

LETTER *Published January 30, 2024 · 11 minute read*

Response to the Request for Information from the Bipartisan, Bicameral Congressional Working Group on Paid Leave

Curran McSwigan, Anthony Colavito, & Zach Moller

On December 13, 2023, the bipartisan, bicameral Congressional working group exploring solutions to expand access to paid leave for all Americans issued a request for information on suggestions for expanding access to paid parental, caregiving, and personal medical leave in a bipartisan, fiscally responsible, and sustainable way. Third Way's Economic Program submitted the following response.

We are very grateful to the working group for issuing this request for information to find solutions for expanding paid leave to America's working families. The current patchwork of employer-based, state, and local leave policies means too many workers are left without the time or resources to care for themselves or their families. At this moment, making progress on paid leave is a must—and, as we have written in the past, there are a number of levers available to policymakers that can expand access to paid leave today.¹ We believe achieving progress now will pave the path towards more comprehensive efforts in the future.

Below, we have answered seven of the RFI questions. We appreciate your consideration and are happy to go into more detail as needed.

Question 1. What should the federal role be, if any, in providing, promoting, and/or incentivizing paid leave? And how should this interact with the role of state government programs, and/or employer programs?

While many employers and states offer paid leave to workers, access is far from universal. As a result, there is a clear need for federal legislation to support America's working families. Ideally, this would be a comprehensive federal paid family and medical leave program, which would create a set of standards for programs across the country, while also leaving states and employers with the option to pursue more generous policies if they so choose. A federal program would lift up many working families in states that don't have any paid leave policies—ensuring that where someone lives does not dictate their ability to take paid time to care for their family or themselves.

Aside from building a new, comprehensive national paid leave program, there are many of other legislative tools available at the federal level to help make meaningful progress. For example, financially supporting states to pursue their own programs would be progress. This would allow states without any programs to begin the process of designing and standing up their own systems, while also supporting the states with existing policies to improve implementation. Federal policymakers can also play a critical role in harmonizing existing state, local, and employer programs. This could be done by supporting information-sharing on paid leave programs between states to help communicate lessons learned or establishing best practice guidance.

Question 2. What types of leave should a potential federal program cover, at what length, and why? How should different types of leave be prioritized? Should different types of leave be treated differently or does doing so create adverse effects?

The need to bond with a newborn or recover from birth, care for an elderly parent, or recover from an illness often requires employees to spend some time away from work. But access to leave for these reasons remains far from universal—just 27% of workers have paid family leave, and only 41% are offered short-term disability plans.² If access was expanded to all, more workers would feel financially secure, businesses would see higher productivity, and the economy would grow at a faster pace.³ As such, there is an important role for the federal government to play in delivering these benefits to a broader share of the workforce.

There are several tools at Congress' disposal to deliver more leave to more workers, and there are incremental policy ideas that can help achieve this goal. We have written about these at length in the reports cited and list our ideas in the next section below.⁴

While there is an important need to expand access to all forms of leave, providing greater access to any form of leave would make a world of a difference for millions of workers today. Policymakers should identify the policies that most effectively expand leave and focus on those best suited to receive buy-in from stakeholders in Congress, families, and businesses across the United States. Put another way: let's make progress.

Question 3. Please describe your recommended framework/s, focusing on what you believe could be a bipartisan and passable solution/s to expanding paid leave nationally?

While the best paid-leave policy is one that creates a robust and comprehensive paid family and medical leave program, a more incremental approach can make meaningful progress towards that goal.

In our recent [report](#), we detailed 12 policy ideas that make separate and concurrent progress on three types of leave—parental, medical, and caregiving.⁵ Some ideas are small while others are more robust, but our efforts highlight that there are numerous legislative levers available to policymakers to expand paid leave access to more workers. In pursuing smaller policy pieces that are able to achieve bipartisan support, policymakers will help working families today while laying the foundation for the introduction of more comprehensive programs down the line.

Below is a summary of our ideas on how to make progress, although this is certainly not an exhaustive list. Additional details can be found in our [report](#).

Parental Leave Progress

- Expand unpaid parental leave to cover all workers.
- Create a national parental-only paid leave program.
- Build in more short-term and long-term flexibility to help parents return and stay in the workforce.

Medical Leave Progress

- Invest in better medical leave data.
- Ensure more workers have basic unpaid medical leave protections and businesses can better accommodate leave.
- Make sure all workers have at least seven days of paid sick leave.
- Leverage markets for short-term disability insurance.

Caregiving Leave Progress

- Invest in better caregiving data.
- Ensure more workers have basic unpaid caregiving leave protections and broaden the definition of caregiving.
- Make a refundable tax credit for lost wages from caregiving.
- Enact a flexible caregiving leave benefit.
- Create a standardized form for employees to request flexible work arrangements.

Question 4. Please describe alternative ways any proposed framework can be financed, including possible payfors. What financial mechanisms should be considered to expand paid leave?

