

**Testimony before the Council of the District of Columbia Committee of the Whole
regarding Bill 21-415, Universal Paid Leave Act of 2015**

Dr. Heidi Hartmann and Dr. Jeffrey Hayes

Thursday, January 14, 2016



1200 Eighteenth Street, NW, Suite 301
Washington, DC 20036
202 785-5100
www.iwpr.org

Introduction

Chairman Mendelson and members of the Council of the District of Columbia, good day.

My name is Heidi Hartmann, President and founder of the Institute for Women's Policy Research (IWPR). The Institute is approaching a 30 year record and is well known throughout the United States for its work on paid sick days and paid family leave, as well as many other topics such as equal pay and the status of women. I am a labor economist and attended Swarthmore College in Swarthmore, Pennsylvania, where I earned the BA degree in economics, and Yale University in New Haven, Connecticut, where I earned M. Phil. and Ph.D. degrees, also in economics. When I completed my graduate studies, I taught graduate students at the New School in New York City, and then moved to Washington, DC, where I worked for the U.S. Commission on Civil Rights and then the National Academy of Sciences, before establishing IWPR. I have received several awards, such as the MacArthur Fellowship, the Wilbur Cross Medal for distinguished alumni of the graduate school of Yale University, a statistical fellowship from the American Statistical Association and the National Science Foundation, and the Charlotte Perkins Gilman fellowship from the American Academy of Political and Social Science. I am also a member of the National Academy of Social Insurance.

I am testifying here today with my colleague, Dr. Jeffrey Hayes, Program Director, Job Quality and Income Security, at IWPR, who is available to help answer any questions you may have. Dr. Hayes earned his Ph.D. in Sociology at the University of Wisconsin, Madison, and has held positions at McGill University, the Harvard School of Public Health, and the University of Colorado at Boulder before joining the Research Department at the Institute for Women's Policy Research. He has also been elected to membership in the National Academy of Social Insurance.

The Institute for Women's Policy Research has been working in the area of paid family and medical leave since 1990 and we have been helping policymakers and advocates develop legislation through providing technical information for many years. In the area of paid sick days, the Institute calculates which workers will benefit from a policy change such as a requirement that all employers of a certain size provide up to a certain number of paid sick days, as well as costs and benefits to workers and businesses of such a change (benefits usually outweigh costs of these short term programs).

In the area of paid family leave, we focus on which workers could potentially benefit from a proposed new policy, how many of those eligible will take up this new benefit, how much income they will receive from the proposed new program, and also calculate benefits and costs to society (costs are typically more than benefits because longer benefits are more expensive and because the research is such that not all the benefits of these longer leaves have been identified

and tallied), as well as estimate start up costs, since many of the new programs are potentially starting in states or jurisdictions that do not already have temporary disability insurance (TDI). TDI is a social insurance model in which contributions (taxes) based on earnings are mandatory and benefits are paid out to workers who qualify. The cost is spread across all workers and employers while only some workers benefit each year. This type of system prevents any employee or employer from suffering unusual costs while ensuring that each needy worker receives the appropriate benefit. California, Hawaii, New Jersey, New York, and Rhode Island are the 5 states with TDI systems; these systems cover medical leaves. So far three states (CA, NJ, and RI) have extended their TDI systems to include paid family care leaves. In these states, elected representatives have voted for these systems because they believe the benefits outweigh the costs.

