Caregiving needs span the life cycle, and changes in women’s labor force participation in the United States mean that the majority of families no longer have a stay-at-home spouse to provide unpaid care. Yet too many workers who need time off to care for a new baby, a sick loved one, an aging family member, or their own health may do so only at the expense of their own financial well-being—and the cumulative cost of this failure takes a broader toll on the health of the U.S. economy. A growing number of states are experimenting with policies designed to provide widespread access to paid family and medical leave, which creates a window of opportunity for expanding the knowledge base about the demand for paid caregiving leave across the life cycle, as well as the costs and benefits of paid leave policies for individuals, families, businesses, and the economy as a whole. This paper explores the evidence from the United States on the need for and impact of paid family and medical leave, considering parental, caregiving, and medical leave separately, and surveys a wide range of literature that spans labor market outcomes, health outcomes, and broader macroeconomic outcomes, including policy spillovers. In doing so, it lays out a research agenda designed to accelerate the evidence base for future state and federal policymakers.

Key takeaways

- **Caregiving needs reach across the life cycle.** Every day, 10,800 babies are born, 4,754 new cases of cancer are diagnosed, and 1,329 people develop Alzheimer’s disease.\(^1\) While the federal Family and Medical Leave Act of 1993 provides the right to 12 weeks of unpaid leave, the law’s dated eligibility requirements mean that about 40 percent of all workers are excluded from this coverage. The workers who would benefit the most from FMLA leave account for most of those low coverage rates, with about half of all working parents and 43 percent of women of childbearing age ineligible for job-protected, unpaid caregiving leave.\(^2\) As a result, too many workers who need time off to care for a new baby, a sick child, an aging family member, or their own health may do so at the expense of
their financial well-being—with the cumulative cost of this failure adding up to take a broader toll on the health of the U.S. economy as a whole.

- In the absence of a federal paid family and medical leave policy, states are leading the way in implementing social insurance-based programs that provide paid parental, caregiving, and medical leave for workers. Four states—California, New Jersey, New York, and Rhode Island—have implemented paid leave programs. Two more—Washington state and Massachusetts—as well as the District of Columbia have passed paid leave legislation and are currently working to implement their policies. These state-level policy innovations provide a unique opportunity for growing the base of evidence on paid family and medical leave in the United States after many years of relying on data from European countries with longstanding paid leave programs.

- The most comprehensive evidence on paid family and medical leave in the United States comes from studies of parental leave in the states, with a focus on women’s labor market outcomes. The research suggests that paid parental leave in California, for example, increased the likelihood that a new mother was working a year after the birth of her child by 18 percentage points, and 2 years following the birth, mothers’ work hours and their weeks at work were 18 percentage points and 11 percentage points higher, respectively, than comparable mothers prior to the implementation of the paid leave policy. But questions remain regarding the long-term labor market effects of the policy across the earnings and family income distribution, as well as about the gender dynamics of labor market outcomes, including the gender wage gap, among others.

- Descriptive statistics suggest that the demand for caregiving leave is real, yet scant research to date that provides rigorous analysis of the labor market and employment effects of paid caregiving or medical leave represents a key opportunity for new work going forward. Recent survey data suggests that of caregiving leave-takers who received partial or no pay during their time off, 36.5 percent fell behind on bills, 30.2 percent borrowed money, and 14.8 percent enrolled in public assistance benefits programs. Preliminary evidence from California suggests that paid caregiving leave increased the short-term labor force participation of caregivers by 8 percent in the first 2 years of the program and by 14 percent in the first 7 years of the program. The research also suggests that paid caregiving leave may be particularly important for low-income women’s labor force participation. More research is needed to better understand how caregiving leave is functioning in practice and for whom.

- Research on health outcomes for both care recipients and caregivers (including maternal health and child health) is suggestive of the health benefits of paid leave, with downstream ripple effects improving health outcomes well beyond the leave period. The introduction of paid family and medical leave in California, for example, resulted in a significant decrease in hospital admission for pediatric head trauma for infants and young toddlers, a leading cause of child abuse maltreatment. The researchers hypothesize that paid parental leave may have reduced parental stress,
which in turn may have mitigated child abuse. To date, research from the states offers little insight on the distributional consequences of paid leave for health outcomes. Much work remains to be done to better understand the short- and long-term health consequences of caregiving and medical leave.

• Employer surveys from the states with existing paid leave policies suggest strong support among employers for the programs, along with low turnover costs and suggestive evidence of strong effects of the policy on worker retention. Yet many questions remain unanswered regarding the potential productivity impacts of paid leave, with firm-level effects very poorly understood. While employer responses do not vary dramatically across the broad categories included in the early surveys, questions of distributional impacts of costs and benefits to employers across local labor markets, industries, firm size, wage bill, and other key factors remain unexplored or underexplored.

• Myriad questions remain across all forms of leave (parental, caregiving, and medical leave) on how policy design may affect key outcomes across the earnings and family income distribution—including employment, earnings, career trajectories, and health outcomes, as well as policy spillovers into other social insurance and social safety net programs such as Social Security, Social Security Disability Insurance, Medicaid, Medicare, and others. Exemplary research from California finds that paid caregiving leave led to an 11 percent reduction in the share of the elderly residing in nursing homes, and, because Medicaid is the primary payer for the majority of nursing home stays, access to paid caregiving leave may have decreased Medicaid costs. Ongoing research from a team of economists at University of Massachusetts Boston, supported by the Washington Center for Equitable Growth, is conducting a first-of-its-kind study examining the impact of access to paid medical leave on a host of outcomes, including Social Security Disability Insurance enrollment. More work along these lines is badly needed to better understand how paid family and medical leave may or may not integrate with existing policies and programs.

• While the research landscape is rich with questions ripe for exploration, the basic facts are quite clear: States have successfully implemented comprehensive paid family and medical leave programs using a social insurance model, where a small payroll tax funds modest benefits for caregiving leave available to new parents, those who need time away from work to care for a sick loved one, and those who need time away from work to attend to their own serious medical condition. Future policies—including a national paid leave policy available to all, regardless of the state in which they happen to live and/or work—would obviously benefit from additional rigorous research to ensure that programs are serving the intended need, achieving the desired outcomes, and are well-integrated with existing critical policies designed to enhance family economic security. But the absence of the “perfect” body of evidence should not stand in the way of policy experimentation going forward.

In the private sector, FMLA protections apply only to employers with 50 or more employees within 75 miles of the workplace and to employees who have worked for a given employer for no less than 12 months and for at least 1,250 hours in the past year. The business size and job tenure exclusions mean that many working parents and women of child-bearing age are excluded from FMLA coverage. See: “Inequities in Eligibility for FMLA Leave, available at http://www.diversitydataskids.org/files/Policy/FMLA/Capacity/Inequities%20in%20FMLA%20Eligibility.pdf (last accessed October 9, 2018).


# Endnotes
Our Mission

The Washington Center for Equitable Growth is a non-profit research and grantmaking organization dedicated to advancing evidence-based ideas and policies that promote strong, stable, and broad-based economic growth.