

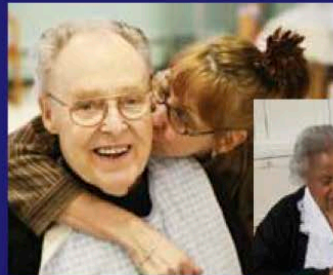
# Paid Family Leave: Lessons from California

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# UNFINISHED BUSINESS

Paid Family Leave in California and the Future of U.S. Work-Family Policy

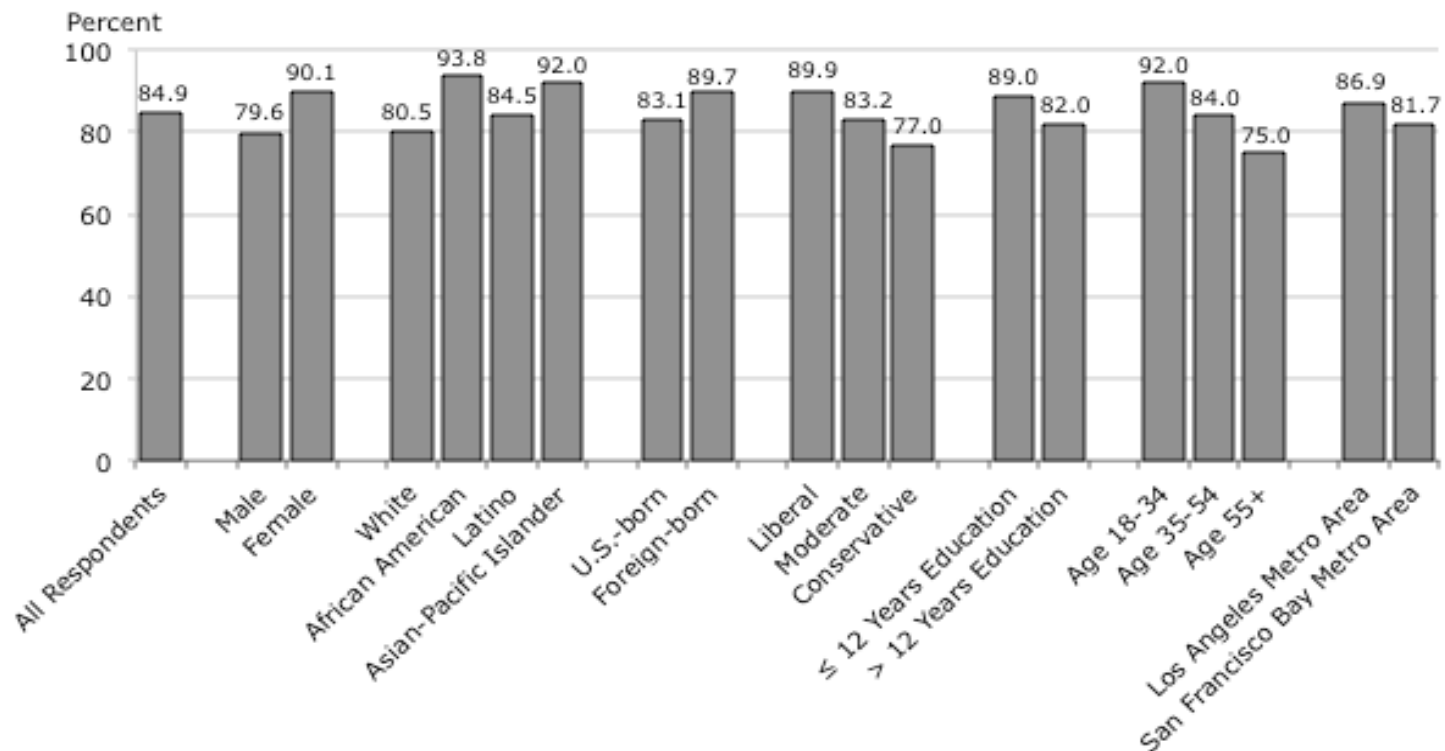


# California sets an example for the nation in provision for family leave

- SDI (TDI when first established in 1946), extended to cover pregnancy in the 1970s.
- Only 4 other states and Puerto Rico have TDI; California's wage replacement level is much higher- up to \$1075/wk. Indexed, and longer-up to 52 wks.
- California Family Rights Act (1992); Kin Care (2000).
- 2002, CA became the first state to legislate PAID Family Leave with up to 6 weeks of 55% wage replacement for baby bonding or caring for a seriously ill family member (New Jersey followed in 2008 and Rhode Island in 2013) .

