



C H A P T E R 4

THE ECONOMICS OF FAMILY-FRIENDLY WORKPLACE POLICIES

Women greatly increased their participation in the labor force beginning in the 20th century, marking the start of a fundamental change in our workforce and families. In 1920, only 24 percent of women worked outside the home, a share that rose to 43 percent by 1970. Today the majority of women—57 percent—work outside the home.¹ A similar pattern is seen in the participation rate of mothers with small children: 63 percent of whom currently work outside the home, compared to only 31 percent in 1970.²

These gains in women's labor force participation, as well as their increased educational attainment, have translated into large income gains for American families and have benefited the U.S. economy overall. Essentially all of the income gains that middle-class American families have experienced since 1970 are due to the rise in women's earnings. By contrast, wage growth for men over this same period has been flat. (For a broader discussion of labor market trends, see Chapter 3.) For example, median family income in 2013 was nearly \$11,000 higher than it was in 1970. If women today still had the same labor force participation and working hours as they

¹ Women's labor force participation data for age 16 and over is calculated from the Decennial Census in 1920 and taken from the published Bureau of Labor Statistics data series for 1970 and 2014.

² Data are from the 1970 and 2014 Current Population Survey's Annual Economic and Social Supplement calculations that include women with their own children under age five living at home in 1970 and 2014, using the share that are in the labor force during the survey reference week.

did in 1970, median family income would be roughly \$9,000 lower.³ More generally, our economy is \$2.0 trillion, or 13.5 percent, larger than it would be without women's increased participation in the labor force and hours worked since 1970.⁴

While mothers have become important contributors to family income, fathers have increasingly taken on caregiving responsibilities, shifting patterns in the organization of market work and non-market work within families. Today men are doing a larger share of household duties than in the past, though mothers still spend almost twice as much time on household work as fathers. Mothers in 2013 dedicated more than 12 hours a week to child care and related tasks, a slight increase from around 10 hours in 1965.⁵ By comparison, fathers spent almost 7 hours a week on child care and related tasks in 2013, a nearly three-fold increase since 1965. Fathers are also becoming more likely to assume significant child-care roles, and today about 15 percent of all stay-at-home parents are men (Livingston 2014). More generally, caregiving responsibilities are shouldered by workers of both genders, all ages, and in a variety of family situations. More than one-half of workers provide care for others—including their children, elderly parents and relatives, spouses, adult children, and returning veterans with disabilities.⁶

Workplaces, however, have been slower to adapt to changing family dynamics. This has created greater conflicts between responsibilities at

³ This is based on an accounting exercise that compares the median family income in 2013 to the (counterfactual) median that would have been obtained in 2013 had the distribution of women's work hours been the same as it was in 1970. The counterfactual is constructed by reweighting the 2013 family income distribution so that the reweighted distribution of family hours worked by women is identical to that observed in 1970, using the technique introduced by DiNardo, Fortin and Lemieux (1996; henceforth 'DFL'). The procedure effectively gives more weight to the family earnings of observations in 2013 that are more likely (based on the hours worked by women) to have been observed in 1970—that is, families with lower hours worked by women, and less weight to observations less likely to come from 1970. The calculation is based on data on primary families only (families within households containing the householder) from the 1971 and 2014 Current Population Survey ASEC. DFL weights are based on a logistic regression of an indicator variable for whether an observation is from 2013 (rather than 1970) on a set of indicator variables for categories of total hours (in 100-hour increments) worked by adult women in the family.

⁴ CEA calculated this using a growth account formula that relates the level of output to the supply of labor. Using the Current Population Survey from 1970 to 2013, CEA calculated the increase in hours worked by women and assumed that the average product of labor was unchanged.

⁵ Data are from the American Time Use Survey. Child care and related tasks are measured as any task identified under "caring for and helping household children." Data from 1965 are analyzed by Bianchi, Robinson, and Milkie (2006). CEA used a similar methodology to generate estimates for 2013.

⁶ From the BLS release "Unpaid Elder care in the United States 2011-2012" and BLS Current Population Survey, CEA calculated about 71 percent of workers have either elder care responsibilities or dependent children.

home and at work for men and women struggling to make ends meet and to help their children succeed. This interaction between family lives and work lives affects businesses and the economy. Many families deal with the challenges of work-family conflict as they attempt to balance breadwinning and caregiving responsibilities without the benefit of supportive family-friendly workplace policies. Too often, this forces workers to make trade-offs between the right job for their talents and the job that will allow them to best meet the needs of their families, including the choice of whether to work at all. Family-friendly workplace policies make it easier for people to make the choices that are right for them and their families.

Because workers often favor companies with family-friendly policies, the companies that adopt such policies are better able to attract and retain talent. For example, nearly 50 percent of working parents report that they have turned down a job offer because it would not have worked for their families (Nielsen 2014). As more companies adopt such policies and as public policies provide more of these benefits to all workers, people will have more freedom to choose their jobs according to where they will be most productive. Thus, family-friendly policies are a key component of the economic success of both families and businesses because they can help more workers succeed, regardless of caregiving responsibilities.

This chapter examines changes in American family life and the implications for work. The first section discusses how rising labor market participation among women and changing patterns of caregiving for fathers have helped grow household incomes and our economy, but has made the need for family-friendly workplace policies more acute. The next few sections examine access to important policies such as paid family leave, paid sick leave, and workplace flexibility, including outlining policies at the State and local level. The chapter then turns to analyzing the economics of family-friendly workplace policies, including addressing why some companies have implemented family-friendly workplace policies and others have not, and analyzing the evidence on how these policies can benefit both businesses and workers.

RECENT CHANGES IN AMERICAN FAMILY LIFE AND THEIR IMPLICATIONS FOR WORK

Recent changes in American family life have altered the composition of our workforce, daily routines, and how many of today's workers navigate dual roles as breadwinners and caregivers. These changes in the way that families organize their work and family lives have created a greater need for policies to help American workers better balance work and family needs.

Attachment to the Labor Force and Educational Attainment Have Increased Significantly Among American Women

One of the largest changes in work and family life occurred over the last century as women became more-equal participants in the labor force by increasing their participation in paid work, obtaining more education and training, and widening the scope of occupation types they entered. Since the beginning of the 1950s, women's labor force participation has increased by around 25 percentage points, while men's labor force participation has decreased by around 17 percentage points (Figure 4-1). While women on average still tend to work fewer hours each week than men, the gender gap in weekly hours worked has narrowed by around three hours since 1962.⁷ As discussed in Chapter 1, prime-age women's labor force participation grew steadily between 1948 and 1973 at an average pace of 0.7 percentage point a year, and then accelerated to 1.1 percentage point a year between 1973 and 1995.

However, women's labor force participation and hours worked have declined in recent years. As described in Chapter 3, more than one-half of the decrease in labor force participation for both men and women since 2000 is due to the aging of the population, rather than changes in the choices people are making. Much of the rest of the decline reflects other trends, including a labor market still healing following the Great Recession.

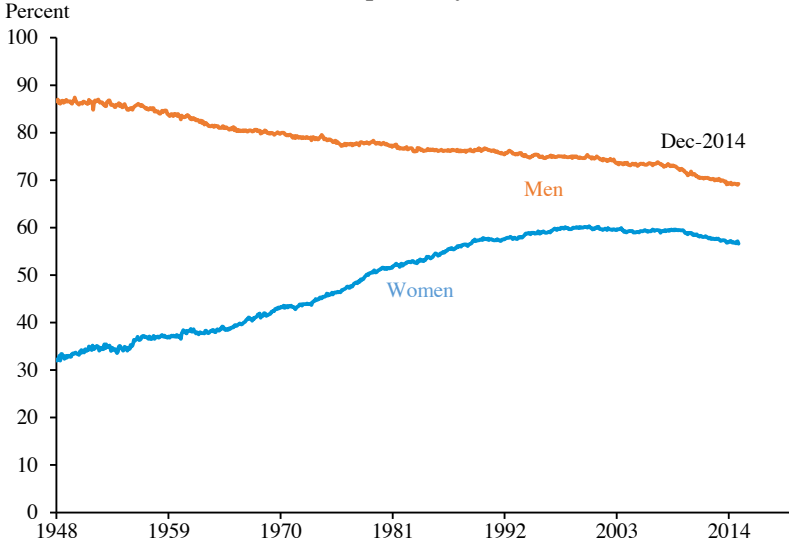
In 2013, women accounted for 46.9 percent of all workers and 44.1 percent of all hours worked.⁸ Because labor force participation is a key driver of economic growth, the greater attachment of women to the labor market has implications for both families and the economy. However, sheer volume is not the only, or even necessarily the most important, way that women's roles in the economy have changed. Women have also increased their labor market skills over this period by acquiring more education and training, receiving greater experience on the job, and moving into previously male-dominated professions.

Women's greater participation in the labor market has coincided with a record number of women earning higher education degrees (Figure 4-2). These are related trends: as more women have stayed in the labor force throughout their careers, chosen previously male-dominated occupations, and sought career advancement, they have invested in more education to

⁷ CEA calculated this number using "hours worked last week" in the Current Population Survey ASEC in 1962 and 2014, since "usual hours worked" is not available in earlier years.

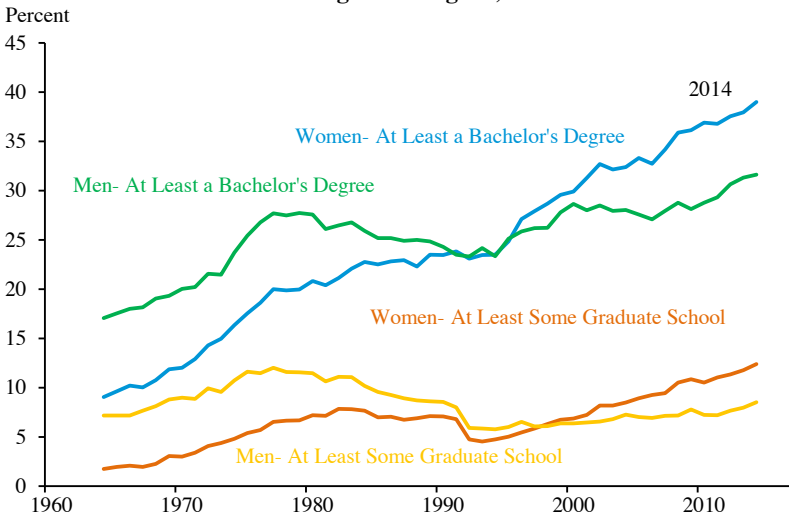
⁸ Women's share of employment was calculated using the monthly Current Population Survey of workers ages 16 and older. Women's hours as a share of all hours were calculated using the Current Population Survey ASEC 2014. Aggregate hours were calculated by multiplying usual weekly hours last year by weeks worked last year.

Figure 4-1
Labor Force Participation by Sex, 1948–2014



Source: Bureau of Labor Statistics, Current Population Survey.

Figure 4-2
Percent of Young Men and Women with a Bachelor's Degree or Higher, 1964–2014



Note: Data are for men and women ages 25-34.

Source: Bureau of Labor Statistics, Current Population Survey; CEA calculations.

prepare themselves for these opportunities (Goldin and Katz 2002). As of academic year 2009-10, women received 57 percent of bachelor's degrees.⁹ In addition, women have increasingly enrolled in formerly male-dominated professional and graduate degree programs. For example, today, women receive 52 percent of doctoral degrees (which includes PhDs, MDs, and law degrees), compared to 45 percent in academic year 1999-2000. If these patterns continue, women will soon represent a growing majority of highly educated workers.¹⁰

Rising educational attainment among women has opened up new career opportunities, which may have contributed to the decrease in occupational segregation. Today, women comprise much larger shares of many traditionally male occupations such as physicians, dentists, economists, and lawyers than they did fifty years ago (Goldin and Katz 2002). About two-thirds of occupations in 1970 were 80 percent or more male; today, about 40 percent of occupations fall into that category.¹¹

Higher rates of labor force participation, combined with increased educational investments and broader career choice among women, have translated into earnings gains for women relative to men, and have markedly increased the importance of women's income in the household. More than 40 percent of mothers are now the sole or primary source of income for the household, reflecting both an increase in female-headed households and increased earnings among married women (Wang, Parker, and Taylor 2013). In 2013, employed married women's earnings comprised 44 percent of their family's earnings, up from 37 percent in 1970 (Figure 4-3).¹²

Families Are Adjusting to New Caregiving Needs

As mothers increasingly participate in the labor force and patterns of fathers' caregiving change, conflict between work and caregiving has grown. The result is ever more families trying to balance work and family

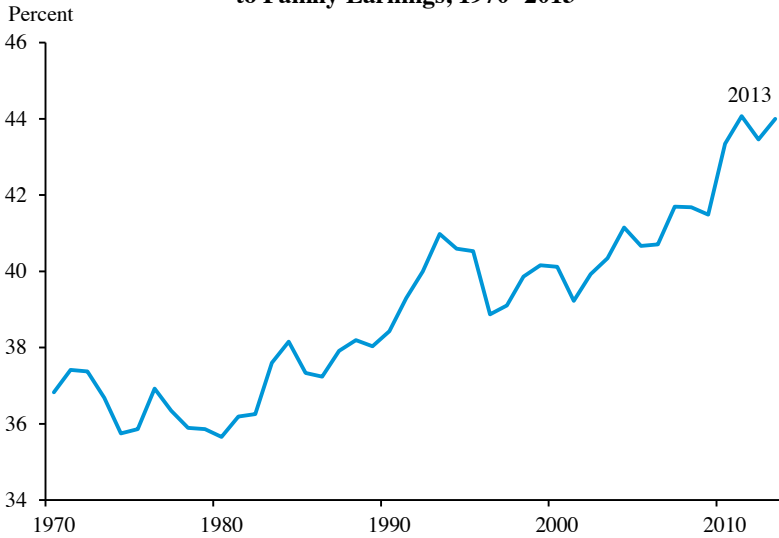
⁹ Unless otherwise specified, data in this paragraph comes from U.S. Department of Education, National Center for Education Statistics (2012). "The Condition of Education 2012" (NCES 2012-045), Indicator 47.

