

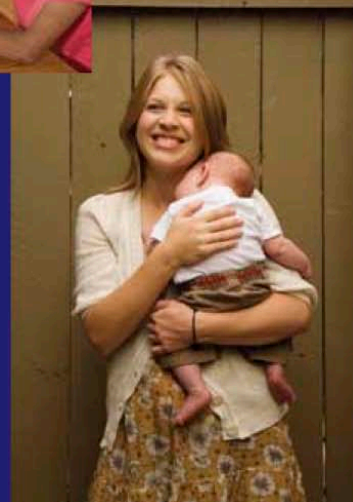
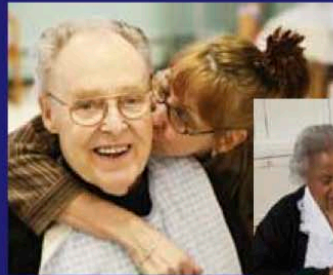
Paid Family Leave: Lessons from California

Ruth Milkman, CUNY
Presentation for National Academy of Social Insurance
January 30, 2014

RUTH MILKMAN AND EILEEN APPELBAUM

UNFINISHED BUSINESS

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

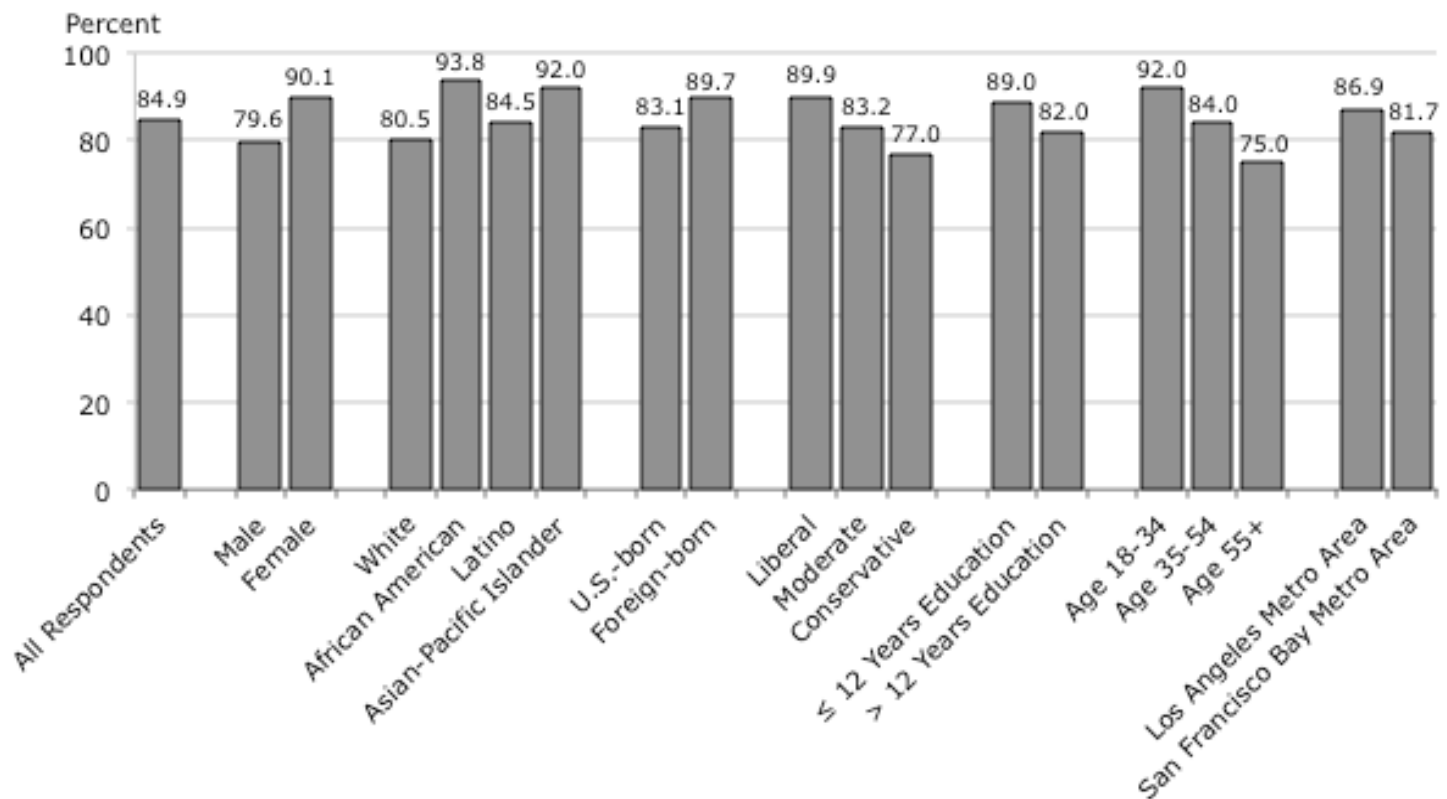


CALIFORNIA IS THE NATIONAL LEADER IN PROVISION FOR FAMILY LEAVE

- 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 than others (up to \$1075/week, indexed)
- California Family Rights Act (1992); Kin Care (2000)
- 2002, CA became the first state to legislate PAID Family Leave (New Jersey followed in 2008 and Rhode