

IT'S ABOUT TIME

*Costs and Coverage
of Paid Family and
Medical Leave
in Massachusetts*

Randy Albelda and Alan Clayton-Matthews

MAY 2016

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ACKNOWLEDGMENTS

The Paid Family and Medical Leave Simulation Model used here builds on an earlier version developed 10 years ago in conjunction with the Institute for Women's Policy Research and financed by a grant from the Ford Foundation. We were able to update and revise the simulation model as part of a 2014 Paid Leave Analysis Grant awarded to Commonwealth Corporation from the U.S. Department of Labor's Women's Bureau (WB-26510-14-60-A-25 awarded by the U.S. Department of Labor's Employment and Training Administration). Additional support was provided by IMPAQ International for model development (through a grant from the U.S. Department of Labor, Chief Evaluation Office DOLQ129633247). The estimates generated by the model do not necessarily reflect the official position of the U.S. Department of Labor.

We are grateful to the Ford Foundation's Global Learning Programs for funding to produce and distribute this report.

We also want to thank Raija Vaisanen, director of research at Commonwealth Corporation, and Christa Kelleher, research director at the Center for Women in Politics and Public Policy at the University of Massachusetts Boston, for their invaluable administrative and intellectual contributions. Ann Bookman, director of the Center for Women in Politics and Public Policy, and Susan Crandall, director of the Center for Social Policy, provided thoughtful feedback and support for this project.

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IT'S ABOUT TIME: Costs and Coverage of Paid Family and Medical Leave in Massachusetts

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Executive Summary • May 2016

A new baby. A cancer diagnosis. A parent or child with a serious illness. These are common events that require a worker to take an extended leave from work. Most everyone at some point will experience a period during which they need time to heal or to care for a loved one. Yet, for many workers, taking time from work means losing wages and, for some, it means losing their job. The United States remains an outlier when it comes to paid leave. Nearly every other country provides paid maternity leave and most advanced industrial countries offer extended paid medical and parental leaves. In 2015, only 12% of all U.S. workers had access to paid family leave from their employers, 38% had access to short-term disability leave, and 65% had paid sick leave.

Why Paid Leave Matters

The main benefits of extending paid family and medical leave to all employees through a statewide program include sharing the costs of leave and expanding access. A paid leave program shares the risk of taking leave across the workforce, reducing economic instability many face when they leave without pay. Paid family and medical leave levels the employment playing field so that almost all workers taking a leave would be able

to use such a program, regardless of the size of firm or employer's willingness to provide paid time off. It also reduces inequality as some workers are currently disadvantaged by the lack of paid leave. This includes women because they take more leaves due to caregiving responsibilities and workers of color and low-wage workers because they are the least likely to currently receive any wage replacement.

Paid Family and Medical Leave Simulator Model

One often-cited obstacle to providing paid family and medical leave in the United States is the anticipated cost. This report directly addresses that concern by examining the impacts of a statewide paid family and medical leave insurance program under consideration by the Massachusetts State Legislature. A simulation model we develop for this purpose estimates the number of leaves taken, their lengths, who takes leaves, and the costs associated with leave-taking in Massachusetts currently as well as with a statewide paid leave program in place. Using the simulator, we find the following about the current situation without a statewide program:

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Current Snapshot

- Annually, 369,000, or 12% of the 3.09 million employees (who would be covered by the program), take about 508,000 leaves for family and medical reasons. Of those leaves, 72.4% had some portion of wages replaced by employers typically through paid sick days and vacation time.
- Two-thirds of all leaves are for medical reasons (7% for a pregnancy-related health issue and 61% for other own health-related leaves); the remaining third are to bond with a new child or to take care of an ill parent, child, or spouse.
- Most family and medical leaves are short. One-quarter of those leaves are for a week (five work days) or less, with half being 3 weeks (15 work days) or less. The average length of leaves taken by non-municipal employees in Massachusetts at present is 6.6 weeks (33 days).
- Women, Black, Latino/a, low-wage, and low-income workers as well as those who work for small firms (under 50 employees) are the least likely of all workers to get employer wage replacement.

Paid Leave Program: Legislative Provisions

The estimates presented here are based on key provisions in a bill under consideration by the Massachusetts Legislature sponsored by Representative Kenneth Gordon and Senator Karen Spilka. The proposed leave program provides for up to \$650 of replacement pay per week for up to 26 weeks for medical leaves (for workers' own health and pregnancy-related temporary disability) and 12 weeks for family leaves (bonding with a new child or caring for an ill relative). The leaves would be funded through an insurance fund with payroll contributions from employers and employees. An employee must have worked for three months for a Massachusetts employer over the previous year to be eligible. Federal and local government employees are excluded from the legislation while self-employed workers can opt into the program, so we exclude them from our analysis. We apply the program participation rates that best reflect usage in other states with paid family and medical leave programs. Our model demonstrates the following:

Covering Leave: Benefits and Costs

- The paid leave program would result in an additional 13,000 leaves, for a total number of 521,000 leaves taken by 380,000 employees (12.3% of the covered workforce). Of all leaves taken, 80.8% would be taken with some form of wage replacement either from employers or the program.
- We estimate that, in the first years of the program, employees would apply for, be eligible for, and receive wage replacement through the new program for 152,000 leaves. Four out of five (81%) leaves would be for medical reasons (15% for pregnancy-related health and 66% for other personal health reasons). The rest would be for leaves to bond with a new child, or to care for an ill child, spouse, or parent.
- The annual cost of wage-replacement benefits paid to employees using the program are estimated to be \$491.4 million (not including the costs of setting up and administering the new program). This translates to an average cost of \$159 per covered employee per year, or \$3.06 for an employee per week. This cost could be paid for by a 0.325% payroll premium on total earnings of all non-municipal government employees (the covered workforce).
- The new program would especially increase the percentage of leaves with wage replacements for Black, Latino/a, low-wage, and near poor workers as well as employees in small firms (fewer than 50 employees).

