

12-2014

Paid Family Leave

Rachel-Lyn Longo
Student, rachellynlongo@my.uri.edu

Shanna Pearson-Merkowitz
URI

Follow this and additional works at: <https://digitalcommons.uri.edu/srhonorsprog>



Part of the [American Politics Commons](#), [Disability Law Commons](#), [Law and Gender Commons](#), [Policy Design, Analysis, and Evaluation Commons](#), [Public Policy Commons](#), and the [State and Local Government Law Commons](#)

Recommended Citation

Longo, Rachel-Lyn and Pearson-Merkowitz, Shanna, "Paid Family Leave" (2014). *Senior Honors Projects*. Paper 383.

<https://digitalcommons.uri.edu/srhonorsprog/383>

This Article is brought to you by the University of Rhode Island. It has been accepted for inclusion in Senior Honors Projects by an authorized administrator of DigitalCommons@URI. For more information, please contact digitalcommons-group@uri.edu. For permission to reuse copyrighted content, contact the author directly.

Paid Family Leave

Shanna Pearson-Merkowitz & Rachel-Lyn Longo, URI

When a baby is born or a family member gets sick, not only do medical bills start to mount, but caring for a sick family member or attempting to bond with a child can result in lost work time and even a caretaker's job. The United States is fairly unique in the international context. One hundred and eighty two countries around the world provide some form of paid maternity leave, and 70 countries also offer paid paternity leave.¹ Not only do only about 36 percent of U.S. employees have access to paid leave if they get sick, a policy that is almost universal in other developed countries, but most workers in the United States are also unable to take time off work after the birth of a child or to take care of a sick child or parent without risking their economic security and potentially their job.²

Temporary Caregiver Insurance, commonly referred to as Paid Family Leave, is a program that just three states, including Rhode Island, have instituted to help families by providing the financial and legal capacity to take time off work after the birth of a child or to care for a sick family member.³ The research is clear: Paid Family Leave pays off. After taking Paid Family Leave workers overwhelmingly report being in better economic, social, and physical health.⁴ Workers who receive paid family leave breastfeed their children for twice as long, leading to health advantages for newborn babies. Studies also show that familial caregiving drastically improves overall health outcomes, especially for children and the elderly.⁵ In addition, PFL creates better workers for employers and business and reduces employee turnover. A Rutgers economic study reports that women who take paid leave after the birth of a child are more likely to have a job 9-12 months later, are 39% less likely to go on public assistance, and 40% less likely to receive food stamps.⁶ Compared to non-leave takers, women who accessed PFL in New Jersey were also 54% more likely to report an increase in wages one year after the birth of their child.⁷

Currently only 12 percent of the workforce has access to paid family leave,⁸ as a result, when workers become essential for caregiving responsibilities, they are frequently forced to leave their job, fired, or, at the very least, take unpaid leave (which only a limited number of white collar positions even provide).⁹ This has both immediate and

¹ <http://thinkprogress.org/economy/2014/07/30/3465922/paid-family-leave/>

² <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/civilian/table12a.pdf>

³ <http://webserver.rilin.state.ri.us/Statutes/title28/28-41/28-41-35.HTM>

⁴ Appelbaum, E., & Milkman, R., "Leaves that Pay," (Washington, DC: Center for Economic and Policy Research, 2011). Retrieved from <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

⁵ Earle, A., & Heymann, J. (2006). A comparative analysis of paid leave for the health needs of workers and their families around the world. *Journal of Comparative Policy Analysis*, 8(3), 241-257.

⁶ Houser, L., & Vartanian, T., "Pay Matters: The positive economic impacts of paid family leave for families, business, and the public." Retrieved from http://www.working-families.org/network/pdf/Policy_Matters_2012.pdf

⁷ Houser, L., & Vartanian, T., "Pay Matters: The positive economic impacts of paid family leave for families, business, and the public." Retrieved from http://www.working-families.org/network/pdf/Policy_Matters_2012.pdf

⁸ <http://www.nationalpartnership.org/research-library/work-family/paid-leave/family-act-fact-sheet.pdf>

⁹ <http://www.census.gov/prod/2011pubs/p70-128.pdf>

long term economic consequences. In the short term, families face financial hardship trying to survive on a drastically diminished budget, particularly those who are just barely in the black to begin with. In the long term, individuals and families also take an economic hit when they lose or are forced to leave a job, even if they expect to return to work eventually. Recent evidence suggests that spells of unemployment radically decrease future wages¹⁰ and as noted above, women who are forced to leave a job due to the birth of a child are far more likely to end up on public assistance. As a result, government-provided paid family leave can be a way to foster economic security both for workers and for a state.

