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IMPORTING SUCCESS: WHY WORK-FAMILY POLICIES FROM ABROAD MAKE ECONOMIC SENSE FOR THE UNITED STATES

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

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IMPORTING SUCCESS: WHY WORK-FAMILY POLICIES FROM ABROAD MAKE ECONOMIC SENSE FOR THE UNITED STATES

THURSDAY, JUNE 14, 2007

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The Committee met at 10 a.m., in room SH–216 of the Senate Hart Building, the Honorable Carolyn B. Maloney (Vice Chair of the Committee) presiding.

Representatives present: Maloney and Saxton.

Staff present: Christina Baumgardner, Christina FitzPatrick, Christopher J. Frenze, Nan Gibson, Colleen Healy, Almas Sayeed, and Adam Wilson.

OPENING STATEMENT OF HON. CAROLYN B. MALONEY, VICE CHAIR, A U.S. REPRESENTATIVE FROM NEW YORK

Vice Chair Maloney. Good morning. I would like to thank Chairman Schumer, who could not be here today, for allowing us to hold this hearing on why work family policies from abroad make good economic sense for the United States.

This is the first of many hearings that the Joint Economic Committee will hold as Democrats in Congress work to develop workplace standards for the 21st Century that help families balance the competing demands of work and family responsibilities.

Today, we are releasing the findings of a Government Accountability Office report entitled "Women and Low-Skilled Workers: Other Countries' Policies and Practices That May Help Them Enter and Remain in the Labor Force."

This report is the third in a series of reports that I and several of my colleagues, especially Representative John Dingell, have requested to examine women's contributions to the economy and the obstacles that they face in the workforce.

This new report examines the policies that a number of other industrialized countries use to support working families and to foster greater labor force attachment for low-skilled workers, particularly women.

The GAO report shows that the United States lags far behind other industrialized countries in providing paid leave for caregiving responsibilities, support for obtaining quality child care, or allowing flexible work schedules.

The most astonishing, and perhaps the most shameful fact, is that the United States is the only industrialized country that does not offer paid leave for new parents.

It's been more than a decade since the Family and Medical Leave Act was signed into law, granting most workers job protection for unpaid leave to care for a newborn child or a seriously ill family member, but the reality is that most U.S. workers cannot afford to forego pay for any length of time when caregiving needs arise.

For most American families, it takes two incomes just to make ends meet in the face of stagnant wages and high costs for energy, child care, and health care.

That's why I have reintroduced legislation in this Congress, that expands the Family and Medical Leave Act to smaller firms, provides paid leave, and permits leave to be used for parental involvement in their children's school life and for doctors' visits.

I hope we can all agree that many of the work-family models that we see from abroad, would benefit U.S. workers, and that they are more important than ever.

What we will explore today is how stronger work-family policies in the United States would benefit businesses and the economy.

More and more businesses are finding that doing right by workers is good for the bottom line. SAS, a cutting-edge North Carolina-based software company, reports that their work-family policies result in low turnover in a volatile industry, high worker productivity, and an estimated $75 million in annual savings, as a result of making these investments in their employees.

As Dr. Gornick's research shows, many of the countries with strong work-family policies, also have the highest GDP per hour worked and unemployment rates that are the same or lower than the United States.

Some will argue that we can't afford these policies, but workplace changes that help families don't have to be costly. Perhaps the best example of this is the United Kingdom's policy granting workers the right to request a flexible schedule.

Under this system, employers may refuse flexible schedule requests, but only a small percentage has been denied.

I am working with Senator Kennedy on legislation that we hope to introduce this Summer that would allow this sort of flexibility in the United States.

As Ms. Bravo will point out, we can hardly afford not to update our policies, in order to build a 21st Century workforce.

Research also show that other industrialized countries are doing a far better job caring for young children. As a followup to Speaker Pelosi's National Summit on America's Children, last month, the Committee will be addressing the issue of early childhood care and education in the United States in greater depth at a Joint Economic Committee hearing on June 27th.

If we as a country truly value families, then we need new policies, and we need to make the kind of investments that other countries have already recognized are necessary to support working families.

I want to thank all of our witnesses for being here today, and I look forward to their testimony. I also would like to thank the staff

of the Joint Economic Committee for their work in preparing for this hearing.

[The prepared statement of Representative Carolyn Maloney appears in the Submissions for the Record on page 37.]

Vice Chair Maloney. I would now like to recognize Representative Saxton, our Ranking Member, for an opening statement.

OPENING STATEMENT OF HON. JIM SAXTON, RANKING MINORITY, A U.S. REPRESENTATIVE FROM NEW JERSEY

Representative Saxton. Thank you very much, Madam Chairlady, and thank you for holding this hearing today.

The topic of labor market policies in other countries is extremely useful to examine. I believe very strongly that policies which benefit workers, either male or female, must also, by definition, benefit the country's economy that holds the policies.

As we know, leave and training policies are usually part of a large set of labor market policies. In Europe, these policies, viewed as a whole, have significantly increased the cost of employment, with the result that unemployment is quite high in countries such as France and Germany.

While officially lower in other countries such as Sweden, the largest Swedish trade union has said that it is true that the unemployment rate is significantly higher than the official rate.

The unemployment disproportionately affects younger workers, as well as immigrants. The bottom line is that we have to look at the big picture in reviewing labor market policies in specific countries, including their programmatic costs, their economic effects, and the preferences of affected workers.

That's because, as I said a few minutes ago, policies which benefit workers, male or female, must also, by definition, benefit that country's economy.

The GAO review released today, contrary to what might be suggested, does not show that the United States lags behind. The GAO report states clearly that, quote, "We did not conduct a comprehensive review of similar workplace flexibility and training strategies in the U.S., nor did we seek to determine whether other countries' strategies could be implemented in the U.S.," end quote.

In staff-level discussions, the GAO has made clear that there are too many other factors involved to permit the GAO to make a judgment about whether these policies would work in the economy in the United States.

Furthermore, in conducting its review, the GAO did not actually talk directly to affected workers. As the GAO also notes, quote, "Our review of the laws and regulations, was limited by the extent that specific information was accessible and written in English."

In addition, the GAO did not examine or analyze the costs of the policies it mentions in its review, thereby making it difficult, if not impossible to conduct a comprehensive study.

Obviously, without an accounting and examination of programmatic costs, it would be impossible to make an informed, impartial, balanced evaluation of any government program overseas or here at home. As GAO Comptroller General David Walker has emphasized many times in GAO's "Fiscal Wake-Up Tour," one of the biggest economic threats facing the United States in coming

years is an avalanche of additional entitlement spending, much of which is not adequately reflected in current budget accounting.

The GAO review released today does not purport to examine a number of important budget costs or other budget issues. It does not reach any judgments about whether any of the policies reviewed would work in the United States, and it contains no policy endorsements or recommendations.

In sum, the GAO does not attempt to add up the hundreds of billions of dollars such policies could cost, if implemented in the United States, even though they might have to be included in Comptroller Walker's future Fiscal Wake-Up Call presentations.

So, thank you, Madam Chairlady. I look forward to hearing what the witnesses have to say this morning.

[The prepared statement of Representative Saxton appears in the Submissions for the Record on page 39.]

Vice Chair Maloney. Great. We have a very fine panel today, and I'd like to introduce our witnesses, but I would like to note with irony, that the Committee invited the principal leaders of Moms Rising, a group that supports working mothers, to be here today, but they could not attend due to the strains of trying to balance work and family.

I would now like to introduce Kay Brown. Kay Brown is an Acting Director with GAO's Education Workforce and Income Security Team with more than 20 years of experience.

She has also served on GAO's International Affairs Team, where she led assignments evaluating a variety of international programs.

Ms. Brown has an MPA from the University of Pittsburgh Graduate School of Public and International Affairs.

Ms. Brown.

STATEMENT OF KAY E. BROWN, ACTING DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Ms. Brown. Vice Chairwoman Maloney and Members of the Committee, I am pleased to be here today to discuss policies in other countries that may help workers, and women in particular, enter and remain in the labor force.

This information is based on a study we are releasing today of policies in eight developed countries, six that are members of the European Union, as well as Canada and New Zealand.

This morning, I will focus on two types of benefits intended to help workers balance the competing demands of employment and caregiving responsibilities. These are family leave policies and child care for working parents.

First, family leave: Each of the countries we studied has adopted some form of paid leave to help mothers, and sometimes fathers, care for their newborns or newly adopted child. The benefits vary from country to country in the amount of time allowed off work, the amount of the payment, and the conditions for eligibility.

For example, in Denmark women are allowed 18 weeks of paid maternity leave, and they receive about 60 to 70 percent of their previous earnings. But to be eligible for these benefits, they must have a demonstrated work history.

In addition, many countries recognize that leave may be needed to care for children other than newborns. For example, some allow parents the use of parental leave until a child turns 8 or 9 years old. Some countries also allow workers to take paid leave to care for others, such as a seriously ill family member.

It's important to consider what is known about the effects of these policies. A study that examined paid maternity leave of varying lengths in several western European countries found that this leave may increase women's employment rates by about 3 to 4 percent.

In addition, women who have a set leave period and a guaranteed job upon return, tend to return to work more quickly than women who had to quit their job and enter the labor market later.

Turning now to child care, all of our study countries provide support for child care for some working parents. In some cases, the support is in the form of direct financial benefits, as in Canada, where the government provides eligible parents with $100 for each child under age 6, to support the family's child care choices.

In other cases, the support is in the form of a tax credit, as in New Zealand. In some of these countries, early childhood care and education is viewed as a social right.

In France, about 90 percent of children ages 3 to 6 attend public preschools provided free of charge. Other countries such as the Netherlands, view the support for child care as a shared responsibility.

There, employers, employees, and the government, are each expected to pay about one-third of the child care costs.

Regarding the effects of these child care policies, the availability of child care helps women return to work, but cost and quality also matter.

Research from several cross-national studies has shown that readily available child care appears to increase women's participation in the labor force.

This is especially true when the care is subsidized and regulated with quality standards such as high staff-to-child ratio. When child care is not subsidized and its costs are high, women tend to delay their return to work.

Of course, these benefits come with a cost. The family leave policies in the countries we studied are generally funded through tax and general revenues.

For example, several countries fund leave policies through national insurance programs, drawing on payroll taxes paid by employers and employees. One country finances its paid leave through income tax revenues.

In conclusion, the countries we studied have in place a number of benefits and flexibilities that may help workers enter and remain in the workforce.

They have been adopted through legislation negotiated by employee groups, and at times, independently initiated by private industry groups or individual employers.

We did not assess whether the positive outcomes identified from the policies in our study would be realized in the United States, if similar policies were implemented here.

However, aspects of these policies may provide useful information, as so many countries face similar issues today.

This concludes my prepared statement. I would be happy to answer your questions or those of any other Member of the Committee at this time.

[The prepared statement of Ms. Brown appears in the Submissions for the Record on page 40.]

Vice Chair Maloney. Thank you. Please note that Senators Kennedy and Schumer have submitted statements and they will be part of the record.*

Vice Chair Maloney. I would now like to recognize Dr. Janet Gornick. She is a professor of political science and sociology at the City University of New York Graduate Center, and a professor of political science at Baruch College.

She is also director of the Luxembourg Income Study, a cross-national research institute and data archive based in Luxembourg.

Professor Gornick's core research is in public programs that affect parents' capacity to combine employment with caregiving. She is the co-author of "Families that Work: Policies for Reconciling Work and Family." Thank you for being here.

STATEMENT OF DR. JANET GORNICK, PROFESSOR OF POLITICAL SCIENCE AND SOCIOLOGY, CITY UNIVERSITY OF NEW YORK GRADUATE CENTER, NEW YORK, NY

Dr. Gornick. Thank you very much. Good morning, Vice Chair Maloney and Members of the Committee. I really appreciate the opportunity to testify at this timely and important hearing.

I've spent nearly 20 years studying work-family policy in the United States, relative to those in place in other rich countries. When I say "work-family policy," I'm referring to public policies that help parents, both mothers and fathers, to balance the competing demands of paid work and family care.

In my brief comments today, I'll draw on findings from several collaborative projects. Most of the work that I will present comes from my 2003 book, "Families That Work."

My co-author, Marcia Meyers, and I began the research for that book with a question: How well are American working parents and their children faring in comparison to other high-income countries?

We compared the United States to Canada and 10 countries in western and northern Europe. Our conclusion was not all that well.

First, American working parents work exceptionally long hours; second, American parents report higher levels of work-family conflict than do parents in many other countries; third, gender equality in employment is only fair to middling; and, fourth, our children are not doing especially well.

An exceptionally large share of American children live in poverty. Our children also fare poorly in a number of other indicators, ranging from infant and child mortality, to school achievement, to adolescent pregnancy.

Parents in all countries face competing demands on their time, but American families struggle more than families elsewhere, in

*The information referred to was unavailable at press time.

part, because American public policy offers less help to them than what's available to parents in other countries.

In my few minutes today, I'm going to give you some highlights from our research about three particularly consequential areas of public policy: work time regulations, paid family leave, and child care. Then I'll close with some brief comments that underscore the public provision of these programs is consistent with healthy macroeconomic outcomes.

Let me preface my comments on policy by offering a brief snapshot of actual work hours across countries. This first figure reports average annual hours spent in paid work in the United States, Canada, Japan, and nine European countries.

As shown here, American workers spend, on average, over 1830 hours a year at work. That's about 200 hours more than the Swedes, 300 more than the Belgians, and nearly 500 more than our Dutch counterparts. We even outwork the famously long hour-working Japanese.

The second figure provides two clues to Americans' long work hours. This figure reports two policy indicators: Standard weekly work hours (the shorter bars)—that generally refers to the overtime threshold, as well as the minimum number of paid days off, as required by law (the taller bars).

As the figure shows, the standard work week in these European countries, is now set in the range of 35 to 39 hours; the United States sets a 40-hour work week, as it has for over six decades.

In addition, the European Union requires that member countries guarantee all workers at least 4 paid weeks off per year, and several require more.

U.S. national law is entirely silent on paid days off.

There are other types of public policies that matter as well. For example, a number of European countries provide workers with the right to request changes to their work schedules in order to reduce their hours or to alter the timing of their hours.

So other countries provide shorter full-time hours, a shorter work year, and institutions that raise the quality and availability of both part-time work and work with flexible schedules.

Together, these measures allow many European parents to choose various types of reduced-hour work, an option that's limited and economically infeasible for many American parents.

In addition, as noted, all of our comparison countries offer mothers and fathers some period of paid leave in the wake of birth and adoption.

U.S. national law is silent on paid leave, and access to private provisions is limited and uneven.

My third figure reports the total number of weeks of leave available to new mothers, multiplied by the percentage of wages replaced. In the Nordic countries and in Canada—the 5 countries shown on the left in the figure—new mothers are awarded in the range of 28 to 42 weeks of fully paid leave, whereas mothers in continental Europe are typically entitled to about 12 to 16 weeks.

The lack of paid leave in the United States forces many parents to choose from among a restricted set of options. Many new parents have to choose between taking leave and losing their pay or re-

maining at work and placing their children in child care, essentially from birth.

Finally, the great American time squeeze is worsened by our meager investments in early childhood education and care. This figure, the final figure, reports the percentage of young children aged 1 and 2—that's the shorter bars—and ages 3, 4, and 5—the taller bars—in publicly supported care.

As the figure indicates, levels of publicly provided or subsidized care for 1- and 2-year-olds, vary widely across Europe, but in all of these countries, the majority of 3 to 5-year-olds, are in public programs.

In comparison, in the United States, 6 percent of under 3's are in public care and just over half of the 3 to 5's—and most of those are 5-year-olds in kindergarten, many of whom are in part-day programs.

Most American working parents, instead, buy private care. They pay most of the cost out of pocket, and many children get care that's judged by experts to be mediocre in quality.

To conclude, generous work-family policies are good for parents and children, and they especially benefit low-income workers who tend to have less bargaining power and can't afford to pay for help privately.

Public systems equalize access and affordability across family types and throughout the income spectrum, leading to outcomes that are more equitable than the results we get when we leave the provision of these crucial programs to the marketplace.

In addition, generous work-family policies are compatible with good economic outcomes. Consider GDP per hour worked, a powerful indicator of productivity, the six top-ranked countries in the world, are European countries with comprehensive work-family policies. The United States is ranked eighth. These figures come from the Organization for Economic Cooperation and Development of 2007.

Furthermore, the World Economic Forum's Competitiveness Index includes among the top five countries in the world, Denmark, Sweden, and Finland—three countries with extensive work-family policies. The United States is ranked sixth.

Finally, despite popular claims to the contrary, a large body of research demonstrates that generous work-family policies do not cause an increase in unemployment. Several countries with generous social benefits for families, have unemployment rates that are actually lower than in the United States.

Today, for example, unemployment is below the United States rate in Norway, Denmark, the Netherlands, Switzerland, and Austria. These are, again, figures on unemployment rates from the Organization for Economic Cooperation and Development, as of 2007.

In my view, American public policy is failing our working parents and their children. We have much to learn about institutional reform, and we would do well to draw some lessons from the collective experience of many of your neighbors across the Atlantic.

[The prepared statement of Dr. Gornick appears in the Submissions for the Record on page 63.]

Vice Chair Maloney. Thank you very much.

Ellen Bravo, I want to thank her for coming. She's recovering from an automobile accident and so is in a cast.

I really appreciate your being here, on many levels, but, physically getting here, was a challenge for you, so we thank you.

Ellen Bravo teaches women's studies at the University of Wisconsin at Milwaukee, including Master's-level classes on family-friendly workplaces. She's a former director of 9to5, National Association of Working Women.

As a consultant to 9to5, she coordinates the Multistate Working Families Consortium, a network of State coalitions working for paid leave. Her most recent book is "Taking On the Big Boys: Or Why Feminism is Good for Families, Business, and the Nation."

Thank you for being here.

STATEMENT OF ELLEN BRAVO, PROFESSOR, UNIVERSITY OF WISCONSIN AT MILWAUKEE; COORDINATOR, MULT-STATE WORKING FAMILIES CONSORTIUM, AND FORMER DIRECTOR OF 9TO5

Ms. Bravo. Thank you so much, Vice Chair Maloney and Members of the Committee. It's a pleasure to be here.

So, I have just been on tour for this book, "Taking On the Big Boys," and I want to share with you, some of the workers that I've met, and what their lives are like.

These include a woman who is a manager at a bank that always winds up on the best places to work list, who was demoted for taking 5-minute breaks to express her breast milk. This is the same company that gives time for cigarette breaks.

I met a supermarket worker who was fired for taking a phone call from her son who was home alone. I met nursing assistants who lost their job because they could not stay for an unscheduled mandatory second shift, because they didn't have child care that would continue; a TV anchor who gets very little sleep at night because she's trying to keep her job and have some time to spend with her baby; a factory worker who couldn't get family leave when his father had a heart attack because he hadn't been on the job for a full year; and a clerical worker who did qualify for family leave when her mother was dying, but couldn't afford to take unpaid time.

We hear a lot of talk about family values and personal responsibility, but the truth is, in the United States, being a good family member can put your job or your health at risk; and being a responsible worker, can put your family or loved ones at risk. We can do a lot better than that.

I'd say my most striking encounter was with a group of low-wage workers, 9to5 members, at a Congressional briefing just a couple of months ago.

I'm not surprised, I told them, when I hear teachers say that more kids are coming to school sick because they don't have a parent who can stay home. I'm not surprised when I hear women tell stories of how guilt-ridden they are because they sent a kid to school or daycare sick because they couldn't get flexibility at work. But I was stunned to find out how many kids send themselves to school sick because they don't want their parent to lose their job.

And I had told this story, and on the panel with me that day, was an 18-year-old whose mom had lost her job because of lack of paid sick days. This young woman has a disability that affects her balance and her speech, Jeanetta Allen, and she said—as soon as I finished, she said—"I'm that kid. After my mom lost her job, I always sent myself to school, if I possibly could, because I didn't want that to happen again."

And then there was like a chain reaction in the audience, where, one after another, these women shared the moment when they learned that one of their kids was doing this, going to school with bruised ribs or flu or strep throat, because they didn't want their mom to lose her job.

We know that the workforce has changed enormously in the last 30 years. The problem is that the workplace has just not kept pace.

The good news is that some people do a terrific job. We're going to hear from SAS. They'll tell you that story. All my graduate H.R. students want to work there.

And what it means, is that everything we want, already exists, sometimes in individual companies within the United States; sometimes in whole other countries in the world, but it works, and it works for businesses as well as for workers and their families.

But the problem is that most workplace policies here are deficient, and they reflect outmoded public policies that set minimum standards for how workers are treated in the United States.

I have a lot more on this in my written testimony. For example, the Family Medical Leave Act, we all worked very hard to pass it. It was an important first step, but it has a lot of limitations, including that it does not cover routine illness.

I'm glad that most kids don't get leukemia, but they all get stomach flu and colds and all kinds of other things, and their parents don't have job protection if they need to take time off.

Lobbyists against these bills will tell you, well, people can use their paid sick days, except that half the workforce and three-quarters of low-wage workers, just don't have paid sick days, which means that they risk not only losing pay, but also losing their job.

And when they do have it, they often can't use it for a sick family member.

We know that women bear the brunt of this, but there are a lot more men who would be better fathers—we should remember this Father's Day—if they did not get punished for it at work.

The truth is, everybody needs time to care. Even people who aren't parents, have parents, or partners that they need to care for, and believe me, trust me, anybody can be hit by a drunk driver. We all need flexibility at work.

The good news is, employers can do a lot without it costing a penny. I have a lot of examples in my written testimony.

Research reminds us, though, that whatever cost there is is more than made up for by the savings, particularly because when you get treated as a whole person at work, workers repay that with loyalty and retention. And the biggest expense employers face is turnover.

Deloitte & Touche figured it out. They figured that they saved $41.5 million a year by lower turnover because of their Family and Flexible Policies. Even where the workers are much lower paid,

there is a cost per worker, particularly when you add up how many because the turnover is so high.

Retention is not the only benefit. There was a study of 28 leading corporations that have implemented flexible schedules. They find positive effects on employee commitment, employee satisfaction, productivity, cycle time, customer commitment, response time.

Here is what we do not talk about: What it costs not to do these things, having these outdated workplace rules, and what it means that we need to change.

