

# **Paid Family and Medical Leave in Pennsylvania: Research Findings Report**

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## Background and Purpose

As the American workforce has changed considerably in the last 40 years, workplace policies have been slow to evolve to serve a growing and diverse population. Between March 1975 and March 2000, the labor force participation rate of women with children under 18 increased from 47.4 percent to 72.9 percent.<sup>i</sup> From 1960 to 2015, the share of children under 18 living with two married parents fell from 88 percent to 65 percent.<sup>ii</sup> There are now an estimated 40.4 million unpaid caregivers of adults 65 and over, nine out of ten of which care for an aging relative.<sup>iii</sup>

Studies show that paid leave is an important factor in employee recruitment and retention. A 2011 survey of 200 human resource managers found that two-thirds named supportive work-family policies as the most important factor in recruiting and retaining employees.<sup>iv</sup>

Although the United States still does not have a federal paid family and medical leave program, Presidential Advisor Ivanka Trump has promoted the establishment of a paid leave program, saying that it “isn’t an entitlement, it’s an investment in America’s working families.” Several states have developed their own systemic solutions to this issue that inhibits economic growth and places stress on workers and families. California, Washington, New York, New Jersey, Rhode Island, and Washington, D.C., have all passed legislation developing state Paid Family and Medical Leave Insurance Funds. In August 2016, the Pennsylvania Department of Labor & Industry was awarded a \$250,000 grant from the U.S. Department of Labor to research and analyze the implications of a state paid family and medical-leave program in the commonwealth.

The state insurance funds already passed by five states and Washington, D.C., ensure small businesses can compete with large companies to recruit and retain top tier talent. Because many companies located in Pennsylvania also conduct business and have corporate locations (and employees) in these other Northeast states, it makes financial and competitive sense for our state to explore the possibility of developing a similar state-level paid family and medical leave insurance fund so that the commonwealth can remain competitive.

A 2014 report from the Pennsylvania Center for Women and Politics at Chatham University<sup>v</sup> notes that Pennsylvania is one of the more populous states that offer no family-leave protections other than those afforded by federal law, leaving workers and their families with fewer protections than their peers in many other states.

In Pennsylvania, workplace policies that provide support to those who care for aging family members is especially important. The commonwealth has the fourth oldest population and the fifth most residents over age 65. While the federal Family and Medical Leave Act (FMLA) guarantees unpaid time off to care for a new child or ill family member, it only covers about 60 percent of all workers and it only provides unpaid leave. Five states (California, New Jersey, Rhode Island, New York, and Washington) have enacted paid family and medical leave laws that can serve as models for other state efforts. This grant supports activities to determine options for paid family leave in Pennsylvania.

This grant-funded project included several components resulting in the following outputs:

- 1) A report of findings from a statistical analysis on the populations likely to benefit from adoption of a paid family leave program and anticipated utilization rates using national model legislation and other state models deemed viable in Pennsylvania.
- 2) A report of findings from a cost-benefit analysis of paid family leave programs utilizing different cost variations.
- 3) A report on the results of a survey of Pennsylvania businesses that include employers' perspectives of paid leave programs, what types of paid family leave employers currently provide, characteristics of the population who benefit from paid leave, and feedback from employers who presently benefit from offering paid leave programs.
- 4) A report on the results of a survey of the general population that includes views toward paid family leave programs, willingness to support/fund programs, preferred plan elements, and attitudes toward specific paid leave messaging.
- 5) Establishment of an advisory group comprised of representatives from the Governor's Office, relevant state agencies, PathWays PA, Community Legal Services of Philadelphia, the Pennsylvania Chamber of Business & Industry, the Women's Law Project, the Women and Girls Foundation, Keystone Research Center and other stakeholders identified during project implementation. Advisory group members informed the scope and breadth of the grant analysis as well as this final report.

## **Defining the Model: What Is A Paid Family & Medical Leave Insurance Fund?**

The birth of a child. A cancer diagnosis or hip replacement. A parent, spouse or child with a serious illness. Each requires a worker to take an extended period of time off from work. And while almost everyone will experience this type of event in his or her work life, Pennsylvanians do not have a guarantee of paid parental or medical leave.

However, Pennsylvania can look to California, Washington, New York, New Jersey, Rhode Island, and Washington, D.C., which have all passed legislation developing state Paid Family and Medical Leave Insurance Funds. These funds represent a distinctly new and different model to provide paid leave to employees and employers than past legislative efforts in several ways.

**Paid Family and Medical Leave Insurance (PFMLI) Funds do not require employers to bear all expenses for their employees' family and medical leave.** Instead, existing PFMLI programs are financed primarily through employee payroll deductions of 0.4 percent to 1.2 percent of employee wages. (In Washington, D.C. and New Jersey, a combination of employee and employer payroll contributions are utilized.) The development of state insurance funds benefits small businesses that cannot afford to offer such a benefit on their own. These funds have proven to be effective and popular models to provide paid family and medical leave to broad populations of employees and employers throughout a state.

If Pennsylvania agencies, public health advocates, and legislators look to develop the details of such a program, they will need to explore the costs and benefits of different aspects of the fund. There are many variables to be considered, including: maximum weeks of leave; weekly salary cap; wage replacement rate; and waiting period. The Cost-Benefit Analyses included in this report explore several scenarios for each of these. While there are many variables to be considered, the basic programmatic model recommended is the same: a Paid Family and Medical Leave Insurance Fund.

### **What is a Paid Family and Medical Leave (PFML) Insurance Fund?**

A Paid Family and Medical Leave (PFML) Insurance Fund provides all eligible workers with the ability to earn a portion of their pay while they take time off work for up to a certain number of weeks to:

- Care for a family member with a serious health condition (including but not limited to parents, children, spouses, domestic partners, and siblings in need of care);
- Care for a newborn, newly-adopted child, or newly-placed foster child; or
- Address the worker's own serious health condition.

**With a PFML program, which workers have access to paid leave?**

Under the PFML programs in other states, workers have access to paid leave regardless of gender. The programs cover most or all private-sector employers, and self-employed individuals can opt-in.

As outlined in the population survey (see page 20 of this report) a strong majority of Pennsylvanians support funding a Paid Family and Medical Leave Insurance Fund through a modest payroll deduction if that fund provides all workers with access to several weeks of paid family and medical leave.

**What are some examples of times when workers might need to access the Paid Family and Medical Leave Insurance Fund (PFML)?**

- A new infant arrives and the worker needs time to care and bond
- A veteran and his/her family are struggling with PTSD
- An elderly parent has broken a hip and needs a few weeks of post-op support
- A sibling needs several weeks of chemotherapy
- A spouse is recovering from a heart attack
- A child with autism or asthma is having a health crisis
- A loved one is coming home from a rehabilitation clinic and needs support and care
- A worker has a serious injury as a result of an automobile accident and is in need of several weeks of rehabilitation services

**Which states have PFML insurance fund programs now and how are they funded?**

California, New Jersey, and Rhode Island have implemented paid family leave laws, and similar implementation will begin in New York in 2018. Washington and the District of Columbia also recently passed laws. Maryland, Massachusetts, and Connecticut are in the process of exploring how to develop state programs. All of these are insurance-based programs paid for by small payroll contributions.

**What are the advantages to employers?**

Ten years of analysis from the California paid family leave program indicates that businesses have saved money due to lower rates of employee turnover. Businesses of all sizes reported positive outcomes, but small businesses – those with fewer than 50 employees – reported the most positive effects.<sup>vi</sup>

**What are the advantages to workers and families?**

Paid family and medical leave allows workers time to address their own serious health conditions and to tend to their family caregiving responsibilities – including caring for a spouse or an aging parent – without risking financial instability. Research demonstrates that when workers have access to paid family and medical leave, the health and well-being of parents and children is improved. Having access to paid leave also means that families are less likely to use public assistance.<sup>vii</sup>

**Does Pennsylvania need PFML?**

- Workers in Pennsylvania invest 1.4 billion hours of unpaid time caring for the elderly each year. Pennsylvania has one of the oldest populations in the nation, and the state's aging population is expected to continue growing.<sup>viii</sup>
- Fewer than half of working adults in Pennsylvania – 40.9 percent– are both eligible for and can afford to take unpaid leave under the Family and Medical Leave Act (FMLA).<sup>ix</sup>
- Twenty-one percent of Pennsylvanians do not have the resources to survive up to three months of sustained loss of income.<sup>x</sup>
- Pennsylvania is one of the 10 worst states for pregnancy discrimination.<sup>xi</sup>



## Key Research Findings

While ample national data exists, members of the Pennsylvania General Assembly will surely look to state-specific data in considering the development of paid family leave legislation. The various outputs resulting from this grant will provide that Pennsylvania-specific information. The goal of this project is to research both viable options for, and impacts of, a Pennsylvania paid family leave program to inform policy and legislative initiatives to provide paid leave benefits for workers in the commonwealth.

Key grant-funded research findings include:

**There is strong public support for a statewide program to guarantee access to paid family and medical leave (78 percent favor, 64 percent strongly favor).**

- Across gender, age, educational attainment level, household income level, marital status, parental status, multigenerational households, and employment status, Pennsylvania adults strongly favor the program.
- With and without contextual information about PFML, a majority of Pennsylvania adults believe it is very important for Pennsylvania to establish a program to guarantee access to paid family and medical leave.

**A majority of employers favor creating a statewide program to provide paid family and medical leave to employees (56 percent favor, 35 percent strongly favor).**

- More than two-thirds (69 percent) of employers currently do not offer paid family and medical leave to their employees. Of those who do not offer leave, a majority cite the financial burden offering such leave would have on their companies as the primary barrier to offering wage reimbursement to their employees.
- The smaller the business, the less likely it is to offer paid leave to its employees.
- These findings reinforce how a state paid family leave insurance fund could relieve cost burdens from employers and provide an affordable way for all businesses to provide an important benefit to their employees.

**In states without PFML, individual workers and employers bear the majority of the costs.**

- When there is no national or state paid leave plan in place, employers must find a way to finance paid leave plans on their own.
- While large corporations can afford to offer these competitive benefit packages to their employees, small and mid-size companies cannot afford these plans on their own, putting main street businesses at a significant disadvantage.
- When employers cannot afford to offer paid leave programs, workers struggle financially on unpaid leave, or struggle with the extra duty of caregiving while working, which can greatly affect job productivity.

This project also finds, based on data analysis and literature review, that the establishment of a state Paid Family and Medical Leave Insurance Fund could result in the following crucial benefits to the employers, workers, and families of the commonwealth:

### **Reduced individual costs to workers and employers**

- By spreading costs across the entire covered Pennsylvania workforce, state paid family and medical leave insurance funds remove the pay burden from employers while leveling the playing field for small and mid-size companies to retain talent.
- The cost analysis in this report finds that the average annual cost per covered worker ranges from \$123 to \$281 per year (based on a worker who earns \$35,000 per year). The payroll contribution rate ranges from 0.672 of one percent to 0.295 of one percent for covered workers.

### **Increased job retention.**

- A survey of 253 employers affected by California's paid family leave initiative found that more than 90 percent reported either no noticeable or a positive effect on profitability, turnover, and morale.<sup>xii</sup>
- Parents with access to paid leave "are 93 percent more likely to be working at 9-12 months post-partum than are those who did not take any leave."<sup>xiii</sup>
- 89 percent of U.S. fathers indicated it was important for employers to provide paid paternity or paid parental leave (with 60 percent rating it very/extremely important).<sup>xiv</sup>

### **Benefits for small-to-mid-size businesses.**

- In Pennsylvania, nearly 95 percent of business establishments employ fewer than 50 workers.
- Small businesses often have trouble matching the more generous leave benefits offered by larger employers, sometimes resulting in a hiring disadvantage. When paid leave is administered through a paid leave insurance program, small businesses benefit in particular because the cost of leave is shared.
- In California, although all employers reported positive outcomes overall, small- and medium-sized businesses (those with fewer than 50 employees and those with 50 to 99 employees) reported the most positive outcomes, even more than larger businesses (100+ employees).<sup>xv</sup>

### **Decreased infant & maternal mortality rates.**

- Several studies have shown paid leave is connected to a range of health benefits including reduced rates of postpartum depression, increased breastfeeding and routine infant checkups and immunizations. Fathers, too, stand to gain, with some research suggesting they develop stronger bonds with their children when they can afford to stay home.

### **Increased elder care from and for family members and support for caregivers.**

- Pennsylvania has one of the oldest populations in the country. Nearly 25 percent of Pennsylvania's population are aged 60 and older; with 300,000 aged 85 and older.
- Nationally, 78 percent of seniors living at home and in need of care depend on family and friends as their only source of support.<sup>xvi</sup>
- A 2010 MetLife study, that include the University of Pittsburgh, indicated that 60 percent of family caregivers in the U.S. are employed.<sup>xvii</sup>

- Adults receiving care from their families report better health outcomes from a variety of conditions, including heart attacks and strokes.<sup>xviii</sup>

### **Help families struggling with the opioid crisis.**

- Families across the commonwealth continue to face the effects of the recent opioid epidemic. Nationally, more than 70 percent of employers say they have been affected by prescription drug use among their employees.<sup>xix</sup>
- People struggling with addiction need time away from work in order to seek treatment, yet most do not have access to paid medical leave.
- The opioid epidemic also affects family members who are not using the drug, as the burden of caring for an addicted loved one or their children often falls on family members.
- The immediate weeks after being discharged from rehabilitation clinics can be the most dangerous. Individuals often overestimate the amount of drugs their bodies can withstand. If they do not have a family member available during this time, they may relapse and disregard their lowered tolerance. This tragically often results in fatal overdoses.
- Increasing access to paid family and medical leave to more workers can result in more families having the support they need during times of treatment and recovery, and help decrease overdose deaths.

### **Reduced income inequality**

- Women, low-wage workers and people of color are among those most disadvantaged by the current lack of employer-paid leave.<sup>xx</sup>
- Women who are family caregivers are 2.5 times more likely than non-caregivers to live in poverty and five times more likely to receive Supplemental Security Income (SSI).<sup>xxi</sup>
- Increasing access to paid family leave can help increase job retention rates and decrease the gender wage gap.<sup>xxii</sup>

### **Reduced use of public assistance and subsidies.**

- When workers do not have access to paid family or medical leave, and a new infant arrives or family illness occurs, the financial consequences are that a worker will lose their job or take unpaid family leave. This often results in that worker being paid in public dollars, most directly in the form of public assistance. According to a 2000 survey of family leave-taking, almost one-tenth of workers using unpaid FMLA leave after the birth of a child used public assistance during their leave.<sup>xxiii</sup>
- A replacement rate “sliding scale” model is often implemented to ensure a state insurance fund is accessible to low-income workers. The state can receive maximum benefit from helping workers remain economically independent from public subsidies if all workers can be supported by the wage replacement model of the PFML.

## **PA Cost-Benefit Analyses of a Paid Family Leave Program**

Currently, in states without paid family and medical leave programs, the costs associated with taking time off from work for a serious own-health condition, to bond with a new child, or to care for an ill relative are shouldered by the individuals that take those leaves and their employers. In 2016, only 14 percent of all U.S. workers had access to paid family leave from their employers, 38 percent had access to short-term disability leave, and 68 percent had paid sick leave.<sup>xxiv</sup> Low-wage workers, young people, people of color, and workers at small employers, are the most disadvantaged by the lack of a universal paid leave program, because they are the least likely to be covered by these forms of wage replacement.<sup>xxv</sup> Women currently are more likely to take time off, and to take longer time off to have and bond with a child or to care for an ill relative than men.<sup>xxvi</sup> The lack of paid leave policies also places them at a relative disadvantage and is a relevant factor which increases the gender wage gap.

If a statewide paid leave program were implemented, then the cost of covered wages would be spread across the workforce, with paid leave made available to all workers that meet eligibility requirements. While paid family leave would not cover all lost wages, workers would have more income replaced than they do currently. Also, employers would not bear the full cost of providing paid leave, allowing small businesses the ability to offer benefits to their employees that are often affordable only for large businesses.

