



## **New York State Paid Family Leave**

### **Paid Family Leave is good for New York's working families:**

Maintaining a job should not come at the expense of a family's well-being; nor should a family's well-being come at the expense of a job. Yet, this is the difficult choice that many families are forced to make every day. As the workforce changes, work hours have increased without quality child care, health care, or essential work supports. Nearly two-thirds of Americans under the age of 60 expect to be responsible for the care of an elderly relative within the next ten years. Thirteen million U.S. households are headed by a single parent.<sup>1</sup> These numbers serve as a stark reminder that our labor laws, established 70 years ago when many more families had a working father and a stay-at-home mother, are antiquated and have not kept pace with today's competitive workforce.

Data has shown that less than ten percent of American workers get paid time off to take care of family members at times of extreme need. In New York, almost 900,000 working New Yorkers do not get a single paid sick day. That means many workers in New York face the choice of taking time off to care for a relative or a financial sacrifice that many *just getting by* cannot afford.

### **New York State Paid Family Leave bill provides:**

- Twelve weeks of leave to take care of an infant or seriously ill family member
- Structured through the existing New York State Temporary Disability Insurance
- Paid for by an employee-paid payroll tax of only 45 cents a week
- Does not extend job protections, although it does provide paid leave to virtually *all* workers

Paid Family Leave is a basic human right. The 177 countries that guarantee paid leave and/or a substantial birth payment for parents have already recognized this. Unfortunately, the U.S. is among four countries that have yet to provide this essential benefit. Without paid family leave, families are left with an impossible situation, forced to choose between abandoning their infant child or desperately sick relative and foregoing critical income they need to make ends meet. This modest benefit will respond to the needs of New York's families while creating a more stable, productive workforce.

### **Paid Family Leave should be Universal:**

Sickness does not discriminate, and neither should we. Temporary Disability Insurance already acknowledges the inevitability of sickness by providing partial wage replacement to anyone, and paid family leave would build off of this. A national survey (2000) shows that 78% of the 3.5 million eligible workers who needed but did not take family or medical leave said they didn't apply for leave because they couldn't afford to lose their income.<sup>2</sup>

### **Paid family leave is critical for low-income working families:**

Paid Family Leave is crucial for low-income workers as it can mean the difference between keeping or losing one's job. In New York, this is particularly significant, as it continues to experience a rise in the number of low-income working families, as well as a dramatic increase in the number of children who live in low-income families.<sup>3</sup>

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<sup>1</sup> National Partnership for Women & Families, *Family Matters: A National Survey of Women and Men*

<sup>2</sup> US Department of Labor, *Balancing the Needs of Families and Employers: Family and Medical Leave Surveys*.

<sup>3</sup> Fiscal Policy Institute, *The State of Working New York, Encouraging Recent Gains but Troubling Long-Term Trends* (2007).



Losing pay has stark consequences for low-income families who have very little money in the bank to begin with. In fact, 41% of all low-income workers have less than \$500 in savings to fall back on in emergency situations.<sup>4</sup> It is, therefore, even more important for smaller businesses to have the capacity to provide paid leave, as small businesses are the main employer of low-wage workers. As a group, small businesses employ more than 50% of the country's low-wage workforce. In low-income communities, small businesses are estimated to create 80% of the net new jobs.<sup>5</sup>

*Paid leave insurance levels the playing field for smaller businesses:*

A state paid leave program allows small businesses to provide a benefit that many could not afford to provide on their own. A large employer could do this on his or her own, with everyone contributing to costs of the few who need it, but small businesses could not. Paid family leave would also help level the playing field in the race to recruit and retain skilled, reliable workers, and it would allow small businesses to gain a competitive edge, many of whom find that retaining qualified workers is one of the hardest challenges to growth.

**Paid Family Leave is a flexible, family-friendly option for everyone:**

*Paid Family Leave is beneficial to both employees and employers, and it is a necessary and legitimate benefit that all businesses can easily offer. Inadequate policies in this area can lead to reduced productivity and higher turnover, both of which are costly for employers.*

*Flexibility pays off for employers:*

*There is strong evidence that offering benefits like paid family leave or other forms of workplace flexibility actually boosts profits.*

When workers are provided with paid leave, they demonstrate increased job satisfaction, commitment, and morale, and their employers reap the benefits of high performance and productivity. By improving employees' mental health and enhancing productivity, paid family leave can boost profits. From 1998 to 2006, companies listed in Fortune Magazine's "100 Best Companies to Work for in America"- each with a share of family leave benefits- have actually seen their stock values **grow on average of more than 14% per year** compared to 6% for the average Fortune 500 Company.<sup>6</sup> *VERIFY*

Finally, mental health is a critical factor in a worker's productivity, and enhancing job satisfaction contributes to a healthier work environment and higher performance. In a recent study involving 1,400 workers, 87% of those surveyed (along with 70% of their managers) reported that workplace flexibility enhanced on-the-job productivity.<sup>7</sup> If return on investment is ultimately the bottom line for businesses, then these studies show that a simple investment in employees can produce attractive returns.