# PFL: a cross-over issue politically, widely popular (except for organized business)

Figure 3. Support for Paid Leave among California Adults, by Selected Characteristics, Fall 2003.



N=1050

Source: Golden Bear Omnibus Survey, University of California Berkeley Survey Research Center. The figure shows the proportion of respondents in each subgroup who responded "favor" to the question: "Do you favor or oppose the idea of a law that guarantees that eligible workers receive a certain portion of their pay when they take family or medical leave?" For more details on the survey methodology see Milkman and Appelbaum 2004.

# Key features of California PFL

- A potential social leveler – nearly universal private sector coverage (unlike FMLA).
- No direct cost to employers.
- Modest cost to employees.
- Unlike FMLA, no job protection or continuation of benefits (though many claimants are covered by FMLA or CFRA).
- Gender-neutral, fathers & mothers eligible.
- BUT: take-up rates have been much lower than expected, and awareness remains limited – especially among those who need PFL most.

# Funding Source: a payroll tax on all covered workers

- Both SDI and PFL are jointly funded by a 1.0 percent tax (in 2014) withheld from paychecks of covered workers, on the first \$101,636 in earnings.
  - 2014 max. for an employee is \$1,016.36 or \$20 a week.
  - For \$10/hr. full-time worker, it is \$208 or \$4 a week.
- This is an INSURANCE model, the tax is in essence an insurance premium.
- If it were an employer tax, employers would likely indirectly force employees to absorb cost; political opposition from organized business would be stronger.

