

FY 2016

CONGRESSIONAL BUDGET JUSTIFICATION

EMPLOYMENT AND TRAINING ADMINISTRATION

Paid Leave Partnership Initiative

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PAID LEAVE PARTNERSHIP INITIATIVE

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SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY (Dollars in Thousands)								
	2014		2015		2016			
					Current Law		Legislative Proposal	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Paid Leave Partnership Initiative	0	0	0	0	0	0	0	2,213,000
General Funds	0	0	0	0	0	0	0	2,213,000
Total	0	0	0	0	0	0	0	2,213,000
General Funds	0	0	0	0	0	0	0	2,213,000

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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	
			Current Law	Legislative Proposal
Activity Appropriation	0	0	0	2,213,000
FTE	0	0	0	0

Introduction

The Administration is committed to building opportunities for the middle class and achieving an economy where all workers can share in economic prosperity. However, too many Americans cannot reach their full potential in our growing economy because they lack the flexibility they need to balance their responsibilities at work and at home.

The composition of the workforce has drastically changed over the last half-century. Almost half of the workforce is now women, married couples are increasingly sharing child care responsibilities, and people are living—and working—longer than in the past. Given the growing number of dual-earner families, today’s workers are trying to balance work, child care, and elder care, as well as other responsibilities. In particular, workers need flexibility to take time off around the birth or adoption of a child, for their own medical needs, or when a family member becomes ill.

Despite the increasing need for leave policies, many American workers still lack access to the kind of leave policies that meet the evolving needs of today’s families. While the Family and Medical Leave Act (FMLA) allows many workers to take job-protected unpaid time off to care for a new baby or sick child, or tend to their own health during a serious illness, millions of families cannot afford to use unpaid leave. That means that millions of workers, whose employers do not voluntarily provide paid leave, must choose between caring for family members or losing a paycheck.

Over the last several years, a handful of States have launched programs to offer paid leave, including California, New Jersey, and Rhode Island. The State of Washington has also passed a paid leave law, although it will not be implemented until a financing mechanism is also passed. Typically, these programs are State-run insurance programs financed by employer and/or employee contributions. *The Budget proposes to expand access to paid leave by encouraging more States to follow their lead.* Specifically, the Budget would establish:

- **The Paid Leave Partnership Initiative** (\$2.213 billion over three years) that would pay for up to half of the benefits and all of the startup costs associated with creating a paid leave program in up to 5 states.
- **The State Paid Leave Fund** (\$35 million; further described in the Employment and Training Administration Congressional Budget Justification) to provide technical assistance and support to States that are building the infrastructure they need to launch paid leave programs in the future.

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The Administration is committed to promoting the development of State-level programs that provide paid leave to employees for reasons covered under the FMLA, such as for the birth or adoption of a child or care for a sick child or elder relative for an extended period. State interest in setting up new programs was recently demonstrated by the receipt of twice as many applications for small planning grants for paid leave programs in 2014 than DOL was able to fund.

Central to this strategy is \$2.213 billion for a Paid Leave Partnership Initiative to assist up to five States that wish to launch paid leave programs. States that participate in the Paid Leave Partnership Initiative would be eligible to receive funds for the initial set up and fifty percent of benefit costs of the program for three years. These grants will be used to cover family, parental, and/or medical leave programs that provide up to 12 weeks of benefits. This program is focused on States that are well positioned to proceed with full implementation of a paid leave program.

Evidence suggests that investing in paid leave is good for workers, families, businesses, and the economy as a whole:

- *Benefits for the Economy:* Paid family leave policy can help increase labor force participation, particularly among women, which is critical to sustained economic growth and the nation's competitiveness in a global labor marketplace. While labor force participation among women has risen substantially over the last six decades, since the 1990's, the United States has gone from leading many other European countries in prime-age female labor force participation to lagging behind them. Research has shown that family friendly policies are at least partially responsible for the rise in participation in other advanced countries, and the lack of these policies is a contributing factor as to why the U.S. has lost ground.¹ Access to paid family leave is a particularly important factor for mothers considering whether or not to remain in the labor force, since it enables mothers to continue working for an employer after giving birth. In 2004, California became the first State to implement a paid family leave program. One study that examined the decisions of mothers before and after the program's implementation, found that it significantly boosted the number of hours that mothers worked two to three years after giving birth.² Other research on paid leave programs has shown that access to paid leave increases the likelihood that a recent mother will return to her employer.
- *Benefits for Children's Health:* Paid leave programs also enable workers to care for and bond with new born and adopted children while sustaining their livelihoods and helping them to meet the new expenses of a growing family. Studies of the California Paid Family Leave law showed it increased the time mothers and fathers spend bonding with a

¹ Waldfogel, Jane, Yoshio Higuchi, and Masahiro Abe. 1999. "Family Leave Policies and Women's Retention after Childbirth: Evidence from the United States, Britain, and Japan." *Journal of Population Economics* 12, no 4: 523-545.

² Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. 2013. "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management*, 32(2), 224-245.

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new child.³ Having access to paid family leave also increased breast-feeding and mothers' time spent on child care, and paid family leave can have additional benefits such as reducing maternal stress during the pregnancy (which is good for the infant's well-being).⁴ A number of studies have shown that maternity leave has a positive impact on other indications of infant health such as higher birth weight and infant mortality.⁵

- *Benefits for Businesses:* Paid leave policies are also good for employers. Paid leave policies can help employers attract and retain employees,⁶ reducing the expense of recruiting and retraining. Recent research has shown that the implementation of paid family leave in California did not have a negative impact on employers. Roughly 90 percent of covered employers reported positive effects or no effects in terms of productivity, profitability, retention, and morale.⁷

Paid leave can also help reduce worker turnover. In a survey of 120 randomly selected employers in New York, employers that offered sick leave and child care assistance had significantly lower rates of turnover. Paid family leave in particular can help businesses⁸ retain talented workers after childbirth. Studies show that paid maternity leave increases the likelihood that mothers return to their employers following the birth of a child.

Funding Mechanism

To access funds from the PLPI, states will apply for competitive grants. Funding will support grants for up to five states for three years. States qualifying for grants will be reimbursed for up to 50 percent of benefit costs for programs that provide up to 12 weeks of leave.

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The budget request for the PLPI is \$2,213,000,000. Of this amount, \$1,500,000 is requested for Federal administration of the program. The remaining \$2,211,500,000 will be used to support

³ Bartel, A., Baum, C.L., M., Ruhm, C.J., and Waldfogel, J. (2014) "California's Paid Family Leave Law: Lessons from the First Decade"; Baum, C.L., & Ruhm, C.J. (2014). *The Effects of Paid Family Leave in California on Labor Market Outcomes*. Cambridge, MA: National Bureau of Economic Research; Rossin-Slater, M., Taking and Subsequent Labor Market Outcomes. *Journal of Policy Analysis and Management*, 32(2), 224-245.

⁴ Rossin-Slater, Maya. (2011). *The Effects of Maternity Leave on Children's Birth and Infant Health Outcomes in the United States*. *Journal of Health Economics* 30,2, 221-239. Ruhm, Christopher J. 2000. "Parental Leave and Child Health." *Journal of Health Economics* 19(6), 931-960.

⁵ Williams, Joan. 2001. *Unbending Gender: Why Work and Family Conflict and What to Do About It*. Oxford University Press; Baughman, Reagan, Daniela DiNardi, and Douglas Holtz-Eakin. 2003. "Productivity and Wage Effects of 'Family-friendly' Fringe Benefits." *International Journal of Manpower* 24, no. 3: 247-259 ; Rossin-Slater, M., Ruhm, C. J., & Waldfogel, J. (2013). "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes." *Journal of Policy Analysis and Management*, 32(2), 224-245.

⁶ Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. 2011. "The Effects of California's Paid Family Leave Program on Mothers' Leave Taking and Subsequent Labor Market Outcomes." *Journal of Policy Analysis and Management* 32, no.2: 224-245; Boushey, H. and S. Glynn. (2012). "There are Significant Business Costs to Replacing Employees." Center for American Progress. (<http://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>).

⁷ Appelbaum, E., & Milkman, R. (2011). *Leaves that Pay: Employer and Worker Experiences with Paid Family Leave in California*. Washington, D.C.: Center for Economic and Policy Research.; Appelbaum, E. & Milkman, R. (2013). *Unfinished Business: Paid Family Leave in California and The Future of U.S. Work-Family Policy*. Ithaca: ILR Press.

⁸ <http://www.whitehouse.gov/blog/2015/01/15/heres-what-president-announced-today-about-paid-leave>

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state implementation grants and reimbursement of 50 percent of the cost benefits over three years.