

# **Economic Impact Research Plan for Family and Medical Leave in DC**

**Submitted by Institute for Women's Policy Research**

**Workspace No. WS108383**

**March 2, 2015**

## **INTRODUCTION**

The Institute for Women's Policy Research (IWPR) was awarded a contract from the District of Columbia for research that explores that costs and benefits of paid family leave and the feasibility of expanding coverage of access to paid leave under a grant received from the U.S. Department of Labor's Women's Bureau and Employment and Training Administration.

The research will include three major components:

1. Actuarial analyses employing statistical models to estimate future usage and durations of leave that workers might take under selected policy plans. The estimates of workers' leave taking and the characteristics of the leaves are a primary input into the other two components.
2. Economic impact analyses will examine the effect of leave taking on employers, workers, workers' families, and the community.
3. Cost-Benefit analysis combining the costs and benefits of potential paid leave program designs on for a given time frame and using methods to render choices as comparable as possible for comparative evaluation.

The proposed framework for analyzing policy scenarios will be to apply a simulation model IWPR developed with academic researchers in 2002. The simulation model is well designed to study both the employee and employer impacts on worker leave programs for several reasons.

First, it provides a way to estimate how much leave is getting used and how much it is costing both employers and employees under current conditions. These estimates provide a substantively important baseline that documents that many worker leaves are at least partially paid by employers, and that the benefits do not reach all workers or cover all worker costs, so that workers bear substantial costs of leave.

Second, the costs and benefits of alternative worker leave policies can also be estimated to maximize comparability of the costs and benefits. The differences from the initial baseline provide estimates of the incremental costs of the new policies and the distribution of costs and benefits across employers and employees. With multiple runs, the costs of different leave program features, such as length or wage replacement level, can be estimated and compared with the baseline and each other in order to contribute to policy design decisions.

Third, the costs and benefits of each design can be analyzed by the establishment and worker characteristics included in the Current Population Survey-Annual Social and Economic Supplement (CPS-ASEC) or the American Community Survey (ACS) if a decision is made to expand the simulation model with this latter data set. . These include industry sector and firm size for the employers and many social and demographic characteristics for the workers in the CPS-ASEC.

Fourth, multiple runs of the simulation model provide data for sensitivity analyses of parameters that are unknown. These include take-up rates for the share of eligible workers experiencing a qualifying event that would use a current or proposed leave policy. These are specified by the analyst during the interactive simulation model input steps.

The simulation model estimates a series of decision models that a worker might go through in deciding whether and how much leave to take from work following a qualifying event or condition onset using the Family and Medical Leave Act survey collected in 2012 by Abt Associates under contract to the U.S. Department of Labor. The models are estimated at the national level due to limitations from sample size. In the simulation steps, observations from labor force surveys, such as the Current Population Survey Annual Social and Economic supplement or the American Community Survey, can be limited to DC workers who are then “run” through the estimated behavioral models to mimic the sequence of decisions and events that a person makes and results of the leave process. At several points during the simulation, such as when a person decides to take a leave of a particular type or not, a decision is predicted based on a probability model and selected personal characteristics. After the person has been passed through the entire model flow, the result is a history of leave needs and leave-taking behavior predicted by the model that can then be analyzed with standard statistical software to provide costs estimates and distributional analyses of policy proposals.

## **CURRENT POLICY ENVIRONMENT AND TECHNICAL LANDSCAPE**

DC workers are covered by several laws that provide limited job protections when they suffer illness or injury or needs to care for family members. Before the Federal Family and Medical Leave Act of 1993 (FMLA) was passed, DC enacted its own FMLA. While the Federal FMLA provides workers with unpaid leave of up to 12 weeks per year in the event of a birth or adoption or for a serious personal or family illness, DC’s FMLA provides up to 16 weeks of leave in a two-year period. Neither the Federal nor District laws requires that workers receive compensation while on leave. However, DC’s law covers a larger share of the workforce by providing leave to those working for employers with at least 20 employees while the federal law covers only those working for employers with at least 50 employees (within 75 miles). Similarly, the DC law also requires fewer hours worked in the previous year (1,000) than the federal law (1,250) for eligibility.

Although the Federal and DC’s FMLA provide for job protection for a limited number of weeks, neither requires compensation for workers during the leave period. Research shows that the lack of compensation during leave under FMLA negatively affects its utilization by low- and middle-income workers and male workers. Even though many individual employers have adopted policies that pay some portion of earnings while the worker is on leave, the most economically vulnerable workers are the least likely to have access to these jobs. Using data from the National Health Interview Survey (NHIS), IWPR reported that 60 percent of private sector employees ages 18 and older had access to paid sick leave in 2012; however, only 47 percent of Hispanic workers, 28 percent of workers making less than \$20,000 a year, and less than 25 percent of part-time workers had access to paid sick leave. Research on family care leave taking in CA, the first state to expand their mandatory temporary disability insurance program to include family care leaves of up to six weeks, also shows that workers with low earnings are less likely to take advantage of it than higher earning workers.

