



# Research-in-Brief

## UNNECESSARY LOSSES

In the midst of a heated debate over the hypothetical costs of enacting a national family and medical leave policy, **Unnecessary Losses** estimates the current economic costs of the *lack* of a national family and medical leave policy to working women and men, and to taxpayers, in terms of added earnings losses and public income assistance. These costs occur because a substantial number of workers currently do not have the right to return to their jobs after an absence for childbirth, illness, or eldercare. The proposed Family and Medical Leave Act (FMLA) would entitle employees to take a reasonable amount of short-term family or medical leave without risk of termination of employment.

**Unnecessary Losses** concludes that the costs to workers and taxpayers of the current lack of national policy are many times greater than the costs to business of having a national policy. Having a national leave policy would reduce the costs to workers and society of the socially necessary tasks of childbirth, child care and eldercare, or of illness, because having the right to return to their jobs would reduce unemployment and earnings losses for workers who must be absent for these reasons.

The costs borne by workers because of childbirth, illness and dependent care are staggering, amounting to over \$100 billion annually.

**LOST EARNINGS FROM CHILDBIRTH.** American women workers incur large earnings losses to have the next generation of workers and citizens:

- o Earnings foregone in the year of the birth (or adoption) and in the two subsequent years amount to an estimated \$14,400 (in 1986 dollars) per woman.
- o The total earnings loss to all women who have babies is estimated at \$31 billion annually.

**UNNECESSARY  
LOSSES:**

**COSTS TO AMERICANS  
OF THE LACK OF FAMILY  
AND MEDICAL LEAVE**

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**WOMEN WHO RETURN TO WORK AFTER CHILDBIRTH ALSO LOSE EARNINGS.** While it is obvious that women who do not return to work after the birth of a child lose substantial earnings after childbirth, it is less obvious that earnings losses would be large even for women who do return to work. Yet:

- o Over forty percent of the total earnings loss from childbirth of \$31 billion is incurred by women who return to work within two years after the birth of the child. The aggregate loss in earnings for these women is estimated at \$12.9 billion dollars annually.
- o Lost earnings per woman, for those returning to work, amount to \$8,460 per woman: \$2,632 in the birth year, \$2,973 a year later, and \$2,855 two years later.
- o Over 70 percent of employed women having babies return to work within two years, an estimated total of 1,524,000 million women workers annually.
- o Women targetted by the proposed Family and Medical Leave Act--those who have babies and return to work shortly thereafter--*are* currently sustaining huge earnings losses.

**BENEFICIARIES OF LEAVE ACT HAVE LOW INCOMES.** For childbirth, the principal beneficiaries of the FMLA would be lower-earning women, those typically most in need of federal labor standards:

- o New mothers who reported having no family leave other than vacation were in significantly worse economic circumstances than women reporting some form of leave. The differential between those with and without leave amounted to over \$5,000 in annual earnings or \$2.65 per hour in the pre-birth year.
- o The difference in annual earnings between women with leave and those without widened in the birth year and the two years thereafter. Across all three years, those without leave lost \$1088 more in annual earnings than those with leave.
- o In total, those with leave lost \$8,191 or 51 percent of their pre-birth year earnings, while those without leave lost \$9,279 or 86 percent of their pre-birth year earnings. The proportion of earnings lost was much greater for those without leave because their earnings were lower to begin with.
- o The total annual earnings losses for women without leave who gave birth are \$607 million greater than for women with leave. This figure represents only the additional earnings lost by women with no leave over and above those losses sustained by women with leave.

**LOST EARNINGS FROM ILLNESS.** The losses in earnings to employed women and men because of illness are enormous. The earnings losses persist and grow in the two years following absence due to illness:

- o Total earnings losses per worker experiencing illness are estimated at \$4796 over a three-year period.
- o The earnings losses resulted from lower hourly wages, fewer hours worked, more hours of unemployment, and more hours out of the labor force. In the aggregate, the earnings loss to all workers who experience above-average illness is estimated at \$100 billion annually.

**COST OF LACK OF LEAVE FOR ILLNESS ESTIMATED BY LOST EARNINGS FROM ADDED UNEMPLOYMENT.** Workers with above-average absence due to illness experience higher unemployment than those with less absence:

- o Women with illness had 6 weeks of unemployment in the two years following the absence compared with 4 weeks for well women. Ill men had 8 weeks of unemployment compared with 5 weeks for well men.
- o The estimated earnings losses due only to increased unemployment following an illness episode amount to \$583 per worker, or \$12.2 billion aggregated to all workers.
- o Illness-related earnings losses associated with increased unemployment would be mitigated by legislation ensuring workers the right to re-employment after illness.

**BLACK WORKERS SUFFER ADDED UNEMPLOYMENT AFTER ILLNESS COMPARED TO WHITE WORKERS WITH ILLNESS.** Black workers who experienced absence due to illness suffered greater earnings losses than ill white workers, primarily because of even greater unemployment and longer time out of the labor force:

- o Black women had lower earnings than white women in the year prior to the illness, due to lower hourly wage rates and more hours of unemployment.
- o By the second year after the illness, black women workers had an additional 6.5 weeks of unemployment and 5 weeks out of the labor force compared to white women who also experienced above-average absence due to illness. Over the three-year period observed, ill black women lost nearly 14 weeks more work than did white women with illness.
- o For black men with illness, the disparity in earnings compared to ill white men--which amounted to \$9000 in the pre-illness year--widened to \$12,500 two years later.
- o The difference in hours lost between black men and white men with illness episodes increased following the absence year and by the second year amounted to 503 hours (12.6 weeks). Over the three-year period observed, ill black men lost nearly 25 weeks more work than did white men with illness.

**COSTS TO WORKERS, TAXPAYERS, AND BUSINESS.** In addition to the earnings losses that are sustained by workers because of childbirth and illness and lack of job-protected leave for these events, absence from work for these reasons involves substantial outlays by taxpayers, including employers, for unemployment compensation, welfare payments, Supplemental Security Income, and so forth. A portion of these costs would also be eliminated by the enactment of a national family and medical leave policy. The following table summarizes some of the costs of lack of leave to workers and taxpayers from IWPR's study and juxtaposes them to GAO's projections of costs to business if the FMLA were enacted:

#### Annual Costs of Childbirth, Illness, and Job-protected Leave

Costs of:	IWPR Estimates		GAO Estimates
	Current Earnings Lost to Workers	Current Costs to Taxpayers	Projected Business Costs (FMLA, Senate Version, if enacted)
Childbirth or Adoption	\$ 31 billion	\$1.2 billion	not available
Lack of Parental Leave	\$607 million	\$108 million	\$117 million
Absence for Illness	\$100 billion	\$7.5 billion	not available
Lack of Temporary Medical Leave	\$12 billion	\$4.3 billion	\$66 million

#### INSTITUTE FOR WOMEN'S POLICY RESEARCH

The Institute for Women's Policy Research is an independent, nonprofit research institute dedicated to conducting and disseminating research that informs public policy debates affecting women. This research-in-brief is based on the report, Unnecessary Losses: Costs to Americans of the Lack of Family and Medical Leave by Roberta M. Spalter-Roth and Heidi I. Hartmann, which is available from IWPR for \$15.00. The estimates presented here are based on tabulations from the 1979-1984 interview waves of the Panel Study on Income Dynamics, Institute for Social Research, University of Michigan. The Panel Study is a nationally representative sample of nearly 7,000 households that are interviewed annually. IWPR's research was funded by the Ford Foundation.

