THE HAMILTON PROJECT

A Proposal for a Federal Paid Parental and Medical Leave Program

A Hamilton Project policy proposal by Tanya Byker of Middlebury College and Elena Patel of the University of Utah proposes the creation of a federal Paid Parental and Medical Leave (PPML) program. The proposal would establish a partial wage replacement system, extended to all eligible wage employees, to supplement income during work disruptions due to the arrival of a child or due to a personal or a family member's illness. Specifically, Byker and Patel propose a framework of paid leave that would:

- Provide up to 16 weeks of partially-paid parental leave for each birth or adoption, to be split between two working parents, or 12 weeks of parental leave for single parent households and those with one working parent
- Provide up to 12 weeks of partially-paid medical leave annually for self-care due to serious illness and 6 weeks to care for a family member with a serious illness

Issue Overview

There is currently unequal access and utilization of paid leave due to the existing patchwork of federally mandated unpaid leave along with voluntary provision of paid leave by employers and several state programs. In particular, access to paid leave is disproportionately low among single-parent, low-wage, and Black workers. The most cited reason by workers for not taking necessary leave was the inability to afford lost wages.

Taking leave to care for a new child or because of illness provides physical and mental health benefits for workers and their families. For example, evidence shows that paid parental leave improves mental health for new mothers, reduces infant mortality, and improves behavioral and health outcomes for young children.

The Challenge

A vast majority of Americans believe workers should have access to paid leave while attending to family and medical care. There is less consensus on whether employers should have discretion to offer leave or whether the government should require it, relying on private provision creates numerous problems.

Private employer provision of paid leave results in inefficiencies and insufficient coverage of workers due to coordination problems across firms, the usual problems in providing insurance that it is primarily demanded by those who more likely to need it, and undervaluing the positive spillovers that paid leave has on the health and well-being of employees' families.

Access to paid leave varies substantially, with low-income workers and small business employees disproportionately lacking access to paid leave. Comparing workers earning below and above $15 an hour, nearly 60 percent of the lower-income group and less than 20 percent of the higher-income group reported receiving no pay at all when work was interrupted by the arrival of a child, their own illness, or to care for a sick family member.

In practice, paid parental and family leave is taken predominantly by women, a disparity that has the potential to exacerbate rather than alleviate the gender gap in earnings.

The patchwork of FMLA and state leave policies produce what authors call "stark disparities in access." In states without publicly-supported paid leave, 72 percent of white, non-Hispanic workers receive some form of paid leave while only 55 percent of Black, non-Hispanic employees have access to such benefits.

The Path Forward

Byker and Patel emphasize the following points in their proposal for creating a federal paid leave framework:

- **Expand access to paid leave.** Broadly defined eligibility would encompass all wage earners working at least 39 weeks in the last year and who were attached to the labor force for the five weeks immediately preceding the start of a claim. These criteria – without requirements for hours worked, earnings, firm size, or length of attachment to a particular employer – allow flexibility to account for spells of unemployment and labor force detachment that can be common among lower-income workers and in certain industries.
- **Establish a federal Paid Parental and Medical Leave Trust Fund.** The fund would be paid into by a payroll tax imposed on both workers and their employers, leveraging the existing infrastructure of the Social Security Disability Insurance program. The payroll tax could be designed to be revenue neutral, with the tax rate calibrated to offset expected claims.
- **Combine family and medical leave policies to provide expected benefit to all workers.** Combined policies ensure that all workers—regardless of life stage—would anticipate receiving some expected benefit, better aligning to the payroll tax levied on all employees.
- **Place an annual cap of 16 weeks of leave for any one claimant.** Implementing a cap on leave would reduce the expected cost of extended work disruptions to employers and limit possible negative behavioral consequences of providing paid leave.
- **Increase flexibility of paid leave program.** By allocating parental leave to a given birth or adoption, rather than to workers, the policy better accommodates different household structures. For example, the policy provides gender-neutral benefits irrespective of which parent provides early-life childcare. Also, in the case of dual-income households, the policy includes an additional week of leave to be used by both parents simultaneously in the postpartum period.

About the Authors

Elena Patel is an assistant professor of finance at the University of Utah's David Eccles School of Business. Her research is focused on public finance, corporate tax policy, and gendered labor market outcomes. Prior to joining the University of Utah faculty, she worked extensively in the federal government, including the Office of Tax Analysis at the U.S. Department of the Treasury, the Office of Accountability and Compliance at the Postal Regulatory Commission, the Macroeconomic Analysis Division at the Congressional Budget Office, and the Antitrust Division at the U.S. Department of Justice. She received her B.S. in economics and mathematics in 2007, her M.A. in economics in 2008, and her Ph.D. in economics in 2013 from the University of Michigan.

Tanya Byker is an assistant professor of economics at Middlebury College. Her research focuses on the interrelated choices individuals make about education, work, and parenthood. She has studied how birth-related career interruptions in the United States vary by mother's education, and the ways that parental leave laws impact labor supply decisions. In a developing country context, she has studied how access to family planning impacts fertility and longer-term outcomes such as schooling and employment in Peru and South Africa. She received her Ph.D. in economics from the University of Michigan in 2014 and her B.A. with honors in economics and philosophy from Swarthmore College.