Since passage of the Family and Medical Leave Act (FMLA) in 1993, many states have expanded protections beyond the minimum federal requirements; five states had existing temporary disability insurance programs (CA, HA, NJ, NY, RI); and three of those expanded their programs to include paid family leave (CA, NJ, and RI).

- California's Paid Family Leave (PFL) program offers partial paid leave of up to six weeks for eligible workers (enacted in 2004).
- New Jersey's Family Leave Insurance (FLI) program is similar to California's and offers eligible workers up to six weeks of partially paid leave (enacted in 2008).
- Rhode Island's Temporary Caregiver Insurance (TCI) program provides up to four weeks of paid leave for eligible workers (enacted in 2014).
- Washington's Family Leave Insurance (FLI) program will provide partial paid leave for up to five weeks. Legislation passed in 2006, but due to funding issues, the program is on hold until October 2015.

These states along with federal and additional state proposals for paid family and medical leave policies provide a range of design features that might be considered for DC workers under this contract. Empirical analysis of the potential impacts and consequences of various policy choices, driven by estimates of behavioral responsiveness, can sharpen the debate, as policy makers continue to grapple with the needs of American families, communities, and businesses.

## **POLICY PROPOSALS**

IWPR will explore various policy proposals through use of its simulation model. The proposals will represent a range that could be considered based on the conversations during the initial briefing with City Council offices and community stakeholders.

1. Extend the leave available to those working directly for the DC government to all DC workers. DC provides its employees with up to eight (8) weeks of paid leave for the birth or adoption of a child or to care for a family member with a serious health condition.
2. Provide full or partial wage replacement for all federal FMLA qualifying leaves. US-FMLA provides up to 12 weeks per year of job-protected leave for the birth or adoption of a child or to care for oneself or a family member with a serious health condition. Proposals have been made at the Federal level to provide two-thirds of usual weekly wages (up to a cap) for qualifying leaves through a shared employer and employee social insurance expansion. Similar proposals will be modeled for the DC labor force.
3. At the council briefing community stakeholders also suggested studying a policy that would provide wage replacement for leaves taken under DC's FMLA, up to 16 weeks in a two year period. Proposals for full and partial wage replacement will be modeled.

Once costs and benefits have been estimated, IWPR will meet with local experts to seek input into the range of financing mechanisms that might be available for a paid leave program in DC. Information and referrals will be sought from DOES, DC Office of Tax and Revenue, DC Applesseed, DC Employment Justice Center, and DC Chamber of Commerce.

## **DISSEMINATION**

IWPR will produce a report summarizing the economic impact analyses and participate in a final briefing with the DC Council and community stakeholders invited by Council offices or DOES. The report will include a review of existing research literature drawn on for the economic impact analyses and a summary of health and social benefits that have been shown to result from paid family leave programs.

## KEY PERSONNEL

Dr. Jeffrey Hayes, who will serve in the role of Senior Analyst, works on projects examining job quality, including paid sick leave, paid family leave, and wage equality, for which he has estimated paid sick days access rates using statistical models to simulate predicted probabilities of coverage by individual and economic characteristics and obtaining out-of-sample predictions for small geographical areas. Prior to joining IWPR, Jeff worked at the McGill Institute for Health and Social Policy and the Harvard Project on Global Working Families, analyzing how labor conditions affect children's health and development around the world, and he taught research methods at the University of Colorado at Boulder. He holds master's and Ph.D. degrees in Sociology from the University of Wisconsin-Madison and a bachelor's degree in Sociology and Religious Studies from the University of Virginia.

Dr. Heidi Hartmann, Co-Founder and President of IWPR, has an extensive background in studying worker leave, women's and men's employment and labor market experiences, other worker supports, family income security, and aging and retirement; she has published articles in journals and books and authored and co-authored many reports, fact sheets, and research-in-briefs for IWPR, including *Paid Parental Leave in the United States: What the Data Tell Us about Access, Usage, and Economic and Health Benefits*.

Dr. Jessica Milli works primarily on issues relating to paid sick leave, including estimating access rates and the costs and benefits of such policies. Prior to joining IWPR, Jessica taught courses in economics, including economic statistics, labor economics, and women in the global economy at the University of Wisconsin-Milwaukee, the University of Wisconsin-Whitewater, and Randolph College. She holds bachelor's, master's, and Ph.D. degrees in Economics from the University of Wisconsin-Milwaukee.

Devin McBrayer, a graduate student at The George Washington University and Congressional Fellow on Women and Public Policy at Women's Policy, Inc., will review the research on the social and economic impacts of paid family leave programs.

## RESEARCH TIMELINE

<b>Milestone</b>	<b>Deliverable</b>	<b>Timeframe</b>	<b>Month/Day</b>
Finalize Study Design	Submit Study Design	Month 2	Feb 27
Submit Literature Review Outline	Summary of Literature Review	Month 3	March 15
Data Collection & Analysis	Description of Data	Month 5	April 15
Review of Preliminary Findings (DOES returns comments)	Draft Executive Summary	Month 8	July 15 (July 31)
Finalize Analysis	Final Study	Month 9	Aug 31
Present and Disseminate Findings	Study Presentation	Month 10 & Post-Award	Sept 30