



Ivanka, the Private Market Already Provides Paid Family Leave

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Since her father's inauguration, Ivanka Trump has campaigned for federal paid family leave. A few weeks ago, Ivanka was instrumental in organizing a Senate hearing to discuss her government-supported paid family leave proposal. The "Economic Security for New Parents Act" relies on Social Security to front parental benefits and was introduced in the Senate recently.

Previously, Ivanka tweeted her support for the proposal and argued, "Only 15% of American workers have access to Paid Family Leave, and of those, only 6% are low-income workers."

That is alarming if true, but abundant data paint a different picture. The private market at-large is voluntarily providing paid family leave to millions of workers, and the market is on-trend to provide paid family leave to millions more in coming years.

For example, the Census Bureau's Survey of Income and Program Participation and the National Survey of Working Mothers found more than 60 percent of employed mothers have access to paid leave following the birth of a child. These figures are about four-fold the amount of paid leave Ivanka claimed parents are receiving today.

SIPP data show that access to paid leave use has grown substantially between 1961 and 2008, without government intervention. The share of first-time mothers that report using paid leave and/or disability grew from 16 to 61 percent over 50 years.

The only state that implemented a paid leave program during the surveyed period was California, during the last year of the survey. The vast majority of increases in the paid leave provision occurred before California's policy could have any impact. This suggests the private market is responsive to employee demands after all.

Meanwhile, over the same time period, working mothers' commitment to work grew naturally. The share of first-time mothers quitting jobs declined significantly in previous decades, from over 60 percent in 1961 to just over 20 percent in 2008.

There is reason to think private paid leave continued growing following the Census Bureau's last survey. For example, in the last three years, 100 name-brand companies created or expanded paid family leave policies. Since late 2017 alone, companies such as Walmart, Walgreens, Home

Depot, Target, Starbucks, Amazon, FedEx and McDonald's created or expanded paid leave programs that apply to low-wage and hourly workers.

Although data and news stories demonstrate that the private market continues to improve its paid leave offerings, policymakers still want to intervene with a government-provided option. Advocates seem to think government-supported leave can be provided to American workers, leave utilization will increase and nothing else will change. That scenario is unlikely, since individuals change their behavior in the face of new incentives.

In the simplest case, it's likely government-supported leave will rearrange worker compensation without necessarily making workers better off. For example, the average worker currently is provided about 70 percent of his or her compensation in wages and an additional 30 percent in benefits (including paid leave and legally required benefits like Social Security), according to the Bureau of Labor Statistics.

Under paid leave laws, including the Democrats' FAMILY Act, which funds a federal benefit via new employee and employer payroll taxes, a higher proportion of employee compensation would go toward employee benefits, and a smaller proportion of employee compensation would be wages. This would likely make some groups, such as higher-income working mothers, better off, while leaving other demographic groups slightly worse off.

But employers may not be able to fully offset the cost of government-supported leave simply by rearranging employee compensation. In this case, businesses may respond by reducing their dependency on workers who could potentially be more costly. This would mean hiring fewer (likely) leave-takers, promoting fewer leave-takers to important management roles, or further reducing leave-takers' wages to cover the costs of their absences. The vast majority of leave-takers are female, even when leave is available to men and women, so wage and employment effects are likely to affect them.

This makes government-supported leave different from privately provided leave. In the case of privately provided leave, employers proactively decide they can afford the costs associated with leave-taking. As a result, firms that voluntarily provide paid leave have limited incentive to discriminate against women or penalize workers. Paid leave is part of their business model.

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