



## **Paid Family Leave in California and New Jersey: The Benefits for Working Families and Employers**

**Eileen Appelbaum**, Center for Economic and Policy Research

**Ruth Milkman**, CUNY Graduate Center

As family and work roles have shifted, the need for time off from work to address family responsibilities has grown. Both women and men are often trapped between job demands and the need to help a child or seriously ill family member. Family Leave laws can ease the conflicts many workers face.

At the national level, the Family and Medical Leave Act was passed in 1993, guaranteeing up to 12 weeks of leave to covered workers – about half the workforce, mostly employees at large firms. Workers who take leave have the right to return to their jobs. But the law provides only for *unpaid* leaves. High-salaried employees may be able to afford unpaid time off, but other workers really cannot get by without wages, even if they have a guaranteed right to come back to the job. Some employers offer leave benefits, but often only to professionals and managers. Very low-wage workers may not even have the right to take paid sick days. If leave is to work for everyone, it must cover part of an employee's wages while he or she is away caring for a family member.

### **States Lead the Way on Paid Leave**

When the U.S. government leaves social needs unmet, the states can step in – and this is happening for paid family leave:

- In September 2002, California became the first state to create a comprehensive Paid Family Leave program, which went into effect in mid-2004. For up to six weeks, California replaces up to 55% of wages for a worker who goes on leave to bond with a new baby or care for an ill family member. The maximum benefit is \$1011 per week in 2012, and the benefit will rise as the cost of living goes up.
- New Jersey passed Family Leave Insurance legislation in May 2008, and started paying benefits in mid-2009, up to 67% of earnings. The maximum is set at \$572 a week, and will rise with the average wage.
- Public support for paid family leave is widespread, so other states may act too. The state of Washington passed a paid family leave law in 2007, but has not yet funded it. Paid family leave is being discussed in several other states, as well as in Congress.

### **Paid Leave Helps Working Families – at Little Cost to Employers**

Paid leave in California and New Jersey helps all workers cope with family needs – including workers who earn low wages or are precariously employed. Both programs cover the entire private sector, and self-employed workers can “opt in” to coverage, too. There is no bureaucratic hassle. To claim benefits, the worker merely

fills out a single form and gets a doctor's certification.

In both states, no new mandates have been imposed on employers, and benefits are 100% funded by a payroll tax on workers. Employers who once funded leaves benefit financially from the new public programs. Employers may also save money on training new workers – a cost they used to incur when family duties forced valued employees to quit.

## **QUESTIONS AND CONTROVERSIES**

Experience with paid family leave in California and New Jersey provides answers to frequently asked questions:

### **Are the Payroll Charges for Paid Leave Expensive?**

No. Not only are there no direct costs to employers, the cost to workers is very small. In New Jersey, a tiny payroll tax on the first \$30,300 of earnings funds the program for a maximum annual cost of \$24.24 per worker. In California, a 1% payroll tax on the first \$95,585 of earnings covers both family leave and the decades-old state disability insurance program. Although most workers are eligible to claim benefits at least once during their careers, costs stay low because relatively few draw benefits at any given time.

### **Do Leave Programs Burden Businesses?**

Employer organizations opposed the passage of the state laws, fearing possible abuses and extra costs. But a survey of California employers conducted five years after the start of paid family leave found that around nine out of ten employers reported no abuse of the new benefits, “no noticeable effect” or a “positive effect” on productivity, and either “no noticeable effect” or a “positive effect” on profitability. Employers also reported lower turnover, and indicated no cost increases from the small number of workers who go on leave at any given time. Most employers said they adjusted to leaves by temporarily allocating duties to co-workers, at minimal cost.

### **If Women Do More Care-giving, is Paid Leave Helpful to Men?**

So far, women use state-level paid leave more than men do, but this seems to be changing. California has seen steady growth in the use by men, with fathers' claims for time with new babies rising from 17% of all such claims in 2004-05 to 28% in 2010-11. Male claims for other care-giving inched up too. Paid leave helps equalize family responsibilities between women and men, which in turn furthers equality in the workplace.

### **Do All Eligible Workers Take Advantage of Paid Leave?**

Not yet, because awareness remains limited. A 2011 poll of registered voters in California found that only 45% of those who had voted in 2008 were aware of the paid leave program. Low-wage workers, immigrants, and Latinos are the least aware – although they would benefit the most. Other surveys have found that workers aware of benefits do not always claim them, for fear they might lose the position or opportunities for advancement.