



STUDY GUIDE

HOW BIG GOVERNMENT HURTS WOMEN

KEY TERMS: government-subsidized benefits executives mandates
big government deregulation free market

NOTE-TAKING COLUMN: Complete this section <u>during</u> the video. Include definitions and key terms.	CUE COLUMN: Complete this section <u>after</u> the video.
<p data-bbox="107 548 764 583">Who are among the Left's most loyal supporters?</p> <p data-bbox="107 1003 919 1115">In the United States, where maternity and child-care benefits are not mandated, women account for what percentage of senior managers?</p> <p data-bbox="107 1539 927 1608">By what percentage has women-owned businesses increased since 2016?</p>	<p data-bbox="954 548 1487 583">How does big government hurt women?</p> <p data-bbox="954 1192 1487 1228">How does the free market help women?</p>

DISCUSSION & REVIEW QUESTIONS:

- At the beginning of the video, Ms. Lukas asks, “The bigger the government, the better for women. Is that statement true or false? Well, if party affiliation is any indicator, most women under the age of 40 would say ‘true.’ Young women, especially single women, are among the Left’s most loyal supporters. This isn’t surprising given that programs like government-subsidized childcare and government-mandated paid family leave sound like things that make life better for women. But do they really?” How would you answer Ms. Lukas’ last question? Why do you think that Ms. Lukas is questioning this idea in the first place? Why do you think that so many young, single women tend to support the Left?
- Ms. Lukas goes on to point out that, “...these supposedly women-friendly government mandates change the way businesses evaluate female employees. It encourages companies to assume that women will not only cost them more, but they’ll be less productive than men. Spain is a good example. In 1999, that country passed a law giving women with young children the right to work reduced hours. But a study by economists at the IE Business School in Madrid and at Queens College of the City University of New York, found that women paid a big price in lost opportunities. Companies were less likely to hire women of childbearing age, less likely to promote them, and more likely to dismiss them, compared with men.” Why do you think that government-mandated maternity and child-care benefits compel companies to assume that women employees will cost more and be less productive- i.e. what is the specific relationship between the mandates and women employees that underlies the reasoning companies assume regarding female employees? Explain.
- After sharing the example of occupational licenses, Ms. Lukas shares with us that, “...since more women obtain occupational licenses than men, women are disproportionately hurt. So, what’s the solution? Less government, not more. Since 2017, a combination of tax cuts and deregulation (meaning less government) have been a boon for women. Women’s weekly median earnings have gone up by almost 5 percent. The unemployment rate for women has fallen to 3.4 percent – an historic low. And more women are starting businesses than ever before. Between 2017 and 2018, women started almost two thousand businesses a day! Right now, there are an estimated 12.3 million women-owned businesses, a 6% increase since 2016.” How, specifically, have tax cuts and deregulation led directly to women being able to find work, to increase their earnings, and to start businesses? Explain. Considering that conservative politicians mostly support tax cuts and deregulation, which helps women, and that Leftist politicians tend to mostly advocate for higher taxes and more government, which hurts women, why do you think that so many women tend to support Leftists politicians? Explain.
- Later in the video, Ms. Lukas notes that, “Since 2017, more and more businesses have voluntarily offered family benefits to employees. Why? Because the more companies have to compete for workers, the more benefits workers receive. That’s how the free market works – and the opposite of how big government works.” Why do you think that businesses are now offering family benefits as an incentive? Do you support free markets? Why or why not?

- Ms. Lukas goes on to explain that, “The free market, it turns out, does a much better job at creating opportunities for women than big government does. This not only means better jobs and better pay for women, but also the chance to craft the lives they actually want... But when the government mandates benefits, they become, in effect, taxes that every woman and man has to pay.” In what way, specifically, do you think that government-mandated benefits are actually taxes? Explain. Why, and in what ways, do you think that free markets do such a significantly better job than big government in terms of creating opportunities for women? Explain.

EXTEND THE LEARNING:

CASE STUDY: Paid Family Leave

INSTRUCTIONS: Read the article “‘Paid Family Leave’ is a Great Way to Hurt Women,” then answer the questions that follow.