As part of this grant-funded project, a cost-benefit report by Professors Randy Albelda and Alan Clayton-Matthews (ACM) estimated the cost of benefits paid, number of leaves, leave lengths by gender, and the percent of workers with wage-replacement for family and medical leaves in Pennsylvania currently and with four program possibilities of a paid leave program. The four program variations differ from each other in terms of weekly benefit cap (ranging from \$995 to \$573), maximum weeks of leave (ranging from 26 to 12 weeks), wage replacement rate (ranging from 90 percent to 60 percent of weekly wage) and waiting period (from no waiting period to one week).

Using the ACM/IWPR paid family and medical leave simulator, key findings include:

### **Costs**

- The average annual cost per covered worker (which could be paid by employees, employers or shared between employees and employers) ranges from a high of \$281 per year to \$123, not including administrative costs. The payroll contribution rate ranges from 0.672 percent to 0.295 percent for covered workers.
- The average weekly cost per worker ranges from \$5.20 to \$2.37 a week. The contribution someone would pay who is earning the median weekly wages in Pennsylvania (\$673) ranges from \$4.53 to \$1.98 a week.
- Generally speaking, the higher the benefit cap and replacement rate, the lower number of waiting period days, and the longer the maximum weeks allowed, the higher the cost of the program.

### **Leaves taken**

- Currently 12.5 percent of all employees take any leave for a family or medical reason each year and if state-paid family and medical leave were made available, we estimate that would increase to between 12.8 and 12.9. Between 3.5 percent and 4.1 percent of all employees in the state would use a program annually.
- The majority of all leaves taken currently (and under each of the four program variations) are for own-health reasons (61 percent are for non-pregnancy own-health leaves and 7 percent for pregnancy). Twenty-five percent of leaves taken are to care for an ill-relative, with 7.5 percent for bonding with a new child. This does not change with any of the programs.
- Less than one out of every three leavers would use a paid leave program. Reasons why are: most leaves are short (currently the median leave is 3 weeks); lack of knowledge of the program; workplace culture; better wage replacement from an employer; or difficulty using the program.

### **Length of leaves**

- Currently, the average length of leave is 6.5 weeks for all leaves. The median length of leave currently is 3 weeks. The average total length of leave increases by 1.3 weeks to 1.7 weeks (6.5 to 8.5 days) with a program in place, increasing the median total length of all leaves to 4 weeks.
- The average length of all leaves for those using a program ranges from 8.3 weeks to 10.5 weeks, with pregnancy-related leaves being the longest (10.2 to 15.1 weeks) and ill-relative leaves being the shortest (about 3 weeks).
- Average program leave lengths for own-health, non-pregnancy related leaves are about the same length for men and women, however, women on average take longer new child leaves (about 4.5 weeks for men compared to 9 weeks for women) and only slightly more time for ill-relative leaves than men.

### **Wage replacement by work characteristic**

- Currently, 70.4 percent of Pennsylvania workers get some form of wage replacement (including paid sick days, vacation time, short term disability insurance, or paid family leave) for some of the time they are on a family or medical leave. This increases to between 78.6 percent and 80.0 percent once a paid leave program is in place.
- Currently, workers that are more likely to receive some form of wage replacement include men, white workers, workers ages 45-64, higher income and higher waged workers, and workers in large firms.
- With all of the programs, the gap remains but is sharply narrowed for many workers. The gap is closed in the case of men and women while remains wide for young workers (ages 16-24) and workers with family income below the federal poverty level.

## Cost Benefit Analysis Highlights

Albelda and Clayton Matthews generate their cost benefit analysis estimates using the model described in Box 1. This sub-section of this report is an abridged version of the Albelda and Clayton-Matthews report to the state (refer to Appendix B).

### ***Box 1. The Alan Clayton-Matthews/Institute for Women's Policy Research (ACM/IWPR) Paid Family and Medical Leave Model***

The ACM/IWPR model – or “simulator” – estimates (“simulates”) leave-taking behavior with and without a paid family leave program and how that behavior varies based on the characteristics of a paid family leave program. The model relies on known leave-taking behavior reported by respondents to a 2012 U.S. Department of Labor (DOL) sponsored survey on family and medical leaves<sup>xxvii</sup> and the authors’ estimates for behavior with a PFML program (such as take-up rates). Documentation on the model is available at [http://scholarworks.umb.edu/econ\\_faculty\\_pubs/41/](http://scholarworks.umb.edu/econ_faculty_pubs/41/).

Two types of parameters must be specified to generate estimates from the model.

#### *1. Paid leave policy parameters*

These policy parameters include the wage replacement rate, maximum weeks of leave, maximum benefit level, waiting period, and eligibility requirements. The policy parameters used by Albelda and Matthews are summarized in Table 1.

#### *2. Paid leave policy behaviors*

The second type of parameter specifies behaviors when a state has a paid medical and family leave (PMFL) program. The key behaviors include:

- take-up rates (the percentage of eligible leave takers that use a paid leave program);
- length of leave once on a program, and;
- use of a program if an employer already provides leave payments that are more generous than the PMFL program

When a state has a PFML program, these behavioral parameters are estimated in part based on leave-taking in California and New Jersey, which have long-established PFML programs. The take-up rates assumed are 40 percent for own health; 95 percent for pregnancy-related and new-child bonding leaves; and 5 percent for ill-relative leaves.

The model assumes that if an employer’s wage replacement exceeds a PFML program’s wage replacement, the leave taker chooses not to participate in the program. However, it is likely that employers that pay full wage replacement would encourage employees to use the PMFL program and then “top-off” program benefits to reach full wage replacement.

Table 1. highlights the four options for a state paid family and medical leave program, that differ from each other in the following ways:

- Weekly benefit cap (ranging from \$995 to \$573),
- Maximum weeks of leave (ranging from 26 to 12 weeks),
- Wage replacement rate (ranging from 90 percent to 60 percent of weekly wage), and
- Waiting period (from no waiting period to one week).

In all cases, Albelda and Matthews used a simplified definition of Pennsylvania Unemployment Insurance eligibility – having worked at least 18 weeks and earned \$2,718 over the previous year – to define eligibility for a paid medical and family leave program.

In the states which have established PFMLI Funds, low-income workers have accessed these benefits at extremely low rates. One reason provided is that, while many individuals struggle to maintain a family on minimum wages currently, it would be exceedingly difficult to do so on only 50 percent of that wage. Accordingly, Albelda and Matthews were asked to explore a “sliding scale” model to investigate whether this model might help increase leave-taking behavior of low-income workers. For example, in Table 1. PFML option labeled (1a) the replacement rate is a “sliding scale” linked to the [2015 Pennsylvania’s State Average Weekly Wage \(AWW\)](#) of \$995. All workers in option 1a would get 90 percent of their first \$723 (i.e. ½ of AWW) weekly salary replaced and then 50 percent of their remaining wage replaced for every additional dollar earned until the total received is equal to the benefit cap of \$995. Replacement rates and benefit levels by amount of weekly wage for each of the four options are depicted in graphical form in the Albelda and Matthews report to the state.

<b><i>Table 1: Four PMFL program variations modeled for the Commonwealth of Pennsylvania</i></b>				
<b><u>Variation</u></b>	<b><u>1a</u></b>	<b><u>1b</u></b>	<b><u>2</u></b>	<b><u>3</u></b>
<b>Eligibility (minimum weeks/minimum annual earnings)</b>	18wks/\$2718	18wks/ \$2718	18wks/\$2718	18wks/\$2718
<b>Weekly benefit cap</b>	\$995	\$995	\$750	\$573
<b>Maximum weeks own health (including pregnancy)</b>	26	26	26	12
<b>Maximum weeks family leave (FL)</b>	12	12	12	12
<b>Replacement rate</b>	Sliding scale: 0.9 phase down to 0.5 at average weekly wage (AWW*); then 0.5 above that	0.9	0.75	0.6
<b>Waiting period in weeks</b>	No waiting period (0 weeks)	No waiting period (0 weeks)	0 for ill relative; 1 for all others	1 week all leaves

## Costs

Table 2 shows the estimated number of program leaves, and the cost (benefits paid) under each of the four program options.

<b>Table 2: Program leaves and costs for four PMFL variations for the Commonwealth of Pennsylvania</b>				
	<b>Program Variations</b>			
<b>Option</b>	<b><u>1a</u></b>	<b><u>1b</u></b>	<b><u>2</u></b>	<b><u>3</u></b>
<b>Program leaves</b>	325,085	329,366	287,296	272,377
<b>Program leaves as % of employment</b>	5.0%	5.0%	4.4%	4.2%
<b>Cost (in millions)</b>	\$1,600.88	\$1,831.28	\$1,327.90	\$802.16
<b>Avg yearly cost per worker</b>	\$245.45	\$280.78	\$203.60	\$122.99
<b>Avg weekly cost per worker</b>	\$4.72	\$5.40	\$3.92	\$2.37
<b>Avg weekly benefit paid</b>	\$561.30	\$629.38	\$512.08	\$397.15
<b>Payroll contribution (for all wages of all covered workforce)</b>	0.588%	0.672%	0.488%	0.295%
<b>Weekly contribution for median wage earner**</b>	\$3.96	\$4.53	\$3.28	\$1.98
<i>Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model</i>				
<i>*AWW is the 2015 average weekly wage of \$995.</i>				
<i>** Median weekly earnings are \$673 (2011-2015 ACS)</i>				

### *Cost Summary, Overall:*

- The average annual cost per covered worker (whether paid by employer, employee or a combination of the two) ranges from a high of \$281 per year to a low of \$123, not including administrative costs.
  - The contributions required to cover this cost, as a percent of payroll, range from 0.672 of one percent to 0.295 of one percent for covered workers.
- The average weekly cost per worker ranges from \$5.20 to \$2.37 a week. The contribution for someone earning the median weekly wages in Pennsylvania (\$673) would range from \$4.53 to \$1.98 per week. The contribution for a covered minimum wage earner working forty hours per week would range from \$1.94 to \$0.85 per week.



- In most cases, the higher the benefit cap and replacement rate, the lower number of waiting period days, and the longer the maximum weeks allowed, the higher the cost of the program.

**Leaves taken** Table 3 summarizes the total annual number of leaves taken currently and under each of the four options, the number of program leaves, and the percent of all leaves taken that have any wage replacement. Throughout this analysis, readers should keep in mind the distinction between all leaves and “program leaves” that qualify for and receive wage replacement under one of the PFML options.

Wage replacement includes any employer-based pay received while on leave (e.g., employer-provided or union-negotiated vacation time or sick days); employer-provided or privately purchased disability insurance; or the state PFML program. Figure 1 shows the distribution of program leaves under each of the four options.

*Leaves Taken Summary, Overall*

- Currently an estimated 12.5 percent of all employees in Pennsylvania take any leave for a family or medical reason each year and, with any of the four paid leave program options, that share would increase to between 12.8 and 12.9. Between 4.1 percent and 3.5 percent of all employees in Pennsylvania would use a program annually. (The small difference between 12.5 percent and 12.9 percent reflects the fact that most of the employees who would use a program take some leave without a PFML program.)
- Most leaves taken currently (and under each of the four program options) are for own-health reasons (61 percent of all leaves are for non-pregnancy own-health reasons and 7 percent of all leaves are for pregnancy). Twenty-five percent of leaves taken are to care for an ill relative, with 7.5 percent for bonding with a new child. These shares do not change substantially with any of the programs.
- Less than one out of every three leavers would use a paid leave program. Reasons why are: most leaves are short (currently the median leave is three weeks); lack of knowledge of the program; better wage replacement from an employer; the administrative complexity of applying for the program; or workplace culture – internalized perceptions or external pressures that lead workers to choose not to take a paid leave.

<b>Table 3: Total leaves taken by workers and wage replacement currently and under four different PFML variations for the Commonwealth of Pennsylvania</b>					
<b><u>Program Variations</u></b>					
<b>Conditions</b>	<b><u>Currently*</u></b>	<b><u>1a</u></b>	<b><u>1b</u></b>	<b><u>2</u></b>	<b><u>3</u></b>
<b>Total leaves taken</b>					
<b>Own health</b>	683,503	707,319	706,659	702,937	698,798
<b>Pregnancy</b>	76,632	78,961	79,159	79,046	78,794
<b>New child</b>	82,750	88,721	884,08	86,380	86,620
<b>Ill relative</b>	279,277	280,451	281,674	281,025	280,497
<b>All leaves</b>	1,122,161	1,155,452	1,155,900	1,149,388	1,144,709
<b>Program leaves taken</b>					
<b>Own health</b>	NA	204,892	208,001	174,895	165,674
<b>Pregnancy</b>	NA	52,255	52,528	51,065	48,320
<b>New child</b>	NA	60,070	60,692	53,455	51,978
<b>Ill relative</b>	NA	7,868	8,144	7,880	6,405
<b>All leaves</b>	NA	325,085	329,366	287,295	272,377
<b>Percent wage replaced</b>					
<b>Own health</b>	69.3%	79.1%	79.2%	77.7%	77.6%
<b>Pregnancy</b>	69.3%	92.6%	92.5%	91.8%	91.5%
<b>New child</b>	74.8%	96.2%	96.4%	93.6%	93.2%
<b>Ill relative</b>	72.0%	73.3%	73.5%	73.3%	73.0%
<b>All leaves</b>	70.4%	80.0%	80.0%	78.8%	78.6%
<i>Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model</i>					
*Because of simulation error, the number of current leaves vary slightly under each program simulation run. Here we present the average for the four program simulation runs.					
**AWW is the 2015 average weekly wage of \$995.					

**Length of leaves** Table 4 shows average leave lengths – for all leavers and for program leavers – currently and under the four options.

<b>Table 4: Average leave lengths in weeks by type of leave and program leave lengths by type of leave and gender, currently and under four different PFML variations</b>					
<b>Program Variation</b>					
<b>Option</b>	<b>Currently*</b>	<b>1a</b>	<b>1b</b>	<b>2</b>	<b>3</b>
<b>Average length of all leaves (weeks)</b>					
<b>Own health</b>	7.1	8.9	8.9	8.8	8.4
<b>Pregnancy</b>	12.5	17.3	17.2	17.4	15.4
<b>New child</b>	5.4	7.3	7.3	7.5	7.5
<b>Ill relative</b>	4.0	4.0	4.0	4.0	4.0
<b>All leaves</b>	6.5	8.2	8.1	8.1	7.8
<b>Average length on program (weeks)</b>					
<b>Own health</b>	NA	10.8	10.8	11.1	8.6
<b>Pregnancy</b>	NA	15.0	15.1	14.5	10.2
<b>New child</b>	NA	6.3	6.4	6.5	6.4
<b>Ill relative</b>	NA	3.1	3.1	3.1	3.0
<b>All leaves</b>	NA	10.4	10.5	10.7	8.3
<b>Men -- average length on program (weeks)</b>					
<b>Own health</b>	NA	10.8	10.8	11.2	8.7
<b>Pregnancy</b>	NA	NA	NA	NA	NA
<b>New child</b>	NA	4.4	4.4	4.5	4.5
<b>Ill relative</b>	NA	2.6	2.6	2.8	2.6
<b>Women- average length on program (weeks)</b>					
<b>Own health</b>	NA	10.8	10.8	11.1	8.6
<b>Pregnancy</b>	NA	15.0	15.1	14.5	10.2
<b>New child</b>	NA	9.3	9.3	9.2	9.1
<b>Ill relative</b>	NA	3.4	3.5	3.4	3.2
<i>Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model</i>					
*Because of simulation error, the number of current leaves vary slightly under each program simulation run. Here we present the average for the four program simulation runs.					
**AWW is the 2015 average weekly wage of \$995					

#### *Length of Leaves Summary, Overall*

- Currently, the average length of leaves is 6.5 weeks for all leaves. The median length of leave currently is 3 weeks. The average total length of leave increases by 1.3 weeks to 1.7 weeks (6.5 to 8.5 days) with a program in place, and the median total length of all leaves to 4 weeks.
- The average length of all leaves for those using a program ranges from 8.3 weeks to 10.5 weeks, with pregnancy-related leaves being the longest (10.2 to 15.1 weeks) and ill-relative leaves being the shortest (about 3 weeks).
- Average program-leave lengths for own-health, non-pregnancy related leaves are about the same length for men and women; however, women on average take longer new-child

leaves (about 4.5 weeks for men compared to 9 weeks for women) and slightly more time for ill-relative leaves than men.

