TIME'S UP FOUNDATION

# Paid Leave Pays Dividends

## How a National Paid Leave Policy Will Benefit the Economy

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PUBLISHED SEPT. 2021

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# Acknowledgements

The authors would like to thank Nat Baldino, policy analyst at CLASP; Dawn Huckelbridge, director of Paid Leave for All; Vicki Shabo, senior fellow, Paid Leave Policy and Strategy, Better Life Lab at New America; Jeffrey Hayes, program director, Job Quality and Income Security at the Institute for Women's Policy Research; and Sarah Jane Glynn, senior fellow at the Center for American Progress, for their critical comments, insights, and feedback. The authors also thank TIME'S UP Foundation staff Irene Berman-Vaporis, Sophie Bair, Latifa Lyles, Sapna Mehta, Stephanie Odiase, and Katherine Gallagher Robbins for their work and support on this piece.

This report was made possible with the support of Pivotal Ventures, an investment and incubation company created by Melinda French Gates.

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# Executive Summary

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 long 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 this report, we modeled how a national paid leave plan would boost national income, enabling 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.

Currently the Family and Medical Leave Act (FMLA) provides unpaid coverage to approximately half of all U.S. working people; however, the systemic inequities built into the program ensure that Black, Latinx, and Indigenous adults are more likely to be ineligible or unable to afford unpaid leave.

> *A national paid leave plan would boost national income, enabling recipients of paid leave to spend money on goods and services, thereby creating jobs in the industries that need it most.*

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.**

# Introduction

The COVID-19 pandemic has exposed the many points of fragility that exist in the foundation of our society, systematically limiting women's economic and political power and devaluing the work women do. One stark example of this is the state of our caregiving infrastructure that has long been precariously underfunded and dismissed as "women's work." Of the many pieces a caregiving infrastructure requires, the lack of a national paid family and medical leave program is particularly glaring. Paid leave, which can cover time to care for a new child, family member[1], or one's own health, is often a benefit only available to those in high-paying jobs (U.S. Bureau of Labor Statistics 2020) — as a result, 34% of employees who take leave are unpaid, while two-thirds of employees who need leave did not take it because they could not afford unpaid leave (Brown et al. 2020).

The pandemic underscores the crucial need for paid leave. When the health and safety of millions of workers and their families were jeopardized overnight by COVID-19, more than 30 million workers were not guaranteed a single paid sick day and only 21% of workers had access to paid family leave through their jobs (U.S. Bureau of Labor Statistics 2020; U.S. Bureau of Labor Statistics 2021c). Many of the workers facing a lack of paid sick leave were in "essential" industries, such as the health care or service sectors (Kinder 2020; Long and Rae 2020; Schneider and Harknett 2020); women, particularly Black, Latinx, Asian, and immigrant women, are also disproportionately employed in these sectors due to generations of occupational segregation (U.S. Bureau of Labor Statistics 2021a; Washington Center 2017). A national paid leave program could have dramatically benefited many of these workers and their families when they contracted COVID-19, and it is one way we can truly thank these workers for the sacrifices they made during a global pandemic and ensure that people in their positions are never faced with the same circumstances again. Some estimates suggest that 36,000 COVID-19 deaths[2] could have been averted had workers had guaranteed sick or medical leave, much more of a benefit than nightly claps for essential workers (Pichler and Ziebarth 2017; University of Wisconsin Population Health Institute 2021).

Here we highlight the ways in which a national paid leave policy would address issues of equity in the workforce due to lack of access, as well as have positive impacts on the economy overall. We estimate that **a national paid leave program would lead to an additional 18 million workers taking paid leave, over a quarter of whom would be women in low-wage jobs, adding $28.5 billion in national income annually and 162,000 new jobs.** These effects would significantly benefit women and people of color, who would see the biggest increases in the ability to take paid leave because they have been pushed into low-wage industries that currently lack benefits; these are the same industries that would see the most job growth, which would presumably lead to more jobs for women (Herr et al. 2020; Joshi et al. 2020; Ross and Bateman 2019; U.S. Bureau of Labor Statistics 2020).

[1] Throughout this report, the term "family" includes both legal and biological family, as well as chosen family. For more, see Bowman et al. 2016, "Making Paid Leave Work for Every Family."