¹⁰ Restricting to those age 25 to 64, and assuming that as many female and male workers with college degrees enter the labor force at age 25 next year as entered this year, while those at age 64 leave, women would be 50.6 percent of workers with college degrees in 2015, while in 15 years women would be 53.9 percent of college-educated workers.

¹¹ CEA calculations using the Current Population Survey Annual Economic and Social Supplement in 1970 and 2014. Only those currently employed were included, and IPUMS 1950 occupational codes were used.

¹² CEA used the Current Population Survey Annual Economic and Social Supplement in 1971 and 2014 to calculate the portion of husband and wife wage and salary income from married women. Households where married women earned \$0 or more than \$2 million were omitted from analysis.

Figure 4-3
**Employed Married Women's Contribution
to Family Earnings, 1970–2013**



Source: Bureau of Labor Statistics, Current Population Survey; CEA calculations.

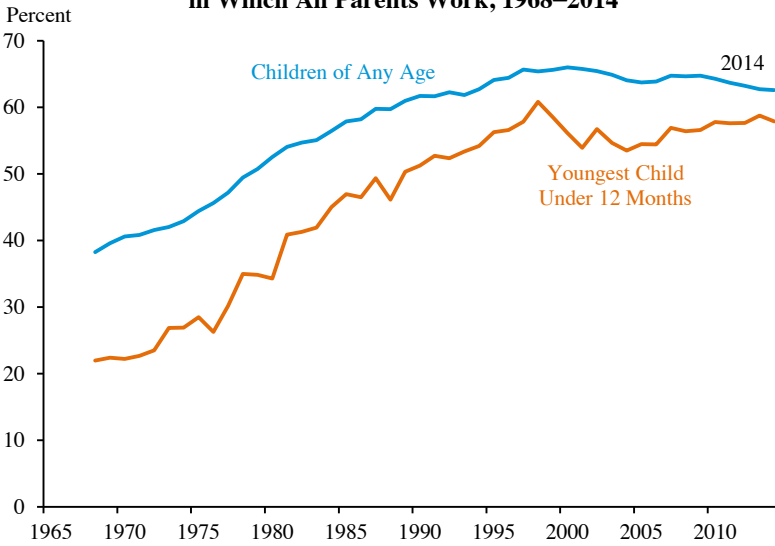
obligations, and an increasing proportion of households in which all parents work. Today, all parents are working in more than 6 out of every 10 households with children, up from 4 out of 10 in 1968 (Figure 4-4).¹³ The share of families with infants where all parents work has exhibited a similar increase (Figure 4-4). These increases are due to two separate trends: the rise in dual-earner families discussed previously and an increase in single-parent families. As of 2013, 31.9 percent of families with children were headed by a single parent, compared to 19.5 percent in 1980.¹⁴ Over three-quarters of the single-parent families in 2013 were headed by women. Partners in two-parent families are increasingly sharing caregiving responsibilities more equally, meaning that both parents have responsibility for both caregiving and work. However, the rise in single-parent families means that a growing number of households with children have only one adult and, as such, that one adult has primary responsibility for both caregiving and work. For these households, family-friendly workplace policies are especially important, since it can be more difficult for single parents to make alternative arrangements when work-family conflicts arise.

As mothers have entered the labor force in greater numbers, fathers are increasingly taking on child-care responsibilities. The share of fathers

¹³ Including biological, step, and adoptive parents.

¹⁴ Census Table FM-1

Figure 4-4
**Percent of Households with Children
 in Which All Parents Work, 1968–2014**



Source: Bureau of Labor Statistics, Current Population Survey; CEA calculations.

who stay at home while a spouse works has doubled in the last 25 years.¹⁵ Today, around 15 percent of stay-at-home parents are fathers (Livingston 2014). The role of fathers is continuing to evolve and both employed and non-employed fathers are spending more time on child care than they did even a decade ago.¹⁶ As shown in Figure 4-5, fathers are more likely now than a decade ago to help bathe and diaper, read to kids, and help with homework.¹⁷

On average, fathers spent 4.0 fewer hours a week on paid work in 2013 than in 1965, and 4.2 more hours a week on child care and 5.3 hours a week more on housework (Figure 4-6). So fathers are working more hours than in the past when the work of child care and household tasks is included, but a much larger share of their work is home production. Despite these shifts, social science surveys show that the majority of men and women believe that men should spend more time caring for children, possibly reflecting the fact that fathers, on average, still spend less time on child care than mothers.¹⁸

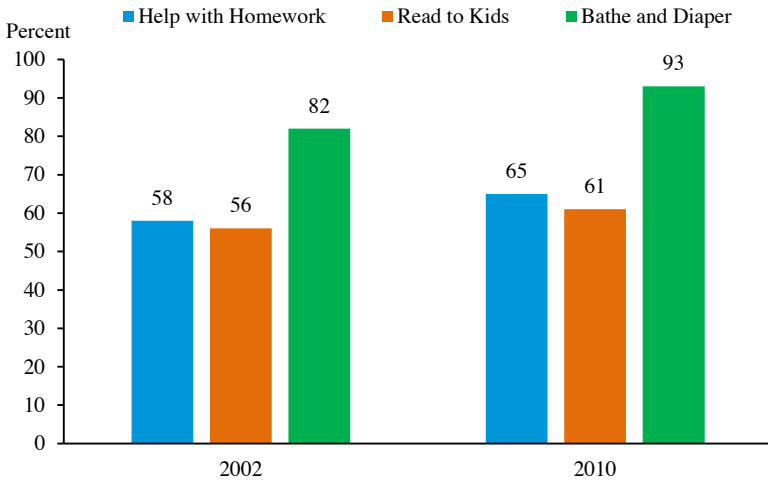
¹⁵ Census Bureau Table MC-1

¹⁶ CEA calculations using American Time Use Survey, based on Bianchi, Robinson, and Milkie (2006).

¹⁷ Centers for Disease Control and Prevention, National Survey of Family Growth 2002-2010.

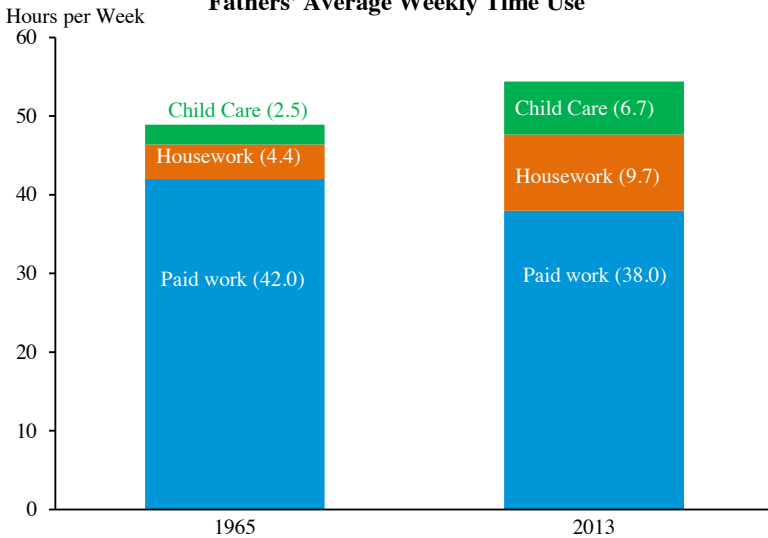
¹⁸ In 2013, mothers spent 12.1 hours per week on child care according to the ATUS data used to calculate men's time spent on child care in Figure 4-6. Data from the 2002 wave of the General Social Survey show that 67 percent of men and 74 percent of women think that men should spend more time caring for children.

Figure 4-5
Fathers Reporting Role in Child Care Activities for Selected Years



Note: Data show the percentage of resident fathers ages 15-44 who report they participate in the activity at least several times per week.
 Source: Center for Disease Control and Prevention, National Survey of Family Growth, 2002-2010; CEA calculations.

Figure 4-6
Fathers' Average Weekly Time Use



Note: Fathers are defined as adult men ages 18-64 with children under 18.
 Source: Bianchi et al. (2006); Bureau of Labor Statistics, American Time Use Survey, 2013; CEA calculations.

Greater longevity among older adults means that many workers also act as caregivers for other adults, such as the elderly or people with disabilities. Each year, approximately 40 million Americans (16 percent of the population aged 15 and older) provide unpaid care to an elderly relative or friend.¹⁹ Most people providing eldercare are employed (63 percent), and about one-half work full-time.²⁰ Just as working parents must juggle caregiving and work responsibilities, many eldercare providers face similar—if not greater—competing demands.

While most eldercare providers are balancing work on top of their caregiving responsibilities (Figure 4-7), one-fifth of eldercare providers are also providing care for young children.²¹ Despite the increased potential for work-family conflict, parents who provide eldercare have even higher rates of employment than eldercare providers without dependent children: 78 percent are employed and 62 percent work full-time. Now that baby boomers are entering retirement, it is likely that the “sandwich generation”—those caring for elderly relatives and young children—will continue to grow over the next 30 years (Figure 4-8).

The Effects of Work-Family Conflict

As both men and women increasingly perform multiple roles, many struggle to meet their work and family goals. Among dual-earning couples, the likelihood of reporting work-family conflict has become especially pronounced among fathers. In 2008, 60 percent of fathers in dual-earner couples reported work-family conflict, compared to 35 percent in 1977—a 25 percentage-point increase in just one generation (Figure 4-9; Galinsky, Aumann, and Bond 2011). Although in 1977 mothers in dual-earning couples were more likely to report work-family conflict than fathers, this pattern has since reversed; in 2008, fathers were more likely to report work-family conflict, consistent with the rise in time spent on child care among fathers.

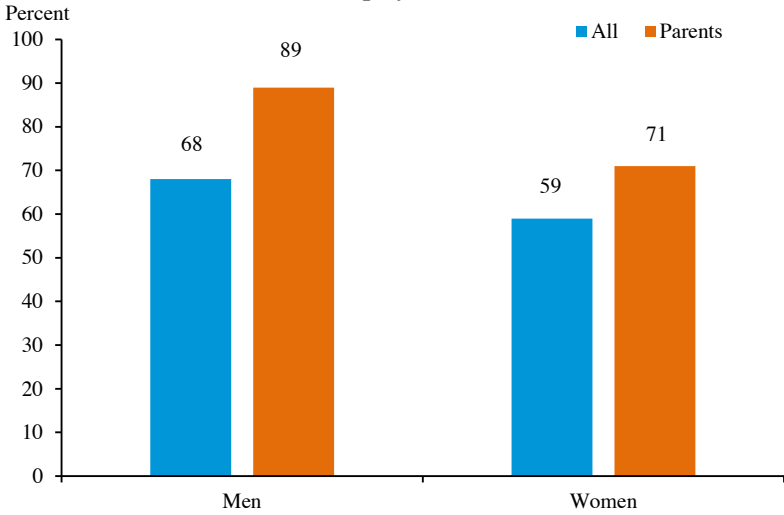
Conflicts between work and family may arise because work obligations encroach on family responsibilities, but conflict can also arise when family encroaches on work. Both genders increasingly perceive that their work responsibilities interfere with their family obligations. In 2010, 46 percent of full-time working men and women reported that their job demands interfered with their family life sometimes or often, up from 41 percent in 2002 (Figure 4-10). In contrast, a smaller share of full-time workers report

¹⁹ Bureau of Labor Statistics, American Time Use Survey 2011; CEA calculations.

²⁰ Bureau of Labor Statistics, American Time Use Survey 2011, 2012; CEA calculations; BLS release “Unpaid Eldercare in the United States 2011-2012.”

