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**An Estimate of Program Cost under Oregon Senate Bill 966,
the Family Leave Benefits Insurance Act**

Prepared by the Institute for Women's Policy Research
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Children First for Oregon requested that the Institute for Women's Policy Research (IWPR) analyze the Family Leave Benefits Insurance Act in order to provide lawmakers and policy advocates with information about the likely costs and use of a universal paid family leave insurance program in Oregon. This document presents that estimate.¹

The Institute for Women's Policy Research, a nonpartisan, scientific research institute in Washington, DC, has been conducting research, data and policy analysis, and cost-benefit estimates regarding paid family and sick leave for almost a decade, since the issue first drew the attention of policy makers. Our research has been presented to the U.S. Congress, state legislatures, and local governments. Our analyses have informed the adoption of workforce standards in cities and states around the country—for instance, the adoption of paid family leave in New Jersey and paid sick days measures in San Francisco, the District of Columbia, and Milwaukee and the development of policy proposals in Congress, Illinois, Maine, Maryland, New Mexico, and Pennsylvania.

Though this report details only the likely costs of this program, the program is likely to create substantial benefits for workers, their families, and their employers. By allowing workers to take time off for a new child or family medical needs, paid family medical leave can improve workforce retention² by making it more financially feasible for workers to stay on the job when a need for leave arises. This can provide substantial savings to employers, as turnover is costly.³ Family leave is also likely to improve health outcomes for new mothers⁴ and their children⁵ by allowing workers to take leaves following childbirth that allow time for recuperation, bonding, and breastfeeding, while also allowing workers to give care during a family member's illness.

Program Cost Estimates

The estimated annual benefit payments presented here for the Family Leave Benefits Insurance Act may be considered an estimate of benefits costs for a mature program several years after program implementation. Though we utilized an estimated take-up of rate of 80 percent, it is unrealistic to assume that initial knowledge of the program and its procedures will be widespread enough to result in a take-up rate of 80 percent. **Costs within the first few years will likely be substantially lower than the costs presented here.**

The Proposed Policy. We estimated the use and cost of a paid family leave insurance policy with the characteristics described in the Family Leave Benefits Insurance Act (Table 1).

Table 1. Policy Parameters for Paid Leave Cost Estimates

Eligible workforce	Coverage after 180 days in a job
Covered activities ^a	Serious illness/health condition of child, spouse, or parent; care for newborn, newly adopted, or newly placed foster child.
Benefit amount	A flat benefit rate of \$300 weekly for full-time workers ^b
Maximum leave period	6 weeks in a 12-month period
Waiting period	No waiting period
Annual hours of work requirement	25 hrs per week
Part-time workers	Part-time workers would collect leave proportional to their weekly hours if they work more than 25 hours per week
Employer size threshold ^c	25 employees
Assumed take-up rate ^d	80 percent

^a While Oregon’s proposed program does not cover pregnancy or maternity disability, this study assumes that birth mothers will take 6 weeks of leave to care for their new baby, if they do not have a better paid leave option, as determined by the probability estimates of our model.

^b Senate Bill 966 provides for benefits to be paid only for full weeks of leave. This estimate allows leaves to be estimated for partial weeks.

^c Firms with fewer than 25 employees may participate in the plan voluntarily, as may the self-employed. This estimate does not reflect participation by either of these groups.

^d Take-up rates are likely to be lower than 80 percent in initial program years; see below.

Summary of Program Use. Approximately 31,900 leaves will be taken under the program each year when the program reaches full utilization (Table 2). Benefit payments for this program will total \$20.1 million annually (Table 3).

Table 2. Estimated Annual Number of Leaves

Type of leave	Estimated number of leaves taken with benefits per year
New child	12,500
Ill family	19,400
Total	31,900

Source: IWPR analysis using the IWPR/LRC estimation model and data from the 2006 – 2008 Annual Social and Economic Supplement to the Current Population Survey and from the Oregon Employment Department.