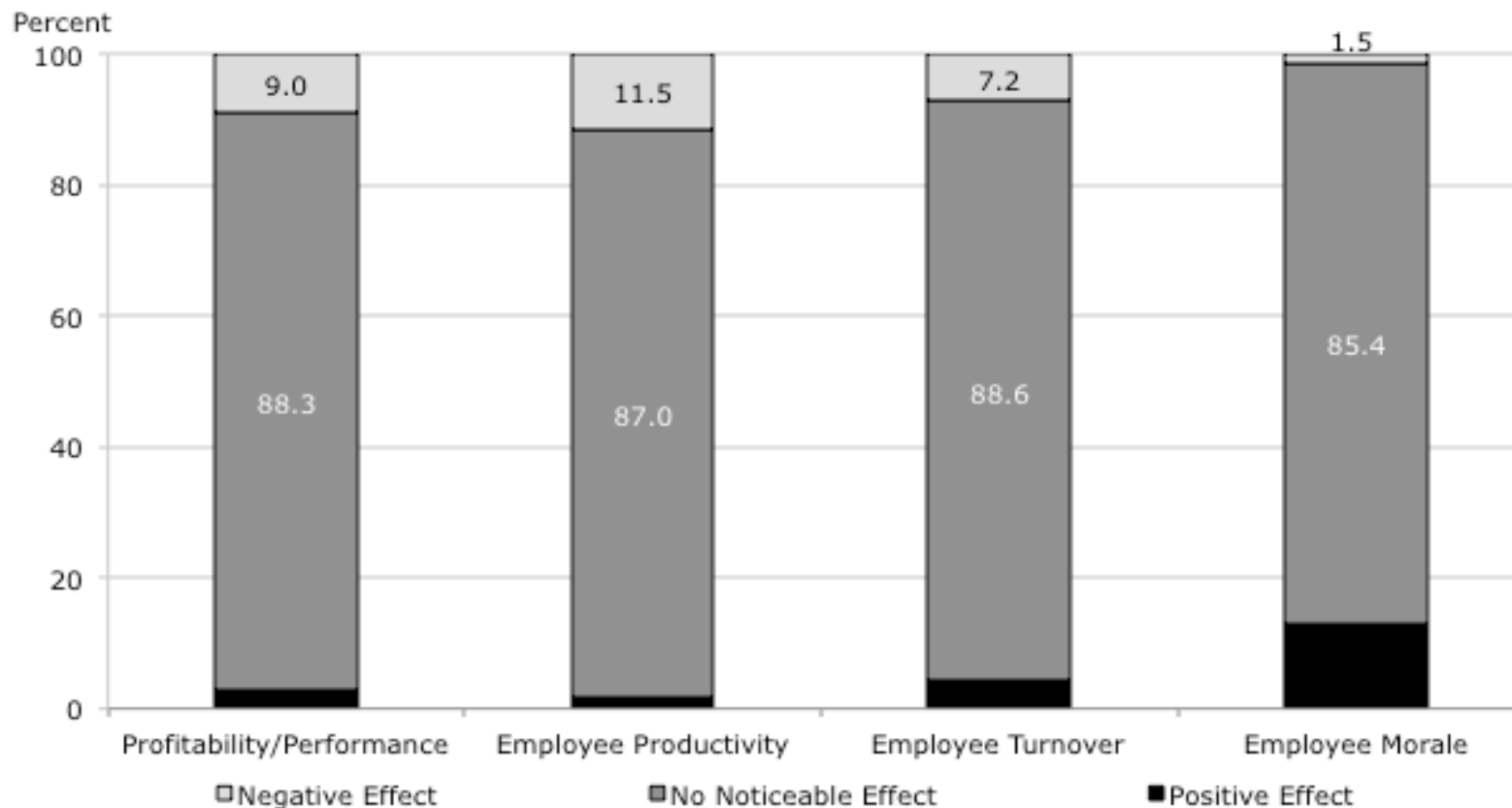
# Business Opposition to PFL

- While legislation was being debated and after passage, PFL was denounced as a “job killer.”
- Business lobbying led to scaling back the original proposal (wage replacement for up to 12 weeks, with costs shared between employers and workers).
- Business voiced concern over high costs of covering the work of those on leave, and about potential abuse.
- Claimed burden would be especially difficult for small businesses.