**Wage replacement by work characteristic** Table 5 depicts the percent of workers with any wage replacement by characteristic of worker currently and under the four different PFML variations.

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Table 5 Percent of workers with any wage replacement by characteristic of worker, currently and under four PFML variations						
		Program Variation				
		Currently*	1a	1b	2	3
Total		70.4%	80.0%	80.0%	78.8%	78.6%
Sex	Male	72.3%	80.8%	80.8%	79.3%	79.2%
	Female	68.8%	79.2%	79.4%	78.3%	78.1%
Race	White	71.6%	80.7%	80.8%	79.6%	79.4%
	Black	62.0%	74.7%	74.8%	73.3%	73.2%
	Asian or PI	73.6%	82.4%	82.3%	81.5%	81.2%
	Latino	60.1%	73.9%	74.4%	72.3%	72.3%
Age Group	16-24	40.5%	57.2%	57.3%	54.7%	54.1%
	25-44	70.5%	82.2%	82.4%	81.1%	81.0%
	45-64	77.0%	83.3%	83.2%	82.4%	82.2%
	65 & older	63.8%	73.1%	73.3%	71.4%	71.2%
Family Income	Above median	82.1%	87.9%	87.9%	87.2%	87.0%
	At or below median	56.9%	71.0%	71.1%	69.2%	69.1%
Income as % of Federal Poverty Level	< 100%	28.1%	50.2%	50.5%	47.4%	46.8%
	100-199%	53.1%	70.6%	70.5%	68.5%	68.4%
	>= 200%	76.9%	84.3%	84.3%	83.4%	83.2%
Hourly wages	\$15 or more	78.3%	85.5%	85.5%	84.6%	84.5%
	less than \$15	58.3%	71.6%	71.8%	69.9%	69.6%
Employer Size (# of Employees)	1-9	59.0%	71.9%	71.8%	69.9%	69.8%
	10-49	58.8%	73.0%	73.1%	71.3%	70.9%
	50-99	72.7%	81.4%	81.6%	80.1%	80.2%
	100-499	73.2%	81.9%	81.8%	80.8%	80.6%
	500 or more	74.4%	82.8%	82.8%	81.9%	81.7%
Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model						
*Because of simulation error, the number of current leaves vary slightly under each program simulation run. Here we present the average for the four program simulation runs.						
**AWW is the 2015 average weekly wage of \$995						

#### *Wage Replacement Summary, Overall*

- Currently 70.4 percent of Pennsylvania workers get some form of wage replacement for some of the time they are on a family or medical leave (e.g., personal days, paid sick time, or even unused vacation, but not necessarily enough time to fully recover or care for a

family member). This percentage increases to between 78.6 percent and 80.0 percent once a paid leave program is in place.

- Currently, workers that are more likely to receive some form of wage replacement include men, white workers, workers ages 45-64, higher-income and higher-waged workers, and workers in large firms.
- With all the four program options, gaps in access to wage replacement between different groups narrow compared to the status quo.
  - The gap in access to wage replacement closes substantially with a PFML program for employees of small firms (with less than 50 employees) (Figure 1) and for black and Latino workers (Figure 2), although in both cases a gap remains.
  - The share of workers below the poverty line with access to wage replacement climbs sharply – from just over a quarter (28.1 percent) to around a half (46.8 percent to 50.5 percent) – although the gap in such access with workers above 200 percent of the poverty line remains 34 to 37 percentage points (Figure3).
  - The gap between men and women closes from 3.5 percentage points to only 1 to 1.6 percentage points). The gap closes substantially remains wide for young workers (ages 16-24) and workers with family income below the federal poverty level.

Figure 1

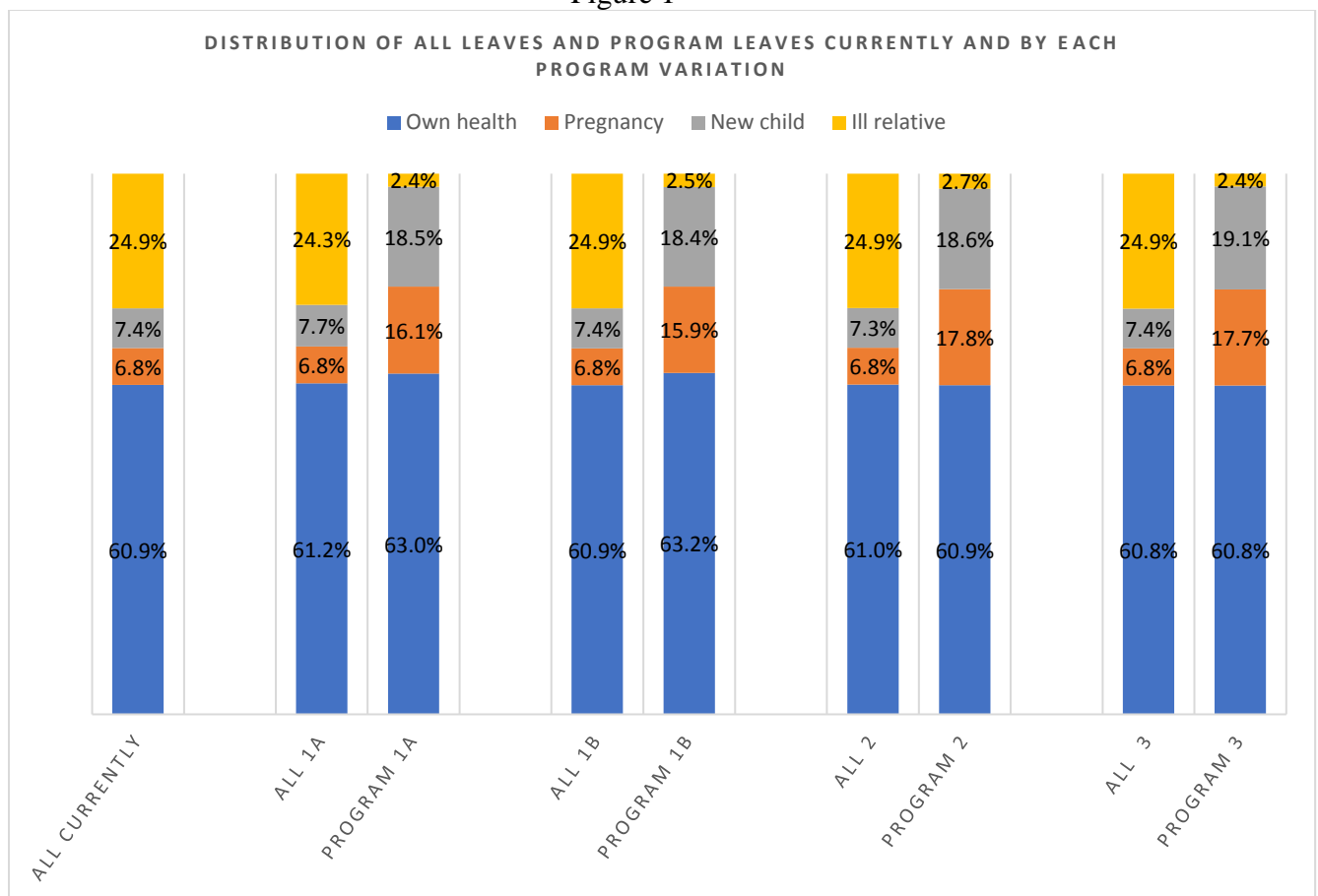


Figure 2

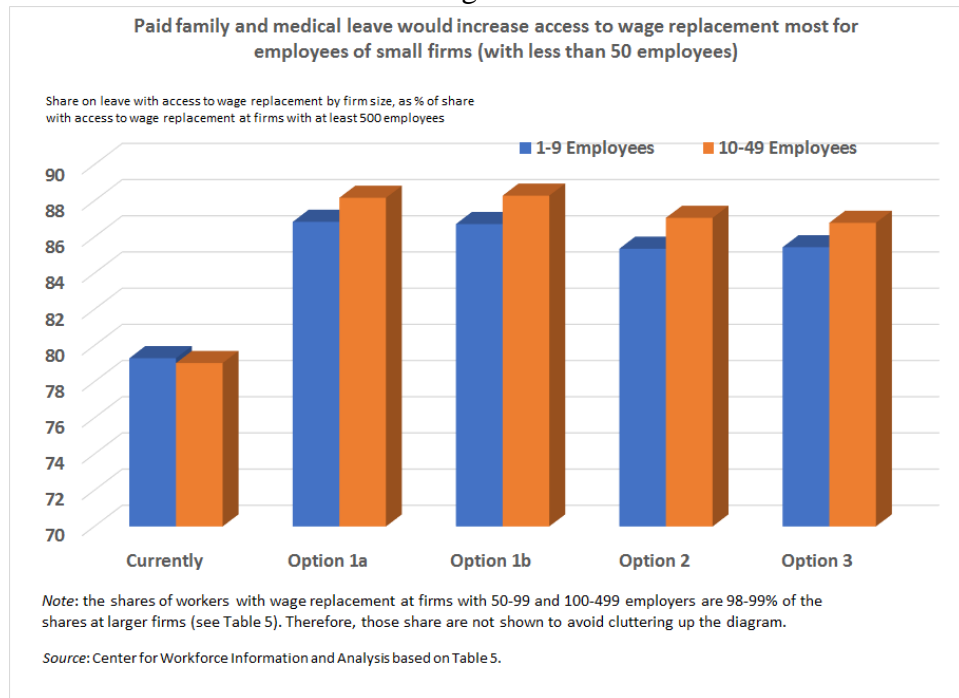


Figure 3

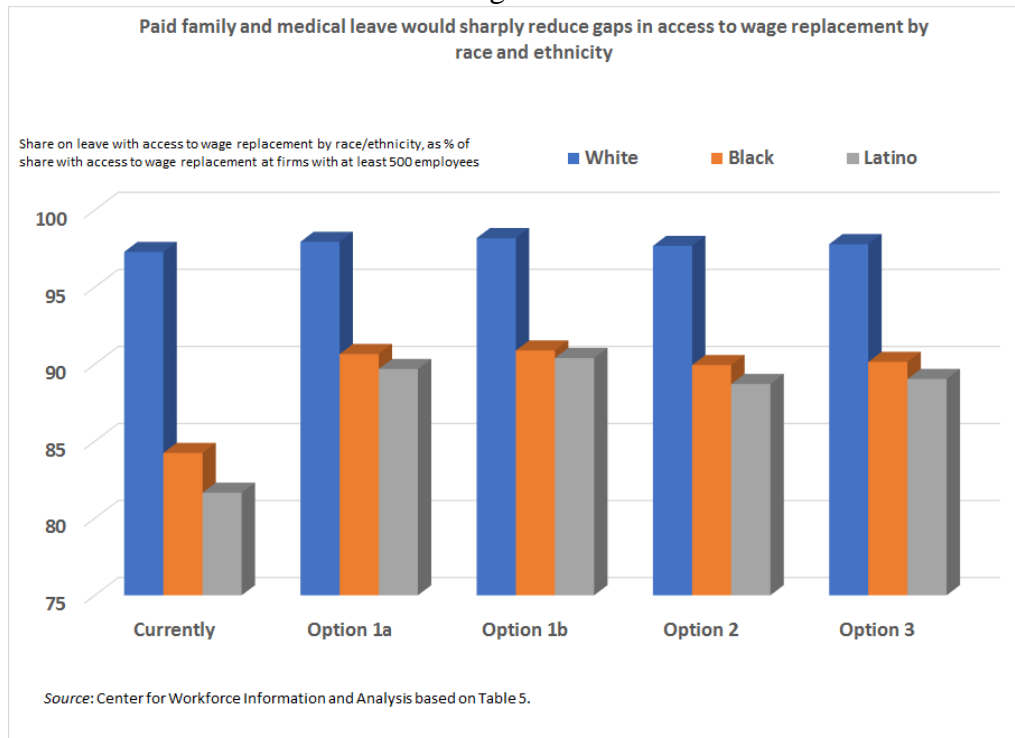
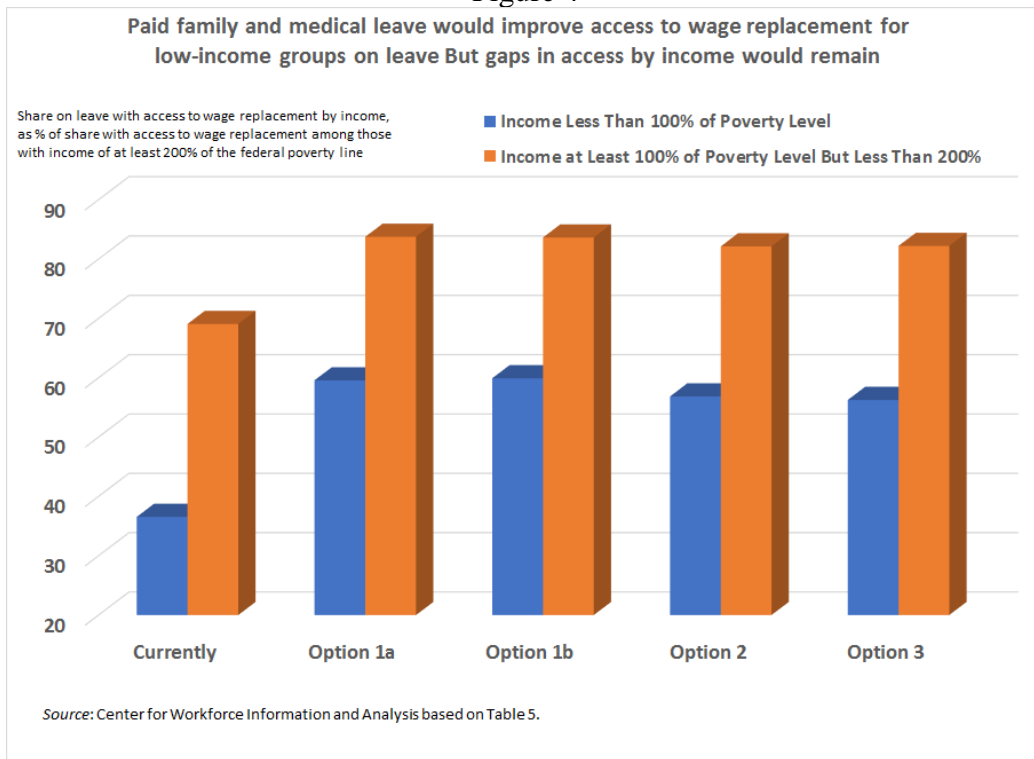


Figure 4



## Simulating Other State Paid Family Leave Models to Pennsylvania

The Department's Center for Workforce Information & Analysis (CWIA) applied the eligibility rules and available claims data from three statewide PFML programs in California, New Jersey, and Rhode Island, as well as a federal proposal, the Family and Medical Leave Insurance Act (FAMILY Act) to simulate a program for Pennsylvania. It is important to note that the cost-benefit analysis and the comparison analysis have widely different take-up rates and costs, including the variations in the reasons workers would take PFL. Yet, the information gleaned could be beneficial for future policy, legislative and related decisions to implementation of a statewide paid family medical leave effort.

Table 6 provides descriptions of key provisions and available statistics on claims activity, payment amounts, and durations for the three states' program models and the federal proposal. Included in the table are provisions of monetary eligibility (wage and time thresholds), weekly benefit parameters, and benefit duration.

