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Resource Center

Return Home



The Power of the Bottom Line: Policy Implications of Cost Estimates for Paid Family Leave and Social Security

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In a workshop on cost estimates at a conference on paid family leave last winter, one presenter said that in his model he chose assumptions that would result in a total cost figure at the high end of the possible range in costs for a new program. That way, if his state adopted the program, it would be funded at a high enough level to be certain of not running out of money. The next presenter, in contrast, said that he chose assumptions that would put his cost estimates at the lower end of the possible range. That way, legislators would be far more likely to consider and ultimately pass a program for paid family leave. He reasoned that once the program was in place, its political popularity and far reaching benefits would assure continued funding at whatever level proved necessary.

Both of these presenters were serious about making realistic cost estimates. Both were careful to consider a broad range of issues that would affect need, take-up rates, average lengths of leave, administrative costs, etc., and to use the best data available in making their estimates. Both were also supporters of paid family leave, and thus not trying to sabotage enactment of the policies. Paid family leave has not been adopted in either of their states – or any state – to date, so we do not have an ending to the story. However, this example does illustrate what we all know to be true at some level – that cost and benefit analyses are not neutral, no matter how scientific our approach, and that our analyses often are used in very political ways.

As policy analysts and scholars, most of us devote a great deal of time and thought to the details and assumptions behind the bottom line numbers. We know that the assumptions we choose to make, the costs and benefits we decide to include or choose not to count hugely affect our final figures. But my experience in dealing with politicians, the media, and citizens groups on issues ranging from Social Security to paid family leave is that the bottom line is the only number most people have the time and inclination to deal with. Once we have produced and published a number, it takes on a life of its own. The bottom line number gets reported and used by people on all sides of an issue, severed from the multiple assumptions and careful qualifications that tempered and grounded it.

In this paper I in no way intend to suggest that we should cook our numbers. We need to be rational, nuanced, thorough, and scholarly in our approaches to making projections and cost estimates. But as the people who produce those bottom line numbers, we cannot ignore the political and policy consequences. And as people who care about policy outcomes, we have to become more adept at using and packaging our numbers to achieve our policy objectives. My recent work on both the issues of paid family leave and Social Security has highlighted how little attention gets paid to the assumptions, and the power that a single number has to focus and shape public debate on an issue.

I work at a non-profit public policy institute in Washington state. We have worked with a broad coalition to develop and advocate for a family leave insurance program in our state. Included in the coalition are representatives from labor, women's, child advocacy, religious, and physicians' organizations, as well as a number of legislators. We developed a proposal that was introduced in the legislature in January 2001 for a comprehensive family leave insurance program.^[1] It would apply to all employers and to all workers who needed leave for the birth or adoption of a child, a serious family illness, or the worker's own medical condition. Workers could take up to five weeks of leave with a \$250 per week benefit for full time workers (or a little under the earnings of a full-time worker at Washington's minimum wage of \$6.72 per hour). The program would be financed by a penny an hour payroll tax paid by workers and matched by their employers, which amounts to a cost to each of about \$20 a year for a full-time worker.^[2]

In developing this proposal, we were very conscious of the power of numbers, and of the need to keep both the rate

of tax and the total cost for the program low if we expected to get a hearing from legislators and the support of workers. That was the rationale for limiting the program to five weeks, and keeping the benefit level fairly low. Staff at the Economic Opportunity Institute spent considerable time developing cost estimates, including reviewing other models, survey data, and actual costs from the states with temporary disability insurance programs in place, and talking with people across the country who were also making cost estimates. The use and cost estimates that we came up with contain many assumptions, all of which can be justified, but it would be possible to justify different assumptions as well. We will not know for certain how much demand there is for this specific program or how much it will cost until it is up and running.

But the fact is, we have never been asked about any of the assumptions we made in developing use and cost estimates for our family leave insurance proposal outside of conferences with other policy professionals. Other members of our coalition were eager to hear the bottom line, and to know the cost of different options under consideration (including waiting periods, length of leave, benefit levels, and conditions covered). But they were not interested in the details of how we got there. In the literally dozens of briefings I have given to legislators, reporters, and public forums on family leave insurance, I have almost always been asked how much it will cost. Occasionally, I've been asked how many people will benefit. I have never been asked how I arrived at those numbers. Even the business lobbyists who testified against our family leave insurance bill did not question our numbers, although they questioned many aspects of the proposal.

Even though politicians, reporters, and the public are unwilling to hear the details behind the numbers, they are very interested in the bottom line. In this case, we were able to package the numbers in a way that worked well for us. The phrases "a penny an hour," "only \$20 a year," and "about minimum wage" became extremely useful communication devices. Newspaper reporters included them in their stories and in their own interviews with local businesses and workers. Legislators used the phrases in their comments during hearings. A small business owner who testified before a House committee in favor of the bill concluded by pulling a \$20 bill out of his pocket, and saying that the peace of mind this program would bring him and his employees was well worth the small cost. [\[3\]](#)

The debate over Social Security provides another example of the power of the bottom line to shape debate. My experience in speaking with the press and to public forums about Social Security has strengthened my conclusion that a single number packaged in easy sound bites and repeated frequently has tremendous persuasive power, while a rational analysis of the details behind the number convinces only a handful of policy elites.