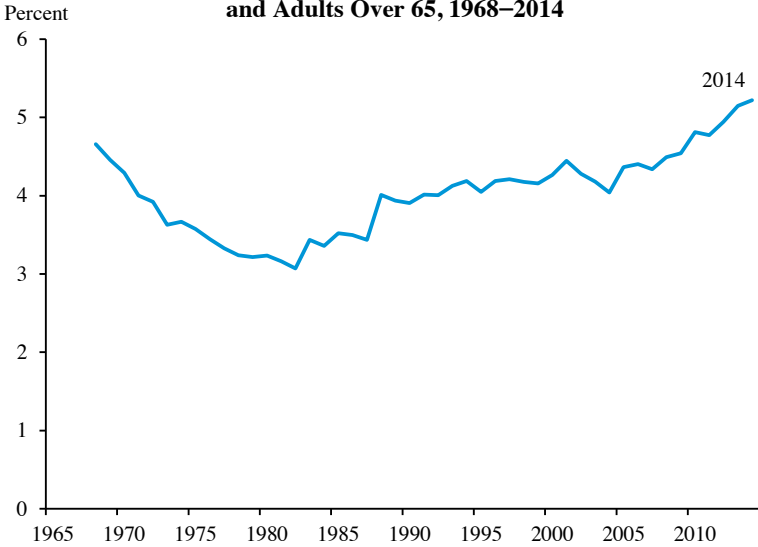
²¹ All data in this paragraph is from BLS release “Unpaid Eldercare in the United States 2011-2012.”

Figure 4-7
**Percent of All Unpaid Eldercare Providers
 Who Are Employed, 2011–2012**



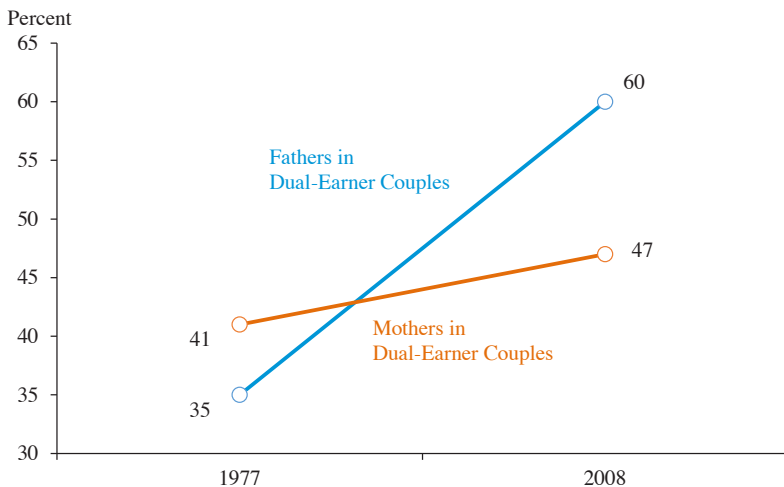
Source: Bureau of Labor Statistics, American Time Use Survey, 2011 and 2012; CEA calculations.

Figure 4-8
**Share of Households with Children Under 18
 and Adults Over 65, 1968–2014**



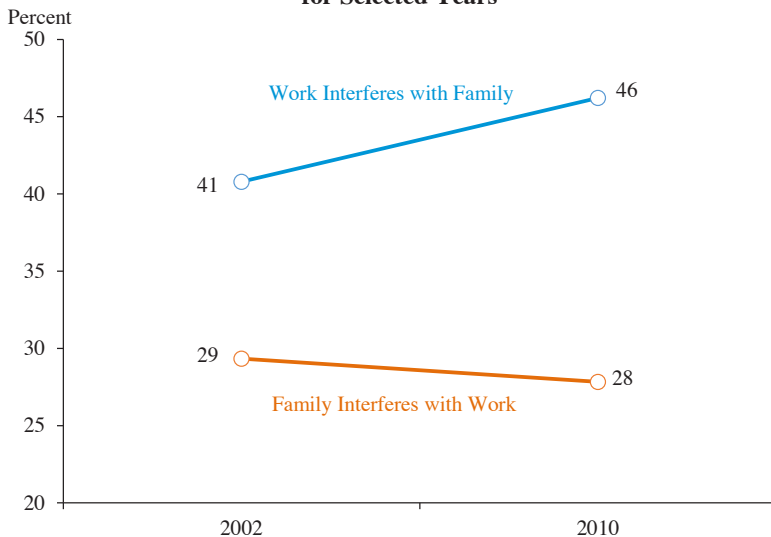
Source: Bureau of Labor Statistics, Current Population Survey; CEA calculations.

Figure 4-9
Percentage of Mothers and Fathers Reporting Work-Family Conflict for Selected Years



Source: Family and Work Institute, National Study of the Changing Workforce, 2008; Employment Standards Administration, Quality of Employment Survey, 1977, as analyzed in Galinsky, Aumann, and Bond (2011).

Figure 4-10
Percentage of Full-Time Workers Who Report Work-Family Conflict for Selected Years



Source: General Social Survey, 2002, 2010; CEA calculations.

that family responsibilities interfere with work, about 28 to 29 percent in both 2002 and 2010.²²

Work and family conflict can also affect co-workers and employers as conflicts lead to greater absenteeism, lower productivity, and greater turnover.²³ Lessening the constraints families face as they seek to balance work and family can benefit more than just individual families, but also our overall economy. By expanding family-friendly workplace policies, caregivers have more options to make the right choice for them. For example, when workers must choose between spending the first few months at home with a new baby or keeping their job, families are put in a difficult position and the economy potentially loses a worker who would prefer to stay in the labor force if only they had time off. Similarly, policies that encourage workplace flexibility can help more families meet both their family and professional goals—something that is good for both them and our economy.

As discussed, the benefits of more flexible workplace policies will spill over to other workers, employers, and the overall economy. This chapter examines two major types of workplace policy, paid leave and the broader category of workplace flexibility policies. It also documents where these policies are found today, and what types of workers have access to them, including through State and local efforts to expand access. The chapter then turns to the economics of such policies, reviewing analysis that examines the benefits of these policies for business and the economy.

ACCESS TO FAMILY-FRIENDLY WORKPLACE POLICIES

Two of the most important policies that firms can offer to allow workers to better balance work and family are access to paid leave and workplace flexibility. Paid leave includes access to family leave, sick leave, and other leave that allow workers to take paid time off to care for themselves or a family member.

Workplace flexibility generally refers to arrangements that allow workers to shift the time or location of their work through flexible or alternative hours, telecommuting policies, or alternative work locations. It can also include partial employment options such as job sharing and phased retirement of older workers. Flexibility can include shifts in arrival and departure times, the schedule of breaks and overtime, and the number of days or hours worked per week, such as a compressed workweek or the ability to accrue and use comp time at the employee's discretion. Scheduling

²² NORC at University of Chicago; General Social Survey 2002 and 2010; CEA calculations.

²³ See e.g. Dalton and Mesch (1990); NACEW (2013); Gov. UK (2014); Ton (2012); Baughman, DiNardi, and Holtz-Eakin (2003).

adjustments can be an important tool to address unexpected issues outside of work. For instance, if a family member is sick, allowing workers to work from home may be an alternative to the worker taking paid leave in some jobs. Workplace flexibility is not a substitute for leave policies, however. Instead, workplace flexibility can be a complement to leave policies, allowing workers to cope with emergencies with the least disruption to their work.

Access and Use of Leave in the United States

The 1993 Family Medical Leave Act (FMLA) significantly expanded access to leave by requiring employers to offer up to 12 weeks of unpaid leave for qualifying reasons, including the birth of a child. The FMLA increased unpaid leave use and coverage without reducing women's employment or wages (Waldfogel 1999). Many workers, however, are exempt from the FMLA, including employees who have been with the firm for less than 12 months and have worked fewer than 1,250 hours, those at private businesses with fewer than 50 employees, and those who work part-time.²⁴ A recent survey found that the FMLA covered only about 60 percent of workers (Klerman, Daley, and Pozniak 2014). As of 2011, almost one-third of workers reported no access to unpaid leave (Table 4-1). Further, the FMLA only guarantees access to unpaid leave for covered workers, not paid leave.

The distinction between paid and unpaid leave is important, especially for low-wage workers. Although unpaid leave may provide some flexibility, it is not a realistic option if workers cannot afford to take it. The implementation of paid family leave in California illustrates this point. The unpaid leave guaranteed by the FMLA enabled some mothers, mostly those with more education in higher-paying fields, to take maternity leave prior to California's paid family leave policy. However, it was not until California guaranteed access to paid family leave benefits through its State-based family leave plan that lower-income mothers began taking maternity leave in greater numbers (Rossin-Slater, Ruhm, and Waldfogel 2013). Although the expanded leave opportunities provided by FMLA made real progress for American workers two decades ago, the United States today significantly lags its international peers in leave provision, as discussed in Box 4-1. Approximately 4 percent of workers reported in 2011 that they wanted to take leave in a given week but could not do so, compared to 23 percent of

²⁴ The FMLA also excludes some employees of otherwise eligible employers (such as those with more than 50 employees in total); for example, those who work at a location where the employer has fewer than 50 employees within 75 miles.

Table 4-1
Access to Leave (ATUS), 2011

Reason	Percent Unpaid	Percent Paid
Vacation	60	56
Own Illness	73	53
Family	71	48

Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

workers who did take leave.²⁵ In addition, according to a recent FMLA survey, 6.1 percent of female employees had an unmet need for leave (compared to 3.2 percent of male employees), while 6.7 percent of workers of color had an unmet need for leave (compared to 3.8 percent of White workers) (Klerman, Daley, and Pozniak 2014).²⁶

After vacation, sick leave is the most common type of paid leave employees have access to: approximately 53 percent of workers report having access to some form of paid leave they could take in the event of their own illness, but only 43 percent said they thought that they would be able to use paid leave to take care of ill family members. Overall, less than one-half of workers (48 percent) reported being able to take paid leave for any family-related reason. Even when workers have access to some forms of paid leave, it cannot always be used for all purposes. For instance, paid vacation days may be impractical to use for illness because an employer might require scheduling the time in advance.

Only a minority of workers—39 percent—report access to paid family leave for the birth of a child. Mothers are only slightly more likely than fathers to be able to access leave upon the birth of a child: 38 percent of working men say that they could take paid leave for the birth of a child, compared to 40 percent of working women. At the time of the American Time Use Survey, only residents of California and New Jersey, covering about 15 percent of the U.S. population, had State-run paid leave policies.²⁷ Since the

²⁵ Bureau of Labor Statistics, American Time Use Survey 2011; CEA calculations and published tables. The calculations in this paragraph and the ones following reflect responses to whether workers believe that they can take leave, assuming they receive their employer’s approval, as asked in the American Time Use Survey (unless otherwise specified). To the extent that employers do not approve of leave, particularly unpaid leave, these statistics overstate the availability of leave.

²⁶ The study defined reasons for having an unmet need for leave as i) the individual is not eligible for FMLA, ii) the reason for leave is not covered by the FMLA, and iii) the individual has exhausted her available entitlement for the leave year. The study did not inquire about conditions that would necessitate leave (Klerman, Daley and Pozniak 2013).

²⁷ Since the American Time Use Survey paid leave module was conducted, Rhode Island has also implemented a paid family leave program.

Box 4-1: International Comparisons: Access to Paid Leave in Other Countries

The United States is the only developed country in the world that does not ensure paid maternity leave (International Labour Organization 2014). Even in the developing world, only Papua New Guinea does not ensure paid maternity leave. In addition to guaranteeing paid maternity leave, other countries have acted to extend the amount and type of required parental leave. As of 2013, the majority of countries (53 percent of all countries and territories, and 95 percent of developed countries) surveyed by the International Labour Organization guaranteed paid maternity leave for a period of at least 14 weeks, the minimum duration recommended by the Maternity Protection Convention to ensure the health of mother and child (International Labour Organization 2014).

Other countries have also moved toward offering paternity leave in addition to maternity leave. As of 2013, 47 percent of countries and territories for which data are available provide both paternity and maternity leave, and paternity leave is paid in 90 percent of these countries. In contrast, just 28 percent of countries had statutory paternity leave provisions in 1994. Like maternity leave, the duration of paternity leave varies across countries, from one day in Tunisia to 90 days in Iceland, Slovenia, and Finland (International Labour Organization 2014).

Countries ensure paid maternity leave in different ways. The International Labour Organization contends that maternity leave should be provided through social insurance or public funds in order to provide broad coverage and mitigate discrimination against women in hiring that might arise if employers are fully responsible for financing maternity leave. In 2013, the majority of countries (58 percent) provided for maternity leave through social insurance programs, while a quarter relied solely on employer mandates. Sixteen percent of countries combine employer mandates and social insurance programs. In developed economies, 88 percent have programs financed exclusively through social contributions, while 10 percent have programs that involve an employer requirement. Since 1994, however, both developed and developing countries have shifted from employer mandates to more collective systems.

survey was conducted, Rhode Island has implemented a paid family leave program. The remainder of those reporting access to paid leave in the survey either had employers that voluntarily provided paid family leave, or could utilize other forms of paid leave, such as vacation time or compensation time, for the birth of a child. These responses also do not indicate the

Table 4-2
Access to Leave (NCS), 2014

Leave Type	Percent Paid		
	Sick Leave	Vacation	Holidays
Civilian	65	74	75
Private Industry	61	77	76
State and Local Gov't	89	59	67

Source: Bureau of Labor Statistics, National Compensation Survey, Employee Benefits Survey, March 2014.

duration of leave; some of those who have access to paid family leave can take only a few paid days off work.