- Who is Lauren Sandler and what is her argument regarding paid family leave? What do opponents argue will happen as a result of mandating paid family leave? What is the Family and Medical Leave Act, and what does it do? What do ‘worker’s rights advocates’ want to do? What is the basic Libertarian argument against paid family leave legislation? Why is providing family leave, paid or unpaid, a constraint on employers? Why would many employers voluntarily provide family leave in a free market economy? What presumption makes the progressive argument for paid family leave so weak? What will paid leave do to hiring opportunities and base pay for women?
- What is the author’s main point? Do you agree with his main point? Why or why not? What other salient points regarding paid family leave does the author make in the article?
- What is your position on mandated paid family leave? Explain.



QUIZ

HOW BIG GOVERNMENT HURTS WOMEN

1. After Spain passed a law giving women with young children the right to work reduced hours, companies _____.
 - a. were less likely to hire women of childbearing age
 - b. were less likely to promote women
 - c. were more likely to dismiss women
 - d. All of the above.

2. What did the Cornell study show, in terms of countries with the most extensive benefits for women?
 - a. That women were more likely to have more babies.
 - b. That women were more likely to have higher salaries than men.
 - c. That women were more likely to be in dead-end jobs.
 - d. That women were more likely to fill executive positions.

3. In the United States, where... [maternity and family leave] benefits are not mandated, women account for more than 40 percent of senior managers while in more 'progressive' Europe, that number is a little over 30 percent.
 - a. True
 - b. False

4. In what way has a combination of tax cuts and deregulation (meaning less government) since 2017 been a boon for women?
 - a. Women's weekly median earnings have gone up by almost 5 percent.
 - b. The unemployment rate for women has fallen to 3.4 percent—an historic low.
 - c. More women are starting businesses than ever before.
 - d. All of the above.

5. Right now, there are _____ women-owned businesses.
 - a. 10.3 million
 - b. 12.3 million
 - c. 14.3 million
 - d. 16.3 million



QUIZ - ANSWER KEY

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<https://fee.org/articles/paid-family-leave-is-a-great-way-to-hurt-women/>

"Paid Family Leave" Is a Great Way to Hurt Women

Workers' rights advocates don't understand economics

Tuesday, June 2, 2015



Robert P. Murphy

In an article in the *New Republic*, Lauren Sandler argues that it's about time the United States join the ranks of all other industrialized nations and provide legally guaranteed *paid* leave for pregnancy or illness.

Her arguments are similar to ones employed in the minimum wage debate. Opponents say that making particular workers more expensive will lead employers (on aggregate) to hire fewer of them. Supporters reject this tack as fearmongering, going so far as to claim such measures will *boost* profitability, and that only callous disregard for the disadvantaged can explain the opposition.

If paid leave (or higher pay for unskilled workers) helps workers *and* employers, then why do progressives need government power to force these great ideas on everyone?

The United States already has *unpaid* family leave, with the Family and Medical Leave Act (FMLA) signed into law by President Clinton in 1993. This legislation "entitles eligible employees ... to take unpaid, job-protected leave for specified family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave." Specifically, the FMLA grants covered employees 12 workweeks of such protection in a 12-month period, to deal with a pregnancy, personal sickness, or the care of an immediate family member. (There is a provision for 26 workweeks if the injured family member is in the military.)

But "workers' rights" advocates want to move beyond the FMLA, in winning legally guaranteed *paid* leave for such absences. Currently, California, New Jersey, and Rhode Island have such policies.

The basic libertarian argument against such legislation is simple enough: no worker has a right to any particular job, just as no employer has the right to compel a person to work for him or her. In a genuine market economy based on private property and consensual relations, employers and workers are legally

treated as responsible adults to work out mutually beneficial arrangements. If it's important to many women workers that they won't forfeit their jobs in the event of a pregnancy, then in a free and wealthy society, many firms will provide such clauses in the employment contract in order to attract qualified applicants.

