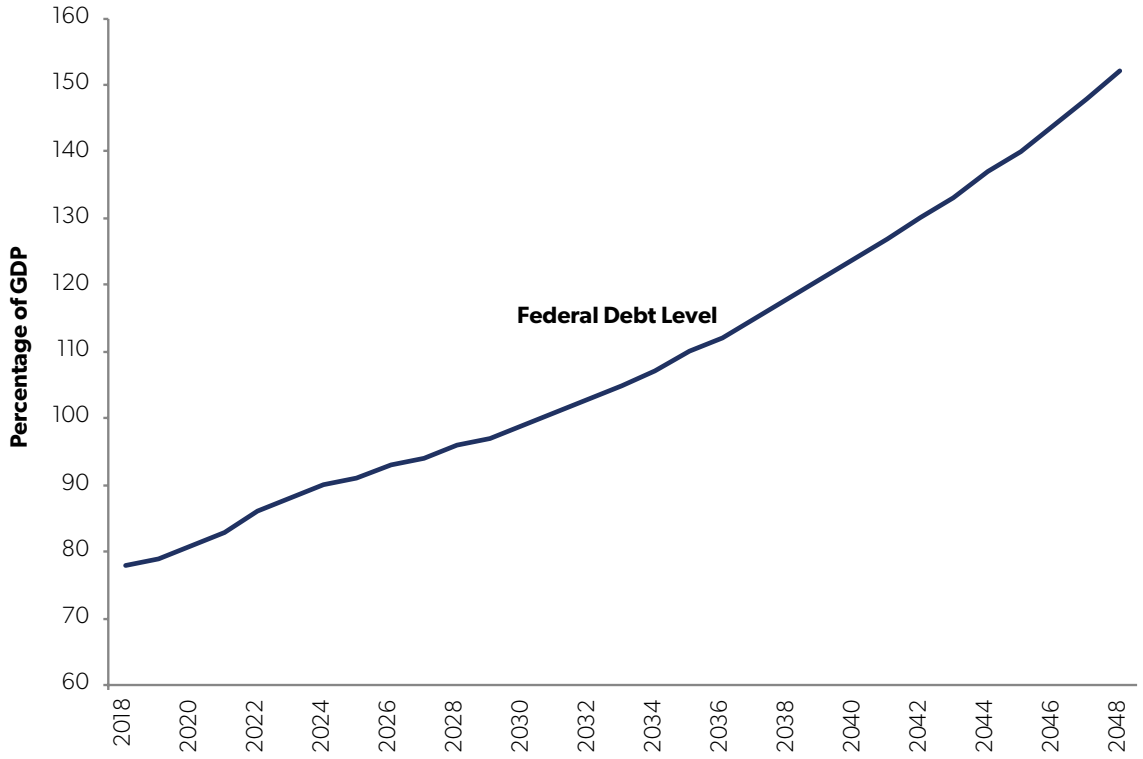
As with the other programs, UI has economic costs above and beyond its demands for budgetary resources. To begin, UI extends spells of unemployment.[2] For example, it is common to extend the duration of unemployment benefits during a recession. While this is intended to ease the hardship of losing a job, evidence consistently suggests that it has a negative side effect of increasing unemployment even further.[3] Increasing the duration of UI increases the relative value of not working and as a result puts upward pressure on market wages. In 2013, the American Action Forum applied research findings and found that extending the duration of unemployment benefits elevated national unemployment throughout the recession, increasing the quarterly unemployment rate by as much as 1.3 percentage points and keeping almost two million people from finding jobs.[4]

Additionally, evidence suggests that, when the extended UI benefits expired at the end of 2013, the labor force responded with rapid job growth the following year.[5] In particular, 2.1 million of the three million jobs created in 2014 were due to the expiration of extended UI benefits, and 1.1 million of those jobs were filled by workers who reentered the labor force.

Evaluation. This brief review of key social insurance programs leads to several important conclusions. The first revolves around the federal fiscal outlook. As has been documented in the Congressional Budget Office's June 2018 Long-Term Budget Outlook (LTBO), the federal budget is on an unsustainable trajectory.[6] Over time, the steady divergence of receipts and spending leads to rising debt levels (relative to the size of the economy) and a sovereign debt spiral.

To a great extent, social insurance programs *are* the federal budget problem. Figures 2 and 3 plot data from the LTBO after the passage of the Tax Cuts and Jobs Act in December 2017. The act reduced revenue and exacerbated near-term deficits. Over the longer

Figure 2. Debt Ultimately Approaches 1.5 Times the Size of the Economy



Source: Congressional Budget Office, "The 2018 Long-Term Budget Outlook," June 2018, https://www.cbo.gov/publication/53919.

term, however, social insurance programs are the driving force leading to an unsustainable outlook and, ultimately, a debt spiral. As a result, the federal government has assumed the status of the most dangerous systemically important financial institution.

Next, the programs themselves are also financially unsustainable and will ultimately fail to deliver promised benefits. Thus, in the large and in the small, social insurance programs are *creating* financial risk—hardly the original intent (Figure 3).

There has always been a fear in principle that pay-as-you-go programs would displace private saving and diminish labor force participation incentives. In practice, these effects are exacerbated by the fact that they are draining government coffers and adding to debt burdens.

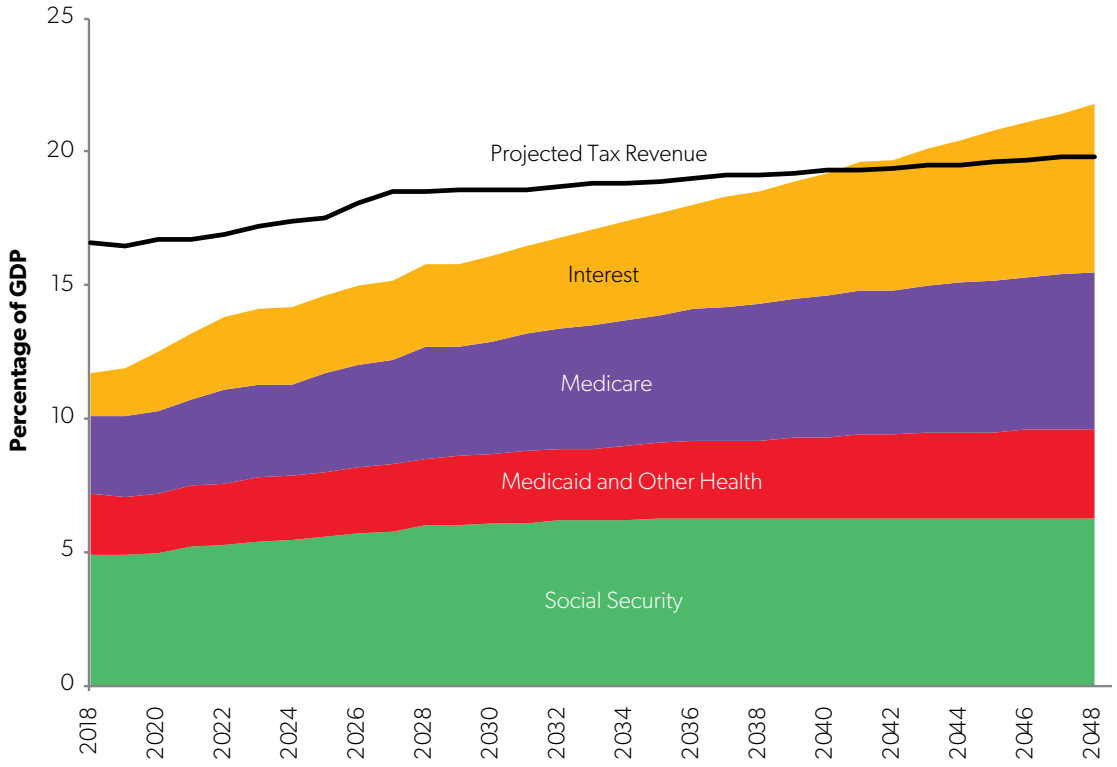
A Pre-Funded Hybrid

The shortcomings of the existing social insurance programs largely affect the types of proposals that should merit consideration. Another universal, payroll-tax-financed social program should simply be a nonstarter. Instead, the proposal should be:

- Pre-funded;
- Effectively targeted;
- Limited, imposing a finite, capped liability on taxpayers; and
- Voluntary (i.e., no additional mandates).

With this in mind, a rough sketch of the idea is as follows. All individuals would be eligible for a parental

Figure 3. What Drives the Debt?



Source: Congressional Budget Office, "The 2018 Long-Term Budget Outlook," June 2018, https://www.cbo.gov/publication/53919.

leave savings account that could be housed by the Treasury or a private institution. The tax treatment of these accounts would mirror traditional Individual Retirement Accounts (IRAs). Contributions to the accounts would come from individuals, their employers, and federal assistance to lower-income workers.

Individuals and their employers would be permitted to make tax-deductible contributions, up to a maximum of $6,000 annually. These donations could finance a maximum of 12 weeks of (taxable) paid leave.

Federal assistance for family leave would be made available via the accounts to those in households below 325 percent of the federal poverty limit (FPL). The amount of federal assistance received would be based on household income from the previous year. Those under 125 percent of the FPL would receive federal assistance equivalent to 80 percent of average household weekly earnings. Workers in households between 125 percent and 200 percent would receive the maximum benefit, equivalent to 80 percent of weekly household earnings at 125 percent of FPL. Then, for each additional dollar earned beyond 200 percent FPL, the federal benefit would decline by 80 cents, until the benefit drops to $0 at 325 percent of FPL and the household is no longer eligible for federal assistance.