Island in 2013) with up to 6 weeks of 55% wage replacement for baby bonding or caring for a seriously ill family member

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

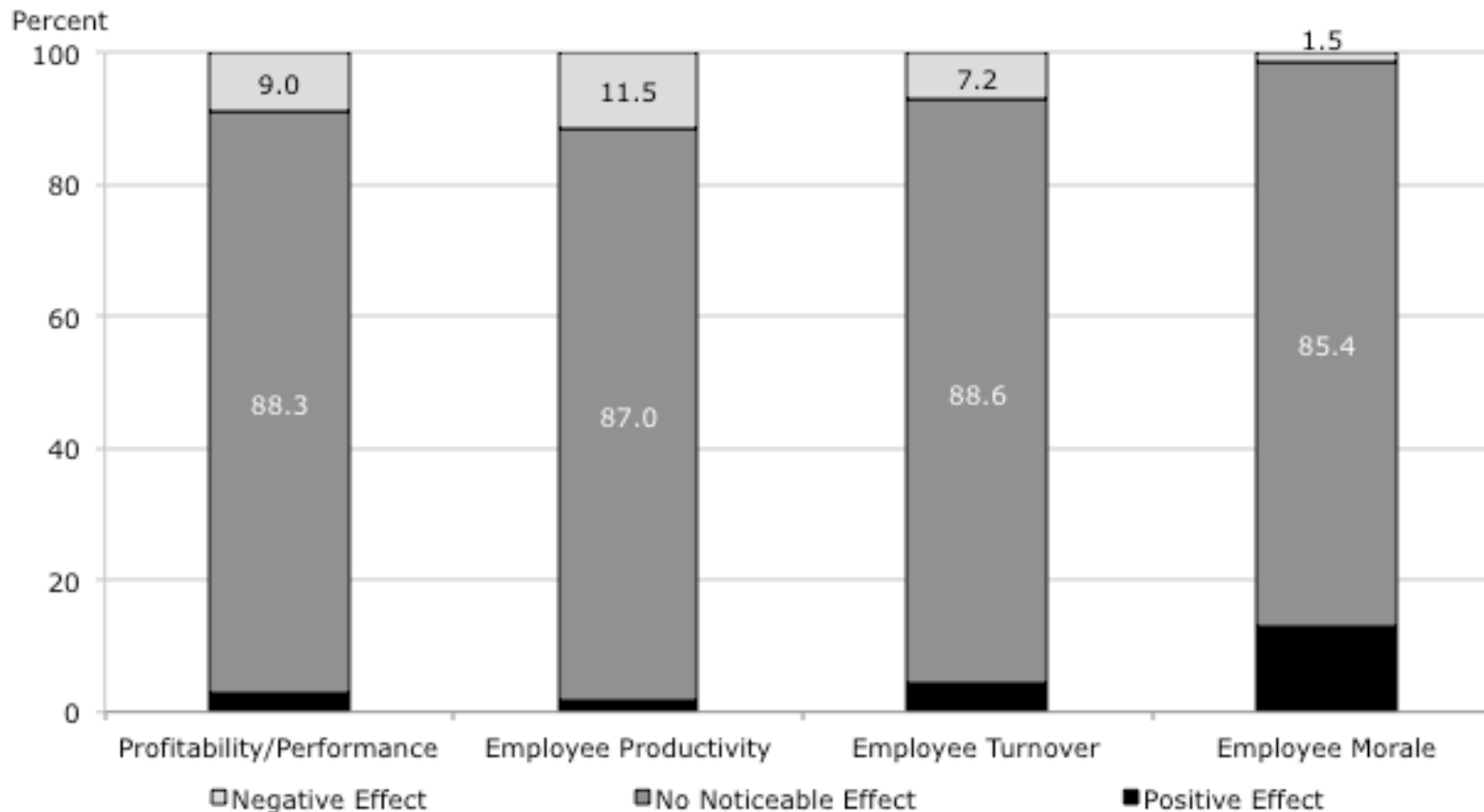
- Both SDI and PFL are jointly funded by a 1.0 percent tax (in 2014) withheld from paychecks of covered workers, on the first \$101,636 in earnings. The 2014 maximum to withhold for each employee is \$1,016.36.
- This is an INSURANCE model, the tax is in essence an insurance premium.
- If it were an employer tax, employers would likely indirectly force employees to absorb the cost, and the political opposition from organized business to the program would be even stronger...

