

## The Argument Against Paid Family Leave

**Mandating paid time off cripples employers, alienates women, and ignores economic realities.**

By **Nita Ghei** | Newsweek Web Exclusive  
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What is the objective of mandating paid family leave? Proponents offer rationales that range from "It will help families" to "The U.S. is the only rich country that doesn't have it." The second is merely irrelevant; the first is plain wrong. Mandating paid family leave will help neither women nor their families, because legislation cannot change the laws of economics.

If the goal is to retain women in the labor force, then mandated family leave is a poor instrument at best, and thoroughly counterproductive at worst. People will buy less of something when its price increases. That is the law of demand, presented on the first day of Econ 101. Mandated paid family leave makes it more expensive to hire workers, particularly women. That makes employers less willing to hire women, especially those with limited education or skills who typically do the kind of work it's easy to find someone else to do. If the objective is to help poor women remain employed, mandated paid family leave will do exactly the opposite.

The Americans With Disabilities Act, enacted in 1990, provides an object lesson about ignoring unintended consequences of feel-good policies meant to protect the vulnerable. **The effect of the ADA** was exactly the reverse of the intent—namely, to protect the disabled in the workplace. Within five years of the ADA's passage, employment for disabled men fell to 49 percent, compared with 60 percent before the law was enacted. Employers, faced with the cost of accommodation and the threat of litigation, chose the rational option: they cut back on hiring the disabled. When the cost of hiring a worker rises, demand for that worker falls. Mandated paid family leave will have the same effect on women for precisely the same reasons.

That's the demand side. But there is also a supply side effect.

In Germany, which had a generous paid family leave law, evidence shows it utterly failed to keep women in the labor force. In fact, very long parental leave correlates with women leaving the labor force permanently. In an effort to keep women in the labor market, Germany cut the duration of its paid



parental leave by half in 2007. Within a year of that reform, there was a **14 percent surge** in women returning to the work. **Other studies** show that any parental leave beyond 20 weeks actually reduces the incentive for a new mother to come back to work at all.

Work-for-pay programs like the Earned Income Tax Credit are far more effective at helping women participate in the labor force than paid family leave. Getting rid of the "marriage penalty" would also help. Married women are currently taxed more heavily than single women in many countries, including the United States. Moving to a "neutral" tax system, where the level of taxation does not depend on marital status, would provide women with an improved incentive to increase participation in the labor force, according to a study by the Organization for Economic Cooperation and Development (OECD).

It's all about demand, supply, and prices. When the after-tax wage (the "price") increases, more women will be willing to work (that is, supply increases). A tax cut has the advantage of not increasing costs to employers, so there is no decrease in demand, as there would be with a mandated paid leave provision.

It is furthermore not clear that mandated paid family leave is the option families find "friendliest" to their needs. By definition, paid leave creates a strong market bias toward full-time work, since those are the only workers eligible for the benefit. But there is plenty of evidence that flexible work arrangements and the availability of part-time work are highly successful at returning mothers to the workforce. Having both partners/parents working full time is not what all families want. As it is, U.S. women work full time at far higher rates than women in many countries, quite often because they have no choice. How is this family friendly?

If the goal is to help families, then the focus should be on implementing policy options that increase flexibility and choices that families have, not reduce them. At the same time, when employers struggle to comply with expensive or inflexible mandates, it makes it that much harder to accommodate the workers those policies are attempting to help.

To truly help families, the federal government should look for ways to reduce the regulatory burden on employers so that they can experiment with alternative work arrangements. On the other side, the tax code needs to change to reflect the social importance of family, by ending the marriage penalty and issuing higher child tax credits.

Families are the best judge of what is right for them, but they can only follow through when they have choices. Mandates like paid family leave take some of that choice away.

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