The proposed leave program allows for more universal coverage by spreading and sharing the costs and will have the intended effects of allowing workers who need time off for their own health, to bond with a new child, or to take care of a relative to do so without extreme financial sacrifice.

It's About Time

Paid family and medical leave takes into account the reality of work and family life: workers need the time to leave work for their own health reasons and to care for others and receive partial wage replacement while out on leave. Our current system of wage replacement is uneven and unequal and contributes to the economic insecurity with which many workers struggle. A statewide paid family and medical leave program will reduce the wage replacement gap that exists, level the employment playing field for workers and employers alike, and enhance economic security for many working families across the Commonwealth.

IT'S ABOUT TIME: Costs and Coverage of Paid Family and Medical Leave in Massachusetts

Introduction

A new baby. A cancer diagnosis. A parent or child with a serious illness. These are common events that require a worker to take an extended leave from work. Most everyone at some point will experience a period during which they need time to heal or to care for a loved one. Yet, for many workers, taking time from work means losing wages and, for some, it means losing their job. The United States remains an outlier when it comes to paid leave. Nearly every other country provides paid maternity leave and most advanced industrial countries offer extended paid medical and parental leaves.¹ In the United States, some, but far from all, employers offer certain forms of wage replacement when workers take a leave for medical or family reasons. In 2015, only 12% of all workers had access to paid family leave from their employers, 38% had access to short-term disability leave, and 65% had paid sick leave.²

Extending paid family and medical leave to all employees through a statewide program would share the costs and expand access, level the employment playing field, and reduce inequality among workers. One often-cited obstacle to providing paid family and medical leave in the United States is the anticipated cost. This report addresses that concern by examining the impacts of a statewide paid family leave insurance program in Massachusetts specified in a bill under consideration in the Massachusetts Legislature using a simulation model that provides estimates of the annual number and lengths of leaves, coverage across employees, and the costs associated with leave-taking.³

What Is Paid Family and Medical Leave?

Paid medical and family leave refers to receipt of partial or full wage replacement when taking a temporary, but extended, leave from work to tend to one's own serious health condition or that of a family member or to care for and bond with a newly born or adopted child. Typically leaves involving one's own health, including pregnancy, are considered medical leaves while those taken to care for a family member or bond with a newly born or adopted child are often referred to as family and parental leaves. Giving birth can entail a medical as well as a family or parental leave.

Leaving work for medical and family reasons is commonplace. In 2011, the American Time Use Survey included questions about leave-taking during the survey week. During that week, 6.8% of employed respondents said they took

time off from work for a medical or family reason, including caring for a child or an elder relative.⁴ In 2012, the U.S. Department of Labor (DOL) commissioned Abt Associates to conduct a nationwide survey of employees on the use of family and medical leaves over the last 12 months and found that 13.1% of employees reported taking a leave for medical or family reasons.⁵ Both surveys found that about two-thirds of workers taking family or medical leave received some form of wage replacement while on leave, most commonly through use of accrued paid sick days and vacation time.⁶



**Approximately 1 out of every 8
Massachusetts workers takes family
and/or medical leave each year**

The Family and Medical Leave Act (FMLA), passed in 1993, allows certain workers to take up to 12 weeks of unpaid, job-protected leave to tend to a serious health condition or to care for a new child, or a seriously ill relative once every 12 months. An employee is eligible for FMLA leave if she or he works for an employer with 50 or more workers within a 75-mile radius and has worked 1,250 hours for the same employer over the previous year.⁷ FMLA is a watershed piece of legislation that formally recognizes the realities of work and family life by establishing a legal right to take leave. But there are two major gaps. First, 41% of workers are not covered by FMLA either because they are not eligible or their employer is not covered by the provisions of the Act.⁸ When these employees take leave, they can lose their health benefits and have no guarantee that they will have a job when they return to work. Second, even when workers are covered by FMLA, the law does not require any wage replacement. As a result, well over a quarter of workers who take leave receive no wage replacement of any kind while they are out.⁹

Why Paid Family and Medical Leave Makes Sense

Several states already provide wage replacement for family and medical leaves and many more are considering legislation to establish statewide programs, including Massachusetts. That's because paid family and medical leave makes sense from a cost and coverage perspective.

Paid leave programs, like the one proposed in Massachusetts, allow employers and employees to share the economic risk associated with taking leave.

The proposed program establishes the Family and Employment Trust Fund (managed by the Treasurer of the Commonwealth) that acts as a social insurance program. This means that rather than having each employee and his or her employer bear the cost of taking leave individually when the need arises, this insurance program allows for modest payments over time in a manageable and equitable way. Massachusetts already engages in this kind of risk-sharing by mandating health insurance, auto insurance, workers' compensation, and unemployment insurance.

A statewide paid leave program levels the employment playing field.

A comprehensive program will ensure that most workers are eligible regardless of their employer's size or willingness to provide paid time off.¹⁰ Currently some workers have access while others do not. All employers – and especially small business owners who cannot afford wage replacement for every employee who needs a leave – will be able to contribute to this program and potentially reduce their current costs.

Paid family and medical leave is an important policy tool for reducing gender, income, and racial inequality.

Most women work outside the home and many employed women (and increasingly men) are also caregivers. But our current employment practices are at odds with the way most workers live their lives, generating increased tension between work and family obligations. We estimate that employed women currently take 56% of all leaves in Massachusetts, but take 68% of leaves for the birth or adoption of a child and 61% of all leaves to care for an ill family member. Paid leave will reduce the wage penalty experienced by many caregivers and their families. The lack of paid leave makes it harder for men to share caregiving responsibilities and contributes to women doing more unpaid care work, thereby exacerbating gender-based pay inequality.

Workers with lower wages, and Black and Latino/a employees, are the least likely to get wage replacement for family and medical leaves, and they are the ones who can least afford to forego wages. The 2012 DOL survey asked workers on leave who received no or partial pay how they covered their wages. Most (84%) said they cut back on spending, nearly half (48%) dipped into their savings, 36% put off paying bills, and 15% said they went on public assistance.¹¹ Almost two-thirds reported that making ends meet in this situation was "somewhat" or "very difficult."¹² In these cases, families are made worse off if they must do without basic necessities or face negative consequences by not taking or shortening a leave, all of which can have high spillover costs for families, schools, and communities. The lack of paid leave may also increase costs to the state when workers turn to public as-

sistance programs to make ends meet. Additionally, workers without paid leave are more likely to leave the labor force than workers that receive pay.¹³ This makes it harder for women, workers of color, and low-wage workers to climb job ladders, which reduces their earnings over time. The wage penalties paid by women, low-wage workers, and Black and Latino/a workers for not having paid family and medical leave perpetuate a troubling level of wage inequality.

Paid leave works well for workers and businesses.

Paid leave reduces turnover.¹⁴ A recent estimate found the usual turnover cost is 21% of an employee's annual salary.¹⁵ Paid leave also reduces employee stress and increases morale, making for a healthier and more productive employee when he or she returns. Surveys of employers in California and New Jersey where there are paid family and medical leave programs found that employers generally do not find them onerous.¹⁶ Surveys of workers in those states indicate that the state's paid family leave program filled in for wage losses when on leave and positively affected workers' ability to care for a newly born or adopted child.

Existing Paid Leave Programs

Currently, five states have paid medical leave programs, with three of those also providing paid family leaves. In the 1940s, Rhode Island, California, New Jersey, and New York passed state-mandated temporary disability insurance (TDI) legislation, covering temporary non-occupational illnesses or injuries. Hawaii passed similar legislation in 1969. These states covered health-related pregnancy leaves in 1978 in compliance with the Pregnancy Discrimination Act of 1978.¹⁷ California's and Rhode Island's TDI programs are funded through employee contributions only; the other states use a combination of employer and employee contributions.¹⁸

In 2004, California became the first state to extend their TDI programs to cover care and bonding leaves. New Jersey followed suit in 2009, and, in January 2014, Rhode Island implemented its Temporary Caregivers Insurance program to cover family leaves.¹⁹ These family leave programs are funded through employee contributions.

Many private employers provide workers with paid time for family and medical leave reasons, either voluntarily or through collective bargaining agreements. The 2012 DOL survey found that 65% of workers received some wage replacement during their most recent leave (17% received partial pay and 48% received full pay). Most commonly, workers used accrued sick days and vacation days.²⁰ Another way workers get wage replacement for own-health leave is through purchasing short-term disability insurance. The March 2015 National Compensation Survey reports that 37% of all workers participate in a short-term disability plan to which they or their employer contributes.²¹ In-

ingly, in recognition that workers want and need paid family and medical leave, some large and high-profile private and public employers have recently extended paid leave to their employees, especially mothers with a newborn child, including Netflix, Hilton, Lego, Microsoft, Amazon, Facebook, the City of Boston, and the United States Armed Forces.²²

Still, the National Compensation Survey reveals that low-wage workers and part-time workers are the least likely to receive employer-paid time off for leaves. For example, only 17% of workers with wages in the lowest quartile of the wage distribution have access to short-term disability programs from their employers and only 14% of part-time workers do.²³ Similarly, only 34% of workers in the lowest quarter and 26% of part-time workers have paid sick days.²⁴

The Paid Family and Medical Leave Simulation Model

The estimates presented here build on an earlier simulation model developed in the mid-2000s used to estimate costs of a proposed paid family and medical leave bill in Massachusetts.²⁵ We refer to this version as the Albelda Clayton-Matthews/Institute for Women's Policy Research (ACM/IWPR) Paid Family and Medical Leave Simulation Model. This substantially updated model estimates the number of family and medical leaves taken or needed but not taken in a state as well as the current employer and employee wage costs associated with those leaves and new costs of any proposed program. The simulation model uses the information about leave-taking behavior from the previously mentioned 2012 DOL survey to estimate the probability of who needs but does not take a leave, who takes leave, what type of leave is taken, and for how long. These probabilities are used to simulate leave-taking by employees in Massachusetts using the five-year (2009-2013) sample of the American Community Survey (ACS). This also allows for estimates on a host of geographic, employer, and employee characteristics about leave-takers as well as those needing a leave. The decision to use a program and for how long are predicted based on information gleaned from the 2012 DOL survey that might influence this decision.²⁶ These include the generosity of the program compared to employer benefits, length of leave taken, length of leave covered by the program, eligibility requirements, and employee demographics.²⁷

Using the specific sets of policy parameters in a program, such as the maximum length of leave allowed, wage replacement rate, wage replacement cap, job protection provisions, and employer or employee eligibility requirements (e.g. requisite hours or earnings, covered employees), the simulation model estimates the number of total leaves taken and the leaves that likely would be taken using the paid leave program for wage replacement. The simulation model takes into account the length of leave and use of an employer

wage-replacement benefit if it provides more than the state program in determining if an employee would use the new program. Because the model uses the 2012 DOL survey, our estimates are already sensitized to national workplace practices of taking leaves. But there are several aspects of leave-taking behavior we do not know and, even with a paid leave program, cannot model. For example, we do not know if workplace practices vary by state, region of the country, or industry. We do not know how hard or easy it will be to use a statewide program, how many workers will know about the program, or if employers will change their wage replacement policies around family and medical leaves because of the program. Nor do we know for sure if the DOL sample accurately reflects all leave-takers and leave-needers.²⁸ To adjust the model for many of these unknowns, we apply various take-up rates – the percentages of leaves using a program among those that the model predicts are eligible and would use a program – for the different type of leaves. In order to determine appropriate take-up rates, we turned to a careful examination of the number, cost, and distribution of paid leaves in New Jersey and California, the two states with the longest track records of both paid medical (TDI) and family (care/bonding) leaves. We compared actual leave-taking in these states with results from the simulation model, using their program parameters to gauge how our model predicts leave-taking by type of leave.

