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■ **COMMENTARY** REDISCOVERING GOVERNMENT

Why Congress Should Give Working Families a Break

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Top athletes know peak performance depends on three things: training really hard, recovering, and periodizing.

The first one is easy. Achieving elite fitness requires discipline, determination, and lots and lots of practice. There are no shortcuts: you earn it with your sweat.

But the other two ingredients are just as important—even as they are overlooked. Recovery is when the gains from workouts are consolidated; when muscles broken down are rebuilt, stronger than before. Fail to rest and you'll plateau, or worse, wind up injured.

Periodization works much the same. Rather than repeat the same routine endlessly—a recipe for stagnation—pro athletes train in cycles, emphasizing different techniques and targeting different physiological systems at particular points in their seasons, and even their careers. The variety stimulates additional adaptations, with distinct phases reinforcing each other in symbiotic fashion, leading to gains greater than each alone could achieve.

Unfortunately, diversification and downtime are often deemphasized, especially in circles dominated by Type-A overachievers, where anything less than going all-in, all the time, is seen as an admission of defeat. But championships are not awarded for effort; rather, it is those who train the smartest that stand atop the podium, their headstrong rivals left wondering why, despite their Herculean preparations, they came out flat.

From The Olympics To The Office

If only such stubborn Puritanism were confined to the playing field. As it is, this austere attitude animates America's approach to work in general. We emphasize assiduity, often to a fault, erroneously equating exertion with efficacy, a false equivalence. Our narrow, mechanical view of the labor force as a linear conduit for energy, where each unit of input is automatically, exactly, ineluctably translated into a unit of output—and where personal merit can be objectively quantified by hours on the clock—misses something essential, something human: moving forward sometimes demands first taking a step back.

Nowhere is this misguided workplace sensibility more evident than in the case of paid family leave. America is alone among advanced countries in having no federal guarantee to subsidized time off for the birth of a child. In fact, America is basically alone among all countries; of the 185 countries and territories analyzed in a comprehensive report by the United Nations' International Labour Organization, just two lack a statutory right to paid maternity leave: the United States and Papua New Guinea.

Why Would America Want To Pay People To Take Time Off?

Let's start with the basics. There is abundant—and rapidly growing—evidence about the importance of early life experiences for children's subsequent outcomes. Conditions in utero, during infancy, and continuing into the toddler years have lasting impacts on health and development; as with investing, the earlier, the bigger the deal, thanks to the power of compound returns. Researchers in fields spanning biology, psychology, sociology, economics, and medicine have documented causal relationships between early childhood and adult health, educational attainment, employment, and earnings. What happens in childhood does not stay in childhood.

We also know that few forces matter more than parents in dictating children's life trajectories. Parental resources (for example, income and home environment) and capabilities (from genetics to time spent reading aloud) create a script that is difficult to rewrite. But what has been less clear is whether paid maternal (or paternal) leave around the birth of a child is a policy that can meaningfully influence parental behavior in a manner auspicious for child development.

Despite the compelling logic of “more time spent with kids equals better outcomes,” identifying the causal influences of maternity leave is elusive. In the case of unpaid leave, the benefits of time off can be negated by the income a parent has foregone. But the effects even of paid leave are difficult to pin down. Countries that offer generous paid leave, such as those in Scandinavia, tend to have generous safety nets in general, which makes parceling out the contributions of each challenging. And parents who avail themselves of such benefits—those who prioritize spending time with their children—may well be different than parents who do not, further complicating the interpretation.

But a new paper by a group of European economists, headed by Pedro Carneiro, neatly sidesteps these complications, and, in so doing, provides the strongest evidence to date that paid family leave is a good idea.

The paper, which appeared in the April issue of the prestigious *Journal of Political Economy*, found that children whose mothers had access to paid leave were two percentage points less likely to drop out of high school and had five percent higher wages at age thirty. The impact was greatest among children with relatively disadvantaged backgrounds (as measured by mother's education). Effects this large are comparable with the impacts of other highly-touted early childhood interventions, such as the Perry Preschool Program and Project STAR, as well as with the returns to an extra half-year of education.

Discontinuity Leads To Discovery

The key to the findings is a clever research design. On July 1, 1977, Norway implemented a major reform of its national family leave policy, giving parents the right to four months of full-pay time off with guaranteed job protection. (Six weeks had to be taken by the mother, but the remaining twelve weeks could be split between mom and dad; however, moms

took most of the leave). Following the paid leave period, parents could also opt for an additional year of unpaid, job-protected leave. This dramatic, largely unexpected policy change created a classic natural experiment. By comparing parents whose children were born immediately before and after the reform took effect—a statistical strategy known as regression discontinuity—the researchers were able to credibly attribute causality to the policy change.

To be sure, previous studies of family leave in other countries, including Germany, Denmark, and Sweden, similarly exploited policy changes to investigate causality—and failed to detect effects. So why is Norway different?