As an example, a household containing two parents and a new child, for whom the 2018 FPL is $20,780 (roughly $400 per week),[7] would receive 80 percent of earnings from $0 to $500 per week (0 percent to 125 percent of FPL). At $500 per week, the family would receive the weekly maximum benefit of $400 (80 percent of weekly earnings at $500 per week or 125 percent of FPL). For weekly earnings between $500 and $800 per week (125 percent and 200 percent of FPL), the family would receive the maximum weekly benefit of $400. Then

the weekly benefit would decline by 80 cents for each additional dollar earned above $800 per week (200 percent of FPL). When weekly household earnings reach $1,300 (325 percent of FPL), the federal benefit would reach $0, and the household would no longer be eligible for federal assistance. This federal assistance benefits structure would ensure that public benefits go to the workers who are least able to afford their own leave and least likely to be covered by an existing employer-provided paid leave benefit.

Low-income workers eligible for the federal benefit and their employers would also be permitted to make tax-deductible contributions that cover the regular weekly pay not provided by the federal benefit. For instance, households earning $500 per week and receiving 80 percent of weekly earnings ($400 per week) from the federal government would be able to use the account to self-finance the remaining 20 percent ($100 per week) of their regular pay while on leave. If employer and individual contributions combined are larger than the amount of weekly pay not covered by the federal government, the federal benefit would decline to ensure that weekly payments do not exceed regular weekly earnings.

Structured in this way, the paid parental leave accounts are a hybrid of self-insurance and social insurance. The accounts would be portable from job to job and less likely to crowd out preexisting employer paid leave. The use of one's own money provides built-in incentives for efficient use of the funds, while the taxpayer contribution is targeted and capped.

Conclusion

All the major social insurance programs outlined in this report (Social Security, Medicare, and Unemployment Insurance) are either heading for bankruptcy or require additional resources during economic downturns. Even when taking into account the new 2017 tax law, social insurance programs are the driving force behind an unsustainable outlook and, ultimately, a debt spiral. These programs are *creating* financial risk—hardly the original intent.

The shortcomings of existing social insurance programs mean that creating another one for parental leave should be a nonstarter. Instead, the parental leave program should be pre-funded, effectively targeted, limited to imposing a finite liability on taxpayers, and voluntary. A tax-exempt savings account coupled with paid leave benefits targeted to low-income workers would be one option.

Notes

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Comparison of Methods for Cost Estimates of a Federal Paid Family and Medical Leave Program Using Public Data

Executive Summary

In 2017, the AEI-Brookings Working Group on Paid Family Leave proposed a federal paid parental leave program.[1] The national program would cover all workers and provide paid leave benefits for up to eight weeks of parental leave. The parental leave benefit would replace 70 percent of normal wages, up to a total maximum benefit of $600 per week.

After the initial proposal's release, a reconfigured working group studied the implications of providing additional paid leave benefits for workers' own serious health needs and to care for a seriously ill family member. For more information on this study, please see *The AEI-Brookings Working Group Report on Paid Family and Medical Leave*.[2]

In this report, we provide a range of preliminary cost estimates for a hypothetical national program based on the original working group's parental leave proposal, were it expanded to include family caregiving and personal medical leave. The cost analysis uses three distinct methodologies with the aim of better understanding the assumptions that drive differences in projected estimates and the factors that affect program benefit costs. The estimates, while approximations and not intended as final cost scores, are nonetheless affected by the same factors that will influence a more in-depth cost analysis.

Program costs are influenced primarily by two likely interrelated factors: (1) policy parameters that determine program eligibility and benefit value and (2) worker practices and program usage. The former, which includes program eligibility requirements, wage-replacement levels, and maximum benefit durations, tends to be straightforward. The latter is more diffuse and difficult to predict, as it is based on cultural norms around leave-taking behaviors and employer practices.

The three methods use varying data sources and assumptions on program usage, allowing for comparisons on how these methodological decisions affect the projected cost of the hypothetical program. In effect, the methods differ in their assumptions about the anticipated frequency and duration of leave-qualifying events, the wage distribution of the average likely leave taker, and the continuation of employer-provided paid leave benefits if a federal paid leave program were created, all of which significantly affect the final estimates. The estimates use data from leaves taken under the Family and Medical Leave Act, state paid leave programs that were operational in 2016, or a combination of both data sources.

The resulting range of estimates is quite broad, from $7.6 billion to $46.3 billion. While the magnitudes of the estimates differ, the methods outlined in this report have a number of similarities. For example, all the methods find that personal medical leaves would be the most commonly taken and costly form of leave, while parental and family caregiving leaves would occur far less frequently and be less costly.

More detailed data are needed to make more informed assumptions about leave-taking behavior and likely usage of a government program. More applicable estimates would also be possible with a more detailed policy proposal, such as one that included the level of granular detail necessary for federal legislation. Rather than offering a precise analysis of exact program costs, these estimates are intended to serve as a starting point for future research and cost models.

Comparison of Methods for Cost Estimates of a Federal Paid Family and Medical Leave Program Using Public Data

BEN GITIS, SARAH JANE GLYNN, AND JEFFREY HAYES

The Family and Medical Leave Act of 1993 (FMLA) provides job protection and continuation of health insurance for qualifying workers who need time off to address their own serious health condition, care for a newborn or newly adopted child, care for a close family member with a serious medical condition, or address military exigencies.[3] However, no federal law guarantees workers pay when they take leave. In fact, the United States is the only advanced country that does not guarantee any form of paid leave.[4]

As of 2018, four states have operational paid leave programs that cover temporary disability, parental leave, and family caregiving: California, New Jersey, New York, and Rhode Island.[5] The District of Columbia, Massachusetts, and Washington State have also passed legislation to create comprehensive paid leave programs that are slated to begin paying benefits in 2020 (Washington State and the District of Columbia) and 2021 (Massachusetts).[6]

There is growing bipartisan support for a national paid leave system that would provide wage replacement to workers when they cannot work for at least some of the reasons outlined under the FMLA. There are, certainly, significantly different visions for the types of leave that should be available, what the level of wage replacement should be, which workers should qualify, and how the programs should be funded and operated, among other issues.[7] All these different factors also influence one of the key questions that is asked about the creation of any new government program: How much will it cost?

This report estimates the costs of a hypothetical paid family and medical leave (PFML) program to outline the factors that drive benefit costs and compare different methodological strategies. The hypothetical program mirrors aspects of the paid parental leave program outlined in the AEI-Brookings Working Group on Paid Family Leave report from 2017, *Paid Family and Medical Leave: An Issue Whose Time Has Come*.[8] It would be available to all workers for up to eight weeks and provide wage replacement of 70 percent of normal wages, up to a total maximum benefit of $600 per week. However, in addition to paid leave for a new child, it would also cover the other major qualifying conditions outlined in the FMLA—namely, a worker's own serious health condition and the need to provide care to a seriously ill family member.[9]

While this specific program is not endorsed by the working group or all the authors of this report, it provides a useful starting point for examining the cost of providing PFML benefits. The estimates discussed here should be understood as rough approximations based on currently available data. Further research and modeling are necessary to create a more accurate assessment of potential program costs.

Factors Influencing Program Cost

Two components encompass the total costs of a program: benefit payments and administrative overhead. A program's overhead costs depend on a variety of factors, including the administrative home for a program, how widely the program is used, and the information technology (IT) infrastructure, which determines how much of the benefit application and payment process is automated and the number of employees necessary to administer benefits. For the purposes of this analysis, administrative costs have not been included due to the number of unknown factors. However, existing state-level PFML social insurance programs have administrative costs of roughly 5 percent of total benefits paid annually, and costs for a national paid leave program would likely follow this pattern.[10]

When focusing on the total amount of benefits that a leave program is likely to pay per year, two key factors influence costs. First, the policy parameters and design choices shape who will be covered by the program and thus eligible to receive benefits, as well as the monetary value and duration of those benefits. Second, individuals' knowledge of, attitudes toward, and ability to use the program influence uptake among those technically eligible for benefits.

However, these two factors are not independent of one another, and policy design choices have been shown to demonstrably affect program use. The relationship between the two should be understood as interconnected, and their impacts analyzed in tandem.

Policy Parameters. A PFML program's costs are driven by eligibility criteria, the number of eligible leave takers, the life events that are covered, the maximum length of leave available, potential waiting periods before benefits are paid, and the wage-replacement rate. Eligibility criteria influence the magnitude and composition of the pool of potential leave takers. In some countries, parents of a new child are eligible for cash benefits colloquially known as "baby bonuses," regardless of employment status.[11] In other countries and in the existing state paid leave programs, eligibility is based on past labor force attachment or previous earnings.[12] For example, workers in California are covered by the state paid leave program if they have had at least $300 in total taxable earnings in the first four of the past five completed quarters (base period). Workers in Washington State will qualify for the soon-to-be-operational paid leave program if they have worked at least 820 hours during the base period.[13]

Because the working group did not recommend exact parameters for program eligibility, for the purposes of this analysis, we assume that all currently employed workers would be eligible for paid leave benefits. This likely results in estimates that are higher than actual costs, should more stringent eligibility criteria be used.

