Estimating Usage and Costs of Alternative Policies to Provide Paid Family and Medical Leave in the United States

Issue Brief—Worker Leave Analysis and Simulation Series[1]

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In this Issue Brief, we estimate the impact of five different paid family and medical leave policies at the national level.

The analysis relies on the U.S. Department of Labor (DOL) 2012 Family and Medical Leave (FMLA) survey for leave taking behavior and the American Community Survey (ACS) 2009-2013 for data about the affected workforce.

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This brief summarizes a simulation analysis of five different paid family and medical leave model programs based on working programs in three states and a federal proposal, all applied to the national workforce. The analysis simulates worker behavior and estimates how many paid leaves would be taken under each model, the average weekly benefit level for each leave, and the total costs of the benefits paid. The analysis estimates the cost of benefits in dollars and as a share of total payroll for the nation as a whole and across industries and establishments of different sizes. As a share of national payroll, total benefits estimated to be paid out range from 0.45 percent to 0.63 percent of payroll depending on the generosity of the model simulated.

A national policy of paid family and medical leave would fill a large existing gap in American workers' income security. Most workers lack sufficient paid time off reserved for substantial family and medical needs. The 2015 National Compensation Survey (NCS) reports that only 13 percent of workers have access to paid leave specifically to care for a newborn child, adopted child, a sick child, or a sick adult relative. A larger share, 38 percent, has access to short-term disability insurance that provides cash benefits for non-work related medical conditions, including maternity and childbirth. Some workers may also be able to access vacation time or paid sick days for illness or family care, but compared with other countries with similar wealth, the United States lags far behind in the amount of paid time available to workers to take care of their own health needs and those of their families.[i]

KEY FINDINGS

- A national paid family and medical leave policy would increase workers' leave taking, paid and unpaid, by 6 to 11 percent annually, depending on the model policy.
- Paid leaves taken would average from $428 per week to $493 per week, depending on the model program, all well below the maximum benefit available.
- Benefits under national paid leave policy models cost between 0.45 and 0.63 percent of payroll.
- Under all models nearly three-fourths of family and medical benefits paid out is for the worker's own health; the share going to maternity and child bonding ranges from 13 to 23 percent depending on the model policy.

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FIVE NATIONAL MODELS ARE COMPARED WITH THE CURRENT SITUATION.

Because maternity and childbearing requires both sick time and family care time and because the federal Family and Medical Leave Act (FMLA) provides job protection to the majority of workers for both their own health and caregiving, the models simulated in this brief include both short-term disability leave and caregiving leaves. The analysis relies on the 2012 FMLA survey of workers for leave taking behavior and the American Community Survey (2009-2013) for data about the affected workforce.

The five alternative models analyzed include a federal proposal, the Family and Medical Insurance Leave Act (FAMILY Act), that has been introduced in both houses of Congress, and four actual policies in the three states offering paid family leave benefits (California 2002 legislation and 2016 revisions, New Jersey, and Rhode Island). These alternative policy models are applied to national workforce data to simulate program costs and benefits, representing a range of policy designs and benefit generosity.[2] In each of the existing state programs and the proposed FAMILY Act, family and medical leave is provided through a social insurance program. In most of the existing state programs, the program are paid for by the employees; in New Jersey and the proposed FAMILY Act, employers and employees both contribute to the program.[3] *Table 1* offers an overview of key components of and differences between the policy alternatives (with more details in Appendix 1), showing how they differ in eligibility and benefits, with some substantially more generous than others.

Table 1: Description of Three Current State Family Leave Programs (including Temporary Disability) and a Federal Proposal

California Policy: Short-term Disability Insurance (SDI) & Paid Family Leave (PFL) (2016 Revisions in BOLD.)	New Jersey Policy: Temporary Disability Insurance (TDI) & Family Leave Insurance (FLI)	Rhode Island Policy: Temporary Disability Insurance (TDI) & Temporary Caregiver Insurance (TCI)	Proposed FAMILY Act
Covered Employment and Eligibility			
Covered workers must earn at least $300 in wages in a 12-month period.	Covered workers must earn at least $8,400 in wages in a 12-month period or earn at least $168 in wages in the past 20 weeks.	Covered workers must earn at least $11,520 in wages in a 12-month period, or in an alternative calculation, $3,840.	Covered workers must be eligible for disability insurance benefits under Social Security and have income from employment in the 12-month period before the claim.[a]
Eligible Leave Uses			
Eligible SDI leave includes serious personal medical condition and pregnancy. Eligible PFL leave includes child bonding or caring for a family member.	Eligible TDI leave includes serious personal medical condition and pregnancy. Eligible FLI leave includes child bonding or caring for a family member.	Eligible TDI leave includes serious personal medical condition and pregnancy. Eligible TCI leave includes child bonding or caring for a family member.	Eligible leave includes serious personal medical condition, pregnancy, child bonding, caring for a family member or active military duty related needs.
Funding			
SDI and PFL are funded by an employee payroll deduction.	TDI is funded by an employee and employer payroll deduction. FLI is funded by an employee payroll deduction.	TDI and TCI are funded by an employee payroll deduction.	The FAMILY Act is funded by an initial trust fund appropriation and then by an employee and employer payroll deduction.