[2] Authors estimate the number of COVID-19 deaths that could have been avoided with accessibility to paid sick leave based on a 6% estimate in University of Wisconsin Population Health Institute, January 2021, and the number of COVID-19 deaths as of June 15, 2021 (600,000).

As of March 2020, only 21% of the workforce had access to designated paid family leave through their jobs and only 40% had access to personal medical leave through an employer's short-term disability insurance plan (U.S. Bureau of Labor Statistics 2020)[3]. Most workers only have access to paid leave through programs with their employers, where it is often only available to those in higher-paying occupations (Grant et al. 2019), or through the nine states and the District of Columbia that have passed paid leave policies (Shabo 2021b). This leads to stark disparities in access by race and ethnicity, gender, immigration status, ability/disability, educational attainment, and employment structure, such as those employed part-time, employed through the gig economy, or who are self-employed (Grant et al. 2019; Herr et al. 2020; Joshi et al. 2020). In fact, 95% of the lowest wage workers, or those in the lowest 10% of earners, often women and workers of color, lack access to any paid family leave (U.S. Bureau of Labor Statistics 2020; Ross and Bateman 2019; National Partnership 2018a).

The lack of national paid leave in the United States is a stark contrast to the policies in other wealthy, industrialized countries — of the 38 Organisation for Economic Co-operation and Development (OECD) countries, the United States is the only nation without any form of national paid leave (OECD 2019). In fact, of the OECD countries, the United States is the only country that fails to provide paid leave for new mothers, one of two countries that fails to provide paid leave for personal illness, and one of six countries that fails to provide paid leave to new fathers (OECD 2019, 2020). Instead, workers in the United States rely on the Family and Medical Leave Act of 1993 (FMLA), which allows eligible employees to take up to 12 work weeks of unpaid leave during any 12-month period to care for a new child, care for a seriously ill family member, or recover from a significant illness (U.S. Department of Labor 1993). However, the act excludes many types of employees both explicitly — as the law only applies to businesses with 50 employees or more, and only to workers within those businesses that have worked at the business for at least one year and logged 1,250 hours within the past year — and implicitly — because many low-paid workers cannot afford to take unpaid leave (Gupta et al. 2018; U.S. Department of Labor 2012). Only an estimated 56% of workers in the United States have access to unpaid leave under FMLA (Brown et al. 2020), and these exclusions mean that access to leave varies starkly across racial lines: About 71% of Hispanic workers, 67% of Indigenous workers, 61% of Black workers, and 54% of Asian American and Pacific Islander workers are either not eligible for or cannot afford to take unpaid FMLA leave (Joshi et al. 2020). Other marginalized groups, such as people with disabilities or the LGBTQIA+ community, are also less likely to have access to paid leave because of the disproportionate share of low-wage jobs held by these groups and the non-inclusive ways company policies can be written (Maxwell et al. 2018; Ross and Bateman 2019; U.S. Bureau of Labor Statistics 2020).

> ***"The lack of national paid leave in the United States is a stark contrast to the policies in other wealthy, industrialized countries.***

[3] BLS Employee Benefits in the United States, Tables 16 and 31.

Nine states and the District of Columbia have passed their own comprehensive paid family and medical leave policies in the absence of national coverage: California, New Jersey, Rhode Island, New York, Washington, Massachusetts, Connecticut, Oregon, and Colorado (Shabo 2021b). These policies vary in coverage and scope, but all programs provide leave at a minimum for one's own health issues; to care for an ill, injured, or disabled family member; and to care for a newborn, adopted child, or newly placed foster child (Shabo 2021b). Some states, such as Colorado, also include coverage of chosen family members, and provide additional coverage for other family and medical needs, including military caregiving or for personal safety, such as in situations of domestic violence, stalking, or sexual assault (A Better Balance 2021). State leave policies range in length, offering anywhere from two to 52 weeks of leave, and all provide wage replacements; some states provide wage replacements on a sliding scale, where lower-wage workers receive a higher share of their wages, like in Massachusetts, Connecticut, or Colorado (Shabo 2021a).