# Business Fears Proved Unfounded

**Figure 1. Effects of PFL Compliance on Establishment Performance, California, 2010.**



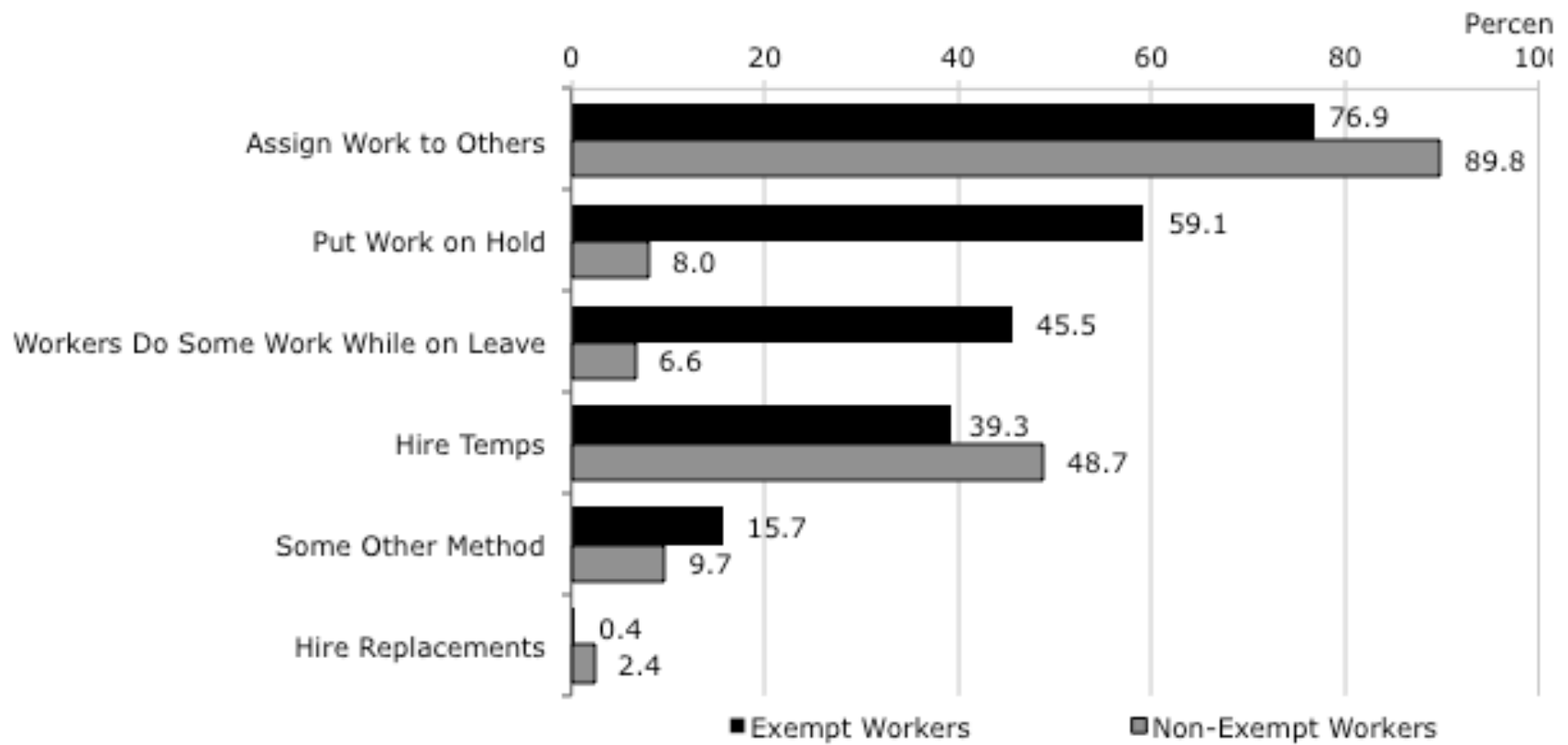
N=176

Source: Authors' 2010 Employer Survey.



# Minimal Cost for Covering Work

**Figure 2. Method of Covering the Work of Family Leave-Takers, California, 2010.**



N=138

Note: Totals may add to more than 100% because employers could report more than one method.

# Fieldwork confirms survey findings

- Unexpected leaves are inevitable, so all organizations have contingency plans.
- Most work covered by co-workers, though for some jobs this is impossible, and costs are incurred.
- Leave policies improve retention and morale.
- Business opposition is more ideological than practical in nature.
- PFL (like FMLA) was a “non-event” for most employers.

# Many employers subsidized by PFL

- 87% of employers reported no cost increases resulting from PFL.
- 9% reported cost savings.
- 60% reported that they coordinated their own benefits for exempt workers with PFL; 58% did so for non- exempt – suggesting savings.
- 13% reported extra costs (hiring and training expenses).
- 91% reported no knowledge of PFL abuse.

# Turnover and Retention

- PFL use by lower paid workers may increase likelihood of return to work for same employer.
  - 89% who used PFL compared with 81% who did not (statistically in significant difference in this small sample).
- Many employers fail to track full cost of turnover – we calculated it based on data from our employer survey.
- Hourly workers: turnover costs range is \$5,394 to \$8,043.
  - Between 17% and 21% of employee's annual earnings.
- Salaried workers: turnover costs range is \$12,625 to \$18,331.
  - Between 22% and 31% of employee's annual salary.