Table 6: Program Provisions and Statistics for Active State Programs and Federal Proposal in 2015

Provisions	CA	NJ	RI	U.S. Proposed
Monetary Eligibility	At least \$300 in covered wages in 12-month base period	At least \$8,400 in covered wages in 12-month base period or at least \$168/week for 20 weeks	At least \$11,520 in covered wages in 12-month base period or at least \$1,920 in high quarter and \$3,840 in base year	Earned income from employment during the 12-month base period
Covered Employment	17,337,850	3,831,200	460,000	Not Available
Number of Claimants	225,163	32,232	4,941	Not Available
Claimants as % of Covered Employment	1.30%	0.84%	1.07%	Not Available
Weekly Benefits	Calculation: 55% of average weekly wages Maximum: \$ 1,104/week Average: \$ 550/week	2/3 of average weekly wages \$ 604/week \$ 516/week	60% of average weekly wages \$ 795/week \$ 519/week	2/3 of average monthly wages \$ 4,000/month Not Available
Benefit Duration	Maximum: 6 weeks Average: 5.4 weeks	6 weeks 5.2 weeks	4 weeks 3.6 weeks	12 weeks 10.7 weeks
Total Annual PFL Benefit Costs	\$ 659,600,000	\$ 85,800,000	\$ 9,200,000	Not Available
Funding	Employee contribution of 0.9% on first \$106,742 of annual wages - funds disability insurance and PFL	Employee contribution of 0.08% on first \$32,600 of annual wages - funds PFL only	Employee contribution of 1.2% on first \$66,300 of annual wages - funds disability insurance and PFL	Employer contribution of 0.2% on total wages and employee contribution of 0.2% on total wages - funds disability insurance and PFL

Sources: California [http://www.edd.ca.gov/About\\_EDD](http://www.edd.ca.gov/About_EDD); New Jersey <http://lwd.dol.state.nj.us/labor/tdi/tdihome.html>; Rhode Island - <http://www.dlt.ri.gov/tdi>; federal proposal (FAMILY ACT) <https://www.congress.gov/bill/114th-congress/senate-bill/786>.



**Potential Number of Claimants** The program usage rate in California, New Jersey, and Rhode Island provides a basis for determining the estimated number of claimants that a PFL program in Pennsylvania would potentially serve. The calculated average usage rate across the three programs for calendar year 2015 is 1.07 percent. This usage rate applied to Pennsylvania's estimated 5,595,000 covered workers (CY2015) shows an estimated 60,000 program claimants per year.

**Weekly Benefits** Estimates of the average weekly benefits that Pennsylvania might expect, were developed by applying the monetary eligibility limits from each of the four PFL models to Pennsylvania wage record data. Table 7 shows that the simulated average weekly benefit rate ranges from \$464 under the New Jersey model to \$540 under the proposed federal model. Differences in average weekly benefits are largely due to differences in wage replacement rates (percent or dollars supplement) and maximum benefit levels across the models (refer to Table 6).

Table 7: Estimated Benefit Costs and Funding Rates for PA PFL Program Options Simulated Under Corresponding Model Scenarios

Simulated Provisions	CA	NJ	RI	U.S. Proposed
Covered Employment		5,595,000		
Number of Claimants		60,000		
Claimants as % of Covered Employment		1.07%		
Average Weekly Benefits	\$ 484/week	\$ 464/week	\$ 526/week	\$ 540/week
Average Benefit Duration	5.4 weeks	5.2 weeks	3.6 weeks	10.7 weeks
Total Annual PFL Benefit Costs	\$ 156,800,000	\$ 144,800,000	\$ 113,600,000	\$ 346,700,000
Covered Wages		\$ 290,000,000,000		
Funding Rate to Cover PFL Benefit Costs as Percent of Total Covered Wages	0.054%	0.050%	0.039%	0.120%
Statewide Average Annual Wage		\$ 51,839		
Annual Contributions for Worker Earning the Statewide Annual Average Wage	\$ 28	\$ 26	\$ 20	\$ 62

Sources: The simulation used covered employment and wages under the unemployment insurance law in Pennsylvania provided on the USDOL website

[https://oui.doleta.gov/unemploy/content/data\\_stats/datasum16/DataSum\\_2016\\_2.pdf](https://oui.doleta.gov/unemploy/content/data_stats/datasum16/DataSum_2016_2.pdf) as a proxy for PFL covered employment and wages. The Pennsylvania statewide average annual wage comes from <http://www.workstats.dli.pa.gov/Products/SAWW/Pages/default.aspx>.

**Benefit Duration** California and New Jersey both offer a maximum duration of six weeks of benefits, while Rhode Island offers a maximum duration of four weeks. In 2015, data shows average durations of 5.4 weeks in California, 5.2 weeks in New Jersey, and 3.6 weeks in Rhode Island. All three states average duration was below the maximum duration in all cases. A ratio was developed (aggregate average/maximum duration) and applied to the federal 12-week maximum to estimate an average duration of 10.7 weeks for the federal model -  $(5.4 + 5.2 + 3.6) / (6 + 6 + 4) = 0.8875$ . The actual average durations from the state programs and estimated average duration from the federal proposal are used to estimate average duration for a Pennsylvania PFL program under each scenario ranging from 3.6 weeks to 10.7 weeks.

**Total Annual Benefit Costs** Table 7 shows that the total estimated benefit costs (claimants x benefits x duration) for Pennsylvania range from \$113.6 million under the Rhode Island model to \$346.7 million under the proposed federal model. Differences can be attributed to the varying rates of participation, benefits and duration.

**Funding** In California and Rhode Island, an employee payroll deduction funds both disability insurance and PFL, while in New Jersey the employee payroll deduction funds PFL only. In the federal proposal, equal shares of employee and employer contributions fund both disability insurance and PFL. Note that the funding mechanisms for the active state programs and the federal proposal, as shown at the bottom of Table 6, cover both administrative and benefit costs. The PFL simulation for Pennsylvania does not estimate administrative costs. As shown in Table 7, the estimated funding rate to cover benefit costs (not including administrative costs) for a PFL program in Pennsylvania ranges from 0.039 percent of total covered wages to 0.12 percent of total covered wages under the proposed federal model. Using average worker wages of \$51,839 in 2015, annual contributions (employer and/or employee) to cover benefit costs range from \$20 per year to \$62 per year.

## **Opinion Research: Population Viewpoints**

Lake Research Partners (LRP) was commissioned to conduct opinion research on Pennsylvania residents across the spectrum of various demographics. LRP designed and administered the population survey which was conducted by telephone from Aug. 16 - 22, 2017. The survey reached a total of 600 Pennsylvania adults ages 18-64 statewide.

The telephone numbers were drawn from a listed sample. The data was weighed slightly by education, race, and region to reflect attributes of the actual population. Due to the time constraints inherent to conducting a live survey, not all issues associated with this topic could be fully considered. A more in-depth exploration would necessitate additional surveys.

The margin of error for the sample is +/-4.0 percent. In interpreting survey results, all sample surveys are subject to possible sampling error; that is, the results of a survey may differ from those which would be obtained if the entire population were interviewed. The size of the sampling error depends upon both the total number of respondents in the survey and the percentage distribution of responses to a particular question. For example, if a question was asked of only half of the sample such that the total n=300 for that question, the total margin of error shifts to +/-5.7 percent.

The highlights which follow were provided by LRP as required by the Statement of Work. All comments, conclusions, and analysis drawn from the opinion research represent those of LRP.

- A solid majority of adults favor a statewide program to guarantee access to paid family and medical leave to care for a newborn, newly adopted child, or other family member (78 percent favor, 64 percent strongly favor).
- Across gender, age, educational attainment level, household income level, marital status, parental status, multigenerational households, and employment status, Pennsylvania adults strongly favor the program. Women, younger adults, lower income adults, and unmarried adults are the most strongly favorable. Parental status does not influence views.
- With and without contextual information about FMLA, a majority of Pennsylvania adults believe it is very important for Pennsylvania to establish a program to guarantee access to paid family and medical leave.
- Across gender, age, educational attainment level, household income level, marital status, parental status, and employment status, adults find establishing a paid family and medical leave program to be important. Women, unmarried adults, lower income adults, and those with an older relative in the household are the most likely to believe it is very important.
- When given a choice to leave things the way they are now with some employers choosing to provide their employees paid leave on their own and some not providing paid leave or the state having a statewide paid family and medical leave program, a solid majority of adults believe that the state of Pennsylvania should have a statewide paid family and medical leave program.

- Men and married Pennsylvanians are slightly more likely than others to believe things should remain the same while those making less than \$40,000, unmarried adults, and adults with older relatives in their household are most likely to think the state should have a program.
- By wide margins, adults strongly favor all specific policies tested:
  - Mothers when they have a baby, adopt, or foster a child – 73 percent
  - Providing care for a sick child or foster child – 72 percent
  - A serious illness, health condition, or injury of an immediate family member – 70 percent
  - Providing care for an elderly family member – 68 percent
  - Providing care for a person with disabilities – 67 percent
  - Fathers when they have a baby, adopt, or foster a child – 56 percent
- Adults who oppose paid leave as a program in general also oppose each of the specific policies by wide margins. On the other hand, those who favor paid leave also favor each policy nearly universally.
- Among adults, a majority believe 12 weeks is about the right amount of time (55 percent), and they split between thinking 18 weeks is about right (42 percent) and too long (37 percent). A majority of adults see 6 weeks as being too short of a period of time (57 percent).
- A majority of adults favor each funding mechanism tested overall, but the strongest favorability is toward a mechanism where employees pay \$1 per week to have access to the program, followed by \$2 per week, and employer-funded.
- A majority of adults agree that 100 percent of employee salary is too much; however, a majority (56 percent) think people receiving 75 percent of their salaries is about right.
- A majority of adults report not needing to take time off or reduce their hours at work to care for a new child, seriously ill family member, an older family member, or that a family member has needed to take time off work to care for them in the last five years (60 percent). Of those who have needed leave, a majority say the leave was unpaid (52 percent).
- People were just as likely to take time off or reduce their hours for a new child (11 percent) as they were to care for an ill family member (14 percent) or elderly family member (13 percent).

## Opinion Research: Employer Viewpoints

Lake Research Partners (LRP) was commissioned to conduct opinion research on Pennsylvania employers across the spectrum of industries, geography, and business size. LRP designed and administered the employer survey which was conducted online from Aug. 21 – Sept. 4, 2017. The survey reached a total of 500 Pennsylvania employers statewide.

The sample were drawn from a purchased list of current business owners in the state of Pennsylvania and screened to be at least 18 years old and in a high management/decision making position within their company. The data was weighed slightly by sector, region, and size of business to reflect attributes of the actual population. Due to the time constraints inherent to conducting a survey of business owners, not all issues associated with this topic could be fully considered. A more in-depth exploration would necessitate additional surveys.

The margin of error for the sample is  $\pm 4.4\%$  percent. In interpreting survey results, all sample surveys are subject to possible sampling error; that is, the results of a survey may differ from those which would be obtained if the entire population were interviewed. The size of the sampling error depends upon both the total number of respondents in the survey and the percentage distribution of responses to a particular question. For example, if a question was asked of only half of the sample such that the total  $n=250$  for that question, the total margin of error shifts to  $\pm 6.2\%$  percent.

The highlights which follow were provided by LRP as required by the Statement of Work. All comments, conclusions, and analysis drawn from the opinion research represent those of LRP.

- A majority of employers favor creating a program to provide paid family and medical leave to employees, but intensity is low (56 percent favor, 35 percent strongly favor). Overall, nearly one-in-five are not sure.
- Among employers, including contextual information about FMLA slightly increases the intensity with which employers respond to the proposal, within the margin of error. Regardless of contextual information, employers are more evenly split on whether they find it important to establish a program to guarantee access to paid family and medical leave.
- A plurality of employers would prefer things stay the same with some employers choosing to provide paid leave on their own and some not (45 percent).
- More than one third of employers believe there should be a statewide paid family and medical leave program (37 percent).
- A plurality of employers disagree that the adoption of a statewide paid family and medical leave program available to everyone would impact their business's competitiveness – 46 percent disagree that it would make them more competitive and 46 percent disagree that it would make them less competitive; however, nearly a quarter (24 percent) strongly agree that it would make their businesses less competitive, compared to 17 percent who strongly agree it would make them more competitive.

- Employers favor each of the six specific policies proposed, but with much less intensity than the general population survey.
- Employers do not clearly prefer any length tested as the right amount of time for a statewide paid family and medical leave program. About a third (35 percent) say that six weeks is about the right amount of time.
- Employers are more favorable toward funding mechanisms where the employee has a “stake in the game” and are strongly opposed to the employer-funded program option. Employers are also net unfavorable toward mechanisms that share responsibility between employers and employees.
- Employers are split between believing 66 percent of the employee’s salary while on leave is too much (29 percent), about right (30 percent), and not enough (25 percent).
- Nearly half (48 percent) of employers believe 75 percent of salary while on leave is too much, and a plurality of employers (42 percent) believe allowing employees to receive 50 percent of their salary while on leave is not enough.
- Vacation and sick days are the most common paid benefits provided by employers, followed by bereavement leave. A plurality of employers do not provide any of the other benefits listed, including maternity and paternity leave, and leave for an ill or injured child or family member.
- More than two-thirds (69 percent) of employers do not offer paid family and medical leave to their employees.
- Of those who do not offer leave, a majority (54 percent) cite the financial burden offering such leave would have on their company as what holds them back from offering it to their employees.
- The smaller the business, the less likely it is to offer paid leave to its employees.
- About four out of five (79 percent) employers believe employees should be required to work a given amount of time before they can take paid family and medical leave. Of those who agree, nearly half (49 percent) think the employee should have worked with the company for more than one year in order to qualify.
- While one quarter of employers are not sure, a plurality (37 percent) believe paid family and medical leave (PFML) should be a separate benefit, three in ten (29 percent) would require employees to use vacation and sick leave first, and only a tenth (9 percent) believe employees should use family and medical leave concurrently with vacation and sick leave. Employers with less than five employees, Philadelphia employers, those who already offer paid leave, and those in business for less than 20 years are the most likely to believe PFML should be a separate benefit.
- The majority of employers report none of their employees have used FMLA leave over the last five years.
- A majority (56 percent) also report having someone at their companies take time off or reduce their hours to care for a new child, seriously ill family member, elderly family

member, or their own serious illness. Of those who have seen this happen, the most common reasons for the leave was for the care of a new child (30 percent) or an ill family member (24 percent).

- Regardless of company size, from the employer perspective, the costs associated with providing paid family and medical leave is the biggest concern. Secondary concerns include finding replacements for the employee on leave and the risk of employees taking advantage of the program.

## **Advisory Board**

The Center for Workforce Information & Analysis administered the Paid Leave grant and coordinated grant activities. A tenet of the grant proposal was the creation of an Advisory Board to provide the subject-matter expertise and relevant context to the efforts. The selection of board members was deliberate to include various perspectives of groups with an interest in this issue, including business, women's advocacy, aging, and public health and wellness.

The Advisory Board is comprised of the four primary partners that represent workers, the business community, the current administration, and various state agencies that administer programs likely to be complementary to paid family and medical leave initiatives. Members were instrumental in shaping the grant activities through several virtual meetings and in some cases, small-group regional conferences.

With the end of the research findings phase comes a new role for the Advisory Board. The Advisory Board is expected to continue to be a primary resource; but in lieu of assistance with research initiatives, the members will be asked to provide guidance in the development of policies and potential legislative proposals. In addition, it is believed that the Advisory Board members will be the program champions at local, regional, and state levels.

CWIA wishes to thank the Advisory Board members for their commitment of resources, time, and energy. The results of the research findings were inspired and driven by their collective passion about the subject.



## **Table Listing**

Table 1: Four PMFL program variations modelled

Table 2: Program leaves and costs for four PFML Variations

Table 3: Total leaves taken by workers and wage replacement wage replacement, current and under four different PFMP variations for the commonwealth.

Table 4: Average leave lengths in weeks by type of leave and program leave lengths by type of leave and gender, currently and under four different PFML variations

Table 5: Percent of workers with any wage replacements by characteristic of worker, currently and under PFML variations

Table 6: Program provisions and statistics for active state program and federal proposal in 2015

Table 7: Estimated benefit costs and funding rates for PA PFL program options simulated under corresponding model scenarios

## **Figure Listing**

Figure 1: Distribution of program leaves under four PFML variations

Figure 2: Paid family and medical leave would increase access to wage replacement most for employees of small firms (with fewer than 50 employees)

Figure 3: Paid family and medical leave would sharply reduce gaps in access to wage replacement by race and ethnicity

Figure 4: Paid family and medical leave would improve access to wage replacement for low-income groups on leave but gaps in access by income would remain

## **Appendix A: Other States' Paid Family Leave Programs and Research**

### **States That Have Enacted or Proposed Paid Family Leave Programs**

- Since 2000, five states – California (2002), Washington (2007 with a major enhancement in 2017), New Jersey (2008), Rhode Island (2013), and New York (2016) – have enacted paid family leave programs.
- Washington's 2007 paid family leave law lacked a funding mechanism; the funded program enacted this year will begin offering paid leave to eligible workers on Jan. 1, 2020.
- New York's program will start in 2018.
- Several other states introduced paid family leave legislation in 2015: Colorado, Connecticut, Illinois, Maine, Vermont, Louisiana, Maryland, Minnesota, Washington, Arkansas, North Dakota, Oregon, and New Mexico.
- The National Partnership for Women & Families and A Better Balance have developed a model state paid family and medical leave statute.