State-level programs are a step in the right direction, but leaving a crucial benefit like paid leave to varied state solutions and excluding workers in states that will never take action is unacceptable. A national standard is essential to guarantee that everyone is afforded a basic minimum level of support and to ensure that workers know their rights. Recently, multiple proposals for national paid leave policies have been introduced, such as Chairman Richard Neal's Building an Economy for Families Act or the president's American Families Plan, both of which put comprehensive paid family and medical leave at the forefront of the national discussion and which build on past proposals such as Representative Rosa DeLauro's and Senator Kirsten Gillibrand's FAMILY Act (Neal 2021; "Fact Sheet" 2021). Both of these proposals would give workers partial wage replacements for up to 12 weeks a year for paid parental, family, and personal illness or safety leave (Neal 2021; "Fact Sheet" 2021).

Preliminary analysis of the American Families Plan and its investments in the care economy shows that it would increase women's labor force participation and GDP significantly (Zandi 2021). Likewise, research on state-level programs has shown many similar positive effects. For example, California's paid leave program increased mothers' labor force participation both in the year following a birth and as much as five years later; it also increased the amount of leave taken by both parents, particularly fathers, to spend time with their new children (Jones and Wilcher 2020; Bartel et al. 2017; Rossin-Slater 2017; Baum and Ruhm 2016). Those who took time off for unpaid care to assist a family member or friend with a long-term illness or disability under California's paid leave law also saw an increase in labor force participation, with an 8% increase in the short run and a 14% increase in the long run (Saad-Lessler and Bahn 2017). Other research shows that paid leave policies can improve health outcomes for mothers and children (Steenland et al. 2021; Van Niel et al. 2020; Persson and Rossin-Slater 2019; Rossin-Slater and Uniat 2019).

There is also substantive research showing that state-level paid leave policies often have either neutral or positive impacts to businesses, including small businesses, despite misgivings by some business communities prior to policy implementation. After California implemented its state paid leave program, 87% of employers said costs had not increased and more than 85% of small businesses found that such policies did not harm profitability and productivity (Corley 2016; Milkman and Appelbaum 2013). Similarly, following the enactment of New York's paid leave policies, researchers found that paid family leave led to an improvement in employers' ability to handle long employee absences and that more than 50% of all New York firms were either very or somewhat supportive of the policy change (Bartel et al. 2021). One report and survey of New Jersey firms following the enactment of paid leave in their state demonstrated that the majority of businesses saw no adverse impacts to employee productivity and profitability after implementing the state program (Lerner and Appelbaum 2014; Ramirez 2012).

Paid leave is crucial to addressing declining women's labor force participation and ensuring an inclusive and just economic recovery from the COVID-19 pandemic. The United States trails far behind other wealthy, industrialized nations in the share of women in the labor force, in large part due to a lack of family-friendly policies (Blau and Kahn 2013), and the pandemic only magnified these shortcomings (Bateman and Ross 2020; Kashen et al. 2020). Many families struggle with affording the high costs of child care, caring for a sick family member, or providing long-term care for family with disabilities. At the same time, the women who provide this paid care work, many of them women of color, are some of the most underpaid and undervalued workers in the United States, often forced to rely on public income support to stay afloat (Folbre and Smith 2017; Paquette 2016; Paraprofessional Healthcare Institute 2019; Scales 2020; U.S. Bureau of Labor Statistics 2021a).

High costs and sparse supply of formal care options mean that many women are left to fill the gap informally, often causing them to reduce work hours, choose lower-paying jobs, or exit the labor force entirely (Favreault and Dey 2021; Gleckman 2021; Osterman 2017; Malik et al. 2020; National Partnership 2021b). In fact, more than 65 million women provided unpaid child, family, and/or eldercare in 2020 (National Partnership 2021b). This time spent on uncompensated care, instead of paid work, can add up over a lifetime, with one calculation estimating that women who leave the labor force to provide unpaid eldercare face an estimated average of $324,000 in potential lost lifetime wages, pensions, and Social Security benefits as a result of reducing their hours or leaving the labor force early to provide that care (MetLife et al. 2011). Other research finds that workers may lose up to three or four times their annual salary for each year out of the workforce taken for unpaid child care (Madowitz et al. 2016).