# PFL Benefits for Working Families

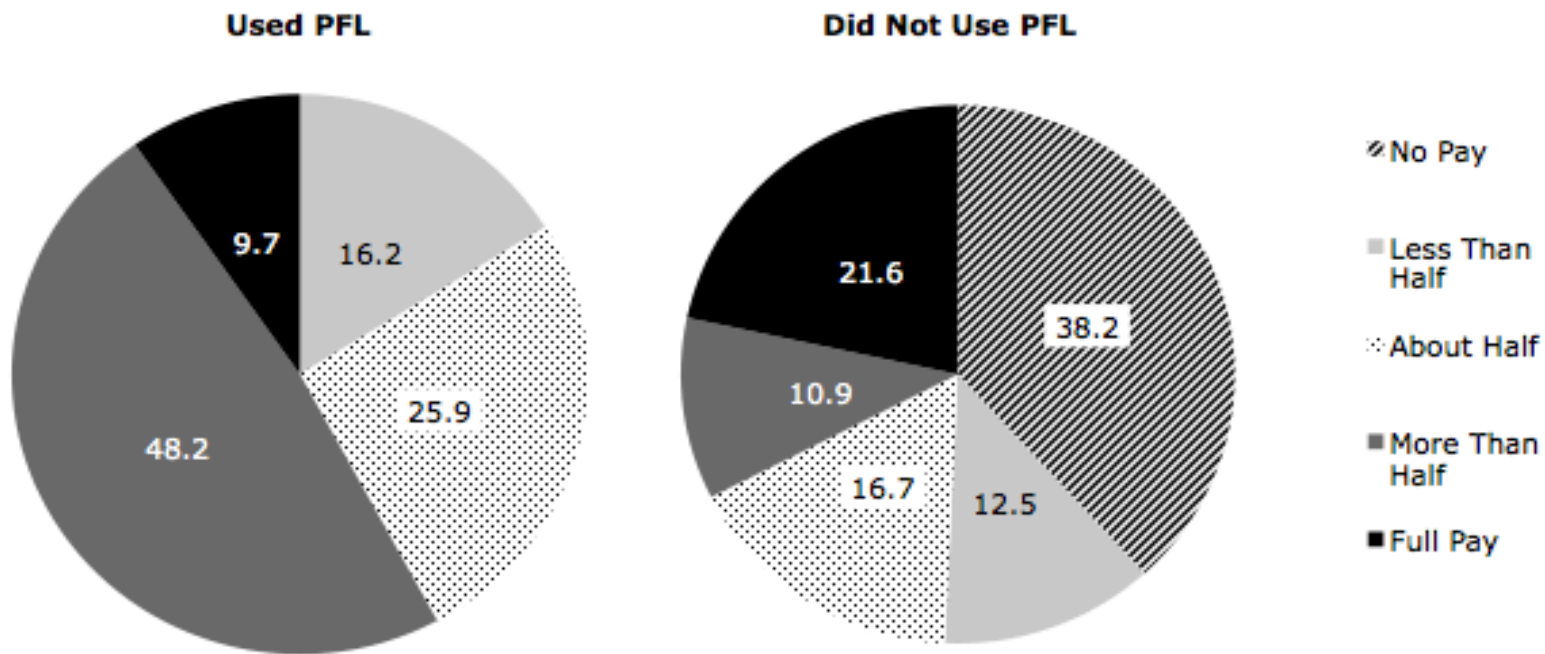
- Workers who use PFL have higher rates of wage replacement than those who do not –especially low-wage workers.
- PFL users take longer leaves, and are more satisfied with leave length, than those who do not use PFL.
- PFL users are more likely to return to work for the same employer than non-users.
- Care of new children/ill family members is enhanced by PFL use.

(2009-10 screening survey, n=500)

# WAGE REPLACEMENT BY JOB QUALITY

(High-quality job = >\$20/hr + health insurance)

Figure 5. Wage Replacement During Family Leave for Workers in Low-Quality Jobs, by PFL Use, California, 2009–10.

