



The Daily Dish

Paid Family Leave

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The American Action Forum released an [analysis](#) examining the regulatory savings of the CHOICE Act. According to AAF analysis, the CHOICE Act would result in an annual regulatory savings of \$10 billion. In addition to the cost savings, the CHOICE Act would eliminate 10.3 million paperwork burden hours.

Last week the [Health Care Industry Cybersecurity Task Force](#) released their cybersecurity recommendations. The task force concluded that the biggest challenge facing the health care industry in terms of cybersecurity is the ability to attract and incentivize a talented workforce. The task force noted that as it stands now, many health care offices employ only one person to handle information security so they suggest amending regulations to all for larger health care providers to share “security software or resources with smaller offices.”

Eakinomics: Paid Family Leave

Paid family leave was a hot topic during the 2016 campaign (AAF had many [studies](#) on the issue) and engendered many policy initiatives on the topic. Among them, AAF’s [Ben Gitis](#) and I participated in an effort jointly sponsored by the American Enterprise Institute and Brookings Institution. Yesterday the working group launched its [report](#), which included a “consensus” or “compromise” proposal supported (sometimes grudgingly) across the ideological spectrum by the members of the working group. Consider me among those that have reservations.

Under the proposal, the federal government would provide payments to workers — men and women — for up to eight weeks of parental leave. Workers would receive 70 percent of their regular earnings, with a maximum weekly benefit of \$600. Workers would have “job protection” so they would have a job to come back to.

In thinking about a paid leave program, there are a few major considerations: (a) on what group is the benefit targeted, (b) what is the structure of the benefit, (c) does the benefit displace existing private-sector paid leave, and (d) how is the benefit financed? The working group proposal would be a universal benefit, which is one of its flaws. In our [analysis](#) of it, we note that the program would cost \$11.1 billion in 2018 and \$132.2 billion over ten years. But, only 15.3 percent of the benefits (\$1.7 billion in 2018) would go to households under 200 percent of the federal poverty threshold. That’s a policy shortcoming because family leave is already paid 74 percent of the time for those with a household income above \$75,000, but only 38 percent of the time for those with an income under \$30,000.

An [alternative approach](#) that specifically targets low-income workers would be a more cost-effective way to expand paid parental leave, costing only roughly one-third as much. This would affect (b) and (c) as well. It would provide a much more generous benefit to the workers who are the least likely to already receive the benefit from their employers. Moreover, those dollars are less likely to be displacing existing privately-financed paid leave. It’s a trifecta.

But my major point of departure from the working group is that this would be a new entitlement program paid in part with a new payroll tax. The existing entitlement programs — Medicare, Medicaid, Affordable Care Act,

Social Security, etc. — are already financially unsustainable so I consider it exceedingly unwise to create a net expansion in entitlements. I think it is necessary to slow the growth of entitlements and that any new paid family leave benefit be more than offset by reforms that reduce other entitlement spending. That's budgetary common sense, but would also force policymakers to confront the reality that they must make decisions between the benefits of old-age retirement and health programs (which are manifest and real), the benefits of low-income health programs (which are manifest and real), and the benefits of paid leave (which are manifest and real). The reality is that the U.S. faces tradeoffs.

Paid family leave is a good thing. The real question, however, is whether it is a good *enough* thing when compared to other demands for taxpayer dollars.