Access to paid leave varies by hours worked, firm size, and sector of employment. According to a nationally representative employer survey, 65 percent of employees have access to paid sick leave. Private employers, however, are much less likely to offer paid sick leave than public-sector employers (Table 4-2): 61 percent of private-sector employees have access to paid sick leave, compared to 89 percent among public-sector employees. In contrast, private employers were more likely than public-sector employers to offer either paid vacation or holiday time.²⁸

However, employer surveys suggest that the availability of formal paid leave programs to workers is much lower than employee surveys indicate. According to an employer survey, only 11 percent of private-sector workers have access to a formal paid family leave policy, including only 4 percent of part-time workers (Van Giezen 2013). Workers at smaller firms also have less access to paid leave—only 8 percent of those at establishments with fewer than 100 workers (Van Giezen 2013). Although employer and employee surveys often give different impressions of benefits availability (Box 4-2), the discrepancy in this case may be due to workers reporting that they can use some paid time for caregiving—for example, paid sick days or accrued vacation time—but not necessarily that they have coverage by a formal paid leave program.

Even when workers have access to leave, they may not be able to use it. Some workers, especially lower-income workers and those who are their family's primary breadwinner, cannot forego wages by taking unpaid leave. Other workers may be pressured by their employer not to take leave. For these reasons, it is important to also examine the actual use of leave. As shown in Table 4-3, approximately 23 percent of workers took either paid or unpaid leave during a typical week.

²⁸ Bureau of Labor Statistics, National Compensation Survey 2014.

Box 4-2: Why is There Such a Large Difference in Reported Prevalence Between the American Time Use Survey, the National Compensation Survey, and the National Study of Employers?

One important reason for the difference between the three surveys is that employers report in the employer-based surveys that they provide flexibility for “some” or “most” workers, but do not otherwise indicate the prevalence. If many employers only provide a benefit to a minority of their workers, the percent of workers with a benefit will be smaller than the percent of firms offering the same benefit. In addition, there may be a difference between an organization’s policies and their implementation. The National Study of Employers attempted to address this issue by asking if the organization “allows employees to...” or “provides the following benefits or programs...” rather than if it has “written policies.” However, if workers are unaware that their managers would be willing to implement such practices, are unaware of such policies, or fear negative consequences from exercising such options, they will report less availability of such arrangements than will their employers.

Second, the National Study of Employers is a survey of employers in which the respondent is an organization rather than an individual. As a result, the data describe the formal benefits provided by a typical employer or how they are interpreted at the organizational level, rather than how they are experienced by a typical employee. Given that, by definition, larger employers represent more workers than do smaller firms, statistics about the average employer may not be representative of the experiences of the average worker.

The National Compensation Survey is also an employer survey, but unlike the National Study of Employers, it is weighted by the number of employees in a firm, so larger firms are given more weight. As such, the study reports statistics about the share of employees who are covered by a policy, not the share of employers who offer one. Also unlike the National Study of Employers, it only inquires about formal leave policies.

The American Time Use Survey (ATUS), in contrast, is based on employee responses to whether they are able to access leave and flexible work arrangements, and therefore captures informal policies and fungibility across different types of benefits. This survey also captures worker perceptions about having access to leave. But to the extent employers do not approve of leave, these statistics overstate the availability of leave. However, if workers are not informed of their company’s policies, the ATUS may understate access to leave. Finally, the ATUS data on workers are from 2011 while those from the employers are from 2014. The prevalence of such practices may have grown in the interim.

Table 4-3
Leave Use and Hours, 2011

Utilization	Percent Who Used Leave in Last Week	Hours of Leave Taken Among Those Who Used Leave
Access to Paid or Unpaid Leave	23	15.1
Access to Paid Leave	25	15.8
Access to Unpaid Leave	23	15.3
Access to Schedule/Location Changes	21	–

Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

The most common reasons workers cited for not being able to take leave included “too much work” (26 percent) and “could not afford loss in income” (19 percent). An additional 12 percent reported not taking leave because they feared losing their job (Figure 4-11). Lower-wage workers were much more likely to cite “could not afford loss of income” as a reason they did not take desired leave while higher-wage workers were more likely to cite “too much work.”²⁹ These responses demonstrate that there is unmet demand for leave policies, especially paid leave for low-income workers.

Workplace Flexibility Access in the United States

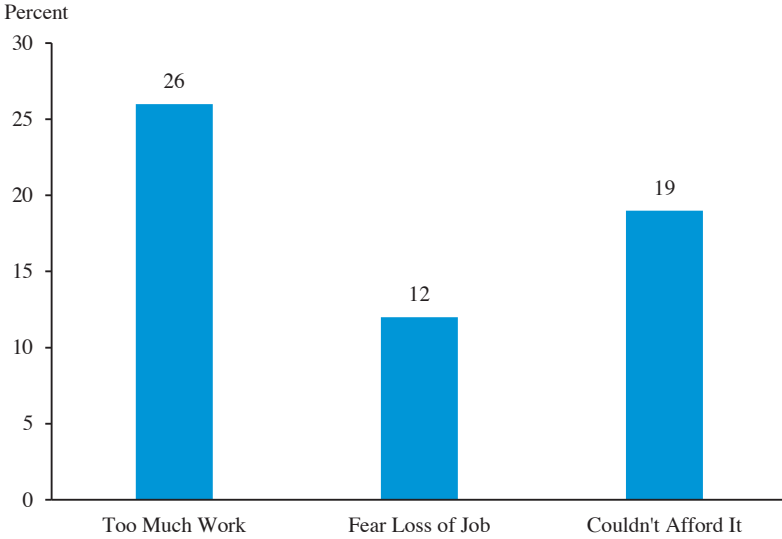
Workplace flexibility encompasses a range of policies that, broadly speaking, enable workers to adjust aspects of work as needed, including starting and ending time, days of work, and location. Many workplaces are able to accommodate some flexibility in scheduling, particularly when it concerns occasional changes in starting and quitting times. As shown below, 81 percent of employers report allowing at least some workers to periodically change their starting and quitting times, within some range of hours, in 2013. This is a slight increase from 2008 and a larger increase from 2005.³⁰ However, only 27 percent of employers allowed most or all employees to do so, indicating that this is often a benefit for only a few employees. Less than one-half of employers (41 percent) allowed at least some workers to change starting and quitting times on a daily basis and only 10 percent said that they allowed most or all of their workers to do so (Figure 4-12). Only 10 percent of firms report allowing workers to change their work times essentially at will or to alter the days on which they work (Figure 4-12).

As with paid leave, there are some differences across employer and worker responses on this issue. Around 53 percent of employees report that they have flexibility in when they work, but only 22 percent report flexibility

²⁹ Bureau of Labor Statistics, American Time Use Survey 2011; CEA calculations.

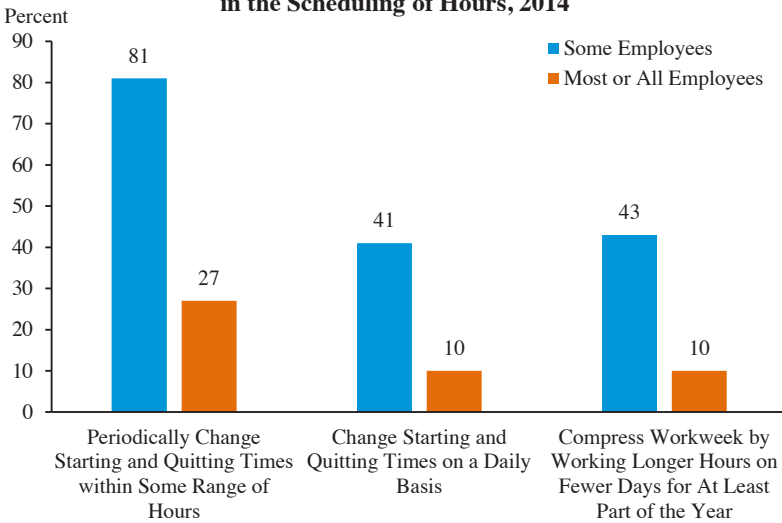
³⁰ Families and Work Institute, National Study of Employers 2005, 2008, and 2014.

Figure 4-11
Reason for Not Taking Needed Leave, 2011



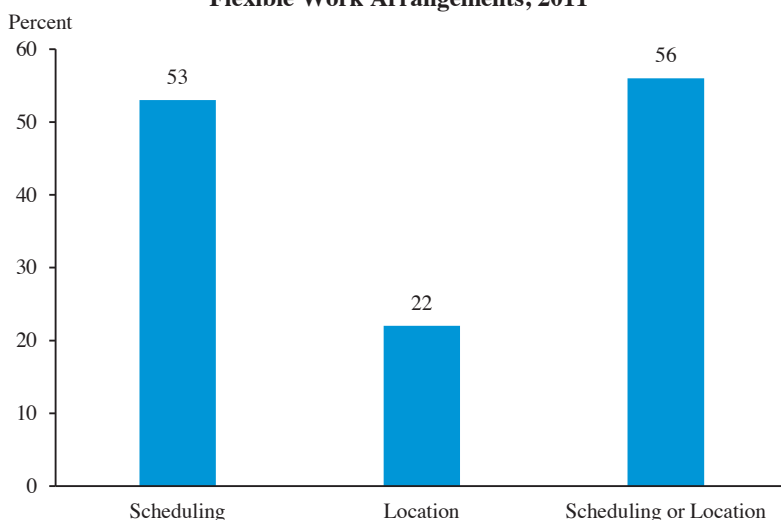
Note: Among workers who reported needing to take leave.
Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

Figure 4-12
Percent of Firms Offering Flexibility
in the Scheduling of Hours, 2014



Note: Survey includes firms with over 50 employees.
Source: Families and Work Institute, National Study of Employers, 2014.

Figure 4-13
Percent of Workers with Access to Flexible Work Arrangements, 2011



Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

in where they work (Figure 4-13). Flexibility in hours worked is more common for part-time workers at 56 percent (Bond, Galinsky, and Sakai 2008). In addition, though there is little data on the issue, there are anecdotal reports that low-wage workers face unpredictable schedules that they have little control over (Kantor 2014).

Flexibility in work location is less common than flexibility in either work days or hours, and there is substantial variation across industries and occupations. At least some of this difference is likely attributable to the fact that many jobs practically require an individual to be physically present at the worksite. For example, teachers, sales clerks, and assembly-line workers cannot fulfill many of their obligations from an off-site location. Managers and members of teams may need face-to-face contact. For other workers, however, a substantial fraction of their work could, in principle, be conducted from home or a satellite office. As a likely result of these factors, about 9 percent of workers in mining occupations report access to location flexibility, compared to over 40 percent of workers in information services.³¹ One study estimated that, in 2000, more than one-half of all jobs were amenable to telecommuting, at least on a part-time basis (Potter 2003), and that fraction has likely increased since then as a result of the spread of high-speed Internet and mobile technology (Smith 2002).

³¹ Statistics in this section are from Bureau of Labor Statistics, American Time Use Survey 2011; CEA calculations, unless otherwise specified.

While many employers allow some workers to telecommute, the vast majority of employers limit which employees have access to this option. As shown in Figure 4-14, 67 percent of employers reported allowing some workers to work at home occasionally, while only 8 percent of employers allowed most or all of their employees to do so (Figure 4-14). Similarly, 38 percent reported having some workers who worked from home on a regular basis, but only 3 percent had all or most of their employees based out of their home (Bond, Galinsky, and Sakai 2008).

In 2011, about 12 percent of workers who had access to flexible work arrangements changed either their schedule or location in the previous week. Of those who utilized workplace flexibility, about 22 percent changed their location. College-educated workers who used flexibility were more likely than less-educated workers to change their location (31 percent compared to 12 percent), and men were slightly more likely to change their location than were women. Men's greater access to flexibility in workplace location is partially due to differences in the industries and occupations in which men and women work.³² About 6 percent of workers who used flexible arrangements combined location flexibility with scheduling flexibility.

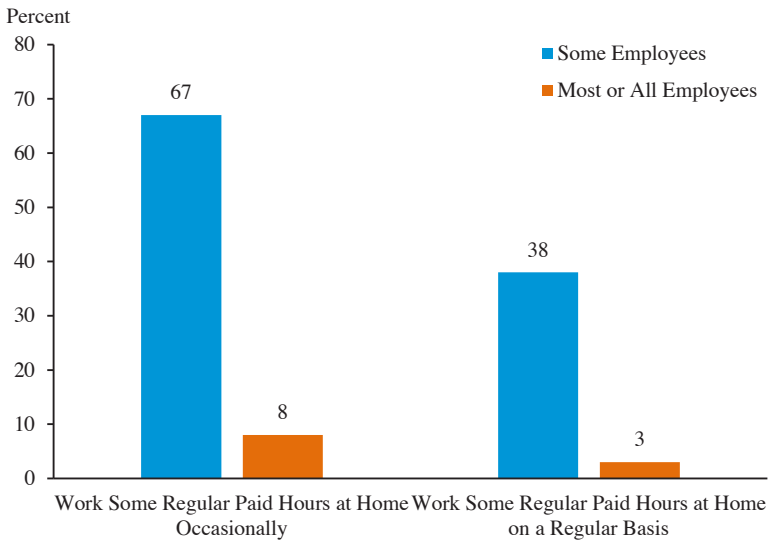
Flexibility can also be used to help workers reduce the hours they need to work to stay in their jobs; for example, through job sharing. In 2014, 29 percent of employers reported allowing some workers to share jobs, and 36 percent reported allowing at least some individuals to move from full-time to part-time work, and back again, while remaining at the same position or level (Figure 4-15). Few firms allowed most or all employees to take advantage of these forms of flexibility (Matos and Galinsky 2014).