Table 3. Estimated Total Annual Benefit Payments

Type of leave	Annual benefit payments
New child	\$11,800,000
Ill family	\$ 8,300,000
Total ¹	\$20,100,000

Source: IWPR analysis using the IWPR/LRC estimation model and data from the 2006 – 2008 Annual Social and Economic Supplement to the Current Population Survey and from the Oregon Employment Department.

Two-fifths of the leaves taken under the program will be for workers caring for a new child, while three-fifths will be for family care (Table 4). However, due to the longer average leave length for new child leaves (Table 5), new child leaves will account for nearly three-fifths of program benefits costs, while leave for family care will account for two-fifths (Table 4). The average (mean) estimated benefit for a new child leave is \$922; ill family leaves are estimated to have average (mean) total benefits of \$416 (Table 6).

Table 4. Estimated Distribution of Program Leaves and Benefit Payments, by Leave Type

Type of leave	Percent of all program leaves	Percent of total benefit payments
New child	39	59
Ill family	61	41
Total	100	100

Source: IWPR analysis using the IWPR/LRC estimation model and data from the 2006 – 2008 Annual Social and Economic Supplement to the Current Population Survey and from the Oregon Employment Department.

Table 5. Estimated Average Length Leave in Work Days

Type of leave	Family Leaves Taken with Program Benefits	
	Mean leave length	Median leave length
New child	16.9	15.0
Ill family	7.2	5.0
All	11.0	6.0
All Leaves Taken^a		
	Mean leave length	Median leave length
New child	40.1	20.0
Ill family	12.0	5.0
All	23.0	7.0

^a Some individuals will take leave for longer than the six weeks available under the FLBIA program.

Source: IWPR analysis using the IWPR/LRC estimation model and data from the 2006 – 2008 Annual Social and Economic Supplement to the Current Population Survey and from the Oregon Employment Department.

Table 6. Estimated Average Weekly Benefits and Total Benefit Amounts, by Leave Type

Type of leave	Mean weekly benefit	
	Weekly	Total
New child	\$279	\$922
Ill family	\$288	\$416
All	\$284	\$615

	Median benefits	
	Weekly	Total
New child	\$300	\$808
Ill family	\$300	\$240
All	\$300	\$300

Source: IWPR analysis using the IWPR/LRC estimation model and data from the 2006 – 2008 Annual Social and Economic Supplement to the Current Population Survey and from the Oregon Employment Department.

Appendix A: Overview of the IWPR/LRC Cost Estimation Model

The Institute for Women's Policy Research, working with the Labor Resource Center of the University of Massachusetts Boston (LRC), developed a flexible econometric model for estimating the cost of paid family and medical leave insurance (FMLI) proposals. The model can be used to estimate the likely range of expenditures of FMLI programs being considered in individual states, based on empirical data on leave-taking behavior under the federal Family Medical Leave Act of 1993 (FMLA) and the specific features of the proposed new program.

Data Used

The model uses two datasets prepared under the direction of the U.S. Department of Labor:

1. A survey of employees and employers conducted in 2000, *Balancing the Needs of Families and Employers*, provides information about workers who needed to take family and medical leave: whether they took a leave (or more than one leave), whether they received pay from their employers during their leaves, how long their leaves were, whether they would have taken a longer leave if they had received more pay during their leave, etc. (The survey was conducted to evaluate the federal Family and Medical Leave Act of 1993.) The dataset also has information about workers' demographic characteristics, which are significant in determining their experiences in needing and taking leave.
2. Data about workers in individual states are obtained from the most recent available March Annual Social and Economic Supplements of the Current Population Survey (CPS). These datasets contain detailed information about individuals' work experiences and demographic characteristics.

In addition, these estimates were adjusted for the latest data available from the Oregon Employment Department on the number of workers in Oregon who would be eligible for benefits from the Family Leave Benefits Insurance Act. These data show the number of workers in February 2009 in firms in Oregon with 25 or more employees as 755,562.