In addition to broad program eligibility, overall costs are also influenced by the life events that the PFML program covers and the number of individuals experiencing them in any given year. A narrower program—for example, one that covers only parental leave, such as proposed in the original AEI-Brookings report—would thus require a smaller budget than one also covering additional types of leave. Here we estimate costs associated with covering the same life events included in the FMLA and the existing state-level paid leave programs: the birth, adoption, or foster placement of a new child; the need to provide care to a seriously ill family member; and the need for self-care related to serious personal medical needs.[14]

The definition of who counts as "family" for caregiving needs also can influence costs. However, currently available data do not sufficiently address the impact of policy definitions of family on caregiving leave-taking behaviors, and thus this issue is beyond the scope of this report.[15]

Notably, the definitions of covered family members are not consistent across the FMLA and state programs.[16] The FMLA defines "family" as a child, parent, or spouse. New Jersey also allows family leave to care for domestic partners or civil union partners, Rhode Island allows leaves to care for domestic partners or grandparents, and California includes domestic partners, grandparents, grandchildren, siblings, and parents-in-law.[17]

The total length of leave available also affects the cost of paid leave benefits. For instance, a worker who takes eight weeks of paid leave would receive more benefit payments than a worker who takes four weeks of paid leave. However, while leave takers would technically be eligible for the maximum length of leave available, in practice not all would take leave for the maximum length allowed. This has been particularly true regarding leave for own illness or family caregiving.

Although these leaves are also capped at a maximum length, under the FMLA and existing state programs, medical professionals determine leave durations for own illness or family medical caregiving. Medical professionals must certify not only that the benefit applicant is experiencing a work-limiting health issue but also the amount of recovery time they are likely to need before returning to work. Lengths of medical leaves are determined based on evidence-based, established standards in the International Classification of Diseases and compared to the Official Disability Guidelines, which includes return-to-work information for different medical conditions.[18]

If medical professionals were to determine medical and family caregiving leave in the hypothetical eight-week federal program as well, not all workers taking those types of leave would be eligible for the maximum duration. For example, a worker whose health issue requires only three weeks of leave before being physically able to return to work would be eligible for only three weeks of benefits.

Waiting periods—which delay when individuals on leave from work receive benefit payments—can reduce program costs by potentially shortening the amount of time benefits are paid to workers and excluding from coverage workers with qualifying leaves that are shorter than the waiting period.[19] They are a common feature of paid leave programs, although they are not always evenly applied. For example, California and New York have no waiting periods for family leaves but a seven-day waiting period for personal medical leaves.[20] While not a waiting period per se, Rhode Island requires that all paid leave claims be a minimum of seven consecutive days long, which eliminates any medical or family caregiving leaves that would be shorter than one week.[21]

Waiting periods may also decrease the odds of applying for benefits when the total length of leave needed is not significantly longer than the waiting period. In these cases, the total benefit would be small, and workers may potentially choose to take other forms of paid leave (for example, vacation days) or may not view the benefit as worth the effort of applying. To help offset these effects, some programs offer retroactive pay for the waiting period if the duration of leave reaches a predetermined threshold.[22] For the sake of simplicity, this analysis assumes the hypothetical program has no waiting period.

While leave takers would technically be eligible for the maximum length of leave available, in practice not all would take leave for the maximum length allowed.

The final policy parameter influencing program costs is the level of wage replacement that the paid leave program provides. A program with a higher level of wage replacement or a higher maximum benefit amount is likely to cost more than an otherwise identical program with a lower level of wage replacement or lower benefit cap. The exact cost differences depend on the progressiveness of the wage-replacement formulas and the benefit caps. The program modeled here mimics the wage-replacement formula first outlined in the 2017 AEI-Brookings Working Group on Paid Family Leave report and assumes a

flat wage-replacement rate of 70 percent, capped at $600 per week.[23]

Program Use. In addition to policy parameters, workers' decisions on how they use those programs greatly influence the cost. Specifically, program uptake, the length of leave workers actually use, and the reasons for which they use the leave all affect program cost. Awareness of a PFML program, ease of application and benefit receipt, and social norms around its usage influence these decisions and thus the programs' overall costs.

As other public programs show, there are often far more people who qualify for benefits than those who apply and eventually receive them.[24] California, for example, has relatively low levels of awareness of the statewide paid family leave program.[25] When program awareness is low, usage will necessarily be lower than the actual need for benefits. People cannot apply to a program that they are unaware of or do not know that they qualify for. Similarly, if a program appears to be too complicated, or if there are significant barriers to potential leave takers successfully applying for and receiving paid leave benefits, then actual usage will be lower.

Additionally, not all benefit programs are viewed the same way. If a paid leave program becomes stigmatized or workers believe they are not the program's intended recipients, even eligible workers may be less likely to apply for benefits.

Whether a program includes job protection can also influence program usage rate and length of leave. The federal FMLA provides job protection and the continuation of health insurance benefits for qualifying workers who take leave. However, to qualify, a worker must have been employed for at least 12 months, have worked a minimum of 1,250 hours in the previous 12 months, and work for an employer with at least 50 employees within a 75-mile radius.[26] As a result, roughly 40 percent of all workers do not meet the job-protection qualifications under the FMLA.[27]

If a program does not have job protection, workers who are not covered under the FMLA or other related state laws may be less likely to take leave. California, the District of Columbia, New Jersey, and Washington State do not offer job protection beyond what is available under the FMLA or similar state or local laws. However, family leave is always job protected in Rhode Island and New York, and all forms of leave will be job protected under the new Massachusetts paid leave program.[28]

Employer behavior can also significantly affect PFML program uptake and usage. Employers who already offer paid leave benefits comparable to or more generous than the program would provide less incentive for eligible workers to claim the government benefit, assuming they continue to offer the same in-house benefits with a public PFML program.

In their study of California's expansion of temporary disability insurance to cover parental and family care leave, Ruth Milkman and Eileen Appelbaum find that 60 percent of employers reported coordinating their own benefits with the state paid family leave program.[29] Some state PFML programs even contain explicit provisions that enable coordination of benefits between employers and the government program. For example, under state law, workers who are receiving paid leave benefits under state PFML programs may not concurrently receive their full wages from their employer, although employers can choose to "top off" the state benefit amount to bring workers' take-home earnings up to 100 percent of their normal earnings.[30]

Unfortunately, some employers may reduce program take-up by discouraging against or penalizing leave takers even when explicitly prohibited by law.[31] In short, both generous and unscrupulous employer behavior can influence PFML program usage and thus costs.

Social norms and individual preferences around family caregiving may also affect PFML program usage, particularly for parental and family caregiving leaves. In every existing state program, men's usage of parental leave is significantly lower than women's, although the rates have been increasing.[32] In cases of family caregiving leaves, particularly those related to caring for seriously ill parents or children, families must decide who will be the designated caregiver. Program usage data from the existing state programs show that women take the majority of family

caregiving leaves.[33] Because women have, on average, lower wages than men, the gendered nature of leave taking affects overall benefit payment amounts.[34] If social norms around caregiving and leave-taking shift, the overall costs of a paid leave program might change as well.

As already mentioned, the relationship between many of these factors and costs is not necessarily direct. For example, higher levels of wage replacement make leave taking more attractive and accessible, which may increase usage rates. In San Francisco, parental leave benefits have been increased to 100 percent for new parents, with employers paying the difference between the state benefit and a worker's usual wages. Recent research shows there has been a significant uptick in the number of fathers taking parental leave in the city relative to the rest of the state.[35] All the factors outlined here that influence program cost, regarding both program design and program usage, should be understood as interconnected.

Program Cost Estimates

We will now present three separate approaches to estimating the cost of the hypothetical eight-week PFML program. Overall, the differences in the resulting cost estimates are driven primarily by data source and assumptions regarding program use.

The first method uses survey data on workers who take family and medical leave under the FMLA and assumes the same leave-taking patterns would occur under the hypothetical program. The second method uses administrative data on workers who use the current state PFML programs and assumes the same leave-taking patterns in the hypothetical program. The third method employs a simulation model that uses data from the same survey on leave under the FMLA but also incorporates assumptions that are more consistent with the experiences of state PFML programs.

For each method, we present the results for each type of covered leave (own health, caregiving, and new child) on program participation, average duration, average weekly benefit, and total benefits paid. Each method uses 2016 employment and wage data. Thus, the resulting figures represent an estimate of total benefit payments if the hypothetical program had been fully operational in 2016. In future years, the annual figures are subject to change with population growth, shifting demographics, and inflation. After presenting each methodological strategy, we compare the results, highlight similarities and differences, and identify key takeaways on the costs of PFML programs.

Both generous and unscrupulous employer behavior can influence PFML program usage and thus costs.

Method A: Using National-Level Data

Method A is based primarily on the assumption that program participation would mirror private-sector leave-taking patterns under the FMLA, the only current federal policy that guarantees family and medical leave. In particular, the method assumes that take-up and duration of leave under the hypothetical program would match those of employed people who are eligible for job protection under the FMLA.

Methods for Participation and Leave Duration. Data on take-up and duration under the FMLA come from the FMLA employee survey conducted by Abt Associates in 2012 on behalf of the Department of Labor.[36] The survey identified the rate at which workers took each type of FMLA-qualifying leave in the previous 12 months. It also collected information on how long each worker who took leave was away from work.