Disparities in Access to Paid Leave and Flexible Work Arrangements

Lack of access to paid leave or flexible work arrangements may, as has been suggested, relate to industry-specific practices or job requirements. However, this translates into uneven access across demographic and other worker characteristics, since those factors often correlate with job and sector choice. Family-friendly workplace policies are often a form of compensation, and groups that are more likely to be highly compensated are also more likely to have access to these policies. Evaluations have found that total compensation inequality (for example, access to health benefits and paid leave) was about 10 percent higher than wage inequality alone, and unequal leave access accounted for over one-third of this additional gap (Pierce 2010).

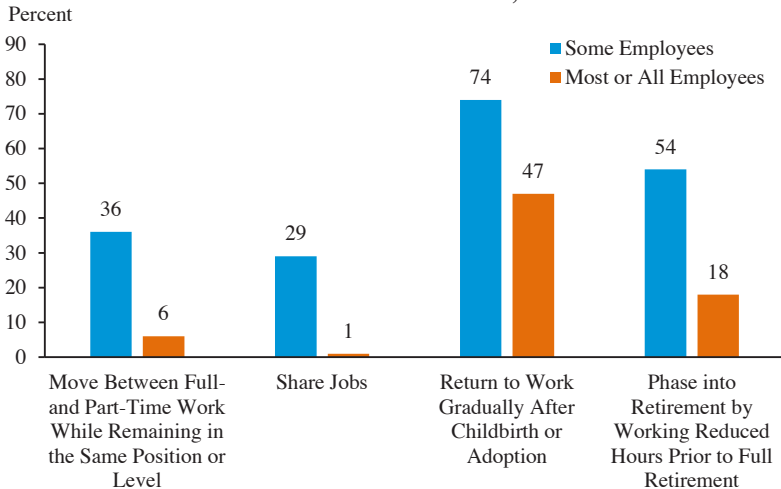
³² In order to see if differences in industry and occupation explained men being more likely to change their location, CEA regressed likelihood to switch on gender, industry, and occupation.

Figure 4-14
Percent of Firms Offering Flexibility in the Location of Work, 2014



Note: Survey includes firms with over 50 employees.
 Source: Families and Work Institute, National Study of Employers, 2014.

Figure 4-15
Percent of Firms Offering Flexibility in the Number of Hours of Work, 2014



Note: Survey includes firms with over 50 employees.
 Source: Families and Work Institute, National Study of Employers, 2014, as analyzed in Matos and Galinsky (2014).

Box 4-3: Small Business and Manufacturing

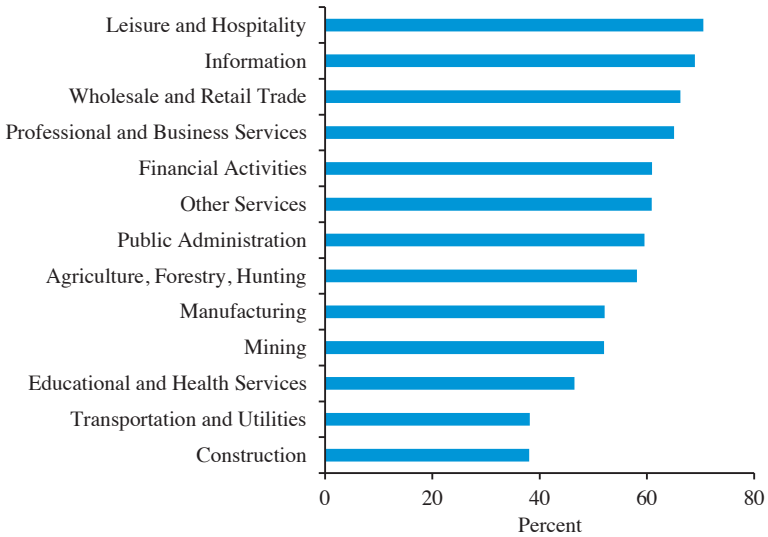
Small Businesses. Some argue that while flexible scheduling may work in large firms, each member of a small business team can be critical to business operations, making it too costly to implement such practices in small firms. However, flexibility can be a great advantage to small firms which may be better able to understand the flexibility needs of each of their employees and come up with a solution that benefits both the business and workers. Moreover, since flexibility can increase retention it may be particularly helpful for small businesses as losing members of a small business team can be particularly costly. In fact, data shows that small firms (50 to 99 employees) provide more flexibility to their employees than do large firms (1,000 and more employees) across five dimensions of flexibility: changing starting and quitting times, working some regular hours at home occasionally, having control over when to take breaks, returning to work gradually after childbirth or adoption, and taking time off during the workday to attend to important family or personal needs without loss of pay. (Matos and Galinsky 2014).

Manufacturing. Manufacturing workers are less likely to have flexible work arrangements. This difference may be due to technological difficulties that limit the amount of flexibility manufacturing firms can give their workers. For firms that rely on formal shifts, employees may not be able to leave at non-standard times without disrupting their colleagues. In addition, the on-site physical nature of many manufacturing jobs may make telecommuting impossible. Despite these challenges, there are strategies that some manufacturing companies have used to increase workplace flexibility. Increasing the breadth of training can help ensure that workers can more effectively fill in or otherwise compensate for one another in case a worker cannot be present at a particular time.

Data do show substantial cross-industry differences in access to flexible scheduling. As shown in Figure 4-16, less than 40 percent of workers in construction and transportation and utilities have flexibility to change their hours or location, compared to about 70 percent in information and leisure and hospitality.

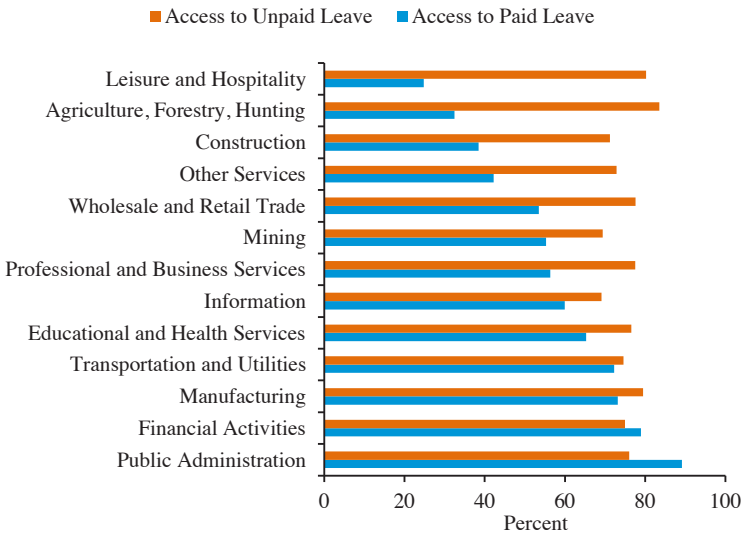
Paid leave access appears to be strongly related to the pay level of the industry, with high-wage industries offering more benefits. For example, in the leisure and hospitality sector where the average hourly wage is about \$14, less than 25 percent of workers report having some form of paid leave, compared to almost 80 percent of workers in the financial-activities sector (Figure 4-17). In some industries, corporate culture may affect workers' willingness to take significant leave, suggesting that factors other than

Figure 4-16
Access to Scheduling and Location Flexibility by Industry, 2011



Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

Figure 4-17
Access to Paid and Unpaid Leave by Industry, 2011



Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

Table 4-4
Access to Leave and Workplace Flexibility by Demographic, Educational, and Worker Characteristics, 2011

Policy Type	Percent	Percent	Percent	Percent	Percent	Percent
	Access to Paid Leave	Access to Unpaid Leave	Flexibility in the Scheduling of Hours	Flexibility in Days Worked	Flexibility in the Location of Work	Flexibility in Any
Total	59	77	49	40	22	54
<i>Demographic Characteristics</i>						
Male	60	75	49	38	23	53
Female	57	78	48	42	21	55
White, Non-Hispanic	62	78	51	41	24	56
Black, Non-Hispanic	61	77	43	38	18	49
Asian, Non-Hispanic	62	72	54	44	31	60
Hispanic	43	71	39	34	15	45
<i>Educational Attainment (Workers 25 and Older)</i>						
Less than High School	35	70	27	28	12	32
High School	61	76	39	32	13	45
Some College	66	78	50	40	19	55
Bachelor's Degree or Higher	71	75	56	40	35	60
<i>Weekly Earnings (Quartiles, 2011\$)</i>						
\$0-\$540	49	76	39	36	13	45
\$541-\$830	76	78	43	30	14	47
\$831-\$1,230	80	73	45	31	23	49
\$1,230+	81	75	56	37	39	60
<i>Hours Worked</i>						
Full-Time	70	75	47	35	23	51
Part-Time	22	81	56	59	20	64

Note: Sample excludes self-employed workers. Weekly earnings are for full-time wage and salary workers with one job. Source: Bureau of Labor Statistics, American Time Use Survey, 2011; CEA calculations.

compensation level alone are relevant for leave access and use (Bernard 2013).

Table 4-4 shows differences in reported workplace flexibility by worker characteristics and type of flexibility. The 2011 American Time Use Survey inquired about specific types of workplace flexibility workers can access. In general, workers who are likely to report flexibility in their schedule are also more likely to report having access to flexibility in where they do their work.

There are modest disparities in access to unpaid leave across demographic groups, likely because not all workers are covered under the Federal

Box 4-4: January 2015 Presidential Initiatives to Expand Leave Access for Federal Employees

While most Federal employees have access to paid sick leave and vacation time, the government has fallen behind industry-leading companies and offers no paid family or parental leave. Often Federal employees have not been on the job long enough to have accrued enough leave upon the introduction of a new child into the home. In order to recruit and retain the best possible workforce, the President announced in January 2015 several initiatives he is taking to help expand access to paid parental leave for Federal employees.

Presidential Memorandum Modernizing Federal Leave Policies for Childbirth, Adoption, or Foster Placement. The President issued a Presidential Memorandum directing agencies to update their policies to allow for the advance of six weeks of paid sick leave for parents or those caring for ill family members and other sick leave eligible uses. This will allow mothers, spouses, and partners with a new child the opportunity to take paid time off, even if they have not yet accrued enough sick leave. It will also allow both parents to attend proceedings relating to the adoption of a child. Advanced annual leave is to be made available to employees for placement of a foster child in their home. Finally, it directs agencies to consider providing access to affordable emergency backup dependent care services for up to five days a year, consistent with available resources.

Parental Leave Proposal for Federal Employees. The President's Fiscal Year 2016 Budget includes a legislative proposal that would expand access to paid parental leave for Federal employees by offering six weeks of paid administrative leave for the birth, adoption, or foster placement of a child. In addition, the proposal would clarify that new parents can use sick days to care for a healthy newborn or newly adopted or fostered child. (Adoptive parents are already entitled to use sick days for other purposes related to the adoption of a child under the Federal Employees Family Friendly Leave Act).

Family and Medical Leave Act, which guarantees access to unpaid leave for workers that are covered by the law. Disparities in access to paid leave are typically more substantial. The largest differences in access to paid leave and workplace flexibility occur across Hispanics and non-Hispanics, with only 43 percent of Hispanics having access to paid leave compared to 62 percent among non-Hispanic Whites. This disparity is not fully explained by differences in the industries and occupations that Hispanics and non-Hispanics work in, nor is it fully explained by differences in wages and education. Accounting for differences in industry, occupation, wages, and education

accounts for less than half of the difference in paid leave access between Hispanics and non-Hispanics.³³

Higher-wage workers are significantly more likely to have access to paid leave compared to lower-wage workers, consistent with the finding above that higher-paying industries also offer more paid leave (Table 4-4). Employee surveys suggest that college-educated workers are twice as likely to have access to paid leave as workers without a high school degree (71 percent versus 35 percent). Comparing wage levels, full-time workers in the top income quartile are 1.7 times as likely to have access to paid leave as the workers in the bottom quartile (81 percent versus 49 percent). Therefore, the unequal availability of paid leave can exacerbate not only compensation inequality, but also inequality in well-being, since the highest-income workers are most likely to have access to policies that enable them to balance work and family.

STATE AND LOCAL INITIATIVES TO EXPAND ACCESS TO WORK-FAMILY FRIENDLY POLICIES

Beyond employers voluntarily providing access to paid leave for employees, some State and local governments have moved to expand access to family-friendly policies to all workers, spurred in part by worker demand for these policies, but also because some businesses recognize the value in a set of consistent policies for all workers. In fact, the vast majority of businesses see either positive or no effect from State paid leave policies (Appelbaum and Milkman 2011).