### **Workers Covered**

- In California and Rhode Island, workers covered by state unemployment insurance laws are covered, except for public workers. Public employers can opt in to coverage through the collective bargaining process.
- In New Jersey, all workers covered by state unemployment insurance laws are covered.
- In New York, most private-sector workers are covered.
- In Washington, everyone who worked at least 820 hours in the past year (including in multiple jobs) will be covered.

### **Eligible Purposes for Paid Leave**

- In California, paid family leave can be used either (1) to bond with a child within one year of the child's birth or placement for foster care or adoption; or (2) to care for a family member with a serious health condition. Workers who need time off to recover from their own serious health condition may be eligible for payments under California's Disability Insurance program.
- In New Jersey, paid family leave can be used either (1) to bond with a child within one year of the child's birth or placement for adoption; or (2) to care for a family member with a serious health condition. Workers who need time off to recover from their own serious health condition may be eligible for payments under New Jersey's Temporary Disability Insurance program.
- In Rhode Island, paid family leave can be used either (1) to bond with a child within one year of the child's birth or placement for foster care or adoption; or (2) to care for a family member with a serious health condition. Workers who need time off to recover from their own serious health condition may be eligible for payments under Rhode Island's Temporary Disability Insurance program.

- In New York, paid family leave can be used (1) to bond with a child within one year of the child's birth or placement for foster care or adoption; (2) to care for a family member with a serious health condition; or (3) to address certain military family needs. Workers who need time off to recover from their own serious health condition may be eligible for payments under New York's Temporary Disability Insurance program.
- In Washington, paid family leave can be used for (1) up to 12 weeks in a year to care for a newborn or newly placed adopted or foster child; (2) to care for a family member with a serious health condition; (3) to address needs associated with a family member's military deployment; or (4) Or for up to 12 weeks in a year for a worker's own serious health condition, with an additional two weeks for a complication related to pregnancy.

### **Family Members Covered**

- In California, a family member includes a worker's child, parent, grandparent, grandchild, sibling, spouse, registered domestic partner, or the parent of a worker's spouse or registered domestic partner.
- In New Jersey, a family member includes a worker's child (under the age of 19 or unable to care for self due to mental or physical impairment), parent, spouse, registered domestic partner, or civil union partner.
- In Rhode Island, a family member includes a worker's child, parent, parent-in-law, grandparent, spouse, or registered domestic partner.
- In New York, a family member includes a worker's child, parent, parent-in-law, spouse, domestic partner, grandchild, or grandparent. The law's definition of domestic partner is flexible and does not require registration.
- In Washington, a family member includes domestic partners, grandparent/child, sibling, or in-law.

### **Benefit Level**

- In California, for most workers, approximately 55 percent of their average weekly wages up to a cap, currently set at \$1,120/week. Effective Jan. 1, 2018, most workers will receive 60 percent or 70 percent of their average weekly wage, depending on their income, up to cap.
- In New Jersey, for all covered workers, two-thirds of average weekly wage up to a cap, currently set at \$615/week.
- In Rhode Island, for all covered workers, 4.62 percent of wages in the highest earning quarter of the base year (or approximately 60 percent of a worker's average weekly wage during that quarter), up to a cap, currently set at \$795/week.
- In New York, for all covered workers, benefits will start at 50 percent of the worker's average weekly wage, up to cap of 50 percent of the statewide average weekly wage. When the program is fully phased in in 2021, workers will receive 67 percent of their average weekly wage up to a cap of 67 percent of the statewide average weekly wage.
- In Washington, for all covered workers, 90 percent of the workers' average weekly wages up to half the state average weekly wage, then 50 percent of the workers' average weekly wages

up to \$1,000 per week maximum. This translates into 90 percent replacement for someone earning \$28,000 per year, 71 percent for someone earning \$54,000 per year, and 63 percent for someone earning \$83,000 per year.

### **Benefit Duration**

- In California, up to 6 weeks in a 12-month period.
- In New Jersey, up to 6 weeks in a 12-month period.
- In Rhode Island, up to 4 weeks in a 52-week period.
- In New York, up to 12 weeks in a 52-week period.
- In Washington, up to 16 weeks, or 18 weeks with a pregnancy-related complication, in a 52-week period.

### **Job Protection**

- California's program does not provide job protection, though some workers may be eligible for job protection under other laws, such as the federal Family and Medical Leave Act (FMLA) or the California Family Rights Act (CFRA).
- New Jersey's program does not provide job protection, though some workers may be eligible for job protection under other laws, such as the FMLA or the New Jersey Family Leave Act (NJFLA).
- Rhode Island's program requires that a worker be restored to the position the worker held before leave or to a comparable position. Some workers may be eligible for additional protection under other laws, such as the FMLA or the Rhode Island Parental and Family Medical Leave Act (RIPFMLA).
- New York's program requires that a worker be restored to the position the worker held before leave or to a comparable position. Some workers may be eligible for additional protection under other laws, such as the FMLA.
- Washington has job protection with FMLA qualifications.

### **Utilization**

- In states with family leave programs, most claims were for parents seeking time to care for new children (California – 90 percent, New Jersey – 81 percent, and Rhode Island – 75 percent)
- In California, the number of fathers filing leave claims increased by more than 400 percent between 2005 and 2013.

### **Program Funding**

- In California, paid family leave is funded by a payroll deduction from employee wages, currently set at 0.9 percent. This deduction includes funding for both paid family leave and disability insurance and does not apply to wages above \$106,742 per year.

- In New Jersey, paid family leave is funded by a payroll deduction from employee wages, currently set at 0.08 percent. This deduction does not apply to wages over \$32,000 per year. Temporary disability insurance is funded separately from paid family leave and is jointly funded by employers and employees.
- In Rhode Island, paid family leave is funded by a payroll deduction from employee wages, currently set at 1.2 percent. This deduction includes funding for both paid family leave and temporary disability insurance and does not apply to wages above \$64,200/year.
- In New York, paid family leave is funded by a payroll deduction from employee wages, up to a maximum set by the Department of Financial Services. Temporary disability insurance is funded separately from paid family leave and is jointly funded by employers and employees.
- In Washington, paid family leave will be funded by 0.4 percent of pay, with workers paying 63 percent and employers 37 percent, beginning January 2019.

### **Program Administration**

- California, New Jersey, Rhode Island, and New York had pre-existing temporary disability insurance programs to expand and build upon, so they were able to reduce implementation costs since administrative and financing structures were already in place.
- In California, most workers are covered through the state-run disability insurance program, which is paid for through employee payroll contributions and is centrally administered. Employers can apply for approval of a voluntary plan.
- In New Jersey, by default, workers are covered through the state-run paid family leave program. Employers can apply for approval of a private plan.
- In Rhode Island, all covered workers are covered through the state fund.
- In New York, employers can provide coverage by purchasing insurance (either from the state fund or a private insurer) or by becoming an approved self-insurer.
- In Washington, the Employment Security Department (administers unemployment insurance) will administer the paid family leave program.
- Other states have proposed paid leave legislation in 2015 to create standalone family and medical leave insurance programs administered through labor departments and funded either by employee payroll contributions (Colorado, Connecticut, Illinois, Maine, New York, and Vermont) or a combination of employee- and employer-paid contributions (Louisiana, Maryland, Minnesota, and Washington).
- Maryland proposed running a paid family leave program through the state's unemployment insurance program.
- Five states introduced legislation to give tax credits to businesses already providing paid leave (Arkansas, North Dakota, Oregon, Minnesota and Connecticut)
- New Mexico introduced a bill for a paid family and medical leave program funded by state and corporate income taxes.

## **Cost and Benefit Analyses**

- Several states/other government entities (e.g., Washington, Massachusetts, Vermont, New Hampshire, Indiana, Hawaii, DC, Montgomery County, MD) have contracted with the Institute for Women's Policy Research (IWPR) and Labor Resource Center (University of Massachusetts) to develop cost-benefit analyses based on a simulation model developed by Randy Albelda and Alan Clayton-Matthews from the University of Massachusetts. The simulation model is a software application that mimics the sequence of decisions and events that a person makes and experiences in the leave process based, in part, on Public Use Family and Medical Leave survey data collected by Abt Associates in 2012 for the Department Labor (McGarry, et al, 2013) and American Community Survey Public Use Microdata Sample. The model estimates the number of family and medical leaves taken or needed in a state as well as the current employer and employee wage costs associated with those leaves. According to Albelda and Clayton-Matthews, their model has the capacity to estimate the new and redistributed wage-replacement costs of any new proposed program.
- Indiana plans to partner with Albelda and Clayton-Matthews to develop cost-benefit models for up to eight proposed plans, including the potential effects of paid family leave programs on SNAP and TANF uptake rates. They plan to also use the results of this analysis to develop education and outreach materials.
- In a paid leave analysis grant report, Montana, describes a methodology (developed by outside vendors – Montana Budget & Policy Center in consultation with the Colorado Fiscal Institute) for estimating benefit payouts based on statistics from California and New Jersey adjusted for the demographics in Montana. Since the proposed paid family leave program would be administered through the Montana Department of Labor and Industry, similar to unemployment insurance, they looked at the cost of administering unemployment insurance to estimate the costs to administer a paid family leave program. Montana then estimated administrative costs based on estimates from fiscal notes on proposed paid family leave legislation in Washington and Colorado. Montana estimated that total administrative costs would account for 6.67 percent of total program costs in the first three years of the program and then decrease to 4 percent per year thereafter.
- Estimates from paid family leave proposals in other non-disability insurance states/government entities (Washington, Colorado, DC) show ongoing annual administration costs of approximately 4-5 percent of total benefits.
- Recognizing the challenge of implementing family paid leave programs in states without disability programs, the president's budget includes a State Paid Leave Fund at the Department of Labor that will help cover start-up costs for states that implement paid leave programs.

## **Survey and Focus Group Research**

- A survey of 253 employers affected by California's paid family leave initiative found that over 90 percent reported either no noticeable or a positive effect on profitability, turnover, and morale.
- In New Jersey, 76.4 percent of workers surveyed said they viewed the paid family leave program favorably and the majority of both small and large businesses indicated that they have adjusted easily.

- Rhode Island surveyed a sample of small and medium-sized businesses in Rhode Island before and after the state's paid family leave law went into effect. They did not find any significant changes over time in employers' reports about productivity, employee morale, cooperation, or attendance. Fifty-six percent of the smaller firms (10-19 employees) and 59 percent of the medium-sized firms (20-49 employees) supported the program.
- In New York, 80 percent of New York voters supported the paid family leave proposal prior to enactment.
- Montana conducted a mail survey of a stratified sample of employers covered under the state's unemployment insurance program. They found that only 5 percent of Montana businesses provided paid family or parental leave to all of their employees. While businesses generally had good opinions about paid parental leave, they generally did not feel that the benefits of providing paid family leave outweighed the costs.
- Tennessee, through partnership with the University of Tennessee and A Better Balance, is conducting a large-scale survey of state residents to assess the need for and availability of paid family and medical leave.
- Vermont is conducting a survey of the public to understand public views to develop effective communication for education efforts and a survey of businesses to understand current paid leave practices and policies, feedback on possible funding mechanisms, impacts on businesses and tools to develop educational materials for employers.
- Washington, in partnership with Lake Research, is conducting a statewide polling of voters' views toward paid family leave, willingness to support a paid family leave program, preferences on plans, and opinions on communications and outreach strategies.
- Indiana plans to use ethnographic interview research and talkback testing conducted by Topos Partnership to refine its educational and outreach materials.
- Hawaii has proposed conducting a public poll to collect information on broad public opinion about paid family leave, benefit design, and messaging. They also plan to conduct focus groups with businesses, unions, families, and caregivers of children and elderly. The results will be used to develop materials for educational and outreach efforts.

## **Appendix B: Full Report on Cost, Leave and Length Estimates Using Four Different Leave Programs Variations for Pennsylvania, Prepared by Randy Albelda and Alan Clayton-Matthews November 2017**

### *Introduction*

The birth of a child. A cancer diagnosis or hip replacement. A parent, spouse or child with a serious illness. Each requires a worker to take an extended period of time off from work. And while almost everyone will experience this type of event in their work life, the United States is one of the few countries in the world that does not have a national policy on paid maternity and an outlier among industrial counterparts without any guarantee of paid parental and medical leaves.<sup>1</sup> Six states and Washington DC, however, have such programs or have recently enacted them<sup>2</sup> and many others have paid family and medical leave legislation under consideration. Understandably policy makers, advocates, employers and employees want to know what the cost associated with providing partial wage replacement while on leave.

Currently, in states without paid family and medical leave programs, the costs associated with taking time off from work for a serious own-health condition, to bond with a new child, or to care for an ill-relative are born by the individual workers that take those leaves and their employers. In 2016, only 14 percent of all U.S. workers had access to paid family leave from their employers, 38 percent had access to short-term disability leave, and 68 percent had paid sick leave.<sup>3</sup> Low-wage, poor, black and latino, and young workers as well as those that work for small-sized employers are the most disadvantaged by the lack of universal paid leave programs because they are the least likely to currently be covered by these forms of wage replacement.<sup>4</sup> Women, the majority of whom are employed, as primary caregivers are more likely to take time off and to take longer time off to have and bond with a child or to care for an ill relative than men.<sup>5</sup> The lack of paid leave policies leaves places them at a relative disadvantage. A state-wide paid leave program will not cover all the costs of wage replacement for workers on a family or medical leave, but the substantial portions that are covered are spread across the entire covered workforce and is available to all worker that meet the eligibility requirements. In doing so it reduces the individual cost to all workers and employers and at the same time reduces inequality among workers by covering workers that did not have any wage replacement prior to a program. This document provides estimates on the cost of benefits paid, number, leave lengths by gender, and percent of workers with wage-replacement for family and medical leaves in Pennsylvania currently and with four program possibilities. It also includes estimates on the percentage of

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<sup>1</sup> 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).

<sup>2</sup> The states that currently have paid family and medical leave programs are California, New Jersey and Rhode Island. Hawaii and New York has a paid medical leave insurance program. New York recently enacted paid family leave. Washington DC and Washington State also recently enacted paid family and medical leave legislation.

<sup>3</sup> U.S. Department of Labor, Bureau of Labor Statistics, National Compensation Survey, 2016, Tables 16 and 32. Retrieved September 15, 2017 at [http://www.bls.gov/ncs/ebs/benefits/2016/ownership\\_civilian.htm](http://www.bls.gov/ncs/ebs/benefits/2016/ownership_civilian.htm).

<sup>4</sup> See simulation estimates in Table 5 below for wage replacement rates currently.

<sup>5</sup> We estimate that in currently in Pennsylvania, women take 54 percent of all medical and family leaves. Length of leaves by gender are reported in Table 4.



employees that receive any form of wage replacement while on leave currently and with each of the four program possibilities by some key demographic and employer characteristics. The family and medical leaves considered are for own health reasons, including those related to pregnancy, to bond with a new child, and to care for an ill relative. The estimates are derived from the Albelda & Clayton-Matthews/Institute for Women's Policy Research (ACM/IWPR) Paid Family and Medical Leave Simulator, June 25, 2017 version. They do not include costs associated with administering a program. What follows is a brief description of the simulator, a summary of the four paid leave programs estimated, and the estimates on costs, coverage, and length of the four programs.

*The ACM/IWPR simulator and behavior parameters used*

The simulator relies on known leave-taking behavior among workers contained in a 2012 Department of Labor (DOL) sponsored survey on family and medical leaves<sup>6</sup> and our own informed decision-making for unknown behavior (such as take-up rates). Using the 2012 DOL survey, we estimate models of the likelihood of an individual taking an FMLA (Family and Medical Leave Act) qualifying leave, and the length of that leave, based on employer pay, the demographic characteristics of leave takers, and the need for a leave. We then use these models to simulate leave-taking, employer costs, and program costs both with and without a state paid leave program, using the sample individuals from the five-year American Community Survey (ACS) for 2011-2015 for all employees in Pennsylvania. These estimates are not sensitive to who pays for the program (i.e. if the revenue for benefits are generated through employer or employee contributions or through tax revenues). Documentation on the model is available at [http://scholarworks.umb.edu/econ\\_faculty\\_pubs/41/](http://scholarworks.umb.edu/econ_faculty_pubs/41/).