Since the hypothetical program provides a maximum of eight weeks of leave, the analysis assumes that any worker in the employee survey who reported

Table 1. Estimated Participation, Duration, Weekly Benefits, and Total Benefits Paid Resulting from Method A

Leave Type	Number of Workers Claiming Paid Leave Benefits	Share of All Workers Claiming Paid Leave Benefits (%)	Average Benefit Duration (Weeks)	Average Weekly Benefit	Total Benefits Paid ($ Millions)	Benefits Paid as a Percentage of Total Wages (QCEW)
Own Health	13,000,000	8.8%	4.7	$452	$27,509	0.36%
New Child	4,700,000	3.1%	5.6	$452	$11,756	0.15%
Family Caregiving	5,900,000	4.0%	2.7	$452	$7,050	0.09%
Total	23,500,000	15.9%	4.4	$452	$46,315	0.61%

Note: Estimates may not add to total due to rounding.
Source: Ben Gitis' analysis and calculations using US Department of Labor, Wage and Hour Division, "FMLA Surveys," https://www.dol.gov/whd/fmla/survey/; National Bureau of Economic Research, "NBER CPS Supplements," 2017, http://www.nber.org/data/current-population-survey-data.html; US Census Bureau, "2012–2016 American Community Survey Five-Year Estimates," https://factfinder.census.gov/faces/nav/jsf/pages/programs.xhtml?program=acs; and US Department of Labor, Bureau of Labor Statistics, "Quarterly Census of Employment and Wages," https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables.

taking more than eight weeks of leave under the FMLA would claim benefits for the full eight weeks and not beyond that.[37] The FMLA survey includes both those who are and are not eligible for FMLA job protection. However, since this method assumes participation and duration under the hypothetical PFML program would mirror those under the FMLA, all estimates are based on the workers in the survey who are eligible for FMLA job protection.

Eligible Population and Weekly Benefits Estimates. This analysis also uses the 2017 March Current Population Survey (CPS) Annual Social and Economic Supplement, which reports earnings from 2016, to estimate weekly program benefit payments to participants.[38] With a 70 percent wage-replacement rate and a $600 maximum weekly benefit, the hypothetical program would provide 70 percent of weekly earnings to workers earning up to $857 per week ($44,600 per year for year-round workers) and $600 per week for all workers earning over $857 per week.

Using the March 2017 CPS, the analysis estimates the portion of employed workers earning below $857 per week, who would receive 70 percent of their weekly earnings, and the portion earning above $857 per week, who would receive $600 per week. The analysis then assumes that the wage distribution of program participants for each type of leave matches the national wage distribution. For those who would receive 70 percent of their weekly earnings, the analysis estimates the average weekly benefit by estimating the average weekly earnings of those making below $857 per week and multiplying the resulting figure by 70 percent.

Although this method uses CPS data on 2016 to estimate worker wage distribution, to be more comparable with the other two methods, it bases its national participation and cost estimates on the American Community Survey (ACS) 2012–16 five-year employment population estimate.[39] Additionally, the analysis states the cost as a percentage of total wages paid to workers in 2016, as reported by the Quarterly Census of Employment and Wages (QCEW).[40] With estimates on participation rates, the employed population, average benefit duration, and average weekly benefit, we are able to estimate the cost of the hypothetical PFML program.

Findings. Table 1 contains the estimates for each type of leave based on this method. These include

the estimated participation, average duration of leave benefits, average weekly benefits per participant, and total benefits paid. Overall, Method A finds that 15.9 percent of employees—23.5 million workers—would claim benefits for an average of 4.4 weeks and at a total cost of $46.3 billion in one year. For perspective, that is 0.61 percent of total wages paid to employees in 2016.

While family and medical leave is perhaps most commonly associated with parental leave, this method finds that the most common and expensive type of leave would be for own health issues. This analysis estimates that 8.8 percent of employees—13 million—would claim benefits for their own health issues, and benefit payments for these workers would total $27.5 billion. Meanwhile, the program would spend $11.8 billion on leave benefits for the birth or adoption of a child and $7 billion on family caregiving leave.

Method B: Using State Paid Leave Program Data

Method B is based on the assumption that usage of a national PFML program would mirror usage under the three currently operational state paid leave programs in California, New Jersey, and Rhode Island. Three separate estimates are provided based on state administrative data applied to the national labor force.

Methods for Participation and Leave Duration. Data on leave usage and average lengths of leave are taken from administrative data published by the California Employment Development Department, the New Jersey Department of Labor and Workforce Development, and the Rhode Island Department of Labor and Training. These data include the number of workers who took paid leave, the type of leave taken, the average duration of leave, and the average weekly benefit amount across all leave takers by type of leave. Data on the number of leaves taken are compared to the population of eligible workers in each state, and that percentage is applied to the national workforce.

However, the three state programs offer longer maximum temporary disability leaves (26 to 52 weeks) and shorter maximum parental and family caregiving leaves (four to six weeks) than the hypothetical program. When the average length of leave is longer than our proposed maximum, we estimate it at eight weeks. For parental and family caregiving leave, for which the state maximum leave is shorter than eight weeks, the ratio of average weeks taken to maximum allowed is applied to the proposed maximum of eight weeks.[41]

Eligible Population and Weekly Benefits Estimates. Method B uses the ACS 2012–16 five-year estimates to determine the total employment population and wage estimates. The average benefit payments in the state programs are compared to the average weekly wage in each state to determine the wage distribution of leave takers. Then the ratio of the average base wage to the average weekly wage in the state is applied to the national average from the ACS to estimate average weekly benefits and overall program costs. As in the preceding estimate, the total cost is also calculated as a percentage of total wages paid to workers in 2016, taken from the QCEW.

Findings. Table 2 shows the estimates for each category of leave under the hypothetical plan based on paid leave program take-up rates in California, New Jersey, and Rhode Island. Similar to the prior estimate, this includes single-year program participation, participation as a percentage of the employment population, average leave duration, average weekly benefit, total benefits paid, and total benefits paid as a percentage of total wages paid.

Overall, Method B finds there is variation in the total costs based on different levels of program usage under the three current state paid leave programs. New Jersey program usage results in the lowest estimate with a total participation of 5.7 million workers and a total cost of $7.6 billion. This is largely because New Jersey administrative data show the lowest level of program use (3.02 percent for personal medical leaves, 0.69 percent for parental leaves, and 0.14 percent for family caregiving leaves) and because the average wage base of New Jersey workers accessing the paid leave program is only 57–66 percent of the

Table 2. Participation, Duration, Weekly Benefits, and Total Benefits Paid Resulting from Method B

	Number of Workers Claiming Paid Leave Benefits	Share of All Workers Claiming Paid Leave Benefits	Benefit Duration (Weeks)	Average Weekly Benefit	Total Benefits Paid ($ Millions)	Benefits Paid as a Percentage of Total Wages (QCEW)
Program Benefit Usage Benchmarked to California Program Take-Up						
Own Health	5,200,000	3.54%	8.00	$233	$9,761.7	0.13%
New Child	1,800,000	1.26%	7.15	$259	$3,435.2	0.05%
Family Care	300,000	0.18%	7.15	$259	$499.3	0.01%
Overall	7,400,000	4.98%	7.75	$240	$13,696.2	0.18%
Program Benefit Usage Benchmarked to New Jersey Program Take-Up						
Own Health	4,500,000	3.02%	8.00	$168	$6,007.6	0.08%
New Child	1,000,000	0.69%	7.20	$196	$1,439.6	0.02%
Family Care	200,000	0.14%	5.47	$182	$198.8	0.00%
Overall	5,700,000	3.84%	7.69	$175	$7,646.0	0.10%
Program Benefit Usage Benchmarked to Rhode Island Program Take-Up						
Own Health	10,200,000	6.90%	8.00	$242	$19,805.5	0.26%
New Child	1,900,000	1.27%	7.13	$269	$3,598.0	0.05%
Family Care	500,000	0.32%	7.13	$269	$909.6	0.01%
Overall	12,600,000	8.49%	7.84	$247	$24,313.1	0.32%

Source: Sarah Jane Glynn's calculations using US Census Bureau, "2012–2016 American Community Survey Five-Year Estimates," https://factfinder.census.gov/faces/nav/jsf/pages/programs.xhtml?program=acs; California Employment Development Department, "Disability Insurance Program Statistics," 2018, http://www.edd.ca.gov/Disability/pdf/qsdi_DI_Program_Statistics.pdf; California Employment Development Department, "Paid Family Leave (PFL) Program Statistics," 2018, http://www.edd.ca.gov/Disability/pdf/qspfl_PFL_Program_Statistics.pdf; New Jersey Department of Labor and Workforce Development, "Family Leave Insurance Workload in 2016: Summary Report," August 2017, http://www.nj.gov/labor/forms_pdfs/tdi/FLI%20Summary%20Report%20for%202016.pdf; New Jersey Department of Labor and Workforce Development, "Temporary Disability Insurance Workload in 2016: Summary Report," August 2017, http://www.nj.gov/labor/forms_pdfs/tdi/TDI%20Report%20for%202016.pdf; Rhode Island Department of Labor and Training, "TDI Annual Update: January–December 2017," 2018, http://www.dlt.ri.gov/lmi/pdf/tdi/2017.pdf; and US Department of Labor, Bureau of Labor Statistics, "Quarterly Census of Employment and Wages," https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables.

statewide average wage.[42] New Jersey also shows shorter average durations for family caregiving leaves and slightly lower average weekly benefit amounts based on greater program use by women, who have lower wages than men.