State Paid Family Leave

Currently three states have implemented paid family leave programs (Table 4-5). In addition, Washington State has passed paid leave legislation, but has not yet implemented the program. A number of states are also considering the feasibility of similar programs.³⁴ For example, in 2014 the U.S. Department of Labor awarded \$500,000 in competitive Paid Leave Analysis Grants to the District of Columbia, Massachusetts, Montana, and Rhode Island to study the feasibility of state-wide paid leave programs. The grantees were selected from a larger pool of applicants. The Department of Labor announced in January 2015 that it will offer \$1 million in new funding

³³ To conduct this analysis, CEA examined the relationship between access to leave and worker characteristics. After controlling for wages, education, industries, and occupations, 53 percent of the difference in access to leave between Hispanics and non-Hispanics remained unexplained.

³⁴ According to the National Partnership for Women and Families, around 20 states have pending legislation on some kind of paid leave program.

Table 4-5
State Leave Policies as of January 2015

State	Type	Year Effective	Duration	Implementation	Replacement Rate
California	Family Leave	2004	6 weeks	Temporary Disability Insurance	Approximately 55 percent, maximum of \$1,104 per week
New Jersey	Family Leave	2009	6 weeks	Temporary Disability Insurance	66 percent, maximum of \$604 per week
Rhode Island	Family Leave	2014	4 weeks	Temporary Disability Insurance	Around 60 percent, maximum of \$770 per week
California	Sick Leave	2015	3 days	Paid by employers	100 percent
Connecticut	Sick Leave	2012	5 days	Paid by employers	100 percent
Massachusetts	Sick Leave	2015	40 hours	Paid by employers	100 percent
District of Columbia	Sick Leave	2008	3-7 days	Paid by employers	100 percent

Source: California Employment Department; New Jersey Department of Labor and Workforce Development; Rhode Island Department of Labor and Training; California Governor's Office of Business and Economic Development (2014); Connecticut Department of Labor (2014); Secretary of the Commonwealth of Massachusetts; District of Columbia (2008, 2013).

for the program, which could provide competitive grants to an additional 6 to 10 states or municipalities.

California implemented paid family leave in 2004. Under California law, paid family leave benefits are available to almost all workers. The program provides six weeks of paid family leave at approximately 55 percent of usual weekly earnings with a maximum weekly benefit of \$1,104 as of 2015, which is indexed to the State's average weekly wage. The paid family leave program was developed as a component of the existing temporary disability insurance system. The system is funded through a payroll tax which is 0.9 percent of the first \$104,378 of an employee's State Disability Insurance (SDI) taxable wages in 2015 (California Employment Development Department). This tax funds both the temporary disability insurance system and the paid leave system. By implementing paid leave through the existing disability insurance system, California was able to capitalize on their existing administrative and revenue collection institutions. Businesses may alternatively choose to cover employees through a voluntary plan that provides coverage, rights, and benefits that are at least as good as the state-mandated plan, with at least one greater right or benefit than provided by the State plan. Businesses choosing voluntary plans must also get the agreement of the majority of their employees.

Pew estimates that 1.5 million workers have used the California Paid Family Leave program since its inception (Pew Charitable Trusts 2014).

Because California enacted its policy a decade ago, some evidence on the policy's impacts in that state is available. Following implementation of the program, most businesses reported no negative effect on profitability. A survey of 253 employers affected by California's paid family leave initiative found that the vast majority—over 90 percent—reported no negative effect on profitability, turnover, or morale (Appelbaum and Milkman 2011). Empirical research also found that California's leave policy increased hours worked and earnings among mothers with one- to three-year-old children by up to 10 percent, particularly among lower-wage mothers who were unlikely to be able to afford to take unpaid leave (Rossin-Slater, Ruhm, and Waldfogel 2013).

New Jersey became the second state to provide its workers with access to paid family leave in 2009. The New Jersey program also piggybacks off of the state's Temporary Disability Insurance program to create Family Leave Insurance. All employees in New Jersey whose employers are subject to the New Jersey Unemployment Compensation law are covered regardless of the number of employees. Workers contribute 0.09 percent of their first \$32,000 in earnings. Unlike California and Rhode Island, the revenue for the family leave insurance program is collected through a separate tax rate from the Temporary Disability Insurance program, although the wage base is the same as that that is used for both unemployment compensation and temporary disability insurance. Family Leave Insurance is available to workers with at least 20 calendar weeks of covered employment and at least \$165 a week (or \$8,300 annually) in earnings in the 52 weeks preceding leave. Covered workers are eligible for six weeks of partial wage replacement in the 12 months after becoming a parent or any time for the care of an ailing family member. The wage replacement is paid at two-thirds of the worker's average weekly wage, up to \$604 a week. Employers can also choose to provide coverage through an approved Family Leave Insurance private plan and opt-out of the State plan. Private plans must, however, provide benefits that are at least as generous as the State plan and the cost to the worker cannot exceed the payroll tax they would face under the State plan (New Jersey Department of Labor and Workforce Development).

Rhode Island was the third State to enact paid family leave by extending its Temporary Disability Insurance program (which has been in place since 1942) to create a Temporary Caregiver Insurance program (TCI) and markedly expand access to paid leave among Rhode Island workers. TCI became effective at the start of 2014 and provides covered workers with income support when they take up to four weeks of paid time away from work to care for a new child or a seriously ill family member. Weekly Temporary Caregiver Insurance benefits total approximately 60 percent

of an employee's weekly wage up to a maximum of \$770.³⁵ Temporary Caregiver Insurance leverages the benefits of extending the Temporary Disability Insurance (TDI) program to incorporate new benefits for caregiving. Rhode Island covers the additional benefits under the previous payroll Temporary Disability Insurance Tax of 1.2 percent of a workers' first \$64,200 in earnings. This employee paid tax covers both the TDI program and the TCI program. Additional benefits may be available to workers with children under the age of 18 and disabled children over 18. This weekly "dependency allowance" is paid as the greater of \$10 or 7 percent of the standard benefit rate (Rhode Island Department of Labor and Training).

New York, Hawaii, and Puerto Rico also have temporary disability insurance systems and could easily implement programs similar to those in California, New Jersey, and Rhode Island. Washington was the first state to pass a paid leave law not administered through a disability insurance program, though it has not yet been implemented due to the lack of a financing mechanism.

State Paid Sick Leave

At the start of 2014, Connecticut was the only state, along with a few cities, that guaranteed workers the right to earn paid sick leave. But momentum was building at both the State and city level. By the end of the year, both California and Massachusetts had enacted paid sick leave policies, along with cities such as Eugene, Oregon, San Diego, and Oakland.

In 2008, the District of Columbia passed a paid sick leave law that provides paid sick leave to workers in most industries who have been with their employer for at least 90 days. Workers can use sick leave for illness, preventative care, or services related to domestic violence for themselves or a family member. The rate of sick leave accrual is based on employer size: employers with 100 or more employees are required to provide an hour of paid leave for every 37 hours worked, up to a maximum of 7 days, while employers with fewer than 25 employees must provide an hour of paid sick leave for every 87 hours worked, to a maximum of 3 days a year (District of Columbia 2008, 2013).

In 2012, Connecticut implemented legislation that required certain employers to offer paid sick leave to their workers. The law covers hourly (non-exempt) workers in the service sector employed by firms with at least 50 employees. Manufacturers and nationally chartered non-profits that provide recreation, child care, and education are not required to provide

³⁵ Benefits are 4.62 percent of the wages earned in the highest quarter of the base period. For workers who are earning a steady salary over the quarter this is approximately 60 percent of their weekly wages.

paid leave, and per diem and temporary workers are also not covered (Connecticut Department of Labor 2014). While only about 12 to 24 percent of Connecticut's workers are covered due to the many exceptions, most part-time workers were covered (Appelbaum et al. 2014). Covered workers in Connecticut earn an hour of paid leave for every 40 hours worked, up to a total of 40 hours of paid leave (5 days) in a calendar year. In addition to personal illness, workers are able to use this leave to care for a sick spouse, a sick child, or if they are a victim of family violence or sexual assault.

The California legislature passed paid sick leave legislation in September 2014. After July 1, 2015, all employers will be required to provide paid sick leave. Employees are eligible after working 30 days for an employer in California. Employees accrue at least an hour of sick leave for every 30 hours worked, which employers may limit to 3 days a year. In contrast to the laws in the District of Columbia and Connecticut, the California legislation extends to both small- and large-employers, but exempts some in-home service providers and some employees who are covered by collective bargaining arrangements. Like both the District of Columbia and Connecticut, California employees will be able to use paid sick leave to care for themselves or family members (California Governor's Office of Business and Economic Development 2014; Kalt 2014).

In November 2014, Massachusetts passed a ballot initiative requiring employers with at least 11 employees to offer paid sick leave (workers at smaller employers can take unpaid leave as provided for in the law). Workers earn at least an hour of sick leave for every 30 hours worked, up to a maximum of 40 hours a year. Workers can use this earned leave for illness or injury affecting the employee or his or her child, spouse, parent, or spouse's parent (or to attend routine medical appointments for the same group), or to address the effects of domestic violence on the employee or his or her dependent child. CEA estimates that, as of May 2015 when it becomes effective, approximately 90 percent of Massachusetts employees will have access to paid sick leave (Longitudinal Business Database 2012).³⁶

Cities across the country have also enacted statutes providing covered employees with the opportunity to accrue paid sick leave. These include San Francisco; Oakland; Seattle; Portland, Oregon; New York City; Jersey City; and Newark. In addition, there are active campaigns in around 20 other States and cities to make paid sick leave mandatory. However, at least 10 States have legislation barring cities and counties from passing their own paid sick leave legislation.

³⁶ According to the Business Dynamics Survey, approximately 10.0 percent of employees in Massachusetts were employed at firms with 1-9 workers in 2012.

Right-to-Request Provisions

One way to help workers gain access to flexibility in the workplace is to make it easier for workers to simply ask for these benefits. This practice is spelled out in “right-to-request” policies, which lay out the circumstances and procedures by which workers can ask their supervisors to consider alternative work arrangements to meet their needs for flexibility. Workers may be hesitant to enquire about their employer’s flexible scheduling policies because they fear this request will reflect poorly upon them or cause them to lose their job. One-fifth of American adults, and more than one-third of working parents and caregivers, report that they believe they have been denied a promotion, raise, or new job because they need a flexible work schedule (Nielsen 2014). In addition, anecdotal evidence—particularly from the service and retail sectors—suggest that even part-time employees can be penalized for requesting limits on their availability (Greenhouse 2014). Right-to-request laws attempt to reduce punitive behavior by employers when workers make a scheduling request. Under right-to-request laws, employers cannot retaliate against an employee who requests a flexible work arrangement. In addition, the laws create an incentive for employers to consider implementing flexible workplace policies.

Some local and State governments in the United States have already implemented right-to-request laws (Table 4-6). In 2013, San Francisco passed the Family Friendly Workplace Ordinance, which allows some workers to request flexible or predictable working arrangement to help meet their responsibilities in caring for children, elderly parents, or relatives with serious health conditions (City and County of San Francisco 2013). Vermont passed similar legislation that allows workers to request workplace flexibility for any reason (Vermont State Legislature 2013). These laws do not require the employer to accept the request; they only require employers to consider the requests, provide a written response, and not retaliate against workers for making such requests. Employers are able to deny requests that would negatively affect business performance or impose high business costs (City and County of San Francisco 2013; Vermont State Legislature 2013). As these policies were implemented recently, there is not yet empirical data on how businesses and employees have responded.

Other countries, including the United Kingdom, New Zealand, and Australia, have also adopted right-to-request laws.³⁷ Most requests are submitted by those with child care responsibilities and, in its early years of

³⁷ Under the “Act of Part-Time and Fixed-Term Contracts” (§ 8 TzBfG), employees in Germany who have been working for more than 6 months at a company with more than 15 employees can request to switch to part-time work. This request can only be declined for “business reasons.” See Foster and Sule (2010).

Box 4-5: Japan's Strategy to Grow the Economy by Increasing Women's Involvement

Japan has experienced decades of low growth. In response, Prime Minister Shinzō Abe has developed a strategy to put Japan back on a path to sustained growth. An important part of this strategy is creating a society in which women are supported in taking a more substantial role in work and decision making. Currently, many Japanese women must choose between career and family. As a result, the labor force participation rate among prime-age Japanese women has recently been well below that of other developed countries. It is currently around 74 percent, about 22 percentage points below that of Japanese men and about 2 percentage points above the Organisation for Economic Co-operation and Development (OECD) average. However, female labor force participation in Japan has risen about 7 percentage points since 2000. The focus on women's participation in Japan began in earnest in the last three years, and since 2011 there has been a notable uptick in female labor force participation.

The Abe policies are focused on creating a more broadly inclusive professional environment for women in Japan, with the goal of increasing economic growth by taking greater advantage of the talents of women in the labor market and government. The International Monetary Fund (IMF) estimates that increasing female labor force participation in Japan could add another 0.25 percent to growth each year and raise income per capita by 4 percent.