It is appropriate for any paid leave policy proposal to have corresponding payfors. Offsets are vital to the health and stability of any new program. Otherwise, those who may seek to reduce the deficit or slash spending would target programs that did not have reasonable financing. It would be optimal if the working group could target a specific offset or series of offsets and write them into the legislative text of the bill.

However, in recognition of the immense challenges of finding bipartisan offsets in these times, it may be appropriate to have an illustrative list or menu of payfors that could be dialed up or down based on the political will in the moment of legislative action. The best option would be a list of various bipartisan offsets that the working group would all champion. But that may not be enough for a particular suite of proposals once the Congressional Budget Office or Joint Committee on Taxation scores the paid leave

improvements. Another option would be developing additional menus for offsets that could help pay for the proposal, but with a mix of things Democrats or Republicans would prefer. For example, Democrats will have a higher tolerance for specific revenue offsets and Republicans for certain spending cuts.

Finally, many options for improvements to paid leave policy may not require as many federal resources as a full comprehensive program. Changes to FMLA rules, regulation of state programs to promote harmonization of standards, or establishing other regulations or private sector or state mandates might not cost the federal government money at all.

Question 6. Should government support for paid leave be focused only on the most vulnerable individuals in our society, or on all Americans regardless of means or need?

In 2023, 48% of the highest-earning workers had paid family leave. In comparison, just 6% of the lowest paid could say the same. ⁶ As a result, any policy that improves access to leave will disproportionately benefit those with the lowest incomes.

In pursuit of lower federal costs or greater program progressivity, means-testing a new policy remains a design option. However, policymakers should be aware of the tradeoffs involved with means-testing a new benefit. This approach introduces additional complexity into program administration, making it costlier for the government to operate and more difficult for workers to understand and apply for. Past research shows that unnecessary administrative burdens can reduce program uptake even among the eligible. ⁷

As Congress considers options for advancing paid leave, including whether to target any new program, it should focus on proposals most likely to attract bipartisan support. But it should remain mindful of the tradeoffs of any particular decision.

Question 7. What supports do small and mid-sized businesses need from the federal government to provide paid leave to workers?

One way that federal policymakers can support small and mid-sized businesses is through reforming and expanding the 45S tax credit. The 45S employer paid family and medical leave tax credit aims to increase the take-up of paid family and medical leave programs by employers by giving a tax credit to offset the cost of providing it. Yet, there are currently very few employers who use the tax credit.

In order to address these shortfalls, policymakers can pursue a number of possible reforms to improve the reach and accessibility of 45S. This includes extending or making the tax credit permanent, increasing its value, broadening what is eligible, and/or having a higher tax credit for certain types of businesses (e.g. those with fewer employees). Importantly,

more efforts to market the tax credit to employers who do not offer this benefit and track outcomes can help improve the credit's effectiveness.

Question 8. What does research say about the impact of providing paid leave on worker health, job satisfaction, economic mobility, child development, breastfeeding rates and related health outcomes, fertility rate, infant mortality, elderly health, public assistance levels, family income, and recruitment and retention efforts?

Paid leave reduces reliance on public assistance programs which in turn saves federal dollars:

- One study found that women who took paid leave following the birth of a child were 39% less likely to receive public assistance and 40% less likely to receive food stamps compared to women who did not. ⁸
- Parents who take paid leave after the birth of a child use over \$400 less, on average, in public assistance in the following year than other parents. ⁹ According to our calculation, if all new parents could take paid leave, it would result in \$31 million in less spending on cash assistance per year. ¹⁰ Other federal programs like SNAP would experience savings from use of paid leave too. ¹¹

Paid leave also drives down spending from health care programs like Medicare and Medicaid:

- One study of California's paid leave program found the policy was associated with an 11% decline in nursing home usage among older adults, which in turn decreased Medicare and Medicaid spending. ¹² The same outcomes at the federal level would save \$3.4 billion annually according to the National Partnership for Women and Families. ¹³

Employers that offer paid leave also find they are more easily able to attract and retain workers than those without:

- One survey reported that more than 70% of companies that offered paid leave found an increase in employee productivity. ¹⁴
- Research shows that supportive workplace policies, such as paid family and medical leave, help businesses attract more capable and productive workers. ¹⁵
- Workplaces that implemented paid family leave policies say they saw a significant decline in the attrition of female employees who recently welcomed a child. ¹⁶

Providing workers with the time to care for themselves and their families strengthens personal finances, increases attachment to the labor force, and fosters economic mobility. Specifically:

- Data from the National Longitudinal Survey of Youth finds that women who took paid leave after giving birth had stronger labor force attachment and higher wages than their peers who didn't take leave. ¹⁷
- California's paid family leave program decreased the risk of poverty for mothers of infants by over 10% and increased their household income by 4%. ¹⁸
- If the number of women in the labor force was on par with peer nations, our GDP would be a staggering 5% larger. ¹⁹

ENDNOTES



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