> ***Paid leave is crucial to addressing declining women's labor force participation and ensuring an inclusive and just economic recovery from the COVID-19 pandemic.***

The COVID-19 pandemic amplified the pressing need to support workers' ability to provide the care they need to their families and themselves, and the unequal burdens that fall on women when those supports are not given. Mass school closures and increasing care demands exacerbated the decline in women's labor force participation and contributed to an economic recession that targeted women in ways that previous recessions never had (Kohler et al. 2021). A full and inclusive economic recovery from the pandemic that also allows for correcting long-standing, pre-pandemic inequities requires making it feasible for women and caretakers to return to work (Kohler et al. 2021). In fact, some estimates suggest that investments in the care sectors could increase women's labor force participation by 2.2 percentage points, leading to a more than $330 billion increase in GDP (Gallagher Robbins and Majumder 2021).

At its core, national paid leave is good human policy and good economic policy. Without access to paid leave, millions of people, often women of color in low-wage jobs, are forced to choose between staying home to care for themselves or others at the risk of losing wages, or forgo caregiving to keep their income. Access to longer-term paid family and medical leave allows people to take the time they need with their families — time to bond, care, and prevent the spread of illness without unnecessary economic anxiety. National paid leave is good for workers and good for the economy, and it is essential to dismantling entrenched gender, racial, and economic disparities.

# Analysis of paid leave impacts

## Methodology

To estimate the impacts of national paid leave, as proposed by the American Families Plan and the Building an Economy for Families Act ("Fact Sheet" 2021; Neal 2021), we take a two-pronged approach. First, we look at who will benefit from the program and how much the program will produce in wage replacement (Table 1a). Then, using these outputs, we calculate the number of jobs that are added to the economy as a result of workers spending their paid leave income on goods and services (Table 1b). Finally, adding together the wage replacement from the public paid family and medical leave program and the wages earned by newly created jobs due to income spent by those directly benefiting from the program, we arrive at the total economic impact of a public paid leave program (Table 1c).

For the first part of the analysis, determining who will benefit from a public universal paid leave program, we utilize the Department of Labor's **Microsimulation Model on Worker Leave** (2021). Their Worker PLUS model enables an analysis of the effects of implementing paid leave programs with adjustable parameters (including eligibility, the length of leave allowed, and the structure for wage replacement, as well as assumptions of the rate at which individuals who are newly eligible take paid leave under the program (take-up rates)). The model uses data from the **U.S. Department of Labor's FMLA 2018 survey** and data from state paid leave programs in California, Rhode Island, and New Jersey to simulate a user's specified paid leave program. For this simulation, we use the eligibility and wage replacement parameters from the Building an Economy for Families Act, including 12 weeks of paid leave, a cap of weekly benefits at $1,000 per week, and sliding scale wage replacement ratios between 5% and 85% based on income (see the Appendix for a full breakdown of the wage replacement ratios) (Neal 2021). We use take-up rates from California's annual administrative data from its paid leave program because it is the longest-running state program and has the largest number of participants.

With the Worker PLUS model, we are able to estimate the number of individuals who would benefit from the new paid leave public program, as well as the income that each individual would receive as wage replacement (Table 1a). The data also allows for estimates by various demographic categories, including race and ethnicity, age, and status as a low-wage worker (defined as a worker earning below a $15/hourly wage).

For more details on the methodology, see the Appendix, as well as Worker PLUS documentation.

## Findings

**Table 1**
**Annual Impacts of Paid Leave on National Income and Employment**

| 1a. Worker PLUS Model Simulation Data | | |
|---|---|---|
| Annual personal income from public paid family and medical leave program | Percent of newly empowered leave-takers who are women | Percent of newly empowered leave-takers who are women with low wages |
| $19,102,862,146 | 52.7% | 27.2% |