One avenue that the government is pursuing to raise female labor force participation is child care. Under Abe, the government is creating 400,000 new spaces in nursery schools to eliminate child care waiting lists and provide more high quality care and thereby enable women who want to continue to work after starting a family to do so. Currently, 60 percent of Japanese women leave work when they have their first child. Other policies include initiatives to increase the representation of women in leadership positions to 30 percent by 2020 and to encourage private businesses to add at least one woman to their boards. Japan provides 14 weeks of paid maternity leave at roughly two-thirds of pay and an additional 44 weeks of paid parental leave which makes it around average in the OECD for total leave available to mothers (OECD 2014). Japan also provides protections for pregnant workers: pregnant workers or workers who just had a baby cannot be assigned to work injurious to pregnancy, childbirth, nursing, and related matters (ILO 2014). These policies can provide important lessons for U.S. policy makers, in considering how to raise female labor force participation.

Table 4-6
Local Right to Request Laws

Locality	Date Effective	Covered Workers	Flexibility Uses	Employer Responsibilities
San Francisco (City and County)	January 1, 2014	Workers who have worked for their current employer for at least 6 months and who work at least 8 hours per week on a regular basis. Employers with fewer than 20 employees are exempt.	Caring for a child under the age of 18, a relative with a serious health condition, and/or a parent older than 65.	Employers must meet with the employee and respond to the request within 21 days of the meeting. Any denial must be in writing and describe the business reason for the denial.
Vermont	January 1, 2014	All public and private sector workers.	Workers can request flexible work arrangements or predictable schedules for any reason.	Employers must consider requests at least twice a year. Employers may deny if the request poses costs to the business.

Source: City and County of San Francisco (2013); Vermont State Legislature (2013).

implementation, employers fully or partially accepted more than 80 percent of these requests for flexibility (Georgetown University Federal Legislation Clinic 2006). Perhaps unsurprisingly, the percentage of employers offering workplace flexibility increased after the implementation of these laws. In the United Kingdom, for example, more than 90 percent of employers have flexible work arrangements in the workplace; only 50 percent of employers reported such arrangements in 1999 (NACEW 2013).

U.K. employers have realized business benefits from flexible work arrangements, including improved employee relations, better recruitment and retention, lower absenteeism, and increased productivity (NACEW 2013). The right-to-request law there was recently expanded to cover all workers, regardless of parent or caregiver status (Gov. UK 2014). The evidence suggests that right-to-request laws make it easier and more likely for employees to ask for and obtain flexible work arrangements. Flexible work arrangements can also lead to working environments better matched to employees' needs and a more productive workforce for employers.

The Administration recognizes that the benefits of workplace flexibility programs can only be realized if workers feel comfortable asking for them. With that understanding, the President signed a Presidential Memorandum in June 2014 encouraging every agency in the Federal Government to expand flexible workplace policies as much as possible. The memorandum also makes it clear that Federal workers have the right-to-request a flexible

work arrangement without fear of retaliation. As a result, Federal agencies will periodically make their employees aware of the workplace flexibilities available to them and remind them that they may request any of those flexibilities without fear of retaliation. Supervisors must consider these requests carefully, confer with requesting employees, and render decisions in a timely fashion. Since workers may be unaware of their options with respect to workplace flexibility or the circumstances under which they are permitted to use them, this step will enable Federal employees to better balance their personal and professional obligations by providing clarity on those issues.

By instructing agencies to extend their flexibility policies and encouraging workers to request schedules that fit their needs, this memorandum builds on previous efforts to promote workplace flexibility in the Federal government. For example, increased telecommunication capacities developed in part under President Bill Clinton's direction have enabled Federal employees to work remotely through adverse weather situations. Workers' ability to change their work location has resulted in significant cost savings. For example, during the winter of 2009-10, telecommuting capabilities saved over \$30 million for every day the Federal government was closed due to heavy snow, for a total savings of more than \$150 million (CEA 2010).

THE ECONOMIC CASE FOR FAMILY-FRIENDLY WORKPLACE POLICIES

Paid leave and workplace flexibility hold great potential to benefit businesses as well as our economy overall through improved economic productivity. A body of research finds that these practices can benefit employers by improving their ability to recruit and retain talent, lowering costly worker turnover, and minimizing loss of firm-specific skills and human capital, as well as by boosting morale and worker productivity. The following subsections present evidence on the impacts of paid leave and workplace flexibility on absenteeism and worker health, two dimensions of workforce quality performance about which there is a great deal of information, and then turn to the broader literature on other aspects of workforce performance, including turnover. Taken together, these two strands of research suggest that work-family friendly policies have significantly improved worker performance in firms and industries that have tried them.

While many companies do offer these benefits, many other companies do not: as previously shown, fewer than one-third of full-time workers have flexibility in their hours worked and less than one-half of workers have access to any kind of paid leave. The question of why these policies have not

reached more workers is an important one, and the literature offers several explanations, reviewed in the sections below.

Impact of Leave and Flexibility on Worker Health and Absenteeism

Both paid leave and workplace flexibility policies can improve worker health, and workplace flexibility can reduce absenteeism. Improved worker health may indirectly improve productivity and morale, as healthy workers are able to work to their full potential.

Paid sick leave creates a healthier work environment by encouraging workers to stay home when they are sick, making them less likely to infect others and cause further productivity losses. For example, a study showed that employee absences fell more rapidly after the peak of the 2009 H1N1 pandemic among public sector workers (who had much higher access to paid sick leave) compared to private sector workers who were much less likely to have paid sick leave (Drago and Miller 2010).

Evidence suggests that, on net, paid sick days do not lower business profits. A survey of 253 employers affected by California's paid leave initiative found that around 90 percent reported no negative effect on profitability (Appelbaum and Milkman 2011). Another study examining the implementation of San Francisco's paid sick leave law in 2007 found no evidence of a negative economic effect. Relative to surrounding areas that did not have a paid sick leave law, total employment and the total number of businesses increased in San Francisco after the law's implementation (Petro 2010). In addition, a study of 251 employers in Connecticut after that State implemented a paid sick leave program found that employees did not abuse the policy by taking unnecessary sick days (Appelbaum 2014).

Research suggests that paid parental leave policies can provide health benefits that extend to children, such as higher birth weight and lower infant mortality. There are several channels through which improved health can occur. With paid leave, parents can better monitor their children's health (Ruhm 2000). In particular, Rossin-Slater (2011) found that, among college-educated mothers, an expansion of unpaid leave increased birth weight and decreased premature births and infant mortality. The existing evidence on child development emphasizes the importance of the early childhood and prenatal environment, so benefits of better health in infancy are likely to persist as children age (Almond and Currie 2011). In support of this hypothesis, a study of Norway's maternity leave reform found children whose mothers were eligible for extended maternity leave had higher educational attainment, lower teen pregnancy rates, higher IQ scores, and higher adulthood earnings (Carneiro, Loken, and Salvanes 2011). In addition, more

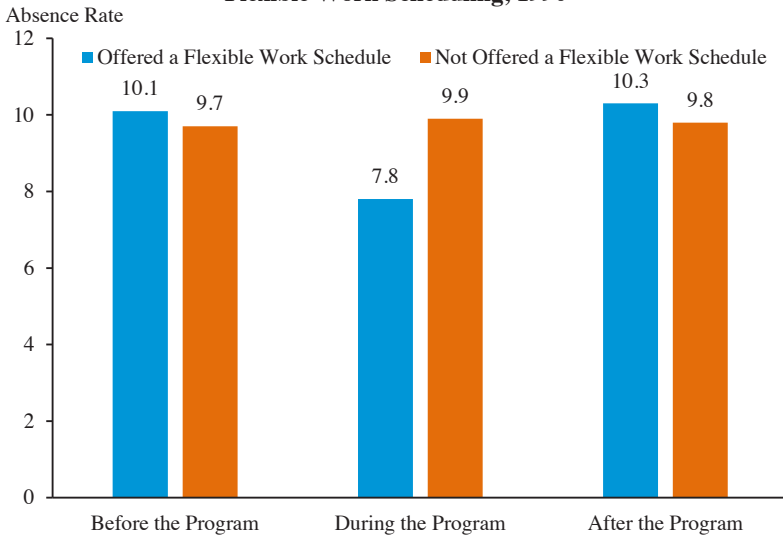
paternity leave taken at birth is associated with fathers being more involved in child care nine months later, which has benefits for both the child and the mother (Nepmonyaschy and Waldfogel 2007).

Flexible work arrangements can also improve worker health. A workplace intervention conducted at 12 Midwestern grocery stores found that workers supervised by family supportive managers reported improved physical and mental health (Work, Family, and Health Network 2008a). Another study found that a workplace intervention at a retail company to allow employees greater control over their work schedule resulted in employees being less likely to report feeling obligated to come to work, or not see a doctor, when they were sick. The intervention also improved sleep quality and energy and reduced psychological stress (Work, Family, and Health Network 2008b).

Workplace flexibility can also help reduce absenteeism, which can be costly to a firm by creating uncertainty over the workforce size and composition that a manager can expect on any given day. In companies where multiple workers perform similar tasks, workers can help compensate for missing colleagues. In smaller firms or firms where each worker's job is different and critical to a company's mission, however, unplanned absences may be especially costly. Studies that follow workers as they switch between firms that offer a flexible work schedule (such as work-at-home options) to those that did not found that workers tended to miss work more often in firms without flexible arrangements (Dionne and Dostie 2007; Yasbek 2004; Comfort, Johnson, and Wallace 2003; Akyeampong 2001). Perhaps the most compelling study of the impact of workplace flexibility on absenteeism comes from within a large public utility that temporarily allowed workers in one of its sub-units to choose their working hours without changing the total number of hours worked. The other sub-units retained the standard scheduling. The sub-unit with a flexible schedule reported a reduction in absences of more than 20 percent, while the absenteeism rate in other sub-units essentially remained unchanged (Figure 4-18; Dalton and Mesch 1990). When the company reverted back to standard scheduling for all of the sub-units after a one-year trial, the absenteeism rates of the two sub-unit groups became, once again, similar.

A recent Gallup Poll (2013) estimates that the annual cost of workforce absences due to poor health was \$84 billion. If the findings in Dalton and Mesch (1990) generalize across industries, and if all of this reduction

Figure 4-18
Average Absence Rates With and Without
Flexible Work Scheduling, 1990



Source: Dalton and Mesch (1990).

translates into lower costs for employers, then the implied savings due to offering flexibility could be around \$17 billion a year.³⁸

The Role of Family-Friendly Policies in Worker Recruitment, Retention, and Productivity

Paid leave and flexible work arrangements are forms of compensation, similar to wages or health and retirement benefits. Employers have discretion over which benefits to provide to their employees, resulting in differing compensation “packages.” Economists have long considered the total wage and benefits “bundle” to be important to workers in selecting jobs (Bauman 1970; Woodbury 1983; Eberts and Stone 1985; Summers 1989; Gruber and Krueger 1991; Sheiner 1999; Olson 2002). There is evidence that workers take into account the entire compensation package—not only wages—when considering job offers. For example, workers must be paid higher wages to accept jobs without health insurance, partly to help pay for their health expenses (CEA 2010). Similarly, analysis of data on 120 employers found that, when offered little workplace flexibility, workers require higher wages to help pay for services such as emergency child care and

³⁸ As discussed earlier, Dalton and Mesch (1990) find that a flexible schedule reduced absences by more than 20 percent. Applying that percentage to \$84 billion translates to savings of about \$17 billion a year.

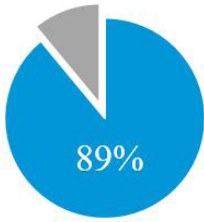
eldercare (Baughman, DiNardi, and Holtz-Eakin 2003). These studies show clearly that workers value family-friendly benefits and that offering these benefits is a form of compensation. Research shows that higher compensation improves business' ability to attract and retain talent as well as generally improving worker performance (Dal Bo, Finan, and Rossi 2013; Cappelli and Chauvin 1991; Akerlof and Yellen 1986; Bewley 1999). Therefore it is not surprising that firms that offer these benefits have been shown to be more productive (Bloom, Krestchmer, and Van Reenen 2006; Bloom et al. 2013; A Better Balance 2008; Corporate Voices for Working Families 2005; NACEW 2013).

In addition to the academic analyses cited above, survey evidence also indicates that employees highly value access to leave and flexibility. Nearly one-half of working parents say they have chosen to pass up a job they felt would conflict with family obligations (Nielsen 2014). As shown in Figure 4-19, a very high share of Americans support such policies, and more than one-half of workers feel they could do their job better if allowed a more flexible schedule (Nielsen 2014). In another survey of 200 human resource managers, two-thirds cited family-supportive policies such as flexible hours as the single most important factor in attracting and retaining employees (Williams 2001). Employers that have adopted these practices cite many economic benefits, such as reduced worker absenteeism and turnover, improvements in their ability to attract and retain workers, and other positive changes that translate into increased worker productivity (A Better Balance 2008; Corporate Voices for Working Families 2005).