Our research evaluates the existing data on the benefits and drawbacks of current Paid Family Leave programs both in Rhode Island and in other states. The data suggest that we need to rethink both how Temporary Caregiver Insurance is funded and the formula for calculating employee benefits. While these three states Paid Family Leave programs have much to applaud, in order to make it accessible to those who really need it and fair to those who pay for it, a few changes are necessary.

State	Year Passed	Amount of time workers can take leave	Wage Replacement benefits	Funding
California	2002	Six (6) weeks	55% of the employees average weekly earnings. The minimum benefit is \$50.00 and the maximum is \$1,075.00 ¹¹ .	Employee pay role tax currently set at no more than 0.1% of an employee's taxable wage base of up to \$101,636 as of 2014 ¹² . Recalculated yearly based on changes in the state's average weekly wage.
New Jersey	2008	Six (6) weeks	Up to 66% of an employee's weekly wage. The maximum benefit is \$595.00 ¹³ .	Employee payroll tax. Each worker contributes 0.1% of the taxable wage base up to \$31,500. Taxable wage base recalculated yearly. ¹⁴
Rhode Island	2013	Four (4) weeks	No less than \$74.00 and a maximum of \$720.00 wage replacement per week	Employee payroll tax. Each worker contributes .2% of the first \$62,700 in earnings. ¹⁵

Three states now have state administered Temporary Caregiver Insurance (TCI) programs. In each of these states, TCI was added to the state's existing Temporary Disability Insurance Program (TDI), which provides short-term wage replacement for eligible workers for non-work related illnesses or injuries (See Figure 2 for a Timeline

¹⁰ <http://www.bostonfed.org/economic/wp/wp2013/wp1308.pdf>

¹¹ http://www.edd.ca.gov/disability/PFL_Benefit_Amounts.htm

¹² http://www.edd.ca.gov/pdf_pub_ctr/de44.pdf

¹³ http://lwd.dol.state.nj.us/labor/forms_pdfs/tdi/WPR-119.pdf

¹⁴ <http://lwd.dol.state.nj.us/labor/fli/content/cost.html>

¹⁵ <http://www.dlt.state.ri.us/tdi/FAQ4Emp.htm>

History on TDI Nationally). All three states also structured their TCI programs entirely through an employee payroll tax with initial funding pooled from each state's existing TDI fund.

There are successes and problems with how each of these states, including Rhode Island, has structured its TCI program. Like all current TCI programs, Rhode Island's is employee funded—direct beneficiaries pay into it, so employers face no financial burden for funding the system, and they are not at an economic disadvantage if several of their employees take Paid Leave in a given year. This employee-funding mechanism has been applauded because it is financed by the very people entitled to the program and not by employers.

In Rhode Island, objection to the passage of TCI came uniformly from the business community.¹⁶ However, research on the TCI program in California and New Jersey suggests that on a whole, businesses have actually been quite pleased with the effect of TCI benefits.¹⁷ The vast majority of businesses in California report either positive effects or little to no effects of paid family leave on “productivity, profitability, or performance.”¹⁸ In fact, PFL has been applauded by businesses in survey data for cost savings, because the program reduces employee turnover which saves money in hiring and training.¹⁹ Employers in New Jersey also noted that TCI seemed to have improved worker morale.²⁰

While the funding mechanism is a success from the business-side, the employee-side funding mechanism is regressive and unfair to workers. Because the TCI program in Rhode Island was appended to the current funding mechanism for TDI which had a salary cap, the program taxes a greater percent of the income of the poor than wealthier workers. In Rhode Island, an individual worker pays a maximum of \$2.41 a week.²¹ Due to the combination of the “flat tax” with a salary cap structure of TCI funding in each of these states, the poor pay a greater percentage of their paycheck to fund the program than the upper class. Table 2 shows the percentage of their pay that a worker pays into the program at different annual salaries.

¹⁶ DuPonte, D. (2014, April 9). Personal Interview with R. Longo.

