INSTITUTE FOR WOMEN'S POLICY RESEARCH

Fact Sheet

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Paid Family and Medical Leave Insurance: Modest Costs are a Good investment in America's Economy

Introduction

February 5, 2018, marks the 25th anniversary of President Bill Clinton's signing of the Family and Medical Leave Act of 1993 (FMLA). Since then, FMLA has been used millions of times by eligible workers to take up to 12 weeks of job protected, but unpaid, leave in a calendar year, for their own serious health conditions; pregnancy and bonding with a new child; or caring for seriously ill children, parents, or spouse. To be eligible, an individual must have a) worked at least 12 months, b) for a minimum of 1,250 hours per year, and c) for an establishment with 50 or more employees in a 75 mile radius. These criteria leave about 40 percent of the workforce without any legal protections when they need to take leave.[1]

While the law has been expanded somewhat in the intervening 25 years, the available leave under FMLA remains unpaid. About two-thirds of workers do receive some pay while on family and medical leave, often as paid vacation leave, sick leave, or other "paid time off" time.[2] Nearly half of workers (46 percent), however, reporting unmet need for leave say they could not afford to take unpaid time. In addition, four in ten workers taking leave go back to work before they are ready because they cannot afford more time away from their jobs.[3]

The Family and Medical Insurance Leave Act (FAMILY Act) bills were reintroduced in both the House (H.R. 947) and the Senate (S. 337) in February 2017. The FAMILY Act would provide workers with partial wage replacement for up to 12 weeks of paid leave for a pregnancy, the birth or adoption of a child, to recover from a serious illness, or to care for a seriously ill family member. The FAMILY Act would be paid for through small employer and employee contributions and the benefits would be completely portable across employers.

This fact sheet updates the Institute for Women's Policy Research (IWPR) cost estimate for the FAMILY Act using the most recent version of the IWPR/ACM simulation model. The 2012 FMLA Survey conducted by Abt Associates, under contract to the U.S. Department of Labor, is used for estimating the occurrence and leave behaviors around qualifying family events experienced by U.S. workers. The model simulates specific leave-taking behavior (including number, length, benefit eligibility, and benefit receipt) onto individual employees using data from the Census Bureau's 2011-2015 American Community Surveys (ACS). The assumptions of the simulation model are that the worker would choose the compensation (employer provided wages or program benefits) that is most advantageous for herself or himself.

Results

Table 1 shows the simulation model results for annual usage and costs of the FAMILY Act. There are nearly 8 million family and medical leave insurance claims estimated to be paid each year. Most of these

(58 percent) would be for workers' own serious health conditions, 31 percent for parents of new children, and 11 percent to care for family members (children after the first year, parents, or spouses).

Table 1. Cost Estimates for Implementing the FAMILY Act

Number of Leaves Taken and Receiving FMLI Benefits	
Own Serious Health Condition (Self Care)	4,646,800
Parental/Bonding	2,495,892
Family Care	845,694
Total	7,988,386
Weeks Receiving Program Benefits	
Own Serious Health Condition (Self Care)	7.3
Parental/Bonding	8.1
Family Care	3.9
Overall	7.2
Average Weekly Benefit	$492
Benefit Cost ($millions)	
Own Serious Health Condition (Self Care)	$15,920.6
Parental/Bonding	$9,676.4
Family Care	$1,390.4
Total Benefit Cost ($millions)	$26,987.4
Administrative (5 percent, $millions)	$1,349.4
Total Cost ($millions)	$28,336.8
Total in SS covered employment 2015 ($Ms)	$7,195,721
Reported SS taxable 2015 ($Ms)	$6,045,897
Total Program Costs -- % of SS Total	0.39%
Total Program Costs -- % of SS Taxable	0.47%

Sources: Estimates using IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey (50 replicates, 19 January 2018) (U.S. Department of Labor 2012; U.S. Census Bureau 2015).
Social Security earnings taken from "Table 4.B2 Number with taxable earnings and amount of earnings, by type of earnings, 1951–2015" for wage and salary earnings in SSA's *Annual Statistical Supplement, 2016* (https://www.ssa.gov/policy/docs/statcomps/supplement/2016/4b.html#table4.b2).

Benefit claims for parental leaves are estimated to be the longest taken at 8.1 weeks, on average. For most workers, these types of leaves will only be used a couple of times in an individual's work life. Between July 2004 and December 2014, researchers observed only a single bonding claim for 80.4 percent of female claimants and 83.1 percent of male claimants over the first decade of California's Paid Family Leave.[4] Benefits claimed for the worker's own health condition last 7.3 weeks, on average. Claims for leave benefits when caring for family members tend to be shorter, 3.9 weeks, on average. Like bonding claims, family care claims do not seem to be recurrent; 91.7 percent of female family care claimants, and 92.8 percent of male claimants made one claim over the 10 years of California program data studied.[5]

Overall, at an average weekly benefit of $492, the FAMILY Act benefits are estimated to cost $27 billion per year. Adding 5 percent of benefit costs ($1.3 billion) to cover program administration bring total program costs to $28.3 billion annually. Relative to the total earnings of wage and salary workers, total program costs are 0.39 percent of total payroll for Social Security covered wage and salary employment and 0.47 percent of Social Security taxable payroll. This works out to $1.36 per week for a worker employed for 40 hours per week at the federal minimum wage and less than $5 ($4.89) for a worker with average weekly earnings in 2016. The FAMILY Act provides for equally shared revenue from employers and their employees of 0.20 percent each of earnings covered by Social Security for total revenue of 0.40 percent of taxable earnings.

Additional Details on Simulation Model Input

- Wage and salary employees, private and government, are included in cost estimation; self-employed workers have been excluded.
- The FAMILY Act bases eligibility on the Social Security Disability Insurance (SSDI) program plus a requirement of recent work. The longer work history available for SSDI eligibility is not available in the ACS. For the model estimates, eligibility is based earnings equivalent to 2 Social Security credits in the past 12 months.
- Benefits for partial wage replacement are calculated as two-thirds of usual weekly earnings up to a weekly maximum benefit of $1,000 and are available for up to 12 weeks in a 12 month period.
- Results specify that about half of workers claiming benefits under the FAMILY Act would take off more time when experiencing covered events.
- Results also assume that half of employers who voluntarily provide leave benefits under current policy will have their employees claim FAMILY Act benefits for leaves lasting three weeks and longer and supplement the partial wage benefits up to workers' usual weekly earnings; these employers may realize savings in their payroll going towards benefits.

Notes

[1] Jacob Klerman, Kelly Daley, and Alyssa Pozniak. 2014. *Family and Medical Leave in 2012: Technical Report.* Cambridge, MA: Abt Associates Inc. (https://www.dol.gov/asp/evaluation/fmla/FMLA-2012-Technical-Report.pdf).
[2] Ibid.
[3] Ibid.
[4] Bedard, Kelly and Maya Rossin-Slater. 2016. "The Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department." (www.edd.ca.gov/Disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf).
[5] Ibid.

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