

Resources, Time, and Family: Expanding Parental Leave Policy

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Alice, a mother of three in Cleveland, left her infant with the baby's father while she worked 60 hours a week at a pizza parlor. After a few months, she recognized developmental delays, and discovered that the baby had been left with a "friend" while the father "ran the streets." At eight months old, the baby was malnourished and not sitting up yet. Says Alice, "she lacked malnourishment. She lacked attention. She lacked someone to talk to, play with. You get her up and soon as I stopped working, within a month the girl was sitting up, starting to crawl...You know what I'm saying? That scared me a lot."

-From the "Three Faces of Work-Family Conflict," p. 11

I. Introduction

In the face of little work-place flexibility and a tight budget, low-income parents often struggle with the unfortunate choice between being a responsible worker or a responsible parent. Unable to afford either taking leave from work or paying the high cost for quality childcare, Alice, from the story above, is one of many low-income workers forced to put their child's development at risk in order to financially support their family. The alternative choice is to leave the workforce.

Lack of parental leave and workplace flexibility in the United States plays a major role in pushing six in ten married mothers in low-income families out of the labor force (Williams and Boushey 13). While these low-income parents, with few viable or safe childcare options, leave the labor-force to care for their children, they still put their children's development at risk by lowering their household income. With few government work-family policies and almost no benefits from private corporations, low-income parents have no viable options to balance work and family and ensure the proper development of their children.

For workers of all incomes, workplace policy lags far behind the quickly changing composition of the American workforce. Just a generation ago, the majority of American households benefitted from having two parents: a working

father and a stay-at-home mother (Boushey et. al. 4). Due to the workplace opening to women and the growing need for a second income to support a family, an increasing number of families have two working parents. Today, all adults work in 70 percent of households. Further complicating this issue, almost 40 percent of women must work irregular hours, and 30 percent work a different shift than their spouse (Boushey et. al. 4). Changes in the workforce have dramatically altered America's family dynamic. With both parents at work, no one is left to stay home with the newborn or take care of sick children, and stress is put on families who lack time to spend with each other. Yet the workplace continues to operate as though every family has a stay-at home parent, and employers continue to pressure individuals to work longer hours. The labor market today puts the biggest strain on low-income workers, who have fewer resources to purchase care for children and a higher likelihood of living in a single parent household with no partner to share responsibilities (Bond and Galinsky 19).

Limited attempts at reform have been made, and even those have been of little assistance to low-income workers. Existing government policy discriminates against low-income workers, and employers, who see workers as a "low-cost 'commodity' that can be easily replaced" (Bonds and Galinsky 1), have few incentives to change. Changes in America's workforce call for a change in the way we run the workplace: an increase in workplace flexibility. Currently, America lags far behind most developed nations in work-family policies and is one of only 5 of the 173 nations surveyed that does not require some paid time off for parent's with

a new infant (Winston 3). But businesses and government remain slow to respond to this need for change.

This paper seeks to summarize and analyze the available evidence about the benefits and costs of workplace flexibility for low-wage workers and their children, in particular, in order to further the design of a national work-family policy. My focus is parental leave, as it is one of the most prevalent work-family policies in other developed countries, but I also address a variety of other policies because their benefits and costs are not mutually exclusive. First, I give an overview of the availability of workplace flexibility in the US and abroad. I follow with the benefits of workplace flexibility for children's development and then discuss the position of workplace flexibility in the market and the potentials for policy to correct current market imperfections. I conclude by proposing further steps for policy and research in this field.

II. An Overview of Work-Family Policy

In an increasingly demanding labor market, work-family policies aim to help parents balance responsibilities both at work and at home with the underlying goal of improving child well being and creating a more amicable workplace. Work-family policies come from both the public sector, through legal restrictions and requirements, and the private sector, where employers are taking initiatives for a variety of reasons. Policies range from child-care assistance and increased access to public benefits to workplace reform. Quality and stable child-care is crucial to allowing parents to participate in the workforce; government provided childcare options are extremely limited, but much research is being done on the issue.

Workplace flexibility, in particular, parental leave, is the work-family policy that I will focus on in this paper. Workplace flexibility is defined as guidelines that “enable employees to exercise some measure of control over when, where, and how much they work and provide opportunity for exit and re-entry” (Bonds and Galinsky, 1). Workplace flexibility includes parental leave, sick leave, and flexible work hours. This section gives an overview of the limited availability of workplace flexibility, especially to low-income families, in the United States, and the massive gap we face in relation to almost all other developed countries. I will also explain the limitations of the FMLA, America’s current parental leave policy.

Availability of Workplace Flexibility

In both high and low income jobs at large and small companies, the availability of workplace flexibility in the United States is severely limited as public and private policy makers have been slow to adapt to changes in the make-up of the workforce. Table 1, below, displays a measure of availability of over-all workplace flexibility for both low-wage and high-wage workers (Bonds 13). The measure is based upon responses to thirteen questions asked about paid days off, flexible work hours, family leave, etc.¹ Notice that less than 25 percent of the American workforce has access to high overall levels of workplace flexibility; this is fewer than experience low overall workplace flexibility. This lack of workplace flexibility in the United States portrays the shocking character of America’s workplace, where balancing work and family is anything but a priority.