For example, if a 23-year-old woman with a fresh MBA is applying to several firms for a career in the financial sector, but she has a serious boyfriend and thinks they might one day start a family, then — other things equal — she is going to highly value a clause in the employment contract that guarantees she won't lose her job if she takes off time to have a baby. Since female employment in the traditional workforce is now so prevalent, we can expect many employers to have such provisions in their employment contracts in order to attract qualified applicants. Women don't have a *right* to such clauses, just as male hedge-fund VPs don't have a *right* to year-end bonuses, but it's standard for employment contracts to have such features.

Leaving aside philosophical and ethical considerations, let's consider basic economics and the *consequences* of pregnancy- and illness-leave legislation. It is undeniable that providing even unpaid, let alone paid, leave is a constraint on employers. Other things equal, an employer does not want an employee to suddenly not show up for work for months at a time, and then expect to come back as if nothing had happened. The employer has to scramble to deal with the absence in the meantime, and furthermore doesn't want to pour too much training into a temporary employee because the original one is legally guaranteed her (or his) old job. If the employer also has to pay out thousands of dollars to an employee who is not showing up for work, it is obviously an extra burden.

As always with such topics, the easiest way to see the trade-off is to exaggerate the proposed measure. Suppose instead of merely guaranteeing a few months of paid maternity leave, instead the state enforced a rule that said, "Any female employee who becomes pregnant can take off up to 15 years, earning half of her salary, in order to deliver and homeschool the new child." If *that* were the rule, then young female employees would be ticking time bombs, and potential employers would come up with all sorts of tricks to deny hiring them or to pay them very low salaries compared to their ostensible on-the-job productivity.

Now, just because guaranteed leave, whether paid or unpaid, is an expensive constraint for employers, that doesn't mean such policies (in moderation) are necessarily bad business practices, *so long as they are adopted voluntarily*. To repeat, it is entirely possible that in a genuinely free market economy, many employers would voluntarily provide such policies in order to attract the most productive workers. After all, employers allow their employees to take bathroom breaks, eat lunch, and go on vacation, even though the employees aren't generating revenue for the firm when doing so.

However, if the state must *force* employers to enact such policies, then we can be pretty sure they don't make economic sense for the firms in question. In her article, Sandler addresses this fear by writing, in reference to New Jersey's paid leave legislation,

After then-Governor Jon Corzine signed the bill, Chris Christie promised to overturn it during his campaign against Corzine. But Christie never followed through. The reason why is quite plain: As with California, most everyone loves paid leave. *A recent study from the CEPR found that businesses, many of which strenuously opposed the policy, now believe paid leave has improved productivity and employee retention, decreasing turnover costs.* (emphasis added)

Well, that's fantastic! Rather than engaging in divisive political battles, why doesn't Sandler simply email that CEPR (Center for Economic and Policy Research) study to every employer in the 47 states that currently lack paid leave legislation? Once they see that they are flushing money down the toilet right now with high turnover costs, they will join the ranks of the truly civilized nations and offer paid leave.

The quotation from Sandler is quite telling. Certain arguments for progressive legislation rely on "externalities," where the profit-and-loss incentives facing individual consumers or firms do not yield the

“socially optimal” behavior. On this issue of family leave, the progressive argument is much weaker. Sandler and other supporters must maintain that *they know better* than the owners of thousands of firms how to structure their employment contracts in order to boost productivity and employee retention. What are the chances of that?

In reality, given our current level of wealth and the configuration of our labor force, it makes sense for some firms to have generous “family leave” clauses for some employees, but it is not necessarily a sensible approach in all cases. The way a free society deals with such nuanced situations is to allow employers and employees to reach mutually beneficial agreements. If the state mandates an approach that makes employment more generous to women in certain dimensions — since they are the prime beneficiaries of pregnancy leave, even if men can ostensibly use it, too — then we can expect employers to *reduce* the attractiveness of employment contracts offered to women in other dimensions. There is no such thing as a free lunch. Mandating paid leave will reduce hiring opportunities and base pay, especially for women. If this trade-off is something the vast majority of employees want, then that’s the outcome a free labor market would have provided without a state mandate.



Robert P. Murphy

Robert P. Murphy is senior economist at the Independent Energy Institute, a research assistant professor with the Free Market Institute at Texas Tech University, and a Research Fellow at the Independent Institute.