Business Opposition to PFL

- While legislation was being debated, and shortly 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 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.

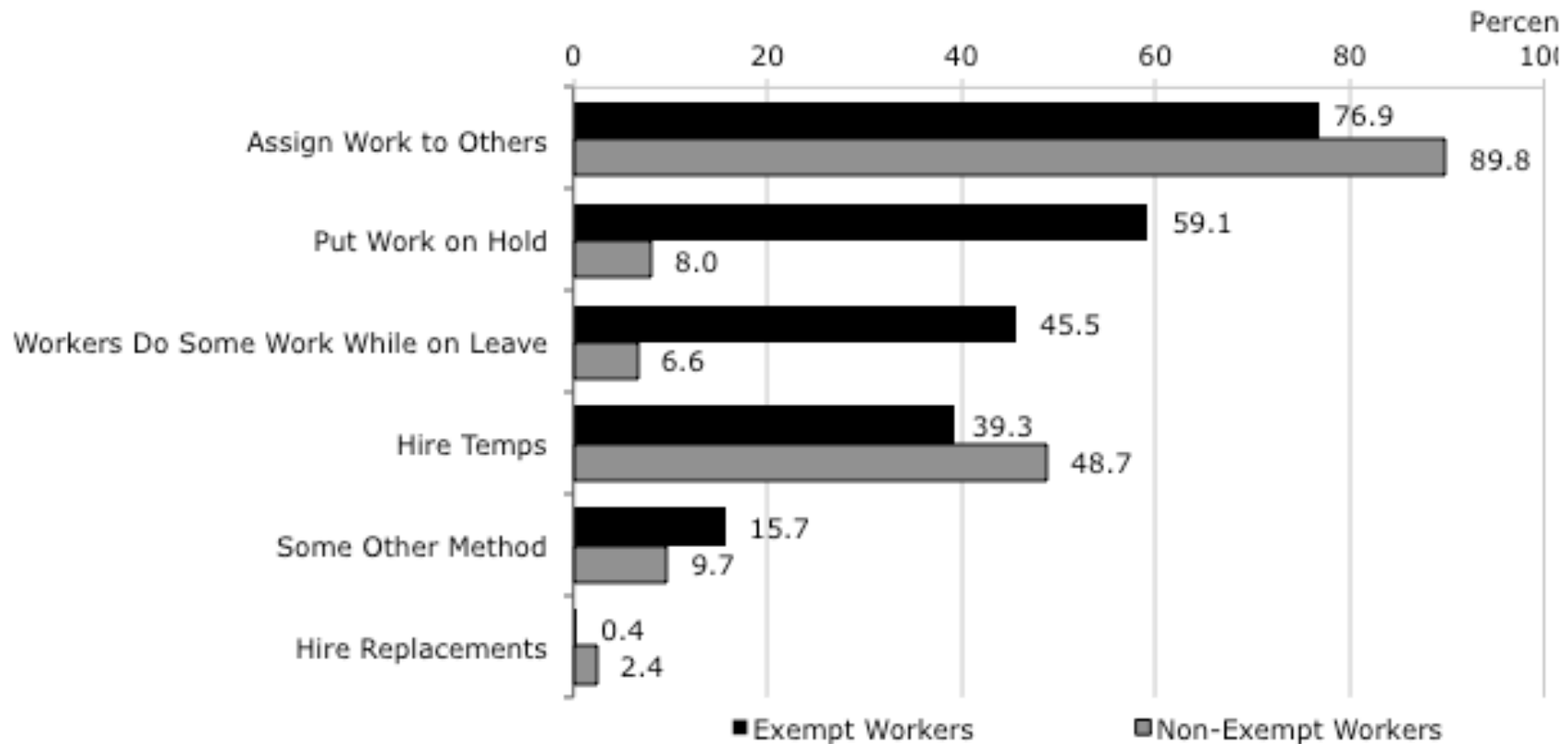


N=176

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.