¹ The data used is from the 2008 National Study of the Changing Workforce, which was conducted by phone interview. The thirteen types of flexibility included in the measure are: traditional flex time, short-notice flex time, flex place, compressed workweek, lack of difficulty in taking time off, advance notice for overtime, at least five paid sick days for oneself, at least five paid sick days for one’s child, part-time work if full time or full-time work if part time, part-year work, overall schedule flexibility, a schedule or shift that meets one’s needs, and lack of career jeopardy for using flexibility.

Table 1

Overall Workplace Flexibility	Wage Group	
	Low-Wage	Higher-Wage
Low	26%	24%
Moderate	55	53
High	19	24

The limited workplace flexibility is unevenly distributed among workers, and the type of flexibility available to workers of different income levels varies. First, workplace flexibility is disproportionately provided to higher-wage workers. The results in Table 1 do not portray the extremity of this matter. This is partially due to the bias of self-response in the phone survey (higher-wage workers who expect more workplace flexibility are more likely to over-exaggerate their lack of flexibility), as well as the fact that the broad measure of overall workplace flexibility does not account for variations in types of flexibility. Variations in measurement of flexibility provide different outcomes. For example, another survey taken in 2002 found that 10 percent of low-wage workers had jobs with high-levels of flexibility and 38 percent with low flexibility, while 30 percent of high-wage workers had access to high flexibility and 19 percents to low flexibility (Winston 7).² Neither Winston nor Bond and Galinsky's measures are inaccurate, but the variations show that more in-depth research is required to gain a full understanding of America's workplace.

In taking a closer look, we find that low and high-wage workers tend to experience different types of workplace flexibility. Low-income workers actually

² This study defined workplace flexibility as flexible work hours and access to leave to address family and personal matters.

have greater access than higher-income workers to reduced pay or part time work. While only 34 percent of full-time, high-wage employees would be able to switch to part-time employment if they wanted to, 64 percent of low-wage employees have that ability (Bond and Galinsky 8). High-income workers, on the other hand, have greater access to all types of paid leave. Only 42 percent of children with low-wage parents have access to some amount of paid sick leave compared to 82 percent with high wage parents (Winston 5). Eighty-five percent of high-wage workers receive paid vacation days versus 65 percent of low-wage workers. A mere 5 percent of workers making less than \$15 an hour have access to paid parental leave, while 11 percent of those making over \$15 an hour do (Winston 4). In other words, both high and low-income families receive some workplace flexibility. The problem is that low-income workers have access to flexibility mainly in the form of reduced pay or part-time work, which is of little practical benefit to many who are already at risk financially. Higher-wage workers, who can afford small decreases in income, are the ones disproportionately gaining access to paid leave benefits.

One of America's largest government work-family requirements, The Family and Medical Leave Act enacted in 1993, has increased accessibility of workplace flexibility, but leaves many loose ends to be tied. The FMLA requires companies with 50 or more employees to provide up to 12 weeks of unpaid, job-protected leave per year to eligible employees to care for a newborn or newly adopted child, to care for sick family members, or to recover from one's own health condition (Waldfogel 17). According to a survey taken in 2000, the FMLA provoked two-thirds of the covered establishments to change some part of their work-family policy. Still, only 46.5

percent of employees are both covered and eligible for FMLA benefits, and only 40 percent of employees at covered establishments have heard of the law (Wadfogel 18). The FMLA disproportionately helps those in moderate to high-income jobs, with nearly three-quarters of all workers benefited earning \$30,000 or more annually (Boushey et. al. 5). The FMLA requirements cover only medium to large corporations, and low-income workers have a higher tendency to work for small firms. Even low-income workers who have access to the FMLA typically cannot afford to take leave when it is unpaid.