The new rules we need include a guaranteed minimum number of paid sick days. Access and affordable family leave for everyone paid for by some kind of a shared pool, shared risk. Quality, affordable dependent care. It means a reasonable work week without mandatory overtime, and it means a meaningful wage floor. Because let's not forget that money is a work-life issue.

So as you mentioned, I coordinate this network of State Coalitions. The good news is: There are great things happening in the States. We won paid leave in California. We won paid parental leave in Washington. New York and New Jersey are set to follow California's lead.

San Francisco was the first municipality that passed paid sick days ordinance, and a number of others are considering them this year.

All of these we hope will build action on the Federal level because what we need is a level playing field throughout the country.

I want to just end by telling you that in Wisconsin when we won the State Family Leave Bill, we took a bunch of children with us to Madison. They represented the broad range of reasons that people need a loved one to take care of them.

The Secretary of Employment Relations who met with them said, we're so used to hearing from lobbyists we forget about the people who are affected by these bills.

You will hear from lobbyists that the sky will fall, business will flee, the world will end if we do this. I had this quote:

> "This bill would create chaos in business never yet known to us. Let me make it very clear, I am not opposed to the social theory. What I do take exception to is any solution which is utterly impractical and would be much more destructive," et cetera.

That was 70 years ago, and it was talking about abolishing child labor and establishing the minimum wage. Those minimum standards did not make the sky fall; neither will these. It is time we start listening to the children and stop listening to the lobbyists.

Thank you very much.

[The prepared statement of Ms. Bravo appears in the Submissions for the Record on page 66.]

Vice Chair Maloney. Thank you, very much.

Laura Kellison Wallace is the manager of Work Life and EAP Programs at SAS Institute. Before SAS, she was the Work Family Program manager at the University of North Carolina, Chapel Hill. She has over 15 years of experience working with families and children in many capacities, including working with the Head Start Programs both as a teacher and researcher, and directing an Early Childhood Education Americorps Program. She is a graduate of

Smith College and received her Masters Degree in social work from UNC, Chapel Hill.

I should disclose here that the Joint Economic Committee uses SAS software products for some of our economic analysis, but this is not the reason they were invited. In fact, the SAS representatives we contacted were not even aware that the Committee used their products when they were invited to testify.

So thank you for being here, Ms. Wallace.

STATEMENT OF LAURA KELLISON WALLACE, MANAGER, SAS WORK/LIFE AND EAP PROGRAMS, CARY, NC

Ms. Wallace. Thank you so much.

Good morning, Vice Chair Maloney, Ranking Member Saxton, and Members of the Committee:

My name is Laura Kellison Wallace, and I am the manager of Work/Life and Employee Assistance Programs for SAS, as mentioned.

SAS is the leader in business intelligence and analytical software and services, and we are headquartered in Cary, North Carolina. I would also like to quickly introduce my colleague that is here with me today, Mark Hough. He provides senior corporate legal counsel for SAS, and he works with us on Work/Life and H.R. issues.

I understand my full statement will be part of the record, so I am just going to highlight a few points, if I can, this morning.

I thought I might provide a little context with my background, although Vice Chair Maloney went over it pretty thoroughly. I do want to say, my values that I grew up with sharply shaped all of my choices for education and for my career.

My parents instilled a strong sense of responsibility and community and regard for others as I was growing up, and I chose accordingly, as I went through my career.

As I went into my thirties and started a family of my own, I had to choose something different, I thought, and start taking care of my family, my security, and my future. So I am pleased and proud to tell you that for the last 8 years I have been working for a major global multi-billion-dollar software corporation where the top-down leadership expectation is that we all live and work with the very values my parents instilled in me.

Coming to SAS, I found, to my surprise, a decent, responsible community-minded profitable corporation is not an oxymoron, nor is it a utopian fantasy. It exists, and I work there.

My hope this morning is that by discussing SAS and its philosophy, practices, and high trust culture it will become evident quickly that family friendly policies and programs are not just fluffy perks.

Instead, they are the right choice for big and small companies, not only because they feel like the right thing to do, but they also make really good business sense.

SAS was founded in 1976 by two North Carolina State University professors, Jim Goodnight and John Sall. That first year the company generated $138,000 in revenue with 5 employees. Today, after 31 years in business, SAS is the largest privately held software company in the world with roughly $2 billion in revenue.

We currently have approximately 40,000 customers and an annual software renewal rate of about 98 percent. We now have 10,000 employees worldwide with offices in 112 countries.

Our CEO, Jim Goodnight—Dr. Goodnight's philosophy at SAS has always been: If you treat employees as if they'll make a difference to the company, they will make a difference to the company.

SAS has grown in size and profit, and Dr. Goodnight has never veered away from this creed. He has created a workplace where employees' innovative skills and ability to contribute could, and do, flourish.

Dr. Goodnight's theory is clearly a winning practice. SAS has been profitable every single year since its founding.

The employee turnover rate—which we were talking about earlier—for the last 3 years averaged 4.02 percent. That is compared to an industry average of over 20 percent.

We received over 35,300 applications last year for 880 jobs. It is not difficult to see that SAS employees are loyal, or that the word is out that it is a wonderful place to work. But make no mistake, these statistics are particularly telling about the direct relationship of employee satisfaction to profitability.

Dr. Jeffrey Pfeffer, a business professor at Stanford University who studied SAS, estimated that the cost savings at SAS in reduced employee turnover, recruitment, and retention is on the magnitude of $60–$80 million annually. That is not too fluffy.

Although I've described SAS's benefits in greater detail in my written statement, I would like to briefly mention a couple of the highlights about what is available to every employee regardless of job title or salary:

Unlimited paid sick time to take care of yourself and your family and, if you need it, paid FMLA. That is leave available to mothers and fathers, birth and adopted. I can tell you a little bit more about that if you would like.

Generous vacation time with an extra week given to all employees between Christmas and New Years. The ability to have a flexible work arrangement. A standard 35–hour work week. Heavily subsidized onsite health care and child care. Free onsite fitness and—my department, the Work/Life Center.

But these benefits are only part of the equation that has allowed SAS to create a genuine employee loyalty. Equally important to SAS's success is a corporate culture rooted in mutual trust, mutual respect, and mutual regard. The idea of "regard" is really paramount to my point today.

The dictionary defines "regard" as a steady gaze and attention or care. Indeed, people do stay at SAS because of the benefits and the environment, but to dig a little bit deeper I would argue people stay at SAS because they feel the trust, the regard; they feel seen; they feel attended to and cared for.

Let me give you a really quick example of how employee regard works in practice. A couple of years ago we explored the idea of providing a discount for an in-home sick care service for our employees. We understood that this was a big "best practice" trend and, of course, we always want to be able to demonstrate our commitment to best practice.

But in the end, we wanted to avoid any perception that it was not OK for employees to stay home with their sick kids, so we chose not to go with that service. We do not want SAS employees to be put in the untenable position of having to choose between their sick child, their sick spouse, an ailing parent, and their work.

We would not want to make that choice ourselves. We choose the best outcomes for our employees every time over best practice.

I hope that SAS's 30 years of experience of successfully manifesting its regard for its employees drives home the point that family-friendly policies and programs make good business sense for companies of all sizes. Not only do they create employee loyalty, but they directly contribute to the bottom line.

Thank you for this opportunity to appear today and to discuss SAS's philosophies and strategies. Please remember SAS is proof that regard is much less expensive than disregard. I am happy to answer any questions that anyone has.

[The prepared statement of Ms. Wallace appears in the Submissions for the Record on page 69.]

Vice Chair Maloney. Thank you.

Dr. Tim Kane is the director of the Center for International Trade and Economics at the Heritage Foundation. He oversees the Annual Index of Economic Freedom, a series of economic indicators jointly published by the Heritage Foundation and The Wall Street Journal.

Prior to his work with the Heritage Foundation, Dr. Kane served as senior Economist for the Joint Economic Committee. He has a Bachelor's Degree from the U.S. Air Force Academy, and a Ph.D. in economics from the University of California at San Diego, and we are thrilled to welcome him back.

STATEMENT OF Dr. TIM KANE, DIRECTOR, CENTER FOR INTERNATIONAL TRADE AND ECONOMICS, THE HERITAGE FOUNDATION, WASHINGTON, DC

Dr. Kane. Thank you so much, Chairlady Maloney, Congressman Saxton, and other Members of the Committee:

It is a real honor to be back here. It is also a bit of a homecoming, and I see many friends among the staff. I really appreciate this chance.

I feel a little bit, looking at the panel, with very distinguished panelists, that one thing here is not like the other with the gender balance.

[Laughter.]

I know my three daughters at home are rooting for me to work with the Committee to think about how to make the workplace in America better for them in the future.

In my testimony, I'd like to, one, describe the nature of the challenge facing Congress in the context of the booming U.S. economy in recent years; two, offer a set of principles for both enhancing our economy, generally, and labor economy, specifically, under the framework of economic freedom; and, three, suggest that Congress should not use the conventional European approach to labor markets, unless it also wishes to import European-level unemployment, which occurs at roughly twice the rate as in the United States.

I think it's really important for us to set up the nature of prosperity in this decade. It's been a very contentious issue on the Hill, in the political sphere. I speak today as an economist, not as a partisan.

As obvious as this may seem, every analysis of economic policy at the Federal level, whether it's immigration or whether it's trade, must begin with the recognition of the comprehensive record-setting strength of our national economy.

By almost every indicator, the U.S. economy is prosperous, but especially so in comparison to other advanced economies.

First point: There are more working Americans than ever before. In the latest BLS employment situation report, it's reported that there are 152.8 million people, Americans, specifically, in the labor force; 145.9 million employed.

These are just shy of the all-time records in recent months. Eight million payroll jobs have been created in the last 4 years.

I try to remind myself, given all the gloom in the media, that during this 4-year span, job growth has averaged 167,000 jobs a month. That's 5,559 jobs added to payrolls every day; 232 per hour; or a new job every 16 seconds, so quite a few jobs created just during my testimony, at least.

There's extraordinarily low unemployment. A 4.5 percent unemployment rate out of the textbooks, is actually on the dangererous side of overheating the economy, so whatever has been done in economic policy for the last few years, has really delivered powerful results.

And, last, growth in output and productivity: The postive growth rates in GDP, almost—every quarter since the attacks of 9/11, is almost a miracle. Even in light of the Hurricane Katrina, the U.S. economy kept growing.

The most recent quarter, Q–1's preliminary estimate looks low, but most economists tell you that a lot of that is due to inventories, inventories getting tighter, and that we expect GDP growth to continue.

But a more important measure, as you know, is GDP per capita, and this, when you compare it to other economies—Britain, France, Italy, Germany—they're about 20 percent behind in the income per person that they have.

Measures that are often thrown out that are income per working hours, are not really the best measures. The best measure you want to look at, is income per person.

That includes people like my wife, who doesn't work in the formal economy, so she's not even included in the GDP measures. But because of the institutional arrangements that we have and the family arrangements that we have, we do have the most productive workforce in the world.

Now, I find that the most useful framework for approaching fiscal economic policy, is not really macroeconomics, but growth economics.

The idea is captured well by Steven Parenti and Ed Prescott in their book, "Barriers to Riches." It's also the approach we use in the Heritage Foundation-Wall Street Journal Index of Economic Freedom, and I point out that this is all free online at *heritage.org/index.*

Now, specifically this last year, we incorporated labor freedom. We look at countries' labor freedoms, and how many regulations and protections a country puts on its workforce, turn out to backfire.

Those countries with higher labor protections, all well intentioned, end up creating higher unemployment rates. And so it's with some irony that here we are in the United States talking about adopting European policies when France just had an election, in light of labor riots, because their workforce isn't working.

Their youth can't get jobs because they protected the older workers to such an extent that the younger workers are frustrated.

And you've seen the election of Mr. Sacrosi, particularly in light of promises to reform that and be more like America.

In the 2007 edition of the index, one chapter is dedicated to this labor freedom idea, and it's written by a scholar from Sweden who particularly points out that in Sweden, much of the unemployment rate that's reported isn't actually accurate and that they, indeed, suffer from too much protection and higher unemployment rates there.

I'd quote from him length, but I realize that's in the written commentary, so I probably should continue in respect of the time that you've given us for questions.

Let me run then to my two concluding points: Academics have been studying labor protectionism and unemployment. One particular note is the 1997 summer issue of the "Journal of Economic Perspectives" where two distinguished economists were asked to comment on this situation.

Horst Siebert emphasized that labor rigidities in Europe were clearly driving higher unemployment rates. On the other hand, Stephen Nichol took an econmetric view of comparing economies, and reported there's no evidence in our data that higher labor standards have any impact on unemployment whatsoever, I think, in support of the other four witnesses, or some of the witnesses here today.

It's important, though, that Mr. Nichol changed his mind. He wrote in 2005—I believe it was in the QJE, the Quarterly Journal of Economics—that the data have caught up now and economists now are changing their minds.

There's a consensus view that these rigidities are a problem, so, talking about instituting new rigidities and new requirements, not just on SAS—I mean, SAS is doing the right thing, I think, but to force every company to be like SAS takes away that sense of competition.

The last point I want to make is, what would these new labor regulations do to the U.S. economy?

The premise that the workforce is vulnerable is the first problem. Suggestions of anxiety are simply overblown, which is the point of the beginning of my testimony.

A second and related problem, is that many policy solutions are defined by government intrusion into an otherwise optimally functioning private sector.

I try to emphasize two rules: One, do no harm. If the economy is strong and the labor market is strong, don't intrude to try to fix something that isn't broken.

Second, consider the incentives. Now, we can use a sledgehammer on the economy to try to do what we think is right, or we can use smart incentives.

My concern is that we want to reward the good companies out there that are doing the right things by women and families, but if you institute mandates for paid leave, you might find a quiet discrimination against women, especially young women, by the bad companies who would then become more competitive and more profitable, and you'd force good companies to pay benefits and to become less competitive and maybe even drive them out of the workforce.

This can have a negative consequence on the work opportunities facing women.

I'm absolutely with you in spirit. Let's do the right thing, but let's think very carefully about the incentives that we use and the mandates that Congress places on businesses and on the private sector. Thank you very much.

[The prepared statement of Dr. Kane appears in the Submissions for the Record on page 73.]

Vice Chair Maloney. Thank you for your testimony. We've now heard all the opening statements, and we will now proceed with questions. We will have a 5-minute time limit, and I hope that my colleague, Mr. Saxton, can stay for a second line of questioning.

Let's follow up on Dr. Kane's testimony. I'd like to ask Ellen Bravo and Laura Wallace, could you both please comment on why work-family policies are good for business?

In your testimony, Ms. Wallace, I was really surprised by your testimony, that SAS saves—saves, not a hinderance, but saves $75 million annually, as a result of its Human Resources policies. And I would say that this figure is so striking, and it's something that other employers need to hear about.

I'd like to hear your comments on it, and in what ways do busineses save money by implementing policies that are friendly to employees with children and other family care responsibilities. Let's be positive, not as a burden, but how does it help grow our economy, grow our jobs, grow our Nation?

I was struck, Ms. Bravo, by your comment that there was a great deal that businesses could do that does not cost money. I'm sure that they would like to hear about it, and I would, too. So, your answers. Let's start with you, Ms. Wallace, and we'll give Ms. Bravo the last word.

Ms. Wallace. Well, I can speak, even personally, for myself. About 5 years ago, my dear darling father had a heart attack, and it was unexpected. I live in North Carolina, in Chapel Hill, North Carolina; and he lives in Santa Fe, New Mexico.

And there was no question that I was going to choose my father at that moment. I don't think anyone in this room would make a different choice if they had the opportunity to.

SAS rallied around me in every possible way. They helped me figure out my workload, they helped even with plane arrangements, and I was on my way to Santa Fe that afternoon, and I was back again in 2 weeks.

And I'll tell you, my work—I was more dedicated than ever, and I'm the Work/Life Manager. I can tell you, other than my

experieince, that I have seen this happen over and over and over again.

The adoptive family who, after you know, years of infertility treatments who adopts a child and gets to stay home with that child, when they first bring it home—not just mothers, but fathers too—they come back and they're dedicated, and guess what? That child is usually on our onsite child care.

And we have a health care center onsite, where they can bring that child. We have an infrastrucure that supports these policies, but what we see is bright-faced employees coming back ready to work.

The savings in turnover rate, we aleady went through. The recruitment, we just don't have a problem. In fact, we have to post our jobs for a shorter time because we get so inundated with applications.

I really encourage people to think about this, and I also can talk about low-cost and no-cost work life initiatives all day long, because we actually don't spend a whole lot of money in our programmatic piece.

People in the community are always happy to come and do presentations and meet with our employees. Our employees are completely dedicated to SAS because SAS seems so dedicated to them.

I really encourage you to look at that, whether you're working at a 7–11 or you're working at a small law firm. What you want is employees who are excited to be there. Those are the people who are innovative and creative. They're the ones who are going to make——

Vice Chair Maloney. But your statement that you save $75 million annually, maybe you could submit it in writing, of how in the world did you save $75 million annually by giving leave, generous leave practices to people.

Ms. Bravo.

Ms. Bravo. Well, I wanted to add that I think we have lots of information about turnover costs. Here's another cost that we should talk about, and it's what has been called "presenteeism" losses, when people come to work sick and they make other people sick and they stay sick longer.

A Cornell study found that "presenteeism" costs businesses $180 billion a year in lost productivity. It's more expensive than absenteeism.

There's also, you know, a lot of issues about customer satisfaction and customer retention. So I study a lot of these in this graduate class I teach.

For example, FTN, a bank in Tennessee, they found that there was a direct correlation between customers returning to them and staff remaining on the job, and they could measure that the longer staff were there, the higher the retention of the customers, because they established relationships.

This is one of the keys to SAS's retention, is the longer that people get to know each other, they trust that staff, and it makes them trust the business and want to come back.

I have to say, though—we know smart employers know this. The problem is, we don't write public policy for smart employers. They don't need it.

We write it to guarantee that those who aren't going to do it, will do it anyway. That's a proper role of government, to say, what are the standards, what's the floor?

As values change in our country—we have allowed child labor for a long time and then at some point we said, we can't do this anymore. Race discrimination, gender discrimination, there were times when there was a conflict between those values and the public rules, the public policies, and we needed to change them.

We're at that point again, where there's a conflict between what the workforce looks like and a workplace that was designed for men with wives at home full-time, when most workers don't have them, much as we may wish we did. Thank you.

Vice Chair Maloney. Mr. Saxton.

Representative Saxton. Thank you very much.

Ms. Brown, I pointed out in my opening statement that your study was not intended to be a comparison of the these policies' economic effects in various countries.

Your study, as is pointed out on the first page of your study, actually had three goals: One, to describe the policies and practices implemented in developed countries that may help women, low-wage, low-skilled workers, enter and remain in the workforce. That was number one.

Two, to examine change in the targeted groups' employment following the implementation of policies and practices; and three, to identify the factors that affect employees' use of the workplace.

So, those were the goals that you set out at the outset, and it was not your intent, quite clearly, to compare the effect of these policies on the overall economy. Is that a fair statement?

Ms. Brown. That's correct. Our report provides what could be considered an inventory of the different types of practices and policies that these eight countries that we selected implemented in their efforts to try to help families balance their work and family commitments.

It demonstrates the range between the many different choices they have, whether it be the percent of pay that countries provide for lost wages, or the amount of time that people would be able to take off from work, or the way that child care policies are implemented.

But you are correct; it's not a macroeconomic study, and it is not an analysis of how these policies would play out, if they were implemented in this country.

Representative Saxton. Thank you for that. I just wanted to make sure that we clarified that at the outset.

I have to tell you about an experience just yesterday. I called somone, a male friend, to ask him a question. He happens to work in a financial institution, and I had a question about something that was going on in finance.

I called his number and somebody else answered the phone, and I asked, where's Joe? He said, he's on maternity leave. I thought, how wonderful it is that families can take advantage of those kinds of policies that companies have, and in this case, it was very good for the family.

As good as these things are, we still have to look at the effects on the economy, and perhaps we'll think about making a request that the GAO continue the study to see what the effects are.

Dr. Kane, I have here a list of unemployment rates in various countries. In Canada, the data shows that the current unemployment rate is about 6.3 percent; in Demark, the study shows the unemployement rate is about 3.9 percent; in France, the data shows that the unemployment rate is about 9.8 percent; in Ireland, 4.3 percent; in the Netherlands, 4.3 percent; in New Zealand, 3.8 percent; in Sweden, 7 percent; in the United Kingdom, 5.3 percent; and in the United States, about 4.5 percent.

You said something in your testimony that I found quite interesting in that, at least I got the impression, that you were saying that these numbers don't always accurately reflect the rate of unemployment in various countries. Can you expand on that?

Dr. Kane. Yes, sir, there are a couple of reasons that unemployment rates don't reflect the situation. One is that we try to make them comparable across countries, but also being unemployed, as everybody understands, can be a sense of shame; so a lot of folks will say, well, I'm not in the labor force right now, or they will actually get out of the labor force because the environment is not good. They'll go to school or they'll go abroad for awhile.

So, it's important to look at countries on a case-by-case basis, which I emphasized when we had Johnny Munchammer write this chapter in the "Index of Economic Freedom." He's from Sweden, and he'll give you that sense that Sweden does many things right, but their labor markets, they understand, are too rigid.

The second perspective that I want to emphasize is, there is a correlation between unemployment and labor freedom. More labor freedom means more employment, lower unemployment rates, period, across a wide set of countries.

But the bigger issue is income per person. When the average income per person in the United States is around, say, $35,000, and in a comparable European country it would be closer to $30,000, you're talking about a working family here; it's $70,000 per household and that would be $60,000, if European-style rigidities were in place.

And I don't think anybody in the Congress wants to ask Americans to take a $10,000-a-year pay cut. And that's part of the problem.

Benefits come, especially mandatory benefits, come at the expense of take-home pay. So we can force companies to give benefits, but that will just continue to decrease wage growth in the United States, and that's not a smart direction for us to go in.

Vice Chair Maloney. Thank you. I want to thank my colleague for his comments when he mentioned that this is very much a family issue, a male/female issue, and that he would support a GAO report that looks at American policies, and I think that would be a good followup. I'd love to join him in such a request, if you would like to, and move forward with that.

I agree that they did not look at American policies. I wanted them to, but they felt that looking at the foreign ones was what should be in this report, so I would like to support the gentleman's

suggestion and ask the GAO to go forward with American policies. I think that could be helpful.

