

THE COST OF DOING NOTHING

The Price We All Pay Without Paid Leave Policies
to Support America's 21st Century Working Families

A Report Prepared by the U.S. Department of Labor
September 4, 2015

“The greatest family value is the value of time
spent with your family.”

— Secretary Thomas E. Perez

EXECUTIVE SUMMARY

A new baby. A returning service member with a traumatic brain injury. A child with a cancer diagnosis. A parent's descent into dementia. A car accident. For many Americans, paid leave can be a lifeline that provides time away from work to take care of these important priorities without jeopardizing their economic security. When working families have access to paid leave, they can better keep both work and life responsibilities in balance. Modest investments in paid leave mean new parents or caring spouses can stay in the workforce and still meet their own and their families' needs.

But most working families do not have meaningful access to paid leave. Only about 12 percent of private sector workers get paid parental and family leave from their employers and only about four in ten have access to paid medical leave at work in the form of short-term disability benefits.¹ While three states have paid family leave public

insurance programs (California, New Jersey and Rhode Island), and leading employers are providing paid leave benefits to boost recruitment and retention, that progress only goes so far.² We are one of only a few nations on earth without national paid maternity leave.³ The unpaid job-protected leave available through the federal Family and Medical Leave Act (FMLA) is a critical benefit that helps many families, but almost half the workforce is not even covered by that law.⁴ This patchwork of partial solutions leaves far too many people without any real options.

This is a problem that cuts against some of the most fundamental American values that we hold dear – values like the importance of an honest day's work, ensuring the best start in life so our children thrive, caring for those who are ill, and honoring our mothers and fathers. It is not who we are as a nation to stand by and fail to act when people need to take care of themselves and their loved ones because of an important life event. This report documents many costs of doing nothing on paid leave, but there are some you simply cannot put a price tag on.

Families Making Do or Doing Without

Imagine being a new mother, excited and overwhelmed with new experiences and new expenses. Imagine losing three months of pay, when you can least afford it, or even having to quit your job altogether – putting your growing family’s economic stability at risk and holding back your own career and future earning potential. Or imagine leaving your new baby too early, returning to work before you and your baby are fully healthy and ready. Imagine being a new dad, eager to share parenthood equally, but knowing at least one parent has to bring in income for the family. Imagine these painful choices between financial security and family values playing out during other important life events – when your injured spouse comes home from a deployment, or when you or your child has a serious illness, or when your mother is dying.

Given this reality, America’s working families try their best to make do. They cobble together a few days of sick leave or vacation days here and there if they are fortunate enough to have that option. Even accounting for these inadequate alternative sources of paid time off, surveys still show that about half of all workers do not have *any* access to paid leave for family or medical needs.⁵ Some people try to stretch the budget enough to take unpaid leave; others have to quit work altogether. Many simply have to do without time away from work or cut their leave short because they cannot afford to take the time that they or their families need.

The limits of our fragmented and inadequate system make social and economic inequality and persistent wage stagnation even worse. African-American and Hispanic workers, as well as part-time and lower-wage workers, face larger gaps in leave access. Workers with disabilities in need of self-care and their families are particularly affected when they lack paid leave. Since women

disproportionately bear the burdens of caregiving, as well as the negative economic impacts of work-family conflict, our failure in many parts of the country to establish paid family leave holds back half of our workforce and perpetuates women’s economic inequality.

Modest Investments and Meaningful Solutions

The problem is real, but the solution is within our reach. Forward-thinking employers are leading on leave, three states have established comprehensive public family and medical leave insurance programs, and countries around the globe have established national paid parental leave.⁶ The Obama Administration is committed to expanding access to paid leave. Building on the steps announced during the 2014 White House Summit on Working Families, the President has made new proposals to strengthen the middle class by giving working families the flexibility to balance their families and their jobs and by improving leave for the federal workforce. The Administration is also committed to supporting cities and states seeking to enact paid leave policies, providing technical expertise, and supporting research around what works.

A modest, affordable investment in paid leave makes plain sense when balanced against costs. For employers, the cost of providing a few weeks of leave to just some of their employees each year should be measured against the alternative potential cost and burden of replacing experienced talent. In the three states with paid family leave, workers make a small payroll contribution and gain the income stability and peace of mind that comes with the ability to take paid leave when they need it.

The Cost of Doing Nothing

More importantly, while adopting paid leave policies has a relatively limited cost, the status quo carries a significant price tag. Research

findings, statistics, and the experiences of America's working families paint a stark picture of all the benefits we forgo – and all the negative impacts we experience without paid leave.