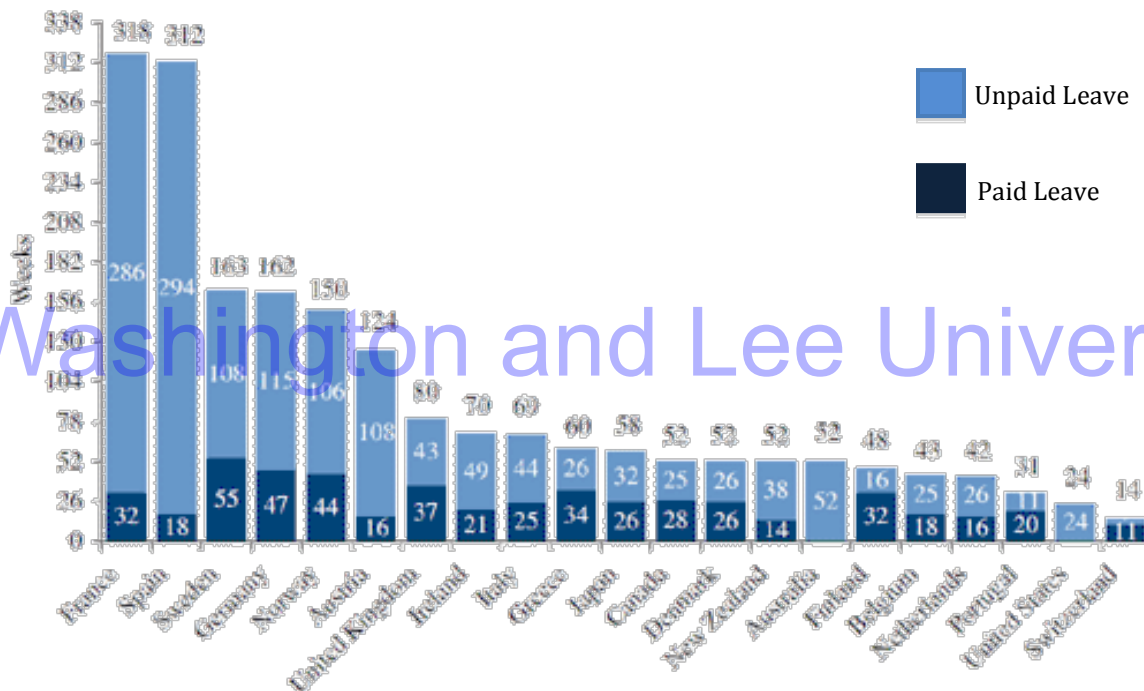
The FMLA is a small step towards the needed increase in flexibility in the workplace. Companies have responded positively to the FMLA, and it has prompted some smaller companies to take their own work-family initiatives. Per survey results taken in 2000, there has been a significant increase in establishments not covered by the FMLA offering work family benefits from five years ago (Waldfogel 19). Still, work-family benefits are disproportionately accessible to higher-income workers in larger organizations. The United States has a long-way to go in increasing overall workplace flexibility as well as closing the gap in accessibility.

Work-Family Policy Internationally

The challenge of balancing work and family is not unique to the US; women have increasingly entered the workforce all over the world. Yet the US lags far behind the global curve in its response to the changing composition and needs of its workforce. The standard workweek in the US is 40 hours, higher than any country in the EU and significantly higher than the 35 hour work week in France. Longer hours place higher stress on work-family conflict, leave less time for parents to

spend with their children, and impose a higher financial burden for costs of childcare (Gornick et. al. 3). On top of longer hours, American workers have far less access to workplace flexibility. Countries in the EU mandate between 25 to 33 paid vacation days, as opposed to an average (not minimum) of 10 days in the US. These countries also provide greater access to part-time leave and flexibility as family needs change (Gornick et. al. 4-6).

FIGURE 2
Total and FTE Paid Parental Leave for Two-Parent Families



Source: *Parental Leave Policies in 21 Countries*, Ray et. al.

America ranks 21st out of 21 developed countries in its provision of parental leave, one of the most significant elements of workplace flexibility in other countries (Ray et. al. 21).³ In America, fewer than half of workers have access to parental leave. This is a dramatic difference from other wealthy countries, which

³ This measure of overall provision of parental leave includes generosity, time available and payment, as well as gender equality.

overwhelmingly mandate longer leave periods to almost all of the population, with some of that being paid leave time. Figure 2, above, displays the total hours of parental leave, both paid and unpaid, for a two-parent household, mandated by the government in 21 wealthy countries. This chart makes it clear how far the United States lags behind most countries. Overall, US workers log significantly more hours of work (1800 hours) than workers in any EU country (1500-1600 hours) but have less access to flexibility in the workplace.

III. Why Provide Workplace Flexibility?

Workplace flexibility sounds good in theory, but it is only a worthwhile policy if it results in significant benefits. Some potential benefits to workplace flexibility, including healthier, happier workers and increased productivity, directly benefitting companies, but the most significant benefits come in the form of positive externalities. For one, workplace flexibility can encourage increased equality in the workplace by allowing women to maintain their jobs through childbirth. More importantly, certain types of workplace flexibility lead to improved childhood outcomes, especially for low-income children.

Currently, parents, typically mothers, bear the cost of care giving, even though society hugely benefits from these costs. In their book *Families that Work*, Janet Gornick and Marcia Meyers argue that the community and businesses should share the costs of care giving for two major reasons. First, our investments in children now determine the productivity of the future generation of adults. This means that sharing the costs of childcare is the most efficient way to ensure productive workers and upstanding citizens in the future. In addition, work-family

policies help create equity both by distributing the costs of care giving among all who benefit from it and by equalizing children's opportunities. The disconnect between America's current workplace and the workforce puts America's future economic growth and competitiveness with other developed nations at risk (Williams et. al. 4).

