

POLICY *focus*

RECIPES FOR RATIONAL GOVERNMENT

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Paid Leave and the Pandemic

By Kristin A. Shapiro, Senior Fellow

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What You Should Know

Many paid leave proponents have cited the present coronavirus pandemic in support of their argument that federal and state governments should enact new entitlements to paid sick leave and to paid family and medical leave. According **to such proponents**, these policies can help “workplaces and communities respond more effectively and equitably” to a pandemic.

However, there is little reason to believe that new government entitlements to paid sick leave or paid family and medical leave will effectively mitigate this pandemic, or will help prevent the next one. Indeed, states that have already enacted paid sick leave or paid family and medical leave entitlements—such as New York and New Jersey—have typically fared *worse* than states without such laws with respect to various measures of the severity of the pandemic. Enacting new paid leave entitlements would also impose substantial costs on employers and employees. In particular, such entitlements tend to depress employment and wages and disadvantage low-income families.

While paid leave policies may not stop a pandemic, paid leave is undeniably an important benefit for many American workers. Fortunately, employers have been voluntarily expanding their own paid leave policies in recent years, and the pandemic has only accelerated this expansion. And there are innovative, budget-neutral solutions for expanding access to paid leave in a manner that would not force substantial costs on employers and employees in the middle of an economic crisis.

Why You Should Care

We all want all Americans to have the time and resources they need when they must miss work due to sickness, caregiving, or welcoming a baby. And during a pandemic, the strain on American households—due to fear of the virus, changing childcare arrangements, and widespread loss of jobs and income—has increased tremendously. No one wants workers to come to work if they risk infecting others.

Not surprisingly, there is broad, bipartisan support for **paid sick leave** and **paid family and medical leave**. In recent years, both **Democrats and Republicans** have introduced various federal paid leave proposals, and the **Families First Coronavirus Response Act** for the first time created a (temporary) federal entitlement to paid leave. States, too, have been increasingly adopting **paid sick leave** and **paid family and medical leave entitlements**.

Sadly, there seems to be little evidence that these policies worked to mitigate the coronavirus pandemic. But policymakers should continue to consider various proposals to expand access to paid leave benefits as workers—and voters—will continue to demand them.

More Information

A government entitlement to paid sick leave or paid family and medical leave is unlikely to prevent or effectively limit a pandemic, but it would impose serious costs on employers and employees. Fortunately, there are alternative ways of supporting access to paid leave that would not impose such costs.

Paid Leave Entitlements Will Not Prevent a Pandemic

According to proponents, a paid leave entitlement is an important tool for addressing a pandemic because, “[w]hen workers have to choose between earning a living and staying home sick, it incentivizes them to come to work when they’re ill and potentially infect their colleagues and anyone else they come into contact with.” However, there is little evidence that this claim is true.

Paid Sick Leave

A paid sick leave entitlement would provide workers with a limited number of sick days per year (e.g., 7 days). **Thirteen states** currently mandate paid sick leave, including New York, New Jersey, Connecticut, Maryland, Massachusetts, Michigan, the District of Columbia, and Rhode Island. (New York’s law takes **effect in 2021**, although New York City enacted its own law **in 2013**.)

As of the date of this publication, these states **represent** eight of the top ten states—and five of the top five—with the highest COVID-19 death totals per capita. While comparisons between states should be drawn with caution, as the data is almost certainly affected by a number of

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confounding variables, these facts suggest that sick leave mandates are ineffective at preventing a pandemic. While **some studies** suggest that mandates decrease incidence of a contagious illness by a small percentage, **others** have found that they are ineffective. The best that can be said, therefore, is that the research is conflicting and the policy clearly is not a panacea.

Paid Family and Medical Leave

A paid family and medical leave entitlement would provide workers with a certain number of weeks of leave per year (e.g., 6 weeks) due to their own serious health condition or to care for a new child or family member. **Five states**—New York, New Jersey, Rhode Island, California, and Washington—have paid family and medical leave programs in effect. (Three other states and the District of Columbia have adopted such laws, but they have not yet taken effect.)

As mentioned, these states have generally been hard-hit by the pandemic. Indeed, it would be shocking if the programs had decreased transmission of the coronavirus because most impose a **waiting period** before workers are eligible for benefits, and it **can take weeks** to actually receive a check. These programs are designed to provide income support during an extended absence from work, not to encourage workers to stay home at the first sign of illness.

Paid Leave Entitlements Impose Substantial Costs on Employers and Employees

A new entitlement to paid leave would come with substantial costs. Particularly in light of the current economic crisis, policymakers should be wary of imposing such costs on struggling businesses and families.

Paid Sick Leave

Most sick leave proposals call for imposing an unfunded mandate on employers. This mandate would be doubly costly for employers. First, there is **strong evidence** that sick leave mandates increase “shirking” behavior among employees. Indeed, one study **found** that episodes of binge drinking increase following implementation of a mandate. Second, employers would be required to finance the leave, regardless of their financial ability to tolerate this expense.