I'd really like to hear Dr. Gornick's response on the growth in the unemployment rate argument and the competitiveness, but I would really like to begin with Dr. Kane, further, and have Dr. Gornick comment on her third chart that she presented which places the United States at the bottom of countries offering paid leave, with zero days off of work for new mothers.

I find that embarrassing, that the most properous country in the world doesn't do more to support our American families, although we make public statements all the time that we support them. But if you look at the policies, they're practically nonexistent.

I don't think I've had the opportunity to vote for another pro-family bill since the Family and Medical Leave Act, which was one of the first bills that I voted for when I came to Congress. It was very important to me, as I was terrified of losing my job when my children were born and had difficulty balancing work and family my whole career.

But as Dr. Kane has pointed out, there are other critics that have said that we can't afford to implement these policies, because they're expensive and would hamper U.S. growth and lead to unemployement; yet in Ms. Brown's report, other countries have managed to implement a variety work-family policies, including paid sick days, paid family leave, flexible work schedules, while remaining competitive.

So my question, first to you, Dr. Kane—I'd like Dr. Gornick to have the last word—but why can't we do the same and remain competitive? Remaining competitive is very important to this country.

We lead the world in so many areas, and we want to continue leading the world, but other countries are competitive too and provide more flexible family schedules. Quite frankly, now they're saying London is extremely competitive to our financial markets in certain areas, yet they have a flexible family leave schedule and they have many other work-family policies that are flexible, yet I would say they're a competitive country.

Dr. Kane. Yes, ma'am.

Vice Chair Maloney. In fact, they're beating us in a lot of areas. So, you know, your comments on that and then yours, Dr. Gornick.

Dr. Kane. Yes, ma'am, I think that's a wonderful question in light of where other countries are competitive. It tends to be where they're freer. I mean, in our Index, the U.S. economy is 82 percent free, and even though it's a high score, we have weaknesses, and I think many people point to the new requirements on our financial markets under Sarbanes-Oxley, as being so onerous that a lot of the IPO market is, in fact, looking for other venues where there's not as much red tape and government mandates.

I think the question of FMLA versus a new proposal is that FMLA didn't require the leave to be paid. If you require the leave to be paid, well, that's an unfunded mandate on a company, and if it were the Congress that were going to say, well, we'll pay for the leave, then you're talking about higher taxes.

I think the relationship between——

Vice Chair Maloney. I believe California paid for it with a social insurance program that was the responsibility of the employees.

Dr. Kane. Yes, ma'am. So, I think you could do it with higher taxes. The main problem that I have with that would be that higher taxes are also correlated with lower competitiveness, and you end up driving capital and jobs overseas.

And, instead, if you try to force companies to foot the bill, they'll pass that on either to consumers, or they'll pass it on to their workers, which is most likely.

When we've seen benefits rise, total compensation is keeping pace with productivity, but take-home pay isn't because the benefits are just taking off, and we're talking about a new benefit of forcing a company to give a benefit, which, we all might agree, is a good one.

I think the easiest way to think about this is, we could reqiure every company to give fresh-squeezed orange juice and vitamins to their workers, and they will; but that will cost them something, and it will come out of the workers' paycheck.

I think that if Americans had the choice to have higher pay or higher benefits, they would take higher pay and make their own choices, and that's what we have traditionally done as a free society.

Vice Chair Maloney. Dr. Gornick.

Dr. Gornick. Thank you very much, Representative Maloney. There's a great deal to say, and Dr. Kane, with due respect, I really do disagree with quite a bit of what you've said, and I would look forward to an opportunity to sit down for a couple of hours with some other economists who would also disagree with you.

This is, of course, a very complicated discussion, but let me say a few things: As Dr. Kane has pointed out, the United States does have high GDP per capita, and it has high GDP per worker.

I would remind you of the first chart that I put up. I'll just hold it up. We're also working—on average, our employees are working 20 to 35 percent more hours per year than many of these workers in other countries, so I would hope that we would have more output per worker.

He says this is not a good measure, that the output per worker hour is not a good measure, but I would argue that it is. When we shift to output per worker hour, the United States falls to eighth place.

Why is that an important measure? Because that bears on the topic that we're discussing today, which is worker productivity and the efficiency of the workplace. I think we're on the diminishing returns portion of the hours distribution.

I also think it's the case—you know, we could push these hours up. I can imagine a policy configuration that would push American hours up to 2,000 or 2,300 or 2,500. We would, indeed, get richer and richer. GDP per capita would rise, rise, rise; but God save America's families and our children.

I don't think output per worker is the right measure. It takes no account of the value of time.

I also disagree on a number of issues about unemployment. I'm holding the statistics in front of me, as well.

There are very few countries in Europe that have unemployment rates that are twice the United States—at this moment, only the Slovak Repubic and Poland. There are several countries in Europe with unemployemnt rates that are lower.

They vary enormously. Much more importantly, there is absolutely no evidence in the economic literature that ties any of the policies that we're discussing today to rates of unemployment, or to rising rates.

There is, indeed, a policy story connected to unemployment, and it's not these policies. There are issue about wage floors, issues about the length of unemployment insurance, about disability and so forth. It is not these policies.

Between 1985 and 2002, while the European economies recovered—they have had unemployment problems, there's no question, but while these economies recovered and the unemployment rates came down, these programs throughout Europe grew steadily during those years.

During those years, new programs were put in place for maternity leave, for paternity leave, and child care, and expenditures rose in almost every European country.

The flexible work laws are new. They were put in place in a wave in the early 1990s and late 1990s, and again in the early 2000s, so there is absolutely no economic evidence that suggests that these programs that support working families, that allow people to combine work and care, there is no evidence that these programs are at all the culprit in any of the unemployment problems that we've seen in Europe.

Ms. Bravo. Plus, let's be real about unemployment. My husband teaches in the center city of Milwaukee. Go tell his kids that the unemployment rate is 4.5 percent. It's 59 percent for African American males in the city of Milwaukee.

You know, there are lots of people who are discouraged workers who have not been able to find work, who are not counted. It's way under-representative, and particularly for certain communities.

It's a national crime that needs to be addressed.

Vice Chair Maloney. Thank you. My time has expired.

Representative Saxton.

Representative Saxton. I think you're all correct. This is a fairly complicated subject when you try to determine what the potential impact on the economy, generally might be.

I was reminded when our former colleague, Connie Morella, brought in the folks from the Organization of Economic Cooperation and Development. We were talking about international economic policies and how it's very difficult to get an accurate comparison of what goes in one economy by looking at certain segments of the economy, because there are so many different measurements that we use to try to get a handle on the impact of social programs or family programs.

Just one example: I pointed out earlier that the unemployment rate, as reported in Denmark, is just under 4 percent. But it's also interesting to point out that 4.5 percent of the workforce in Denmark is engaged in what are sometimes referred to as goverment make-work jobs, subsidized jobs, or other government training.

And so we've got a category of people, 4.5 percent of the people in Denmark, where we don't have those programs in the United States, or we don't have anywhere near the significant number for those programs that Denmark has in the United States.

And so, I think it would be extremely important for any study to take all of those kinds of things into consideration.

Dr. Kane, would you compare labor freedom, as calculated in the most recent Index of Economic Freedom, and actual labor market performance in terms of employment and real income growth in the United States and each of the countries the GAO studied over the recent years?

Dr. Kane. Yes sir, thank you. I wish I had brought a copy of the Index with me so I could refer to it, because we go through all of this.

Let me say specifically, to answer your question, the data that we've used on labor freedom, in defining this variable, comes from the World Bank; so it's not my opinion, it's not my staff's opinion at the Heritage Foundation, or the Wall Street Journal.

This is the World Bank's Doing Business Report. It's been a runaway success. A lot of economists think it's a real breakthrough.

What they've done is looked at a number of categories and labor markets. The easiest way to compare it, though, or to think about it, is what they've done also with business freedom.

They ask, how many days does it take to start a new company in every country? And this is a real problem.

For example, in India it's very difficult to start companies and to shut down companies. You have to wait months to get a license.

Those same sorts of requirements they look at in labor markets, the minimum wage, and another is how difficult is it to lay people off.

In the United States, a dominant feature of the labor market is at-will employment, so it's easy to break a contract if a company becomes unprofitable, to save the jobs, at least a few of the jobs.

In Europe, it tends to be much more difficult. There are mandatory severance pay packages.

So the principles are consistent across different types of labor freedom with what we would call mandated paid family leave versus unpaid family leave.

And the relationship is clear. We found a 20-percent correlation between higher labor freedom and lower levels of unemployment, so it's not a perfect correlation. It's one of many variables, but you can't dismiss it. It's part of the literature.

I think I pointed out that 2005 study by Stephen Nichol. Economists are changing their minds because the data is coming in and supporting this new view.

And then again, to the central question, I think that what we've come up here to disagree about is the per-hour productivity and that the United States is not the leader in that. As I pointed out, the U.S. market is freer and it's open to new workers; whereas in a lot of European countries, they're not open to their new workers.

Their new workers are going to be less productive, so, of course, we'll have a lower productive rate. We're also traditionally open in this country to immigrants.

We all know right now—at least I think I've heard in the news, that there's an illegal immigration problem, that there are 12 million people here who are undocumented.

Now, I would argue that those are good for the U.S. economy, that they help us specialize, in fact, which could increase productivity. But those 12 million immigration workers tend to be low-skilled and they tend to be less productive and they're going to productivity statistics.

So if we want to ramp up our productivity, we could just keep all the low-skilled workers out of the country and we could keep all of the low-skilled workers unemployed and in government training programs, to your point.

But I think, overall, we'd ask for higher wages, higher productivity for the people who are working, and higher take-home pay.

Representative Saxton. Thank you. Madam Chairlady, I'm afraid I'm going to have to leave here to go to another commitment. I want to thank each of the witnesses for being here with us today.

I'm doing a personal study that has to do with birth rates in various countries. Low birth rates, particularly in Europe and Japan, are huge problems, and to the extent we can do things to encourage families to have children, a great thing.

At the same time, as Dr. Kane points out and as I believe also, we have to do it within the context of what's good for the economy. Thank you.

Vice Chair Maloney. I thank the gentleman, and I will continue questioning. I hope you won't object to my continuing to ask questions.

Representative Saxton. You're the Chairlady.

Vice Chair Maloney. OK. And I look forward to joining you on your idea of the future GAO report, so thank you.

I'd like to ask Dr. Gornick, the first chart in your presentation points out that Americans work longer hours than their counterparts in other countries, yet by other indicators, we know that Americans are less productive than workers in many other industrialized countries.

And my question is, would enhanced work-family policies enable U.S. workers to work less and become more productive, and if so, in your opinion, which policies would most directly contribute to worker productivity?

And I'd like everyone to jump in on this second question: In your opinion, which are the most common work-family policies that exist in other countries, and which of these policies are more easily—which of them would be easily adapted to the United States, and which policies are the most cost-effective as we confront an $9 trillion debt, a record in our country?

Vice Chair Maloney. So beginning with Dr. Gornick, and thank you for preparing these very, very helpful displays.

Dr. Gornick. I think, to get back to the issue of productivity, that it is very complicated. I sort of apologize for continually saying that. I think we really need to all take a good look at this literature, and I would definitely welcome GAO to take this on as their next question—to look at the micro- and macroeconomic effects.

As to productivity across countries, there is a lot of contention about the numbers and how this is best measured.

The argument that Dr. Kane made that the United States is less productive than other countries per worker hour because of the composition of the labor force has actually been countered by a fair amount of empirical evidence that controls for worker characteristics.

So I think I would just return to the point to say that we are not at our productivity peak. There are other countries that are certainly as productive, or seem to be more productive with this whole package of policies in place. These programs operate as a whole allowing people to choose between time at home and time at work, and so forth.

Let me just say a few words about the second question that you asked. I think that clearly the political economies in these European countries are very different than in the United States.

We would never make the case for importing the entire social welfare system in any European country to the United States. That would be nonsensical politically. But we can look at specific programs very fruitfully, and I think the ones we are discussing today are exactly the ones that we should be looking at because they are exactly relevant to what is on the horizon and what is underway at the State level in the United States today.

Consider paid family leave. We have an infrastructure in place in five States, now six, for unpaid family leave. We have an excellent infrastructure in place already at the national level: the FMLA.

We have a social insurance infrastructure which is FICA. We could easily add a social insurance financed wage replacement for paid family leave.

We have the apparatus in place. It is just missing pieces like the wage piece which is huge. This is what I spend a lot of time doing, holding, you know, really nuts-and-bolts discussions to legislators and policy designers about, for example, how do you design the benefit level? How to design the eligibility? That is where the lessons are.

I would say the same for child care and pre-K. We have rudimentary forms of all of these programs in place. What we can learn from Europe are very detailed lessons about financing, about quality control, about staffing.

Likewise, we have the Fair Labor Standard Act. We do protect workers' hours. We could add part-time parity, or flexible rights to many, many State and national laws.

So I do not think these comparisons are at all out in outer space, as it is often suggested. There are very concrete nuts and bolts lessons that we can take tomorrow from many of these examples that would apply specifically to the policy areas that we are talking about today.

Vice Chair Maloney. Ms. Bravo. Others who would like to comment.

Ms. Bravo. Sure. I mean, I agree with what Janet said, and I want to just add a couple of things. We should remember that low-wage workers are not all low-skilled. They are just all low paid.

Take child care workers, for example. Many of these are very highly skilled, and yet they earn poverty wages. We can't talk about their pay or their productivity as if it is related to their skill. It is related to a market that undervalues women's work and caregiving.

So that is one of the things we have to take into account.

Likewise, the word "average." Whenever I hear "average" I think: if Bill Gates came into the room, we would all be billionaires, if we talked average. But it would not really change any of our pocketbooks.

So the income gap in this country between the very rich and everybody else skews that figure, and I think it is important to remember that when we are talking about "per capita income."

Vice Chair Maloney. Why is the issue of work/family balance not a "woman's issue," but a "parents' issue"? And how can we better incorporate men into taking part in the care of children? And why is it important to think about this as a "parents' issue"?

Any comment? Maybe Dr. Kane as the male on the panel should begin first, with Father's Day approaching. Fathers are very, very important. Your comments.

Dr. Kane. I think there is definitely a distribution of parenting in the United States, and I definitely try to be one that is there as a soccer coach for my kids, I'm hoping one of the good soccer coaches, but I try to think of the government policy that made me this way, or that created the many flaws that I'm sure my wife would point out.

I think it comes down to more family than government. But I will take you up on your challenge, ma'am if I may, with your previous question of what policies to adopt from other countries.

We have not had nearly the conversation here about child care that we might have. I find myself in agreement that there does seem to be a public good aspect to child care. How we go about instituting that in the United States would seem to indicate it should definitely be a State prerogative, so maybe we should not even discuss it here.

But I think it gives us an opportunity to listen to the children as one of the panelists said. I absolutely agree. What I find frustrating though is sometimes children in the United States—and I include mine here—get a teacher that maybe is not as good, and yet they have no choice to change their teacher. They have very little choice to change their school.

If we do have a child care program—and recognizing the public good aspect—I hope it is one where it will emphasize vouchers where the children, and the mothers, and the fathers are empowered to pick whichever child care program they want, not have a one-size-fits-all government: We'll assign you your school; we'll assign you your teacher. Americans would reject that if it were cars, or T-shirts. It seems bizarre to me how we allow the government to give us our education without having childhood choice. So that is one.

I would look for child care around the world of how other countries are doing it in a market-oriented way.

And the second is, I have to say this, Hong Kong does not have a minimum wage, and yet they have seen their wages grow much faster than Mainland China's over the last 30, 40 years.

So there is something to be learned from countries that have no minimum wage requirements and yet see wage growth that accelerates. It is a lesson I think that we still have not learned in this country, although I think we are about to have a negative experiment with raising it at the Federal level and we will see some States have to end up experiencing higher unemployment rates, whereas other States will not. So we will see a natural experiment play out over the next few years.

Vice Chair Maloney. Other comments on encouraging fathers to be more of the work/family balance? Any comments by anyone?

Ms. Wallace. I would like to just add, at SAS, maybe because we have been doing this for such a long time; our culture is such that it tacitly supports fathers as well as mothers to do what is needed for their families.

We see—for example we had 188 Lunch 'N Learn seminars last year, a lot of which were parenting seminars. We also do a lot around elder care, an issue that certainly is coming up an awful lot in work/life balance these days.

But we find that parents, when we talk about parenting programs, we're talking to fathers and mothers. And fathers come to our seminars because the culture supports it.

I think that there is an antiquated idea of still it being disproportionately a mother's responsibility, and working mothers having the bigger struggle.

When a child is sick at school—and I used to be a public school teacher—we called the mother first. And I really encourage everybody to just look, if you are not conscious of it, that you may also be contributing to that conversation by focusing too much on working mothers.

If you want to support working mothers, support working fathers. Have parenting programs for fathers. Reach out to fathers specifically and give them the permission to come to these things.

The very nature of—we have a bricks and mortar commitment to working families because we have child care centers onsite. We have fathers' activities. We have fathers come pick up their children and bring them to lunch. We have seminars that specifically focus on fathers and male caregivers, by the way.

We just try and get that into the vocabulary actively all the time to give that overt and tacit permission that fathers are part of the equation instead of just focusing so much on mothers.

Vice Chair Maloney. I would like to ask Kay Brown: the U.K. Department of Trade said that the right to request law was a cost-effective means to help women return to work, and that some employers have chosen to extend the right to all employees.

In your report, do you know what percentage of employees is granted the request for a flexible schedule and how this impacts employers' operations? Is there any record of complaints of discrimination from employees regarding having made this request?

Ms. Brown. Can I say one thing about fathers first?

Vice Chair Maloney. Sure. Absolutely.

Ms. Brown. I just wanted to mention that in the countries that we studied, in addition to providing maternity leave benefits, that is, paid maternity leave, ranges from 12 to 52 weeks in the different countries that we looked at, there was also an element in a number of the countries where they had leave explicitly reserved for fathers, albeit a lower number, 2 days in the Netherlands to 2 weeks in Denmark.

To the extent that those countries have leave targeted to fathers, what they found was that in those cases fathers were more likely to take that leave.

In other cases, there is parental leave where the mother or the father can make decisions together about what makes sense for the family as far as who would take the leave.

Often in those cases, unless the wage replacement is very high, the mother ends up taking more of the leave. But these are some interesting little twists of the policies that they have implemented that do both allow and encourage the father to take a stronger role.

Vice Chair Maloney. And as you know, the Family and Medical Leave Act applies to both men and women.

Ms. Bravo. Could I just add something to that before you come back on the right to request flexibility? In 1995 I was able to go to the Fourth World Conference on Women in Beijing—33,000 people from around the country—and I happened once to sit on a bus with a guy from Norway and a guy from Sweden who were about to go lead a workshop because that was the year that the law switched to what we call "Use It Or Lose It," saying to men: Of the 11 or 12 months leave in this country, men must take at least 1 month or the family will lose the month.

And they contended, and they have studied this, that when the leave was unpaid, very few men took it and there were not many role models. Then the leave was paid. More men took it, but still not enough. And now that it was going to be required to take at least that leave, they believed the majority, vast majority of men would take it, and that it would change their relationship to their children, not just in infancy, but throughout their lives. And this is what they have continued to study and absolutely support.

Dr. Gornick. I would just like to add to that as well, just to clarify Ellen's comment. Of course the leave is not required of the fathers, it's just as you mentioned, if it is not taken it is lost to the family. That is exactly the way the Family and Medical Leave Act is structured, you know, his 12 weeks are his.

Policy supports do matter. They are not the strongest determinant. Of course, culture and employer practices are very important. But there is a lot of research on this in Europe, and we do find that the more paid leave that is available, the more that it is targeted specifically to fathers and cannot be transferred to their partners, and the higher the pay, the much higher the usage.

Mr. Saxton told the nice story about the father who was on "maternity leave;" I would think he might have called it "paternity" or "parental," I don't know. But only 7 percent of fathers have paid leave in this country provided voluntarily by their employers.

The States that provide temporary disability insurance, expect for California, including I am afraid, I am sad to say, New York,

exclude fathers from the benefits. So we have policies that exclude fathers.

In Europe, we do see in some countries a much more even division of labor in paid and unpaid work. It is partly because of benefits for fathers, and it is also because supports for maternal employment are strong. When moms go to work, dads pitch in at home. The less moms go to work, the more dads go to work.

So strengthening womens employment also strengthens men's opportunity to care for their children.

Vice Chair Maloney. And now, Ms. Brown, on the right-to-request law.

Ms. Brown. Yes. In the United Kingdom, employees were given the ability to request changes in either the hour or the location of their work. And the intent was to allow them to care for children under the age of 6 or for certain adults in certain cases. And the employers would have the right to refuse this, if this caused great harm to their business, in their views.

What we heard when we were there was that this was initially something that concerned the employers, but over time it was seen as a cost-effective way to support workers and give them some flexibility.

And that in fact we did hear that in addition to allowing employees to care for children under 6, they did expand it to, in many cases, allow any of their workers to make these requests. And that as far as we know, I have not seen data on the actual numbers, but we understand that employers have been able to accommodate most of the requests that have been made.

Vice Chair Maloney. Were there any reports of discrimination against employees for making the request?

Ms. Brown. I am not aware of any.

Vice Chair Maloney. That is good to hear.

I would like to ask Ellen Bravo, Dr. Kane suggests that mandating paid leave would result in employers discriminating against young women.

First of all, do you think that is true? And could not that problem be solved by funding the paid leave through a social insurance mechanism such as the California model?

And also, you mentioned in your comments this morning that employers have many options for implementing cost-effective policies that give workers more flexibility. Can you give me some of those examples of some of those policies?

Ms. Bravo. Sure. I will start with that, actually. One of the most important and cost-free ways of providing flexibility is flexible scheduling—letting people vary when they start and end their day, what hours they work, letting them take off and make up the time if they have an appointment at school, letting them swap shifts. I mean, those nurses assistants, that problem could have been solved by letting people swap shifts.

And of course even low-wage workers, as Barbara Ehrenreich reminded us, no one is "unskilled." Everybody needs time to learn the specifics of the job and get up to speed. So keeping people on really does save money.

On other things, the kind of programs that SAS offers of information and referral are often very low-cost and really helpful to

people to find resources for, for example, elder care. Just knowing what community resources exist that can prevent a parent from having to go into a nursing home, and give, you know, the kind of help and support that so many families need when they are dealing with declining health in a parent. So there are a lot of those kind of programs.