Childhood Outcomes

In a society where all parents in a household tend to be working full time, it is extremely difficult to provide children with the best care. According to Shelly Boots et al., children have four key needs for development: stability, health, nurturing, and activity (2-3). With both parents working and often times working irregular or inflexible hours, families have difficulty establishing a routine for their children, finding time to spend together, and even finding time to take children to the doctor. While limited in scope, studies have found significant correlation between increasing workplace flexibility and improving childhood outcomes. Correlation could be caused by increases in the hours available for parents to spend with children, increases in household income, and/or decreases in household stress. This section provides an overview of what has been found about workplace flexibility and childhood outcomes.

- I. Infant Mortality Rates—Sakiko Tanaka performed a study of infant mortality with respect to parental leave, controlling for country and time of leave. His results showed that paid leave, but not unpaid leave, reduces infant mortality rates as well as mortality rates throughout the rest of childhood (20).

II. Precautionary Health Care—Studies have shown that infants whose mothers return to work within the first three months after child birth are less likely to be breastfed, to be taken to well-baby visits, or to be up to date on immunizations (Han et. al. 4). Jane Waldfogel finds that longer leave is associated with an increase in breast feeding: women who return to work within less than twelve weeks are 13% less likely to breastfeed and breastfeed for 41% fewer days.⁴

III. Cognitive and Emotional Well-Being—Studies have shown that parental work in the first month of life makes it hard for newborns to form healthy attachments (Boots 1). Evidence also shows that maternal employment in the first year of life is negatively associated with cognitive test scores at age three, four, or five and positively associated with child behavioral problems (Han et. al. 4). In Raquel Bernal’s model economy, children who suffered a parental divorce with no work-family policy available accumulated only 76% of the human capital of children in two-parent families; this increased to 82% with work flexibility available (814).

Many theories have proposed that increasing parental time with infants will improve their health, but Sakiko Tanaka adds the important caveat that because parental leave results in time away from work, parental leave policies only improve child health outcomes if they also increase income (10). Bernal’s model economy shows that parental leave policies do in fact increase household income: when leave

⁴ In conflict with other studies, Tanaka finds no significant association between mothers return to work in less than six weeks and the likelihood of children receiving well-baby visits and vaccination (23).

benefits are available, a higher fraction of mothers work and those mothers are able to maintain continuity in their careers, allowing increases in mother's wages (803). Thus parental leave produces increases in children's human capital directly through increased parental time and indirectly through increases in income.

Comparison of Childhood Outcomes in Other Countries

No studies have compared differing childhood outcomes in foreign countries with respect to work-family policy, but an interesting trend shows that the well being of children is better in countries with more workplace flexibility. As discussed earlier, European countries provide significantly more workplace flexibility than the United States. Furthermore, children in most European countries are better off than those in the United States. In the mid-1990s, 17 percent of families with children in the US were poor, compared to between 2 and 16 percent in Europe. The US has the highest prevalence of low birth weight compared to European countries, only matched by the UK at 7 percent of all children. In addition, the US has an infant mortality and young-child death rate of 8/1000 and 7/1000 respectively compared to between 4/1000 and 6/1000 in Europe (Gornick and Meyers 73-79). Because so many variables, including culture, education, and healthcare, determine the well-being of children, the correlation between differing childhood outcomes and workplace flexibility are not evidence of causality, but it is a pattern that would be worth looking into.

Importance for Low-Income Children

While few studies look at the relationship between work-family policies and low-income children in particular, trends in the make-up of low-income families and

the effect of parental leave on children provide strong theoretical evidence that parental leave and workplace flexibility would disproportionately help poor children. With or without parental leave, poor children already suffer the greatest barriers to development: chronic poverty and material hardship. In addition, their parents have the fewest resources and the least job flexibility to deal with this, leaving them very vulnerable. For example, low-income children are much more likely than higher income children to get sick, but 77 percent of workers from the bottom income quartile do not have paid sick leave (Boots 10). Also, low-income jobs are much more likely to require non-standard hours; a study has shown that children whose mothers have ever worked non-standard hours perform significantly worse on cognitive outcomes at age one, two and three (Gornick and Meyers 56). The type of jobs held by the poor exacerbate the inaccessibility of parental leave. At the same time, the lack of parental leave available to low-income parents poses a risk of exacerbating these already poor childhood outcomes. Research has shown that programs addressing children's development needs are the most effective in helping disadvantaged children (Boots 1). Thus, expanding parental leave has great potential to improve the development of low-income children.

