FAMILY-FRIENDLY POLICIES:
WHAT THE FEDERAL GOVERNMENT CAN DO

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INTRODUCTION

Thank you Chairwoman Woolsey and Chairman Miller for inviting me to speak to you today. My name is Eileen Appelbaum and I am a professor in the School of Management and Labor Relations and Director of the Center for Women and Work at Rutgers University, and a Visiting Scholar at the Center for Economic and Policy Research.

These are challenging times for America – for our families, our workers, and our businesses. The double blow of a serious economic recession and a crisis in financial markets – unprecedented in the more than 60 years since the Second World War – has undermined the profitability of American companies and threatened the incomes of America's working families. Our values and our character as a nation will be revealed in how we meet these challenges. President Obama made clear in his remarks to the joint session of Congress last week that he is looking to all of us to work with him to take the bold steps necessary to build a sustainable economy to replace the now-deflated and thoroughly discredited stock and housing bubble economies. He has created a high-level White House Task Force on Middle-Class Working Families and charged it to act swiftly to develop legislative and policy proposals that can be of special importance to working families. Key among the 5 goals the President set for the task force is to improve work and family balance.

Today, with the economy struggling to gain traction, policies like paid sick days and family leave insurance are more important than ever. Especially during a recession, losing a job can be catastrophic for employees and their families and will place added demands on already strained state services. Paid sick days and family leave insurance reduce job loss. They are effective job retention strategies that help workers behave responsibly as employees and as family members and, at the same time, enable businesses to realize net savings when the lower costs of reduced turnover and presenteeism (coming to work sick) are balanced against the costs of absenteeism. Paid sick days policies and family leave insurance enable ill workers to take time off from work to care for themselves, reduce the spread of disease to co-workers and customers, and offer substantial savings to employers by reducing turnover and minimizing absenteeism.

Let me briefly describe what is meant by the terms “paid sick days” and “family leave insurance,” and clarify the difference between them.

Paid Sick Days: Employees accrue a certain number of paid sick days during a calendar year that they can use to recover from the flu or other routine illnesses or medical problems. For many employees, having paid sick days enables them to care for a child with a routine illness

Family Leave Insurance (FLI): Employees in a state pay a modest amount into a state insurance fund. These employees are then able to draw on the fund for partial wage replacement when they need time off from work to care for new or seriously ill family members or to recover from their own serious illnesses. Employers gain from job stability.

FAMILY-FRIENDLY POLICIES AT WORK

Most families face a situation in which every available adult is in the paid workforce. Family members must provide needed care for children, spouses and ill or elderly parents while being responsible employees at work and contributing to the financial well-being of the household. Employees need family-friendly policies at work to be able to do this. Paid sick days and family leave insurance let everyone who works for pay to be good family members and good employees. Research shows, and families know, that the lack of access to paid time off to care for yourself, your children, or other family members compromises health outcomes. Having to come to work sick or send a sick child to school increases contagion and spreads disease in the workplace, child care center, or school (Heymann, Earle and Egleston 1996). Not taking time off to get better can actually result in longer absences for employees since health may worsen and minor problems turn into major ones (Grinyer and Singleton 2000). Children recover from illness or surgery more quickly when their parents are there to care for them (Palmer 1993; Krisstensen-Hallstrom, Elanders and Malmfors 1997). The elderly recover more quickly and can live on their own longer if children are able to care for them when they fall ill.

The American people “get” it. Polling data show that the public overwhelming supports both paid sick days and family leave insurance. A recent national poll found that 89 percent of voters – 83 percent of Republicans and 94 percent of Democrats – favor paid sick days as a basic employment standard (National Partnership for Women and Families 2007). It is easy to understand this high level of support across the political spectrum. In addition to the loss of wages when an employee misses work, unapproved absences may also be punished with temporary unpaid suspensions or even with job loss (Dodson, Manuel, and Bravo 2002). In the poll mentioned above, 1 in 8 voters reported that they or a worker in their family had been fired or penalized for taking time off from work to care for a sick family member. A poll of New Jersey residents in Fall 2006, prior to passage of the state's FLI program, found that 78 percent of all residents, including a clear majority (59 percent) of Republicans, favored the policy. About three-quarters of residents favored the policy even at a cost to themselves that was double what the program actually cost (Eagleton Institute 2006). Polls conducted in California and in Washington State prior to passage of family leave insurance in those states found similar high levels of support across the income and political spectrums. Activity at the state and local level is at its highest, involving broad and diverse coalitions including school nurses and educators, labor and progressive business owners, advocates for children and for seniors.