Rhode Island, by contrast, has the highest program cost, estimated with a total participation of 12.6 million works and a total cost of $24.3 billion. This discrepancy is almost entirely because Rhode Island has significantly higher levels of program usage for personal medical leaves (6.90 percent), in addition to higher levels of family caregiving leave (0.32 percent). Also, the average wage base for leave takers in Rhode Island is 82–91 percent of the statewide average wage.

California's program usage falls between New Jersey's and Rhode Island's. It has a total estimated participation of 7.4 million workers and a total cost estimate of $13.7 billion.

Method C: Using a Simulation Model to Combine National- and State-Level Data

Estimates for Method C were made using a simulation model developed to estimate the usage and costs of paid leave proposals at the national, state, or local level. Over the past 15 years, the Institute for Women's Policy Research, with economists Randy Albelda (University of Massachusetts Boston) and Alan Clayton-Matthews (Northeastern University), has developed and updated a simulation model to estimate the usage and costs of family and medical leave. The current model simulates specific leave-taking behavior available in the same survey used in Method A, the 2012 FMLA Survey, onto individual employees nationally using data from the Census Bureau's 2012–16 ACS.

The simulation model estimates several aspects of leave-taking behavior, conditional on demographic characteristics and leave type, including the worker's own health needs, maternity-related disability, new child bonding, and family care for a spouse, children, or parents. These include the probability of needing, taking, getting, and extending a leave if some or more pay were received. The simulation model assumes that if a worker is offered both employer-provided benefits and the PFML benefits, he or she will choose whichever option provides higher wage replacement.

Tables 3 and 4 summarize the results of two slightly different setups of the simulation model on the sample program design. The two setups have different model parameters of what share of eligible workers would claim program benefits. In Table 3, among workers who experience a leave-qualifying event, the benefit-claiming rates are 40 percent for the worker's own health, 95 percent for maternity-related disability, 75 percent for new child bonding, 20 percent for family care of a spouse or child, and 10 percent for family care of a parent.

Given the diversity of state programs in terms of coverage, eligibility criteria, benefit formulas, and other design elements, no single set of benefit-claiming rates exactly reproduces the program statistics reported by the state agencies in California, New Jersey, and Rhode Island. However, the benefit-claiming rates used in Table 3 came closest to the reported 2016 program statistics available from the existing state programs. Therefore, the results in Table 3 should be closer to Method B than Method A, as Method B is based on the state programs.

In Table 4, the benefit-claiming rates are set to 100 percent for all eligible workers taking a qualified leave. This parameterization should correspond closely to the estimates using Method A, also drawing on the 2012 FMLA survey for worker leave-taking behaviors, which calculated take-up rates from all worker leaves in the FMLA survey, regardless of the seriousness of the health condition, duration, or whether an employer might voluntarily provide the worker with paid leave. The Table 4 parameterization was estimated to illustrate the origin of differences in calculated costs between the simulation model and the transparent calculations in Method A.

The simulation model does allow more complex interactions of worker behaviors with the benefit program and produces some difference across estimated quantities. Additional considerations built into the simulation model include estimating the likelihood that health conditions meet the FMLA threshold to be considered "serious" (or eligible for job-protected leave under the FMLA) using the survey data available on whether hospital or outpatient medical care was required. Additionally, it models the possibility that workers experiencing qualifying events under a benefit program might take additional leaves or that workers will take longer leaves with partial wage replacement.

Based on this simulation model, if workers claimed benefits from a national PFML program at similar levels observed in the first three state programs to include family leaves (Table 3), 11.6 million workers would take just over 13 million leaves in one calendar year: 8.2 million leaves for the worker's own health (63 percent), 3.0 million childbearing and parental leaves (23 percent), and 1.8 million leaves for caring for family members with serious health needs (14 percent). On the other hand, if all eligible workers experiencing a qualified family or medical event claim PFML program benefits, 18.2 million workers would take 22.9 million leaves in a calendar year: 14.2 million

Table 3. Participation, Duration, Weekly Benefits, and Total Benefits Paid Resulting from Method C, Benchmarked to Existing State Programs

	Number of Workers Claiming Paid Leave Benefits	Share of All Workers Claiming Paid Leave Benefits	Number of Leaves Claiming Program Benefits	Benefit Duration (Weeks)	Average Weekly Benefit	Total Benefits Paid ($ Millions)	Benefits Paid as a Percentage of Total Wages (QCEW)
Own Health	7,400,00	4.9%	8,200,000	5.4	$386	$16,263.6	0.22%
New Child	3,000,000	2.0%	3,000,000	5.8	$428	$6,924.0	0.09%
Family Care	1,700,000	1.1%	1,800,000	3.1	$357	$1,895.1	0.03%
Overall	11,600,00	7.6%	13,000,000	5.2	$391	$25,082.7	0.34%

Source: Jeffrey Hayes' calculations using the Institute for Women's Policy Research–ACM Family Medical Leave Simulation Model, based on 2012–16 American Community Survey and 2012 FMLA Employee Survey.

Table 4. Participation, Duration, Weekly Benefits, and Total Benefits Paid Resulting from Method C, for All Family or Medical Leave Events

	Number of Workers Claiming Paid Leave Benefits	Share of All Workers Claiming Paid Leave Benefits	Number of Leaves Claiming Program Benefits	Benefit Duration (Weeks)	Average Weekly Benefit	Total Benefits Paid ($ Millions)	Benefits Paid as Percentage of Total Wages (QCEW)
Own Health	12,000,000	7.9%	14,200,000	5.4	$406	$29,394.3	0.40%
New Child	3,500,000	2.3%	3,600,000	5.8	$432	$8,086.3	0.11%
Family Care	4,600,000	3.1%	5,200,000	3.0	$404	$6,235.8	0.08%
Overall	18,200,000	12.0%	22,900,000	4.9	$410	$43,716.4	0.59%

Source: Jeffrey Hayes' calculations using the Institute for Women's Policy Research–ACM Family Medical Leave Simulation Model, based on 2012–16 American Community Survey and 2012 FMLA Employee Survey.

leaves for the worker's own health (62 percent), 3.0 million childbearing and parental leaves (15 percent), and 5.2 million leaves for caring for family members with serious health needs (23 percent).

Benefit claims would be paid for similar durations under both sets of simulation results: 5.4 weeks for the workers' own serious health conditions, 5.8 weeks for childbearing and parental leaves, and about three weeks for family caregiving (3.1 weeks in Table 3 and 3.0 weeks in Table 4), on average. With a larger share of shorter family care leaves in Table 4 compared to Table 3, the overall average benefit claims are shorter: 4.9 weeks in Table 4 and 5.2 weeks in Table 3.

Weekly benefits are different across the two sets of simulation results. In Table 3, in which the workers who would be offered employer-provided benefits that are more common among higher-earning workers may not claim PFML benefits, the average weekly benefit is estimated to be $391 overall in the sample PFML program. In Table 4, in which all eligible workers experiencing qualified family or medical events

claimed PFML program benefits, the average weekly benefits are about $20 higher, or $410 overall.

Using the Institute for Women's Policy Research–ACM simulation model, the estimated PFML benefit costs for the US labor force in 2016 range from $25.1 billion (Table 3) to $43.7 billion (Table 4). When calculated as a percentage of total payroll earnings, PFML benefit costs would be 0.34 percent for Table 3 and 0.59 percent for Table 4. As anticipated, the cost estimates in Table 4 match quite closely with the method and results shown in Table 1.

Program Cost Estimate Comparisons

The three approaches to estimating cost for a national PFML present a range of estimates, as expected. Our hypothetical program provides universal access to up to eight weeks of leave for family and medical needs, including parental leave, with benefits paid according to the hypothetical formula—70 percent of usual weekly wages up to a maximum weekly benefit of $600. It can be expected to cost from 0.10 percent of total wages (when patterned on New Jersey's program) to 0.61 percent of total wages (when patterned on the FMLA survey).

The above analyses reveal why these distinct methodological strategies yield differing cost estimates, as well as important trends that are consistent across all three methods. The following discussion elaborates on why the differences occur. Additionally, it identifies the trends that policymakers should take into account when considering the budgetary implications of new PFML programs.

Factors That Drive the Differences. The hypothetical PFML program's estimated cost varies substantially with data source and program usage assumptions. The differences driven by data source are most apparent when comparing Methods A and B. Method A finds that the hypothetical program would cost $46.3 billion when using the FMLA survey and assuming the same take-up and duration patterns of those currently eligible for FMLA job protection. Method B finds it could be less costly when using administrative data in states with existing paid leave programs and assuming those take-up, duration, and wage-distribution patterns.

Interestingly, Method B's findings vary considerably depending on the state paid leave program from which the take-up and duration patterns are based. It finds that the cost of the hypothetical PFML program could be as low as $7.6 billion (when using New Jersey program data) and as high as $24.3 billion (when using Rhode Island data).