We find the best specification in terms of predicting cost and number of leaves for a new program is a 40% take-up rate for personal health leaves, a 100% take-up rate for leaves associated with pregnancy disability and bonding with a newly born or adopted child, a 10% take-up rate for leaves to care for an ill spouse or child, and 5% to care for an ill relative.²⁹ Using different take-up rates other than these will produce different estimates. We anticipate that usage – and with it, costs – may increase when the program becomes more established. The cost estimates here reflect the costs associated with wage replacement. They do not include the administrative costs associated with implementing and running a program.

The Impact of a Massachusetts Program

We apply the simulation model to the key provisions in a bill under consideration by the Massachusetts Legislature sponsored by Representative Kenneth Gordon and Senator Karen Spilka. These provisions are summarized in Table 1. This bill allows for up to 26 weeks of medical leave for eligible personal health (including pregnancy-related) reasons and up to 12 weeks for family leave to bond with a new child or to care for an ill relative. The program is restricted to private sector and state government employees who have worked for any Massachusetts employer for three months over the previous year.

Table 1. Key Provisions of Paid Family and Medical Leave Program

Waiting Period	Program Benefit	Maximum Leave	Job Protection	Funding	Employment Eligibility
One week	Replaces a portion of average weekly wages up to \$650 per week, based on employee income relative to statewide average wage	26 weeks for medical (own health/pregnancy-related) leave; 12 weeks for family care	All leaves up to 12 weeks (health benefits also protected); prohibits discrimination and retaliation	Employee and employer contributions	Has worked at least 3 months (13 weeks) for a Massachusetts employer in the previous 12 months

Wage replacement rates vary with wages relative to the statewide average wage (which was \$1,256.47 in 2015).³⁰ It works as follows: on weekly wages up to 30% of the statewide average (\$377 in 2015), workers will get 90% of their wages replaced. For all amounts above that level, 33% of wages will be replaced. This results in sliding scale wage replacement rates ranging from 90% to 50% up to the wage in which the maximum level of benefits (\$650) are achieved. That wage was \$1,320 in 2015. There is a one-week (5 work days) waiting period. The legislation establishes the Family and Employment Trust Fund, managed by the Treasurer of the Commonwealth and paid for by contributions to the fund made by employers and employees. Employers can opt out of the program if they provide employees with coverage equal to or better than the state program. Because the program excludes municipal and federal government workers and is voluntary for self-employed workers, we exclude them from our estimates. The ACS indicates that there are just under 3.1 million employees in the covered workforce of private sector and state government employees currently in Massachusetts.

Total Leaves: Currently and Under Proposed Program

Table 2 provides a summary of the estimated total leaves and total number of employees taking leave currently and with the proposed program by type of leave. There are four categories of leaves: those for non-pregnancy related own health, pregnancy-related own health, new child (which includes leaves to bond with a newly born or adopted child),

and ill relative (which includes leaves to take care of an ill child, spouse, or parent).

Currently about 369,000 private and state government workers employed in Massachusetts, or 12.0% of the covered workforce, take 508,000 leaves annually.³¹ With a new program, the number of total leaves increases by about 13,000 to just over 521,000 and the number of employees who will take a leave increases by 11,000 (0.3% of the workforce) to about 380,000.

The distribution of kind of leaves taken at present and with the proposed paid leave program is very similar. Two-thirds (68%) of leaves are for a serious personal health condition (including pregnancy-related leaves). The next largest category of leave is for an ill relative (24%) and just under 8% for a newly born or adopted child.

Just under three-quarters (72.4%) of all leaves currently taken have some wage replacement from an employer. With a program, the percentage of leaves with any wage replacement increases by 8.4 percentage points to 80.8%. The percent of workers with any wage replacement is greater for leaves longer than three weeks (the current median leave length for all leaves) at 84.9%.

A substantial number of workers who currently need a leave for a family or medical reason do not take one. The 2012 DOL survey of employees reports that over the previous 12 months, 4.6% of all employees reported needing a leave for a qualified family and medical reason but not taking it. Of those employees who did not take a needed leave, the most commonly cited reason (at 46%) was because they could not afford it. Fear of losing a job was the second most commonly cited reason (17%). We estimate that currently in Massachusetts, over the course of a year, 112,000 employees (3.6% of the covered workforce) have an unmet need for 155,000 leaves. Even with a paid leave program, 143,000 needed leaves would not be taken. The reasons for this vary. Besides the issue of being able to afford a leave which a program would alleviate, the 2012 DOL survey finds that other commonly-cited reasons by employees include fear of losing a job and denial of a leave request by an employer.

Table 2. Annual Total Number of Leaves and Employees Taking Leave by Leave Type Currently and with State Program

	Number of Leaves Taken		Number of Employees Taking Leave	
	Currently	With New Program	Currently	With New Program
Own health	308,000	317,000	225,000	233,000
Pregnancy	36,000	37,000	33,000	34,000
New child	39,000	41,000	34,000	35,000
Ill relative	126,000	126,000	77,000	78,000
All leaves	508,000	521,000	369,000	380,000

Source: By authors using ACM/IWPR Paid Family and Medical Leave Simulation Model. Note: Numbers have been rounded to the closest 1,000.