We hear repeatedly that "Social Security is going bankrupt. It will be insolvent by 2038." (The date keeps changing, but the message remains the same.) This is an example of misuse and adroit packaging of a very complicated set of calculations. Advocates of a particular political agenda of transforming Social Security into private investment accounts have been highly successful at using numbers produced by the Social Security actuaries and trustees to sell their policy – even though those numbers do not support, and even refute arguments for privatization. In fact, even a general knowledge of how Social Security works and a cursory look at the trustees' report makes clear that:

1. Social Security can never become actually insolvent or bankrupt;
2. The assumptions behind the projected date of possible short-fall in funding, that is, the trustees' intermediate forecasts, are so pessimistic that they are highly unlikely to prove true;
3. The assumptions that result in a projected short-fall in funding are contrary to the assumptions that privatization proponents make in projecting future returns on private accounts; and
4. In the unlikely event that the intermediate forecasts do prove accurate, typical workers and retirees would still have more real income under the current Social Security structure without any reforms whatsoever after the so-called crisis than they do today.

The trustees' reports have always been publicly distributed, and for the last several years have been available on the web. Their key economic and demographic assumptions are presented in easy-to-read tables, with actual data since 1960 along side for comparison. Numerous organizations and individuals have written op-eds and detailed reports analyzing the trustees' reports and countering claims made by the advocates of privatization. But many Americans have still come to believe that Social Security won't be there for them, and that they would be better off investing their payroll taxes themselves. Advocates for privatization can stick to their sound bites ("the baby boomers will bankrupt Social Security," "young workers earn less than 2% on their payroll taxes"), trusting that news reporters, politicians, and the general public will never look at the hundreds of pages of tables, charts, and projections that refute their claims.

That trust is well placed. In my experience speaking on the subject, simply asserting that there is no crisis is met with disbelief, but launching into an explanation of the trustees' projections and assumptions immediately loses the audience. Consequently, those of us who are convinced that the majority of Americans would be far better off if we keep Social Security structured as a social insurance program, have given up challenging the notion of a crisis. Social Security's advocates have also adopted the rhetoric of "saving Social Security." Unfortunately, this approach only reinforces the public's belief that there is a crisis, and therefore increases the political likelihood that one of our nation's most successful and popular programs will be dismantled.

Those of us trying to stop the dismantling of Social Security and make it work even better for women and families have good analyses. But our packaging is not so good. We need to translate the numbers into sound bites that can transform the debate. We cannot effectively counter "Social Security will be bankrupt by 2038" with, "but that's assuming only 1.7% annual growth in our GDP, and 1.5% annual growth in productivity, while annual GDP growth actually averaged 3.5% and productivity 1.8% over the past 40 years, and more realistic projections show the program always fully funded."^[4] The average listener hearing that exchange will only remember that Social Security is going bankrupt.

It would work better to respond, "After the baby boomers are all retired, Social Security will still pay retirees over \$1,000 more a year in real income than retirees get today. That's not a crisis."^[5] Or to use a number that seems to resonate with the media, "Transition to private accounts would cost at least \$1 trillion."^[6] Or, "Private accounts instead of Social Security would hurt women."^[7] Or, "With Social Security fewer than 10% of our seniors live in poverty; in Britain with a privatized system, they're projecting one third of seniors in poverty."^[8]

Policy makers who care about creating and expanding programs that benefit women and families clearly have a lot more work to do in both the areas of family leave and Social Security. The cost and benefit analyses we do are an important piece of that work. The details of how we arrive at our bottom lines are important. But ultimately, it is how our numbers get used and interpreted in the political world that determines the adoption of policies that affect the lives of women and families. Therefore, our work cannot stop with the analyses. We must accept that our careful work and pages of footnotes will often be reduced to a single number, and that the number will be severed from its assumptions and gain the stature of a fact in public debate. We must take responsibility for the political implications of our numbers and frame them in ways that further good public policy.



Endnotes

Introduced as H.B. 1520 and S.B. 5420. Legislation can be viewed at www.eoionline.org/Policy-EconomicSecurity.htm#PaidFamilyLeave.

See Steve Idemoto, "Family Leave Insurance: A Proposal for Washington Workers," Economic Opportunity Institute, November 2000, www.eoionline.org/FLI-PolicyBrief2000-AppendixB.htm.

The Olympian, "Senate bill would expand family, medical leave act," January 19, 2001; *Tri-City Herald*, "Proposal expands family leave act," January 25, 2001; Mary Lou Dickerson, State Representative, "Provide family leave insurance," *Seattle Post-Intelligencer*, February 28, 2001.

Social Security Trustees Annual Report, 2001, Table V.B1, p. 83-84, and Table V.B2, p. 88-89, www.ssa.gov/.

The "over \$1,000" is calculated for the year 2040 using the Social Security trustees' 2001 intermediate projections. Projected average wages in constant dollars for the year 2040 were calculated by dividing the trustees' projected average wage under the intermediate forecast by adjusted CPI. Typical Social Security benefit was calculated by projecting 2001 benefit formula "bend points" to keep pace with average wages, and applying the formula to the average wage of that year. Social Security Trustees Annual Report, 2001, Table VI.E7, p. 155-156. See Marilyn P. Watkins, "Social Security: A Success Story Under Attack," Economic Opportunity Institute, May 2001, www.eoionline.org/SS-PolicyBrief2001.htm.

Social Security Trustees Annual Report, 2001, Table IV.A.3, p. 39.

"Strengthening Social Security for Women: A Report from the Working Conference on Women and Social Security," [Institute for Women's Policy Research](#), July 1999; Catherine Hill, Lois Shaw, Heidi Hartmann, "Why Privatizing Social Security Would Hurt Women: A Response to the Cato Institute's Proposal for Individual Accounts," Institute for Women's Policy Research, February 2000.

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