The differences between Methods A and C illustrate how applying different assumptions to the same data can also drive variation in projected program costs. Both use the FMLA data to estimate take-up and duration patterns. As previously noted, when the simulation model used in Method C incorporates assumptions that reflect the assumptions in Method A (that all workers who take leave will claim the benefit, regardless of severity of the leave and employer benefits), the resulting cost estimates are similar. Under these assumptions, Method C finds the hypothetical program would cost $43.7 billion, close to Method A's $46.3 billion. However, when the model applies assumptions so that program usage would more closely mirror the experiences of the state programs, the cost falls to $25.1 billion, closer to the range of Method B's results.

The truth likely falls somewhere in the range of estimates in this report. There are reasons to conclude that program use may be higher than what has been experienced in the states. Some states have had difficulty spreading awareness of their PFML programs, and evidence suggests many workers are not aware of the program.[43] Knowledge of a federal PFML program would ideally be much higher, as national media would likely cover its introduction and it could use federal government resources to spread awareness.

Additionally, the hypothetical plan modeled here is not identical to any of the existing state programs. Some of these differences may increase the value of taking leave and perhaps incentivize more workers to claim leave benefits. The state programs also have different program eligibility criteria, ranging from $300 in base period earnings in California to $12,120 in Rhode Island, which may not match the eligibility

criteria of a federal program.[44] Finally, it is uncertain if the wage distribution of leave takers in these states would be mimicked at the national level.

At the same time, it is doubtful that every worker taking FMLA leave would apply for and receive benefits from a government PFML program. Given that not all eligible workers claim current federal benefits from programs such as Social Security, Temporary Assistance for Needy Families, and the Supplemental Nutrition Assistance Program, it is unlikely that every qualified worker would also claim the hypothetical program benefit.

FMLA leaves may be taken intermittently and in as small as 15-minute increments.[45] There is no waiting period associated with FMLA leave, nor is there a minimum duration of leave. On the other hand, even if there is no unpaid waiting period, all the state programs at least have minimum durations of leave that must be met before benefits can be claimed.

Additionally, if the federal paid leave benefit is offered to workers who do not qualify for job protection under the FMLA, then the take-up and duration may differ because those who lack job protection may be less likely to go on leave. Finally, the wage distribution of those who claim paid leave benefits most likely would not mirror the national wage distribution. Thus, the upper- and lower-bound estimates presented here most likely over- and underestimate the hypothetical PFML program's total benefit costs.

Similar Trends Across Each Method. Although the methods result in differing cost estimates, each comes to the same conclusion about the relative magnitude of the three main types of leave: own health, family caregiving, and new child. In particular, all three find that leave for own health would be the most used and thus costliest provision of the program, with leave for a new child and for family caregiving being used less frequently and thus less costly.

All three methods reveal that the majority of workers who would claim benefits from the hypothetical program would do so for their own health reasons. The average duration of leave for own medical reasons would be 4.7 weeks in Method A, 8.0 weeks in Method B, and 5.4 weeks in Method C. Consequently, the highest use and 4.7–8.0 weeks of leave benefits for workers with their own health needs would account for the largest portion of benefit payments. For instance, Method A finds that $27.5 billion of the total $46.3 billion of benefits paid goes to those workers. Likewise, Method C finds own health accounts for $16.2 billion out of $25.1 billion total in Table 3 and $29.4 billion out of $43.7 billion in Table 4. The same trend also occurs in the state-program-based analysis used in Method B.

Similarly, each method finds that program take-up for family caregiving and parental leave would account for a much smaller portion of benefit payments. In particular, leave for the birth or adoption of a child would be the second most common, and thus second costliest, form of leave, and leave to care for an ill family member would account for the smallest portion of benefit payments. Fewer workers have children than experience serious health needs each year, so program participation for parental leave would be low relative to leave for own health, at 3.1 percent according to Method A, 0.7–1.3 percent according to Method B, and 2.0–2.3 percent according to Method C. Additionally, the three methods find that leave for a new child would be 5.6 weeks, 7 weeks, and more than 5.8 weeks according to Methods A, B, and C, respectively.

Finally, each method finds that leave for family caregiving under the hypothetical program would be the least costly, mainly because of short durations and low take-up. They all find that workers on leave to care for an ill family member would claim benefits for the shortest duration. Family caregiving leave would average 2.7 weeks according to Method A, 5.5–7.2 weeks according to Method B, and 3.1 weeks according to Method C.

There was some variation in the magnitude of take-up for family caregiving relative to take-up for a new child. Participation for family caregiving was higher than for a new child according to Method A and Method C in Table 4, but lower than for a new child in Method B and Method C in Table 3. Despite these differences, all methods resulted in significantly fewer benefit claims than for medical leave.

Conclusion

While there is growing interest in a national PFML program in the United States, researchers and advocates have differing opinions on how a program should be structured, administered, and implemented. One key factor is how a program should be funded and what an appropriate budget level would be.

The estimates outlined in this report are rough approximations based on the currently available data and a hypothetical model that does not contain the level of detail that would be included in a final program. Thus, these estimates are not a precise gauge of real program usage and costs.

Several factors affect the budgetary implications of a new PFML program, including program parameters, such as wage replacement and maximum duration, and program usage. This report employs three distinct methodologies to estimate the cost of benefit payments under a hypothetical PFML program. It finds that the differences between each methodological strategy are mainly driven by data source and assumptions on program usage.

Despite the differences, several similarities emerge across the results from each method. In particular, each finds that, in a program that offers paid leave for own health, family caregiving, and a new child leave, leave taking for own health reasons would account for the largest portion of benefit claims and program cost.

Additional research and cost modeling using detailed program parameters and more robust data and analyses are necessary to create more accurate cost estimates. However, the estimates outlined here do provide a useful starting point for further research and highlight how and why current cost estimates may differ dramatically from one another.

Notes

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4. Amy Raub et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries*, WORLD Policy Analysis Center, 2018, https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf; Amy Raub et al., *Paid Leave for Family Illness: A Detailed Look at Approaches Across OECD Countries*, WORLD Policy Analysis Center, 2018, https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Family%20Medical%20Leave%20OECD%20Country%20Approaches_0.pdf; and Amy Raub et al., *Paid Leave for Personal Illness: A Detailed Look at Approaches Across OECD Countries*, WORLD Policy Analysis Center, 2018, https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Personal%20Medical%20Leave%20OECD%20Country%20Approaches_0.pdf.

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8. AEI-Brookings Working Group on Paid Family Leave, *Paid Family and Medical Leave*.

9. Family and Medical Leave Act of 1993, Pub. L. No. 103-3.

10. Sarah Jane Glynn et al., *Implementing Paid Family and Medical Leave Insurance Connecticut*, Institute for Women's Policy Research, 2016, https://www.ctdol.state.ct.us/FMLI%20report%20for%20CT.pdf.

11. See, for example, Australian Government Department of Human Services, "Newborn Upfront Payment and Newborn Supplement," May 12, 2018, https://www.humanservices.gov.au/individuals/services/centrelink/newborn-upfront-payment-and-newborn-supplement; and Singapore Ministry of Social and Family Development, "Baby Bonus Scheme," March 8, 2017, https://www.msf.gov.sg/policies/Strong-and-Stable-Families/Supporting-Families/Pages/Baby-Bonus-Scheme.aspx.

12. Raub et al., *Paid Parental Leave*.

13. National Partnership for Women & Families, "State Paid Family and Medical Leave Insurance Laws."

14. The FMLA also provides job-protected leave to address military exigencies. However, these leaves are infrequently taken, they are not covered by state paid leave programs, and there is little publicly available data on their frequency. As a result, they are excluded from this analysis.

15. While there is little information publicly available on the impact of expanded family definitions to paid family leave usage, there are some survey data that analyzes how often workers take leave to care for a friend or chosen family member with a health-related need. See, for example, Katherine Gallagher Robbins et al., "People Need Paid Leave Policies That Cover Chosen Family," Center for American Progress, October 30, 2017, https://www.americanprogress.org/issues/poverty/reports/2017/10/30/441392/people-need-paid-

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17. National Partnership for Women & Families, "State Paid Family and Medical Leave Insurance Laws"; and US Department of Labor, "Family and Medical Leave Act Advisor," https://webapps.dol.gov/elaws/whd/fmla/10b1.aspx.

18. Sarah Jane Glynn, *Administering Paid Family and Medical Leave: Learning from International and Domestic Examples*, Center for American Progress, November 2015, https://cdn.americanprogress.org/wp-content/uploads/2015/11/19060022/PaidLeaveProposal-report-11.19.15.pdf.

19. While waiting periods affect the start date of benefit receipt from a government paid leave program, they do not necessarily affect the total length of leave that an individual is away from work. For example, a hypothetical paid leave program could have a one-week waiting period and an eight-week maximum benefit duration. In this case, to claim the full benefit, an individual would be away from work for nine weeks total, with the last eight weeks paid by the program. Because the FMLA provides up to 12 weeks of job-protected leave, with some state laws providing longer, the total amount of time an individual is on leave from work may or may not be longer than the total amount of time they would receive wage replacement from a paid leave program.

20. National Partnership for Women & Families, "State Paid Family and Medical Leave Insurance Laws."

21. National Partnership for Women & Families, "State Paid Family and Medical Leave Insurance Laws."

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23. With a $600 benefit cap, workers earning up to roughly $857 per week (or approximately $44,500 per year, assuming year-round work) would receive the full 70 percent wage replacement. Higher earners would receive a lower percentage of their normal wages based on the cap.

