



The Daily Dish

March 21st Edition

DOUGLAS HOLTZ-EAKIN | MARCH 21, 2016

President Obama [arrived in Cuba yesterday](#), the first president to visit the country since 1928. The president, along with several members of Congress, will meet with Cuban President Raul Castro and are expected to discuss Cuba's single-party political system and limits on freedom of speech.

North [Korea fired five short-range projectiles](#) into the sea off of its east coast this morning. The launches came three days after North Korea fired a medium-range missile into the Sea of Japan. The firings appear to be conducted in response to the U.S.- South Korean annual military drills taking place in South Korea this week.

Eakinomics: The Political Economy of Paid Family Leave

Paid family leave has garnered considerable policymaker interest, with proposals from presidential contenders Hillary Clinton, Bernie Sanders, and Marco Rubio. In Congress, Senator Kirsten Gillibrand's [FAMILY Act](#) would provide 12 weeks of paid family leave by creating a trust fund that would be financed with a 0.4 percent payroll tax, split between employers and employees. (AAF [found](#) that the revenue would likely cover less than 20 percent of the projected costs.) Senator Deb Fischer's [Strong Families Act](#) would provide a 25 percent tax credit to businesses that give at least two weeks of paid family leave. [Senator Kelly Ayotte](#), [Senator Mike Lee](#), and [Representative Martha Roby](#) introduced similar bills that would allow workers to accrue paid time off for working overtime in lieu of additional pay. Finally, Representatives John Katko and Kyrsten Sinema have introduced the [Working Parents Flexibility Act](#), which would allow employers to offer workers the option to divert a portion of their pretax earnings to a parental leave savings account.

AAF's Ben Gitis released a [study](#) of what is known — and perhaps more importantly, what is not known — about paid family leave in the private sector that coincided with my participation in an [event](#) on the topic this past Friday. The research and discussion highlighted a number of important questions that remain regarding paid family leave:

- How long do employees typically have to work before being offered paid leave?
- Of those offered paid leave, what fraction actually take up and use the leave?
- How long do workers stay on paid family leave?
- What fraction of earnings should be replaced by paid family leave?
- Do workers who take leave live in affluent households? Poor households? Dual earners? Single parents? In general, what would be the households likely affected?
- How much paid family leave is being taken “in disguise” through sick days, holidays, and the paid absences from work at the present?

These are all important research questions that should inform the design of a paid family leave policy. Advocates argue that the answers are known through the experience of California, New Jersey and Rhode Island; the only three states that offer a leave policy. But those states' experiences raise as many questions as they answer, particularly from a political economy perspective. It would be unwise to extrapolate from these

three states to the nation as a whole under a federal policy. In particular, why did these states adopt paid leave and the remainder did not? Would the payroll-tax approach of these blue states be acceptable at the federal level? Would an employer mandate? Would a voluntary program — like a tax credit — be acceptable in blue states?

From the Forum

[What's Missing From Lifeline Reforms](#) by Will Rinehart, AAF Director of Technology and Innovation Policy

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy