

The Case for a National Family and Medical Leave Insurance Program (The FAMILY Act)

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At some point, nearly everyone needs time away from work to recover from a serious illness or care for a sick loved one or new child. Yet the majority of working people in the United States cannot take the time they need without risking their jobs or economic security.¹ **A national paid leave program would allow people to receive a portion of their pay when they need time away from their jobs for family or medical reasons – resulting in significant benefits for their families, businesses and our economy.**

The Problem: Working People are Struggling

Our nation's policies are not adequately addressing the health and economic needs of America's workers and their families.

- ▶ A mere 11 percent of the U.S. workforce has paid family leave through their employers, and fewer than 40 percent have personal medical leave through an employer-provided temporary disability program.²
- ▶ As a result, when workers develop serious health conditions, have seriously ill family members or become parents, they are stuck between what is best for them and their families on the one hand, and the income and jobs they need on the other.
- ▶ The Family and Medical Leave Act – the nation's only federal law designed to help working people meet the dual demands of job and family– has kept millions of people from losing their jobs when serious medical needs arise. But the FMLA does not cover 40 percent of the workforce, and it guarantees only *unpaid* leave, which millions cannot afford to take.³

The Solution: A Paid Family and Medical Leave Program

The Family and Medical Insurance Leave Act (FAMILY Act) would create a national insurance program that would support workers and businesses. The FAMILY Act would:

- ▶ Provide eligible employees with up to 12 weeks of paid leave for their own serious illness; the serious illness of a child, parent or spouse (including a domestic partner); the birth or adoption of a child; the injury of a family member who is in the military; or exigencies arising from a servicemember's deployment;
- ▶ Be funded by employee and employer contributions of two-tenths of one percent of a worker's wages. This amounts to less than \$1.50 per week for the average worker or two cents for every \$10 paid;⁴

- ▶ Provide benefits equaling 66 percent of an individual's typical monthly wages up to a capped amount and indexed for inflation;
- ▶ Apply to workers in all companies, no matter their size, because funds would not be tied to specific employers;
- ▶ Apply to all workers who qualify for Social Security disability benefits, even if they are young, part-time or low wage; and
- ▶ Establish a Paid Family and Medical Leave Office within the Social Security Administration to administer the program, without draining resources from existing Social Security-administered programs.

The Benefits of Paid Leave:

STRENGTHENS ECONOMIC SECURITY FOR WORKING PEOPLE AND THEIR FAMILIES

- ▶ Paid leave provides **income stability** to families with new children. Having a baby is the most expensive health event that families face during their childbearing years.⁵ Thirteen percent of families with a new infant become poor within a month.⁶
- ▶ Paid leave encourages **workforce attachment**. New mothers who take paid leave are more likely than mothers who do not take paid leave to be working nine to 12 months after giving birth,⁷ promoting economic stability and opportunity for families, reducing recruitment and training costs for employers, and expanding the nation's tax base.
- ▶ Paid leave promotes families' **financial independence**. In the year following a birth, new mothers who take paid leave are 54 percent more likely to report wage increases and 39 percent less likely to need public assistance than mothers who do not. Fathers who take paid leave are also less likely to need public assistance.⁸
- ▶ Paid leave safeguards the **income and retirement security** of workers with eldercare responsibilities who might otherwise have to drop out of the workforce. On average, a worker who is 50 years of age or older who leaves the workforce to take care of a parent will lose more than \$300,000 in wages and retirement income.⁹

IMPROVES HEALTH OUTCOMES AND REDUCES HEALTH COSTS

- ▶ Paid leave programs contribute to **improved newborn and child health**. New mothers who take paid leave are more likely to take at least the minimum six to eight weeks recommended by doctors.¹⁰ Newborns whose mothers take leave for at least 12 weeks are more likely to be breastfed, receive medical check-ups and get critical immunizations.¹¹ An additional 10 weeks of paid leave for new parents, on average, reduces post-neonatal mortality by up to 4.5 percent.¹²
- ▶ Seriously ill **children recover faster** when cared for by their parents. The presence of a parent shortens a child's hospital stay by 31 percent.¹³ Active parental involvement in a child's hospital care may head off future health care needs and costs. This is particularly true for children with chronic health conditions.¹⁴
- ▶ Paid leave allows workers to **care for older family members** with serious health problems – a responsibility becoming more common as our population ages. Forty-eight percent of family caregivers who have to take time off to meet their care

responsibilities lose income.¹⁵ With paid leave, workers can help loved ones recover from illness, fulfill treatment plans, and avoid complications and hospital readmissions, which can help lower health care costs.¹⁶

IMPROVES BOTTOM LINES FOR BUSINESSES

- ▶ Paid leave **reduces worker replacement costs**. Companies typically pay about one-fifth of an employee's salary to replace that employee.¹⁷ Turnover declines and loyalty increases when workers are able to use paid leave to address serious personal or family illness or to care for a new child.
- ▶ In California, which has had a state paid family leave program in place since 2004, employers report that the program has had either a positive or no noticeable effect on turnover (96 percent of employers surveyed), employee productivity (89 percent), profitability and performance (91 percent) and morale (99 percent).¹⁸
- ▶ Paid leave programs provide the potential for **cost savings** for employers that already provide paid time off. In California, 60 percent of businesses surveyed reported coordinating their benefits with the state program, likely resulting in savings.¹⁹

COMPLEMENTS THE SOCIAL SECURITY SYSTEM

- ▶ More people staying in their jobs, means **more people paying taxes**. If every woman had access to paid leave to care for a new child, employment would increase by an estimated 40,000 new mothers each year. These workers would continue contributing to and strengthening the Social Security system.²⁰
- ▶ The paid family and medical leave insurance program proposed in the FAMILY Act would be **entirely self-funded** and would not impact the Social Security Trust Fund or Social Security Disability Insurance. The new payroll tax would include sufficient funding to administer the program as well as cover benefits.
- ▶ Social Security already has an infrastructure set up to calculate and deliver regular benefits, so the paid leave insurance program created by the FAMILY Act could have **lower set-up costs** than creating a new national, stand-alone infrastructure.

RELIES ON KNOWLEDGE FROM SUCCESSFUL STATE PROGRAMS

- ▶ California (passed in 2002, implemented in 2004) and New Jersey (passed in 2008, implemented in 2009) and Rhode Island (passed in 2013, to be implemented in 2014) have created statewide insurance programs that provide paid leave to workers, totaling about 15 percent of the U.S. population.
- ▶ Family leave insurance in these states has enabled workers to take leave to care for an ill family member or bond with a new child without burdening employers. A survey of California workers shows that they find the program easy to use and receive their first wage replacement checks quickly.²¹ In New Jersey, the program costs are even lower than expected, which led to a payroll tax cut for workers.²²

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The National Partnership for Women & Families is a nonprofit, nonpartisan advocacy group dedicated to promoting fairness in the workplace, access to quality health care and policies that help women and men meet the dual demands of work and family. More information is available at www.NationalPartnership.org.

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