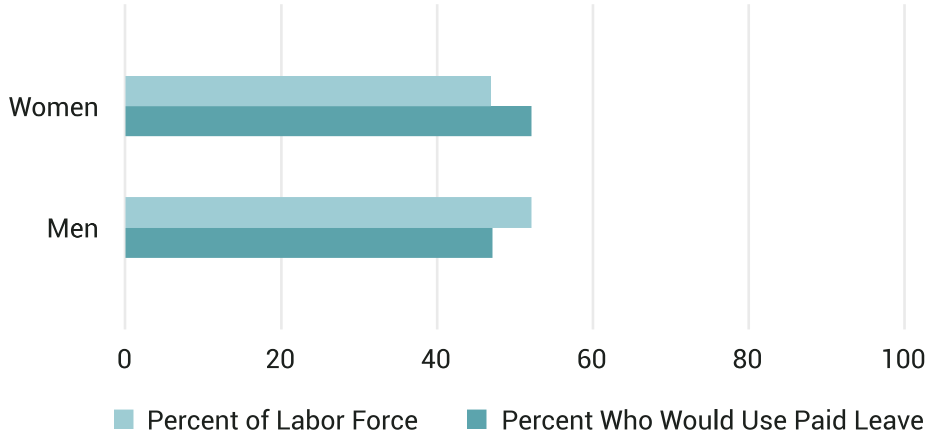
| 1b. Effects in the Broader Economy | |
|---|---|
| Increase in employment from income spent by newly empowered leave-takers | Increase in wages due to new job creation |
| 161,959 | $9,424,419,743 |

| 1c. Total Annual Economic Impact of Paid Leave | | |
|---|---|---|
| Annual personal income from public paid family and medical leave program | Increase in wages due to new job creation | Total annual increase in national income due to a public paid family and medical leave program |
| $19,102,862,146 | $9,424,419,743 | $28,527,281,889 |

We find that 18 million individuals, or 11.3% of the civilian labor force, would benefit from the public paid leave program each year. Women comprise 52.7% of the newly empowered leave-takers, while they are 47% of the labor force (Figure 1) (U.S. Bureau of Labor Statistics 2021c). Women in low-wage jobs (defined as workers earning below $15 an hour) are 27.2% of newly empowered leave-takers and 23.8% of workers ages 18–64 (Ross and Bateman 2019). Paid leave would allow workers to earn $19.1 billion in income replacement, enabling them to take care of themselves and their families without plunging into financial hardship.

***Paid leave would allow workers to earn $19.1 billion in income replacement, enabling them to take care of themselves and their families without plunging into financial hardship.***

**Figure 1**
**National Paid Leave Would Disproportionately Benefit Women**




Source: U.S. Bureau of Labor Statistics.

When considering both women and men, Black newly empowered leave-takers are 14.4%, Hispanic leave-takers are 18.3%, Asian leave-takers are 6.6%, and Native leave-takers are 1.1% — while these groups make up 12.6%, 18%, 6.4%, and 1.1% of the labor force, respectively (U.S. Bureau of Labor Statistics 2021c; U.S. Bureau of Labor Statistics 2021d; U.S. Bureau of Labor Statistics 2021e). White new leave-takers are 56.2% of all newly empowered leave-takers, while they are 77.4% of the labor force (U.S. Bureau of Labor Statistics 2021c).

Paid leave disproportionately benefits women of color (Figure 2, Table 2). Overall, Black women are 8.5% of newly empowered leave-takers, while they are 6.6% of the labor force (U.S. Bureau of Labor Statistics 2021c). White women are 28.8% of newly empowered leave-takers, while they are 35.6% of the labor force (U.S. Bureau of Labor Statistics 2021c). Hispanic women are 8.9% of newly empowered leave-takers, while Asian women are 4.1% and Native women are 0.6% — these groups make up 7.8%, 3%, and 0.5% of the labor force, respectively (U.S. Bureau of Labor Statistics 2021c; U.S. Bureau of Labor Statistics 2021d; U.S. Bureau of Labor Statistics 2021e). Of all newly empowered leave-takers, 13% are women of color in low-wage jobs, a group that very rarely has access to paid family and medical leave and cannot afford to take unpaid leave.

**Figure 2**
**National Paid Leave Would Disproportionately Benefit Women of Color**


Source: U.S. Bureau of Labor Statistics.

