

## Universal Paid Family and Medical Leave Will Generate Economy-Wide Benefits and Spur Economic Growth

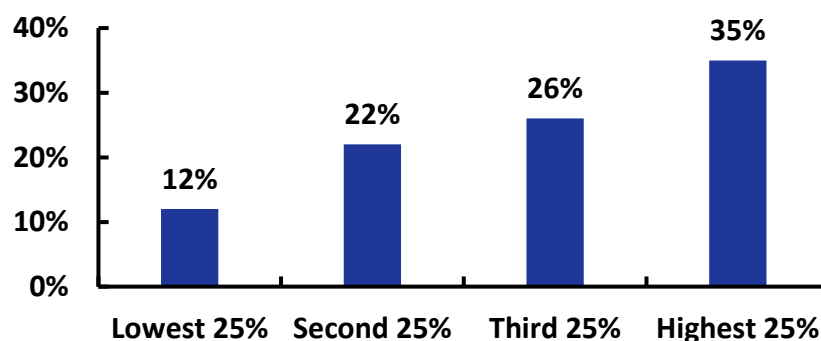
The Build Back Better legislation being considered by the House would provide 12 weeks of universal paid family and medical leave for all U.S. workers, a crucial policy to improve the economic security of families, support small businesses and increase economic growth. The need to take leave is inevitable over the course of a lifetime, whether to care for a new family member, as in the birth or adoption of a child, or to handle a personal health crisis, and yet the United States is the [only](#) OECD country that does not require paid leave for new mothers and is one of only two OECD countries that does not require paid medical leave.

This gap in coverage leaves families economically vulnerable and constricts the productive capacity of the U.S. economy because families lack the support to meet both their care needs and participate in the labor market.

### *Only 23% of American workers have access to paid family leave, and lower-wage workers are the least likely to have access*

Only 23% of the U.S. workforce has access to paid family leave—up only 11 percentage points from a decade ago—but access varies drastically by income, occupation and race. As the average wage increases, access to paid family leave increases: Nearly three times as many workers in the top 25% report having access to paid leave compared to workers with average wages in the bottom 25%.

### Lower-Wage Workers Are the Least Likely to Have Access to Paid Family Leave



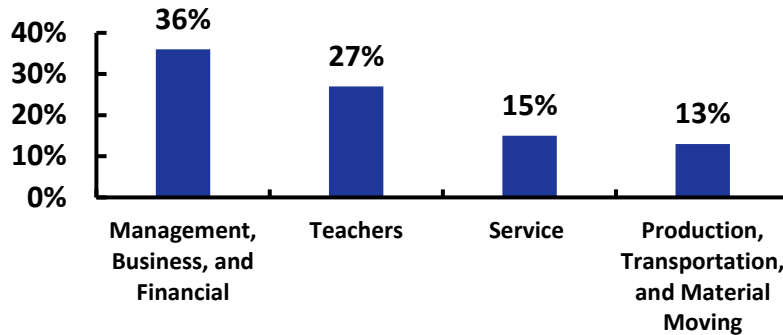
Source: BLS National Compensation Survey, 2021

Access to paid family leave also differs depending on the occupation of the worker. Management, business and financial occupations have the highest access at 36% of workers compared to production, transportation and material moving occupations, which have the lowest

*Universal Paid Family and Medical Leave Will Generate Economy-Wide Benefits and Spur Economic Growth*

access at 13%. The biggest driver of these differences is wage. [Occupations](#) in management, business and financial occupations tend to have higher average wages and better benefits compared to service or production, transportation and material moving occupations. Another driver of this difference is the part-time or full-time status of the worker, with 27% of full-time workers having access to paid family leave compared to 11% of part-time workers. [Far more workers](#) in management, business and financial occupations work full-time.