Remaining Hesitations and Questions

These studies are still somewhat controversial, but the evidence leans heavily in favor of large potential gains from improved parental leave policy in the US. Many questions remain as to the scope of benefits obtained by varying parental leave and work-place flexibility policies. First, what length of parental leave is

substantial enough to influence child and parental health? Studies indicate a 12-week minimum, with the ideal of a year. Also, are the current parental leave policies targeting children who are going to gain less from them (Han 28)? The answer to this question seems to be yes, which leaves us to wonder whether the impacts on children would be even greater if low-income children were targeted. In addition, studies have yet to analyze the long-run effects of parental leave on child health. Some continue to argue that parental leave actually has no effects, but rather is a proxy for the personality of mothers who choose to take longer periods of leave (Berger et. al. 45). Maternal employment and childhood outcomes depend on a set of complex interactions: parental leave is only one input and causation is difficult to determine. Thus, scholars and politicians continue to wonder if expanding leave is the most cost effective way to improve childhood outcomes. While much more research needs to be done, the known evidence provides significant reason to expand America's work-family policies.

IV. The Market and Workplace Flexibility

As discussed above, evidence shows that improving work policies and implementing parental leave improves women's workplace equality, business efficiency, and—the focus of this paper—childhood outcomes. So why have businesses and the government not moved to implement these policies? Public discussion of work-family policies focus on 'welfare-to-work' mothers and the "opt-out revolution," leading to the impression that these women lack incentives, either personal or financial, to remain in the workforce (Williams 2). This claim both misinterprets the situation of these mothers and leaves out the majority of the

working population with children. If given the viable choice to continue working, many of these mothers would. While six in ten married mothers in low-income families are out of the labor force, it is typically the lack of any viable, safe childcare option, rather than their idleness, which forces them to stay at home (Williams 7). In addition to these misconceptions, corporations and policy makers argue that mandated leave policies reduce economic efficiency by limiting employers' and workers' ability to determine the ideal work arrangement. The reality is actually the opposite. Due to the voluntary nature of many work-family practices, both companies and employees who use family leave face avoidable costs, higher-skilled workers gain unequal advantages from parental leave policies, and the positive externalities induced by parental leave remain unaccounted for. Below, I show why a government enforced parental leave policy is necessary to preventing ineffective private solutions to the lack of leave and to improving the market inefficiencies.

Private Solutions to the Work-Family Conflict

Due to the lack of workplace flexibility available, American families often attempt to solve the work-family balance problem in ways that put the well-being of their family and their children at greater risk. One solution is to reduce the employment of one parent. This lowers household income, harming the child's development especially in houses where income is already limited. Other parents choose "split-shift parenting," where parents work at different times so that one can be home with the children at all times. This creates instability in the household and increases the likelihood of divorce. It also has been shown to increase depression in mothers with infants, which diminishes the care they give to their children. Finally,

non-parental and self-care for children is an option, but this can often be low quality, especially for those who cannot afford it (Gornick and Meyers 8-9).

The Employers

Employers view the market in terms of gaining the most profitable outcomes for their company. Companies see workplace flexibility, such as family leave, as an unnecessary cost that is not outweighed by the benefits. Obvious costs of parental and family leave include paying a worker who is providing no output (if the leave is paid) and finding a replacement while an employee is on leave (small businesses often argue that finding replacement workers is not economically viable for their company) (Winston 3). In addition, management incurs an underlying cost of having full control over the work process; they often lack trust in the discretion of workers, believing that if leave is available, they will take it needlessly (Boushey et. al. 12). Companies voluntarily offering leave when leave is not the norm risk the cost of adverse selection bias. This means that employees who eventually expect to take leave will seek out companies that provide for leave, forcing these companies to pay a lower wage (in exchange for the cost of providing leave) and thus to recruit less-qualified workers (this is all under the assumption that workers have this information upon choosing an employer) (Ruhm 4).

Companies often overlook the direct benefits that can be gained by offering parental leave and increased workplace flexibility. Evidence shows that offering leave reduces employee turnover, improves productivity, and leads to better mental health and less stress of workers (Boushey et. al. 12). By preventing an employee from leaving due to the birth of a child, a company avoids having to train someone

new, a cost of 50-70 percent of a hourly worker's annual pay (Boushey et. al. 12). Decreasing the stress of an employee may reduce their health care costs by almost 50 percent (Boushey et. al. 13). Also, by giving women the opportunity to return to their old jobs after having children, firms are able to raise their firm-specific human capital (Ruhm 7).

Firms have realized many of these benefits for high-skilled, high-income workers, and increased workplace flexibility in response. If asked by the CFO to take three months off to raise his or her daughter, few companies would say no. These high-skilled workers are harder to replace, more expensive to train, and have a higher potential for raising the firm's human capital than low-income workers. In other words, the benefits of providing high-income workers with leave are clearly worth the cost. But the labor market is such that companies are unlikely to voluntarily provide leave benefits and flexibility to low-skilled workers, who are the wheels behind growth in America and are often the faces of the everyday operations of a company.

Those who fear high costs to businesses can be somewhat put at ease. Eighty-five percent of establishments covered by the FMLA said it was somewhat or very easy to implement and generally reported no substantial effects to productivity, profitability, and growth of their business (Waldfogel 19). Yet the FMLA is not doing enough. More research is needed on the cost to small businesses, the costs and benefits to the company of providing leave to low-income workers, and the costs and benefits of expanding leave policy.