THE COST TO WORKERS

- **Workers give up income they need to pay bills, buy groceries, and support their families.** Sixty percent of workers without fully paid leave reported difficulty making ends meet and many reported putting off paying bills, drawing down savings and cutting leave short.⁷ Eighty-four percent of workers who had unpaid or partially paid leave reported putting off spending, which means not just hardship for families, but also lost income to local stores and landlords when families delay fixing the car or paying the rent.⁸
- **Women may lose or leave their jobs and put their long-term economic security at risk.** Studies show that mothers with access to paid leave have an increased likelihood of being employed after childbirth compared to mothers who do not have or use paid leave, that paid leave increases female labor force participation, and that access to paid leave policies can even increase work hours.⁹
- **Workers, particularly women, can lose earnings over the long term.** Studies in both the United States and other countries show that paid maternity leave is associated with increased pay for women with children, so this policy can help close the gender pay gap.¹⁰
- **Working parents are more likely to need public assistance benefits.** Women who have access to and take paid parental leave are 39 percent less likely to receive public assistance, such as food stamps, in the year following a child's birth than those who cannot or do not take leave, and 15 percent of women and men who received

partial or no pay during family or medical leaves reported using public assistance.¹¹

- **More stress and worse health are hallmarks of not having the time and income to deal with family and personal medical needs.** Workers without sufficient access to paid leave who have serious health needs reported they put off or sacrificed medical treatment, and they may be less likely to stay employed.¹²

THE COST TO FAMILIES

- **Children lose out on better health outcomes right from the start.** Maternity leave is linked to improved child health outcomes, including increased birth weight, decreased premature births, and decreased infant mortality.¹³ For mothers who choose and are able to breastfeed, maternity leave is associated with increased rate and duration of breastfeeding for infants.¹⁴
- **Parents of children with chronic illness or other serious medical needs face increased challenges.** Parents of children with special healthcare needs who could take fully paid leave were more likely to report positive effects of leave on their child's physical and emotional health than those without access to paid leave. They were also more likely to report an increased benefit to their own emotional health and decreased likelihood of financial problems.¹⁵
- **Men are much less likely to take leave if it is unpaid.** Offering men paid leave increases the likelihood that they will take leave when they need it. California's paid family leave program more than doubled the rate of leave-taking by men after the birth of a child.¹⁶
- **Fathers cut paternity leave short, even though longer leaves can promote more engagement and parent-child bonding and improve outcomes for children.** In a study of working fathers in the U.S., those who took leaves of two weeks or more were

much more likely to be actively involved in their child's care nine months after birth than those who took shorter leaves – including feeding, changing diapers, and getting up in the night.¹⁷

- ***Paid parental leave supports modern families' changing cultural norms about work and family.*** Fathers want to take on more childcare responsibilities. Paid leave provides men the opportunity to take paternity leave and serve as caregivers, which is associated with men sharing more equally in household chores and mothers increasing paid work.¹⁸
- ***Without paid leave for eldercare, the growing burden on American families to care for aging family members becomes even heavier.*** As more and more caregivers are working while caring for their parents, gaps in leave access increase the strain on families to balance jobs with caregiving.¹⁹ Paid leave supports caregivers, so they can perform at full capacity when they are at work.

THE COST TO BUSINESS

- ***Businesses may incur significant costs to replace talented and experienced employees, especially women.*** Paid maternity leave in particular increases retention and reduces turnover, so businesses do not lose talent and do not lose ground on building the gender diversity they value.²⁰
- ***It may be harder for businesses to compete at home and abroad.*** Larger businesses provide paid leave to their employees more frequently than smaller businesses, which may have fewer resources to stand up a program on their own. All businesses may find it harder to compete for talent internationally, as paid leave is more common in other countries.
- ***New state programs providing paid family and medical leave insurance without an***

employer mandate can level the playing field. After California and New Jersey enacted Paid Family Leave benefits, most businesses reported positive or neutral experiences and few negative effects.²¹

THE COST TO THE NATION

- ***We are falling behind economically compared with nations that have adopted paid leave and other family supports.*** Paid maternity leave can increase female labor force participation, which contributes to economic growth.²² The Department of Labor's Chief Economist estimates that if U.S. women between 25 and 54 participated in the labor force at the same rate as they do in Canada or Germany, which have paid leave and other family policies, there would be more than five million more women in the labor force in the U.S. This, in turn, would translate into more than \$500 billion of additional economic activity per year.²³
- ***The cost of doing nothing also includes the unfulfilled promises to our nation's families, and the many intangible costs of living without paid leave.*** We can think in terms of the lost work and wages, health and stress impacts, and increased economic insecurity for families, but some consequences are more intangible, though no less important. We are leaving female talent on the sidelines and denying men an equal opportunity at home. We are forcing people to choose between their health and their income. We are compromising the needs of our children and our parents. We are sacrificing the fundamental value of spending time with one's family.

This report documents these impacts in greater detail, showing how they harm America's workers, families, businesses, and our nation as a whole. By gathering and putting these facts on the table, the Department of Labor seeks to better inform this critical policy conversation.