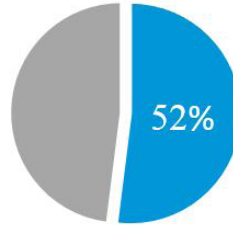
Research by Claudia Goldin has focused on a new reason for gender segregation, particularly in high-skill occupations: highly educated women are more often choosing career paths in which the wage penalties for flexibility are smaller—such as dentistry, veterinary medicine, optometry, and pharmacy—and where the slowdown in wage growth for small periods of time out of the labor force is less (Goldin 2014). However, survey evidence suggests that both men and women value family-friendly workplace policies and men are increasingly also prioritizing jobs that allow more flexibility or include paid parental leave. For example, a 2014 survey of high-skilled working fathers conducted by researchers at Boston College found that 89 percent said that the availability of paid paternity leave was an important consideration in seeking a new job if they planned to have another child. Likewise, 95 percent reported that workplace flexibility policies allowing them to actively engage with their children were an important job characteristic (Harrington et al. 2014).

Recruitment and retention are particularly important channels through which work-family friendly policies can improve productivity and

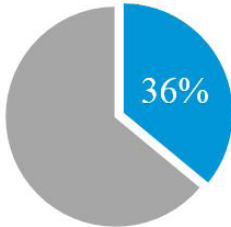
Figure 4-19
The Need for Workplace Flexibility, 2014



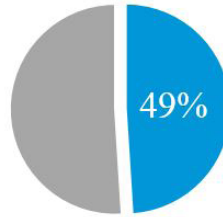
Nine in ten Americans believe employers should offer workers flexibility to meet their families' needs, so long as their work gets done.



Over half of workers feel they could do their job better if they were allowed a more flexible schedule.



More than a third of working parents believe they've been "passed over" for a promotion, a raise, or a new job due to a need for a flexible work schedule.



Nearly half of working parents say they have chosen to pass up a job they felt would conflict with family obligations.

Source: Nilsen (2014) Harris Poll of 4,096 U.S. adults (aged 18+), conducted online May-27-30, 2014.

the bottom line for businesses. More successful recruiting means firms can get the employees they want faster, and improved retention saves the direct and indirect costs of turnover. These costs can be considerable: for example, one study found that hiring costs account for more than \$2,500 per hire in large firms, or approximately 3 percent of total annual labor costs for a full-time equivalent worker.³⁹ Low retention is particularly costly for firms that extensively train their workers with skills specific to their workplace (Becker 1964; Mincer 1974; Lazear 2003). One study notes that “visible” costs such as advertising and orientation costs account for only 10 to 15 percent of total turnover costs (Baughman, DiNardi, and Holtz-Eakin 2003). But after including costs such as productivity losses related to training new employees, another study estimates that the median cost of turnover was 21 percent of an employee’s annual salary (Boushey and Glynn 2012). It is not surprising, therefore, that firms have strong incentives to reduce voluntary turnovers (Pencavel 1972). Research has shown that firms that invest in

³⁹ The study included more than 300 large organizations. Data referred to the 2007 calendar year. The average size of the company in the report has annual revenue of \$5.7 billion and roughly 17,000 employees. See PriceWaterhouseCoopers LLP (2009).

their workforce with higher pay, fuller training, better benefits, and more convenient schedules outperform their competitors (Ton 2012).

There are several ways that paid leave and flexible work arrangements can help reduce turnover. A 2011 Gallup Poll found that access to flexible work arrangements was highly correlated with greater worker engagement and higher well-being (Harter and Agrawal 2012). In a survey of 120 randomly selected employers in New York, employers that offered sick leave and child care assistance had significantly lower rates of turnover (Baughman, DiNardi and Holtz-Eakin 2003). Other studies report that firms with more flexible telecommuting practices had lower turnover (Yasbek 2004; Computer Economics 2008). Case studies of firms, highlighted in Box 4-6, also provide qualitative insights into perceived benefits.

Paid parental leave in particular can help businesses retain talented workers after childbirth. Studies show that paid maternity leave increases the likelihood that mothers return to their employer following the birth of a child, and particularly when combined with statutory job protection, paid maternity leave can increase mothers' wages and employment in the long run (Rossin-Slater, Ruhm, and Waldfogel 2013; Waldfogel, Higuchi, and Abe 1999). At a macroeconomic level, paid leave could contribute to higher labor force participation and a stronger economy, and can also raise business profits if the costs of providing paid leave are lower than the costs of turnover costs.

In addition to the evidence on recruitment and retention, several studies document a positive relationship between workplace flexibility and worker productivity. For example, a study of over 700 firms in the United States, United Kingdom, France, and Germany found a significant positive relationship between work-life balance practices and total factor productivity (Bloom, Krestchmer, and Van Reenen 2006). The authors argue that this correlation could be driven by a third factor—good management. Well-managed firms both have higher productivity and often embrace flexible workplace practices. But importantly, the study finds no evidence that workplace flexibility harms productivity. In a randomized evaluation designed to eliminate a role for management in affecting worker productivity, call center employees at a travel agency in China found productivity increased when workers chose where they worked. When workers were allowed to choose the optimal place to work based on their preferences and circumstances—whether from home or the office—productivity increased 22 percent (Bloom et al. 2013).

Box 4-6: Reimagining the Structure of Work at JetBlue

Since the airline's founding in 2000, JetBlue has followed a flexible, work-from-home model for nearly all of its 2,000+ customer service representatives. After initial training, JetBlue crewmembers work from home and regularly attend monthly and quarterly training sessions and team meetings at their local Support Center (Salt Lake City or in Orlando). JetBlue cites the business case for improving workplace flexibility for its crewmembers, stating that when they can "better attend to their home life," it leads to happier and more productive crewmembers and lower overhead, which leads to lower ticket prices for their customers and higher profits and profit sharing for its crewmembers.

The Business Case for Wider Adoption of Flexible Workplace Practices and Policies

The evidence cited above suggests that paid leave and flexible work arrangements benefit workers and employers. Workers are happier, healthier, and more likely to remain with the more flexible firm; for firms, this means lower turnover, less absenteeism, easier recruiting of talent, and more productive workers. Yet despite these benefits, many firms have still not adopted such practices. If these practices generate such large economic benefits for both workers and firms, why do more workers not already have access to them?

Researchers have put forth two explanations for this puzzle. One broad explanation is that managers either are unaware that these policies can benefit them, or they simply do not have the capacity to implement these policies. A second explanation posits that firms differ in the benefits that family-friendly policies can provide, with some firms benefiting greatly and others much less so. Under this explanation, managers are aware of the benefits of such practices to their firms, and implementation rates reflect the fact that only some managers will find it worthwhile to enact these policies.

Research has found considerable evidence for the first of these explanations. Economists find that lack of information is one factor that may contribute to the incomplete adoption of the best management practices (Bloom and Van Reenen 2010). For example, even in manufacturing where productivity is relatively easily quantified, managers sometimes appear to fail to make profit-maximizing choices (Romer 2006; Bloom and Van Reenen 2010; Levitt 2006; Cho and Rust 2010; Bloom, Kretschmer, and Van Reenen 2006; Yasbek 2004). This may be because it takes time for managers to learn and incorporate new techniques and policies, or because firms can

be persuaded to adopt such policies under only intense outside pressure. In addition, as the labor force changes, the best practices from previous years may not be best-suited to today's workforce (Griliches 1957; Cohen and Levinthal 1990; Levitt and March 1988; Nelson and Winter 1985). If implementing new work-family policies is costly for firms, adoption may lag, leaving firms with outdated human resources practices until either labor-market competition forces a change or until new management arrives.

The second possible explanation holds that costs and benefits of family-friendly practices may differ across firms. For example, it might be possible for financial services employees to occasionally work from home, while it is often infeasible for food service employees. Theory then predicts that firms and industries with the greatest potential net gains from adopting flexible practices should be among the first to embrace them. Since existing studies of the effect of flexible arrangements come from firms that have already adopted these practices, the evidence presented above may overstate the economic benefits that some firms without flexible arrangements would enjoy if such flexibility were widely adopted. On the other hand, if flexible arrangements were coordinated across firms or part of a Federal program, costs would be spread out among employers, making such offerings more beneficial for them. In addition, it would prevent employers who refuse to provide flexibility to their workers from pricing their goods and services lower than competitors who do provide flexibility.

However, there is still an economic rationale for why employers and the U.S. economy could benefit from wider adoption of flexible workplace practices. Promoting work-life balance may help society in ways that are not taken into account by either employers or employees (what economists call social benefits or positive externalities). For example, some economic models have emphasized that firms may be reluctant to offer benefits packages that are particularly attractive to workers for whom the benefits are most costly to provide. The classic example is health insurance, which may attract the sickest workers. If a similar dynamic operates with flexible workplace arrangements, then too few employers may offer such arrangements and those that do will pay a higher cost. Summers (1989) explains this as an example of asymmetric information. Suppose that providing the benefit is costly and that a firm does not have accurate information about an individual's probability of using the benefit. A firm-offered benefit attracts the workers who value it most. If the benefit is most costly to provide to these workers, the firm's cost of offering the benefit will increase. The cost would be lower if all firms offered the same benefit, allowing more workers to benefit from the increased flexibility (Levine 1991 provides a related argument). In addition, on average, adopting flexible practices likely encourages labor

force participation among those workers that would otherwise find it too “costly” to work or invest in workplace skills. For example, Goldin (2006) documents that as women perceived more options for long-term future careers, their educational attainment increased. In this way, when potential workers are better able to envision a long-term attachment to the labor force, their skill development may increase.

Family-friendly practices can also help encourage better bonding between parents and children, which has been shown to lead to better outcomes for children in adulthood. For instance, researchers have shown that children of women who receive paid maternity leave earn 5 percent higher wages at age 30 (Carneiro, Loken, and Salvanes 2011). Enabling workers who are sick, or who have sick children, to stay home can also benefit others as illness is more quickly curtailed in schools and the workplace.

In decision making, firms may be best persuaded by evidence of impacts on other firms’ bottom lines. An innovative paper studying the impact on firm profits tracked the announcements of new work-life balance policies (such as dependent care or flexible work arrangements) by Fortune 500 companies in *The Wall Street Journal*. The paper found that, on average, firms’ stock prices rose in the days following announcements of work-life balance initiatives (Arthur 2003). Such evidence indicates that flexible practices boost investors’ perceptions of the value of a firm, which may derive from their beliefs about the impact of the policies on worker productivity. It may also be due to a perception about the value of working parents and caregivers in the company and the effect of work-life balance initiatives on these employees. Greater representation of women in top management positions is associated with better firm performance on several dimensions (Catalyst 2004), and research also finds that women can help drive innovation and better target female customers and employees (Hewlett, Marshall, and Sherbin 2013).

CONCLUSION

With women and men increasingly sharing breadwinning and caregiving responsibilities, today’s working families need a modern workplace—one with workplace flexibility, paid family and sick leave, access to family-supporting and work-supporting policies like quality child care and eldercare to allow them to make the choices that best fit their needs. Such policies lead to higher labor force participation, greater labor productivity and work engagement, and better allocation of talent across the economy. The International Monetary Fund and the Organisation for Economic Cooperation and Development have both identified child care policies and

paid leave as important drivers of female labor force participation (Elborgh-Woytek et al. 2013). Caregivers will continue to face complex decisions about whether to combine their caregiving duties with participation in the labor force, and many will choose to stay out of the labor force or reduce their work hours in order to best meet the needs of their families. However, policies should make it easier for those who, by choice or necessity, are combining caregiving with paid work. Not only are such policies helpful to parents, but access to policies like paid leave better facilitate children's development and therefore their long-run outcomes including higher wages as adults.

While many employers have already adapted to the changing realities of the American workforce, there is still a long way to go. More than one-half of workers believe they could do their jobs better with more flexibility, and almost one-half of parents say they have passed up a job because of its conflict with family obligations. An increasing share of parents in dual-earner families report that work interferes with their home life. More than one-quarter of workers report that they have no access to any form of leave, even unpaid; less than one-half of workers have access to paid leave for the birth or adoption of a child. These numbers also contain important disparities by ethnicity, income, education, and sector of employment.

As in all business decisions, the critical factors that determine adoption of a new management strategy are the costs and benefits of a program. Almost one-third of firms cite costs or limited funds as obstacles to implementing workplace flexibility arrangements. Yet there is evidence that adopting workplace flexibility arrangements leads to significant benefits for employers, in the form of reduced turnover, improved recruitment, and increased productivity. Implementing these practices may also reduce costs for employers by improving employee health and decreasing absenteeism.

The wider adoption of such practices would result in benefits to society (in the form of improved employment outcomes and more efficient allocation of workers to employers) that may be even greater than the gains to individual firms and workers. The best available evidence suggests that encouraging more firms to consider adopting flexible practices can potentially boost productivity, improve morale, and benefit the U.S. economy as a whole. To put a number on it, if women's employment increased enough to close the male-female employment gap, that would raise GDP by 9 percent.⁴⁰

⁴⁰CEA calculated this number by raising the employment-to-population ratio and work week for women to the average level for men and applying this to a growth-accounting model that holds the average product of labor constant. For a similar calculation, see Goldman Sachs (2007), which estimates an increase of up to 9 percent.