[2] For comparability across program designs, all models include government employees and self-employed in the eligible workforce. All models include paid time off both for own serious medical condition, including pregnancy and childbirth, and for care of other family members, including bonding with newborns. New benefit levels available in California in January 2018 are also modeled for a total of five alternative models.

[3] Economists generally find that benefit costs even when paid by the employer are generally passed over time to the workers in the form of lower wages (usually as smaller and slower wage increases) and, if the workers value the benefits, employment is not reduced. See Lawrence H. Summers, "Some Simple Economics of Mandated Benefits," *The American Economic Review*, 79:2 (May 1989), pp. 177-183, and Jonathan Gruber, "The Incidence of Mandated Maternity Benefits," *The American Economic Review*, 84:3 (June 1994), pp. 622-641.

California Policy: Short-term Disability Insurance (SDI) & Paid Family Leave (PFL) (2016 Revisions in BOLD.)	New Jersey Policy: Temporary Disability Insurance (TDI) & Family Leave Insurance (FLI)	Rhode Island Policy: Temporary Disability Insurance (TDI) & Temporary Caregiver Insurance (TCI)	Proposed FAMILY Act
Weekly Benefits			
Eligible workers on SDI and PFL receive about 55% of average weekly wages, up to a cap of $1,129 a week. **Effective January 1, 2018, most workers on PFL will receive 60% or 70% of their average weekly wage, depending on their income, up to the cap.**[b]	Eligible workers on TDI and TCI receive about 67% of average weekly wages, up to a cap of $615 a week.	Eligible workers on TDI and TCI receive about 60% of average weekly wages, up to a cap of $817 a week. Workers can receive a dependency allowance that is capped at 5 dependents.	Eligible workers can receive 66 % of monthly wages up to a cap of $4,000 a month with a monthly minimum of $580.
Benefit Duration			
SDI benefits are payable for up to 52 weeks. PFL benefits are payable for up to 6 weeks.	TDI benefits are payable until benefits received equal one-third of total wages or 26 times the weekly benefit amount, whichever is less. FLI benefits are payable up to 6 weeks or until benefits received equal one-third of total wages.	TDI benefits are payable for up to 30 weeks. TCI benefits are payable for up to 4 weeks.	Benefits are payable for up to 12 weeks.
Job Protections			
No	**No**	Yes	**No**

Notes:
a. The eligibility criterion included in the FAMILY Act is based on the rules for Social Security Disability Insurance benefits that generally require (1) recent work within the last three years and (2) an adequate amount of covered work experience that increases with years of age. In the simulation model, eligibility was based on working one quarter (13 weeks) in the previous year and earning enough to qualify for one credit (quarter) of work under Social Security ($1,260 in 2016).
b. The original California policy is labeled CA-55 and the new more generous benefit policy is labeled CA-Rev in the tables that follow. CA-Rev also drops the one-week waiting period for paid family leave benefits.
Source: See Appendix A.

BASED ON THE SIMULATED POLICIES, A NATIONAL PAID FAMILY LEAVE POLICY WOULD LIKELY INCREASE WORKERS' LEAVE-TAKING ACROSS THE UNITED STATES BY BETWEEN 6.0 AND 11.2 PERCENT ANNUALLY.

The simulation model estimates, in *Table 2*, the number of leaves that would be taken – paid or unpaid – by all 148,834,000 workers[ii] in the United States when covered by five alternative family and medical leave program models compared with the current situation. Estimates for both the original and the recent expansions in California are included. Estimates of leaves taken under current law (which encompasses what employers do voluntarily and what they are required to do in some states) are shown in the first column. Under current law, U.S. workers take 27.5 million leaves per year for qualified family and medical reasons and about 60 percent (16.3 million) are for their own illness or serious medical conditions, excluding pregnancy and childbirth. Maternity and child bonding together account for about 16 percent, and family care for about 25 percent, of the estimated total leaves taken. Differences between the alternative program models affect the shares of the types of leave taken only slightly. Compared with the current situation, more total leaves would be taken under any of the paid leave alternatives examined; the increase in overall leaves is modest, from 6.0 percent (program modeled on New Jersey) to 11.2 percent (program modeled on California's recently passed expansions).

Table 2: Total Number of Worker Leaves (Paid and Unpaid) Estimated Nationally Under Alternative Paid Leave Policy Models, Distribution by Type of Leave, and New Benefits

Reasons for Leave	Current	CA-55	CA-Rev	NJ	RI	FAMILY
Own Health	59.2%	59.8%	58.8%	59.3%	59.4%	59.5%
Maternity & New Child Bonding	16.1%	15.4%	15.4%	15.8%	15.6%	15.7%
Family Care	24.6%	24.8%	25.9%	24.9%	25.0%	24.8%
Total number of paid and unpaid leaves (thousands)	27,470	30,083	30,551	29,128	29,457	29,520
Percent increase from current	N/A	9.5%	11.2%	6.0%	7.2%	7.5%
Share of all leaves taken receiving program benefits	N/A	40%	38%	35%	38%	39%
Number of leaves paid by program benefit (thousands)	N/A	12,164	11,488	10,207	11,198	11,378
Average weekly benefit	N/A	$428	$473	$435	$444	$493

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model (FML2, June 2016) based on 2012 FMLA Employee survey and 2009-2013 American Community Survey. Percentages may not equal 100 percent due to rounding.