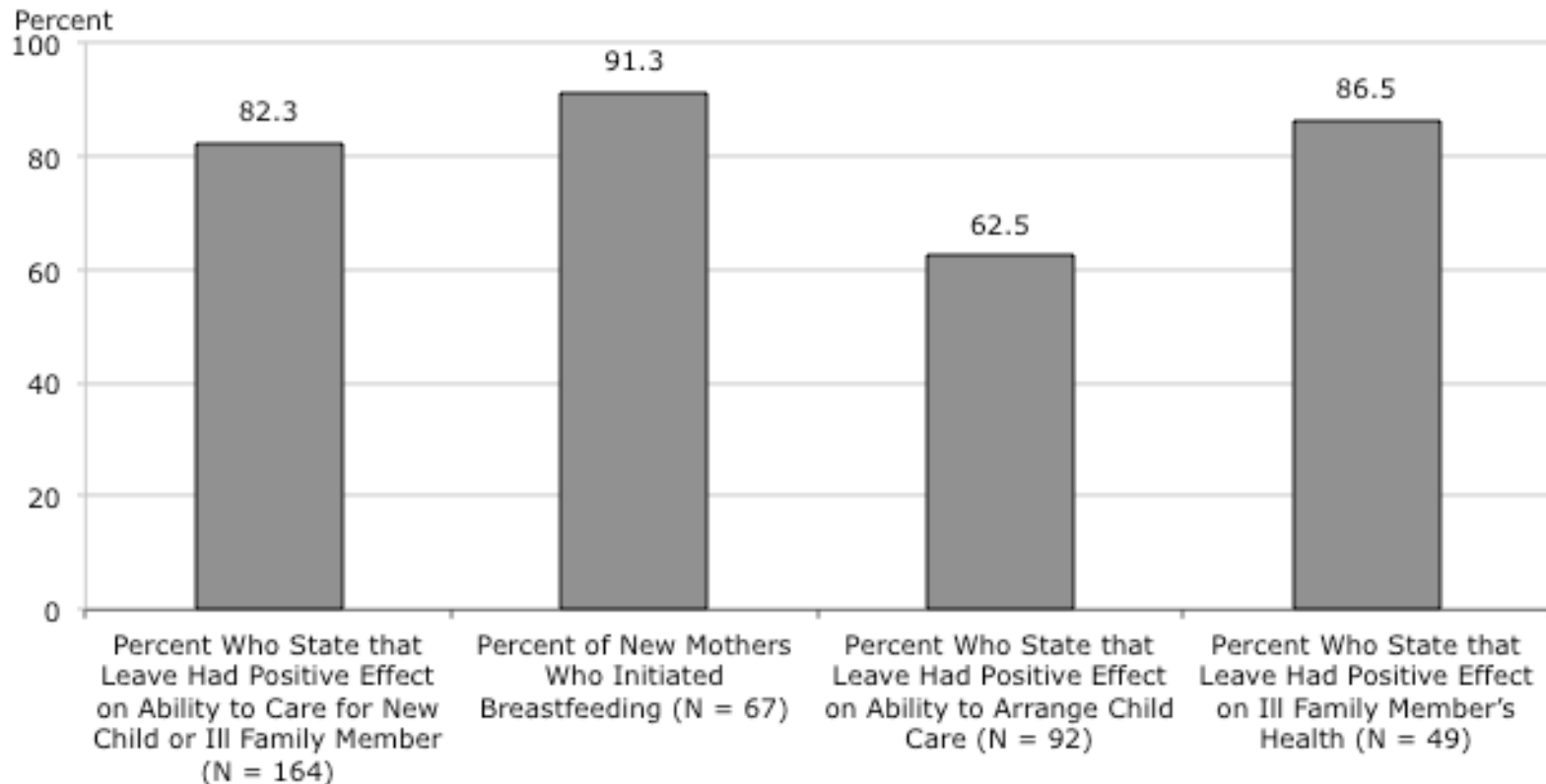


N=204

Source: Authors' 2009-10 Employee Survey.