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

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

PFL Benefits for Working Families

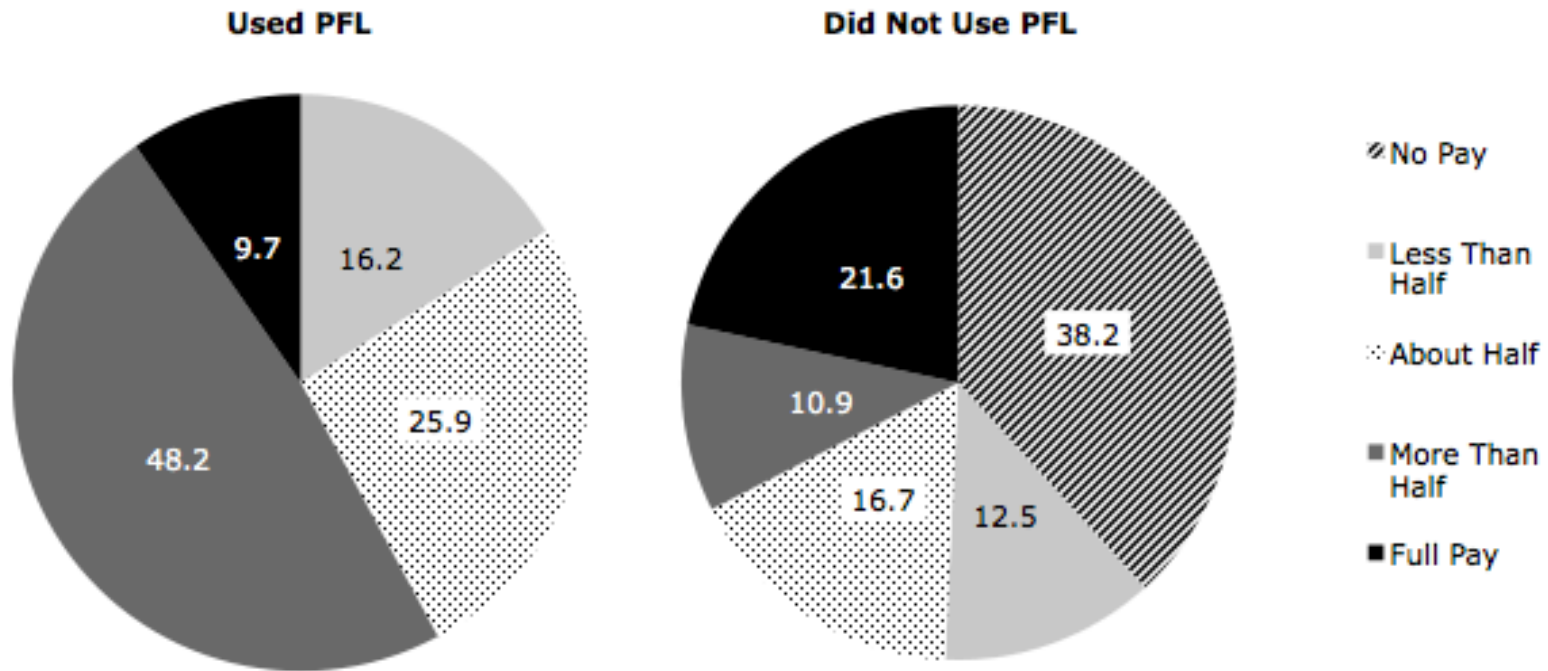
- Workers who use PFL have higher rates of wage replacement than those who do not –especially low-wage workers
- PFL users take longer leaves, and are more satisfied with leave length, than those who do not use PFL
- PFL users are more likely to return to work for the same employer than non-users
- Care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