The Employees

Even if the availability of parental leave is mandated by the government, will Americans take full advantage of it? Implementing a leave policy is predicted to raise leave-taking by 5.4 percentage points in the birth month and 8.7 percentage points in the following month. Since the implementation of the FMLA, significant increases in leave taking have been made among workers who attended some college, but data shows that the availability of leave rights cause little or no increase in leave taking for workers with no college (Han et. al. 24-25).

Leave provides parents the ability to spend time raising their children, yet we often overlook the fact that it comes at a cost. Workers, especially low-wage workers, fear job loss or disciplinary action for taking time off, even when it is job protected (Boushey et. al. 5). While high-income workers tend to have leverage on their employers, low-skilled workers often feel pressure to choose between work and family. In addition, women face statistical discrimination: availability of leave has the potential to lower women's relative wages as well as limit their occupational progression, as employers are expecting to lose them for a period in the future (Kahn 25). When unpaid, taking leave comes at a high monetary cost, one that many low and middle-income workers cannot afford to take. About eighty percent of workers who had access to parental leave but did not take it reported that they did not take leave because they could not afford it (Waldfogel 21).

Bell argues that the set-up of the American workforce creates a "workaholic" behavior that encourages working more hours. People in the US expect that if they work more today, their wage will increase tomorrow and that they have a better chance of being promoted. Due to the high wage dispersion in the US, the marginal

wage change due to more work is greater, and thus Americans tend to work more and fear taking time off work. Evidence suggests that working 10% longer hours leads to a 1% increase in future wages and a 4% increase in the likelihood of being promoted (Bell 10). In other words, America's "workaholic" culture increases the cost of taking leave and further discourages workers from taking it.

Our conclusions imply that government implemented leave policies must solve not only demand-side issues, but also supply. Workers should have the ability to take leave without threatening their career. Providing paid leave can decrease the cost directly, but a major component of work-family policy expansion must also be reducing the cultural costs. A nationally implemented leave policy is likely to decrease the cost of taking leave for both women and men, as leave-taking becomes

more of the norm.

Market Externalities

The benefits of providing parental leave extend far beyond the employers and employees. The positive externalities, social benefits not felt by the contractors, of parental leave include improved child outcomes and increased equality of opportunity for women. While parents care dearly about their children, parents may not have adequate information to properly select the leave time that is best for the future of their children and themselves. Also, the short-term benefits of earning an income often seem to be of greater value than the long-term benefits of caring for children. From a company's perspective, the outcomes of these individual children will have no impact on their success; proper care for these children will only benefit or harm their productivity in the distant future. This creates a collective action

problem in which companies believe that other families will be raising children who will be their ideal employees in the future. Through reduced crime, lower healthcare costs, and more productive workers, the improvements in childhood outcomes produced by parental leave have the potential to reduce costs to society and grow the US economy in the future. Government policy is a necessity in obtaining these social benefits.

Inefficiencies and Improvements—The Resulting Market

As the evidence above explains, the market for parental leave is inefficient. Employees and employers lack sufficient incentives to provide and take the ideal amount of parental leave when taking into account positive externalities. Without the added value of improved childhood outcomes, the marginal cost to employers and the marginal benefit to employees of taking leave are extremely low. From society's perspective, the amount of leave that employers take is inefficient. The two graphs below represent the market for leave taking. Figure 1 represents low-income workers and figure 2 represents high-income workers. In this section, I will explain the market inefficiencies and show how a policy to expand parental leave could affect that market.

Figure 1 portrays the market for leave-taking for low-skilled workers. The marginal benefit, representing workers' demand for leave, is very low: low-income workers demand less leave for fear of losing their job and inability to afford losing the income. The marginal cost of providing leave to low-skilled workers is very high because employers must pay a wage higher than the price to replace the workers. Thus, in the natural market equilibrium, at point A, low-income workers take little

leave (N_1^*) at a fairly high price (P^*). This market equilibrium is inefficient because it disregards the positive externalities, i.e. Marginal Social Benefit (MSB), provided to low-income children when their parents take leave. The MSB of parental leave for poor children are considerable: because low-income families have no adequate substitutes for parental care and low-income children are more likely to live in single-parent families and be sick more often, a low-income parent taking leave has potential to greatly improve childhood outcomes. Point B (with N' leave-taking) represents the ideal market equilibrium when taking into account the positive externality. The goal of expanding leave taking is to move the market closer to equilibrium. Government policy can have little influence over the demand for leave taking but can fairly easily enforce a required increase in the amount of leave

offered by businesses. By implementing a policy that mandates all companies, small and large, to provide leave (either paid or unpaid), this will force the supply curve

for leave to shift out, increasing the overall amount of leave-taking to the ideal, N' .