Similar to who will get to take leave under the proposed public paid leave program, the wage replacement is also deliberately progressive, replacing wages at a higher percentage for lower earnings. The total amount of wage replacement income for all workers who use the paid leave program is estimated to be $19.1 billion, of which women would receive $10.4 billion, or 54.4% (though they are 47% of the labor force and on average make 82 cents on the dollar compared to white men) (U.S. Bureau of Labor Statistics 2021c; National Partnership 2021a). For workers of both genders, Black workers would receive 14% of paid leave income, while Hispanic workers would receive 14%, Asian workers 8%, and Native workers 1.1%. In aggregate, people of color, who make up 47.6% of low-wage workers ages 18–64, would receive 37% of paid leave income (Ross and Bateman 2019). Black women in low-wage jobs earn 3.9% of total wage replacement dollars, and all women of color in low-wage jobs earn 9.6%. This is significant because it suggests, consistent with past research, that despite being a smaller population of the workforce, these groups are more likely to need leave at a rate higher than their share of the population and are more likely to be newly empowered leave-takers, meaning they currently lack leave at a higher rate than more systematically advantaged groups (Herr et al. 2020; National Partnership 2018a).

When looking at just women workers, women of color also benefit significantly in proportion to their representation in the labor force (Table 2). Black women take home 8.8% of paid leave income, while they are 6.6% of the labor force, and Asian women take home 5.6%, while they are 3% of the labor force (U.S. Bureau of Labor Statistics 2021c). Women of color in aggregate take home 22.6% of paid leave income, showing that paid family and medical leave will help combat systemic and structural racial and gender disparities in the labor market.

**Table 2**
**Demographic Effects of Paid Leave for Women Workers**

| Demographic Group | Percent of Labor Force | Number of Individuals Taking Leave | Percent of Total Newly Empowered Leave-Takers | Dollars of Paid Leave Income (millions) | Percent of Paid Leave Income |
|---|---|---|---|---|---|
| Black women | 6.6% | 1,543,899 | 8.5% | $1,680 | 8.8% |
| Hispanic women | 7.8% | 1,619,990 | 8.9% | $1,420 | 7.4% |
| Asian women | 3.0% | 740,443 | 4.1% | $1,070 | 5.6% |
| Native women | 0.5% | 107,618 | 0.6% | $132 | 0.7% |
| White women | 35.6% | 5,221,281 | 28.8% | $5,870 | 30.7% |
| Women of color* (overall) | 17.9% | 4,011,950 | 22.1% | $4,310 | 22.6% |

*Defined by adding Black, Hispanic, Asian, and Native women percentages
Source: U.S. Bureau of Labor Statistics.

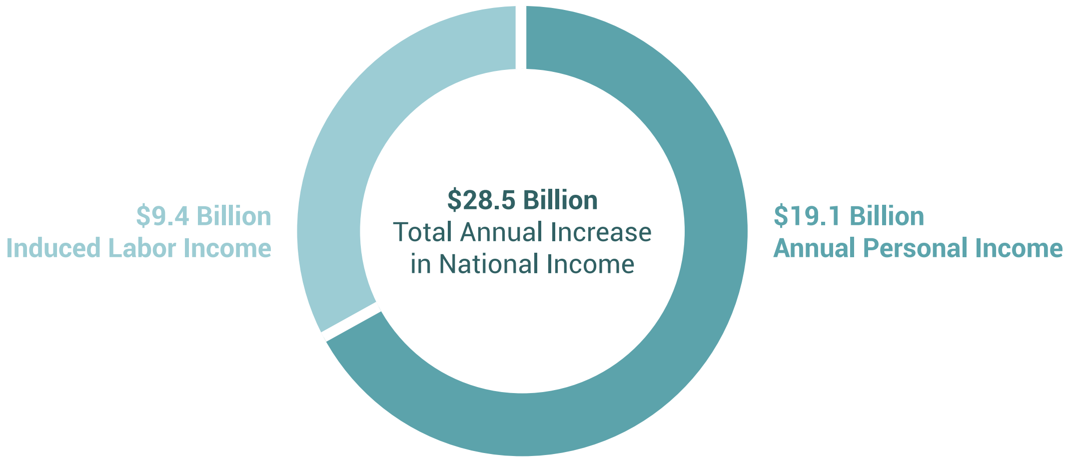
## Analysis of job creation effects

The economic benefits of paid leave extend beyond workers being able to take leave and care for themselves and their families — the economy overall is positively impacted from their additional income. Paid leave is usually thought of as stabilizing jobs for the current workforce and enabling family caregivers to return to work over time (Miller et al. 2009; National Partnership 2018b), but importantly, workers receiving paid leave will spend their earnings, which can substantially benefit job creation throughout the economy. To measure this second effect, we determined how the increased income available to workers from the simulated public paid leave program affects their spending throughout the rest of the economy, ultimately creating new jobs in a range of sectors (Table 1b).