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Discrimination," *University of San Francisco Law Review* 41 (2006): 171, https://repository.uchastings.edu/cgi/viewcontent.cgi?article=1812&context=faculty_scholarship; and Stephanie Bornstein, Joan C. Williams, and Genevieve R. Painter, "Discrimination Against Mothers Is the Strongest Form of Workplace Gender Discrimination: Lessons from US Caregiver Discrimination Law," *International Journal of Comparative Labour Law and Industrial Relations* 28 (2012): 45.

32. Brie Lindsey and Daphne Hunt, "California's Paid Family Leave Program: Ten Years After the Program's Implementation, Who Has Benefited and What Has Been Learned?," California Senate Office of Research, July 1, 2014, http://sor.senate.ca.gov/sites/sor.senate.ca.gov/files/Californias%20Paid%20Family%20Leave%20Program.pdf.

33. New Jersey Department of Labor and Workforce Development, Office of Research and Information, *Family Leave Insurance Workload in 2016: Summary Report*, August 2017, http://www.nj.gov/labor/forms_pdfs/tdi/FLI%20Summary%20Report%20for%202016.pdf; and Rhode Island Department of Labor and Training, "TDI Annual Update," January–December 2017, http://www.dlt.ri.gov/lmi/pdf/tdi/2017.pdf.

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36. US Department of Labor, Wage and Hour Division, "FMLA Surveys," https://www.dol.gov/whd/fmla/survey/.

37. Additionally, the FMLA Employee Survey includes workers who were on family and medical leave while the interview occurred, meaning the survey does not report their full length of leave and instead reported only the duration of the leave those workers took up until the date of the interview. To resolve this issue, this analysis uses the Abt Associates preferred duration measure, which doubles the length of leave for those workers.

38. National Bureau of Economic Research, "NBER CPS Supplements," http://www.nber.org/data/current-population-survey-data.html.

39. US Census Bureau, "American FactFinder," https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml.

40. US Department of Labor, Bureau of Labor Statistics, "Quarterly Census of Employment and Wages," https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables.

41. For example, in New Jersey, the average length of temporary disability leave is 10.14 weeks; therefore, an average of eight weeks is used in Method C. The average length of leave for family caregiving in the state is 4.10 weeks, or 0.683 percent of the maximum six weeks allowed. The New Jersey estimate thus uses an average estimated family caregiving leave duration of 5.47 weeks, or 0.683 times the eight-week maximum leave duration.

42. Usage in New Jersey may be lower than what would be expected under a federal proposal because the state allows employers to opt out of the state program if they offer private market leave insurance to their employees.

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About the Working Group

Aparna Mathur is a resident scholar in economic policy studies at the American Enterprise Institute (AEI). She received a Ph.D. in economics from the University of Maryland, College Park, in 2005. At AEI, her research has focused on income inequality and mobility, tax policy, labor markets, and small businesses. She has been published in several top scholarly journals, testified several times before Congress, and published numerous articles in the popular press on issues of policy relevance. Her work has been cited in academic journals and leading newsmagazines such as the *Economist*, the *Wall Street Journal*, *Financial Times*, and *Businessweek*. Government organizations such as the Congressional Research Service and the Congressional Budget Office have also cited her work in their reports to Congress. She has been an adjunct professor at Georgetown University's School of Public Policy and has taught economics at the University of Maryland. In 2017, she was recognized in the *Politico* 50 list.

Isabel V. Sawhill is a senior fellow in economic studies at the Brookings Institution. She served as vice president and director of the economic studies program from 2003 to 2006. She is a codirector with Ron Haskins of the Center on Children and Families. Before joining Brookings, Sawhill was a senior fellow at the Urban Institute. She served in the Bill Clinton administration as an associate director of the Office of Management and Budget, where her responsibilities included all the human resource programs of the federal government, accounting for one-third of the federal budget. Her research has spanned a wide array of economic and social issues, including fiscal policy, economic growth, poverty, and inequality. Over the past decade, her major focus has been on how to improve opportunities for disadvantaged children in the US. Sawhill helped found the National Campaign to Prevent Teen and Unplanned Pregnancy and serves as the president of its board. She has been a visiting professor at Georgetown University Law Center, director of the National Commission for Employment Policy, and president of the Association for Public Policy Analysis and Management. She also serves on several boards. She was a recipient of the Exemplar Award from the Association for Public Policy Analysis and Management (2014) and, with Ron Haskins, the Daniel Patrick Moynihan Prize from the American Academy of Political and Social Science (2016). She was named a distinguished fellow by the American Economic Association in 2016.

Heather Boushey is executive director and chief economist at the Washington Center for Equitable Growth and coeditor of *After Piketty: The Agenda for Economics and Inequality* (Harvard University Press, 2017), a volume of 22 essays about how to integrate inequality into economic thinking. Her research focuses on economic inequality and public policy, specifically employment, social policy, and family economic well-being, and her latest book is *Finding Time: The Economics of Work-Life Conflict* (Harvard University Press, 2016). The *New York Times* has called Boushey one of the "most vibrant voices in the field," and *Politico* twice named her one of the top 50 "thinkers, doers and visionaries transforming American politics." Boushey writes regularly for popular media, including the *New York Times*' "Room for Debate," the *Atlantic*, and *Democracy*, and she makes frequent television appearances on Bloomberg, MSNBC, CNBC, and PBS. She previously served as chief economist for Hillary Clinton's transition team and as an economist for the Center for American Progress, the Joint Economic Committee of the US Congress, the Center for Economic and Policy Research, and the Economic Policy Institute. She sits on the board of the Opportunity

Institute and is an associate editor of *Feminist Economics*. She received a Ph.D. in economics from the New School for Social Research and a B.A. from Hampshire College.

Ben Gitis is the director of labor market policy at the American Action Forum. He has extensively researched and written about the minimum wage, wage subsidies, regulatory cost burdens, and the labor market consequences of the Affordable Care Act. His work has been referenced by the *Wall Street Journal*, the *Washington Post*, CNBC, MSNBC, Fox Business, Bloomberg, Reuters, and others. He received a B.A. from Davidson College, where he graduated magna cum laude with honors in economics and was inducted into Phi Beta Kappa. He also spent a year studying economics in Hertford College, University of Oxford.

Sarah Jane Glynn is a senior fellow at the National Academy of Social Insurance and an expert in paid family and medical leave policies. She has authored reports for state and county governments outlining detailed policy and implementation plans for paid leave social insurance programs, testified before state and local governments on paid family leave, and consulted with members of Congress and political candidates on paid family leave social insurance proposals. Glynn received a bachelor's degree in women's studies from the University of California, Los Angeles, and a doctorate in sociology from Vanderbilt University.

Jeffrey Hayes is program director for job quality and income security at the Institute for Women's Policy Research (IWPR) and scholar in residence at American University. His research examines women's and men's employment, job quality, and economic security over the life course, including retirement. He currently oversees IWPR's work analyzing usage and cost of paid family and medical leave in the United States and provides technical assistance to several states and localities considering how they might improve workers' access to paid leave for their own health needs or to care for family members. He recently served on the Maryland Task Force to Study Family and Medical Leave Insurance and the Commission to Modernize Social Security and has provided technical assistance to members of the US Congress on including credits for caregiving in Social Security. Hayes is a member of the National Academy of Social Insurance. He holds master's and Ph.D. degrees in sociology from the University of Wisconsin–Madison and a bachelor's degree in sociology and religious studies from the University of Virginia.

Douglas Holtz-Eakin has a distinguished record as an academic, policy adviser, and strategist. Currently, he is the president of the American Action Forum. During 2001–02, he was the chief economist of the President's Council of Economic Advisers (CEA), where he had also served during 1989–90 as a senior staff economist. At CEA he helped formulate policies addressing the 2000–01 recession and the aftermath of the terrorist attacks of September 11, 2001. From 2003 to 2005 he was the sixth director of the Congressional Budget Office. During 2007 and 2008, he was director of domestic and economic policy for the John McCain presidential campaign. Since then he has been a commissioner on the congressionally chartered Financial Crisis Inquiry Commission. Holtz-Eakin has an international reputation as a scholar doing research in areas of applied economic policy, econometric methods, and entrepreneurship. He began his career at Columbia University in 1985 and moved to Syracuse University from 1990 to 2001. At Syracuse, he was trustee professor of economics at the Maxwell School, chairman of the Department of Economics, and associate director of the Center for Policy Research.

Harry J. Holzer is the John LaFarge Jr. S.J. Professor of Public Policy at Georgetown University and an institute fellow at the American Institutes for Research. He is also a nonresident senior fellow at the Brookings Institution, a research affiliate of the Institute for Research on Poverty at the University of Wisconsin–Madison, an affiliated scholar with the Urban Institute, and a member of the editorial board at the *Journal of Policy Analysis and Management*. He is a former chief economist for the US Department of Labor and a former professor of economics at Michigan State

University. Holzer has authored or edited 12 books and several dozen journal articles, mostly on disadvantaged American workers and their employers, as well as on education and workforce issues and labor market policy. He received a B.A. from Harvard in 1978 and a Ph.D. in economics from Harvard in 1983.

