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Statement for the Record on the Senate Finance Committee's Hearing on Paid Leave

Third Way Econ Team

On October 23, 2023 the United States Senate Committee on Finance held a hearing entitled “Exploring Paid Leave: Policy, Practice, and Impact on the Workforce.” Third Way’s Economic Program submitted the following Statement for the Record in response to this hearing.

November 7, 2023
United States Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Statement for the Record for the Hearing Entitled: “Exploring Paid Leave: Policy, Practice, and Impact on the Workforce.”

Dear Chairman Wyden and Ranking Member Crapo,

Thirty years after the passage of the Family and Medical Leave Act, America is stuck. One-in-four new mothers return to work within two weeks of giving birth. Around 53 million Americans currently act as a caregiver for a family member. And yet, just a quarter of workers have a paid family leave benefit.

The pandemic reminded America what is obvious to many—people become ill and have to miss work, which can mean missing a paycheck and losing one’s livelihood. But with our current patchwork of employer-based, state, and local leave policies, too many workers are left without the time or resources to care for themselves or their families. In this moment, making progress on paid leave is a must.

Thankfully, progress is also possible. As Third Way has written in the past, there are a number of policy levers available which can expand access to paid leave.¹ Expanding this important benefit to more workers will bolster America’s long-term economic growth, help businesses attract and retain productive workforces, and improve workers’ capacity to balance work and family life. We encourage the Committee to carefully consider the urgent need for paid leave policy and the litany of legislative tools available to better protect workers. Our statement for the record walks through both why policymakers need to take federal action to expand paid leave and options to make progress.

Third Way applauds the Senate Finance Committee for continuing this important conversation and hopes action can be taken to get more families the paid leave they need today.

Why We Need Federal Action on Paid Leave

1. Paid Leave Fuels Economic Growth

Federal action on paid leave will boost our economy by helping workers and businesses thrive. Economists estimate that family-friendly policies, including paid leave, could boost US GDP by as much as \$1 trillion and help curb long-term inflation.² Access to paid leave is also shown to bolster female labor force participation. If the number of women in the labor force was on par with peer nations, our GDP would be a staggering 5% larger.³

Providing workers with the time to care for themselves and their families strengthens personal finances and builds stronger economic outcomes. Paid leave access is found to increase household economic security, reduce reliance on public assistance, and drive down spending from other federal programs.⁴ 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.⁵ The same outcomes at the federal level would save \$3.4 billion annually according to the National Partnership for Women and Families.⁶

2. Paid Leave Helps Businesses—Both Big and Small

Federal action on paid leave will help businesses flourish—whether they have two employees or 2,000. Workplaces with paid leave are more productive, see lower worker attrition, and are more likely to attract talent than businesses without.⁷

While some argue that federal paid leave policies will burden small businesses, these programs actually help level the playing field. Smaller employers often lack the capital and ability to provide benefits like paid leave to their workers; this is especially true for service sector industries where offering these benefits can mean raising prices for consumers.⁸ Federal efforts can help ensure workers at small businesses are able to care for themselves and their families and that paid leave is not just a benefit accruing to college-educated workers in office jobs.

Paid leave is good for big businesses as well. One study of large employers found that introducing a paid leave policy on average increased revenue by almost 5% and profits by 7%.⁹ From New York to Rhode Island to California, businesses continue to view states' policies positively, including smaller establishments.¹⁰

3. Paid Leave Helps Workers

By giving workers the capacity to manage their personal affairs, paid leave makes it easier for workers to hold their jobs and remain productive members of the labor force. Paid leave gives working parents and caregivers the time and money needed to recover from childbirth, to bond with a newborn, or to handle family matters in a way that best positions them to return to work. Few are as exposed to these crosscurrents as women, who provide a disproportionate share of childcare, and make up over 60% of adult caregivers.¹¹

Research confirms that paid leave bolsters labor force participation and improves workers' capacity to support themselves. State paid leave laws increase work among leave takers, especially among low-income women.¹² Paid leave also reduces reliance on public aid programs. 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.¹³ And when caregiving reduces a mother's lifetime earnings by 15%, paid leave can reduce inequalities in a manner that is consistent with the value Americans place in work.¹⁴

How We Can Make Progress

We believe there are paths to making much-needed progress on paid leave in our divided government. Below, we have outlined a menu of federal policy options to make progress today, while laying building blocks for a more comprehensive program in the future.¹⁵ Ideas include:

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 7 days of paid sick leave.
- Expand existing short-term disability insurance to cover more workers.

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.

ENDNOTES

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