The sum of personal income from newly empowered leave-takers and increase in wages due to new job creation gives us our main result: the increase in personal income available to U.S. households from a universal paid leave program (Table 1c). The results of this analysis show that the job stability and job creation effects provided by paid family and medical leave are essential for workers' economic, physical, and mental health.

Specifically, we take the $19.1 billion that will be earned by people now able to take time to care and use input-output data from the U.S. Bureau of Economic Analysis to examine the impacts of increased consumer spending on the economy (U.S. Bureau of Economic Analysis 2021). We find that the $19.1 billion of increased consumption spread across the economy will result in 162,000 new jobs, enabling workers who are not directly benefiting from paid leave to earn an additional $9.4 billion in income (Figure 3). In other words, for every dollar earned as paid leave, an additional 50 cents is earned by someone not taking paid leave because of the increased economic activity that newly empowered leave-takers' access to wage replacement generates.

**Figure 3**
**National Paid Leave Would Directly and Indirectly Stimulate the Economy**




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 (U.S. Bureau of Labor Statistics 2021a). Decades of economic discrimination and occupational segregation have led to the concentration of marginalized groups, such as women, people of color, people with disabilities, LGBTQIA+ individuals, and elderly workers, into these low-wage, low-benefit jobs (Center for American Progress and Movement Advancement Project 2014; Cooper and Gould 2013; Ross and Bateman 2019; Washington Center for Equitable Growth 2017); a national paid family and medical leave program is a critical element in improving job quality, though a comprehensive set of changes is required to fully address the systemic and structural inequities at work in the labor market.

> ***"We find that the $19.1 billion of increased consumption spread across the economy will result in 162,000 new jobs, enabling workers who are not directly benefiting from paid leave to earn an additional $9.4 billion in income.***

# Conclusion

Implementing and investing in a universal national paid leave policy is vital for this moment in our economy. Doing so would not only allow us to support working families and address long-standing issues of equity in care labor and in access to leave, but would also help to bolster the workforce and economy.

We find that national paid leave, modeled after the American Families Plan or Building an Economy for Families Act ("Fact Sheet" 2021; Neal 2021), would add $19.1 billion in national income from wage replacements, resulting in 162,000 new jobs and an additional $9.4 billion in income from those added jobs. Paid leave offers job stabilization and wage replacements, providing workers with additional income where they may have otherwise taken unpaid leave or left jobs altogether. This extra income flows back into the economy when workers, who would have otherwise lost wages to care for themselves or loved ones, are able to remain economically stable and afford school supplies, groceries, housing, and other necessities. This additional spending supports industries and economic growth, thereby creating jobs in the economy as well.

A significant portion of this benefit would specifically impact women, workers in low-wage jobs, and women of color. These groups are highly concentrated in industries that would gain the most jobs and would see important increases in leave access (U.S. Bureau of Labor Statistics 2021a). As it stands, these workers tend to have the least access to leave while often having the greatest need (Herr et al. 2020; National Partnership 2018a). A universal paid leave policy would allow us to address one manifestation of the historic racism and sexism baked into our economy that dictates who has access to and is "worthy" of benefits.

To be truly universal, paid leave must be available and accessible to all workers and fully replace wages. It should cover a range of mental and physical health and caregiving needs, and define family in a broad way, to ensure that "family" is not limited by legal or heteronormative expectations. Workers need access to protections to ensure they are able to take care of themselves as people first, without fear of retaliation or losing work or wages; this is something that state legislators have recognized and have written into almost all of the existing state-level paid family and medical leave programs (A Better Balance 2021).

While the need for paid leave is nearly universal, without equity of access, women are often those most burdened, responsible for filling in the gaps for care, perpetuating disparities in women's workforce participation, earnings, retirement security, and more (MetLife et al. 2011; National Partnership 2021b; Palladino and Mabud 2021). With the decline of women's labor force participation in recent decades and the major losses of women from the workforce precipitated by the COVID-19 pandemic and its resulting increased demand for informal, uncompensated care labor (U.S. Bureau of Labor Statistics 2020; UN Women 2020), this moment demands unequivocal investment in policies that support women's full economic participation. Paid leave is crucial, now more than ever. It, and other caregiving supports, are essential for a just, inclusive, and sustainable economic recovery.