There are two types of parameters that must be specified to generate estimates from the simulator. One type specifies the paid leave policy. These policy parameters include the wage replacement rate, maximum weeks of leave, maximum benefit level, waiting period, and eligibility requirements. The policy parameters used in this report are summarized in Table 1 below. These were defined with input from members of the Pennsylvania advisory board to its U.S. Department of Labor paid family and medical leave project.

The other type of parameters includes behaviors beyond those that can be gleaned from the DOL survey. Behavioral parameters give the simulator decision rules about how people might behave when faced with the option of using a state-wide paid medical and family leave (PMFL) program. The key ones include: take-up rates (the percentage of eligible leave takers that use a paid leave program); length of leave once on a program;<sup>7</sup> and use of a program if an employer already provides leave payments that are more generous than the PMFL program. We have developed the simulator so that we can adjust each of these policy and behavioral parameters. Using the simulator to estimate actual leaves and lengths in California and New Jersey, generated the information used to calibrate take-up rates and behavior parameters regarding

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<sup>6</sup> Jacob Alex Klerman, Kelly Daley, and Alyssa Pozniak, [Family and Medical Leave in 2012: Technical Report](#), Abt Associates, prepared for Department of Labor (2013).

<sup>7</sup> Small sample sizes and lack of information on state of residence or work, the publicly provided data from the DOL survey does not allow an accurate measure of leave lengths for those leave takers that use one of the already existing state-wide programs.

length of PMFL program leaves.<sup>8</sup> The take-up rates we use for these estimates are 40 percent for own health (i.e., 40 percent of people taking time off from work for an own-health problem opt to take paid leave through the program); 95 percent for pregnancy-related and new-child bonding leaves; and 5 percent for ill-relative leaves. The variation in these take-up rates reflect the type of leave taken (e.g. almost all mothers that have a child take time off; most own-health leaves are short; far fewer use a program for ill relative leaves as there may be many caretaker substitutes and leave time required is less predictable) and the nature of DOL survey questions about pregnancy and bonding leaves. Take up rates for own health and ill relative leaves might increase over time as employers and employees become more familiar with the program.

The simulator imposes “rationality” on leave takers. That means, weekly program benefits must equal or exceed their next best alternative for someone to choose to use the PMFL program when taking a leave. So, if an employer’s wage replacement exceeds the amount the program benefit would be, the leave taker chooses not to participate in the program. However, it is likely that employers that pay full wage replacement would encourage employees to use the PMFL program and then “top-off” program benefits to reach full wage replacement. We have built in a behavioral parameter that allows us to input a percentage of employees with full wage replacement that would use a program based on a minimum number of weeks of leave taken. For these estimations, the simulator is directed to randomly select 50 percent of all leavers with full-wage replacement taking a leave of weeks (20 days) or more to use the state-mandated program for as long as the leave is eligible.<sup>9</sup>

In addition to the behavior and policy parameters, there is a “cloning” device employed which reduces simulation error by creating several duplicates of the same person to run through the simulation. A cloning factor of 30 is used for the estimations here (i.e. each person is run through the model 30 independent times, with the weight of each person reduced by a factor of 30). This reduces the variability of estimates for any given run of the model which uses a “random wheel” spin for probabilities of taking and needing a leave. Still, there will be some variability in results across runs of the simulator, but typically less than 1 percent.

The data passed through the simulator comes from the US sample of 2011-2015 ACS 5-year Public Use Microdata Samples (PUMS), culling all individuals employed in Pennsylvania, regardless of state of residence. Federal employees are excluded from these estimates as federal legislation precludes states from subjecting federal employees to paid family and medical state laws. There are 6,522,122 non-federal government workers in Pennsylvania, including all self-employed workers (8.3 percent of all non-federal government workers), as the policy parameters provided allow self-employed workers to opt in to the PMFL program (rather than be required to participate). Their inclusion here may bias the results by overestimating the number of leaves taken but underestimating the length of those that do use the program as not all self-employed

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<sup>8</sup> This is done by running the simulator under various take-up rates and extension of leave options for those states using parameters of their existing programs and use those that are within the ranges that best approximate actual numbers of leaves and leave lengths.

<sup>9</sup> There is some evidence that firms do this. In addition, a 2015 Paid Family Leave Market Research report on California’s Paid Family Leave program conducted for California’s Employment Development Department ([http://www.edd.ca.gov/disability/pdf/Paid\\_Family\\_Leave\\_Market\\_Research\\_Report\\_2015.pdf](http://www.edd.ca.gov/disability/pdf/Paid_Family_Leave_Market_Research_Report_2015.pdf)) finds that between 40% - 50% of women taking paid family leave with incomes over \$60,000 used “integrated” benefits – a combination of program and employer pay (p. 41)

workers will opt in and those that do may have a higher likelihood to need and use a paid leave program than those that do not opt-in.

We present estimates by leave type grouped into four categories. “Own-health” refers to non-pregnancy related leaves taken by a worker to attend to a serious health condition; “pregnancy” refers to leaves taken by pregnant women; “new child” are leaves taken by a parent to bond with a new-born or adopted child; and “ill relative” refers to leaves taken by a worker to care for an ill child, spouse or parent with a serious health condition.

### *Programs estimated*

We provide estimates for each of the four variations of paid leave programs summarized in Table 1 below. These four PFML programs differ from each other in terms of weekly benefit cap, maximum weeks of leave, wage replacement rate and waiting period. In one PFML variation (1a), the replacement rate is a “sliding scale” linked to the 2015 Pennsylvania’s State Average Weekly Wage (AWW) of \$995 ([http://www.dli.pa.gov/Businesses/Compensation/WC/claims/Pages/Statewide-Average-Weekly-Wage-\(SAWW\).aspx#newer](http://www.dli.pa.gov/Businesses/Compensation/WC/claims/Pages/Statewide-Average-Weekly-Wage-(SAWW).aspx#newer)). All workers using this variation of the leave program would get 90 percent of their first \$723 (i.e. ½ of AWW) weekly salary replaced and then 50 percent of wage replaced for every dollar earned over that up until the total received is equal to the benefit cap of \$995. Replacement rates and benefit levels by amount of weekly wage for each of the four PFML programs estimated are depicted in graphical form in Appendix 1.

In all cases we use [Pennsylvania Unemployment Insurance](#) financial eligibility rules to define eligibility to participate in the paid medical and family leave program. Applying these rules using ACS data translates into eligibility criteria of having worked at least 18 weeks and earned \$2,718 over the previous year.

*Table 1 Policy parameters of four PMFL programs estimated*

<i>Program variation</i>	Eligibility (min weeks/min annual earnings)	Weekly benefit cap	Max weeks medical leave (own health, inc. pregnancy)	Max weeks family leave(new child or ill relative)	Wage replacement rate	Waiting period (before leavers can draw down wage replacement) in weeks
					.9 to 1/2 AWW*; then	
1a	18/\$2718	\$995	26	12	.5	No waiting period (0)
1b	18/\$2718	\$995	26	12	.9	No waiting period (0)
2	18/\$2718	\$750	26	12	.75	0 for ill relative; 1 for all others
3	18/\$2718	\$573	12	12	.6	1 week all leaves

\*[AWW](#) is the 2015 average weekly wage of \$995.

### *Cost of four different PFML programs*

Table 2 (at the end of the report) provides a summary of the four different programs, the estimated number of program leaves, and various cost (benefits paid) estimates associated with each of the four program variations. These include the total cost in millions, average weekly cost per worker (total cost/total number of covered workforce), cost as a percent of total payroll of covered workforce, and average weekly cost for a worker earning the PA median weekly wage of \$643.

We estimate the annual number of program users to vary between about 330,000 to just above 272,000.<sup>10</sup> In general the higher the program wage replacement rate, the more likely a worker will use a program (rather than receive employer benefits and/or experience lost wages).

The average annual cost per covered worker (which could be paid by employees or employers or split between the two) ranges from a high of \$281 (variation 1b) per year to \$123 (variation 3), not including administrative costs. To calculate the payroll contribution rate, we divide the total cost of the program by the sum of all eligible workers' wages. This provides a contribution rate of 0.672 percent (variations 1b) to 0.295 percent (variation 3).<sup>11</sup> We apply this rate to the median weekly wages of eligible workers in Pennsylvania and find a range of about \$4.53 to \$1.98 a week. Generally speaking, the higher the benefit cap and replacement rate, the lower number of waiting period days, and the longer the maximum weeks allowed, the higher the cost of the program. Variation 1a with a sliding scale benefit pay-out costs slightly less than the same program (variation 1b) without a sliding scale.

The percent of all program leaves (i.e. those using a program) divided by the covered workforce is between 5.0 percent and 4.2 percent depending on the variation. Because some workers take more than one leave per year, the percent of employees using a program would be less. Between 4.1 percent (variations 1a and 1b) and 3.5 (variation 3) percent of all employees would use a program annually (not shown on table 3).

#### *Leaves taken*

Table 3 summarizes each of the program variations and depicts the total annual number of leaves taken (currently and with each variation), the total number of eligible leaves in a program year using the state-wide PMFL program, and percent of all leaves taken that have any wage replacement currently and under the four different PFML variations. Wage replacement in this case includes any employer-based pay received while on a family or medical leave including employer-provided or union negotiated vacation time or sick days; employer-provided or privately purchased disability insurance; or the state-wide PMFL program. (Figure # also compares the distribution of program leaves under the four options. [USE

The simulator, based on information gleaned from the DOL survey, estimates the number of FLMA leaves workers that need and take as well as those that need a leave but do not take one currently (i.e. without a state-wide paid leave program). The total number of leaves taken currently is lower than the total number of leaves taken with any of the PFML variations because many workers that need but cannot afford to take a leave currently would be able to do so with a paid leave program. The increase in total leaves taken is lowest in the variation with lowest wage replacement rate, lowest benefit level, and longest wait period (variation 3). About 12.5 percent of all employees currently take any leave for a family or medical reason each year and that would increase to between 12.8 and 12.9, depending on the program variation (not shown on Table 3). The slight increase in those taking a leave with a statewide program is

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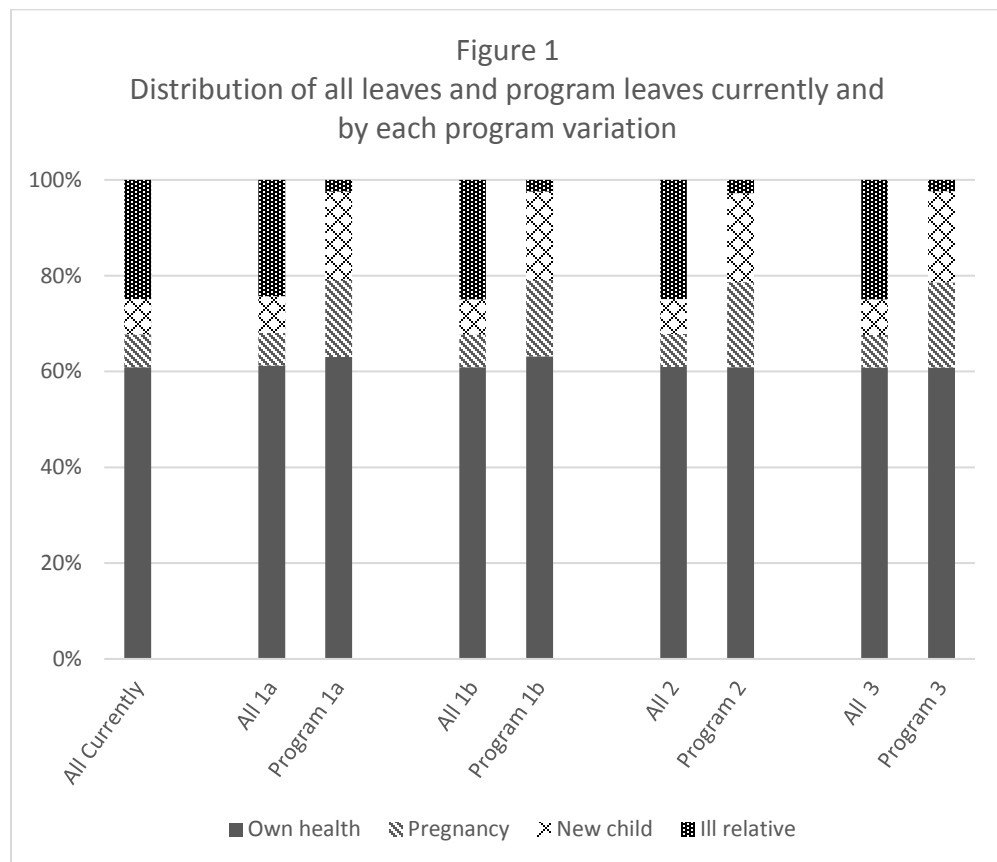
<sup>10</sup> Estimates for program leaves and costs are for a "program year"—the number of people that use the program in a 12 months period and the payments to eligible recipients associated with that 12-month period.

<sup>11</sup> A Better Balance has done a comprehensive comparison of the policy parameters and funding mechanisms of the paid medical and/or family leaves program in Rhode Island, California, Hawaii, and the recently enacted programs in New York and Washington DC at <http://www.abetterbalance.org/resources/paid-family-leave-laws-chart/>. Because each of the programs differ by length of leaves allowed, percentage of wage replaced, maximum benefit allowed, and waiting periods it is hard to compare across programs. A Better Balance reports that California applies a 0.9 percent payroll deduction on the wages up to \$110,902. That program provides 55 percent of wage replacement up to the statewide average weekly wage (currently \$1,173) and allows up to 52 weeks of own-health (including pregnancy related leaves) and up to 6 weeks for family leaves, with a one-week waiting period. New Jersey applies a .24 percent payroll deduction for employees and between a .1 and .7 percent contribution on employers for their medical leave program and a 0.1 percent contribution on employees for their family leave program that covers 2/3<sup>rd</sup> of weekly wage up to 53 percent of the statewide average weekly wage (\$633) for up to 26 weeks of medical leave and up to 6 weeks of family leave.

attributable to leaves taken by people who needed a leave prior to a program but did not take one because they could not afford it.

The majority of *all* leaves taken currently (and under each of these variations) are for own-health reasons. The same is true of all *program* leaves (i.e. leaves taken using a state-wide PMFL program). However, compared to all leaves taken, a much smaller percentage of program leaves are to care for an ill relative while a much higher percentage of program leaves are for pregnancy-related and new child bonding reasons. The program leave distributions differ from total leaves taken because the take-up rates we use differ by type of leave.

Figure 1 depicts the distribution of all leaves currently and of all leaves and program leaves for each of the four program variations. Just under 61 percent are for non-pregnancy own-health leaves and 7 percent for pregnancy, accounting for two-thirds of all leaves currently. Twenty-five percent of leaves taken are to care for an ill-relative, with 7.5 percent for bonding with a new child. These percentages (for all leaves taken) are almost identical under each of the program variations. However, this distribution changes among leaves taken using a program. We estimate that of all program leaves, non-pregnancy related own health reasons account for 63 percent for variations 1a and 1b and 61 percent for variations 2 and 3. Pregnancy leaves account for between 16 and 17 percent of program leaves and new child bonding leaves comprise about 19 percent of program leaves. Ill-relative leaves are just under 3 percent of program leaves.



Because own-health (including pregnancy-related) leaves comprise almost 80 percent of program leaves, variations 1a, 1b, and 2 that allow for up to 26 weeks for own health leaves are more costly.

Less than one out of every three leavers (29 percent in variation 1a, 28 percent in variation 1b, 26 percent in variation 2 and 24 percent in variation 3) would use a paid leave program. Reasons why all leaves would not be covered by a program are varied. The most important one is most leaves are short (currently the median leave is 3 weeks) and workers will either use other forms of wage replacement or forgo wages for short leaves rather than go through the process of applying for PMFL benefits. Other reasons include lack of knowledge of the program, workplace culture, better wage replacement from an employer, or difficulty using the program (nature of the leave or administration of program). These are accounted for in the policy and behavioral parameters of the model, especially take-up rates. All of the PFML program variations boost the current percentage of wage replacement for those on leave, but are especially effective at boosting wage replacement for pregnancy and new child leaves.