One of my favorite programs for dads is the L.A. Department of Water and Power. You know, it is like 78 percent male. They have a Daddy—they have various ways of supporting men. One of them is mentoring; supporting men to be good fathers by having other men mentor them.

Doing what Laura Wallace was talking about, providing a culture where this is explicit, as well as tacit approval of men doing this. They give beepers to men in the field when their wives are expecting. These are often men out reading meters, so that they can quickly come back.

And they give classes on breast feeding to men so that they will be most supportive of their wives. Why? Because they found that it cuts the health costs for babies when they are breast-fed. They literally figured out for every dollar they spend that they save 2½ dollars from the combination of things that this provides. But they also think it is good to do it because they want strong families, and that is a good value to support.

Vice Chair Maloney. Thank you.

Ms. Bravo. Let me just say, on the discrimination against women, first of all, as we all know, there are men who are fathers, who are sons, who are husbands, who may very well use this time, or who may get hit by a drunk driver and need to take time off. So it would be foolhardy of employers to think they are saving money by not hiring women because only women would use these policies, because they wouldn't.

Secondly, there is discrimination against young mothers—let's be honest—and what we need to do is to make it not allowed. We need to enforce the laws that exist. And we also need to—you know, only Alaska and the District of Columbia prohibit discrimination on the basis of family responsibility. That is something that should be a nationwide new workplace standard.

Vice Chair Maloney. Dr. Kane, if we were to leave the market and businesses to handle this issue, how would we address the problem of low-wage workers rarely receiving the same benefits received by highly paid workers, despite the fact that both kinds of workers have family obligations?

I think this is a serious question. I have many accomplished friends, and I was telling one about a problem women confront, and she said,"Well, you know, I was offered time off and any arrangement that I wanted and treated nicely"—but she is a Pulitzer-winner author. So her company is going to let her do anything.

So I mean the question of the imbalance between a highly educated award winning employee and a low-wage worker, both of whom have the same responsibilities, and the importance of being good parents. Everyone agrees men and women are incredibly important to the next generation and are really helping to grow the economy and the health of our Nation through their children.

So, Dr. Kane, the discrepancy, the unevenness there?

Dr. Kane. Yes, ma'am. I think about this all the time, actually. Travelling abroad is really—I think everyone who has travelled abroad knows when you see some of the poverty that still exists in the world, the fact that slavery still exists, and trafficking of humans, especially young women, is just terrible.

How do we make a better world? You think, in this same context I used to ask my students as a professor: If you went back 300 years ago, you would see the difficulties in the economic situation then. And how do you fix that?

After years of thinking about this, and scholars like Jared Diamond who wrote Guns, Germs & Steel, when you think about how societies change, it is by growing the economy.

So I have become a bit of a growth purist: What are the policies we can get to ramp up productivity, and as you point out, for everyone? And the key is: Human capital.

If there is a failing that we have as a society, it is that we have left a lot of our inner city kids behind. They do not have the human capital. They do not have the education. The fact that they is still an illiteracy problem in the United States.

We have to attack those policies, those education policies I think, to really help even the playing field.

Vice Chair Maloney. But having a fair work/family balance would help in all of these areas and help parents be there when their children are sick and help parents be there for the parent-teacher conferences to help pull up the grades of the kids.

Yet, we have such inflexibility—if your child has a doctor's appointment, you cannot go with them and keep your job in America, in many cases. In many cases, until we passed laws, if you had a child you were fired.

I remember when I had my child, I called up for what the family leave policies were and they said there were no family leave policies. People just leave.

[Laughter.]

Vice Chair Maloney. And then they said—I'm having a baby—they told me that I should apply for disability. That is the only program out there. And I do not consider a child a disability. On principle, I would never apply for disability.

But I am saying the policies are really not there. You speak eloquently about helping the disadvantaged, but we don't have a framework in our culture to help the families who want to help their children. You know, I was a middle class housewife. I could not go to the doctor with my child. I was told I would be fired when I had a baby originally.

So it is very rigid out there. And it is very, very hard for most American families. And as a country that touts families all the time, we have very little structure there.

So, you have been very strict about not having flexibility in these family structures, but then on the other hand, you talk about we've got to help all these people. Well how can you help them if the working people cannot go to a doctor's appointment? Can't go to a parent-teacher conference? Can't stay home if their kid is sick with whooping cough?

Dr. Kane. I am very sympathetic to what you are saying, ma'am, but I just think that mandating the fix and forcing companies to adopt certain policies will backfire on us. That is my concern.

I think the minimum wage is another way to think about this. I wish everybody in America could make $10 an hour, but I think if you force that minimum wage on people you will just drive the folks that do not have that value in their per hour capacity yet, you drive them out of the work force.

So I am afraid that is what we do, is we actually hurt the people we are trying to help, and that is why I am advising against pursuing this.

Dr. Gornick. Could I speak to this just for a moment?

Vice Chair Maloney. Could I just have Ms. Wallace answer since you come from a company that is able to offer such generous family, work/family policies while remaining competitive in a truly difficult, tough industry.

What were the primary obstacles that you faced when implementing these policies? And what advice would you give to other companies interested in being highly competitive, and growing the bottom line, but implementing these family policies?

Ms. Wallace. Well, it is hard not to answer as a former Head Start teacher first, but I will answer as a SAS H.R. person.

First of all, we offer our benefits to every single employee, including our grounds keepers, our cafeteria workers, and our child care workers. They do have the same support because we know that they have the same family issues, as you mentioned.

In terms of obstacles, I know we are fortunate in that we are privately held, and that we have a CEO that started from the beginning walking the walk. I mean, he believed in it. He pursued it. And it became not just a nice thing to do; he believes that actually his employees are his best asset. And he wants us to come back every day.

And so we didn't face a lot of obstacles, to be honest. I think that there are people who have turned their nose up in some ways, or said, oh, this utopian environment, you know, it's because SAS has such deep pockets, or it's very paternalistic.

And our answer to that is: We have such a low turnover rate, no problem recruiting employees, and we have an incredibly wonderful product that gets a 98 percent renewal rate every year. So I can't——

Vice Chair Maloney. Well, Dr. Kane raised the point of cost-effectiveness. That has got to go to the cost-effectiveness of a company. We have to look at the bottom line of it. And so let me ask the question in a different way.

If the government were to implement one of the policies that you have at SAS, which one would you say is the most cost-effective for the company and substantially benefits employees?

I mean, we have to take baby steps. We have not taken a step since Family and Medical Leave policies, quite frankly, that we passed in 1993. So if you were to recommend one cost effective policy that possibly government could hold up as a gold standard, as a goal or whatever, which one would you recommend that is cost effective that helps the employees and helps the company? Is there any one particular one?

Ms. Wallace. Well, let me see if I can untease——

Vice Chair Maloney. Then we will go to you, Dr. Gornick. I know you want to get into this discussion, and I know you have a lot to say.

Ms. Wallace. If I were to start some place, before even policies go into place, I think I would start programmatically. I would start to really leverage what is available in the community and look at what your employees need and ask them what they want.

In terms of our policies, I would have to say our health care benefits are very generous. And our leave policies are incredibly generous, as well. In fact, we do pay the FMLA. We just do not see it abused. We do not cap our sick time. We trust our employees. We look for patterns. If there is any abuse, which there is very little, we might have a conversation with them. But I would actually look at your sick care policies, expanding it to family members.

Look at creating an infrastructure that really supports people. One of our big cost savings is actually people who say: If it weren't for our onsite elder care, they would have had to take FMLA. So we are saving the company money by having a social worker onsite who is a paid full-time employee to help people with elder care issues, or our child care, or our parenting program.

So it is hard to kind of tease apart which it is. I think possibly our generous health care and our really generous sick care would probably be the most cost effective, but it is hard to pull it apart because it is so inculcated in our culture. I am sorry not to be more specific.

Vice Chair Maloney. I know, Dr. Gornick, you had some comments to make.

Dr. Gornick. I am glad that Dr. Kane raised the issue of poverty because I think it is something in the backdrop that we need to think about. So I do want to say a little bit about low-wage workers and low-income families.

You know, when we travel abroad, of course in some countries we see a lot of poverty and inequality which is stunningly high. Of course, you know many Europeans say that when they come to the United States.

One thing that really makes the United States stand out are our exceptionally high rates of child poverty compared to all of the countries in Europe. I am looking at a number of statistics that I am holding in my hand here that come from the Luxembourg Income Study.

We have very high child poverty. The rates are 5 and 10 times higher than in a number of countries in Europe. That is true if we control for family structure and for employment. I am looking at a graph here. If we just look at single-parent families headed by employed adults, the poverty rate in the United States is 45 percent. In other countries in Europe, it is in the 20's. And in half the countries it is in the single digits.

Why is there so much child poverty? A lot of it is because we have a wage structure with a lot of low wages at the bottom, and we transfer little cash income to families, especially to those with children.

So this is an important issue, and it needs to stay on the table. I do appreciate Dr. Kane's interest in other indicators like business

starts and employment to population ratios and so forth, but we really do need to think about poverty and inequality which is stunningly high in this country.

I say that just as a background to another comment——

Vice Chair Maloney. And growing, the gap.

Dr. Gornick. And growing, absolutely.

So, coming back to the question you asked about, the low-wage workers, much research in this country has shown us a stunning and I think embarrassing and really shameful fact, which is that the distribution of voluntarily provided employer benefits of all the things we are talking about is very, very regressive.

High-skilled, highly educated women, as you have said, we get—"we"—get almost everything we want. Low-skilled, or less skilled, less-waged workers who tend to be in low-income households get much, much less. That has been established, whether we are talking about leave, child care benefits, flexible work, and so forth.

I am not saying that is true within companies, but it is true across the income distribution. So low-income families get an absolute double whammy in this country, or actually a triple whammy: low wages, few income transfers, and this voluntary market-based system for work/family benefits which leaves them out. And it leads us to an extraordinary level of inequity.

And think about America's children, because we are thinking about child care. I know Dr. Kane has mentioned child care, and I think I understand his perspective on that. I know Professor Heckman and other economists have really come to think more about the importance of public investments in children.

In the market-based system that we have, many, many low-income children when they are 3 and 4 years old have no schooling. Whereas, their high-income counterparts are in excellent private preschools.

In a country like France, every single child is in school. Primary school starts at the age of 3, and increasingly 2½ now. So we are really leaving children behind, and low-income children are in a really tragic state in this country. And the lack of work/family benefits for their parents is a big part of the story.

Ms. Bravo. May I just add one thing about that? One of the problems for low-wage families is how many women lose their jobs because they have a sick kid.

So, in addition to the low wages, they have this lack of being able to establish tenure on a job and accrue any assets. And often those breaks in job retention may lead to eviction and all kinds of other disruptions and make it much harder to continue child care, et cetera. It really hurts the quality of the health, education, and learning abilities of their kids.

The other thing is, what is really important, even high-skilled and high-paid women often face the experience of having a culture that discourages them from using the things they may have.

The more we create a new rule, the more we say, if we value families we cannot have family values end at the workplace door; the more we make visible these problems and, for example, create a new standard of paid sick days, the more we make it possible for those women to say: Wait a minute. Why can't I use this time? Why will that be used against me?

Vice Chair Maloney. Well thank you very much.

I would just like Ms. Brown to respond. Did you find that comprehensive work/family policies enhanced labor force participation of women, and in particular low-waged workers? What did your report find?

Ms. Brown. Well, I can specifically address the issue of paid leave. Yes, we did find that in general overall paid leave does encourage and increase women's participation in the workforce.

However, we did find some differences between low-wage workers and higher paid, higher skilled women. When leave is unpaid, often women are unable to take the leave, if they're low paid.

If there is a combination of paid and unpaid leave, which happens in a number of these countries, it is often that the low-wage women would be returning to work at the end of the paid leave, whereas more affluent, more highly paid women would be able to stay out longer until both the paid and unpaid portions of their leave would be expired.

Vice Chair Maloney. Well, I do want to respond to what Ms. Bravo and Dr. Gornick were talking about, investing in early childhood education. Just about 3 weeks ago, we had a forum led by Nancy Pelosi on investing in early childhood education, and it is an initiative that Representative Miller and others are working on putting forward in this Congress as a policy. So we are working in that area.

I really want to thank all of you for coming. I think this is a tremendously important public policy issue to America.

Nothing is more important than our children and our families, yet from your testimonies today, we hear we are not really providing the support and flexibility that American families need.

I want to thank all of you. I have learned a great deal from you, and I look forward to working with you in the future to advance policies that are cost effective and competitive, but also invest in our families and help men and women handle and balance family and work. Thank you so much for coming and for your work in this area. Thank you very much.

The meeting is adjourned.

[Whereupon, at 11:46 a.m., Thursday, June 14, 2007, the hearing was adjourned.]

Submissions for the Record

JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER, CHAIRMAN
REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR

PREPARED STATEMENT OF REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR

Good morning. I would like to thank Chairman Schumer, who couldn't be here today, for allowing us to hold this hearing on why work-family policies from abroad make good economic sense for the United States.

This is the first of many hearings that the Joint Economic Committee will hold as Democrats in Congress work to develop workplace standards for the 21st Century that help families balance the competing demands of work and family responsibilities.

Today, we are releasing the findings of a Government Accountability Office (GAO) report, entitled "Women and Low-Skilled Workers: Other Countries' Policies and Practices that May Help Them Enter and Remain in the Labor Force." This report is the third in a series of reports that I and several of my colleagues, especially Rep. John Dingell, have requested to examine women's contributions to the economy and the obstacles that they face in the workplace.

This new report examines the policies that a number of other industrialized countries use to support working families and to foster greater labor force attachment for low-skilled workers, particularly women.

The GAO report shows that the United States lags far behind other industrialized countries in providing paid leave for care-giving responsibilities, support for obtaining quality child care, or allowing flexible work schedules.

The most astonishing and perhaps the most shameful fact is that the U.S. is the only industrialized country that does not offer paid leave for new parents.

It's been more than a decade since the Family Medical Leave Act was signed into law, granting most workers job protection for unpaid leave to care for a new child or seriously ill family member.

But the reality is that most U.S. workers cannot afford to forgo pay for any length of time when care giving needs arise. For most American families, it takes two incomes just to make ends meet in the face of stagnant wages and high costs for energy, child care, and health care.

That's why I have re-introduced legislation this Congress that expands FMLA to smaller firms, provides paid leave, and permits leave to be used for parental involvement in their children's school life.

I hope we can all agree that many of the work-family models we see from abroad would benefit U.S. workers and that they are more important than ever. What we will explore today is how stronger work-family policies in the U.S. would benefit businesses and the economy.

More and more, businesses are finding that doing right by workers is good for the bottom line. SAS, a cutting-edge North Carolina-based software company, reports that their work-family policies result in low turn-over in a volatile industry, high worker productivity, and an estimated $75 million in annual savings as result of making these investments in their employees.

As Dr. Gornick's research shows, many of the countries with strong work-family policies also have the highest GDP per-hour-worked and unemployment rates that are the same or lower than in the U.S.

Some will argue that we can't afford these policies. As Ms. Bravo will point out, we can hardly afford not to update our policies in order to build a 21st Century work force.

And workplace changes that help families don't have to be costly.

Perhaps the best example of this is the UK's policy granting workers the right to request a flexible schedule. Under this system, employers may refuse flexible schedule requests, but only a small percentage has been denied. I'm working with Sen. Kennedy on legislation that we hope to introduce this summer that would allow this sort of flexibility in the U.S.

Research also shows that other industrialized countries are doing a far better job caring for young children. As a follow-up to Speaker Pelosi's National Summit on America's Children last month, the committee will be addressing the issue of early childhood care and education in the U.S. in greater depth at a Joint Economic Committee hearing on June 27th.

If we as a country truly value families, then we need new policies and we need to make the kind of investments that other countries have already recognized are necessary to support working families.

I want to thank all of our witnesses for being here today and look forward to their testimony.

CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton
Ranking Republican Member

PRESS RELEASE

For Immediate Release
June 14, 2007

STATEMENT OF CONGRESSMAN JIM SAXTON RANKING MEMBER

Press Release #110-16
Contact: Christopher Frenze
Republican Staff Director
(202) 225-3923

LABOR MARKET POLICIES ABROAD

WASHINGTON, D.C. – It is a pleasure to join in welcoming the witnesses before the Committee this morning.

The topic of labor market policies in other countries is useful to examine. As we know, leave and training policies are usually part of a larger set of labor market policies. In Europe, these policies, viewed as a whole, have significantly increased the cost of employment with the result that unemployment is quite high in countries such as France and Germany. While officially lower in other countries such as Sweden, the largest Swedish trade union has acknowledged that the true unemployment rate is significantly higher than the official rate. This unemployment disproportionately affects younger workers as well as immigrants. The bottom line is that we have to look at the big picture in reviewing labor market policies in specific countries, including their programmatic costs, their economic effects, and the preferences of affected workers.

The GAO review released today, contrary to what might be suggested, does not show that the U.S. lags behind. The GAO report states clearly that "we did not conduct a comprehensive review of similar workplace flexibility and training strategies in the U.S., nor did we seek to determine whether other countries' strategies could be implemented in the U.S." In staff level discussions, the GAO has made clear that there are too many other factors involved to permit the GAO to make a judgment about whether these policies would work in the U.S.

Furthermore, in conducting its review, the GAO did not actually talk directly to affected workers. As the GAO also notes, "our review of the laws and regulations was limited by the extent that specific information was accessible, and written in English." In addition, the GAO did not examine or analyze the costs of the policies it mentions in its review.

Obviously, without an accounting and examination of programmatic costs, it would be impossible to make an informed, impartial, and balanced evaluation of any government program overseas or here at home. As GAO Comptroller General David Walker has emphasized many times in GAO's "Fiscal Wake-up Tour," one of the biggest economic threats facing the U.S. in coming years is an avalanche of additional entitlement spending, much of which is not adequately reflected in current budget accounting. The GAO review released today does not purport to examine a number of important budget cost or other budget issues; it does not reach any judgments about whether any of the policies reviewed would work in the U.S.; and it contains no policy endorsements or recommendations. In sum, the GAO does not attempt to add up the hundreds of billions of dollars such policies could cost if implemented in the U.S., even though they might have to be included in Comptroller Walker's future Fiscal Wake-up presentations.

United States Government Accountability Office

GAO

Testimony before the Joint Economic Committee

For Release on Delivery
Expected at 10:00 a.m. EDT
Thursday, June 14, 2007

WOMEN AND LOW-SKILLED WORKERS

Efforts in Other Countries to Help These Workers Enter and Remain in the Workforce

Statement of Kay E. Brown, Acting Director
Education, Workforce, and Income Security Issues

GAO-07-989T

June 14, 2007

GAO
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Highlights

Highlights of GAO-07-989T, a testimony before the Joint Economic Committee

WOMEN AND LOW-SKILLED WORKERS

Efforts in Other Countries to Help These Workers Enter and Remain in the Workforce

Why GAO Did This Study

Increasing retirements and declining fertility rates, among other factors, could affect the labor force growth in many developed countries. To maintain the size and productivity of the labor force, many governments and employers have introduced strategies to keep workers who face greater challenges in maintaining jobs and incomes, such as women and low-skilled workers, in the workforce. This testimony discusses our work on (1) describing the policies and practices implemented in other developed countries that may help women and low-wage/low-skilled workers enter and remain in the labor force, (2) examining the change in the targeted groups' employment following the implementation of the policies and practices, and (3) identifying the factors that affect employees' use of workplace benefits and the resulting workplace implications.

The testimony is based on a report we are issuing today (GAO-07-817). For that report, we conducted an extensive review of workforce flexibility and training strategies in a range of developed countries and site visits to selected countries. Our reviews were limited to materials available in English. We identified relevant national policies in the U.S., but did not determine whether other countries' strategies could be implemented here. The report made no recommendations. The Department of Labor provided technical comments; the Department of State had no comments on the draft report.

www.gao.gov/cgi-bin/getrpt?GAO-07-989T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sigurd R. Nilsen, (202) 512-7215 or nilsens@gao.gov.

What GAO Found

Governments and employers developed a variety of laws, government policies, and formal and informal practices, including periods of leave, flexible work schedules, child care, and training. Each of the countries we reviewed provides some form of family leave, such as maternity, paternity, or parental leave, that attempts to balance the needs of employers and employees and, often, attempts to help women and low-wage/low-skilled workers enter and remain in the workforce. In Denmark, employed women with a work history of at least 120 hours in the 13 weeks prior to the leave are allowed 18 weeks of paid maternity leave. In addition to family leave for parents, countries provide other types of leave, and have established workplace flexibility arrangements for workers. U.S. federal law allows for unpaid leave under certain circumstances. All of the countries we reviewed, including the United States, also subsidize child care for some working parents through a variety of means, such as direct benefits to parents for child care or tax credits. For example, in Canada, the government provides direct financial support of $100 a month per child, to eligible parents for each child under 6. Last, governments and employers have a range of training and apprenticeship programs to help unemployed people find jobs and to help those already in the workforce advance in their careers.

Although research shows that benefits such as parental leave are associated with increased employment, research on training programs is mixed. Leave reduces the amount of time that mothers spend out of the labor force. Cross-national studies show that child care—particularly when it is subsidized and regulated with quality standards—is positively related to women's employment. Available research on training in some of the countries we reviewed shows mixed results in helping the unemployed get jobs. Some local initiatives have shown promise, but evaluations of some specific practices have not been conducted. Some country officials said it is difficult to attribute effects to a specific policy because the policies are either new or because they codified long-standing practices.

While policies do appear to affect workforce participation, many factors can affect the uptake of workplace benefits, and employees' use of these benefits can have implications for employers and employees. For example, employees' use of workplace benefits can create management challenges for their employers. Additionally, employees are more likely to take family leave if they feel that their employer is supportive. However, while a Canadian province provides 12 days of unpaid leave to deal with emergencies or sickness, low-wage workers cannot always afford to take it. Similarly, the uptake of available benefits can also have larger implications for an employee's career. Some part-time jobs have no career advancement opportunities and limited access to other benefits. Since employers tend to target their training to higher-skilled and full-time workers, employees who opt to work part-time may have fewer opportunities for on-the-job training that could help them advance, according to researchers in the Netherlands.