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# Appendix: Detailed Methodology

The approach taken in this analysis has two steps: first, we use the Microsimulation Model on Worker Leave, available publicly from the U.S. Department of Labor, to estimate the increased annual income available to the workforce if a universal paid leave program were available (U.S. Department of Labor 2021). Second, we utilize the paid leave income estimate in an input-output model, using data from the Bureau of Economic Analysis provided by the vendor IMPLAN (U.S. Bureau of Economic Analysis 2021), to estimate the increase in goods and services consumption by the individuals receiving paid leave income from the public program, and finally estimate the job creation effects of the increased consumption, including how many jobs are created and the primary sectors that see employment growth.
We detail both approaches below.

The Microsimulation Model on Worker Leave is a new tool based on earlier work by economists Randy Albelda, Heidi Hartmann, and Jeff Hayes (see Hartmann and Hayes 2021 for more detail). In the words of the developers, "the Worker PLUS simulation model uses updated public microdata and predictive modelling to allow users to:

- Simulate different scenarios of a paid leave program
- Estimate the program benefit costs
- Estimate payroll tax revenue needed to fund the program benefit costs
- Perform population analyses for program participants and eligible workers by focusing on their leave-taking behavior
- Compare simulation results across different sets of parameter input

The Worker PLUS model also allows analysis of the effects of a paid leave program on a specific population (such as low-wage workers, or women of childbearing age) and the distribution of program benefits by demographic characteristics" (U.S. Department of Labor 2021).

The program models six distinct types of paid leave: leave for one's own medical needs; leave to bond with a new child; leave to care for an ill spouse; leave to care for ill children; leave to care for ill parents; and maternity leave (for women giving birth). The tool allows workers to choose paid leave directly, and also models the indirect effect in which workers are more willing to take leave or use existing funding resources for longer leaves because of the added participation in the public program. The reporting presented here includes both effects, but only the use of public program wage replacement (not employer-provided paid leave).

For the current analysis, we use the parameters from the Building an Economy for Families Act, as proposed by Rep. Richard Neal on April 27, 2021. Specifically, we include 12 weeks of paid leave for the six types of leave; cap weekly benefits at $1,000 per week; and utilize the wage replacement ratios in the brackets as proposed in the Neal legislation (Table A1). We use take-up rates (i.e., of those who are eligible due to medical necessity and previous earnings of at least $300 in the previous year, who are simulated to actually take the leave) from California's actual administrative data from its paid leave program, prior to the COVID-19 pandemic. This may mean our model assumes more eligible workers than the Neal plan because of potentially different eligibility rules; however, the higher wage replacement rates for lower wage workers in the Neal bill may make paid leave more accessible to lower-wage workers and thus induce a higher take-up rate. We limit paid leave to 12 weeks total.

**Table A1**
**Wage Replacement Parameters, Building an Economy for Families Act §2203, "Benefit Amount" (2021)**

| Average Monthly Earnings Range | Wage Replacement Percentage |
|---|---|
| $0–$1,257 | 85% |
| $1,257–$2,854 | 75% |
| $2,854–$6,000 | 55% |
| $6,000–$8,333 | 25% |
| $8,333–$20,833 | 5% |

The wage replacement structure given by the Building an Economy for Families Act is progressive, meaning that workers earning lower wages earn a disproportionately higher percentage of replaced wages. This structure would replace at least two-thirds of average earnings for the majority of workers (Neal 2021).

Because the Worker PLUS model includes estimates of who will continue to take available employer paid leave, the model produces an estimate of all paid leave-takers, from both employer and the simulated public program, as well as allowing an estimate of the annual income replacement to those who take only the public program paid leave. We report only the estimated income that workers would gain from the simulated public paid leave program, as determined by the Worker PLUS model. We call these individuals "newly empowered leave-takers." When specifying the proportion of income earned by workers who earn low wages, we use the model-defined definition of workers earning below $15/hour.

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