*Flexibility will also save employers money:*

*We know that a paid family leave benefit will actually increase employee retention rates and decrease turnover. Lower employee turnover rates produce substantial cost savings for employers.*

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<sup>4</sup> Community Service Society, *The Unheard Third 2006: Bringing the Voices of Low-Income New Yorkers to the Policy Debate* (2006).

<sup>5</sup> Seedco Financial Services, "Testimony to the Committee of Small Business and Consumer Affairs"

<sup>6</sup> Rates calculated by Russel Investment Group, cited by *Great Place to Work Institute* (2007).

<sup>7</sup> Survey cited in Levin-Epstein, Jodie, *Getting Punched: The Job and Family Clock*, Center for Law and Social Policy (2006).



Replacing a salaried worker typically costs 150% of the employee's annual salary. Even for an \$8 per hour worker, the average employee replacement cost exceeds \$5,500.<sup>8</sup> Furthermore, turnover involves considerable costs to employers, as recruitment involves a complex process that consumes valuable staff time with screening, interviewing, selection, and on-the-job training. *In California, paid family leave cost-benefit studies found that the program would save employers \$89 million per year through reduced worker turnover.*<sup>9</sup>

Surveys repeatedly find that a flexible work environment- including paid sick days, flex-time or paid family leave- increases retention. In fact, in a recent survey, employees in workplaces with high degree of flexibility were much less likely than those with little flexibility- 27% versus 46%- to say they plan to leave their job in the next year.<sup>10</sup> Furthermore, US Department of Labor data shows that mothers who receive no pay during their maternity leaves are twice as likely to leave their job as workers who do receive pay. And 92% of mothers who do receive pay during their maternity leave return to their old jobs.

### **Paid Family Leave Will Not Cause the Sky to Fall:**

*According to the 2000 Department of Labor study on the Family Medical Leave Act, 90% of covered employers reported that the law has had a neutral or positive effect on both their businesses' growth and their profits.*

Prior to the federal passage of FMLA in 1993, there was intense lobbying from the business community against it, and there were many predictions that it would be an impossible burden to carry. However, the majority of employers found that the benefits of FMLA outweighed the initial cost of job protected family leave. Moreover, the sky didn't fall as some in the business community predicted. It clearly has not been a drain on American job creation; in fact, the U.S. experienced rapid job creation from 1993 through 2000.<sup>11</sup>

However, 2.7 million workers who were eligible for and needed FMLA could not take it because it was unpaid. Paid family leave will be paid through an employee insurance fund, so workers will be able to make use of it when needed. Moreover, there are already stringent safeguards (eligibility rules, waiting periods, penalties, and fraud protections) built into the program that would prevent misuse of the benefit.

Ultimately, recent experiences have shown us that paid family leave has not negatively impacted businesses or the economy. In California, where paid family leave was implemented, businesses were, if anything, *positively* affected by employees' use of the program.

### **Paid Family Leave supports businesses at no cost:**

- The Paid Family Leave benefits are employee-paid through a payroll tax, so any savings due to reduced turnover come at no cost to the employer.
- The process for administering the program already exists and many of its elements are established. Structuring a paid family leave program within the existing framework does not put extra administrative burden on businesses
- Employers will not need to adjust to a new program but will simply augment their existing coverage for disability to include family leave. Businesses already offering paid family leave will save money by using this program in order to pay partial wage replacement for paid leave.

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<sup>8</sup> Sasha Corporation, *Compilation of Turnover Cost Studies: \$8.00 per hour employee in the USA.*

<sup>9</sup> Dube, Arindrajit & Ethan Kaplan, *Paid Family Leave in California: An Analysis of Costs and Benefits* (2002).

<sup>10</sup> Ross Phillips, Katherin, *Getting Time Off: Access to Leave Among Working Parents*, Urban Institute (2004).

<sup>11</sup> MultiState Consortium for Working Families, *Family Values at Work: It's About Time!* (2007).



### **A National Consensus: U.S. voters support Paid Family Leave:**

In a nationwide telephone poll in June 2007, 76% of voters expressed support for an employee-paid family leave fund, financed through a small deduction from workers' paychecks. Consensus crossed party lines, geographic regions, and virtually every other demographic. Voters also expressed overwhelming support (76%) to provide family leave, paid for by the employee *and* employer on a weekly basis. (Source: Lake Research Partners).

### **Legislative Progress:**

In 2008, the NYS Assembly passed a paid family leave bill that included a benefit level of 50% of an earner's Average Weekly Wage (AWW) up to a cap of \$170 per week. The benefit would be entirely employee paid, based on a flat tax of .45 cents on every workers weekly paycheck. The Governor also supported this bill. The bill died in last minute negotiations between the Governor's office, Senate, and Assembly.

While the economic downturn may make passage of paid family leave legislation difficult, there is growing support for this initiative. Based on the previous year's negotiations, key plans for success in 2009 would include advocating for the passage of a better paid family leave bill early:

- Support advocacy efforts for increasing the weekly wage cap from \$170 to \$340.
- Support advocacy efforts for indexing the weekly wage cap to inflation, with sunset provisions if necessary.
- Support advocacy efforts for increasing the benefit level from 50% of a worker's AWW to 75% of a worker's AWW. This will increase the chances that low-income workers will be able to use the benefit.
- Support advocacy efforts for expanding TDI definitions of relatives to include domestic partners.