Adjustable Parameters

The model can be modified to reflect the parameters of paid family and medical leave proposals under consideration in a particular state, including leave circumstances; earnings, work hours, and other eligibility criteria; employer size thresholds; the wage replacement rate and maximum benefit amount; the maximum length of leave; payment of dependent allowances; and the requirement of a waiting period during which no benefits would be paid. The findings reported here reflect the parameters of Senate Bill 966, the Family Leave Benefits Insurance Act.

The IWPR/LRC model also allows the user to set three other important estimation parameters.

1. The take-up or program participation rate: Social programs rarely have a 100 percent take-up rate, because individuals are unaware of program benefits, assume they are

ineligible, or choose not to participate. This model allows a program participation rate to be set by the user. For this analysis, we used a take-up rate of 80 percent, though participation is likely to be much lower in the first years of the program as workers' familiarity with the program is growing.

2. Workers' decisions about whether and how to participate in the program depend on benefit programs their employers offer. Our model was set to simulate workers' choices about which program(s) to participate in -- one offered by an employer, or the Oregon Family Leave Benefits Insurance Program -- based on data about employers' paid leave programs from *Balancing the Needs of Families and Employers*.

3. Some workers may take a longer leave under a universal paid program than they would if they did not receive any pay during their leave. We allow leave lengths to be extended for certain leave circumstances when workers choose to participate in the paid leave program. The take-up rate is applied after the model estimates eligibility, program need, and employer benefit offers.

Program Outcomes

The simulation model is a software application that "runs" each sample person in the CPS dataset through the estimated behavior models and sets of assumptions about leave-taking behavior. The program reports a set of estimated program outcomes, for FMLI and non-FMLI leaves, by leave type, including total annual benefit payments, the distribution of FMLI leaves and total benefit payments by leave type, the median leave length, the number of leaves, and the median weekly and total benefits. The model can also generate estimates of leave-taking behavior without the proposed FMLI program, to compare with likely outcomes under the new program.

Use of the Model

The IWPR/LRC model was first used to estimate the cost of a paid leave program in Massachusetts and has since been used to generate cost estimates of FMLI programs for New Mexico, Maine, Maryland, Illinois, Minnesota, and Washington.

Further Information

Sharing the Costs, Reaping the Benefits: Paid Family and Medical Leave in Massachusetts by Randy Albelda and Alan Clayton-Matthews details the model, its use, and findings for the state of Massachusetts.⁶ The report contains background information about family and medical leave and the assumptions underlying the model used in this estimate.

For more information on this estimate or other work by IWPR, contact Kevin Miller at the Institute for Women's Policy Research, at 202-785-5100 or at miller@iwpr.org.

¹ The estimation methodology is described in Appendix A.

² Kristin E. Smith, Barbara Downs, and Martin O'Connell (2001), *Maternity Leave and Employment Patterns: 1961-1995* (Washington, DC: US Census Bureau).

³ Vicky Lovell (2008), *Valuing Good Health in Milwaukee* (Washington, DC: Institute for Women's Policy Research).

⁴ Patricia McGovern, Bryan Dowd, Dwenda Gjerdingen, Ira Moscovice, Laura Kochevar and William Lohman (1997), "Time off Work and the Postpartum Health of Employed Women" (*Medical Care* 35 (May), p. 507-521).

⁵ American Academy of Pediatrics (2005), "Breastfeeding and the Use of Human Milk" (*Pediatrics* 115 (February), p. 496-506).

⁶ Randy Albelda and Alan Clayton-Matthews (2006), *Sharing the Costs, Reaping the Benefits: Paid Family and Medical Leave in Massachusetts* (The University of Massachusetts Boston Labor Resource Center, The Future of Work Paper Series), downloaded from <http://www.pcps.umb.edu/lrc/documents/LRCreport5-06Final.pdf>.