We are here today to share with you some of the findings from our Paid Family and Medical Leave Model. The model was originally developed by the Institute for Women's Policy Research and the Labor Resource Center at the University of Massachusetts in the early 2000s to provide a tool that could be used in a variety of jurisdictions seeking to provide paid leave to their residents. IWPR staff used the earlier model in several jurisdictions. However, the model became outdated since it used the 2000 FMLA survey from the US Department of Labor and the federal Current Population Survey. By 2015, the 2012 FMLA Survey had become available as well as the American Community Survey (ACS), which provides a much larger population sample, especially important for smaller jurisdictions like the District of Columbia. It also provides data on place of work as well as place of residence. The new model has been developed with the support of two grants from the U.S. Department of Labor, one from the Women's Bureau of the US Department of Labor to the State of Massachusetts and one to IMPAQ, which subcontracted to IWPR, from the Office of the Chief Evaluator. The same two experts who helped IWPR develop the original model, Dr. Randy Albelda, Professor of Economics and Senior Research Fellow at the Center for Social Policy, still at the University of Massachusetts, and Dr. Alan Clayton-Matthews, Associate Professor of Economics and Public Policy, the Director of PhD Program in Law and Public Policy and Senior Research Associate at Dukakis Center at Northeastern University, were available to assist both entities. A technical working group of experts from the University of Virginia, City University of New York Graduate Center, Georgia State University, the University of Iowa, and the Society for Human Resource Management, was assembled by the Office of the Chief Evaluator of the USDOL to advise the development of the model. The new model uses data from the 2012 FMLA Survey and five years of data from the ACS (2009-2013).

Background

Almost every employee at some point in his or her work life experiences a temporary but extended own illness, the serious illness of a loved one, or the birth and/or adoption of a child. The United States is one of the few countries in the world that does not offer employees paid leaves for own health or the birth of a child. Many other countries also offer paid family leave, sometimes very long by US standards, even up to a year for mother-child bonding with smaller amounts available to men and care of family members or loved ones.

As noted above, of the five states with mandatory Temporary Disability Insurance (TDI) programs, three have adopted paid family leave. California was the first state to expand its TDI program to implement paid family leave in 2004, by extending paid leaves up to six weeks to all new parents as well as caretakers of a sick relative. New Jersey began its family leave insurance program in 2009, and last year Rhode Island implemented paid leaves (up to four weeks) for bonding and caring. Outside of these TDI and family care leave jurisdictions, and the several states and cities that have passed paid sick day laws for a specified number of days (typically up to 5 to 7 days but stretching from 3 to 9 days), there is a voluntary system of paid family and medical leave in the United States. Employers may elect to provide workers with paid leave for family or medical reasons through benefits such as sick leave, vacation time, and parental leave, or they may have purchased short- or long-term disability insurance, which typically replaces a share of regular earnings for several months. In addition, employers may have negotiated collective bargaining agreements that contain such plans, but they are not legally required to do so. Some employees choose to purchase short- or long-term disability insurance coverage.

Our simulation model estimates the number of family and medical leaves needed and taken in a jurisdiction as well as the current employer and employee wage costs associated with those leaves (In other words, in a jurisdiction without a leave program the model measures how much of the cost of leaves employers are voluntarily paying and how much of the leaves taken receive no pay so that workers are bearing the cost of those unpaid leaves). The model has the capacity to estimate the new pattern of leaves taken as well as the redistributed wage-replacement costs due to any new proposed program (typically, a proposed program will shift costs to the program, and voluntary payments by employers are estimated to fall, while unpaid leaves incurred by employees also fall because some of their costs shift to the program). The simulation model relies on information collected from a survey on employees' leave taking behavior conducted by the US Department of Labor in 2012 (the FMLA Survey). Using this information, we are able to estimate the probability of who takes a leave, what type, for how long, and whether and how much they use a paid leave program (based on whether they receive employer pay without the program, their own income level, and their gain from the use of a paid leave program described by certain parameters that we have entered into the model for the program being estimated—how

long, how generous the benefit levels, and so on). We use these probability estimates to simulate leave taking in DC, using data about individuals from the American Community Survey which allows us to also estimate a host of geographic, demographic, and employer characteristics specific to DC. For estimated leave needers and leave takers, we simulate the decision to use a program versus not to use a program based on several knowable aspects that might go into this decision. These include the generosity of the program compared to employer benefits, length of leave needed for different types of leave, length of leave covered by the program, eligibility requirements, job protection, and individual demographics. But there are decisions to use a program that we cannot model, because these are unknown at this point. These include ease of use, knowledge of the program, and workplace culture in the jurisdiction. These latter aspects will affect the take-up of the program, but we have not estimated by how much. The estimation of these factors can become known after the program has been in operation and surveys before and after operation have been taken.

The estimates we present today are based on the program proposed in the bill sponsored by Councilmembers Silverman, Grosso, Allen, Nadeau, May, McDuffie, and Cheh using take-up rates we have selected that will best reflect probable use. The District of Columbia Universal Paid Leave Act of 2015 would provide individuals living or working in D.C. up to 16 weeks of paid time away from their jobs for their own serious health condition; to care for a family member with a serious health condition; to care for a newly born or adopted child; and for leave related to having a family member who serves in the military. Individuals who qualify for leave receive 100 percent of their average weekly wages up to \$1,000 per week, plus 50 percent of their average weekly wages in excess of \$1,000, up to a maximum weekly benefit of \$3,000.

Current Leave Use in the District of Columbia

The recent FMLA survey found an annual leave rate (percent of leaves taken per worker) of 13.1 percent in the United States and we estimate a leave rate of 15.3 percent in DC. Because people take multiple leaves in a year, we estimate that currently, in a single year, 11.1 percent of all District workers take a leave for medical or family reasons (without a public paid leave program but including the legislated paid sick days law providing up to 7 days of paid leave for most DC workers). That is, employees are already engaged in the practice of taking time off from work to tend to a serious health condition they or a relative may have or to give birth to and bond with a new child, and employers are, one way or other, dealing with these absences, both by paying workers and not paying them. We estimate the average length of leave is currently 5.7 weeks (28.5 workdays), with a median leave length of 3 weeks (15 workdays). That means that half of all leaves for any type of family and medical leave consist of 15 workdays or less.

In DC, using our model, we estimate that 76.1 percent of leave takers receive some pay from their employer for some period of their leave. The 23.9 percent of workers who do not receive

any pay while absent from work are disproportionately low-wage workers – the workers least able to afford such a leave. Of workers earning less than \$15.00 per hour, only 53 percent receive any employer pay for time off for a family or medical leave.

There are already significant costs borne by employers and employees of family and medical leave taking. In DC, 72,095 of 659,407 employees take 100,925 leaves (some workers take more than one leave annually) and forego \$253.2 million in annual wages. Employers provide \$632.8 million in wage replacement. The average cost to the worker of foregone wages for each leave he or she takes is just over \$3,500 annually, while the average cost to his or her employer in wages paid is close to \$8,800.

We estimate about 62.5 percent of current leaves in DC are for own-health reasons, 13.4 percent are for parental leave (including maternity disability), and 24.1 percent of leaves are for tending to an ill relative.

Assumptions of Simulation Modeling

We have applied our simulation model using the provisions of the paid family and medical leave program proposed in Bill 21-415. Eligible individuals can take up to 16 weeks of paid time away from their jobs in a 12-month period for: their own serious health condition, including in some cases pregnancy or childbirth; the serious health condition of a family member; the birth, adoption, or placement of a child; the injury of a family member who is in the military; or certain needs arising from a family member's military deployment. Individuals who qualify for leave receive 100 percent of their average weekly wages up to \$1,000 per week, plus 50 percent of their average weekly wages in excess of \$1,000, up to a maximum weekly benefit of \$3,000. The proposal covers individuals who work for private employers in D.C., as well as D.C. residents who: work for the federal government; work for employers located outside of D.C.; or are self-employed. There is a one-week waiting period.

Our model estimates the number of DC workers that would use a paid leave program based on these parameters assuming that they behave similarly to a nationally representative sample of workers. We assume they know and understand the program and that it is seamlessly easy to apply and receive these benefits. Clearly these are unrealistic assumptions, so another parameter we must impose on the model is take-up rates -- the percentages of estimated workers that would actually use a program if one existed among workers experiencing a qualifying event and deciding to take an employment leave. The simulation model already adjusts program usage for short leaves and for use of an employer benefit if it is greater than that of the program. Because the 2012 FMLA survey that we base our estimate on looks at those persons already taking a leave, to some extent the national workplace culture of taking leaves is taken into account, as long as the FMLA sample surveyed is an accurate reflection of all leave takers and needers.

We ultimately decided to adjust take-up rates for different types of leaves that best approximate the number, cost, and distribution of paid leaves we estimated in New Jersey and California, using the simulation model with their program parameters as compared to actual use in those states. There are two reasons we do this. The first is that the FMLA survey, which we base our model on, has a small sample of some type of leaves and like most phone surveys had a very low response rate. This leads us to suspect that the sample may not always be representative of those that take or need leaves. The second reason is that these other state's experiences would help guide us on the unknowable factors that might lead someone to use a program. For example we do not know what percentage of people would be aware of a program or the administrative ease or difficulty associated with applying and using the program. We also have no idea how many self-employed DC residents might opt out of a benefit program. We used 55 percent for leaves taken for the worker's own health, 99 percent for leaves due to maternity-related disability, 80 percent for bonding with a new child, 12 percent for caring for children, 15 percent for caring for spouses, and 10 percent for caring for parents. For the program cost estimates, an option in the simulation model was applied that allows these take up rates to be modified according to the proposed benefit level so that higher wage replacement will increase the probability that program benefits will be claimed. This is also important given the relatively generous benefits proposed relative to existing state programs. These are preliminary estimates that will reflect usage of the DC program after it has been in operation for several years. Total program cost estimates include the costs of administration calculated at 5 percent of benefits paid.

Costs of the Universal Paid Leave Act of 2015

The Universal Paid Leave Act aims to cover most workers employed by DC businesses as well as employed DC residents working outside the District, for the Federal government, or who are self-employed. Using the ACS to measure DC's local labor force characteristics allows us to calculate the simulated costs for workers in these groups. Seventy-one percent are workers employed by private employers in DC, 16 percent are DC residents working for private employers outside the District, 10 percent are DC residents working for the Federal government, and 4 percent are self-employed DC residents. Over half have at least a Bachelor's degree, overall, but educational attainment is highest for the Federal workers (74 percent with a Bachelor's or higher) and lowest for DC residents employed by private employers outside the District (46 percent). Among the DC private sector workers, nearly half (48 percent) have earnings over \$52,000 and might receive less than full wage replacement even under DC's generous proposal.

Table 1: Workers Covered by Universal Paid Leave Act of 2015

	Number of Workers	Percent with Bachelors or Higher	Percent with Annual Earnings* Over \$52,000
DC Wage & Salary workers**	466,713	56.4	48.0
DC residents, Federal workers	62,734	74.3	65.9
DC residents, Wage and salary workers outside District	104,028	46.3	29.8
DC residents, Self-employed	25,932	67.7	36.6
Total	659,407	57.0	

* Total earnings from self-employment for self-employed DC residents and total wage and salary earnings for all other groups.

** Approximately one-third (151,910) live in DC and two-thirds (314,803) commute in.

Source: IWPR analysis of 2009-2013 American Community Survey data.

Using these population numbers for coverage and the take up rates found above, we estimate:

- The total number of family and medical leaves taken increases by just about 10,000 to a total of just under 111,000, a 9.8 percent increase compared with before the program was implemented.
- Using the previously described take-up rates, the total number of leaves using the proposed program will be just under 40,000, which represents 6 percent of all covered workers.
- The amount of covered employee wages foregone rises to 13 percent, as more workers are taking leave, but not all their leave is covered. The cost of employer benefits paid directly to employees increases less, by about 2 percent, with the proposed program.
- The proposed program would provide \$267.4 in benefits paid directly to covered workers at a total cost of \$280.8 million when including 5 percent (\$13.4 million) for program administration.
- The total cost of the proposed program is \$280.8 million or 0.63 percent of total earnings for covered workers.
- The average length of leave increases by about 6 days from 5.4 weeks (based on a five-day week) to 6.6 weeks and to a median of 4 weeks from 3.0 weeks. That is, half of workers taking leave will take less than 20 workdays, the other half of workers taking leave will take more than 20 workdays.
- The average weekly program replacement wage is \$1,065.
- The percentage of leaves with no wage replacement falls by almost ten percentage points from 23.9 percent to 14.3 percent. The percentage of unpaid leaves taken by workers earning less than \$25,000 annually falls by half -- from 53.6 percent to 26.7 percent.