Table 3. Program Use by Type of Leave

Leave Type	Number of Leaves Using Proposed Program	Distribution of Leaves Using Proposed Program	Total Cost of Proposed Program (in Millions)
Own health	100,000	65.8%	\$362.5
Pregnancy	23,000	15.1%	\$76.4
child/bonding	24,000	15.8%	\$46.6
Ill relative	5,000	3.3%	\$5.8
Total	152,000	100%	\$491.4

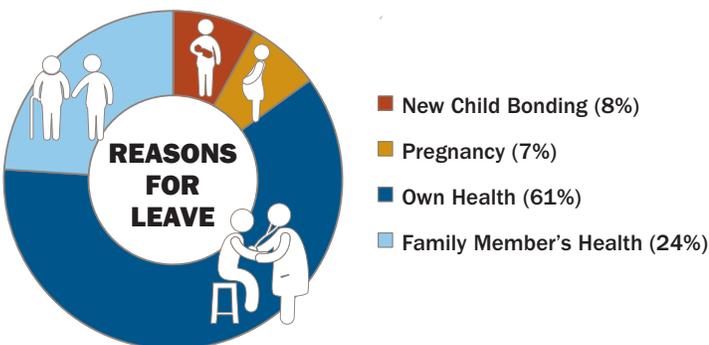
Source: By authors using ACM/IWPR Paid Family and Medical Leave Simulation Model.

Note: Number of leaves have been rounded to the closest 1,000.

Program Usage and Cost

Table 3 depicts the estimated number of leaves, distribution of leaves, and annual cost by leaves that occur under the proposed program over the course of a calendar (or fiscal year).³³ We estimate that 152,000 of the more than half million leaves taken would apply for and receive wage replacement through the new program. To use the program, a worker must have an eligible family or medical leave, meet program eligibility requirements, and successfully apply for benefits.

There are several reasons why 30% of all leaves taken will receive wage replacement through the new program. Most importantly, most leaves are short – currently, over half of all leaves taken are for three weeks (15 days) or less – and the program calls for a one-week waiting period. Not surprisingly, workers who take or foresee a short leave will most likely resort to using sick days complemented by accrued vacation days for near-full replacement wages rather than apply to the program. Some may have better forms of wage replacement available to them, such as disability insurance or employer pay.³⁴ For some leaves it is harder to use the program because the length of leave is difficult to gauge or the nature of the leave may require more flexibility in taking days off than is provided by the program. These constraints might be more common for leaves for caring for an ill relative and some type of own health conditions than pregnancy and new-child or adoption-related leaves. In

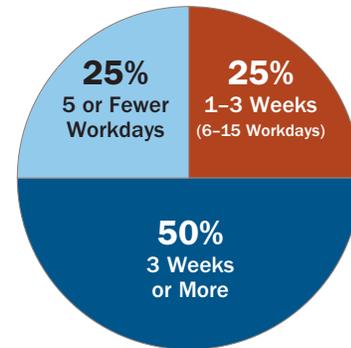


addition, some workers are not eligible under the program because they have not worked the requisite three months with a Massachusetts employer. We estimate that 4.6% of all leaves taken will be by workers who do not meet the eligibility requirement. Finally, with a new program, some workers will not know about the program or some may find that applying is too cumbersome.

The total annual cost of the program, excluding administrative costs, is \$491.4 million. **Averaged across the entire covered workforce of private sector and state employees, this amounts to an average annual per-worker cost of \$159 and a weekly per-worker cost of \$3.06.**

The total cost of \$491.4 million is 0.325% of total earnings payroll of covered workers. If earnings subject to contributions are capped at the 2013 FICA limit (used to fund Social Security) of \$113,400, the wage replacement costs of the program would be 0.375% of payroll earnings.³⁵ The average weekly benefit received by those using the program would be \$469.³⁶

MOST LEAVES ARE SHORT



Length of Leaves

Currently, the average length of all leaves is 6.6 weeks (33 days). Of those weeks out on leave, an average of 4.5 weeks of leave (23 days) are covered by some employer-provided wage replacement and an average of 2.1 weeks (10 days) have no wage replacement. Under the proposed program the number of average weeks on leave increases by 1.3 weeks to 7.9 weeks. Employers will still provide wage replacement, with the average length with employer wage replacement decreasing by a day to 4.3 weeks (21.5 days). Weeks with no replacement are reduced by three days to 1.4 weeks. Pregnancy-related own-health leave lengths, on average, are the longest both with and without a program. With no program in place, leaves average 12.7 weeks; with a program they average 13.3 weeks. Non-pregnancy related own-health leaves average 7.1 weeks without a program and 9.0 weeks with a statewide program.