Madam Vice-Chairwoman and Members of the Committee:

I am pleased to be here today to discuss the policies and practices of other countries that may help women and low-skilled workers enter and remain in the labor force. My testimony is drawn from our report *Women and Low-Skilled Workers: Other Countries' Policies and Practices That May Help These Workers Enter and Remain in the Labor Force* (GAO-07-817), being released this morning. Our work (1) describes the policies and practices implemented in other developed countries that may help women and low-wage/low-skilled workers enter and remain in the labor force, (2) examines the change in the targeted groups' employment following the implementation of the policies and practices, and (3) identifies the factors that affect employees' use of workplace benefits and the resulting workplace implications.

Increasing retirements and declining fertility rates, among other factors, could affect the labor force growth in many developed countries. To maintain the size and productivity of the labor force, many governments and employers in developed countries have introduced strategies to keep workers who face greater challenges in maintaining jobs and incomes, such as women and low-wage/low-skilled workers, in the workforce throughout their working lives. To help women remain in the labor force consistently, many governments and employers have established leave policies and flexible working arrangements to assist women in simultaneously managing responsibilities both inside and outside the workplace. To help low-skilled workers find jobs and remain in the labor force, governments and employers have invested in education and training.

We conducted an extensive literature review of workplace flexibility and training strategies in a range of developed countries to provide descriptive information about some of their policies and practices. We conducted site visits and/or interviews in four developed countries—Canada, the United Kingdom (UK), the Netherlands, and Denmark—selected for the variety of work-family and workforce development policies they have adopted. We interviewed government officials, researchers, private employers, trade associations, and unions in each of the countries about their experiences with such policies and practices. We interviewed officials from several European Union (EU) institutions in Belgium. We reviewed four other countries (France, Ireland, New Zealand, and Sweden) using literature reviews and discussions with U.S. and foreign-based researchers. To provide context, we identified relevant national policies in the United States. However, we did not conduct a comprehensive review of similar

workplace flexibility and training strategies in the United States, nor did we seek to determine whether other countries' strategies could be implemented here. Our review of related laws and regulations of the other countries relied on secondary sources of analysis rather than independent analysis of foreign laws. Our review of relevant literature, laws, and regulations was limited by the extent that specific information from secondary sources was accessible and written in English.

We conducted our work between July 2006 and May 2007 in accordance with generally accepted government auditing standards. We made no recommendations in the report. The Department of Labor provided technical comments on the report, which we incorporated where appropriate. The Department of State did not have comments on the report.

Summary

In summary, governments and employers in the countries we studied developed a variety of laws, government policies, and formal and informal practices to help women and low-wage/low-skilled workers enter and remain in the workforce. For example, governments may offer paid leave of varying lengths for new parents, subsidize the costs of child care, and offer training and apprenticeship programs to help the unemployed find jobs and to help those already in the workforce advance in their careers. For example, in Denmark, employed women are allowed 18 weeks of paid maternity leave; the United States provides up to 12 weeks of unpaid family leave. To subsidize child care costs, the Canadian government provides $100 a month for each child under age 6 to eligible parents. Denmark also has had a public system in place since the mid-1960s that allows low-skilled workers to receive free education, wage subsidies, and funding for transportation costs. While evidence from cross-national studies shows that child care and paid maternity leave are positively related to women's employment, research on training programs has shown mixed results. It is difficult to attribute effects to a specific policy, however, for a variety of reasons. For example, some policies simply codified into law a widely used practice: In one case, it was very common for Dutch women to choose to work part-time even before legislation passed that promoted employees' rights to reduce their working hours, according to a Dutch government official. When policies are in place, many factors can affect whether employees take full advantage of benefits, and use of these benefits can have implications for employers and employees. For example, while employees are more likely to take family leave if they feel that their employer is supportive, low-wage workers cannot always afford to take all of their unpaid leave. Employees' personal

experiences can also affect their uptake of benefits. For example, employees may be reluctant to take advantage of workplace training if they have had negative experiences with education in the past. The uptake of available benefits can also have larger implications for an employee's career. Long parental leaves, for example, may lead to an actual or perceived deterioration in women's labor market skills, according to an EU report, and can have negative effects on future earnings.

Background

According to the Department of Labor, in 2005, about 60 percent of U.S. women age 16 and older were in the workforce, compared to 46 percent in 1975. Some U.S. employers offer alternative work arrangements to help workers manage both work and other life responsibilities.[1] One type of alternative work arrangement allows workers to reduce their work hours from the traditional 40 hours per week, such as with part-time work or job sharing.[2] The Family and Medical Leave Act (FMLA) of 1993 requires most employers to provide workers 12 weeks of unpaid leave from work for a variety of reasons, such as childbirth, caring for relatives with serious health conditions, or other personal reasons, such as their own serious health condition or the adoption of a child, and employers must guarantee workers a similar job upon return.[3] Some arrangements adopted by employers, such as flextime, allow employees to begin and end their workday outside the traditional 9-to-5 work hours. Other arrangements, such as telecommuting from home, allow employees to work in an alternative location. Child care facilities are also available at some workplaces to help workers with their care giving responsibilities. In

[1]For a listing of companies that have implemented various workplace flexibility initiatives, see the Families and Work Institute, www.familiesandwork.org, and the Great Place to Work Institute, www.greatplacetowork.com.

[2]Part-time work schedules allow employees to reduce their work hours from the traditional 40 hours per week in exchange for a reduced salary and possibly prorated benefits. Job sharing—a form of part-time work—allows two employees to share job responsibilities, salary, and benefits of one full-time position.

[3]The law applies to private companies with 50 or more employees, and all federal, state, and local government agencies. However, employers are not required to extend this job protection to certain "highly compensated employees," as that term is defined by the act. 29 U.S.C. § 2614(b). To be eligible for leave, employees seeking leave must have worked for their employer for at least 1 year and for over 1,250 hours during the last year.

addition to benefiting workers, these arrangements may also benefit employers by helping them recruit and retain workers.[4]

The federal government also provides child care subsidies for certain low-income families, and tax breaks for most parents, both to support their ability to work and to balance work-family responsibilities. Under programs funded by the Child Care and Development Fund,[5] Temporary Assistance for Needy Families (TANF) and state resources, states have the flexibility to serve certain types of low-income families. The Head Start program provides comprehensive early childhood education and development services to low-income preschool children, on a part- or full-day basis. Last, the Child and Dependent Care Tax Credit allows parents to reduce their tax on their federal income tax return if they paid someone to care for a child under age 13 or a qualifying spouse or dependent so they could work or look for work.[6]

In addition, the federal government offers workforce development and training programs designed to assist low-wage/low-skilled workers in the United States. The Workforce Investment Act (WIA) of 1998 requires states and localities to bring together a number of federally funded employment and training services into a statewide network of one-stop career centers.[7] Low-skilled workers and dislocated workers can choose the training they determine best for themselves, working in consultation

[4]Paid leave had been the most costly benefit to employers, but by 2005, the cost of health insurance equaled that of paid leave. See GAO, *Employee Compensation: Employer Spending on Benefits Has Grown Faster Than Wages, Due Largely to Rising Costs for Health Insurance and Retirement Benefits*, GAO-06-285 (Washington, D.C.: Feb. 24, 2006).

[5]The Child Care and Development Fund (CCDF) is administered by the Department of Health and Human Services (HHS) and provides block grants to states, which use the grants to subsidize the child care expenses of families with children under age 13, if the parents are working or in school and family income is less than 85 percent of the state median. Child care services are provided on a sliding fee scale basis, and parents may choose to receive assistance through vouchers or certificates, which can be used with a provider of the parents' choice, including religious providers and relatives.

[6]To qualify, the spouse, children over the age of 13, and other dependents must be physically or mentally incapable of self-care and must have the same principal abode as the taxpayer for more than one-half of the taxable year. The credit is a percentage of the amount of work-related child and dependent care expenses paid to a care provider. The credit can be up to 35 percent of qualifying expenses, depending upon income.

[7]GAO, *Workforce Investment Act: Employers Found One-Stops Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement*, GAO-07-167 (Washington, D.C.: December 2006).

with a case manager. Additionally, the federal government provides tax breaks and incentives for companies to hire low-income workers, public assistance recipients, and workers with disabilities.

Most of the countries we studied are members of the European Union,[8] which provides minimum standards or basic rights for individuals across member states. For example, the 1997 directive on equal treatment of part-time work mandates that people holding less than full-time jobs be given prorated pay and benefits without discrimination.[9] EU directives are generally binding in terms of the results to be achieved,[10] but an opt-out option occasionally allows member states to delay action. Additionally, in 2000, member states have agreed to increase the number of women in employment, the number of adults in lifelong learning, and the provision of child care by the end of the decade. The EU offers financial support to its member states to help them succeed in employment goals.[11]

Other differences are relevant to consideration of the workforce attachment policies of our study countries. Although U.S. women have high levels of educational attainment, their workforce participation, in general, is lower than that of the countries we studied. While a higher education level is associated with greater likelihood of labor force participation, labor force participation for U.S. women is lower than that in any of our study countries except Ireland and New Zealand (see table 1).

[8]These include Denmark, France, Ireland, the Netherlands, Sweden and the UK. The EU is an economic and political union established in 1993 by the Maastricht Treaty to expand the scope of the European Economic Community and provide for the creation of a European Central Bank and the adoption of a common currency, the euro.

[9]EC Council Directive 97/81/EC; members may choose to make exceptions for workers engaged in casual work

[10] Member states are bound by the objectives laid down by the directives but are left the choice of how to achieve these objectives

[11]The EU will allocate 0.9 billion euros, or more than $1 billion, for education and training in its 2007 budget, a 31 percent increase from 2006. For example, countries can request money from the European Social Fund (ESF) for public or private programs that improve people's skills and employability. The ESF was created in 1957 and is EU's main source of support, helping member states combat unemployment, prevent people from dropping out of the labor market, and promote training.

Table 1: Total Fertility Rates and Women's Labor Market Participation

Country	Total fertility rate of women, ages 15-49, 2004*	Labor force participation rates of women, ages 25-54, 2004
Sweden	1.75	85.3%
Denmark	1.78	84.9%
Canada	1.53	81.5%
France	1.91	80.3%
The Netherlands	1.73	77.4%
The UK	1.76	76.8%
The United States	2.05	75.3%
New Zealand	2.01	75.2%
Ireland	1.93	67.9%

Source: *OECD Employment Outlook 2006: Boosting Jobs and Income* (OECD, 2006) and *OECD in Figures, 2006-2007* (OECD, 2006).

*The fertility rate is defined as the total number of children born per 1,000 women of childbearing age

However, working women in the United States are more likely to work full-time than those in all other study countries except Sweden or Denmark. In the Netherlands, a country where 36 percent of all employment is part-time, women constitute more than three-quarters of employees working less than 30 hours per week.

Differences in taxation across countries reflect economic and social priorities. The ratio of total tax revenues to gross domestic product (GDP) is a commonly used measure of state involvement in national economies. Countries with high tax-to-GDP ratios generally pay more from the public budget for services that citizens would have to pay for themselves—or do without—in lower-taxed countries. In 2004, Sweden had the highest tax revenue as a percentage of GDP among our study countries, at 50.4 percent. Denmark came next at 48.8 percent, followed by France at 43.4 percent. The United States had the lowest tax revenue as a percentage of GDP in 2004, at 25.5 percent. (See table 2.)

Table 2: Total Federal Tax Revenue as a Percentage of GDP

Country	Percentage of GDP, 2004
Sweden	50.4
Denmark[a]	48.8
France[a]	43.4
Netherlands	37.5
United Kingdom	36.0
New Zealand	35.6
Ireland	30.1
Canada	33.5
United States	25.5

Source: OECD Revenue Statistics 2005

[a]The total tax revenue has been reduced by the amount of the capital transfer that represents uncollected taxes.

Countries Have Various Policies and Practices That May Help Some Women and Low-Wage/Low-Skilled Workers Enter and Remain in the Labor Force

Governments and employers in the countries we studied developed a variety of laws, government policies, and formal and informal practices, including periods of paid leave (such as maternity, paternity, or parental leave), flexible work schedules, child care, and training that may help women and low-wage/low-skilled workers enter and remain in the labor force. In addition to family leave for parents, countries provide other types of leave, and have established workplace flexibility arrangements for workers. All of the countries also subsidize child care for some working parents through a variety of means, such as direct benefits to parents for child care and tax credits. Last, governments and employers have a range of training and apprenticeship programs to help unemployed people find jobs and to help those already in the workforce advance in their careers.

Family Leave Policies Differed in Four Major Ways, Including Eligibility Requirements and Length, Payment, and Flexibility

Many countries have developed and funded parental leave policies to assist employees in combining their work and family lives, recognizing, in part, the need to promote women's participation in the labor force. A 1996 directive of the European Council requires all countries in the EU—including each of the European countries we reviewed—to introduce legislation on parental leave that would provide all working parents the right at least 3 months of leave—preferably paid—to care for a new baby. In the United States, the FMLA allows approximately 3 months of unpaid leave. Some of the countries we studied are social welfare states, and generally fund family leave payments through tax revenues and general

revenues. For example, Canada, the UK, and the Netherlands fund paid leave policies in part through national insurance programs, which use payroll taxes paid by employers and employees. Denmark's paid maternity, paternity, and parental leaves are financed by income tax revenues through an 8 percent tax on all earned income.[12]

Many national leave policies in our study countries require employees to work for a period of time before they can take leave, giving employers assurances that employees are committed to their jobs. For example, in Denmark, employed women with a work history of at least 120 hours in the 13 weeks prior to the leave are allowed 18 weeks of paid maternity leave.[13] In some countries, though, all parents are entitled to take family leave. In Sweden, all parents are entitled to parental benefits whether or not they are working. In the UK, by law, all expectant employees can take up to 52 weeks of maternity leave, regardless of how long they have worked for their employer.

To enhance workers' ability to take leave, the countries we studied replace all or part of the wages they forgo while on leave. Dutch employees on maternity leave and their partners are entitled to receive 100 percent of their wages, up to a maximum. In the UK, women who meet qualifying conditions of length of service and who earn a minimum amount for the national insurance system can receive up to 90 percent of their earnings.[14] In Ireland, women can generally be paid at 80 percent of earnings, subject to their contributions into the social insurance system. However, employers may offer more leave than legally required.

Leave is often intended to help parents care not just for newborns. In the Netherlands, Sweden, Denmark, and the UK, parents have the option of

[12]The 8 percent mandatory contribution also funds other social benefits, including sick leave, active labor market policies, and retirement policies, according to a government official.

[13]Persons who are self-employed, have completed vocational training for a period of 18 months, are doing paid work placement as part of a vocational training course, or are unemployed may also be eligible for cash benefits following the birth of a child.

[14]The rate of statutory maternity pay is 90 percent of a woman's average weekly earnings for the first six weeks, followed by the lesser of a flat rate—currently $108.85 a week—or 90 percent of her average weekly earnings for the remaining 33 weeks. Employers who are liable to pay statutory maternity pay may reclaim 92 percent of the amount they pay from Her Majesty's Revenue and Customs. Statutory payment was extended in April 2007 from 26 to 39 weeks.

using their leave flexibly by dividing it into discrete parts, sometimes with the consent of an employer. In the Netherlands, for example, parents may divide the leave into a maximum of three parts and can take the leave simultaneously or following one another. The Netherlands, Sweden, and Denmark allow parents the use of parental leave until their child turns either 8 or 9, while the UK allows the use of parental leave until a child turns 5.

Further, some countries allow workers to take leave to care for other family members. In Canada, all employees are eligible to take 8 weeks of unpaid leave to provide care and support to a seriously ill family member or someone considered as a family member.[15] In other countries, the leave is more limited. New Zealand requires that all employers provide a minimum of 5 days of paid sick leave for an eligible employee's own illness or to care for family members.[16]

Flexible Working Arrangements Help Employees Balance Work and Private Responsibilities

A few countries have also developed national policies that promote flexible work opportunities, apart from leave. Dutch law gives eligible employees the right to reduce or increase working hours for any reason.[17] Employers can deny the request only if the change would result in a serious obstacle, such as not having enough other workers to cover the hours an employee wishes to reduce. Similarly, British law allows workers to request changes to the hours or location of their work, to accommodate the care of children and certain adults.[18] According to government officials

[15]The definition was expanded in 2006 beyond those caring for parents, children, and spouses to include persons caring for other family members—such as siblings, grandparents, aunts, and uncles—and others considered like family members. Persons must be deemed at risk of dying within 26 weeks.

[16]To be eligible, an employee must have worked for 6 months continuously for the same employer or be deemed eligible at the discretion of his or her employer. The leave may be used for an employee's own illness or can be used to care for a spouse or dependent, including a child or elderly parent.

[17]The law is the Working Hours Adjustment Act of 2000. To be eligible for the Working Hours Adjustment Act of 2000, an employee must work in an organization with more than 10 workers, and must have been employed for at least a year by the time his/her work hours would be adjusted.

[18]The Right to Request Flexible Working and Duty to Consider law, sometimes referred to as "soft touch," became effective in 2003. Eligible employees must also have worked for their employer continuously for 26 weeks at the time the application is submitted. Children have to be under 6 or have a disability. Adults must be a spouse, partner, civil partner, or relative, or live at the same residence as the employee submitting a request.

from the UK Departments of Trade and Industry, and Communities and Local Government, this law provides the government with a cost-effective means to help women return to work. Although similar to the law in the Netherlands, this law gives employers in the UK more leeway to refuse an employee's request.

Flexible working opportunities for employees are often adjusted or developed by individual employers. Many employers extended the Right to Request provisions to all employees, for example. In other cases, employers have developed new opportunities. One local government employer in the UK offers employees the ability to take a career break for up to 5 years to care for children or elders, with the right to return to the same position. Employees of the organization are also able to take time off when children are home on holidays, share the responsibilities of one position with another employee through the practice of job sharing, and vary their working hours. In Denmark, a large employer allowed an employee who was returning to work from a long-term illness to gradually increase her working hours until she reached a full-time schedule over the course of several months. Flexible working arrangements in the United States have been adopted by some employers, but are not mandated in federal law.

Child Care Policies Assist Working Parents

All of our study countries have made a public investment in child care, a means of allowing women to access paid employment and balance work and family, according to the European Commission. In Canada, the government provides direct financial support of $100 a month to eligible parents for each child under 6. In New Zealand, support is available through a child care tax credit of $310 per year to parents who have more than $940 in child care costs. Researchers have reported that, like leave benefits, early childhood education and care services in European countries are financed largely by the government.[19] According to these researchers, funding is provided by national, state, or regional and local authorities, and the national share typically is dominant in services for preschool-age children. These researchers also reported that care for very young children and, to a lesser extent, for preschool children is partially funded through parental co-payments that cover an average of 15 percent to 25 percent of costs.

[19]Janet C. Gornick and Marcia K. Meyers, "Support for Working Families: What the United States Can Learn from Europe" *The American Prospect*, (2001), 12:1.

In some countries the provision of early childhood care and education is viewed as a social right, in others as a shared responsibility. In Sweden and Denmark, parents are guaranteed a place in the state child care system for children of a certain age, according to the European Commission. More than 90 percent of Danish children are in publicly supported child care facilities, according to a Danish researcher. Other countries view the provision of child care as a responsibility shared among government, employers, and parents. In the Netherlands, overall, employers, employees, and the government are each expected to pay about one-third of child care costs, according to a report by the European Commission.

Aside from public support for child care, some employers in the countries we reviewed offered additional resources for their employees' child care needs. For example, although not mandated to do so by law until January 2007, many employers in the Netherlands had been contributing towards their employees' cost for child care. In the Netherlands, about two-thirds of working parents received the full child care contribution from their employers, according to a recent survey.[20] In addition, a Canadian union negotiated employer subsidies to reimburse some child care expenses for its members, according to union representatives.

Training Programs Can Be Targeted at the Unemployed or Low-Skilled Workers

Our study countries provide services in a variety of ways to help both the unemployed and low-skilled workers to develop their skills. The percentage of GDP that each country spends on training programs varies. (See table 3.)

[20]The survey was commissioned by the Dutch Ministry of Social Affairs and Employment.

Table 3: Public Expenditures on Training Programs

Country	Public expenditures on training as a percentage of GDP 2003-2004
Denmark	0.54
The Netherlands	0.36
Sweden	0.35
France	0.31
Ireland	0.18
New Zealand	0.18
The UK	0.13
Canada	0.12
The United States	0.05

Source: OECD *Employment Outlook 2006: Boosting Jobs and Income* (OECD, 2006)

Note: Includes institutional, or vocational, training; workplace integrated training; and special support for apprenticeship programs.

To help the unemployed develop the skills necessary to obtain work, our study countries provided various services, including providing training directly and giving employers incentives to provide training or apprenticeships. In Denmark, to continue receiving unemployment benefits after 9 months, the unemployed are required to accept offers, such as education and training, to help them find work.[21] Particular groups of the unemployed that may face difficulty in finding employment, such as women and the low-skilled, may be offered training sooner. Employers in Denmark may receive wage subsidies for providing job-related experience and training to the unemployed, or for providing apprenticeships in fields with a shortage of available labor. In the United States, training services generally are provided by WIA programs, which are provided by government.

Local governments and private entities also seek to help the unemployed obtain and upgrade skills. For example, a local government council in the UK provides unemployed women training in occupations in which they are underrepresented, such as construction and public transport. While the women are not paid wages during the typical 8-12 weeks of training, they

[21] In addition to mandatory offers of education and training, for example, the Danish model known as "flexicurity" includes a high degree of labor market flexibility and generous unemployment benefits.

may receive unemployment insurance benefits as well as additional support for child care and transportation. Additionally, a privately run association in the Netherlands provides entrepreneurial training to women who have been on public assistance for at least 10 years to start their own businesses, according to an organization official. Both of these initiatives were funded jointly by the local governments and the European Social Fund.

Our study countries also have training initiatives focused on those already in the workforce. For example, Canada introduced an initiative to ensure that Canadians have the right skills for changing work and life demands.[22] The program's goal is to enhance nine essential skills that provide the foundation for learning all other skills and enable people to evolve with their jobs and adapt to workplace changes, according to the government. Denmark has had a public system in place since the mid-1960s that allows low-skilled workers to receive free education, wage subsidies, and funding for transportation costs. About one-half of unskilled workers took part in training courses that were either publicly financed or provided privately by employers in the past year, according to a Danish researcher. The UK has also developed an initiative which offers employers training assistance to meets their needs. The UK's Train to Gain program, based on an earlier pilot program, provides employers free training for employees to achieve work-related qualifications. To qualify for Train to Gain, employers need to agree to at least a minimum level of paid time that employees will be allowed to use for training. Employers with fewer than 50 full-time employees are eligible for limited wage subsidies. Train to Gain also provides skills advice to employers and helps match business needs with training providers. The UK Leitch Review recommended that the government provide the bulk of funding for basic skills training and that all adult vocational skills funding be routed through programs such as Train to Gain.[23]

[22]The Essential Skills and Workplace Literacy Initiative was introduced in 2003.

