INSTITUTE FOR WOMEN'S POLICY RESEARCH

Research-in-Brief

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USING TEMPORARY DISABILITY INSURANCE TO PROVIDE PAID FAMILY LEAVE: A Comparison with the Family and Medical Leave Act

TDI COMPARED TO THE FMLA

Although women have gradually become more established members of the labor force and mothers' earnings have become more critical to family well-being than in the past, women still provide the bulk of primary caregiving as mothers, wives, and daughters. This juggling between demanding work outside the home and caregiver roles often puts women's employment in jeopardy. IWPR research shows that, in the late 1980s, about one quarter of women who left jobs did so because of pregnancy or other family reasons.

In August 1993, the Family and Medical Leave Act (FMLA), which guarantees employment upon return from a medical- or family-related absence, became effective.[1] The goal of the law is to provide an opportunity for workers to personally provide family care in critical situations, or to attend to their own illness, without losing their jobs. The FMLA covers only about half of the American workforce, however, and, since the FMLA does not provide for wage replacement, some workers who are eligible may not be able to afford to take the full amount of the family care and medical leave to which they are entitled; they may return to work before they are fully ready in order to avoid further wage loss. Findings from the 1994 Working Women Count Survey by the Women's Bureau, U.S. Department of Labor, reveal that most working women want access to paid family care leave.

Temporary Disability Insurance (TDI) generally provides partial wage replacement to workers who are temporarily disabled for non-work-related reasons (such as pregnancy and childbirth, automobile accidents, or heart disease and cancer). TDI plans can be voluntary[2] or mandated and paid for by workers or employers or both. Currently five states (California, Hawaii, New Jersey, New York, and Rhode Island) and Puerto Rico require employers to provide access to TDI. In some states, the mandated plan is a public one, in others private, in others mixed. Costs, benefits, eligibility, and payment mechanisms for these existing state plans vary from state to state. Even though TDI plans do not as yet cover leave for the care of other family members, they are more generous to employees than the FMLA in several ways:

- First, in states with mandated TDI, more workers are covered by TDI plans than by the FMLA. Employees who work for smaller firms, have shorter job tenure, or have fewer hours of work (who are excluded under the FMLA) often qualify for paid time off in cases of sickness and accident under TDI in the states that require it;

- Second, TDI provides economic security for workers by providing partial wage replacement, whereas the FMLA-guaranteed leave is unpaid; and

[1] The Family and Medical Leave Act requires employers with 50 or more employees to provide 12 weeks of unpaid leave for the care of a newborn or newly adopted child, to care for a spouse or an immediate family member with a serious health condition, or when the employee is unable to work due to illness or temporary disability (including childbirth). In order to qualify, an employee must have worked for the employer for at least 12 months and for 1,250 hours during the year preceding the start of the leave.

[2] Voluntary disability insurance plans may be purchased by employers and provided as a fringe benefit or purchased by individual workers. In the U.S. as a whole, fewer than half of all workers have access to disability insurance through their employment.

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- Third, TDI provides a longer duration of wage replacement than the FMLA guarantees jobs. Under TDI, employees can generally receive partial pay for 26 to 52 weeks of leave, depending on the state, while the FMLA guarantees jobs for only 12 weeks of absence.

State TDI plans do not, however, provide job security in the form of guaranteed re-employment rights, as the FMLA does.

NEW IWPR STUDY ON TDI & PAID FAMILY LEAVE

A new study by the Institute for Women's Policy Research (IWPR), ***Expanding Social Insurance to Include Paid Family Care Leaves***, explores the economic feasibility of extending and enhancing TDI programs. It presents estimates of the cost of replicating TDI plans in five additional states (Georgia, Maryland, New Mexico, Washington, and Wisconsin), modelling several different levels of eligibility requirements and benefits. In addition, the study estimates costs for extending TDI to include paid family care leave in all 10 states in the study (the five states with existing TDI plans and the five additional states).

STUDY RESULTS

Using data from the 1991 *Current Population Survey* and usage information for covered workers provided by the state of California, the study replicates the California TDI plan, comparing it to five different eligibility/benefit models developed by IWPR. The TDI cost estimates (i.e. estimates of the total benefits paid out, excluding administration costs) that most closely approximate the current TDI plan in California are based on IWPR's inclusive/low benefit model. This is a relatively modest cost plan which has broad eligibility definitions and therefore covers almost all workers, but offers a relatively low rate of wage replacement (50 percent) and sets a maximum benefit equal to one-half the average earnings in the state. IWPR's findings for all 10 states are based on this inclusive/low benefit plan.