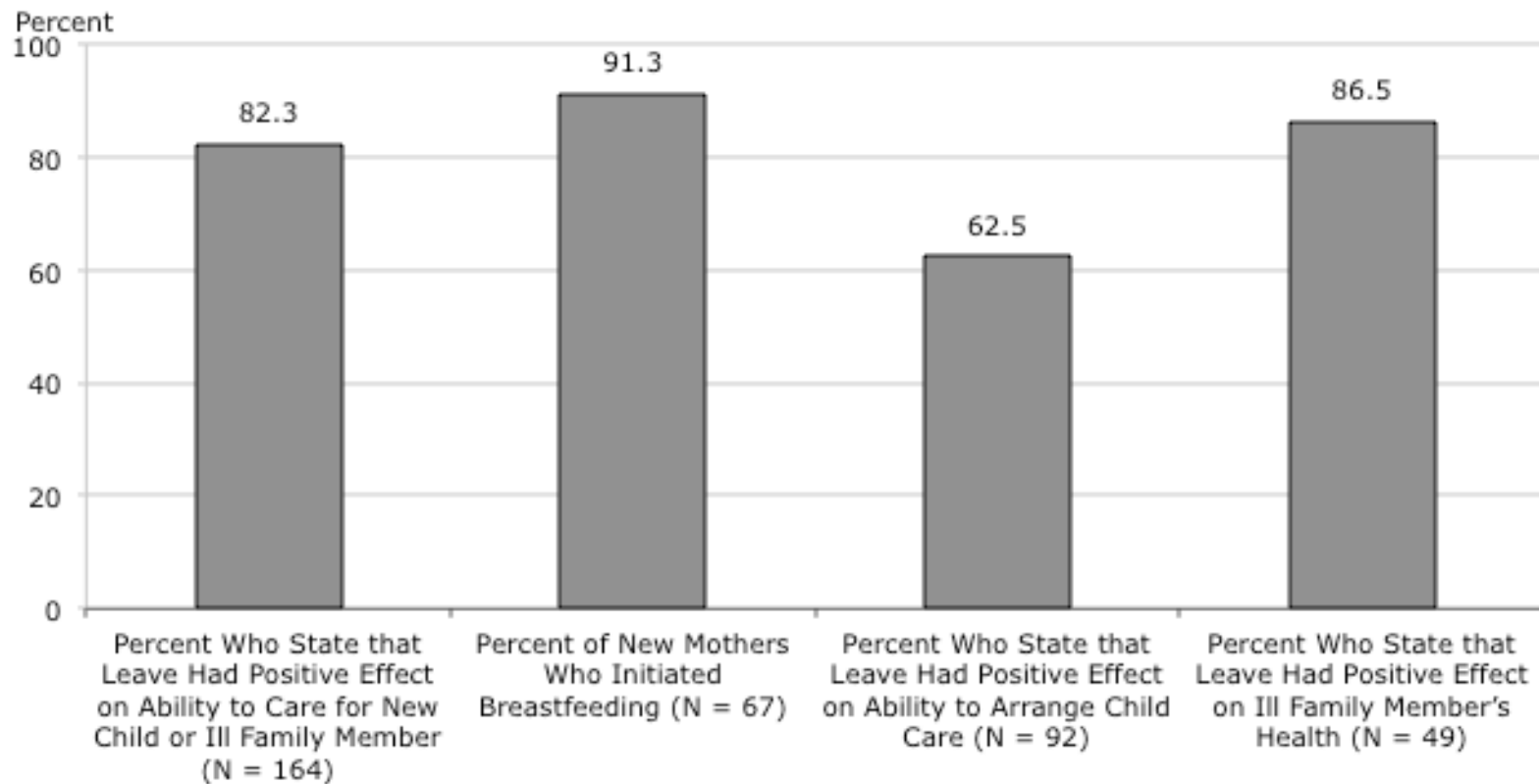


N=204

Source: Authors' 2009-10 Employee Survey.