# PFL Use – noneconomic benefits

**Figure 6. Effects of PFL Use on Employee Outcomes, California, 2009–10.**

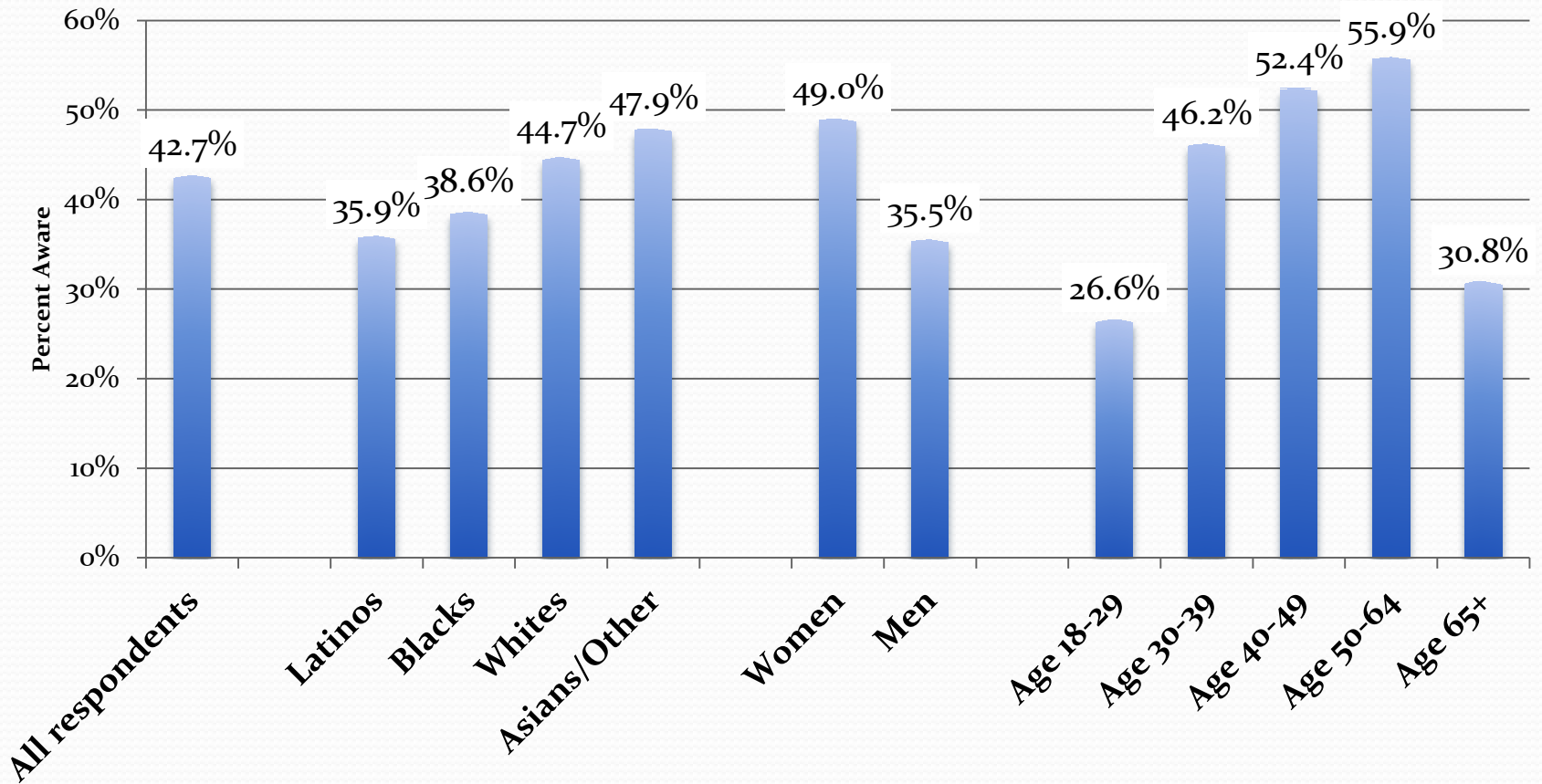


*Note:* For median months of breastfeeding, the Mann-Whitney-Wilcoxon test was used.

*Source:* Authors' 2009-10 Employee Survey.