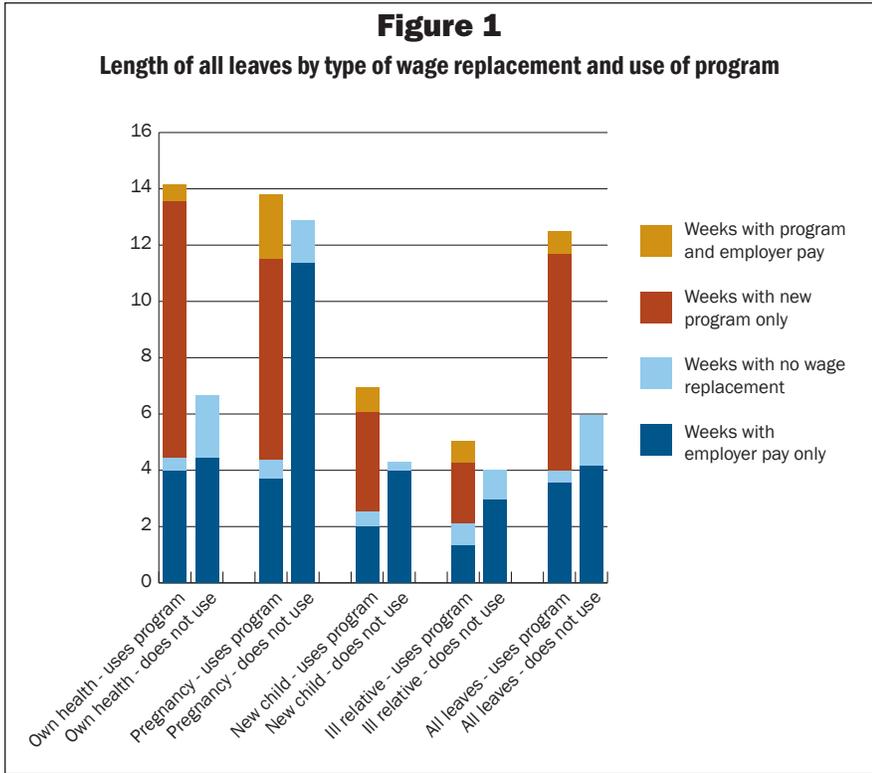


Figure 1 shows leave lengths by program usage. The first bar in each set of bars by leave type depicts leave lengths by employees who use the statewide program, while the second bar depicts the length of leaves taken by employees who do not use the program. The figure also indicates the average number of weeks that leavers receive program benefits only, employer pay only, both employer and program benefits (ones in which an employer might “top-off” program wage replacement as described in footnote 34), and no type of wage replacement at all. There are two important differences in the length of leave and form of wage replacement between those using the new program and those who do not. First, program users take longer leaves (in particular those with non-pregnancy-related own-health needs). This is because those with short leaves have less need for a program. Almost one-quarter (26%) of all current leaves are for one week or less, and 17% only take an additional week. Employees taking short leaves are most likely to use any employer-based benefits

available to them, such as sick days.³⁷ Second, program wage replacement generally substitutes for both unpaid and employer-provided paid time off for leaves. This is apparent in all but non-pregnancy own-health leaves.

Reducing Inequality

The program increases the percentage of workers who take leaves with any wage replacement from 72.4% to 80.8% – an 8.4 percentage point increase. While the proposed program will not assure that all leaves will receive wage replacement, it is an important way for eligible workers with only the minimum amount of employer-based wage replacement (five paid sick days) to get wage replacement when on family or medical leave. Tables 4 and 5 depict the ways in which the proposed program begins to fulfill the intended policy goal of leveling the employment playing field and reducing inequality by, in particular, boosting the percentage of

workers with wage replacement who are currently least likely to have any.

Table 4 shows the percentages of all covered workers (all private sector and state government workers employed in Massachusetts) by various workers’ characteristics and the percentage of leaves taken with wage replacement currently and with the proposed program (and the difference). For

Characteristic of Leave-Takers	Percent with Wage Replacement Currently	Percent with Any Wage Replacement With Program	Percentage Point Increase in Wage Replacement Coverage	Percent of Private Sector and State Gov’t Workers
All	72.4%	80.8%	8.4	100.0%
Gender				
Male	74.2%	81.0%	6.8	50.4%
Female	71.0%	80.6%	9.6	49.6%
Race/Ethnicity				
White (any ethnicity)	73.7%	81.5%	7.8	81.2%
Black (any ethnicity)	65.3%	76.2%	10.9	6.7%
Asian (any ethnicity)	75.6%	82.9%	7.3	6.0%
Latina/o (any race)	60.5%	74.1%	13.6	8.9%
Low-Wage Level				
\$15 an hour or less	55.9%	69.3%	13.4	34.5%
More than \$15 an hour	79.3%	85.6%	6.3	65.5%
Federal Poverty Level (FPL) Family Income				
Below poverty level (poor)	24.9%	49.1%	24.2	9.4%
100-199% of FPL (near poor)	50.6%	67.9%	17.3	9.6%
200% or more of FPL	78.4%	84.8%	6.4	81.1%

Source: By authors using ACM/IWPR Paid Family and Medical Leave Simulation Model.

example, Black workers comprise 6.7% of the covered workforce, and at present 65.3% of all leaves taken by Black workers receive some wage replacement. However, with the proposed program, we estimate 76.2% of those leaves would receive some wage replacement. This represents an increase of 10.9 percentage points. Table 5 depicts the same information by employer size.

At the present time, workers who are female, Black, Latina/o, low-wage, poor, and near poor are less likely to have wage replacement than all employees when they take a leave. The proposed program would increase wage coverage for those employees by more than the average boost of 8.4 percentage points, reducing the wage replacement disparity gap. The proposed program has the potential to provide Black, Latina/o, and near poor workers with large increases in wage coverage when on leave. The increase in wage replacement is even higher for those taking more than three weeks of leave.

Table 5 suggests that the proposed program provides that employees in smaller-sized firms would see the largest increases in wage replacement. At present, larger firms (those with 100 or more employees) employ 61% of all covered workers and are much more likely than other employers to provide wage replacement for leaves. Conversely, 18% of the covered workforce is employed in very small firms with fewer than 10 employees and nearly 15% work for firms with 10-49 employees. Currently, 62% of leaves taken by workers in these small firms come with some level of wage replacement. The proposed program increases the percentage of employees with any wage replacement for all firm sizes, but more so for small firms – especially those with 10-49 employees.

Conclusion

The proposed paid leave program fills one important gap in the federal Family and Medical Leave Act. It will allow many more workers with their own serious health conditions, those giving birth, bonding with a newly born or adopted child, and those caring for an ill relative the opportunity to do so with wage replacement. It allows for more universal coverage by spreading and sharing the costs. The result reduces the economic risk associated with leave-taking, levels the employment playing field, and reduces wage inequality among workers.