**Access to Paid Family Leave Varies Considerably by Occupation**



Source: BLS National Compensation Survey, 2021

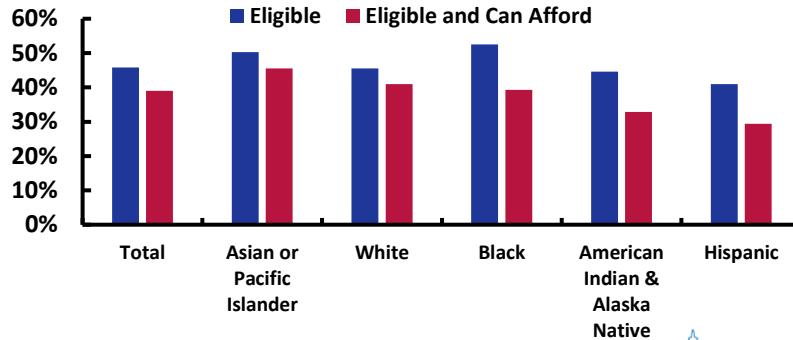


***Less than half the American workforce is eligible for unpaid leave under the Family Medical Leave Act***

The Family Medical Leave Act (FMLA), signed into law in 1993, is the closest thing to federally-mandated leave currently available in the United States, but it provides only unpaid time off to some workers. Therefore, it is vastly unequal in terms of who is eligible and who can afford to take unpaid time off. To be [eligible](#), an employee must work at a covered employer (generally a private employer with at least 50 employees) for at least 12 months and have worked for at least 1,250 hours during that time. In the most recent CPS data, on average, [only 46%](#) of all working adults were eligible for FMLA, and of those, only 39% could afford to take unpaid time off. Those who are eligible and can afford to take unpaid time off tend to be [high income](#), have more education and be full-time workers. Due to pre-existing inequities in the economy, this means that white and Asian workers are more likely to be both eligible for and able to afford to take FMLA.

## White and API Workers Are More Likely To Be Able To Afford To Take FMLA

Share of working adults, 2014-2017



Source: diversitydatakids.org calculations of Current Population Survey  
Note: AI/AN, API, Black, white and other are non-Hispanic.



While much of the attention on the benefits of paid leave focuses on the need for and benefits of paid time off related to a new child, slightly more than [half of people](#) taking unpaid time off under FMLA do so for reasons related to their own health. However, the ability to take this time is highly unequal. For example, [Black and Hispanic workers](#) reported the highest rates (14.2% and 8.4%) of needing to take leave—most often to care for their own illnesses or medical care—but being unable to do so, compared to white (7.8%) and Asian (5.3%) workers. Some of the most common reasons Black and Hispanic workers did not take the needed time off were because they could not afford the loss in income or they feared negative employment consequences or leave request denial.

The lack of universal paid family and medical leave means that the current patchwork system is highly unequal across income, occupation and race, exacerbating existing structural inequalities in the economy. Creating a universal paid leave program will lessen some of these racial and economic inequalities. Enacting paid leave also means that families will continue to earn some income at the very [time](#) when they need it most – when a family is growing or a member is sick and needs medical care. A universal paid leave program will help close the gap in getting the most vulnerable workers the help they need in the times when it is most needed.

### *[Paid leave could increase families' incomes by over \\$28 billion](#)*

Having universal paid family and medical leave will increase individual families' incomes. Rather than having to take unpaid time off and lose a paycheck, workers will be able to continue to earn a portion of their wages, allowing them to continue to meet their basic needs and pay bills before returning to work.

While debate about whether to enact paid leave often focuses on the cost of providing it, *not* having paid leave has economy-wide costs. Workers lose an [estimated](#) \$22.5 billion in wages each year due to a lack of paid family and medical leave, wages that could have been used to keep a family afloat and spent in the local economy. Paid leave benefits not only the workers, but also the local businesses that will continue to see demand.

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Researchers from the University of Massachusetts Amherst [estimate](#) that universal paid family and medical leave could increase household income by as much as \$28.5 billion. \$19.1 billion would be through wage replacement, and \$9.4 billion would be income earned by other workers as those receiving the wage replacement spend it on goods and services. The researchers state that “for every dollar spent on wage replacement as part of the paid leave program, other workers would earn an additional \$0.50.”

Research has found that access to paid leave [reduces](#) the need for government expenditures on income support programs for families following the birth of a child. One [study](#) found that “women who return to work after a paid leave have a 39% lower likelihood of receiving public assistance and a 40% lower likelihood of food stamp receipt in the year following the child’s birth, when compared to those who return to work and take no leave at all.”

### *State-level data show that paid leave has positive impacts on business performance*

Nine states and the District of Columbia have [already enacted](#) paid leave laws of their own. Data from these programs demonstrate that businesses of all sizes benefitted from the introduction of paid leave.