- While the percentage of all leaves without pay decreases for all workers, the proposed program will disproportionately decrease the percentage without pay for leaves taken by workers in low-income households, and by non-white, younger, and less educated workers, helping to level an unlevel employment playing field.

The estimates presented indicate that there is already a cost born by individual workers and employers for family and medical leaves. With a DC-wide program, individuals taking leave and employers will still bear these costs, but they will be spread out more evenly across all employees and all employers. These estimates are in line with program benefits paid in other states with TDI and family care leaves.

The estimates should dispel fears about very large increases in the number of leave takers or lengthy extensions of leave-taking due to a paid leave program. We are able to estimate only the *costs* of lost wages, employer benefits, and program benefits paid. But from other research, we know that there are benefits for employees and employers with paid family and medical leave. Individual employers benefit by reduced use of employer-sponsored time off and reduced turnover. Furthermore, a universal paid leave program will provide some workers who currently do not have paid leave – typically those with the lowest wages and least able to afford it – some form of wage replacement. In addition to keeping these families afloat it could reduce use of other benefits such as unemployment insurance or means-tested government assistance programs. A paid leave program such as the Council has proposed will allow workers who need a leave or need a longer leave to heal from a serious illness or accident or to bond with a new child or take care of an ill relative the time to do so. Research indicates that this improves health and child outcomes, reducing costs to families and society down the road.

Table 2: Cost of Current Annual Leaves in DC by Type of Leave and Type of Workers

	DC Wage & Salary workers	DC residents, Federal workers	DC residents, Wage and salary workers outside District	DC residents, Self-employed	Total
Total Leaves Taken in Calendar Year					
Own Health	44,086	6,763	9,361	2,876	63,086
Maternity & Bonding	10,057	1,118	1,927	373	13,475
Family Care	17,846	2,384	3,167	967	24,364
Total	71,989	10,265	14,455	4,216	100,925
Annual Leave Rate	15.4%	16.4%	13.9%	16.3%	15.3%
Employer Compensation Received (millions)					
Own Health	\$315.5	\$43.3	\$29.1	\$42.8	\$430.6
Maternity & Bonding	\$79.4	\$10.7	\$6.1	\$3.7	\$99.8
Family Care	\$72.6	\$10.4	\$13.9	\$5.4	\$102.3
Total Employer Compensation (millions)	\$467.4	\$64.4	\$49.0	\$51.9	\$632.8
Uncompensated Leave Taken (millions)					
Own Health	\$129.8	\$14.6	\$22.8	\$22.5	\$189.6
Maternity & Bonding	\$32.1	\$7.2	\$4.9	\$2.1	\$46.4
Family Care	\$11.9	\$2.9	\$1.9	\$0.5	\$17.2
Total Uncompensated Leave (millions)	\$173.8	\$24.6	\$29.7	\$25.1	\$253.2

* Total earnings from self-employment for self-employed DC residents and total wage and salary earnings for all other groups.

Source: IWPR estimates based on IWPR-ACM FML2 Simulation Model.

Table 3: Cost of Annual Leaves in DC under Universal Paid Leave Act of 2015 by Type of Leave and Type of Workers