PFL Use – noneconomic benefits

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

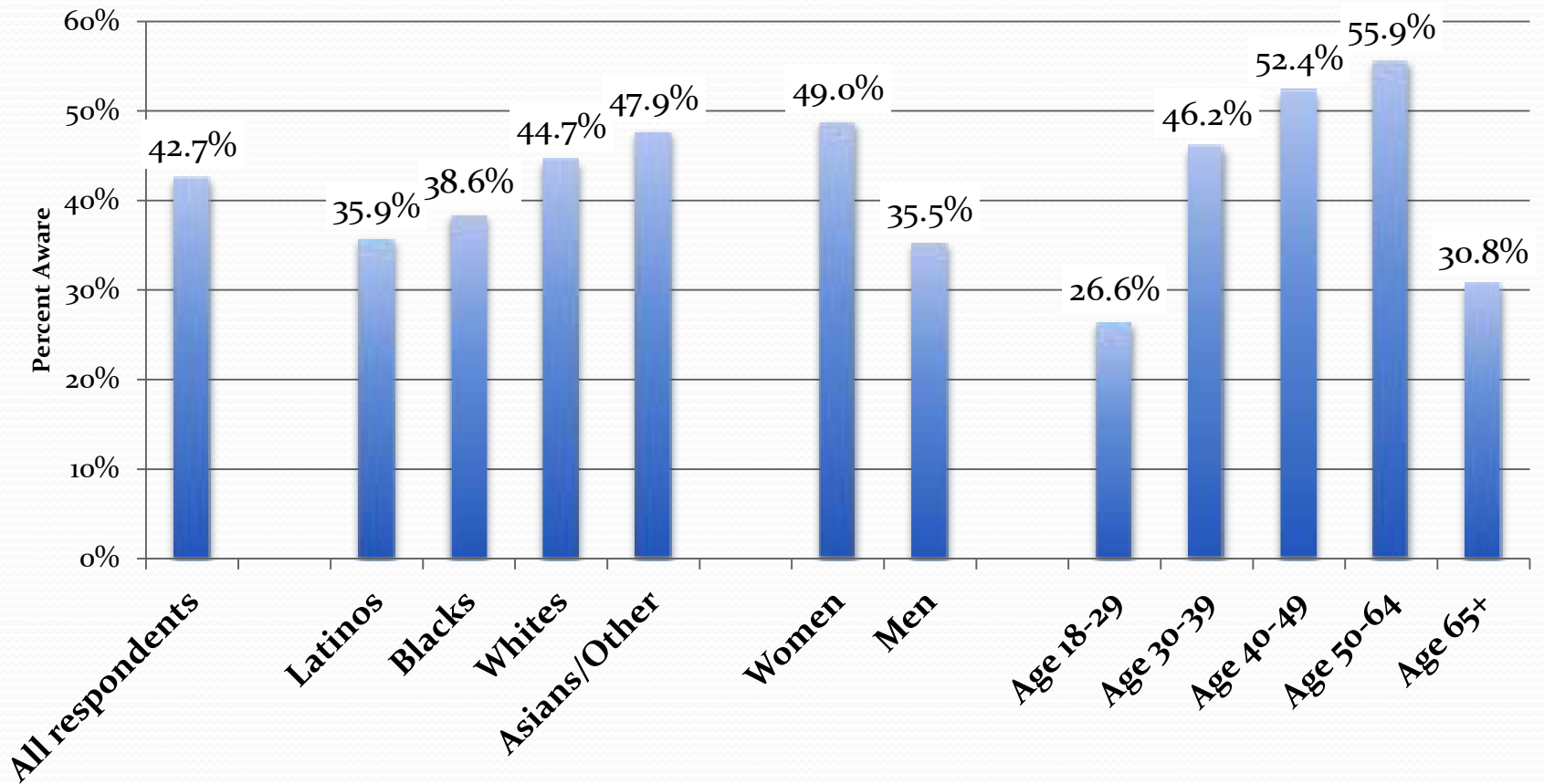


Note: For median months of breastfeeding, the Mann-Whitney-Wilcoxon test was used.

Source: Authors' 2009-10 Employee Survey.