#### *Length of leaves*

Table 4 (at the end of the report) depicts average leave lengths (of all leavers) by type of leave and the average length of leave on the paid leave program by type of leave and by gender for each of the four PMFL program variations. The average length of leaves currently is 6.5 weeks for all leaves. The median length of leave currently is 3 weeks, so average lengths are being very influenced by those taking long leaves. The average total length of leave increases by 1.3 weeks to 1.7 weeks (6.5 to 8.5 days) with a program in place, increasing the median total length of all leaves to 4 weeks.

Pregnancy leaves are the longest leave taken currently as well as with any of the four different program variations, followed by own-health (non-pregnancy-related) leaves, new child and ill relative leaves.

The bottom three panels of the table provide the average length of weeks workers use the paid leave program for each variation. The first of those panels includes all program users, the next is for men only while the last one is for women only. The average number of weeks taken decreases for own health and pregnancy leaves in variation 3 where the maximum length of leave is 12 weeks for all leaves (versus 26 weeks for the other variations). The average number of weeks for ill relative leaves is low generally, while weeks to bond with a new child average about 6.5 weeks, but men (on average) would use about 4.5 weeks and women just over 9 weeks. On average, men and women would use about the same amount of time for non-pregnancy-related own health and ill-relative leaves.

#### *Wage replacement by worker characteristics*

Some workers that take leave do not have any access to employer based or privately purchased wage replacement. Table 5 (at the end of the report) depicts the percent of workers with any wage replacement by characteristic of worker currently and under four different PFML variations. Currently 70.4 percent of Pennsylvania workers get some form of wage replacement for some of the time they are on a family or medical leave. This wage replacement can come from employer provided paid leave, but it most likely from employer-provided vacation or sick days or a purchased short-term disability insurance program. Workers that are more likely to receive some form of wage replacement currently include men, white workers, workers ages 45-64, higher income and higher waged workers, and workers in large firms. In some cases, the gap in wage replacement is large, for example young workers, low-wage workers, poor workers, and workers in firms with a small number of employees are 20-30 percentage points less likely to get wage replacement than their counterparts. With all of the PMFL programs, the gap remains, but is sharply narrowed for many workers. The gap is closed in the case of men and women while remains wide for young workers (ages 16-24) and workers with family income below the federal poverty level.

Table 2: Program leaves and costs for four PMFL programs

Program variation	1a	1b	2	3
Eligibility (min weeks/min annual earnings)	18wks/\$2718	18wks/\$2718	18wks/\$2718	18wks/\$2718
Weekly benefit cap	\$995	\$995	\$750	\$573
Max weeks TDI (own health, inc. pregnancy)	26	26	26	12
Max weeks FL(family leave)	12	12	12	12
Replacement rate	.9 to 1/2 AWW*; then .5	0.9	0.75	0.6
Waiting period in weeks	No waiting period (0 weeks)	No waiting period (0 weeks)	0 for ill relative; 1 for all others	1 week all leaves
Program leaves	325,085	329,366	287,296	272,377
Cost in \$millions	\$1,600.88	\$1,831.28	\$1,327.90	\$802.16
Avg yearly cost per worker	\$245.45	\$280.78	\$203.60	\$122.99
Avg weekly cost per worker	\$4.72	\$5.40	\$3.92	\$2.37
Avg weekly benefit paid	\$561.30	\$629.38	\$512.08	\$397.15
Payroll contribution (for all wages of all covered workforce)	0.588%	0.672%	0.488%	0.295%
Weekly contribution for median wage earner**	\$3.96	\$4.53	\$3.28	\$1.98
Program leaves as % of employment	5.0%	5.0%	4.4%	4.2%

Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model

\*AWW is the 2015 average weekly wage of \$995.

\*\* Median weekly earnings are \$673 (2011-2015 ACS)

*Table 3 Total leave taken, program leaves and percent with wage replacement, currently and under four different PFML program variations*

<i>Program variation</i>	<i>Currently*</i>	<i>1a</i>	<i>1b</i>	<i>2</i>	<i>3</i>
<i>Eligibility (min weeks/min annual earnings)</i>	NA	18wks/\$2718	18wks/\$2718	18wks/\$2718	18wks/\$2718
<i>Weekly benefit cap</i>	NA	\$995	\$995	\$750	\$573
<i>Max weeks TDI (own health, inc. pregnancy)</i>	NA	26	26	26	12
<i>Max weeks FL(family leave)</i>	NA	12	12	12	12
<i>Replacement rate</i>	NA	.9 to 1/2 AWW**; then .5	0.9	0.75	0.6
<i>Waiting period in weeks</i>	NA	No waiting period (0)	No waiting period (0)	0 for ill relative; 1 for all others	1 week all leaves
<i>Total leaves taken</i>					
<i>Own health</i>	683,503	707,319	706,659	702,937	698,798
<i>Pregnancy</i>	76,632	78,961	79,159	79,046	78,794
<i>New child</i>	82,750	88,721	88,408	86,380	86,620
<i>Ill relative</i>	279,277	280,451	281,674	281,025	280,497
<i>All leaves</i>	1,122,161	1,155,452	1,155,900	1,149,388	1,144,709
<i>Program leaves taken</i>					
<i>Own health</i>	NA	204,892	208,001	174,895	165,674
<i>Pregnancy</i>	NA	52,255	52,528	51,065	48,320
<i>New child</i>	NA	60,070	60,692	53,455	51,978
<i>Ill relative</i>	NA	7,868	8,144	7,880	6,405
<i>All leaves</i>	NA	325,085	329,366	287,295	272,377
<i>Percent wage replaced</i>					
<i>Own health</i>	69.3%	79.1%	79.2%	77.7%	77.6%
<i>Pregnancy</i>	69.3%	92.6%	92.5%	91.8%	91.5%
<i>New child</i>	74.8%	96.2%	96.4%	93.6%	93.2%
<i>Ill relative</i>	72.0%	73.3%	73.5%	73.3%	73.0%
<i>All leaves</i>	70.4%	80.0%	80.0%	78.8%	78.6%

*Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model*

\*Because of simulation error, the number of current leaves vary slightly under each program simulation run. Here we present the average for the four program simulation runs.

\*\*AWW is the 2015 average weekly wage of \$995.



Table 4 Average leave lengths in weeks by type of leave and program leave lengths by type of leave and gender, currently and under four different PFML program variations

<i>Program variation</i>	<i>Currently*</i>	<i>1a</i>	<i>1b</i>	<i>2</i>	<i>3</i>
<i>Eligibility (min weeks/min annual earnings)</i>	NA	18wks/\$2718	18wks/\$2718	18wks/\$2718	18wks/\$2718
<i>Weekly benefit cap</i>	NA	\$995	\$995	\$750	\$573
<i>Max weeks TDI (own health, inc. pregnancy)</i>	NA	26	26	26	12
<i>Max weeks FL(family leave)</i>	NA	12	12	12	12
<i>Replacement rate</i>	NA	.9 to 1/2 AWW**; then .5	0.9	0.75	0.6
<i>Waiting period in weeks</i>	NA	No waiting period (0)	No waiting period (0)	0 for ill relative; 1 for all others	1 week all leaves
<i>Average length of all leaves (weeks)</i>					
<i>Own health</i>	7.1	8.9	8.9	8.8	8.4
<i>Pregnancy</i>	12.5	17.3	17.2	17.4	15.4
<i>New child</i>	5.4	7.3	7.3	7.5	7.5
<i>Ill relative</i>	4.0	4.0	4.0	4.0	4.0
<i>All leaves</i>	6.5	8.2	8.1	8.1	7.8
<i>Average length on program (weeks)</i>					
<i>Own health</i>	NA	10.8	10.8	11.1	8.6
<i>Pregnancy</i>	NA	15.0	15.1	14.5	10.2
<i>New child</i>	NA	6.3	6.4	6.5	6.4
<i>Ill relative</i>	NA	3.1	3.1	3.1	3.0
<i>All leaves</i>	NA	10.4	10.5	10.7	8.3
<i>Men -- average length on program (weeks)</i>					
<i>Own health</i>	NA	10.8	10.8	11.2	8.7
<i>Pregnancy</i>	NA	NA	NA	NA	NA
<i>New child</i>	NA	4.4	4.4	4.5	4.5
<i>Ill relative</i>	NA	2.6	2.6	2.8	2.6
<i>Women- average length on program (weeks)</i>					
<i>Own health</i>	NA	10.8	10.8	11.1	8.6
<i>Pregnancy</i>	NA	15.0	15.1	14.5	10.2
<i>New child</i>	NA	9.3	9.3	9.2	9.1
<i>Ill relative</i>	NA	3.4	3.5	3.4	3.2

*Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model*

\*Because of simulation error, the number of current leaves vary slightly under each program simulation run. Here we present the average for the four program simulation runs.

\*\*AWW is the 2015 average weekly wage of \$995

Table 5 Percent of workers with any wage replacement by characteristic of worker currently and under four different PFML program variations

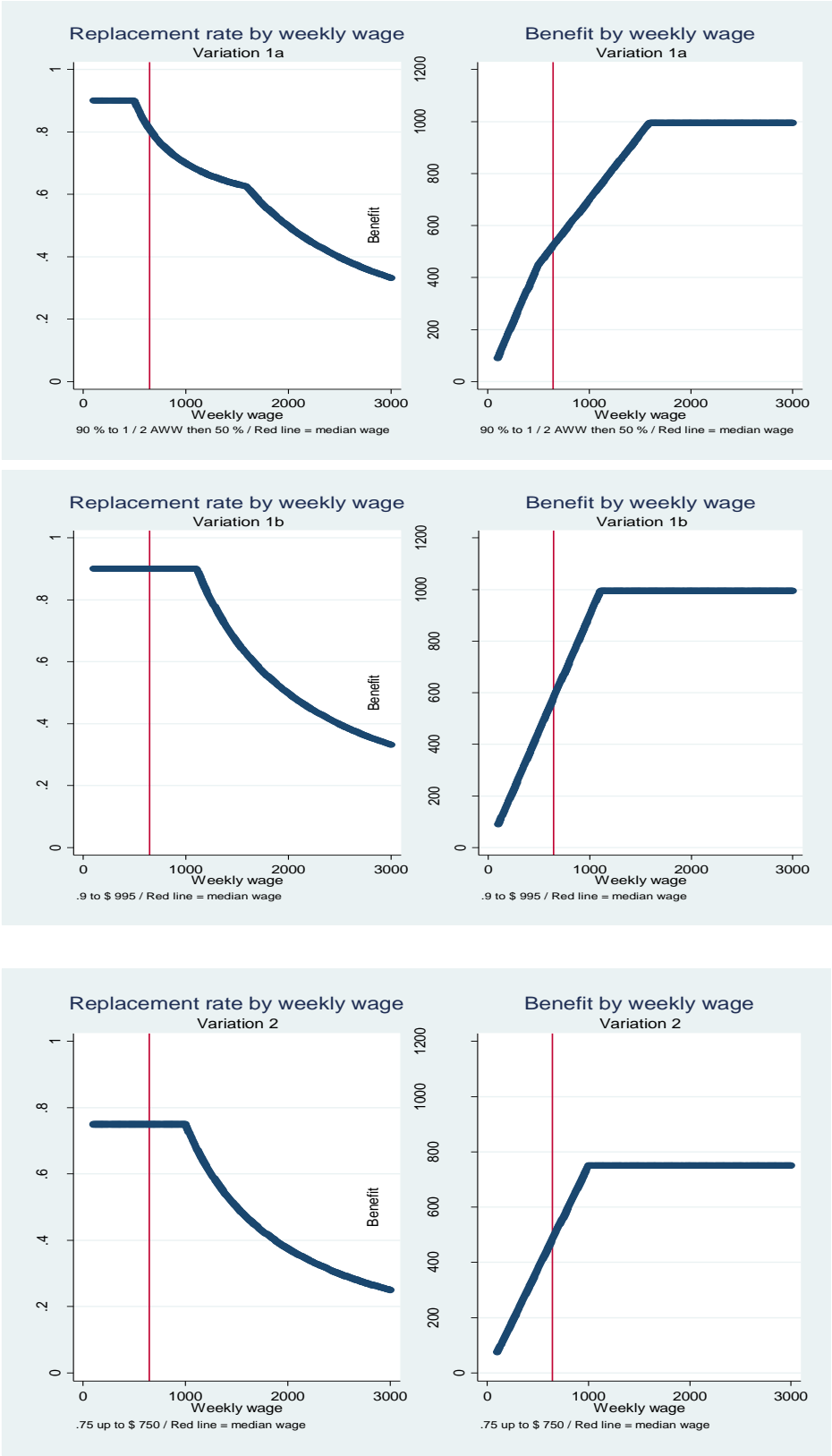
<i>Program variation</i>	<i>Currently*</i>	<i>1a</i>	<i>1b</i>	<i>2</i>	<i>3</i>
<i>Eligibility ( min weeks/min annual earnings)</i>	NA	18wks/\$2718	18wks/\$2718	18wks/\$2718	18wks/\$2718
<i>Weekly benefit cap</i>	NA	\$995	\$995	\$750	\$573
<i>Max weeks TDI (own health, inc. pregnancy)</i>	NA	26	26	26	12
<i>Max weeks FL(family leave)</i>	NA	12	12	12	12
<i>Replacement rate</i>	NA	.9 to 1/2 AWW**; then .5	0.9	0.75	0.6
<i>Waiting period in weeks</i>	NA	No waiting period (0)	No waiting period (0)	0 for ill relative; 1 for all others	1 week all leaves
<i>Percent wage replaced</i>					
<i>Total</i>	70.4%	80.0%	80.0%	78.8%	78.6%
<i>Sex</i>					
Male	72.3%	80.8%	80.8%	79.3%	79.2%
Female	68.8%	79.2%	79.4%	78.3%	78.1%
<i>Race</i>					
White	71.6%	80.7%	80.8%	79.6%	79.4%
Black	62.0%	74.7%	74.8%	73.3%	73.2%
Asian or PI	73.6%	82.4%	82.3%	81.5%	81.2%
Latino	60.1%	73.9%	74.4%	72.3%	72.3%
<i>Age group</i>					
16-24	40.5%	57.2%	57.3%	54.7%	54.1%
25-44	70.5%	82.2%	82.4%	81.1%	81.0%
45-64	77.0%	83.3%	83.2%	82.4%	82.2%
65 & older	63.8%	73.1%	73.3%	71.4%	71.2%
<i>Family income level</i>					
Above median	82.1%	87.9%	87.9%	87.2%	87.0%
At or below median	56.9%	71.0%	71.1%	69.2%	69.1%
<i>Poverty level</i>					
Below Federal Poverty Level (FPL)	28.1%	50.2%	50.5%	47.4%	46.8%
Between 100-199% FPL	53.1%	70.6%	70.5%	68.5%	68.4%
200% FPL & above	76.9%	84.3%	84.3%	83.4%	83.2%
<i>Hourly wage level</i>					
Earns \$15 or more	78.3%	85.5%	85.5%	84.6%	84.5%
Earns less than \$15	58.3%	71.6%	71.8%	69.9%	69.6%
<i>Employer size</i>					
1-9 employees	59.0%	71.9%	71.8%	69.9%	69.8%
10-49 employees	58.8%	73.0%	73.1%	71.3%	70.9%
50-99 employees	72.7%	81.4%	81.6%	80.1%	80.2%
100-499 employees	73.2%	81.9%	81.8%	80.8%	80.6%
500 or more employees	74.4%	82.8%	82.8%	81.9%	81.7%

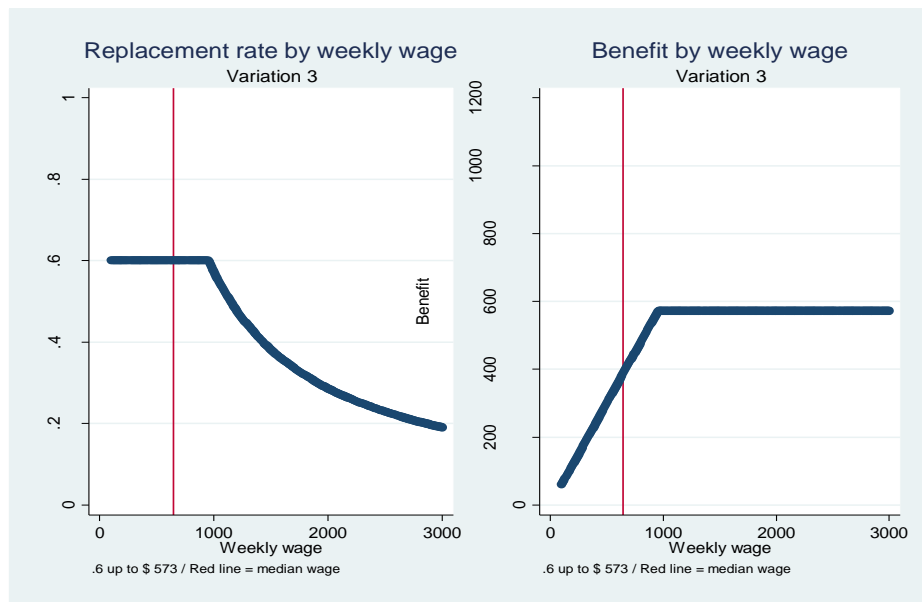
Using September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model

\*Because of simulation error, the number of current leaves vary slightly under each program simulation run. Here we present the average for the four program simulation runs.