¹⁷ Appelbaum, E., & Milkman, R., “Leaves that Pay.” (Washington, DC: Center for Economic and Policy Research, 2011). Retrieved from <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf> and Learner, S. & Appelbaum, E., “Business As Usual: New Jersey Employer's Experiences with Family Leave Insurance.” (Center for Economic and Policy Research, 2014). Retrieved from <http://www.cepr.net/documents/nj-fli-2014-06.pdf>

¹⁸ Appelbaum, E., & Milkman, R., “Leaves that Pay.” (Washington, DC: Center for Economic and Policy Research, 2011). Retrieved from <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

¹⁹ Appelbaum, E., & Milkman, R., “Leaves that Pay.” (Washington, DC: Center for Economic and Policy Research, 2011). Retrieved from <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

²⁰ Learner, S. & Appelbaum, E., “Business As Usual: New Jersey Employer's Experiences with Family Leave Insurance.” (Center for Economic and Policy Research, 2014). Retrieved from <http://www.cepr.net/documents/nj-fli-2014-06.pdf>

²¹ This number is based on our calculations. The Temporary Caregiver Insurance program in Rhode Island is funded through the Current Temporary Disability Program. When the law was passed the TDI program was funded through a 1.2% tax to a worker's first \$62,700 of income. However, that tax rate is expected to increase to 1.4% to pay for the addition of TCI claims. (e.g. $(62700/52)*.2\%=2.41$)

	Rhode Island	California	New Jersey
U.S. National Poverty line for a family of four: \$28,350	0.2%	.1%	.1%
Median National Family Income: \$50,233	0.2%	.1%	.06%
Top 10% of Family Income (US average): 140,000	0.08%	.07%	.02%

Despite the fact that low wage workers pay a significant chunk of their take home pay to the program, very few actually utilize it. The most recent data out of California, where the policy has been around the longest, shows that more than one-fifth of PFL claims are individuals whose yearly salary is over \$84,000, while individuals who make less than \$25,000 account for under one fifth of the claims.²³ And, the proportion of claims taken by the wealthiest individuals has been growing over time. Given that people with personal incomes of \$25,000 or less make up 25 percent of the population of California, these statistics suggest that there is a vast under-utilization of the program by the very individuals who need it most. Over 25 percent of Rhode Islanders make less than \$25,000 (and approximately 10 percent make over \$84,000),²⁴ but there is no reason to expect that the applicant pool will be different given Rhode Island’s similar pay-out structure. Given the poor are the most likely to end up defaulting on loans or needing state assistance to survive, this underutilization may be driving up default rates and usage of state aid that could otherwise have been avoided had the person been able to retain their job.

There are two possible reasons for the discrepancy between who funds and who takes family leave. One reason may simply be knowledge. Surveys suggest that despite overall growth in utilization, over 50% of Californian and New Jersey workers reported being unaware of the TCI program in their state or their eligibility for it,²⁵ and income was highly associated with awareness of eligibility for the program.²⁶ Lower wage workers were far less likely to know about the availability of PFL or the fact that they pay into it.

However, awareness of the program is only one of the reasons why the working poor may not apply for TCI. Many people may simply be unable to afford to take TCI even though they pay into the program. As one study noted “For many workers, reducing wages by a third creates a financial shortfall that may act as a deterrent to accessing the

²² Percentages have been rounded to the nearest tenth.

²³ Ehling, L. (2014). California’s Paid Family Leave Program: Ten Years After The Program’s Implementation. Retrieved from http://www.sor.govoffice3.com/vertical/Sites/%7B3BDD1595-792B-4D20-8D44-626EF05648C7%7D/uploads/Paid_Family_Leave_FINAL.pdf

²⁴ U.S. Department of Labor Bureau Statistics. “May 2013 State Occupational Employment and Wage Estimates Rhode Island.” Retrieved from http://www.bls.gov/oes/current/oes_ri.htm#00-0000

²⁵ State of New Jersey Department of Labor and Workforce Development. (2009-2014). Family Leave Program Statistics. http://lwd.state.nj.us/labor/fli/content/fli_program_stats.html Data are through October 2014.

²⁶ Appelbaum, E., & Milkman, R., “Leaves that Pay,” (Washington, DC: Center for Economic and Policy Research, 2011). Retrieved from <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

benefit when they need it.”²⁷ In essence, TCI programs in all three states currently tax the poor to give to the rich—but this can be fixed.