Table 1 shows the estimated costs for TDI programs in the five states with TDI and the five additional states in the study. Estimated TDI costs range from $44 million in Rhode Island to $1.4 billion in California. Table 1 also shows that pregnancy/childbirth claims paid to women would range from $7.4 million in Rhode Island to $299 million in California, or approximately 20 percent of the total estimated TDI benefits paid in 1990. These estimates do not, however, adjust for actual differences between the states in fertility, and states with lower fertility rates among working women would tend to pay out fewer benefits for pregnancy and childbirth than those states with higher fertility.[3]

The second panel of Table 1 shows IWPR's estimates of the cost of providing wage replacement for family care leaves of the type that are allowed under the FMLA. The FMLA requires employers to reinstate a worker who must leave work to care for a new child or a sick family member, including a spouse, parent, or child. Due to insufficient data on likely usage of paid leave for these reasons, the study adapts the methodology used by the U.S. General Accounting Office and reviews other studies to estimate potential usage. In calculating the likely benefits, IWPR's model uses the same wage replacement rate as for TDI leaves and limits family care leaves to a maximum of 12 weeks (the same time limit as in the FMLA).

As Table 1 shows, the estimated costs of paid family leave range from $33 million in Rhode Island to $1.2 billion in California. The total estimated cost for paid family care leave is slightly smaller than the cost estimated for TDI, largely because of the time limitation on benefit receipt. The estimated cost of providing paid family leave benefits for newborn care ranges, across the 10 states, from 59 to 68 percent of the total costs for paid family leave. Although the mothers of newborns are younger and have lower average wages than other caregivers, there are more new mothers than other caregivers and their estimated average duration of leave is longer. Spousal care is the next largest category of care in terms of benefits paid, amounting to about 20 percent, followed by care for elderly parents and care for ill children -- each amounting to less than 10 percent of total family care benefits.

According to IWPR's estimates, the cost of TDI enhanced to include paid family care leave is slightly less than double the cost of TDI alone. Including paid family care, cost estimates range from $77 million in Rhode Island to $2.5 billion in California.

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[3] Although the IWPR study adjusts for state-by-state differences in the number of working women of child bearing age, state-by-state information on the fertility of working women is lacking.

TABLE 1. Projected TDI & Family Care Benefits for Women and Men in Ten States, 1990

in millions of dollars	California	New York	New Jersey	Hawaii	Rhode Island	Georgia	Maryland	Wisconsin	Washington	New Mexico
	States with existing Temporary Disability Insurance Programs					States with proposed Temporary Disability Insurance Programs				
Total Estimated TDI Benefits	$1,372.9	$845.8	$450.3	$56.8	$44.2	$272.5	$262.6	$218.9	$217.6	$53.3
Pregnancy-related Disability *a*	299.2	162.3	103.3	12.2	7.4	61.5	54.7	48.4	39.8	13.6
Other Disability	1,073.7	683.5	347.0	44.6	36.8	211.0	207.9	170.5	177.8	39.7
Total Estimated Paid Family Leave Benefits *b*	$1,171.9	$658.2	$399.3	$47.8	$33.2	$237.5	$221.5	$186.5	$164.7	$50.9
Care for Sick Spouse	207.1	132.8	72.1	8.6	6.9	44.0	39.5	35.9	35.8	8.5
Care for Elderly Parents	106.6	64.6	34.0	4.2	3.4	20.7	20.3	16.4	17.0	3.8
Care for Sick Children	89.8	51.8	27.6	3.4	2.6	18.7	16.1	15.2	14.9	4.0
Single Parent Families	21.1	10.1	5.0	0.7	0.7	3.8	4.4	3.3	3.0	1.0
Two Parent Families	68.7	41.7	22.6	2.7	1.9	14.9	11.7	11.9	11.9	3.0
Care for Newborns	768.4	409.0	265.6	31.6	20.3	154.1	145.6	119.0	97.0	34.6
Eligible & Claimed TDI for Childbirth	316.0	171.4	109.1	12.9	7.8	64.9	57.7	51.0	38.5	14.4
Eligible & Did Not Claim TDI for Childbirth *c*	452.4	237.6	156.5	18.7	12.5	89.2	87.9	68.0	58.5	20.2
Total TDI Plus Family Care	$2,544.8	$1,504.0	$849.6	$104.6	$77.4	$510.0	$484.1	$405.4	$382.3	$104.2
in dollars										
Per Worker Premium Costs *d*										
Average Annual Premium per Worker	$176.70	$175.30	$212.70	$186.20	$151.20	$159.30	$193.30	$160.90	$153.20	$153.10
Average Monthly Premium per Worker	$ 14.70	$ 14.60	$ 17.70	$ 15.50	$ 12.60	$ 13.30	$ 16.10	$ 13.40	$ 12.80	$ 12.80

Notes:

a Administrative data for the states with existing TDI plans show that the proportion of all claims paid out that are for pregnancy and child birth varies from 13 percent in New York to 22 percent in California. Some of these differences in actual pregnancy-related claims may reflect fertility differences between the states; some may reflect differences in eligibility criteria set by the states. IWPR's estimated costs are based on California's usage rates and standardized eligibility criteria across all the states.

b Based on usage data from various sources, IWPR's model estimates that, in an average year, about 1.0 percent of the labor force would use paid leave for the care of a seriously ill spouse (for an average duration of 7 weeks); about 0.5 percent would use leave to care for an elderly parent (also for an average duration of 7 weeks); about 0.6 percent would use leave to care for a seriously ill child (for an average duration of 5 weeks); and about 2.0 percent would use paid leave to care for a newborn or newly adopted child (for an average duration of 10 weeks).

c IWPR's model assumes that even those workers who would not claim benefits for childbirth under TDI (perhaps because they have more generous benefits available from their employers) would nevertheless claim paid leave benefits for the care of newborns or newly adopted children, because so few employers provide paid family care leave.

d Per worker premium costs are the total estimated costs of wage replacement benefits for both TDI and family care leaves (excluding administrative costs) divided by the number of covered workers in each state.