Table 2 also shows the estimated number of leaves that would access program benefits for partial wage replacement. The largest number of paid leaves would be taken under programs modeled on California's nearly universal eligibility criteria. The other program designs would provide partial wage replacement for smaller numbers of leaves taken each year, likely due to a combination of program design features, such as waiting periods, eligibility criteria, benefit levels, and benefit durations. As Table 2 shows, from 35 to 40 percent of the leaves taken under the various models receive program benefits, and the average weekly benefit varies from $428 to $493, a range of about 15 percent from lowest to highest. In all cases, average weekly benefits are well below the maximum benefit available. Average leave lengths are also all less than the maximum weeks available, ranging from 6.3 to 7.7 weeks; average total benefits per leave occurrence vary less in relative terms under the five programs, from $3,037 to $3,409 a range of about 12 percent.[4] An additional share of leaves taken may be paid by employers offering more generous provisions than those available from these types of social insurance programs, all of which to date provide only partial pay.[5]

BENEFITS UNDER NATIONAL PAID LEAVE POLICY MODELS COST BETWEEN 0.45 AND 0.63 PERCENT OF PAYROLL.

Table 3 shows estimates of the cost of the program benefits that would be provided under alternate family and medical leave policies. Under the five policy models, the cost for benefits would range from $31 billion (modeled on New Jersey program) to $43 billion (modeled on the revised California program), depending on the variations in the policies. Covering more eligible workers, replacing a

[4] For additional information about types of leave taken and associated benefits, see Appendix Table 2.

[5] There will also be employers that reduce their current costs by shifting to the new federal program. Ruth Milkman and Eileen Appelbaum note in their 2013 book, *Unfinished Business: Paid Family Leave in California and the Future of U.S. Work-Family Policy* (Ithaca, NY: Cornell University Press), nine percent of respondents in their employer survey said paid family leave had generated cost savings for their organizations.

larger percentage of usual earnings, and offering more weeks of paid leave increase the estimated costs. According to the Census Bureau's Current Population Survey data, in 2013 U.S. payrolls totaled $6.8 trillion; the cost of the new family and medical leave benefits would range from 0.45 percent to 0.63 percent of total wages paid.

Table 3: National Program Benefits for Worker Leaves Taken Under Alternative Leave Policy Models by Type of Leave (in Millions) and as a Percent of Payroll

	CA-55	CA-Rev	NJ	RI	FAMILY
Own Health	$30,997.5	$31,662.5	$24,654.8	$27,775.5	$25,135.7
Maternity & New Child Bonding	$4,717.1	$10,046.8	$5,485.7	$5,187.2	$6,353.2
Family Care	$965.6	$1,308.1	$820.1	$775.8	$1,223.5
Total	$36,680.2	$43,017.4	$30,960.5	$33,738.4	$32,712.3
Total as a percent of total earnings	0.54%	0.63%	0.45%	0.49%	0.48%

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model (FML2, June 2016) based on 2012 FMLA Employee survey and 2009-2013 American Community Survey. Total earnings based on IWPR analysis of 2011-2015 Current Population Surveys Annual Social and Economic supplements. Earnings were adjusted for inflation using the CPI-U-RS to 2013 dollars.

Using the FAMILY Act as an example, and comparing the distribution of benefits in Table 3 with the distribution of paid and unpaid leaves in Table 2, shows that the share of dollars spent for own health, 76.8 percent ($25.1 billion/$32.7 billion), is higher than the share of all leaves used for own health (59.5 percent).

BENEFITS WOULD BE DISTRIBUTED DIFFERENTIALLY ACROSS INDUSTRIES AND ESTABLISHMENT SIZES.

Figure 1 shows the estimated amount of paid family and medical leave benefits provided to workers across the 14 Census major industries as a percent of industry payrolls. Industries with lower rates of employer-provided benefits would be more likely to include workers with unmet need for paid leave who would access the new programs and receive more benefits. Under the most generous policy modeled, California's revised program design, the costs of leave benefits range from 0.03 percent of payroll in the armed forces to 0.81 percent of payroll in leisure and hospitality services; under the least generous, based on New Jersey's program design, benefit costs range from 0.02 percent to 0.56 percent of payroll in the same industries. Among private sector workers, those in industries with more union representation, as well as with a larger share of higher paid, white collar jobs tend to have more access to paid leave currently than those who work in other industries and thus would receive relatively fewer program benefits.[6]

[6] For more detail on industry costs, see Appendix Table 3.