

## Background and Position Paper

### The Case for Paid Leave

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The U.S. is one of only three major industrialized countries worldwide that does not offer any paid family leave support. Further, the U.S. is one of only two countries in the Organization for Economic Cooperation and Development without paid maternity leave. Many employees need family leave to care for aging parents, sick relatives, or children. Approximately 49% of working Americans have NO paid sick days at all (or paid vacation days) (Wiatrowski, 2004) and 40% of workers expect to need family leave within the next 5 years. (stateaction.org)

#### *The Issue*

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The U.S. has made efforts to protect the jobs of its citizens by implementing two acts. The Pregnancy Discrimination Act (PDA) of 1978 makes it illegal to fire, refuse to hire, or deny a woman promotion because she is pregnant. The Family and Medical Leave Act (FMLA) was established in 1993 and makes it a federal law for employees to guarantee up to 12 weeks of *unpaid* leave each year for workers to care for newborn or adopted children, a seriously ill family member, or to recover from serious health conditions while ensuring

that the employee will return to an equivalent job.

Research on FMLA has found that the overall impact of FMLA on employees and employers has been positive. A majority of businesses reported that FMLA had little or no adverse effects on employers' business performance. Family leave is good for business; it has been tied to employee retention, increased productivity, and increased morale and loyalty toward the company (Phillips, 2004, The Urban Institute, paidleave.org). Furthermore, businesses have experienced cost savings from FMLA due to decreased turnover (Smith, Downs, & O'Connell, 2001).

Although the government has made efforts to secure the jobs of its citizens, parental leave is unavailable to most Americans, regardless of their income. FMLA protection is limited to only about half of all workers (fewer than 1/5 of new mothers; Ruhm, 1997). Furthermore, FMLA does not help low-income families; approximately 64% of parents cannot afford to take unpaid leave (Han & Waldfogel, 2003).

## Some FMLA Statistics

- **About half of caregivers** reported financial difficulty with FMLA.
- **More than half** cited financial problems as the reason for not using FMLA
- **78%** of workers surveyed who needed FMLA but did not take it said that they could not afford the unpaid leave (Love, Raikes, Pausell, & Kisker, 2000; Grant, Hatcher, & Patel, 2005 )
- Nearly **1 in 10 workers** who do take the unpaid FMLA ends up receiving public assistance
- **88 percent** of those who needed time off but did not take it said they would have taken leave if they could have received more (or at least some) pay during their leave.
- **Almost one-third** of all workers who needed leave but did not take it cited worry about losing their job as a reason for not taking leave.

## *The Solution*

For many families, unpaid leave is not an option. In 2004, California became the first state in the nation to have any type of paid leave policy. California Paid Family Leave (CPFL) allows eligible workers who pay into State Disability Insurance (SDI) to take up to 6 weeks off with up to 55% pay (up to \$840/week) per 12-month period to care for a sick or aging relative, or to bond with a newborn, adopted, or foster child. However, it is important to note that CPFL does not provide job protection, but FMLA protect jobs in companies with more than 50 employees. CPFL has provided some financial relief for workers who needed to

take time off to care for a seriously ill family member or bond with a newborn or adopted child. In its first year, 155,483 Californians – less than 1.2 percent of those eligible – took paid family leave. Experts had predicted nearly twice as many workers would use paid family leave (Kinsman, 2006). The majority of CPFL insurance claims (over 88%) were for bonding with a new child; 83% of those claims were from mothers and 17% from fathers (California Employment Development Department, 2005).

Women are more likely to benefit from paid family leave than men. Paid family leave could help with upward mobility for women, increase long term wages for women (since they are able to stay in the same job instead leaving employment to care for family members), and help to narrow the wage distribution between women and men (U.S. Department of Labor/Office of Workforce Security, 2000). Furthermore, mothers with paid leave tend to work longer into pregnancy, which adds to company productivity. For California companies, these benefits could result in a savings of \$89 million under a paid family leave program, which increases employee retention and decreases turn-over. (Dube & Kaplan, 2002). Additionally, companies in California could save \$25 million annually due to decreased reliance on assisted programs. (Dube & Kaplan, 2002).

Paid leave is a win-win situation for both employers and employees. While employees benefit from paid leave, their employers also have much to gain. The research program director at the Radcliffe Public Policy Institute, Dr. Françoise Carré (1999) stated in support of (H. 1700) an “Act Establishing Family and Employment Security” that some of the most successful companies in the U.S. have a proven track record of providing paid leave options, which help people stay in their jobs. These companies include NationsBank, Home Box Office (HBO), Kellogg, IBM, 3M and American Express. Dupont, a major employer, links its leave policies to higher

levels of retention and lower recruitment costs, and Aetna, a life insurance company, reported an increase in the rate of women coming back to work after pregnancy from 77 percent to 91 percent after implementing paid maternity disability leave. The reports from these companies provide evidence which shows that paid leave not only benefits the workers, but also the company. In addition, the estimated cost for employers to recruit, train, and retain new employee amounts to between 75 to 150 percent of an employee's annual salary. So, companies save money when they implement (partial) paid leave rather than hiring new workers to replace those who leave the company. This action reduces turnover rates because fewer people lose their job or are forced to quit due to family care responsibilities. By implementing paid leave, companies are allowing their employees to take the necessary time to focus on what is important in their life at that moment and then be fully ready to go back to work. With access to different leave options, employee morale and company loyalty are also

positively affected, creating another advantage for employers. When sick workers have the choice of using their paid leave, there is a decreased chance that their sickness will be transferred to others (CLASP, 2007), which helps to maintain overall workers' productivity and helps to maintain the wellbeing of customers.

All people experience significant events in life, from the birth of a child, to taking care of a loved one with an illness. Many of the events require energy, time, and financial costs. Paid leave is a necessity for all workers, regardless of age, social class, or gender. The benefits of paid leave exceed its implementation costs, and it has the power to make lasting impact on the equality of men and women, families and businesses for years into the future.

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### ***About the Berger Institute for Work, Family, and Children***

The Berger Institute for Work, Family, and Children is a non-profit research institute at Claremont McKenna College, a selective liberal arts college that is a member of the Claremont Colleges – a university consortium. The Berger Institute for Work, Family, and Children provides data-based research on the challenges facing individuals, working families, and employers to improve the quality of family life and enhance productivity and the bottom line.

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