



**Testimony Before the U.S. House of Representatives
Committee on Ways and Means**

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Hello, my name is Hadley Heath Manning, and I am the director of policy for Independent Women's Forum. I'm also the mother of two young children, and having taken two paid maternity leaves in the last four years, I can certainly appreciate the importance of this issue. In my role at IWF, I also manage a group of female employees. I have two who will be giving birth this spring, so I also know about how these issues impact employers.

I recently served on the Colorado FAMILI Task Force where we considered approaches to a state-based paid leave program, and studied the pros and cons of various models.

Expanding access to paid family and medical leave is a noble goal, but the real question is how.

Today, we are here to consider the FAMILY Act, proposed legislation that would impose a payroll tax on all workers to fund benefits for those who

qualify. Lawmakers and the American people should be aware that such an approach, while well-intended, comes with serious policy tradeoffs, risks and downsides: Namely, such a program could exacerbate inequalities, backfire on workers, and reduce overall economic opportunity.

Making Inequality Worse

First, the FAMILY Act has the potential to exacerbate inequalities:

Government paid family and medical leave programs have been shown to distribute money from low-income workers to those with higher incomes. Studies from California^{1,2}, New Jersey³, Canada^{4,5}, Sweden⁶, Iceland⁷, Belgium⁸ and Norway⁹ demonstrate this.

As scholars concluded in Norway, these programs constitute a “pure leisure transfer to middle and upper income families ... at the expense of some of the least well off in society.”

This is regressive, not progressive. Given that the problem of a lack of paid family/medical leave is most pronounced among low-income people, lawmakers should not establish a program that disadvantages this group further.

Furthermore, the FAMILY Act would tax everyone equally regardless of risk (or propensity for use). This would unfairly burden families with stay-at-home parents/caregivers as well as childless families, who have less need for caregiving and parental leave benefits. This is fundamentally unfair.

Backfiring on Workers

Secondly, the FAMILY Act would backfire on workers, particularly women, by reducing the incentive for employers to provide paid family and medical leave benefits and increasing the incentive for workplace discrimination.

The FAMILY Act prescribes a one-size-fits-all, taxpayer-funded paid family/medical leave benefit. This would discourage employers from offering their own paid leave benefits or workplace flexibility and displace myriad private arrangements. In other words, if you like your plan, you can't keep it. Employers will focus on compliance with a government program rather than individualized, customized leave and flexibility benefits. I benefit personally from a great deal of workplace flexibility, something I wish more working parents and others could enjoy. At a time when our businesses and families are more diverse than ever, we should be encouraging more flexibility, not more standardization of benefits.

Paid leave is taken more often by women, elderly workers, and workers with significant medical issues. Despite an individual's propensity for leave-taking, the availability of government-provided benefits will increase perceptions among employers that workers in these groups will take longer and more frequent leaves from work. This will encourage discrimination in the workplace and widen the gender wage gap.

Pew Research¹⁰ has documented the strong positive correlation between paid family leave and the gender pay gap. Pew points to OECD data, saying, "Some countries that offer more liberal parental leave policies have higher pay gaps¹¹ among men and women ages 30 to 34, according to analyses of 16 countries...OECD theorizes that this link may be driven by the fact that women are more likely than men to actually use their parental leave, and that time out of the workforce is associated with lower wages."

Reducing Prosperity and Opportunity

Thirdly and finally, the FAMILY Act will burden workers with a new tax and reduce overall economic opportunity.

The funding mechanism for the FAMILY Act is a new payroll tax, a regressive tax, which, regardless of how it is split between employers and employees, will ultimately be borne by workers. The CBO recognizes¹², as do most economists, that employees ultimately pay the costs of payroll taxes levied on employers in the form of reduced wages.

And the funding mechanism for the program is not the only economic cost of the FAMILY Act. Businesses also face a real burden when employees are not present at their jobs. While we *want* workers with family/medical emergencies to have the option to take time away from work, the flipside for employers is increased absenteeism and turnover. Employers and fellow employees alike will take on the burden of covering for workers who are out on leave.

In sum, increased taxes and labor costs will suppress job creation and wage growth, and will increase labor force uncertainty for businesses.

Given these risks and downsides associated with the FAMILY Act, lawmakers should consider other approaches to expanding paid family and medical leave. Rather than instituting a universal, one-size-fits-all policy, lawmakers should focus any government intervention on helping those who need support most while otherwise allowing businesses and employees to continue to find their own personalized solutions that work best for them.

Thank you.

- 1 https://poverty.ucdavis.edu/sites/main/files/file-attachments/cpr-pihl_basso_pfl_brief.pdf
- 2 <https://sor.senate.ca.gov/sites/sor.senate.ca.gov/files/Californias%20Paid%20Family%20Leave%20Program.pdf>
- 3 <http://www.njpp.org/wp-content/uploads/2017/04/NJPPFLIApril2017.pdf>
- 4 http://www.andreadoucet.com/wp-content/uploads/2016/11/Doc-10_McKay-Mathieu-Doucet-2016-JIR-FINAL.pdf
- 5 <https://doi.org/10.1111/jomf.12542>
- 6 https://www.leavenetwork.org/fileadmin/user_upload/k_leavenetwork/country_notes/2018/FINAL_Sweden2018.pdf
- 7 <https://rafhladan.is/bitstream/handle/10802/6438/parentalleave.pdf?sequence=1>
- 8 <https://epc2016.princeton.edu/papers/160935>
- 9 <https://econweb.ucsd.edu/~gdahl/papers/paid-maternity-leave.pdf>
- 10 <https://www.pewresearch.org/fact-tank/2013/12/20/the-link-between-parental-leave-and-the-gender-pay-gap/>
- 11 <http://www.oecd.org/gender/closingthegap.htm>
- 12 <https://www.cbo.gov/publication/24725>