[23]A comprehensive review commissioned by the UK government showed that less than half of those with no qualifications are employed, compared to 90 percent of those with graduate-level qualifications. Such findings showed that skills across the UK lag behind those of its competitors, particularly with regard to basic and vocational skills. For example, more than one in three adults do not hold the equivalent of a basic school qualification, nearly one in two has difficulty with numbers, and one in seven is functionally illiterate. See the *Leitch Review of Skills: Prosperity for All in the Global Economy* (H.M. Treasury, December 2006).

As is the case with other benefits, many training programs aimed at increasing employees' skills are initiated privately by employers and employees. For example, an employer in Saskatchewan, Canada, reported that he supports employees' advancement by paying for necessary educational courses, such as those that prepare employees for required licenses. A large government employer in the UK, recognizing the challenges faced by women in a male-dominated field, offers flexible training to make the training more easily accessible to women—training is available online, from work or home, as well as through DVDs that can be viewed at one's convenience. In the Netherlands, according to an employer representative, most training is developed through agreements in which employers agree to pay. In Denmark, a director in the Ministry of Education reported that some companies give employees the right to 2 weeks per year of continuing education in relevant and publicly funded education.

Although Certain Workplace Policies Are Associated with Increased Participation in the Labor Force, in General, Effects Are Not Definitive

Research has found that workplace policies such as child care and family leave encourage women to enter and return to the workforce, while evaluations of training policies show mixed results. Readily available child care appears to enable more women to participate in the labor market, especially when it is subsidized and meets quality standards such as having a high staff-to-child ratio and a high proportion of certified staff. Women are also more likely to enter and remain in the workforce if they have paid family leave, although the length of leave affects their employment. An extensive review of available research by the European Commission shows mixed results in whether training helps the unemployed get jobs. Some training initiatives have shown promise but have not been formally evaluated. In general, researchers and officials reported that it is difficult to determine the effects of a policy for a variety of reasons.

Child Care and Paid Family Leave Are Associated With an Increase in Labor Force Participation

Readily available child care, especially when it is subsidized and regulated with quality standards such as a high staff-to-child ratio and a high proportion of certified staff, appears to increase women's participation in the labor force by helping them balance work and family responsibilities, according to research from several cross-national studies. Additionally, the European Commission reports that women prolong their time away from work when child care is not subsidized and relatively expensive. Low-wage workers, especially single parents, who are predominantly women, are particularly sensitive to the price of child care, according to a European Commission report. Research from the United States also shows

that highly priced child care can deter mothers from working, according to a review of the literature. The association between child care and women's labor force participation is found in several studies that control for a variety of factors, including individual countries' cultural norms and experiences. However, the relationship between early childhood education—which acts as child care for some parents—and women's labor force participation is uncertain. Because many unemployed mothers also place their children in subsidized preschool, any impact that the preschool has on encouraging mothers to work may appear to be diminished, according to a cross-national study.[24]

Research shows that paid family leave encourages women's employment, but is not conclusive as to the ideal length of family leave to encourage women to return to work. One extensive review of the literature on family leave found that leave increases the chance that women will return to work by the end of the year following the birth.[25] Another study examining paid maternity leave of varying lengths of time in several Western European countries, including Denmark, France, Ireland, and Sweden, concluded that maternity leave may increase women's employment rate by about 3-4 percent.[26] However, if leave is too short, women may quit their job in order to care for their children, according to a European Commission report. Another study found that if leave is too lengthy, it may actually discourage women from returning to work after having a child. One researcher stated that French mothers with at least two children returned to the workforce less frequently when they became eligible for 3 years of family leave. On the contrary, some researchers found that Sweden's lengthy leave allowed more women to enter and remain in the labor force in the long run. One review of the literature concluded that leave of up to about 1 year is positively associated with women's employment, while another found that after 20 weeks, the effect of leave on employment begins to deteriorate.

[24]Florence Jaumotte, "Female Labour Force Participation: Past Trends and Main Determinants in OECD Countries," *OECD Economics Department Working Papers* No. 376 (2003): 19.

[25]Janet C. Gornick and Marcia K. Meyers, *Families That Work: Policies for Reconciling Parenthood and Employment* (New York: Russell Sage Foundation, 2003), 245.

[26]This may overstate the increase in employment. In some cases, people on family leave are considered "employed but absent from work," and this may account for one-fourth to one-half of the increase associated with longer lengths of leave (9 months or more). Christopher J. Ruhm, "The Economic Consequences of Parental Leave Mandates: Lessons from Europe," *The Quarterly Journal of Economics*, Vol. 113, No.1 (1998): 311-312.

The Effects of Most Workplace Policies and Practices, Including Training, Are Not Definitive

Evaluations of training programs, where they exist, have shown mixed results, but many national and local efforts have shown promise. Research on training program participants from Sweden and Denmark found that training programs do not appear to positively affect all participants' employment. While the Danish government's labor market policies seem to have successfully lowered the overall unemployment rate to around 4 percent by the end of 2006, according to Danish officials, the effect of specific training programs on participants' employment is difficult to discern.[27] On the other hand, a number of evaluations of French training programs suggest that these programs help participants secure jobs. New Zealand's evaluation of two of its training programs, which provide both remedial and vocational skills to participants, found that the training had a small effect on the participants' employability.[28] According to a European Commission report, one researcher's review of 70 training program evaluations, including those in Denmark, France, The Netherlands, Sweden and the UK, suggested that training programs have a modest likelihood of making a positive impact on post-program employment rates. However, the European Commission reports that many studies on individual outcomes are based upon short-term data, while the effects on participants' employment may not be evident for 1 to 2 years or more. Some national and local training initiatives that we reviewed—both those for the employed and those for the unemployed—have shown promise, although some have not been subject to an evaluation. For example, an evaluation of the precursor to the UK's national Train to Gain program found that 8 out of 10 participants believed they had learned new skills, and employers and participants both felt that the training enabled participants to perform better at work. However, the evaluation estimated that only 10-15 percent of the training was new training, while the remaining 85-90 percent of the training would have occurred without the program. Although a planned evaluation has not yet been conducted, an individual UK employer reported that it had trained 43 women for jobs in which they are underrepresented. Fourteen of these women found employment and 29 are in further training.

[27]This is partly due to the fact that most studies evaluate all active labor market programs together, rather than single program types. These programs include not only skills and qualifications upgrade but also wage subsidized employment and practical work experience in enterprises. In addition, all recipients of unemployment benefits in Denmark are required to participate in active labor market programs if they do not find employment within a certain time frame, so there is no comparison group for formal evaluations.

[28]Roopali Johri et al, *Evidence to Date on the Working and Effectiveness of ALMPs in New Zealand* (New Zealand Department of Labor and Ministry of Social Development, 2004), 15.

Even where evaluations do exist, it is difficult to determine the effects of any policy for a variety of reasons. Policies affecting female labor force participation interact with cultural factors, such as a country's ideology concerning social rights and gender equality, according to a researcher from Ireland. In some cases, too, new policies interact with existing ones. For example, a researcher reported that the French government provides payments to mothers who may choose to stay home with their children, while also subsidizing child care that encourages mothers to work. Additionally, changes in the labor market may actually bring about the enactment of policies, rather than the other way around. For example, it is difficult to be sure whether the availability of child care causes women to enter the labor force or if it is an effect of having more women in the workforce, according to one researcher's review of the relevant literature.

Further, few evaluations of certain policies and practices have been conducted in Europe, although this is starting to change, according to the European Commission. Moreover, some policies were recently developed, and governments frequently make changes to existing policies, which may make it difficult to evaluate them. For example, a report by the Canadian government states that flexible work arrangements are relatively new and represent an area in which research is needed. In other cases, a policy simply codified into law a widely used practice. For example, a government official in the Netherlands reported that it was very common for Dutch women to choose to work part-time even before legislation passed that promoted employees' right to reduce their working hours.

While Several Factors Affect Uptake, Employees' Use of Workplace Benefits Can Have Implications for Employers and Employees

The experiences of the countries we reviewed have shown that characteristics of policies, such as the level of payment during leave, can affect whether an employee uses various workplace benefits. For example, the province of Saskatchewan in Canada provides 12 days of unpaid leave per year, but low-wage workers cannot always afford to take it. Similarly, according to a University of Bristol professor, low-income mothers in the UK disproportionately return to the workforce at the end of paid maternity leave whereas more affluent mothers tend to return at the end of unpaid leave. When parental leave can be shared between parents and the level of payment is low, women tend to take the leave, in part because their income level is often lower than their husband's. A report from the European Commission also found that the ability to use leave flexibly, such as for a few hours each day or over several distinct periods rather than all at once, can also increase parents' take-up rates for leave, as parents are able to care for their children and stay in the labor force at the same time.

Employer views and employee perceptions can also directly affect an employee's use of workplace benefits. Researchers in Canada, for example, found that the ability to arrange a schedule in advance and interrupt it if needed is very important to employees, but that this ability depends on how willing their supervisor is to be flexible. In addition, a cross-national study from the Organisation for Economic Co-Operation and Development, which included the countries we reviewed, found that many employers tend to view training for the low-skilled as a cost, rather than an investment, and devote substantially more resources to their high-skilled workers, on average. Since employers tend to target their training to higher skilled and full-time workers, employees who opt to work part-time may have fewer opportunities for on-the-job training that could help them advance, according to university researchers in the Netherlands. An employee's perceptions on training can also affect his or her uptake of opportunities. Employee representatives from Denmark's largest trade union confederation said that low-skilled employees are more likely to have had negative experiences with education and that these experiences can affect whether they take advantage of workplace training opportunities to increase their skills.

Employees' use of workplace benefits can create management challenges for their employers. For example, an employer in Saskatchewan reported that covering for the work of staff on family leave can be complicated. He said that although he was able to hire temporary help to cover an employee on maternity leave, he faced an unexpected staff shortage when the employee decided toward the end of her leave not to return to work and the temporary employee had found another job. An official affiliated with the largest employer association in the Netherlands stated that it can be hard to organize work processes around employees' work interruptions, especially during short-term and unplanned leaves.

The use of family leave or part-time work schedules may also have negative implications for an employee's career. Employers have indicated that they would prefer to hire an older woman with children than a younger woman who has yet to have children, according to university researchers in Denmark.[29] In addition, long parental leaves may lead to an actual or perceived deterioration in women's labor market skills,

[29]According to government officials in Denmark, to counter gender discrimination, all private sector employers are required to contribute to a fund that pays for periods of leave on the basis of their number of employees, regardless of gender.

according to an EU report, and can have negative effects on future earnings. According to employee representatives in Canada, in the high-tech sector, where there are rapid changes in technology, the use of parental leave can be particularly damaging. In addition, some part-time jobs have no career advancement opportunities and limited access to other benefits, such as payment during leave and training.

Concluding Observations

Workplace policies and practices of the countries we studied generally reflect cooperation among government, employer, and employee organizations. Many developed countries have implemented policies and practices that help workers enter and remain in the workforce at different phases of their working lives. These policies and practices, which have included family leave and child care, for example, have been adopted through legislation, negotiated by employee groups, and, at times, independently initiated by private industry groups or individual employers.

U.S. government and businesses, recognizing a growing demand for workplace training and flexibility, also offer benefits and are seeking ways to address these issues to recruit and retain workers. Potentially increasing women's labor force participation by further facilitating a balance of work and family, and improving the skills of low-wage workers throughout their careers, may be important in helping the United States maintain the size and productivity of its labor force in the future, given impending retirements. While other countries have a broader range of workforce benefits and flexibility and training initiatives, little is known about the effects of these strategies. Whether the labor force participation gains and any other positive outcomes from adopting other countries' policies would be realized in the United States is unknown. Moreover, any benefits that might come from any initiatives must be weighed against their associated costs. Nonetheless, investigating particular features of such policies and practices in some of the developed countries may provide useful information as all countries address similar issues.

This concludes my statement, Madam Vice-Chairwoman. I would be happy to respond to any questions that you or other members of the committee may have.

GAO Contact and Staff Acknowledgments

For future contacts regarding this testimony, I can be reached (202) 512-7215. Key contributors to this testimony were Sigurd Nilsen, Diana Pietrowiak, Gretta Goodwin, Avani Locke, Stephanie Toby, Seyda Wentworth, and Charles Willson.

Related GAO Products:

Women and Low-Skilled Workers: Other Countries' Policies and Practices That May Help Them Enter and Remain in the Labor Force. GAO-07-817. Washington, D.C.: June 14, 2007.

An Assessment of Dependent Care Needs of Federal Workers Using the Office of Personnel Management's Survey. GAO-07-437R. Washington, D.C.: March 30, 2007.

Highlights of a GAO Forum: Engaging and Retaining Older Workers. GAO-07-438SP. Washington, D.C.: February 2007.

Workforce Investment Act: Employers Found One-Stops Centers Useful in Hiring Low-Skilled Workers; Performance Information Could Help Gauge Employer Involvement. GAO-07-167. Washington, D.C.: December 22, 2006.

Employee Compensation: Employer Spending on Benefits Has Grown Faster than Wages, Due Largely to Rising Costs for Health Insurance and Retirement Benefits. GAO-06-285. Washington, D.C.: February 24, 2006.

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Child Care: Additional Information Is Needed on Working Families Receiving Subsidies. GAO-05-667. Washington, D.C.: June 29, 2005.

Workforce Investment Act: Substantial Funds Are Used for Training, but Little Is Known Nationally about Training Outcomes. GAO-05-650. Washington, D.C.: June 29, 2005.

Highlights of a GAO Forum: Workforce Challenges and Opportunities for the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies. GAO-04-845SP. Washington, D.C.: June 2004.

Women's Earnings: Work Patterns Partially Explain Difference between Men's And Women's Earnings. GAO-04-35. Washington, D.C.: October 31, 2003.

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Older Workers: Demographic Trends Pose Challenges for Employers and Workers. GAO-02-85. Washington, D.C.: November 16, 2001.

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PREPARED STATEMENT OF DR. JANET GORNICK, PROFESSOR OF POLITICAL SCIENCE AND SOCIOLOGY, CITY UNIVERSITY OF NEW YORK GRADUATE CENTER, NEW YORK, NY

INTRODUCTION

Good morning Chairman Schumer, Vice Chair Maloney and members of the Committee. I appreciate this opportunity to testify at this timely and important hearing to discuss work-family policies in the United States.

I've spent several years studying work-family policies in the U.S., relative to those in place in other rich countries. When I say "work-family policy", I'm referring to public policies that help parents—both mothers and fathers—to balance the competing demands of paid work and family care.

In my brief comments today, I'll draw on findings from several collaborative projects. Most of the work that I'll present was reported in my 2003 book, *Families That Work: Policies for Reconciling Parenthood and Employment.*

My co-author—Marcia Meyers—and I began the research for our book with a question: "How well are American working parents and their children faring, in comparison to those in other high-income countries?" We compared the U.S. to Canada and 10 countries in western and northern Europe.

Our conclusion was: "Not all that well".

First, American working parents work exceptionally long hours. Second, American parents report higher levels of work-family conflict than do parents in many other countries. Third, gender equality in employment is only fair-to-middling. And, fourth, our children are not doing especially well. An exceptionally large share of American children lives in poverty. Our children also fare poorly on a number of other indicators—ranging from infant and child mortality, to school achievement, and adolescent pregnancy.

Parents in all countries face competing demands on their time. But American families struggle more than families elsewhere—in part because American public policy offers less help to them than what's available for working families in many other countries.

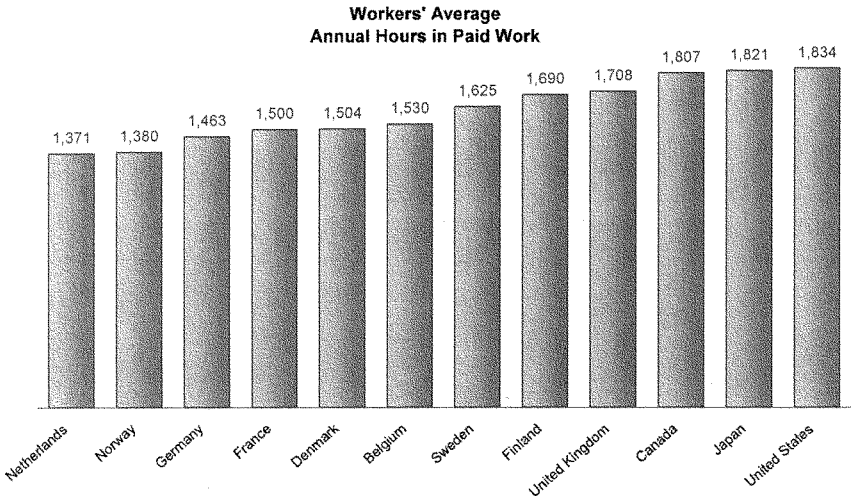
In my few minutes here today, I'm going to give you some highlights from our research about three particularly consequential areas of public policy: working time regulations, paid family leave, and child care. And I will close with some brief comments that underscore that public provision of these programs is consistent with healthy macroeconomic outcomes.

WORK HOURS

Let me preface my comments about policy by offering brief a snapshot of actual work hours across countries.

This figure reports average annual hours spent in paid work, in the U.S., Japan, Canada, and nine European countries.

Figure 1



As shown here, American workers spend—on average—over 1830 hours a year at work. That's about 200 hours more than the Swedes, 300 more than the Belgians, and nearly 500 more than our Dutch counterparts. We even outwork the famously long-hour-working Japanese.

And, parents are no exception in this story. While I won't take the time to show the numbers now, my research has found that American working parents work long hours as well, compared to their counterparts in these other countries.

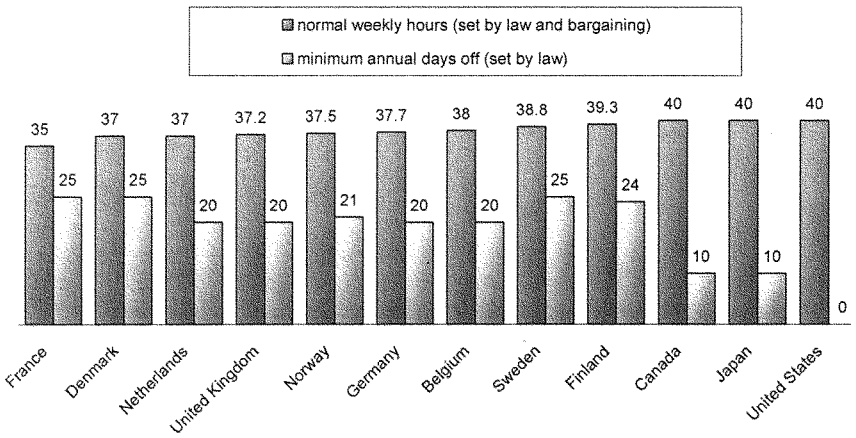
WORKING TIME POLICIES

This figure provides two clues to Americans' long work hours.

The figure reports standard weekly work hours (the shorter bars)—that generally refers to the overtime threshold—as well as the minimum number of paid days off per year, as required by law (the taller bars).

Figure 2

Working Time Policies:
Institutionalizing Hours Worked Per Week and Days Worked Per Year



As the figure shows, the standard work week in these European countries is now set in the range of 35 to 39 hours. The U.S. sets a 40-hour week, as it has for over six decades. In Canada and Japan, the normal work-week is also typically 40 hours.

In addition, the European Union requires that member countries guarantee all workers at least four paid weeks off per year—and several require more. U.S. national law is entirely silent on paid days off.

Of course, there are other types of public policies that "matter" as well. For example, a number of European countries provide workers with the right to request changes to their work schedules—in order to reduce their hours, to alter the timing of those hours, or both.

Thus, other countries provide shorter full-time hours, a shorter work-year, and institutions that raise the quality *and* availability of both part-time work and work with flexible schedules. Together, these measures allow many European parents to choose various types of reduced-hour work—an option that's limited and economically infeasible for a large share of American parents.

PAID FAMILY LEAVE

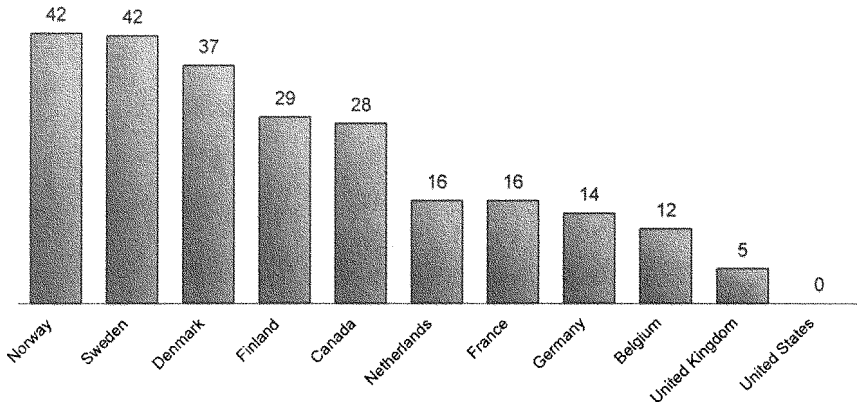
In addition, all of our comparison countries offer mothers and fathers some period of paid leave, in the wake of birth and adoption. U.S. national law is silent on *paid* leave—and access to private provisions is limited and uneven.

This figure reports the total number of weeks of leave available to new *mothers,* multiplied by the percentage of wages replaced.

Figure 3

Paid Family Leave Policies:
Fully Paid Weeks Allowed (for Mothers), Following Birth or Adoption

includes: national social insurance programs, earnings-related benefits only



In the Nordic countries and in Canada—the five countries shown on the left—new mothers are awarded in the range of 28 to 42 weeks of fully paid leave, whereas mothers in continental Europe are typically entitled to about 12 to 16 weeks.

The lack of paid leave in the U.S. forces many parents to choose from among a restricted set of options. Many new parents have to choose between taking unpaid leave and losing their pay, or remaining at work and placing their newborns in child care, essentially from birth.