Elisabeth Jacobs is senior director for family economic security at the Washington Center for Equitable Growth. Her research focuses on economic inequality and mobility, family economic security, poverty, employment, social policy, social insurance, and the politics of inequality. Before joining Equitable Growth, she was a fellow in governance studies at the Brookings Institution, a cofounder of Brookings' popular Social Mobility Memos blog, and a frequent public commentator on inequality, mobility, and the implications of the Great Recession for American families. Earlier in her career, Jacobs served as senior policy adviser to the Joint Economic Committee of the United States Congress and as an adviser to the US Senate Committee on Health, Education, Labor and Pensions. She holds a Ph.D. and an A.M. from Harvard University, where she was a fellow in the Multidisciplinary Program in Inequality and Social Policy at the Kennedy School of Government, and a B.A. from Yale University, where she served on the board of directors of Dwight Hall, the Center for Public Service and Social Justice.

Abby M. McCloskey is an economist and political commentator. She is the founder of McCloskey Policy LLC, a research and consulting firm serving business and political leaders across the country, including presidential and congressional candidates, cabinet-level appointees, Fortune 500 CEOs, and foundations. Previously, McCloskey was the director for domestic and foreign policy on Gov. Rick Perry's 2016 presidential campaign and an economic adviser to Gov. Jeb Bush's 2016 presidential campaign. She was the program director of economic policy at the American Enterprise Institute (AEI), the director of research at the Financial Services Roundtable, a staffer for Sen. Richard Shelby (R-AL), and a policy associate with the Charles G. Koch Charitable Foundation. McCloskey is known for her work on economic opportunity and issues affecting working parents. She is widely published, with her work regularly appearing in the *Wall Street Journal*, the *Washington Post*, *National Affairs*, *National Review*, *Forbes*, *American Banker*, RealClearMarkets, *US News & World Report*, and AEI's Economic Studies series, among others. She has testified about her research before the US Congress, appears on major media outlets, and is often a guest speaker for graduate school classes, research conferences, and political associations. McCloskey holds an M.S. in applied economics from Johns Hopkins University and graduated summa cum laude with a B.A. in economics from Wheaton College.

Ruth Milkman is a sociologist of labor and labor movements who has written on a variety of topics involving work and organized labor in the United States, past and present. Her most recent book is *Unfinished Business: Paid Family Leave in California and the Future of U.S. Work-Family Policy* (Cornell University Press, 2013), coauthored with Eileen Appelbaum. She has also written extensively about low-wage immigrant workers in the United States, analyzing their employment conditions and the dynamics of immigrant labor organizing. Milkman taught sociology for more than 20 years at the University of California, Los Angeles, and directed the Institute for Research on Labor and Employment there from 2001 to 2008. In 2009, she returned to the Graduate Center, where she had begun her distinguished career in the 1980s. She holds a Ph.D. in sociology from the University of California, Berkeley.

Angela Rachidi is a research fellow in poverty studies at the American Enterprise Institute (AEI), where she studies poverty and the effects of federal safety-net programs on low-income people in America. She is an expert in support programs for low-income families, including Temporary Assistance for Needy Families and the Supplemental Nutrition Assistance Program. She also studies the effects of tax policy and other benefit programs on low-income American families, particularly on their work and poverty levels. Before joining AEI, Rachidi spent almost a

decade researching benefit programs for low-income populations in New York City. As a deputy commissioner in New York City's Department of Social Services, she oversaw the agency's policy research and program evaluation efforts. She appears frequently in the media, and her print and online pieces have been published in outlets including the *New York Post*, the *Hill*, InsideSources, and RealClearMarkets. Rachidi has a Ph.D. in public policy from the New School's Milano School of International Affairs, Management, and Urban Policy. She also has a master's of public administration from Northern Illinois University and a B.S. in public administration from the University of Wisconsin–Whitewater.

Richard V. Reeves is a senior fellow in economic studies at Brookings Institution, director of the Future of the Middle Class Initiative, and codirector of the Center on Children and Families. His research focuses on the middle class, inequality, and social mobility. His latest book is *Dream Hoarders: How the American Upper Middle Class Is Leaving Everyone Else in the Dust, Why That Is a Problem, and What to Do About It* (Brookings Institution Press, 2017). He is also a contributor to the *Atlantic*, *National Affairs*, *Democracy*, the *Wall Street Journal*, and the *New York Times*. Reeves is also the author of *John Stuart Mill: Victorian Firebrand* (Atlantic Books, 2008), an intellectual biography of the British liberal philosopher and politician. In September 2017, *Politico* named him one of the top 50 thinkers in the US for his work on class and inequality. He is a member of the Government of Canada's Ministerial Advisory Committee on Poverty and teaches at the McCourt School of Public Policy at Georgetown University. His previous roles include director of Demos, the London-based political think tank; director of futures at the Work Foundation; principal policy adviser to the minister for welfare reform; social affairs editor of the *Observer*; research fellow at the Institute for Public Policy Research; economics correspondent for the *Guardian*; and a researcher at the Institute of Psychiatry, University of London. He is also a former European Business Speaker of the Year. Reeves has a B.A. from Oxford University and a Ph.D. from the University of Warwick.

Maya Rossin-Slater is an assistant professor of health research and policy at Stanford University School of Medicine. She is also a faculty fellow at the Stanford Institute for Economic Policy Research, a faculty research fellow at the National Bureau of Economic Research, and a research affiliate at the Institute of Labor Economics. She received a Ph.D. in economics from Columbia University in 2013 and was an assistant professor of economics at the University of California, Santa Barbara, from 2013 to 2017. Rossin-Slater's research includes work in health, public, and labor economics. She focuses on issues in maternal and child well-being, family structure and behavior, and policies targeting disadvantaged populations in the United States and other developed countries.

Christopher J. Ruhm is a professor of public policy and economics at the University of Virginia (UVA). He received a doctorate in economics from the University of California, Berkeley, in 1984. Before joining UVA in 2010, he held faculty positions at the University of North Carolina at Greensboro and Boston University, and he was a postdoctoral research fellow at Brandeis University. During the 1996–97 academic year, he served as senior economist on President Bill Clinton's Council of Economic Advisers, where his main responsibilities were in the areas of health policy, aging, and labor market issues. He is a research associate in health economics, health care policy, and children's programs at the National Bureau of Economic Research and a research fellow at the Institute for the Study of Labor in Germany. Ruhm has received external research funding from a diverse set of organizations, including the US Department of Labor, the National Science Foundation, several of the National Institutes of Health, Pivotal Ventures, the Alfred P. Sloan Foundation, the Russell Sage Foundation, and the Robert Wood Johnson Foundation. He is associate editor or editorial board member of the *American Journal of Health Economics*, *Journal of Health Economics*, and *Southern Economic Journal*; current president of the Southern Economic Association; on the board of directors of the American Society of Health Economists; and a steering committee member of the Southeastern Health Economics Study Group.

Betsey Stevenson is an associate professor of public policy at the Ford School at the University of Michigan, with a courtesy appointment in the Department of Economics. She is also a research associate with the National Bureau of Economic Research, a fellow of the Ifo Institute for Economic Research in Munich, and a member of the board of directors of the American Law and Economics Association. Stevenson is a labor economist whose research focuses on the impact of public policies on the labor market, specifically women's labor market experiences, the economic forces shaping the modern family, and the potential value of subjective well-being data for public policy. She recently completed a two-year term as an appointed member of the White House Council of Economic Advisers. She served as the chief economist of the US Department of Labor from 2010 to 2011.

Jane Waldfogel is the Compton Foundation Centennial Professor for the Prevention of Children's and Youth Problems at the Columbia University School of Social Work and codirector of the Columbia Population Research Center. She is also visiting professor at the London School of Economics. She received a Ph.D. in public policy from the Harvard Kennedy School in 1994 and has written extensively on the impact of public policies on poverty, inequality, and child and family well-being. Her books include *Too Many Children Left Behind: The U.S. Achievement Gap in Comparative Perspective* (Russell Sage Foundation, 2015); *Britain's War on Poverty* (Russell Sage Foundation, 2013); *Steady Gains and Stalled Progress: Inequality and the Black-White Test Score Gap* (Russell Sage Foundation, 2011); *What Children Need* (Harvard University Press, 2010); *The Future of Child Protection: How to Break the Cycle of Abuse and Neglect* (Harvard University Press, 2001); and *Securing the Future: Investing in Children from Birth to College* (Russell Sage Foundation, 2000). Her current research includes studies of poverty and social policy, work-family policies such as paid family and medical leave, and inequality in child development and achievement.

Research Support

Cody Kallen was a research associate in economic policy at the American Enterprise Institute (AEI). His research centers on tax policy, analysis of tax-reform proposals, economic growth, and financial economics. He is also a contributor to the Tax-Calculator, an open-source tax microsimulation model. He received a B.A. in economics and mathematics from Washington University in St. Louis in 2016. Before joining AEI, he worked as a research assistant for the Washington University School of Law, analyzing behavioral anomalies by the Equal Employment Opportunity Commission. He is pursuing a joint Ph.D. in finance and economics at the University of Wisconsin–Madison.

Eleanor Krause was a senior research assistant in economic studies at the Brookings Institution. Her research at Brookings' Center on Children and Families examined economic growth and inequality, work-family policy, and social mobility in the United States. Before joining Brookings, she was a research consultant at the World Resources Institute, where she focused on the design and distributional impacts of carbon pricing and the economics of various domestic climate policy options. She received an M.P.A. from the Evans School of Public Policy and Governance at the University of Washington. She is now pursuing a Ph.D. from the Harvard Kennedy School of Government.