Because all companies will be required to provide leave benefits, businesses that choosing to offer leave will no longer face the cost of adverse selection. Also, in the long run, companies will benefit from decreased cost of employee turnover and sickness. The policy will thus reduce the cost of providing parental leave such that companies cost will be similar to that required by government policy. The market will end up at point C, with more leave-taking at a lower cost. The model represents an ideal situation, and questions remain as to whether a government policy will actually decrease the cost of providing parental leave. Especially if policy mandates paid leave, the government may have to provide a financial supplement as part of

the policy in order to keep the market in equilibrium and prevent an increase in the cost of labor leading to unemployment.

The policy may also indirectly increase demand for leave, shifting the marginal benefit curve closer to that of the marginal social benefit. For one, the policy implementation may raise media coverage and thus awareness about the importance of parental leave on childhood outcomes. In addition, if leave taking becomes a cultural norm in the long run, then low-income workers will feel more comfortable asking for leave. Offering paid leave would also greatly increase the benefits of leave for workers. Ideally, these effects would increase the demand for leave, pushing the demand curve towards the MSB.

Figure 1: Low-Income Workers

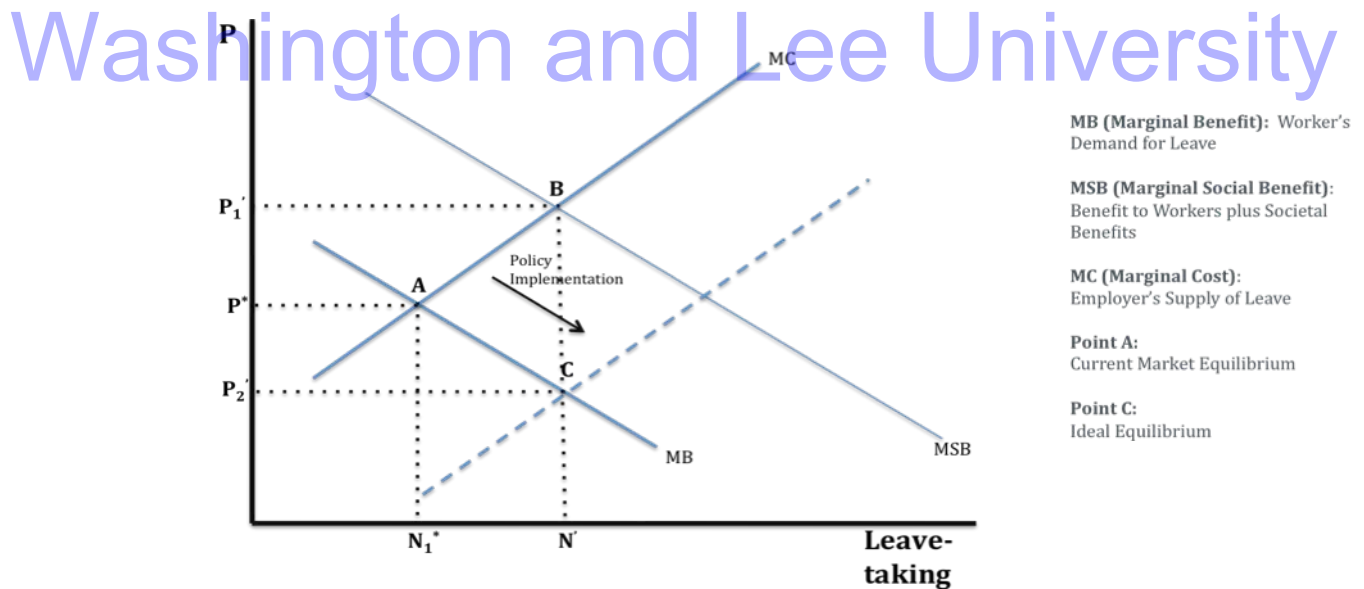
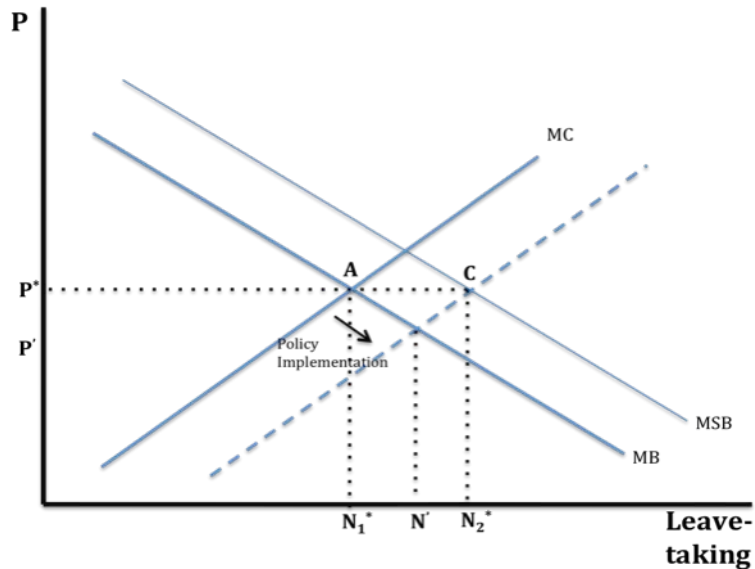