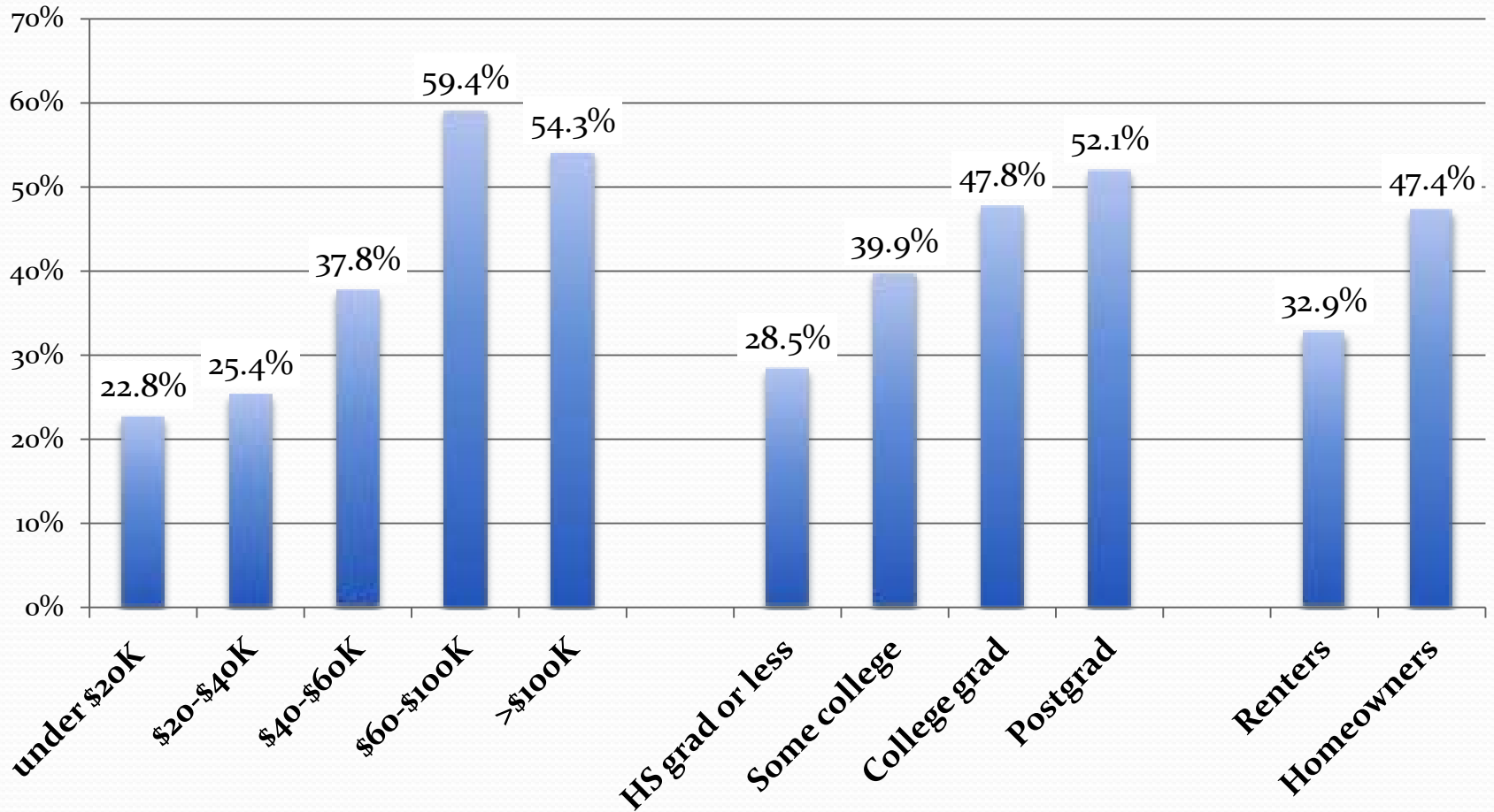
The Challenge: Limited Awareness

(2011 Field poll)



Disparities in Awareness (2011)

Awareness by Household Income, Education, and Homeownership Status



Awareness Higher than Before, but Still Limited

PFL Awareness Among Respondents Who Voted in the Previous General Election, 2003 and 2011.

Percent Aware of PFL	2003	2011
All Respondents	29.7%	44.9%
Women	25.9%	51.2%
Men	34.3%	37.7%
Latinos	22.0%	40.8%
Blacks	35.3%	38.0%
Whites	30.9%	45.7%
Asians/Other	24.9%	49.3%

Other reasons PFL takeup is limited

- Qualifying events are spread over the life cycleLack 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**

Conclusions/Recommendations

- Critical need to expand outreach – especially to low-wage workers, Latinos, immigrants
 - Via community groups
 - Health Care Providers, WIC agencies
- Increase level of wage replacement
- Extend job protection to all PFL users
- Expand coverage to include public sector

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 costs (average cost of \$2/week for each worker) would cover benefits and admin costs
- Administration within SSA
- Introduced late 2013 by Gillibrand and DeLauro