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While these costs would be immediately felt by employers, it is workers who would bear the ultimate burden. Sick leave mandates are **associated with lower wages**, particularly in sectors that employ low-income workers. After the passage of San Francisco’s mandate, **nearly 40 percent of employers** who had not previously offered sick leave reduced employee compensation as a result. They also have been **shown to depress employment, particularly** among workers who previously lacked access to sick leave.

Paid Family and Medical Leave

Most paid family and medical leave proposals call for imposing an additional payroll tax on employers and employees. While proponents argue that the tax increase would be modest

(e.g., .4 percent), they have likely **seriously underestimated** the required increase. And although many proposals call for the payroll tax to be split between employers and employees, it is **widely acknowledged** that employers reduce compensation in direct proportion to their share of a payroll tax.

A paid family and medical leave entitlement would not only burden working families with additional costs, recent research raises serious concern that it would **transfer income** from low-income to higher-income families, because low-income families are less likely to receive benefits from such programs. Paid parental leave—a substantial component of family and medical leave—also is associated with a **larger wage gap** between men and women. A recent **study** of California’s paid family leave program found that, for new mothers, use of the program lowered annual wages by 8 percent 6 to 10 years after they gave birth, leading to a 10-year loss of about \$24,000 for the average mother.

There Are Better Ways to Support Paid Leave

While paid leave is unlikely to prevent the next pandemic, it still is an **important benefit** for many American families. However, there are both private and public alternatives that could expand access to paid leave without imposing the costs of a new entitlement.

Private Sector Expansion of Paid Leave

The foremost alternative to a new government entitlement is the voluntary adoption of paid leave policies by employers, policies which employers could tailor to the unique needs of their business and workforce, and even to unique and evolving circumstances, such as a pandemic. According to a **2019 survey** by the Society for Human Resource Management, over 90 percent of employers offered paid leave of some kind, and a full 95 percent of employers offered paid sick leave. Also as of 2019, the Bureau of Labor Statistics **estimated** that over 86 percent of full-time workers receive paid sick leave. The number of employers offering paid parental leave has **nearly doubled** in the last five years. These numbers have certainly only increased in 2020, as 36 of the 100 largest employers in the country **have announced** new paid leave policies in response to the pandemic.

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A new paid leave entitlement risks stopping this positive trend and discouraging employers from voluntarily adopting or expanding paid leave benefits. This would be a great disservice to workers. **Research suggests** that expansions of government entitlements to health insurance have tended to displace employer-provided coverage rather than expand coverage to the uninsured. And, as a representative of Deloitte recently **testified** before Congress, the company decreases its paid leave benefits in states that have adopted such entitlements.

Alternative Policies to Support Paid Leave

Although employers are increasingly providing paid leave, there are still many workers who lack access to paid leave, particularly **low-income workers**. Fortunately, there are policies that

would support access to paid leave for such workers without imposing the costs of a new entitlement. Such policies include:

- **Voluntary Family and Medical Leave Insurance**—The government could offer a **voluntary paid leave insurance program**.
- **Paid Leave in Lieu of Overtime Pay**—The government could give all workers **the option** of collecting one and a half hours of paid leave for every overtime hour worked instead of extra pay (an option federal employees already enjoy).
- **Modernizing Tax-Preferred Savings Accounts**—The government could **modernize tax-preferred savings accounts** to make such accounts available for paid leave.
- **Advancing Social Security Benefits or Child Tax Credits**—The government could give new parents the option to advance a portion of their future **Social Security benefits** or **Child Tax Credits** after the arrival of a child. Because these policies would simply permit new parents to pull forward a pre-existing benefit, they are self-financing and do not require a new tax.
- **Temporary Paid Leave Benefits**—If, notwithstanding recent experience, policymakers believe that paid leave policies will help address a pandemic, the government could pass legislation providing for a **temporary** paid leave benefit upon declaration of a public health emergency.

Paid Leave and the Pandemic—International Comparisons

Domestic data concerning the efficacy (or lack thereof) of government entitlements to paid sick leave and paid family and medical leave is consistent with the international experience. With the exception of the United States and South Korea, most OECD countries have **paid sick leave** and **paid medical leave** policies, including countries that suffered from some of the **most severe COVID-19 outbreaks** like Italy and Spain. South Korea, by contrast, has not enacted an entitlement to paid sick leave or paid medical leave, and it is **generally viewed** as having one of the most effective responses to the pandemic.

Although international comparisons (like domestic comparisons) are exceedingly difficult due to confounding variables, the international experience further suggests that there is no clear connection between paid leave entitlements and the spread of communicable disease. Policymakers aiming to prevent the next pandemic should focus on actions, such as **aggressive testing and contact tracing**, that evidence and experience have shown to reduce transmission, rather than using the pandemic to push through unrelated items on their legislative agenda.

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What You Can Do

Get Informed

Learn more about paid leave. Visit:

- [IWF Social Security Earned Leave Information Center](#)
- [Paid Leave For Families](#)
- [American Action Forum](#)

Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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ABOUT INDEPENDENT WOMEN'S FORUM

Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

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