Source: IWPR calculations based on the March 1991 Current Population Survey, usage data for TDI from the State of California, and various sources for estimates of family care leave usage.

Table 2 compares the total cost for TDI plus family care to the cost of other social programs that provide income support or in-kind, cash-like benefits. The cost for TDI plus family care is about one-tenth that of Social Security programs. Costs for SSI, Aid to Families with Dependent Children (AFDC), Unemployment Insurance (UI), and Food Stamps are shown for comparison. In most states, the paid family leave component is smaller than the cost of any of these programs. Only the EITC program is generally smaller. In this light, the enhancement of Temporary Disability Insurance to include paid family care leave is a relatively inexpensive program.

POLICY CONCLUSIONS

IWPR's findings clearly show that it is feasible to develop a social insurance program that provides paid family care leave on the scale modelled in this study. ***For less than the cost of the current Unemployment Insurance program, a new social insurance program could provide paid leave for family care.*** Considering the opposition from much of the business community during the debate prior to the passage of the FMLA and a generalized resistance to tax increases among the public and political leadership, the prospects that a paid family care leave program will be adopted may seem slim in the

TABLE 2. Selected Social Welfare Programs: Benefits Paid in Ten States, 1990
(in millions of dollars)

	States with existing Temporary Disability Insurance Programs					States with proposed Temporary Disability Insurance Programs				
TYPE OF BENEFIT	California	New York	New Jersey	Hawaii	Rhode Island	Georgia	Maryland	Wisconsin	Washington	New Mexico
Unemployment Insurance (UI)	$2,232	$1,873	$1,052	$48	$171	$318	$267	$362	$426	$54
Social Security										
Retirement Program	16,661	13,692	6,224	693	855	3,224	2,706	3,877	3,367	829
Survivors Program	4,359	3,578	1,561	139	195	1,116	829	1,045	842	269
Disability Program	2,273	1,764	676	62	99	725	340	487	424	145
Total Social Security	23,293	19,034	8,461	894	1,149	5,065	3,875	5,409	4,633	1,243
Supplemental Security Income (SSI)	4,278	1,557	340	51	53	415	185	288	208	90
Aid to Families with Dependent Children (AFDC)	5,107	2,326	459	100	104	333	304	441	447	66
Food Stamps	968	1,086	289	81	42	382	203	180	229	117
Earned Income Tax Credit (EITC)	1,091	460	174	19	21	275	115	91	102	71
Temporary Disability Insurance (TDI) & Paid Family Leave										
TDI (disability and pregnancy) *a*	$1,373	$846	$450	$57	$44	$273	$263	$219	$218	$53
Paid Family Leave	1,172	658	399	48	33	238	222	187	165	51
Total TDI Plus Family Care *b*	2,545	1,504	850	105	77	510	484	405	382	104

Notes:
a Actual costs of benefits in the five states with existing TDI plans differ from the IWPR estimates shown here. IWPR's estimates are based on a standard model while the states vary in their criteria for coverage and eligibility and in the generosity of their wage replacement ratios and allowable durations of leave.
b Costs for administration are excluded; for all programs, the expenditures shown are for benefits only.

Source: Annual Statistical Supplement to the Social Security Bulletin, 1991 and 1992; Statistical Abstract of the United States, 1993; US Congress, Committee on Ways and Means, Green Book, 1993; and IWPR calculations (see Table 1).

short run. It is important to note, however, that, like Social Security and Unemployment Insurance, and unlike many other income assistance programs, TDI plans are structured as insurance programs, with workers and employers generally sharing the costs of premiums. TDI is a pay-as-you-go system, rather than a new entitlement paid out of general tax revenues. Even for TDI and paid family leave combined, the premium cost per worker is generally modest (ranging from $151 to $213 annually in 1990 dollars), a cost that seems very low for providing basic income protection for illness, disability, newborn care, and family care emergencies. The additional cost of providing paid family leave for states with existing TDI plans is particularly modest, between $69 and $98 per worker per year (in 1990 dollars). The need for paid family care leave continues to grow as the number and proportion of women workers in the labor force continue to increase. In the long run, such a program is likely to come to be seen as an ideal American adaptation of the paid family care leaves common in Europe, which are much more generous and expensive, and often funded, at least partially, out of general tax revenues.

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