We find that the changes in the number of total leaves are minor and the costs low because they are spread over the

Table 5. Percentage of Leaves Taken with No Wage Replacement Currently and with Program in Place, and Percentage Point Difference in Those Leaves, and Distribution of All Private Sector and State Government Employees in Massachusetts by Employer Size

Employer Size	Percent with Wage Replacement Currently	Percent with Any Wage Replacement with Program	Percentage Point Increase in Wage Replacement Coverage	Percent of Private Sector and State Government Workers
1-9 employees	62.3%	73.3%	11.1	17.8%
10-49 employees	62.2%	74.4%	12.2	14.5%
50-99 employees	74.8%	82.3%	7.5	7.1%
100-499 employees	75.1%	82.6%	7.5	13.2%
500 or more employees	76.7%	83.7%	7.0	47.5%

Source: By authors using ACM/IWPR Paid Family and Medical Leave Simulation Model.

entire workforce. The program boosts wage replacement coverage for all workers, but most especially for women, workers of color, and low-wage workers. We estimate the total cost of the program currently being considered by the Massachusetts Legislature to be about \$491.4 million, with an average weekly program cost per covered worker of \$3.06.

Paid family and medical leave takes into account the reality of work and family life: workers need the time to leave work for their own health reasons and to care for others and receive partial wage replacement while out on leave. Our current system of wage replacement is uneven and unequal and contributes to the economic insecurity with which many workers struggle. A statewide paid family and medical leave program will reduce the wage replacement gap that exists, level the employment playing field for workers and employers alike, and enhance economic security for many working families across the Commonwealth. It's about time.

Notes

- 1 The OECD Database publishes information about paid parental and ill relative leave arrangements in all the OECD countries at <http://www.oecd.org/social/family/database.htm>. See PF2.1 *Key characteristics of parental leave systems* and PF2.3 *Additional leave entitlements of working parents* for a country by country description of leave provisions. In an extensive survey of legislation in 22 OECD countries, Jody Heymann, Hye Jin Rho, John Schmitt, and Alison Earle find that the United States is the only country that has no guaranteed paid sick leave. (Contagion Nation: A Comparison of Paid Sick Day Policies in 22 Countries, Washington DC: Center for Economic and Policy Research at <http://cepr.net/documents/publications/paid-sick-days-2009-05.pdf>, retrieved December 1, 2015).
- 2 U.S. Department of Labor, Bureau of Labor Statistics, National Compensation Survey, 2015, Tables 16 and 32. Retrieved January 29, 2016 at http://www.bls.gov/ncs/ebs/benefits/2015/ownership_civilian.htm.
- 3 The analysis presented here is based on a version of S1008/H1718 – An Act establishing a family and medical leave and temporary disability insurance, co-sponsored by Senator Karen Spilka and Representative Kenneth Gordon.
- 4 U.S. Department of Labor, Bureau of Labor Statistics 2012, *Access to and Use of Leave 2001 Data from the American Time Use Survey*, Table 4, at www.bls.gov/news.release/leave.nr0.htm (retrieved December 3, 2015).