	DC Wage & Salary workers	DC residents, Federal workers	DC residents, Wage and salary workers outside District	DC residents, Self-employed	Total
Total Leaves Taken in Calendar Year					
Own Health	49,627	6,836	9,130	3,306	68,899
Maternity & Bonding	12,595	888	1,643	548	15,674
Family Care	19,614	2,617	3,269	781	26,281
Total	81,836	10,341	14,042	4,635	110,854
Number Receiving Program Benefits in Calendar Year					
Own Health	21,505	2,580	4,277	1,285	29,647
Maternity & Bonding	6,399	523	998	189	8,109
Family Care	1,271	127	323	53	1,774
Total	29,175	3,230	5,598	1,527	39,530
Benefit Cost (millions)					
Own Health	\$160.4	\$25.5	\$23.5	\$7.8	\$217.2
Maternity & Bonding	\$37.6	\$4.1	\$3.6	\$1.2	\$46.6
Family Care	\$2.2	\$0.3	\$1.0	\$0.1	\$3.7
Total Benefit Cost (millions)	\$200.1	\$30.0	\$28.1	\$9.1	\$267.4
Administrative (5 percent, millions)	\$10.0	\$1.5	\$1.4	\$0.5	\$13.4
Total Cost (millions)	\$210.1	\$31.5	\$29.6	\$9.6	\$280.8
Total Earnings (millions)*	\$33,520.0	\$5,091.5	\$4,792.4	\$1,133.6	\$44,537.5
Cost as a Percent of Total Earnings	0.63%	0.62%	0.62%	0.84%	0.63%
Employer Compensation Received (millions)					
Own Health	\$313.8	\$55.2	\$45.0	\$10.2	\$424.2
Maternity & Bonding	\$92.2	\$5.1	\$11.7	\$7.3	\$116.3
Family Care	\$68.3	\$19.0	\$16.3	\$2.4	\$106.0
Total Employer Compensation (millions)	\$474.3	\$79.3	\$72.9	\$20.0	\$646.5
Uncompensated Leave Taken (millions)					
Own Health	\$186.7	\$20.8	\$17.5	\$6.4	\$231.5
Maternity & Bonding	\$25.4	\$1.8	\$1.8	\$3.5	\$32.6
Family Care	\$16.7	\$3.2	\$2.0	\$0.9	\$22.8
Total Uncompensated Leave (millions)	\$228.8	\$25.8	\$21.4	\$10.9	\$286.9

* Total earnings from self-employment for self-employed DC residents and total wage and salary earnings for all other groups.

Source: IWPR estimates based on IWPR-ACM FML2 Simulation Model.

Table 4: Total Durations of Leaves Taken Under Current DC Policies, All Types of Workers Combined

	Own Health	Maternity & Bonding	Family Care	Total
Less than 1 Week (1-5 days)	24.3%	23.9%	39.8%	28.0%
1 to 4 Weeks (6-20 days)	32.9%	19.1%	40.7%	32.9%
5 to 12 Weeks (21-60 days)	30.9%	39.1%	16.5%	28.5%
13 to 16 Weeks (61-80 days)	4.3%	7.9%	0.4%	3.8%
More than 16 Weeks (81 days or more)	7.5%	10.0%	2.7%	6.7%
Total	100.0%	100.0%	100.0%	100.0%
Median (Weeks)	3.4	6.0	2.0	3.0
Mean (Weeks)	5.8	7.5	3.2	5.4

Source: IWPR estimates based on IWPR-ACM FML2 Simulation Model.

Table 5: Total Durations of Leaves and Duration for Benefit Receipt Taken Under DC Universal Paid Leave Act, All Types of Workers Combined

Total Leave Durations Among All Leaves Taken				
	Own Health	Maternity & Bonding	Family Care	Total
Less than 1 Week (1-5 days)	18.0%	11.0%	37.4%	21.6%
1 to 4 Weeks (6-20 days)	25.3%	28.1%	44.0%	30.1%
5 to 12 Weeks (21-60 days)	36.2%	40.9%	15.3%	31.9%
13 to 16 Weeks (61-80 days)	7.0%	9.3%	0.4%	5.8%
More than 16 Weeks (81 days or more)	13.4%	10.7%	2.9%	10.6%
Total	100.0%	100.0%	100.0%	100.0%
Median (Weeks)	5.0	6.0	2.0	4.0
Mean (Weeks)	7.6	7.7	3.3	6.6
Benefit Durations Among All Leaves Receiving Proposed Program Benefits				
	Own Health	Maternity & Bonding	Family Care	Total
Less than 1 Week (1-5 days)	11.2%	27.7%	64.8%	17.0%
1 to 4 Weeks (6-20 days)	24.8%	19.1%	24.2%	23.6%
5 to 12 Weeks (21-60 days)	45.8%	37.1%	5.4%	42.2%
More than 12 Weeks (61 days or more)	18.2%	16.1%	5.6%	17.2%
Total	100.0%	100.0%	100.0%	100.0%
Median (Weeks)	6.0	5.0	1.0	6.0
Mean (Weeks)	7.1	6.0	2.3	6.6

Source: IWPR estimates based on IWPR-ACM FML2 Simulation Model.