Figure 2: High-Income Workers



High and low-income workers experience an extremely different market for leave-taking. As can be seen in the figures above, high-income workers have much greater access to leave and the social benefits of providing these workers with leave are much smaller. Due to the fact that high-income workers can afford to take time off and are less likely to suffer disciplinary action for taking leave, high-income workers have a much higher demand for leave as compared to low-income workers (see figure 2). In addition, companies marginal cost for offering leave to high-income workers is much lower: by keeping these highly skilled workers through leave, companies increase their human capital stock and avoid high turnover cost. In the resulting natural market equilibrium, high-skilled workers take a significantly greater amount of leave (N_1^*) than low-skilled workers. The MSB of increasing leave for high-income workers is also much lower. Due solely to a resource advantage, high-income children tend to have better childhood outcomes, but they also have better alternatives to parental leave as they can afford high-quality childcare. Thus, high-income children will not benefit as much as low-income children from parent's

access to leave. This is not to say that high-income parents should not receive the same parental leave benefits, but rather, many of these parents, whose children are less likely to benefit from leave, are already receiving benefits. Leave benefits and workplace flexibility need to be expanded in America as a whole, but a government policy is necessary in expanding parental rights to low-income workers and to in turn improve society as a whole.

V. Conclusion

In their report, “The Three Faces of Work Family Conflict,” Joan Williams and Heather Boushey provide four primary criteria for designing work-family policy (63-64):

1. Universal Coverage: The policy covers all workers.
2. Bargaining Power: The policy protects Americans who have limited ability to bargain with their employer.
3. Family Structure: The policy equally benefits a range of family structures.
4. Fills a gap: The policy provides benefits that some groups in society would not have access to otherwise.

As it stands, work-family policies in the US do not fully meet any of these criteria. The FMLA fails to provide universal coverage, gives very limited bargaining power, favors traditional families, and only fills a small gap where there exists a large hole. Expanding parental leave is one positive step towards improving the lives of family and children in the US.

I propose a universal paid leave policy for the United States in which employers will be required to provide employees, both male and female, with the option to take 12 weeks of paid leave during the first year of a child’s birth. A percentage of the pay will be guaranteed by the government on a sliding scale

according to income, with the highest percentage of income guaranteed to poor workers. This money will come from a per worker tax on companies. Because the government stipends might not provide full income reciprocity, workers will have the option to invest pre-taxed income in a parental savings account (similar to a health savings account), to be received after a child's birth. This optional investment will ensure that workers have access to one-hundred percent of their wage, encourage family planning, and alleviate some of employer's concern about worker's lack of discretion in taking leave (because it gives employees a financial stake in taking leave).

In addition, this policy will expand mandates to companies of all sizes, including those with less than fifty employees. Companies, especially small companies, are concerned that this will induce high costs of replacing a worker while on leave. Workers will therefore be required to inform companies that they will be taking leave three months in advance; this will give companies time to make alternate arrangements. Because providing leave is not economically viable for some small companies, the policy will allow companies with fewer than 50 employees to request exemptions from providing leave to certain positions. Employees applying for these positions will be informed in advance that they will not have access to parental leave, and government will provide an additional childcare stipend to parents unable to take leave.

The goal of this policy is to improve the market inefficiencies, to better childhood outcomes, and to address each of the four criteria. By providing leave to both males and females the policy prevents pushing mothers into and keeping

fathers out of the care giving roles (Ray 4). The provisions for paid leave minimize the burden of parental leave on individual employers, prevent discrimination against workers who may be more likely to take leave, and provide parents, including low-income and single parents, the financial stability they need to take leave (Ray 19). Finally, the universality of the policy will make parental leave a social norm, reducing the threat to workers of losing promotions or pay raises.

The benefits of family leave policy are not mutually exclusive to the overall increase in workplace flexibility, and the expansion of leave benefits is only one of many steps needed to build the workplace of the 21st century. Childcare needs to be improved and made more widely available. Family and emergency leave also needs to be expanded. Parents, children, and companies would also benefit from increasing parent's ability to request schedule changes. Many variables go into determining childhood outcomes, but improving the workplace could bring great rewards in this area.

Many questions remain in the area of work-family balance. Though this paper has argued for the expansion of parental leave benefits, questions remain as to whether this is the policy that will bring the greatest benefits to children and families. The policy recommendations in this paper should be subject to further research and criticism. More research should be done on the greatest challenges for employers of low-wage workers who would like to implement work-family policies. What limits these employers and what could persuade them to move in the right direction? How can the government best support employers and families? Regardless of these questions, no one can contest that America is a far outlier

compared to other developed countries in its provision of workplace flexibility.

Expanding parental leave and workplace flexibility is crucial to the future of

America's children and America's economy.

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Resources

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