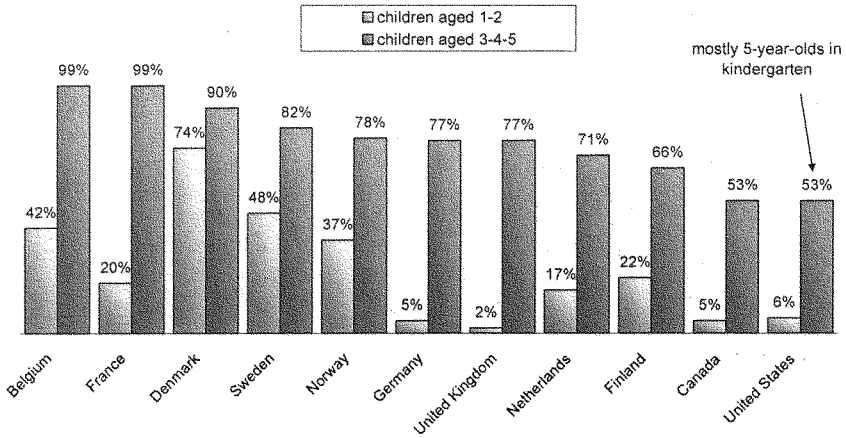
EARLY CHILDHOOD EDUCATION AND CARE

And, finally, "the great American time squeeze" is worsened by our meager investments in early childhood education and care.

This figure reports the percentage of young children—age 1 and 2 (the shorter bars) and age 3, 4, and 5 (the taller bars)—in publicly supported child care.

Figure 4

Early Childhood Education and Care:
Enrollment in Publicly-Provided or Publicly-Financed Care



As the figure indicates, levels of publicly-provided or -subsidized care for 1 and 2 year-olds vary widely across Europe. But, in *all* of these countries, the majority of 3-to-5 year-olds are in public programs.

In comparison, in the U.S., 6 percent of the "under 3's" are in public care and just over half of the "3-to-5s"—and most of those are 5–year olds in kindergarten.

Most American working parents, instead, buy private care. They pay most of the cost out-of-pocket and most children get care that's judged by experts to be mediocre in quality.

CONCLUSION

To conclude, generous work-family policies are good for parents, children, and worker productivity, and especially benefit lower-income workers who tend to have less bargaining power and can't afford to pay for help privately. Public systems equalize access and affordability, across family types and throughout the income spectrum, leading to outcomes that are more equitable than the results we get when we leave the provision of these crucial supports to the marketplace.

In addition, generous work-family policies are compatible with good economic outcomes. Consider GDP-per-hour-worked, a powerful indicator of productivity. The six top-ranked countries in the world are European countries with comprehensive work-family policies. The U.S. is ranked eighth.

Furthermore, the World Economic Forum's *Competitiveness Index* includes, among the top five countries in the world, Denmark, Sweden, and Finland—three countries with extensive work-family policies. The U.S. is ranked sixth.

In my view, American public policy is failing our working parents and their children. We have much to learn about institutional reform, and we'd do well to draw some lessons from the collective experience of many of our neighbors across the Atlantic.

PREPARED STATEMENT OF ELLEN BRAVO, PROFESSOR, UNIVERSITY OF WISCONSIN AT WILWAUKEE; COORDINATOR, MULTI-STATE WORKING FAMILIES CONSORTIUM AND FORMER DIRECTOR OF 9 TO 5

Thank you, Chairman Schumer, Vice Chair Maloney and members of the committee, for the opportunity to testify today.

These past few months I've been on tour for my new book, *Taking on the Big Boys, or Why Feminism is Good for Families, Business and the Nation.* Here are just a few of the people who spoke up at a book event or called in to a radio show:

- A bank manager at a prestigious bank—one that always lands on best places to work lists—who was demoted for taking 5-minute breaks to pump breast milk; company practice does allow cigarette breaks.
- A supermarket employee fired for taking a phone call from her son who was home alone.
- Certified Nursing Assistants who lost their jobs when they could not stay for an unscheduled second shift because they had to get home to their kids.
- A TV anchor who sleeps just a few hours a night in order to keep her job *and* spend time with her baby.
- A factory worker who wasn't able to care for his father after a heart attack because the worker hadn't been on his job a full year and didn't qualify for FMLA.
- A clerical worker who did qualify for FMLA but couldn't afford unpaid time off when her mother was dying.
- Engineers who scaled back their hours after a new baby at great cost to their pay rate, benefits and career opportunities.

We hear a lot of talk about family values and personal responsibility. And yet, in the United States today, being a good family member can cost you your job or career opportunity or health or security. Being a conscientious employee can jeopardize a loved one, add to the health or learning problems of a dependent child, force an aging parent into a nursing home, create a public health hazard.

My most striking encounter during the tour was with a group of 9 to 5 members at a briefing of Congressional staff on issues facing low-wage women. I told them I'm not surprised when teachers say they've never seen so many kids coming to school sick because a parent can't stay home with them, or when mothers describe guilt for sending an ill child to school or day care because of lack of flexibility at work. But what had surprised me was learning of kids who drag themselves to school sick to keep a parent from losing pay or getting fired.

With me on the panel that day was Jeannetta Allen, an energetic 18-year-old with a disability that affects her balance and her speech. She'd just testified how lack of paid sick days had cost her mother a job.

"I'm that child," Jeannetta said when I'd finished. "After my mother was fired, I always tried to go to school no matter how I felt. I didn't want her to be fired again."

A chain reaction started in the audience. One after another, women shared when they'd discovered a child going to school with bruised ribs or the flu or strep throat because staying home meant Mom could lose her job.

The workforce has changed enormously in the last thirty years, but the workplace has not kept pace. Some employers do a terrific job—you're going to hear from a representative of SAS in a moment, where all my graduate H.R. students want to work. That's the good news. Everything we need already exists somewhere and it works—for business as well as for workers and their families.

Unfortunately, where workplace policies do exist, they're often at the margins and unrelated to how work is organized. One memo announces you can work part time, followed by another outlining the benefits you'll lose if you reduce your hours. Managers describe the leave policy, then scold you for not having more billable hours. Women can climb the corporate ladder, provided they're available to meet, move or travel at a moment's notice.

Social class and rank may affect benefits as well. In some workplaces, managers have lactation rooms, while assembly line workers don't even have breaks. Only 5 percent of employers have onsite child care centers—and frontline workers can't always afford the fees. Or the center may co-exist with mandatory overtime. Professional women like Jane often lose benefits and opportunities when they reduce hours, but workers at Wal-Mart and many other places see their hours cut or capped without their consent and any health and pension benefits disappear altogether. For low-wage workers, "personal days" mean the ones you don't clock in.

Deficient employer policies reflect the sorely outmoded public policies that set minimum standards for how workers are treated. Whenever I speak to groups of women looking for work, they tell stories of being asked by recruiters about their future family plans. "Isn't that illegal?" someone will ask. It *is* illegal to ask women and not men—but in most states, it's not illegal to ask both. Only Alaska and the District of Columbia prohibit discrimination based on family care responsibility.

It's easy to forget that until 1978, it was perfectly legal in this country to fire someone for being pregnant. Temporary disability plans usually excluded pregnancy, which was often lumped with injuries that were "willfully self-inflicted or incurred during the perpetration of a high misdemeanor." In 1976, the Supreme Court ruled that it was not discrimination to treat "pregnant people" differently because not all women are pregnant. You may not think Congress knows much, but even they understood that pregnancy does have something to do with sex. After much organizing

by grassroots groups, Congress passed the Pregnancy Discrimination Act (PDA) that prohibited firing or refusing to hire someone for being pregnant.

But the law has a big loophole: it doesn't require the employer to hold the woman's job open when she leaves to give birth. I've never understood how that's not tantamount to firing you, but lawyers say otherwise. The PDA also requires that employers with temporary disability programs include pregnancy along with other short-term disabilities. Before then, many did not. However, the majority of women didn't then and still don't work for firms which offer temporary disability benefits. And pregnant women weren't the only ones needing consideration at work.

Groups then organized to pass the Family and Medical Leave Act, which did include a job guarantee and covered men as well as women and a broader range of care needs. Employer lobbyists proclaimed that any such bill was unnecessary because businesses were already providing leave. Turns out most of those employers were simply complying with the PDA. Two-thirds had to change their policy after passage of the law—many to include men, or adoptive parents, or to allow for time to care for a seriously ill family member.

Although it was a critical first step, the FMLA is fairly meager. It applies only to firms of 50 or more employees and covers only those who work at least 25 hours a week and have been on the job at least a year. That leaves out more than two in five private sector workers. The narrow definition of family means those who need time to care for domestic partners or siblings or in-laws or other relatives may be out of luck. And the fact that the FMLA is unpaid renders it moot for large numbers of workers.

The FMLA has another enormous limitation: it applies only to serious illness. Fortunately, most kids don't get leukemia but they do all get stomach flus and colds and a host of other ailments not covered by this law. Not to worry, proclaim the business lobbyists—workers can use their sick days for that. But half the workforce—and three-fourths of low-wage workers, five-sixths of part-time workers—don't have any paid sick days to use. They face the loss not only of a day's pay, but of their job. Many who do have paid sick days aren't allowed to use it to care for a sick family member.

Thanks to the lopsided share of family caregiving that falls to women, the biological demands of pregnancy, and the still-prevalent gender stereotyping in the workplace, women are disproportionately harmed by these outmoded systems. But males feel the fallout as well. Many more men would be better fathers, sons and husbands if they weren't punished for it at work. Low-wage men have little or no wiggle room. Men in managerial or professional jobs are expected to be fathers and patted on the back for leaving early occasionally to take in a kid's soccer game—unless they begin to act too much like mothers, in which case their pay and promotions begin to dip.

In reality, everyone needs time to care. Even those who aren't parents have parents. Others have partners who may need care. And everyone faces the prospect of needing time themselves to heal from an illness or injury.

Employers can do a lot by implementing effective practices, many of which cost little or nothing and all of which strengthen the bottom line. These include flexible scheduling—allowing employees to take a parent for a checkup or attend a child's school play and make up the time, to stagger start and end times to accommodate child care hours or commuter traffic, and to swap shifts with co-workers. Any overtime or shift changes should be voluntary. Employees should have paid time off for routine illness in addition to accommodation for more demanding events like a new child or a seriously ill family member. The guarantees and time period of the FMLA should be the minimum employers adopt. Employers should also offer quality part-time options—reduced hours with at least pro-rated benefits, equitable hourly rates, and equal access to training and promotional opportunities. That could mean employees working a shorter week, sharing a job with someone else, gradually increasing hours after returning from leave, or gradually cutting hours when phasing into retirement. Policies should be formal and open to all employees.

What workers want is recognition that life doesn't begin and end at the work site. Even employers who can't afford to set up an onsite child care center can link employees with local referral agencies. Those with more resources can provide subsidies for dependent care, elders as well as young children, or help increase the supply of quality care. Innovative employers have also come up with short-term, no-interest loans to help employees stay employed when hit with unexpected expenses.

How successful such policies are depends on corporate culture. As Barbara Wankoff from KPMG noted, employers can offer all kinds of programs and policies, "but it's the message that leadership sends with those policies that really dictates how they're used." Above all, we need a sea change in how employers measure success, advancing people based on work quality rather than face time.

As I said, successful policies exist in many places. Research reminds us over and over that workers who feel respected as whole people return the favor by improved loyalty and performance. Costs for family friendly benefits pale besides the price tag for employee turnover. Deloitte and Touche, for instance, claims to have saved $41.5 million in turnover costs as a result of family flexible policies. Expenses per employee are less when low-wage workers leave the job, but the overall costs remain significant because of the high rate of turnover.

Retention isn't the only benefit. In a study of 28 leading corporations that have implemented flexible schedules, employers find positive effects of these work arrangements on employee commitment, employee satisfaction, productivity, cycle time, customer commitment, and response time.

What is seldom discussed are the costs of not acting to change our outdated workplace rules. Success stories like SAS do move other employers to action. But expecting all business owners to follow suit is like thinking 2-year-olds can decide when they need a time out. We need to guarantee a reasonable floor for all workers, and that means public policy changes. These include guarantees of paid sick days, accessible and affordable family leave paid for by the shared risk of a social insurance fund, equity for part-time workers, and quality, affordable dependent care. It also means a reasonable work week with no mandatory overtime. Such policies will work only with a meaningful wage floor: money is a work-life issue.

I coordinate a network of state coalitions working to expand paid leave and other family flexible options. These groups are made up of diverse allies from the AARP to the ACLU—grassroots groups fighting for kids, economic justice, worker rights and aging populations, alongside progressive employers, teachers and school principals, interfaith councils and disability activists. The network, known as the Multi-States Working Families Consortium, is a new model of collaboration, where groups raise funds together and share them equally. They also share strategies, materials, and organizing tips.

Each of these groups and many others are winning changes at the state and local level, as well as working together for new Federal policies. In 2004, a state coalition in California successfully won expansion of its Temporary Disability Insurance program to cover leave for other family care purposes. Groups in New York and New Jersey, two other states with TDI funds, are working to do the same. Washington just became the first state without TDI to grant wage replacement for new parents. Massachusetts and Illinois are looking for ways to do the same for all forms of family leave. A number of states have bills pending to expand access to FMLA or to allow its use for routine school and medical appointments. Last November San Francisco passed the first citywide ordinance to guarantee a minimum number of paid sick days to all employees. Groups from Maine to Montana are introducing similar measures in city councils and state legislatures.

Together such coalitions are laying the basis for a family friendly future and building the power to make it happen. Their successes should spur action on the Federal level, badly needed to guarantee a level playing field throughout the country. The changes we seek aren't a favor for women, but a better way of doing business and valuing families.

When we were trying to win a state FMLA bill in Wisconsin, we took a group of children to meet with the Secretary of Employment Relations. They represented the broad range of reasons why we need time to care—childhood cancer, adoption, sick grandparent or sibling, disability, car accident. The Secretary was clearly moved by their stories. "We're so used to hearing from lobbyists," he said, "we forget about the people who are affected by the bills we pass." I urge you to listen instead to the children.

Thank you very much.

PREPARED STATEMENT OF LAURA KELLISON WALLACE, MANAGER, SAS WORK/LIFE PROGRAMS, CARY, NC

Good morning Chairman Schumer, Vice Chair Maloney, and Members of the Committee. My name is Laura Kellison Wallace, Manager of the SAS Work/Life and EAP Programs. I send greetings and regrets on behalf of Jeff Chambers, our Vice President of Human Resources that he was unable to appear before you this morning.

Before I get into my statement, I thought I might give you some context of my background. I am a New Yorker by birth and spent most of my childhood between Manhattan and Brattleboro, Vermont. I graduated from Smith College in 1987 with a major in children's Psychology. I received my Master's degree in Social Work from UNC-Chapel Hill in 1995. I have almost 20 years of experience working with fami-

lies and children in several capacities including as both a Head Start teacher and in-home research associate; as a Director of an Early Childhood Education AmeriCorps Program for 3 years, and with many years of direct practice experience with families with special needs; court mandates and high-risk behaviors.

For the last 9 years, I have worked in the Work-Life/Work-Family field in a university and then corporate setting. Before SAS, I was the Work/Family Program Manager at UNC-Chapel Hill and, as I mentioned, I am now the Manager of Work/Life & EAP Programs at SAS Institute.

I came to SAS almost 8 years ago and was immediately charged with responsibility for work/life programs. I found myself working for a company that provides its employees with a unique environment which fosters creativity and ingenuity. It was because of this environment that I was able to expand and enhance the scope of SAS Work/Life and, ultimately, Employee Assistance Program (EAP) resources and programs for employees and families. I am proud and pleased to work for a company that walks the walk of "family friendly," and it is my hope that my remarks today will contribute to a much-needed paradigm shift from family friendly policies and programs as "perks" to the very concrete reality that said perks increase innovation and productivity, lower turn-over rates, directly and positively impact recruitment and retention. In other words, family friendly companies make good business sense.

In order to understand how family friendly policies make good business sense at SAS, I think it is important to understand a little bit about its history. SAS was founded in 1976 by Dr. James Goodnight and John Sall, two statistics professors from North Carolina State University, from a grant from the US Department of Agriculture to analyze agriculture data. That first year, the company generated $138,000 in revenue, with 5 employees. The first office was a rented space across street from NC State. By 1997, the company had moved from downtown Raleigh, to Cary. It had 5,000 employees worldwide, and was fast approaching the $1 billion sales mark.

Today, after 31 years in business, SAS is the largest, privately held software company in the world, with roughly $2 billion in revenues. We have approximately 40,000 customers and an annual software renewal rate of about 98 percent. SAS employs 10,000 people worldwide, with offices in 112 countries. Approximately 4,000 of our employees are located at our Cary, North Carolina global headquarters. Another 1,200 are spread throughout the United States, with larger offices in Massachusetts, Texas, and Maryland, including one on Seventh Avenue in New York City. Each regional office provides employees with an environment designed to foster creativity and ingenuity, and to replicate as much as possible the environment and benefits provided in Cary. Employees enjoy break rooms stocked with crackers, assorted nuts and M&Ms, as well as coffee, tea, and soft drinks, at no charge. It is not uncommon to see children who are visiting their parents enjoying these goodies in the break room. In fact, SAS is the largest individual purchaser of M&Ms today, purchasing in excess of 23 tons annually.

Before Dr. Goodnight founded SAS, he worked for a brief stint at NASA. The story is that before starting SAS, he worked for a time at NASA. He is fairly candid about not caring for the experience. Executives were treated differently than other employees—having their own break and dining areas and free coffee while "rank and file" employees had to pay a quarter for vending machine coffee. Executives had designated parking spaces; "regular" employees did not. In terms of workspace, NASA employees were lined up in impersonal cubicles with an absence of personality and privacy. That experience left a last and strong impression on Dr. Goodnight, who set about creating a very different environment for SAS—one that is both friendly to all employees regardless of position and that fosters innovation and effectiveness.

Employee-friendly benefits are a hallmark of Dr. Goodnight's philosophy at SAS: "If you treat employees as if they make a difference to the company, they will make a difference to the company." SAS' founders set out to create the kind of workplace where they and their employees would enjoy spending time. Even though the workforce continues to grow each year, it is still the kind of place where people enjoy working, whether at the Cary campus, or in the New York Office. The underlying theory, happy employees drive happy customers, seems to be a winning formula. SAS has been profitable every year; the company continues to enjoy healthy revenues, and its employee turnover rate hovers around 3–4 percent, compared to a national turnover average of around 20 percent. This statistic is particularly telling about how employee satisfaction at SAS drives profitability. The savings in reduced employee turnover, recruitment, and retention costs has been estimated to be on the magnitude of $60 to $80 million annually, according to Jeffrey Pfeffer, a business professor at Stanford University.

Besides smart business, the benefits that have been developed are also the result of common sense. For example, SAS arranged for day care services in the basement of its original building because one of the employees needed day care for her young children. From the company's perspective, it could not afford to lose this employee and to expend time, energy and effort to replace her. The pragmatic solution was to offer the day care service.

SAS' success as the industry leader in business intelligence software is the result of the marriage of two complimentary strategies: (1) hiring smart and creative people; coupled with (2) placing them in an environment that fosters creativity and loyalty. At SAS employees enjoy what could be considered "soft" and "hard" benefits.

One way that the company fosters creativity and loyalty is by having a support team on place that can help SAS employees deal with common, every day problems. For example, we have specialists on staff that can do the leg work to research elder care or assisted living programs on behalf of employees. By offering these services, which I have described in more detail below, we help to eliminate some of the real-life distractions that can preoccupy employees and prevent them from being creative, innovative and productive.

"Soft" benefits at SAS refers to those practices that we consider a best "outcome" for our employees. A flexible work environment is one such soft benefit. Employees are encouraged to balance their work life with their personal lives. We actively promote the concept of a 35-hour work week for employees. And we actively promote the concept that we want our employees to work hard at work, but to devote equal amounts of energy to other parts of their lives. For example, it is not uncommon for employees to be told to leave to be able to experience important episodes with their children, such as school plays, tournaments, and graduations. They are not required to take special time off to do these things, if they happen to fall within the traditional 8-hour work day. All we ask is that employees work out their arrangements with their managers to ensure that we have the coverage and assistance in place when SAS is open and it is needed. SAS is open from 7 in the morning to 6 at night, but beyond that, we generally do not worry whether an employee works 9–5, 7–3, 10–6 or some other combination, as long as it has been worked out in advance with management.

That philosophy, working it out with management, really underlies much of what happens at SAS. We do not have a large portfolio of formal written policies. We operate on the trust principle, and have tried over our history to build and develop a culture that inculcates trust in and for our workforce. To date, we have had very little reason to think that our policies have been abused, requiring the "letter and the spirit" of the law to be written out. Rather than a naive way of operating, what SAS has are strategies that are part of a deliberate, dynamic attraction and retention philosophy. Besides trust, SAS' philosophy is founded on:

- Informed and inclusive decisionmaking;
- Targeted services and policies that recognize employees' diverse needs and life stages; and
- That the best outcomes for SAS do not translate to "one size fits all" policies; popular and trendy are not drivers.

As a company, SAS has been internationally recognized for its employment practices and beliefs. SAS has been in the Fortune top 50 places to work for 10 years, since the list first came into existence. SAS was again awarded this distinction in 2006 and most important to us, our work/life practices came in at number 9 on the survey. Our European offices were ranked within the top 10 places to work.

SAS compliments the "soft benefits" it provides to employees with other important "brick and mortar" innovations or "hard benefits" that are both intended to inspire employees, and to reduce distractions that may hurt morale and productivity. The Human Resources Division administers these hard benefits through three program areas: Employee Family Solutions, On-Site Health Care Centers and Recreation and Fitness.

The Employee and Family Solutions program employs 125 regular full-time employees and offers benefits ranging from child care, day camps, work life programs and employee assistance programs. Employee and Family Solutions provides day care to over 1,000 children of employees at a heavily subsidized cost. Additional benefits offered to SAS employees include programs addressing onsite Elder-Care, Teen/College, Special Needs, Adoption, Mature Workforce, Financial Planning, Divorce & Separation, and Prenatal Care.