- 5 Jacob Alex Klerman, Kelly Daley, and Alyssa Pozniak, *Family and Medical Leave in 2012: Technical Report*, Abt Associates, prepared for Department of Labor (2013), exhibit 4.1.5, p. 64. Retrieved November 4, 2014 at <http://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf>. The DOL survey and our estimates here define a family and medical leave as ones taken for Family and Medical Leave Act (FMLA) qualifying reasons. These include serious health condition of self, spouse, parent, child, or a new child (birth, adoption, foster).
- 6 These data are also consistent with an analysis prepared by the U.S. Congressional Research Service using the Medical Expenditure Panel Survey (MEPS), where they report 62% of workers indicated receiving paid sick leave when ill (Linda Levine, "Leave Benefits in the United States," Congressional Research Service, June 5, 2009, 7-5700).
- 7 In 2008, FMLA was extended to caring for children of active duty military members and up to 26 weeks for a relative to care for an injured or seriously ill service member or veteran.
- 8 Klerman et al. *Family and Medical Leave in 2012: Technical Report*, exhibit 4.1.5, p. 64. Currently leave taking is costly with all of the costs being borne by individual workers and their employers.
- 9 Klerman et al. in *Family and Medical Leave in 2012: Technical Report* reports that 48% receive full pay.
- 10 We estimate that 95.6% of leaves taken or needed are by workers who would be eligible for the proposed program because they have worked more than 3 months in the previous year.
- 11 Klerman et al., exhibit 5.3.13, p. 105.
- 12 Ibid, exhibit 5.3.14, p. 106.
- 13 See for example, Maya Rossin-Slater, Christopher J. Ruhm and Jane Waldfogel. 2013. "The Effects of California's Paid Family Leave Program on Mothers' Leave Taking and Subsequent Labor Market Outcomes." *Journal of Policy Analysis and Management* 32(2): 224-245.
- 14 Eileen Appelbaum and Ruth Milkman, *Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California*, Washington, DC: Center for Economic and Policy Research, 2011.
- 15 This is based on 31 case studies. Heather Boushey and Sarah Jan Glynn, "There Are Significant Costs to Replacing Workers," Washington DC: Center for American Progress, November 2012. Retrieved December 14, 2015 at <https://www.americanprogress.org/issues/labor/report/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees>.
- 16 See Sharon Lerner and Eileen Appelbaum, *Business as Usual: New Jersey Employer Experiences with Family Leave Insurance*, Washington DC: Center for Economic Policy and Research, June 2014; Eileen Appelbaum and Ruth Milkman, *Leaves That Pay*; and Eileen Appelbaum and Ruth Milkman, *Unfinished Business: Paid Leave in California and the Future of US Work-Family Policy*, Ithaca, NY: Cornell University Press, 2014.
- 17 This act in effect stated that inability to be at work due to pregnancy and childcare cannot be treated or considered differently than other non-employment related disability, legally requiring the extension of employer benefits for disability to pregnancy and childbirth.
- 18 U.S. Social Security Administration, Office of Retirement and Disability Policy, Annual Statistical Supplement 2014, *Temporary Disability Insurance Program Description and Legislative History*. Retrieved December 22, 2015 at <https://www.socialsecurity.gov/policy/docs/statcomps/supplement/2014/tempd Disability.html>. For a summary of these programs see National Partnership for Women and Families, *Existing Temporary Disability Insurance Programs*, February 2015. Retrieved December 20, 2015 from <http://www.nationalpartnership.org/research-library/work-family/paid-leave/existing-tdi-programs.pdf>.
- 19 In 2007, Washington state passed a law that provides for up to five weeks of parental leave, but the bill was never funded. For a summary of existing state paid family leave provisions, see National Partnership for Women and Families, *State Paid Family Leave Insurance Laws*, February 2015 at <http://www.nationalpartnership.org/research-library/work-family/paid-leave/state-paid-family-leave-laws.pdf> (retrieved April 21, 2015).
- 20 Klerman et al., *Family and Medical Leave in 2012*, exhibit 5.3.4, p. 97.
- 21 US Department of Labor, Bureau of Labor Statistics, Employment Benefit Survey, March 2015, *Insurance Benefits: Access, participation, and take-up rates*, table 16 at <http://www.bls.gov/ncs/ebs/benefits/2015/ownership/civilian/table16a.htm> (retrieved December 1, 2015).
- 22 The National Partnership for Women and Families and CLASP have compiled a list of private companies and their provisions that have newly provided or expanded their paid leave policies in 2015, see "New and Expanded Employer Paid Family Leave Policies (2015)" at <http://www.nationalpartnership.org/research-library/work-family/paid-leave/new-and-expanded-employer-paid-family-leave-policies.pdf> (retrieved December 22, 2015).
- 23 US Department of Labor, Employment Benefit Survey, March 2015, *Insurance benefit*.
- 24 Ibid, table 32 at http://www.bls.gov/ncs/ebs/benefits/2015/ownership/leave_all.pdf (retrieved January 13, 2016).
- 25 Randy Albelda and Alan Clayton-Matthews, *Sharing the Costs, Reaping the Benefits: Paid Family and Medical Leave in Massachusetts*, University of Massachusetts Boston, Labor Resource Center, 2016 at http://scholarworks.umb.edu/Irc_pubs/1/.
- 26 Based on information from the DOL survey complemented by ACS data.
- 27 For a full description of the model and the methodology used, see Albelda and Clayton-Matthews/Institute for Women's Policy Research Paid Family and Medical Leave Simulator Model Documentation at scholarworks.umb.edu/econ_faculty_pubs/41.
- 28 The response rate to 2012 DOL survey was 15.1% (Kelly Daley, Courtney Kennedy, Marci Schalk, Julie Pacer, Allison Ackermann, Alyssa Pozniak, and Jacob Klerman, *Family and Medical Leave in 2012: Methodology Report*, 2012, p. 22). There is a possibility that this could result in some bias in the results.
- 29 The DOL survey asked respondents if they took a pregnancy medical leave or a new child/bonding leave with the birth of a new child. Since we know that women can and do take both types of leaves, the simulation (which is based on the survey responses) underestimates the number of leaves for these reasons. To adjust for that underestimation, we use a 100% take-up rate. This may over-estimate the number of men that take a bonding leave.
- 30 For the estimate presented here we used the 2015 statewide average weekly wage of \$1,256.47 (see <http://www.mass.gov/lwd/workers-compensation/injured-workers/wc-min-and-max-rates.html>), a level that is set annually by the Commissioner of the Division of Unemployment Assistance.
- 31 Nationally, the DOL survey found 13.1% of all employees took a leave in the last 12 months, with 11.4% in the Northeast region.
- 32 The percentage of employees who have replacement is similar to but not exactly the same as the percentage of leaves taken with wage replacement: 72.6% have employer wage replacement before a program while 81.6% have any wage replacement with a program.
- 33 The model estimates the total number and leaves taken in the last 12 months. It then estimates the total length of each of those leaves. For any accounting period – call it the program year (say a calendar year or a fiscal year) – some leaves will have started prior to the first of the year and some will end after the last day of the year. For cost purposes only, we date leaves and only count the costs occurred in the program year. Other information about the number of leaves, leaves needed, and length of leaves apply to the leaves taken or needed over the last 12 months (regardless of when they start or end relative to a calendar or fiscal year).
- 34 The simulator model is programmed to "push" 50% of those with full employer wage replacement who take leaves of 20 days (4 weeks) or longer onto the state program for the total length of the eligible leave. The model then assigns the difference between full employer pay and the program wage replacement as "top off" pay in determining employer costs.
- 35 RI deducts 1.2% from the first \$66,300 of wages (in 2016). Workers in New Jersey contribute .25% on the first \$32,000 for TDI and the employer assessment varies, but ranges from .1 to .75% of the first \$32,600 of earnings (in 2015). For the paid family program, employees are assessed .08% on the first \$32,600 (in 2016). In California the TDI and family leave program are covered by a 0.9% assessment on employees' wages up to \$106,742 (in 2016). These programs vary considerably in length and benefit level from each other and from the proposed Massachusetts program, so comparisons should be made carefully.
- 36 The 5-year inflation-adjusted median earnings in Massachusetts from 2009-2013 were \$36,000. The annual contribution at 0.325% of payroll amounts to \$117 to be shared between the employer and employee. If wages are capped at \$113,400, then the total annual contribution would be \$135.
- 37 Beginning in 2015, employers in Massachusetts are currently required to provide up to five paid sick days per year.

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