\*\*AWW is the 2015 average weekly wage of \$995.

Appendix 1: Benefit and replacement rate by weekly wage by program variation





## **Appendix C: Pennsylvania's Grant Proposal Narrative**

### **Statement of Need**

Despite societal changes resulting in large increases in the number of working women, two-working-parent and single-parent households in the United States, most labor laws and workplace policies have not been updated accordingly. Working adults need to balance work and family responsibilities, but they have few options available to them unless their employer offers paid sick leave. In Pennsylvania, care for aging family members is especially important since the commonwealth has the fourth oldest population and the fifth most residents over age 65.<sup>xxviii</sup> While the federal Family and Medical Leave Act (FMLA) guarantees time off to care for a new child or ill family member, it only covers about 60 percent of all workers and it only provides unpaid leave. Four states (California, New Jersey, Rhode Island and New York) have enacted paid family and medical leave laws that can serve as models for other state efforts. This grant would support activities to determine options for implementing paid family leave in Pennsylvania.

The activities proposed include a cost and benefit analysis for different paid family leave models and a statistical analysis to determine the populations that would benefit from them; a feasibility study of the state administrative infrastructure for a paid family leave program; an education, outreach and marketing analysis for implementation purposes to determine current leave available in Pennsylvania, employer perspectives, general views toward paid leave programs, including use by men and women, and willingness to support them; and the establishment of an advisory group comprised of key state officials and paid family leave advocates to guide grant activities and continue pursuit of paid family leave initiatives post-grant completion. The commonwealth will utilize existing state models and research conducted by previous grant recipients to inform the design and execution of proposed grant activities.

Grant outputs will be used to build the structure and framework of a paid family and medical leave model (paid family leave) and promote legislative support to establish a paid family leave program. The governor is keenly interested in this important workplace issue and recognizes that the lack of paid family leave affects productivity and negatively impacts economic growth. Governor Wolf's "A Fresh Start" campaign agenda supported allowing family members to take paid leave to care for family members.<sup>xxix</sup> The commonwealth allows state employees to utilize paid sick leave to care for ill family members and transport them to treatment. Governor Wolf showed further support for paid leave when he threatened to veto Senate Bill (SB) 333, which would preempt local mandated leave laws.<sup>xxx</sup> The governor favors a paid family leave program that: provides broad coverage for employees; utilizes an inclusive definition of family members that recognizes diverse family structures to include inter-generational families, LGBT families, and other non-traditional family structures; and provides flexibility in when and how leave can be utilized.

Presently, the commonwealth does not have a statewide paid family leave program or requirement for private sector workers. A 2014 report from the Pennsylvania Center for Women and Politics at Chatham University<sup>xxxi</sup> notes that Pennsylvania is one of the more populous states that offer no family-leave protections other than those afforded by federal law, leaving workers and their families with fewer protections than their peers in many other states.

While there are no laws at the state level, the commonwealth's two largest cities enacted paid sick days in 2015. Philadelphia adopted a paid sick leave law that covers most employees and allows for an employee's own health need or those of a family member. Pittsburgh enacted a

paid sick leave ordinance that is the subject of an as yet unresolved legal challenge. These local efforts do demonstrate the support for and challenges to enacting family-friendly work standards, such as a paid leave program, in the commonwealth.

Two members of the Pennsylvania General Assembly have demonstrated interest in enacting laws providing for paid family leave. Senator Daylin Leach (D) introduced SB 541 in March 2015 to require employers with four or more employees to provide at least 12 weeks of paid leave to an employee to care for a child from a period extending from the beginning of the pregnancy to one year after the birth, adoption or placement of the child. Representative Dan Truitt (R) also introduced legislation to expand the FMLA at the state level to include siblings.

It is important to note that both the Pennsylvania House and Senate have strong Republican majorities with many fiscal conservatives in their caucuses. Since 2013, some of these members have attempted to pass bills interfering with local jurisdictions' rights to pass paid sick leave laws. These legislative hurdles to enacting paid family leave laws give credence to the need for good data, well thought out program design, a strong business case, and documented public support to aid in moving legislation forward. The research and analysis proposed to be completed through this grant can assist with making the case that paid family leave programs help businesses, workers, families and the overall economic well-being of the commonwealth.

#### **Expected Outcomes and Outputs**

The project includes six major components which will result in the following outputs:

- 1) A report of findings from a statistical analysis on the populations likely to benefit from adoption of a paid family leave program and anticipated utilization rates using national model legislation and other models deemed viable.
- 2) A report of findings from a cost-benefit analysis of paid family leave programs to include national model legislation and other models deemed viable.
- 3) A feasibility report on building the infrastructure for state administration of a paid family leave program. The report will explore existing state program infrastructure for Unemployment Compensation (UC), Workers Compensation and Labor Law Compliance programs that may be useful in creating a new paid leave program.
- 4) A report on the results of a survey of Pennsylvania businesses on what types of paid family leave employers currently provide, characteristics of the population who benefit from paid leave, and perspectives of employers on paid leave programs, including feedback from employers who presently benefit from offering paid leave programs. In addition to traditional survey methodologies (phone, online) the report will also include feedback from focus groups with employers.
- 5) A report on the results of a survey of the general population to include views toward paid family leave programs, willingness to support/fund programs, preferred plan elements, and attitudes toward specific paid leave messaging.
- 6) Establishment of an advisory group comprised of representatives from the Governor's Office, relevant state agencies, PathWays PA, Community Legal Services of Philadelphia, the Women's Law Project, the Women and Girls Foundation, Keystone Research Center and other stakeholders identified during project implementation.

As stated above, the current legislative climate in Pennsylvania makes it imperative that paid family leave proponents have sound data available to make a compelling case for enactment of legislation. A compelling case can already be made from national statistics. Seven in 10 mothers of children under 18 hold jobs, yet 42 percent have had the experience of being unable to take time off to care for a child, and 27 percent were unable to take time off to care for a

parent.<sup>xxxii</sup> Alarming, 20 percent of women with children reported that they or a family member have been fired or disciplined by an employer for taking time off to cope with an illness or to care for a sick child or family member. Among Americans who provide unpaid care to an adult family member or child with special needs; more than one-third are male.<sup>xxxiii</sup>

While ample national data exists, members of the Pennsylvania General Assembly will surely look to state specific data in considering paid family leave legislation. The various reports resulting from this grant will provide the Pennsylvania-specific information necessary to make a strong case for paid family leave laws. Advisory committee members will share reports through their websites; social media platforms; volunteer, donor and supporter lists; and at conferences and events. Advisory committee groups have been actively advocating for paid family leave programs, as evidenced by a 2014 event featuring U.S. House Minority Leader Nancy Pelosi in support of initiatives to boost women's economic prospects,<sup>xxxiv</sup> a blog carnival supporting paid family leave in 2014,<sup>xxxv</sup> a 2015 Lead on Leave event with White House Senior Advisor Valerie Jarrett,<sup>xxxvi</sup> an equal pay day rally in 2016<sup>xxxvii</sup> and a report on the impact of sex bias in caregiving on women's health.<sup>xxxviii</sup> The advocacy group's extensive experience supporting paid sick days<sup>xxxix</sup> will be leveraged in support of paid family leave. Research from this grant will help build upon the positive momentum already established by those existing advocacy efforts.

A paid family leave program could benefit millions of workers in Pennsylvania. Nationally, only 53 percent of workers are able to take paid sick leave.<sup>xl</sup> Assuming those individuals who do not have paid sick leave also do not have paid family leave, roughly 2.9 million Pennsylvania workers out of a total of 6.1 million would directly benefit from a paid leave program.

One group who may benefit from paid leave is new parents. The U.S. Department of Labor (US DOL) estimates that only 12 percent of private sector employees have access to paid maternity leave through their employer. Utilizing Current Population Survey (CPS) data, in 2015 there were approximately 1.54 million women aged 15-44<sup>xli</sup> working in Pennsylvania in the private sector. Applying the U.S. average of an estimated 88 percent of workers without access to paid maternity leave indicates that 1.36 million women in this age group do not have such access. Pennsylvania has 59.1 births per 1,000 women aged 15-44 each year.<sup>xlii</sup> Therefore, approximately 80,300 women would benefit from paid maternity leave each year. Equal access to paid leave for fathers would roughly double the number of individuals potentially benefitting. As this is only a measure of private sector workers, there are likely many more individuals working in the public sector that would benefit from a paid family leave program.

Another segment of individuals who will benefit from a paid family leave program are a subset of the 480,000 individuals who were out of the Pennsylvania labor force due to "taking care of house or family." A portion of those individuals may be able to enter or reenter the workforce if provided leave to care for family members through a paid leave program.

## **Project Design**

The goal of this project is to research both viable options for and impacts of a Pennsylvania paid family leave program in order to inform legislation that will provide paid leave benefits for workers in the commonwealth. The envisioned system will provide broad coverage for employees, utilize an inclusive definition of family members that recognizes diverse family structures, and provide flexibility in leave usage.

Several types of data will be collected in order to meet the goals outlined for this project. A statistical analysis will determine the populations and the number of individuals likely to

benefit from a paid family leave program. While we have found general information about how many individuals would likely benefit from paid maternity and paternity leave, and the number of individuals outside of the labor force for household and family obligations, these only account for a portion of the people likely to benefit from a paid leave program. Data collected under this grant will provide information on how many individuals will benefit from being able to take paid time off to care for elderly family members, children with disabilities, and those with family members with cancer and other debilitating diseases. This grant will also allow us to determine what types of workers would benefit from a paid family leave program.

Cost-benefit analyses on multiple types of paid leave models will determine the feasibility and costs and benefits of each model. The plans examined will include an employee-funded model (such as that in California), an employer-funded model, and a hybrid plan comprised of both employee and employer contributions (similar to New Jersey and Pennsylvania's existing UC program).

Focus groups of Pennsylvania employers will also be conducted to allow the collection of current market information on what type of leave plans, if any, employers currently offer as well as employer perspectives on the potential impacts of paid family leave legislation. A survey of the general population in Pennsylvania will be conducted to determine views toward paid family leave programs, including use by men and women, and to assess public support.

A list of team members who will implement the project activities is included in the Budget Justification. The project will also leverage the expertise of the advisory committee. The proposed approach was selected in order to provide the commonwealth with as much information as possible to determine the impacts on all affected communities. Engagement with employers, workers, advocates, and government officials is crucial in understanding how each paid family leave program will impact each group, and in determining the legislative approach that will result in the best possible outcome for all.

Another goal is to encourage equality of leave taking between men and women. Eighty-five percent of professional working fathers reported they felt pressure to be engaged fully in the workforce while also serving as an engaged parent.<sup>xliii</sup> Eighty-nine percent of fathers said if they were looking for a new job it would be important for the employer to offer paid paternity or parental leave.<sup>xliv</sup> Paid family leave programs in other states have shown an increase in the number of men taking leave. Polling will include questions specifically for males to determine elements of leave programs that are appealing to them and messaging that will lead to cultural shifts in perception of caregiving responsibilities.

Enabling more fathers to take leave would also be beneficial to women, both by more equitably sharing caregiving responsibilities and by reducing the stigma and workplace discrimination faced by women due to taking the majority of leave. A recent Third Way report<sup>xlv</sup> finds a "motherhood" wage penalty of roughly four percent for each child due to: interrupted job experience to care for children; changing to more "mother-friendly" jobs that are easier to combine with parenting; and employer discrimination against mothers due to an assumed lesser work commitment or performance. Achieving more gender equality in caretaking may also have long term positive impacts in decreasing the wage gap for women. Pennsylvania has one of the largest gender wage gaps in the nation.<sup>xlvi</sup>

Pennsylvania has an aging population. In 2014, Pennsylvania had 1.2 million informal caregivers providing 1.3 billion caregiving hours, valued at \$13.4 billion.<sup>xlvii</sup> Nationally, nearly two-thirds of workers between the ages of 45 and 74 provide care to an aging or other adult loved one, and approximately 20 percent of these working caregivers expect they will need time



off from work in the next five years due to their caregiving responsibilities.<sup>xlvi</sup> Grant research conducted will place emphasis on program models that allow paid leave to care for aging family members. This type of model will help Pennsylvania address the current shortage of caregivers (PA ranks 45th of the 50 states<sup>xli</sup> in the availability of professional caregivers) and will give more elderly residents the option to age in home, a top priority of the governor.

#### **Organizational, Administrative and Fiscal Capacity**

As lead applicant, the Department of Labor & Industry will oversee the project with its Center for Workforce Information and Analysis (CWIA) taking the lead in data analysis and project management. CWIA's main function is the collection, compilation and analysis of statistical labor market and program data. CWIA works extensively with data from the CPS and the American Community Survey which will form the basis of the initial analysis of those likely to benefit from a paid leave program. Through its work in support of Pennsylvania's UC Program, CWIA is versed in the development of various statistical models to gauge the fiscal impact of proposed legislation on the commonwealth, employers or employees. Pennsylvania is one of three states that collect UC contributions from both employers and employees. Pennsylvania could utilize and build upon the experience in administering employer and employee UC tax contributions to develop a similar system for funding a state paid family leave insurance program, making CWIA's knowledge invaluable for creating a new program. CWIA's federal/state cooperative statistics programs rely heavily on employer surveys that involve intimate interaction with Pennsylvania employers by CWIA staff and require extensive knowledge of survey methodology and data estimation. This expertise lends itself well to the survey activities in this proposal. As part of Pennsylvania's Labor Market Information for the Green Economy grant, CWIA conducted numerous listening sessions with employers and experience gleaned from that process will be used to conduct similar focus groups under this proposal. To the degree necessary, CWIA will contract with entities, in compliance with federal and state procurement laws and regulations, to assist in completing grant deliverables.

CWIA is also experienced in the fiscal and administrative management of federal grants, including a cooperative agreement with the Bureau of Labor Statistics for statistical programs and US DOL grants including the Workforce Information Grant, Labor Market Information for the Green Economy and the Workforce Data Quality Initiative. CWIA will use the same accounting systems and processes to administer this grant. CWIA is capable of running reports that provide the status of all reported expenditures and can further break down expenditures by cost category or time period to provide more detailed information.

Reports produced under this grant will be utilized beyond the grant period by the Wolf Administration, advisory group members and other interested stakeholders to encourage enactment of a paid family and medical leave law in Pennsylvania. CWIA staff will utilize models developed through this grant to analyze future legislation in terms of estimated program costs and affected individuals.

## Resources and Suggested Readings

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“Paid Family Leave Resources”, National Conference of State Legislators, July 19, 2016. <http://www.ncsl.org/research/labor-and-employment/paid-family-leave-resources.aspx>

“State Paid Family Leave Insurance Laws”, National Partnership for Women & Families, July 2017. <http://www.nationalpartnership.org/research-library/work-family/paid-leave/state-paid-family-leave-laws.pdf>

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## Endnotes

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