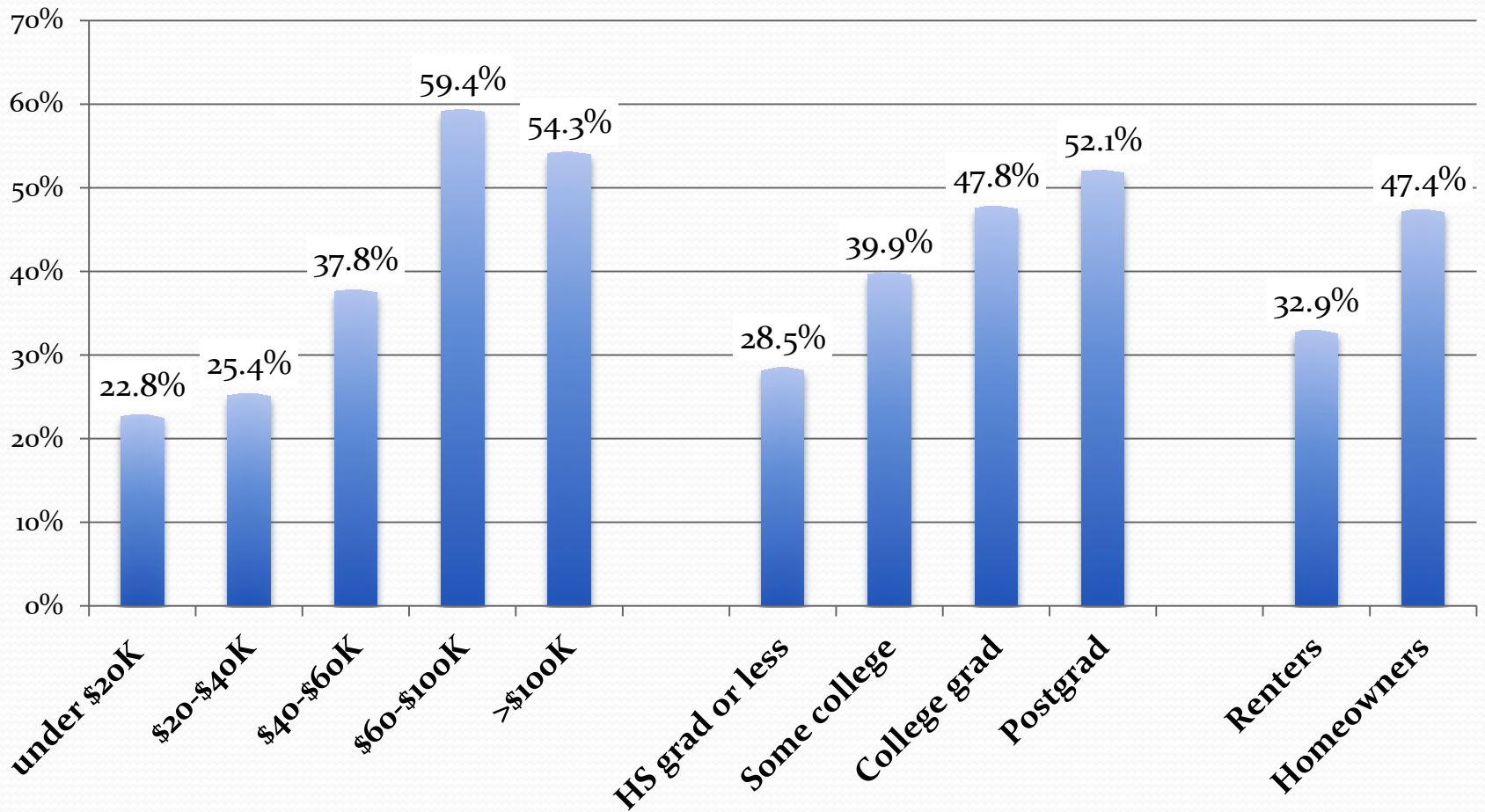


# The Challenge: Limited Awareness (2011 Field poll)



# Disparities in Awareness (2011)

Awareness by Household Income, Education, and Homeownership Status



# Other reasons PFL takeup is limited

- Qualifying events are spread over the life cycle.
- Lack of job protection for those not covered by FMLA.
- Lack of continuity in health coverage for those not covered by FMLA.
- Limited wage replacement (55%).
- For all these reasons, < 5% of 2011 Field Poll respondents had ever received PFL benefits.

# WHY PFL-AWARE RESPONDENTS DID NOT USE PFL

(2009-2010 Screening Survey N= 89; not a representative sample)

Respondents – all of whom had a qualifying event - could cite multiple reasons:

- 31% felt the PFL benefit level was too low.
- 31% feared their “employer would be unhappy.”
- 29% feared it would hurt their prospects for job advancement.
- 24% feared they would be fired.
- 18% thought it was too much hassle to apply.

# Lessons

- No carve outs – paid leave can cover virtually all employees with no or minimal effect on business.
- Cover public and private sector employees.
- Outreach is critical – especially to low-wage workers, Latinos, immigrants.
- Increase level of wage replacement.
- Extend job protection to all PFML users.
- Expand definition of “family” to reflect diversity of America’s families.

# Federal Proposal: FAMILY Act

- Up to 12 weeks of PAID leave for worker's own serious illness, including pregnancy/childbirth, baby bonding, or caring for an ill family member – basically like FMLA.
- 66% wage replacement (with cap).
- Would cover all workers covered by Social Security.
- Payroll tax increase of 0.2% for workers and 0.2% for employers would cover program costs (average cost to workers of \$2/week; \$10/hour worker would pay 80 cents/week).
- Administered by separate trust fund within SSA.
- Introduced in December 2013 by Gillibrand and DeLauro.

# FAMILY Act and Access to Leave

- CEPR analysis of 2012 Employee and Workplace surveys:
  - 49.3M private-sector workers (44.1%) not eligible for FMLA, while 55.9% currently have access to job protected leave.
  - Expanding eligibility requirements (30 employees, 750 hours) would provide access for an additional 8.3M (7.4%).
    - The result: 63.3% of workers would be eligible for FMLA leaves.
- CAP analysis of FAMILY Act:
  - Between 76.8% and 83.8% of workers would have access to job-protected family or medical leave.
  - Covered workers would get partial wage replacement during leave.