U.S. Census data reveals that 26.5% of working families in RI with a female householder (no husband present) live below the poverty line. In addition, as of 2012, 13.2% of all workers (both male and female) in RI had income in the past 12 months below the poverty line.²⁸

The maximum possible weekly benefit that a full-time minimum wage worker in Rhode Island with a family of 4 could receive (assuming 2 dependents) is \$201.78 per week. If the worker were to use TCI for the full 4 weeks allowed under the law, that individual would fall 51 percent below the poverty line. *These workers may very well not be able to afford to take family leave, despite the fact that they pay for the program.* Table 3 shows the weekly wage replacement for a worker in Rhode Island at different income categories. While all categories take a decrease in pay, that decrease is by far the most meaningful for those who are close to the poverty line. It is only workers who work 40 hours at over \$17.47 per hour that will receive wage replacements through TCI that do not place them at or below the poverty line.

Table 3. Rhode Island Weekly Wage Replacement Rates	
Average Weekly Income (At 40 hours per week)	Wage Replacement (assuming two dependents) (% below/above the poverty line for a family of 3)
\$8.00/hour (Rhode Island Minimum Wage) \$320.00	(\$201.78 weekly benefit) at 63% wage replacement-51% below the poverty line
\$10/hour- \$400.00	(\$246.54 weekly benefit) at 62% wage replacement- 40% below the poverty line
\$15/hour- \$600.00	(\$357.42 weekly benefit) at 60% wage replacement- 13% below the poverty line
\$20/hour- \$800.00	(\$468.30 weekly benefit) at 59% wage replacement- 14% above the poverty line
\$25/hour- \$1000.00	(\$578.78 weekly benefit)-at 58% wage replacement-40% above the poverty line
\$30/hour- \$1,200.00	(\$690.06 weekly benefit)- at 58% wage replacement- 67% above poverty line
\$35/hour- \$1,400.00	(\$720.00 (maximum) weekly benefit)-51% wage replacement- 75% above the poverty line

Given that supporting low income workers is the most likely to help the economy and given the inconsistencies between the percent of earnings the working poor pay for the program and who is actually likely to be able to take TCI benefits, we suggest the state take three measures to maximize the use of the program among the working poor:

²⁷ White, K., Houser, L., & Nisbet, E., (2013). “Policy In Action: New Jersey’s Family Leave Insurance Program At Age Three” Retrieved from <http://smlr.rutgers.edu/CWW-report-FLI-at-age-three>

²⁸ <http://www.dlt.ri.gov/lmi/pdf/trends.pdf>

- 1) Undertake a statewide education campaign, especially in low-wage workplaces to educate employees about their entitlement to the program;
- 2) Eliminate the “cap” in taxable income so that everyone pays the same percentage of their income into the program; and
- 3) Create a progressive wage replacement system to make sure no beneficiaries fall below the poverty line as a result of taking TCI benefits and that all workers who pay into the program can afford to take advantage of it.

Figure 1. Timeline of Adoption of Temporary Disability Insurance

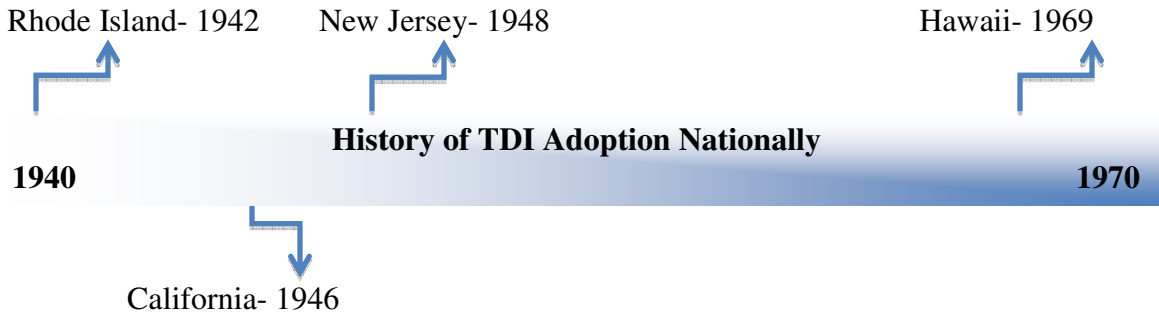


Figure 2.

