

IT'S ABOUT TIME:

Costs and Coverage of Paid Family and Medical Leave in Massachusetts

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Executive Summary ▪ Updated July 2017

A new baby. A cancer diagnosis. A parent or child with a serious illness. These are common events that require a worker to take an extended leave from work. Most everyone at some point will experience a period during which they need time to heal or to care for a loved one. Yet, for many workers, taking time from work means losing wages and, for some, it means losing their job. The United States remains an outlier when it comes to paid leave. Most countries provide paid maternity leave and most advanced industrial countries offer extended paid medical and parental leaves. In 2015, only 12% of all U.S. workers had access to paid family leave from their employers, 38% had access to short-term disability leave, and 65% had paid sick leave.

Why Paid Leave Matters

Extending paid family and medical leave to all employees through a statewide program shares the risk of taking leave across the workforce and reduces the economic instability many face when they leave without pay. It levels the employment playing field so that almost all workers taking a leave would be able to use such a program, regardless of the size of firm or employer's willingness to provide paid time off. Paid family and medical leave also reduces inequality as some workers are currently disadvantaged by the lack of paid leave. This includes women because they take more leaves due to caregiving and workers of color and low-wage workers because they are the least likely to currently receive any wage replacement.

Paid Family and Medical Leave Simulator Model

One often-cited obstacle to providing paid family and medical leave in the United States is the anticipated cost. Our May 2016 report, *It's About Time*, directly addressed this concern by documenting the impacts of a statewide paid family and medical leave insurance program then under consideration by the Massachusetts Legislature. A simulation model we developed estimates the number of leaves taken, their lengths, who takes leaves, and the costs associated with leave-taking currently and, alternatively, with a statewide paid leave program in place. Since issuing our 2016 report, we refined the simulator to better account for the lengths of leaves for those using the program and to update American Community Survey data. Our analysis shows that, without a statewide program:

Current Snapshot

- Annually, 374,000, or 11.9% of the 3.14 million employees (who would be covered by the program), take about 515,000 leaves for family and medical reasons. Of those leaves, 72.6% had some portion of wages replaced by employers typically through paid sick days and vacation time.
- Two-thirds of all leaves are for medical reasons (7% for a pregnancy-related health issue and 61% for other own health-related leaves); the remaining third are to bond with a new child or to take care of an ill parent, child, or spouse.
- Most family and medical leaves are short. One quarter of those leaves are for a week (five work days) or less, with half being 3 weeks (15 work days) or less. The average length of leaves at present is 6.6 weeks (33 days).
- Women, Black, Latino/a, low-wage, and low-income workers as well as those who work for small firms (under 50 employees) are the least likely of all workers to have employer wage replacement.

Paid Leave Program: Legislative Provisions

Our estimates are based on key provisions of bills under consideration by the Massachusetts Legislature sponsored by Representative Kenneth Gordon (House Bill 2172) and Senator Karen Spilka (Senate Bill 1048).

Both proposed leave programs provide for partial wage replacement for up to 26 weeks for medical leaves (for workers' own health and pregnancy-related temporary disability) and between 12 and 16 weeks for family leaves (bonding with a new child or caring for an ill relative). Eligibility requirements, maximum wage replacement and wage replacement rates for both bills are detailed in Table 1. The leaves would be funded through an insurance fund with payroll contributions from employers and employees and require a one-week waiting period. Federal and local government employees are excluded from the legislation while self-employed workers can opt into the program, so we exclude these types of employees in our analysis.



Covering Leave: Benefits and Costs

We estimate that the paid leave program in H. 2172 would result in an additional 12,000 leaves while S. 1048 would result in an additional 8,000 leaves. Of all leaves taken, 80.6% would be taken with some form of wage replacement either from employers or the program based on House bill provisions and 78.6% under the Senate bill's provisions.

In the program's initial years, employees would apply for, be eligible for, and receive wage replacement through the new program for 133,000 leaves under Rep. Gordon's bill and 113,000 under Sen. Spilka's bill. In the case of both bills, four out of five (79%) leaves would be for medical reasons (18% for pregnancy-related health and 61% for other personal health reasons). The rest would be for leaves to bond with a new child, or to care for an ill child, spouse, or parent.

- The annual costs of wage-replacement benefits paid to employees using the program (not including the costs of program set-up/administration) are estimated to be \$560 million for the House bill and \$786 million for the Senate bill. This translates to an average weekly cost of \$3.44 per covered employee (House bill) and \$4.82 (Senate bill). Additional cost estimates are provided below in Table 1.

- The new program would especially increase the percentage of leaves with wage replacements for Black, Latino/a, low-wage, and near poor workers as well as employees in small firms (fewer than 50 employees).
- The proposed leave program allows for more universal coverage by spreading and sharing the costs. It will have the intended effects of allowing workers who need time off for their own health, to bond with a new child, or to take care of a relative to do so without extreme financial sacrifice.

It's About Time

Paid family and medical leave takes into account the reality of work and family life: workers need the time to leave work for their own health reasons and to care for others and receive partial wage replacement while out on leave. Our current system of wage replacement is uneven and unequal and contributes to the economic insecurity with which many workers struggle. A statewide paid family and medical leave program will reduce the wage replacement gap that exists, level the employment playing field for workers and employers alike, and enhance economic security for many working families across the Commonwealth.

Table 1. Bill Provisions, Estimated Costs, Benefits

Bill	Eligibility	Max. Leave Length (weeks)	Max. Weekly Wage Replaced	Wage Replacement Rate	Total Annual Cost	Average Weekly Cost per Covered Worker	Weekly Benefit for Worker Earning \$1,256/week**	Weekly Cost and Benefit Per Median Worker Earning \$780/week
House Bill H.2172 (Rep. Gordon)	Worked 13 weeks in last year	26 TDI* 12 Family leave	\$650	.90 up to 30% of statewide average wage**; .33 thereafter	\$560 million	\$3.44	\$629	\$2.76 Cost \$472 Benefit
Senate Bill S. 1048 (Sen. Spilka)	Worked 1,250 hours in last year	26 TDI 16 Family leave	\$1,000	Phased in rate with .90 of wage replaced in third year	\$786 million***	\$4.82	\$1,000 ***	\$3.88 Cost \$702 Benefit

* TDI (Temporary Disability Insurance) leaves for own health and pregnancy-related disability

** This is the Massachusetts statewide average weekly wage in 2015.; *** Year 3 of program

Note: Costs presented are total costs for leave-taking and would be split between employer and employee; cost figures don't include administrative costs.

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