The Carneiro group postulates three explanations. First, Norway started at a low baseline. Prior to the 1977 reform, eligible moms received only twelve weeks of unpaid leave, which, incidentally, is the same level of leave American parents get today under the Family and Medical Leave Act of 1993 (provided their employer has fifty or more employees). Other countries where researchers have examined expansions in leave policy have typically had more generous benefits to begin with, making the effects of expansion less noteworthy.

Second, thanks to Norway's extensive government apparatus for collecting administrative data, the Carneiro group was able to track outcomes over a longer time period—until the children affected by the policy were as old as thirty-three years. Previous research on the effects of early childhood experiences suggest some effects may not manifest themselves until later in life. Studies that measure shorter-term outcomes will miss these delayed impacts.

Third, the Carneiro group was able to identify eligible moms fairly precisely (women were required to have sufficient work histories to get the benefits), which is an issue that has posed challenges for past studies. Accurate identification of beneficiaries is crucial because, as is often the case in policy evaluation, the Carneiro group had data only on exposure to the program rather than actual utilization. In general, the presence of eligible non-participants will bias downward measured program results.

These three insights are largely about methodology, but they also hold lessons for policymakers. The impact of paid family leave depends upon the context into which it is introduced: the fewer benefits are already available to parents—including, in addition to paid leave, health insurance, nutrition assistance, home visiting programs, quality (subsidized) child care, and other work-life balance supports—the greater we would expect the effect of expanding paid leave to be. At the same time, it is important to ensure intended beneficiaries actually avail themselves of the benefits to which they are entitled, as well as to be attuned to long-term outcomes, some of which may not manifest themselves for decades.

Our Most Valuable Resource: Time

Of course, claiming that A causes B requires identifying a mechanism. The Carneiro group's preferred explanation is

simple: women who had access to paid leave spent more time with their children during their first year of life. Their evidence for this claim lies in unpaid leave: comparing women pre- and post-reform, the researchers were unable to find a change in unpaid leave usage, meaning that moms with access to paid leave spent more time being moms than those that did not. And the children who had more mom time came out ahead.

What we have, then, is data that substantiates a previously unconfirmed intuition: when policy affords parents a decent balance between their responsibilities at work and at home, their children do better. (Incidentally, the impact does not seem to be attributable to breastfeeding. Although breastfeeding confers numerous well-documented benefits on children, when the Carneiro group looked at this question, they concluded that the 1977 reform did not have a significant effect on breastfeeding behavior.)

But might the moms who took time off lose out? Actually, no. When the Carneiro group looked at maternal employment and income five years after childbirth, they found no difference between moms who had access to paid leave and those that did not. In other words, taking time off did not put new moms at a disadvantage in the labor market.

And if taking paid leave was career-neutral for the initial cohort of women to access it, we would expect it to be even more true over time, as temporary leave for childbirth becomes an accepted social norm. The greater the share of moms—and dads—who exercise their right to care for a newborn, the smaller will be any disadvantage to doing so. Indeed, in a society where taking leave is the rule, not the exception, those that take time off may well come out ahead.

Family leave is a win-win. As is the case with athletes, we now have evidence that paid leave—the workplace equivalent of recovery and periodization—leads to better outcomes for children without undermining parents' careers. Time off with adequate pay and job protection gives moms and dads a chance to recharge physically and emotionally, while also allowing them to single-mindedly dedicate their labor, for a time, to learning their new jobs: being parents. In turn, rest and specialization increases their children's future productivity (and decreases future safety net spending)—a win for society as a whole.

What America Can Learn

The United States and Norway clearly differ in important ways, and the impact of any policy will depend on its institutional and cultural setting. Norway's population of just over 5 million is smaller than Minnesota's, and the wealthy, ethnically homogeneous (especially in the 70s), natural-resource rich Scandinavian nation has one of the world's most generous social safety nets.

Nevertheless, in terms of family leave, the parallels between Norway in 1977 and the United States today are striking. In

both countries, the status quo consisted of twelve weeks of unpaid leave. Norway's female labor force participation rate was about 60 percent in 1977, slightly higher than the 57 percent it is among American women in 2015. Also, like America today, publicly-provided child care for children 0-2 years was not especially robust in Norway during the 1970s, and many families relied on informal arrangements if moms could not stay home.

Indeed, the United States may be starting at an even lower baseline than Norway in 1977. According to research by the Labor Department, as summarized by the White House Council of Economic Advisors (CEA), due to various exemptions, the FLMA covers only about 60 percent of American workers. But in reality, just 39 percent of workers report being able to take any type of paid leave for the birth of a child; worse, only 13 percent are covered by formal paid family leave policies according to employers. Those least likely to have coverage are minorities, the less educated, and low-wage workers—which means that disparate access to paid leave further exacerbates inequalities.

Given this institutional low bar, it would not be unreasonable to expect the introduction of universal paid family leave in America to generate results similarly propitious to Norway's post-1977 experience. Further underscoring the potential gains of change, the range of reforms currently being debated in the United States are of a similar magnitude to those adopted by Norway in 1977.

The Family And Medical Insurance Leave Act (H.R. 1439/S. 786; the FAMILY Act), introduced in March 2015 (similar bills failed in previous sessions) by Representative Rosa DeLauro (D-CT) and Senator Kirsten Gillibrand (D-NY) would provide workers up to twelve weeks of leave at two-thirds pay (subject to a monthly minimum of \$580 and a monthly maximum of \$4,000) for the birth or adoption of a child, including pregnancy and recovery from childbirth, as well as to deal with one's own health conditions or to care for a sick parent, spouse, or child. In contrast to existing law, it would apply to all employers, regardless of size, and also offer benefits to part-time workers. It would be funded by a 0.4 percent payroll tax, split evenly between employees and employers.

States Taking the Lead

Implementing paid leave policy would be a simple matter, if only because America has, literally, the rest of the world to use as an example. Further, in the absence of federal action, California, New Jersey, and Rhode Island have created paid leave programs of their own (Washington state has also passed legislation, but it has yet to be implemented).

These programs typically offer several weeks of leave at a partial salary, funded by a combination of modest employee and employer contributions, and are administered through states' existing temporary and disability insurance systems. California's paid leave law, which was the first to go into effect, in 2004, is emblematic of the others. Supported by a 0.9 percent payroll tax levy on workers, it offers six weeks of leave at 55 percent of weekly salary, up to a maximum of \$1,104

a week in 2015.

(In addition, three other states, New York, Rhode Island, and Hawaii, allow qualifying women to take limited paid leave for pregnancy-related reasons under their general disability insurance programs.)

The results thus far in California have been promising. Access to paid leave has resulted in new moms taking an average of three extra weeks of leave. Participants have reported increased breastfeeding and time spent on child care. Equally significant, employers have had a positive reception: about nine in ten report no or positive effects on productivity, profitability, retention, and morale. This finding underscores the potential for underappreciated economic gains: businesses save recruitment and training costs—and are able to attract more capable workers—by offering paid leave.

Another study, not specific to California, and conducted by the Center for Women and Work at Rutgers University, looked at data from the National Longitudinal Study of Youth—one of the most significant sources of information on Americans' career trajectories—and found that, far from being at a disadvantage, women who took paid leave following the birth of a child were better off than those that did not (controlling for other differences between the two groups). Leave takers were more likely to be working than non-leavers nine to twelve months after childbirth, and were 54 percent more likely to report wage increases in the following year.

Will Congress Do the Right Thing?

Nevertheless, Republicans in Congress have stalled progress at the federal level, even as the Obama administration has made working families a priority.

Following his pledge to make paid leave a priority in his 2015 State of the Union address, President Obama included two significant initiatives in his Fiscal Year 2016 budget for the Department of Labor. A \$35 million State Paid Leave Fund would provide technical assistance to states seeking to build the infrastructure necessary to administer paid leave programs, which would be especially valuable to states without existing temporary disability insurance systems. For states ready to launch paid leave programs, a much larger \$2.2 billion Paid Leave Partnership Initiative would reimburse start-up costs and fund 50 percent of program benefits for the first three years in up to five states.

In addition, Obama issued a Presidential Memorandum in January 2015 directing federal agencies to provide six weeks of paid sick leave to employees for the birth or adoption of a child. The mechanism through which this is accomplished is “advanced” sick leave (employees can take time off in prior to accruing it), though a bill subsequently introduced by House Democrats would fully fund the benefit by creating a new category of paid “administrative” leave specifically for the birth of a child.

A True Economic Recovery

We've reached the point where instinct and research alike point to the prudence of a national right to paid family leave. When parents are given the financial support to take time to spend with their children during their first, formative months, their kids grow up to be healthier, smarter, and more productive. Parents see their labor market standings solidified. Businesses are able to recruit better employees and retain them. And society's social fiber is spun more tightly—at the same time that its future productivity is enhanced.

Nor should we stop with parents. As the FAMILY Act makes plain, the opportunity to take paid time off is just as important for workers dealing with their own health conditions, or who are called upon to care for ailing relatives. Indeed, as the Baby Boom generation ages, increasing numbers of Americans in the so-called "Sandwich Generation" will be called upon to simultaneously care for their children and their parents.

As the United States endeavors to retain its spot atop the global economy, the public and policymakers understand it will take hard work. But they, like top athletes, must also learn to balance different priorities over the career cycle—that is, to periodize—and, even more importantly, to appreciate the need to recover.

Congress, give us a break.

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