The Health Care Center employs 55 regular full time employees including 4 doctors and 10 nurse practitioners and provides medical care, prevention and screening, education and wellness and specialized care (e.g., physical therapy, nutrition and counseling). Employee health care benefits are provided at no cost and family coverage, no matter how large the family, are capped at $150.00 per month. Employees

are not limited to the Health Care Center. SAS offers an additional coverage option that allows employees to use outside health care providers. Employees in regional offices can use the physician of their choice or participate in a health care network. Although it is not an option in the regional offices, when those employees do visit the SAS campus, they can use the Health Care Center. SAS estimates that a "typical" visit to an outside physician or service would average about 2 hours. For employees visiting the SAS Health Care Center, the fact that this visit takes only 20 minutes represents significant savings to them in terms of reduced stress and hassle, and loss productivity. It also represents significant savings to SAS in terms of enhanced employee productivity, a savings that we estimate is in the millions of dollars annually, far outweighing the costs to offer and maintain the center and the employees.

The Recreation and Fitness Center ("RFC"), the third program offered by SAS, encourages a healthy lifestyle by incenting employees to participate in physical activities. The Cary campus boasts a 77,000 square-foot, onsite recreation and fitness facility, which includes a 9,000 square foot natatorium. Twenty full-time staff are employed at the RFC. The RFC sponsors a variety of leagues and coordinated activities (including ultimate Frisbee!), classes (such as aerobics), running and biking groups, and wellness services (such as personal training, massage, and yoga), and certain onsite services (notably, the hair salon and UPS shipping). The RFC is available to all SAS employees and adult family members at no cost to the employee. For all SAS employees not in Cary, SAS will cover the reasonable costs of a health club membership, including the initiation fee.

Other benefits offered to help employees with work/life balance that also contribute to SAS' formula for success include onsite subsidized cafeterias, car detailing, and a vendor discount center.

SAS policies also play a key role in creating the work life environment for which it is know. SAS policies include:

- Paid sick leave, which we do not cap;
- Short term disability leave for up to 6 months;
- Long term disability coverage;
- Access to long-term care at discounted rates;
- Three weeks paid vacation for all employees, with an additional week for employees who have been with SAS for at least 10 years;
- Paid holidays, with an additional week off between Christmas and New Year's day;
- Paid Family Medical Leave Act time—which includes absences for childbirth, absences for adoption, and paternity leave for fathers and domestic partners;
- Fully paid employee health insurance, also available for dependents and domestic partners with a cap of $150/month;
- A 401(k) program, with an employer match;
- Retiree health care; and
- Annual merit salary increases; and
- A profit-sharing retirement plan.

The profit sharing plan is an interesting program in that it provides a bonus to employees' retirement plans. The plan itself is offered at the discretion of the company and is entirely dependent on the profitability of the company. However, the company has always declared a profit-sharing contribution, and it has typically been equal to 10 percent of the company's profits for that year. In practice, this works out to a contribution to each employee's retirement account equal to 10 percent of that employee's salary. The magic is that by investing it in the retirement account, the employee is not taxed on that money immediately, there is a corpus of funds that are allowed to grow tax free over time, and the employee is helped, encouraged, and enabled to think about and plan for retirement.

For SAS, the reason to be proactive and concerned about benefits is because it is simply good business. Our bottom line savings from investing in our people has been estimated to be $75 million annually. In turn, those savings help improve our profitability as a company. Just as important, people represent the company's principal and certainly most important "asset". We simply cannot function in any respect without human resources. As Dr. Goodnight is fond of saying, "95 percent of the company's assets leave the campus at 5 and it's my job to make sure they come back in the morning." Benefits, practices, and policies play a critical role in not only the ability to make sure our people come back every day, but to enable us to compete in what regrettably has become a shrinking talent pool. Our policies are critical to our ability to retain our talent, and given that our schools are falling behind in their ability to graduate scientists, engineers, technologists, and mathematicians, it becomes increasingly important for us to hold on to our precious talent. For us, it

is far costlier to replace our personnel than it is to simply provide good and relevant benefits in the first place.

At the end of the day, treating employees well is not just about good business. It is about good common sense.

We thank you for this opportunity to appear today and to discuss SAS' philosophies and strategies. I am happy to answer any questions you may have.

PREPARED STATEMENT OF DR. TIM KANE, DIRECTOR, CENTER FOR INTERNATIONAL TRADE AND ECONOMICS, THE HERITAGE FOUNDATION, WASHINGTON, DC

Chairman Schumer, Representative Maloney, Senator Bennett, and other distinguished members of the Committee, I appreciate the opportunity to testify before the Joint Economic Committee today on the subject of Importing Success: Why Work-Family Policies from Abroad Make Economic Sense for the U.S. As a former staff economist for the JEC, this homecoming is a special honor.

In my testimony, I would like to: (1) describe the nature of the challenge facing Congress in the context of the booming U.S. economy in recent years; (2) offer a set of principles for both enhancing our economy generally and labor economy specifically under the framework of economic freedom and (3) suggest that Congress should not use the conventional European approach to labor markets unless it also wishes to invite European levels of unemployment which occur at roughly twice the rate as in the United States.

THE NATURE OF AMERICAN PROSPERITY IN THIS DECADE

As obvious is this may seem, every analysis of economic policy at the Federal level in the United States must begin with recognition of the comprehensive, record-setting strength of the national economy. By almost every indicator, the American economy is prosperous, but especially so in comparison to other advanced economies.

- *There are More Working Americans than Ever Before.* In the latest Employment Situation report from the Labor Department, it is reported that there are 152.8 million Americans in the labor force, and 145.9 million employed. These are just shy off all-time records set in the last few months.
- *8 million payroll jobs in 4 years.* I try to remind myself given all the gloom in the media that during a 4-year span, job growth in America has averaged 167,000 every month. That's 5559 jobs added to U.S. payrolls every day, or 232 jobs per hour, or a new job every 16 seconds for 4 straight years.
- *Extraordinarily Low Unemployment.* The rate of unemployment is just 4.5 percent nationally. In most introductory economics courses, this is considered a rate that is below the natural rate of unemployment, and a sign of possible overheating. By any measure, it is a low rate, far below the average of the 1990s, which itself was a healthy decade economically.
- *Growth in Output and Productivity.* The positive growth rates in GDP every quarter since the attacks of 9/11 are a very powerful symbol of the resilience of the American economy. Despite the recent slowdown in Q1's preliminary growth estimate, the critical fact is that the economy is still expanding in a positive direction with many signals that this growth will continue and even accelerate. But a more important measure, as you know, is the high GDP per capita Americans enjoy. By comparison, U.S. GDP per capita is 20 percent higher than income levels in nearly every other country in the world, particularly the advanced industrial economies of Europe, as well as Japan.

ECONOMIC FREEDOM AND THE INSTITUTIONS OF GROWTH

I find that the most useful framework for approaching fiscal economic policy is not is traditionally known as macroeconomics, but instead growth economics, particularly the renewed consensus among economists that institutions are the key to overall performance. This idea is captured well by Stephen Parente and Ed Prescott's line of research "Barriers to Riches" which is also the title of their book. It is also the approach we use in the Heritage Foundation/Wall Street Journal *Index of Economic Freedom*—a systematic, empirical measurement of economic freedom in countries throughout the world. As the director of the team that assembles the Index, I should mention that we make all the material, country scores, and even raw data available for free on the Internet at *www.heritage.org/Index.*

Economic theory dating back to the publication of Adam Smith's *The Wealth of Nations* in 1776 emphasizes the lesson that basic institutions that protect the liberty of individuals to pursue their own economic interests result in greater prosperity for the larger society. Modern scholars of political economy are rediscovering

the centrality of "free institutions" as fundamental ingredients for rapid long-term growth. The objective of the *Index* is to catalog those economic institutions in a quantitative and rigorous manner.

The *2007 Index of Economic Freedom* measures 157 countries across 10 specific factors of economic freedom, which include:

- Business Freedom
- Trade Freedom
- Fiscal Freedom
- Freedom from Government
- Monetary Freedom
- Investment Freedom
- Financial Freedom
- Property Rights
- Freedom from Corruption
- Labor Freedom

The methodology for measuring economic freedom is significantly upgraded. The new methodology uses a scale of 0–100 rather than the 1–5 brackets of previous years when assessing the 10 component economic freedoms, which means that the new overall scores are more refined and therefore more accurate. Second, a new labor freedom factor has been added, and entrepreneurship is being emphasized in the business freedom factor. Both of these new categories are based on data that became available from the World Bank only after 2004.

The methodology has been vetted and endorsed by a new academic advisory board and should better reflect the details of each country's economic policies. In order to compare country performances from past years accurately, scores and rankings for all previous years dating back to 1995 have been adjusted to reflect the new methodology.

Economic freedom is strongly related to good economic performance. The world's freest countries have twice the average income of the second quintile of countries and over five times the average income of the fifth quintile of countries. The freest economies also have lower rates of unemployment and lower inflation. These relationships hold across each quintile, meaning that every quintile of less free economies has worse average rates of inflation and unemployment than the preceding quintile has.

Of the 157 countries graded numerically in the 2007 Index, only seven have very high freedom scores of 80 percent or more, making them what we categorize as "free" economies. Another 23 are in the 70 percent range, placing them in the "mostly free" category. This means that less than one-fifth of all countries have economic freedom scores higher than 70 percent. The bulk of countries—107 economies—have freedom scores of 50 percent–70 percent. Half are "somewhat free" (scores of 60 percent–70 percent), and half are "mostly unfree" (scores of 50 percent–60 percent). Only 20 countries have "repressed economies" with scores below 50 percent.

The typical country has an economy that is 60.6 percent free, down slightly from 60.9 percent in 2006. These are the highest scores ever recorded in the *Index,* so the overall trend continues to be positive. Among specific economies during the past year, the scores of 65 countries are now higher, and the scores of 92 countries are worse.

The variation in freedom among all of these countries declined again for the sixth year in a row, and the standard deviation among scores now stands at 11.4, down one-tenth of a percentage point from last year and down two full points since 1996.

There is a clear relationship between economic freedom and numerous other cross-country variables, the most prominent being the strong relationship between the level of freedom and the level of prosperity in a given country. Previous editions of the Index have confirmed the tangible benefits of living in freer societies. Not only is a higher level of economic freedom clearly associated with a higher level of per capita gross domestic product, but those higher GDP growth rates seem to create a virtuous cycle, triggering further improvements in economic freedom. *This can most clearly be understood with the observation that a ten point increase in economic freedom corresponds to a doubling of income per capita.*

The reason that I am devoting so much of my testimony to the topic of economic freedom is because I hope to impress the centrality of internally generated policy change as the key to development. To be blunt, countries control their own fate, including the U.S.

In the 2007 edition of the Index, one chapter is dedicated to a cross-country study of labor regulations, which is the issue of interest in this hearing today. It was written by Johnny Munkhammer, an economist from Sweden who has a unique and invaluable perspective. Here is an extended quote from Munkhammer's chapter, "The Urgent Need for Labor Freedom in Europe and the World,"

For several weeks during the autumn of 2005, riots raged in the streets of Paris. Every night, hundreds of cars were burned, shops were vandalized, and violence ruled. French President Jacques Chirac concluded that his nation was suffering from a profound "malaise," a word that indeed captures the reality of economic and social problems in many European countries. After centuries of economic leadership, Europe must now face the truth that its governing institutions—especially its labor markets—are deeply flawed. Those who finally took to the streets, native and immigrant citizens alike, were severely affected by unemployment.

France may be the most stubborn defender of the so-called European social model, characterized by vast government intervention in the economy, but many other governments in Western Europe are committed to the same philosophy. Presidents and prime ministers devote speeches to nostalgic messages and promise to maintain and protect the existing social model. Their rhetoric translates into policies that are a new kind of protectionism for traditional jobs, a protectionism that is reflected in the widespread official resistance to a single European Union (EU) market in services, disapprovals of business mergers, and an anxious debate about the "Polish plumber" representing free flows of labor within the EU.

We Europeans are clearly at a crossroads. Either we look to the future and learn from successful market-oriented reforms, or we look back to the past and continue trying to shield old occupations from international economics. It is a choice between openness and protectionism, between modernization and nostalgia—indeed, between government intervention and freedom itself. The problems of Europe are not born overseas, but are innate to the process of internal economic development and change. That is why a tighter adherence to a failing model will only exacerbate current problems and lead to more unrest in European cities. Rioting and decline is a destiny that no European wants to face.

Yet there is reason for optimism. Never before have so many countries been so deeply involved in the global economy, and the benefits of globalization—economic growth, employment, and competition—are ever clearer. Never before have so many countries made successful free-market reforms, which is an inspiration for others. Almost all European countries can point to at least one successful reform, and as we copy each other's successes, the future should rapidly become much brighter.

In my view, of all the areas that are still in need of substantial reform, the most important is the labor market. People—especially the young—want jobs and freedom, not dependence on government.

Consider that between 1970 and 2003, employment in the U.S. increased by 75 percent. In France, Germany, and Italy, it increased by 26 percent. In 2004, only 13 percent of unemployed workers in the U.S. were unable to find a new job within 12 months; in the EU, the figure was 44 percent. In the EU, average youth unemployment is 17 percent. In the U.S., it is 10 percent.

But the best comparisons can be made within Europe itself. Denmark has an employment rate of 76 percent, but Poland is far lower at 53 percent. Youth unemployment is above 20 percent in Greece, Italy, Sweden, France, Belgium, and Finland and below 8 percent in Ireland, the Netherlands, and Denmark. In the EU's 15 member states, between 1995 and 2004, the development of employment was also very different between the countries. In Ireland, the Netherlands, and Spain, the increase in employment was the highest; in Germany and Austria, it was almost zero.

What were the differences between the successful countries and the others? First of all, the labor market was substantially freer in the countries that succeeded in creating new jobs. Second, payroll and income taxes were more than 10 percentage points lower in the five best economies (in terms of job creation) compared to the five worst. Third, the levels of contribution from the state for unemployment and sick leave were lower in the best economies.[15] What the successful countries have in common are freer labor markets, lower taxes, and lower contributions.

A look at the results for various countries in the labor freedom category in the *Index* provides further proof of the connection between labor freedom and employment. Table 1 (*in the Index, chapter 2*) shows all of the nations of Europe, including their EU affiliations, ranked according to their labor freedom scores in the 2007 Index.

Countries like Georgia, the U.K., Switzerland, and Denmark enjoy higher scores in labor freedom and have experienced better employment outcomes

generally. Countries with low scores like Germany, Italy, Portugal, and Sweden have suffered weak employment and outright stagnation.

Comparing the 15 countries that were members of the EU in 1995–2004 to EU–25 and non-EU countries is illustrative. In Britain, the labor market is relatively free and earns a score of 82.7 percent, whereas in Sweden, it is highly regulated and earns a score of 52 percent, compared to the EU–15 average of 59.7 percent. The 10 countries that recently joined the EU have raised their average labor freedom by nearly a full point, but the scores of non-EU economies average nearly five full percentage points higher. Yet the average income between 1995 and 2004 grew by 29 percent in Sweden, 37 percent in EU–15 countries, and 72 percent in Britain. The income of the poorest 10 percent of the population grew by only 10 percent in Sweden, compared to 59 percent in Britain. The worst off were better off where the labor market was freer.

The larger lesson is that Europe's more "advanced" economies have generally created more complex restrictions on labor freedom in the name of protecting workers. This relative wealth has been a convenient excuse for stagnant growth and higher unemployment, but the apology is losing its validity as many Eastern and Middle European countries experiment successfully with freedom.

LABOR PROTECTIONISM AND UNEMPLOYMENT

The Summer 1997 issue of the *Journal of Economic Perspectives* published two articles discussing labor rigidity in Europe. Horst Siebert emphasized that the concert of rigid labor institutions in Europe was clearly driving higher unemployment rates there, emphasizing the tightening of policies during 1960s and 1970s. While he observed differences among European states, he concluded by focusing on one common feature: "Job protection rules can be considered to be at the core of continental Europe's policy toward the unemployment problem: protecting those who have a job is reducing the incentives to create new jobs." A contrasting opinion was provided in Stephen Nickell's econometric overview, which reported, "there is no evidence in our data that high labor standards overall have any impact on unemployment whatever."

Table 1 presents unemployment rate averages by decade for 10 countries reported by BLS.

Table 1.—Unemployment Rates on the Rise

	1960–1979	1980–2004	Change
USA	5.5	6.2	0.8
Japan	1.5	3.3	1.7
Netherlands	4.6	6.5	1.9
Canada	5.7	8.5	2.8
Sweden	1.9	5.1	3.2
UK	3.6	8.3	4.7
Australia	2.9	7.7	4.8
Italy	3.5	8.3	4.8
Germany	1.4	7.2	5.9
France	2.8	9.8	7.0

Source: Author calculations using U.S. BLS data.

After 1980 it is clear that America has continued its productivity leadership (with higher income distribution generally), while European countries suffer high unemployment rates. The "humane" policies of labor protectionism appear to have backfired, creating a less humane social arrangement.

Nickell (1997) emphasized the diversity of European unemployment rate experiences ("from 1.8 percent in Switzerland to 19.7 percent in Spain") and policies. Nickell's approach is a good one—he assembles macroeconomic performance data for 20 OECD countries, measured over two periods (1983–88 and 1989–94), and assembles an impressive array of labor policy measures, which he uses as explanatory variables. Nickell says at one point that "roughly speaking, labor market institutions were the same" in the 1960s and 1990s. He concludes that unemployment rates are dependent on some policies (e.g., generous unemployment benefits, high taxes, high minimum wages, and weak universal education), but not the conventional culprit: labor market rigidity.

However, Nickell in 1997 has been updated by Nickell in 2005. His assessment has changed in less than 10 years because the empirical evidence has changed, as

he expressed in his recent paper with Luca Nonziata and Wolfgang Ochel (2005). The authors find that "changes in labor market institutions" and rigidities since 1960 have indeed occurred, and these are the root causes, with employment protection accounting for 19 percent of the rise of unemployment. I think it is fair to say that the consensus view of economists today has evolved along the same lines.

A deep new data set published by the World Bank in 2003 and published in the *Quarterly Journal of Economics* (Djankov *et al.* 2004) makes a definitive case that the "Regulation of Labor" (the title of the paper) can be harmful to macroeconomic outcomes. The Djankov labor data cover 85 countries over dozens of labor categories, including the size of the minimum wage, strike laws, protections from dismissal, generosity of social benefits, and so on. The data are coded so that a maximum score of 1 represents the most rigid labor rule, while zero represents perfect flexibility. Importantly, this very deep data set represents laws during a single year, 1997, which precludes some uses that would be available with a time series.

Nevertheless, Djankov *et al.* (2004) find that an increase in the employment laws index is associated with an increase in black market activity, a reduction in labor force participation, and an increase in unemployment rates (averaged over the decade). The econometric tests are not robust and report an R^2 of 0.13, with the labor regulation variable significant at the 5 percent level.

I am hopeful that the excellent new data sets in place will be improved in years ahead and that, with greater knowledge of how institutions and outcomes relate to one another, countries will be even better armed to lower the barriers to riches.

WHAT WOULD A NEW LABOR REGULATION DO TO THE U.S. ECONOMY?

Many voices are calling for new policies to address a vulnerable U.S. workforce, including ideas such as wage insurance, flex-time, and mandatory paid leave. There may be merit to all of these ideas, and yet they all remain problematic. The premise that the U.S. workforce is vulnerable is the first problem—suggestions of anxiety are simply overblown. Indeed, many of the statistics used to emphasize new pressures on the workforce are actually evidence of new flexibility, such as the rising number of temporary jobs. A second and related problem is that many policy solutions are defined by government intrusion into an otherwise optimally functioning private sector.

- Rule 1 of economic policy should be: Do no harm. The economy is strong, so an airtight case must be made for any new rules aimed at fixing a labor market that is not broken.
- Rule 2 of economic policy is: Consider the incentives.

The idea of mandatory paid leave is especially problematic. My colleague, James Sherk, recently published a Heritage study (web memo #1450, *http://www.heritage.org/Research/Labor/wm1450.cfm*), which I quote:

> Few oppose allowing workers to take time off work to recover from illness or allowing parents to tend to sick children. Today, the vast majority of businesses provide their workers with some form of paid sick leave: 74 percent of companies provide paid sick leave, while 82 percent provide other paid vacation days that workers can use to care for a sick relative.
>
> [The Healthy Families Act as considered in the Senate (HFA, S. 910)] would make this widespread and voluntary practice mandatory. The legislation would require businesses employing 15 or more workers to provide at least 7 days of paid sick leave per year and would prevent companies from disciplining employees who abuse this leave. This would radically change the current system of voluntarily provided sick leave by encouraging widespread misuse.
>
> Like the FMLA, the HFA would make it difficult for employers to verify that workers taking sick leave are actually sick. The act would allow workers to take up to 3 days of leave without any medical certification that the leave is necessary.
>
> For absences exceeding three consecutive work days, workers would need a doctor's certification. However, the HFA does not allow employers to challenge a doctor's certification, even when they strongly suspect that it is fraudulent. Under the FMLA, employers have found that workers who are not injured can usually find a doctor who will certify that they have a chronic condition, such as back pain, that requires time off work.
>
> Abuse is rampant in countries that require mandatory paid sick leave. In Sweden, for example, the government pays sick workers 80 percent their salary while on leave for an indefinite period of time. At any given moment, 10 percent of Sweden's workers are on sick leave, and over three-fifths tell pollsters that they take the leave when they have no health problems.

So one core incentive problem is that a new mandatory leave requirement is subject to abuse by some workers, which is essentially a penalty on the honest workers.

A larger concern is that any Congressional mandate on employers amounts to a mandatory benefit, which will come at the expense of take-home pay. It is widely known that earnings have not kept up with productivity growth in the U.S. It is also widely known that the reason is that the cost of employee benefits are rising and soaking up almost all of the compensation growth. Bottom line: total compensation for workers is growing at the same pace as productivity, but there is a divergence between take-home pay versus benefits. By mandating more benefits in new labor regulation, Congress will be basically giving American workers a pay cut.

Third, there will be a new incentive for employers to discriminate. The good employers will make blind hiring decisions, but unscrupulous employers will have a powerful incentive to avoid employees that are most likely to qualify for the newly mandated benefits. For example, young women who are most likely to take paid maternity leave will face quiet discrimination. Good employers will face higher costs, whereas bad employers will get a competitive advantage. And it all makes economic sense—perhaps why they call mine the dismal science. Nonetheless, the reality of bad incentives means that mandated labor regulations rewards bad behavior and so should be avoided.

Those are three strikes against new labor regulations, or at least three cautions to consider in designing new rules carefully.

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