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Paid Family Leave

What is Paid Family Leave?

Paid family leave policies allow workers to take extend leaves of absence to care for a newborn or newly adopted child, or the serious illness of the worker themselves, their spouse, child, or parent. These policies are meant to protect the workers job while they are on leave as well as continue to pay at least a portion of the workers' wages during their leave. Low-wage workers are most likely to not have access to any paid family leave. The lack of paid family leave has great financial consequences for families across the U.S. In fact, 25 percent of poverty spells begin with the birth of a child.[1]

What are the Current Policies Regarding Paid Family Leave?

The Family Medical Leave Act is a federal law that allows workers (who work at a company with 50 employees or more) to take 12 weeks of unpaid leave to care for sick relatives, a new born child, or a newly adopted child, without worrying that they will lose their job. Currently, there are no state laws guaranteeing job protection or benefits for new parents in the private sector.

Indiana State employees are entitled to up to one year of job-protected leave. This is unpaid and it is unclear if they are able to use any disability insurance. There have also been some regulatory changes made to FMLA starting on January 16, 2009. These changes do not affect the time an employee may take, but they do affect how FMLA is administered. The most relevant changes, as they relate to this brief are: [2]

- Employees with chronic medical conditions must visit a doctor at least twice a year for that condition;
- For single absences, the employee must be seen within seven days of the onset of the illness, and if seen twice, the second visit must occur within 30 days of the illness; and
- For employees taking parental leave for an adoption, FMLA leave may include time to travel to another country to complete an adoption, or other necessary steps to complete an adoption. Also, a parent may use leave intermittently for a serious health condition of an adopted child.

What are the Costs and Benefits to having Paid Family Leave?

There was a time when many thought that the passage of the FMLA would be the demise of the American economy. However, many now look at FMLA as a basic right and acknowledge that is has not brought with it the predicted destruction. In 2000, 90 percent of covered establishments reported that FMLA had either a positive or neutral effect on profitability and growth.[3]

As stated earlier, the need to expand FMLA to provide paid family leave to all workers is becoming clear. In California, a system has been put in place that deducts a percentage from each worker's paychecks, this money goes into a fund, and all Californians who meet the eligibility criteria, can earn approximately 55 percent of their pre-tax weekly wages (up to $917) for 6 weeks of paid leave.[4] In 2002, the University of Chicago and UC Berkeley, performed a cost/benefit analysis for California, to determine what a family leave program would cost employees, employers, and the State, as well as what it may save them. "The study found that the bill would cost employees $2.10 per month in 2002, and $2.33 per month in 2003. It would cost employers, $2.10 per month, per employee; making the combined yearly cost per employee $50 in 2002 and $56 in 2003. The benefits were staggering. California companies combined could save $89 million in reduced turn-over costs. The State could save $25 million annually in decreased usage of programs like Temporary Assistance Needy Families and Supplemental Nutrition Assistance Program."[5]

What are Some Paid Family Leave Best Practices?

- California[6]
  - Eligible employees may receive approximately 55 percent of their pre-tax weekly wages up to $917.
  - They are eligible for six weeks of paid leave time to care for an ill relative or to bond with a newborn child, adopted child, or foster child.
  - The State Disability Insurance (SDI) Withholding Rate for 2009 is 1.1 percent. The SDI taxable wage limit is $90,669 per employee for calendar year 2009. The maximum to withhold for each employee is $997.35.

- Washington[7]
  - Washington's law was supposed to take effect on October 1, 2009, but has been postponed to 2012 because of budget constraints.
  - Employees are eligible for benefits if they worked at least 680 hours during the prior year, or the year that ended three months before they took leave.
  - Eligible employees can receive benefits for up to five weeks.
  - The weekly benefit will be $250 for employees who work 35 hours or more. Employees who work fewer hours with receive a pro-rated benefit.
  - Leave may only be taken for a newborn or newly adopted child. Other family and medical leaves are not covered.
  - The law did not name a funding source, but set up a study committee to come up with funding and administrative recommendations. An administrative home has been determined and $6.2 million placed in a start-up fund, but there is not a permanent funding source.[8]

- New Jersey[9]
  - Payroll deductions began January 1st and people may begin to take benefits as of July 1, 2009.
  - Allows most workers to take up to 6 weeks paid leave to care for sick family, newborns, or newly adopted children

- The payroll deduction is 0.09 percent of a worker's paycheck in 2009 and 0.12 percent in 2010 and beyond. In 2010 the deduction will amount to $33 dollars a year per worker or about 25 cents a week for workers earning minimum wage. Workers are eligible to receive two-thirds pay up to $561 per week

Recommendations and Further Research for Indiana

- A cost/benefit analysis of a Paid Family Leave Policy in Indiana.
- Require all employers who provide parental leave to employees for the birth of a child to offer equivalent benefits for the adoption of a child.
- Adopt a state version of FMLA such as laid out in Indiana HB 1024-2009.

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[1] Grant, Jodi et al., "Expecting Better: A State-by-State Analysis of Parental Leave Programs," page 7, The National Partnership for Women and Families. 2005

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[3] Grant, Jodi et al., "Expecting Better: A State-by-State Analysis of Parental Leave Programs," page 9, The National Partnership for Women and Families. 2005

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