One benefit is greater employee retention: [one study](#) has shown that women with access to paid leave are 40% more likely to return to work after giving birth than those without access. This increased employee retention leads to reduced operating expenses by lowering the turnover costs of hiring and training new employees. It’s [estimated](#) that turnover costs a business 20% of an employee’s annual salary, so reducing turnover can help a business’s bottom line.

[Several studies](#) have also indicated that paid leave programs increase worker productivity. Paid leave boosts morale, which leads to higher productivity, and, for employees who are unable to be at their most productive due to medical illness or a new child, the program affords them the ability to take the time they need. In a [survey](#) of California businesses, where a paid leave program is already in place, “nearly 90%...said that the program had either a positive effect on productivity or no noticeable effect.”

Finally, a universal paid leave program would level the playing field for smaller businesses, which often struggle to attract top candidates because they are unable to match larger employers’ paid leave benefits. While 26% of [companies with 100 or more](#) employees offer paid family leave, only 13% of companies with fewer than 50 employees do. In [California](#), although nearly all employers reported positive outcomes from the state’s paid family leave program, such as improved productivity and lower turnover, overall, small- and medium- sized businesses reported more positive outcomes than large businesses. Nationwide, [approximately 70%](#) of small businesses support national paid leave.

In states that have already enacted paid leave programs, data show broad business support for the programs. Overall, businesses have experienced a decrease or no change in operating costs and reported higher morale and increased productivity among their employees. For example, in [California](#), 91% of employers responded that paid family leave had a positive effect or no effect on business profitability and performance. In New Jersey, [the majority](#) of both small and large

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businesses say they adjusted easily. In New York, only one year after implementation of the state's family leave program, 97% of employers were in compliance with the new law.

***Paid leave increases women's labor force participation and attachment***

In the states and localities that have already enacted paid leave, it has been found to increase women's participation in the labor market. High labor force participation is [key](#) to boosting GDP and economic growth, and paid leave policies can boost female labor force participation. The United States has been experiencing a marked decline in female labor force participation relative to its peers. While countries like France, Canada and the UK (countries with paid leave policies) all had female labor force participation rates similar to the United States 30 years ago, [their rates](#) have continued to climb while the U.S.'s has declined. One [estimate](#) by S&P Global finds that if women's labor force participation in the United States had kept up with that of Norway's (a country with generous paid leave policies), real U.S. GDP growth would have averaged 3.1%, rather than 2.9%, and the U.S. economy would be \$1.6 trillion larger than it is today. This is just one illustration of the cost to the U.S. economy of not having universal paid leave.

Research has found that paid leave has a positive effect on women's labor force participation both in the short- and long-term. In California, which has had a paid leave program for nearly 20 years, new mothers are estimated to be [18 percentage points](#) more likely to be working a year after the birth of a child. Other research has found the availability of paid leave continues to have positive labor force participation effects for women [for at least 10 years](#) after the birth of a child.

The greater labor force participation that paid leave facilitates for women not only has positive effects for families' short-term economic security but also for the long-term growth prospects of the U.S. economy. Research by the Federal Reserve Bank of San Francisco [found](#) that if the employment to population ratios of women had historically matched that of men, GDP would have been \$490 billion higher in 2019. Other [analysis](#) by the National Partnership for Women & Families estimates that if the prime-age labor force participation of women in the United States had kept up with that of women in select other advanced economies—all of whom [have](#) some form of paid leave policies—there would be nearly 4.85 million more women in the workforce. They estimate the economic impact of losing these women from the workforce represents \$237 billion in lost wages, which reduces GDP by \$650 billion—2.9% of total GDP—every year. Other estimates find that further improving the policy support for women's full economic participation could [boost](#) future economic growth by 5-10%.

***Passing paid family and medical leave policies now will help ensure future economic growth***

The enactment of universal paid family and medical leave is an investment in current and future generations of the American workforce. It will contribute to economic growth by reducing racial and socio-economic inequalities in our workforce, boosting families' economic security, supporting small businesses and ensuring families can participate fully in the labor market while meeting their care needs. A universal paid leave program will help equip the U.S. economy with the infrastructure it needs for the 21<sup>st</sup> century to ensure future economic growth is stronger, stable and more broadly shared.