Paid Leave Pays Dividends

How a National Paid Leave Policy Will Benefit the Economy

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The COVID-19 pandemic has caused an unprecedented recession, exposed gaps in our caregiving infrastructure, and intensified race, gender, and other structural inequalities. As the United States begins to recover from the economic devastation of the past year and a half, many of these issues remain unresolved.

More than 30 million workers are still not guaranteed a single paid sick day. The economy is still down more than 5 million jobs from pre-pandemic levels, with women accounting for more than half of those missing jobs. Further, women's labor force participation has plummeted to its lowest rate since 1988, erasing a generation of progress for women in the workplace. All of these structural issues were not caused by COVID-19; rather, the pandemic has exacerbated long-standing inequities due to policy choices that have been perpetuated throughout history.

Public investment in paid family and medical leave — which can cover working people's time away from their jobs to care for a new child, family member, or one's own health — has the potential to address several aspects of this multifaceted crisis and support an equitable and robust economic recovery.

In our new report, "Paid Leave Pays Dividends: How a National Paid Leave Policy Will Benefit the Economy," we modeled how a national paid leave plan would boost national income. A national plan would enable recipients of paid leave to spend money on goods and services, thereby creating jobs in the industries that need it most. This policy reform will combat inequality by benefiting systemically marginalized individuals, address structural barriers that prevent caregivers from working for pay, and protect public and individual health by allowing people to care for themselves and others when serious health issues arise.

In this analysis, we modeled the effects of a national paid leave plan as proposed by the **American Families Plan** and the **Building an Economy for Families Act**. Using the parameters for wage replacement from the Building an Economy for Families Act, we find that a national paid leave policy would:

- ▸ **Directly stimulate the economy.** An additional 18 million people, or 11.3% of the civilian labor force, would take leave each year under a national paid leave plan, adding $19.1 billion in national income from wage replacement.

- ▸ **Especially benefit women, people of color, and low-wage workers.** Women comprise 52.7% of those who would use paid leave under this plan, while they are **47% of the labor force**. Black women are 8.5% of new leave-takers, while they are 6.5% of the labor force. Women in low-wage jobs (defined as workers earning below $15 an hour) are 27.2% of new leave-takers, while they are **23.8% of all workers**.

- ▸ **Generate economic growth.** The $19.1 billion in wage replacement from the national plan will create 162,000 new jobs, enabling workers who are not directly benefiting from paid leave to earn an additional $9.4 billion in income. Notably, some of the industries that will see the most job creation include food services, ambulatory health care services and hospitals, and retail, all of which are major employers of **women and people of color** across the United States.

Currently, millions of Americans are faced with an impossible choice: stay home to care for themselves or others at the risk of losing wages, or forgo caregiving to keep their income. This dilemma overwhelmingly falls to women, particularly women of color, who bear the majority of **caregiving responsibilities** and are overrepresented in low-wage jobs — meaning that women are less likely to have **access to paid leave**, be able to afford paid care, or take unpaid time from work to provide care. In the long term, women are forced to reduce work hours, choose lower-paying jobs, or exit the labor force entirely in order to provide this care, further widening the **gender wage** and **wealth gaps**.

Out of 38 Organisation for Economic Co-operation and Development (OECD) countries, the United States is the only country without any form of national paid leave, forcing workers to confront difficult choices and further entrenching gender bias. Implementing national paid leave and other care investments will not only boost our short-term economic recovery, but address long-standing disparities by gender, race, ethnicity, sexual orientation, age, disability status, and other identities. **Paid leave and other caregiving supports are necessary for a just, inclusive, and sustainable economic recovery.**