While the benefits to families and to public health from paid time off to care for yourself or a family member may be familiar to many people, the benefits to businesses are less well known. Access to paid sick days and to family leave insurance increases employee productivity and reduces turnover. Turnover is costly for employers, and access to paid time off to care for yourself or a family member significantly improves retention and reduces these costs. In addition, letting employees stay home and recuperate reduces the costs to businesses of illnesses that spread among the workforce when employees come to work sick. The cost savings are considerable and far outweigh any additional expenses associated with these workplace policies. Indeed, many businesses recognize the value of these cost savings, and already provide employees with paid sick days and other paid leave benefits.

An analysis of the 2003 Survey of California Establishments, a survey of California employers conducted prior to the implementation of family leave insurance (called paid family leave or PFL in that state) found that over a third of these employers (35.5%) provided family and medical leave benefits beyond what was then required by law. This was especially true in unionized workplaces. The survey of employers also found that relatively few employees go on leave at any time. On average, 6.3% of workers took family or medical leave in a one-year period; 8.0% in establishments with more generous leave benefits. However, the survey indicated that leave takers were more likely to return to their jobs in establishments with more generous leave benefits – 87.7% compared with only 75.8% in establishments that did not provide benefits beyond those required by law. Small businesses with more extensive leave benefits did even better – 95.4% of leave takers returned to their jobs (Milkman and Appelbaum 2004).

A cost-benefit study of paid family leave in California found that providing all employees with partial wage replacement for up to 6 weeks of family leave through a state insurance fund would result in significant savings for both employers and for the state. Employers would realize a net saving of $89 billion a year due to increased retention and decreased turnover. In addition, the State of California could save $25 million annually, due to decreased reliance on assistance programs, including TANF and Food Stamps (Dube and Kaplan 2002).

In Massachusetts, 693,000 workers – a quarter of the private sector workforce – have no paid leave whatsoever and would receive new paid sick days if legislation introduced in that state were passed. A cost-benefit analysis of this proposed legislation found that

Massachusetts employers would pay $218 million annually for wages, payroll taxes and payroll-based employment benefits, and administrative costs to provide employees with paid sick days. However benefits for employers, mainly from reduced costs of turnover, would amount to $348 million annually. Overall, employers in the state would save $130 million annually as a result of the paid sick days legislation. The weekly per worker cost of the Massachusetts paid sick days policy would be $1.49 while savings per work would be $2.38, for a net savings to employers of $0.89. In addition, the paid sick days policy would improve public health by reducing the spread of serious contagious diseases such as the flu and norovirus, and would save workers $1.5 million annually in health care expenditures. Getting medical care when it is needed would improve patient outcomes and reduce costs for providers and patients (Lovell, Miller and Williams 2009).

Employers are often concerned that providing employees with paid sick days or family leave insurance will lead to skyrocketing employee absences. The data suggest that this fear is unfounded. National data show that employed adults 18 years of age and older lost, on average, 4 work days due to illness or injury in the 12 months preceding the data collection (National Center for Health Statistics 2007). Employees with paid sick days at their workplace had an average of 4.6 days of work loss due to illness; those with no paid sick days at work had an average of 3.8 lost work days due to illness. Fully 48 percent of employees with paid sick days at work used none of their sick days in the prior 12 months (CEPR analysis of the 2007 National Health Interview Survey).[1]

Similarly, usage of family leave insurance in California – the only state with actual experience with such leaves – is reassuring. While family and medical leaves are essential supports to employees welcoming a new child or facing the challenges of caring for a seriously ill child or parent, these are relatively rare events in a worker's life. Several hundred thousand California working families have benefitted from access to this insurance in the four-and-a-half years since it was implemented in July 2004. But this represents a relatively small fraction of the California workforce.

Who Gets Paid Sick Days

Many businesses already offer their employees paid sick days. According to the latest data (National Compensation Survey, March 2008),[2] 61 percent of private sector workers – 71 percent of full-time and 27 percent of part-time workers – had access to paid sick days. This means that two fifths of all private sector workers and nearly three-quarters of part-time employees – had no paid sick days at all (Kramer and Zilberman 2008). A serious problem is that more than half of the workforce does not have or cannot use paid sick days to care for sick children (Galinsky, Bond and Hill 2004). Moreover, access to paid sick days is uneven – higher-paid workers are far more likely than lower-paid

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[1] The analysis is based on the methodology developed by Vicky Lovell and the Institute for Women's Policy Research (Lovell 2004).

[2] A new definition of paid sick days access was introduced in the March 2008 survey. It now includes previously excluded plans for which no worker had made use of the benefit. As a result, the latest numbers for access to paid sick days are higher than, and not strictly comparable to, earlier numbers from this source that have been widely used in previous publications.

workers to be able to take paid time off when they have a bad cold or the flu. In 2008, only 23 percent of employees in the bottom 10 percent of the income distribution had any paid sick days, compared with 83 percent of employees in the top 10 percent. For these low wage workers, any illness – even a sore throat and fever – can be a health crisis. Only 47 percent of workers earning less than $15 an hour have any paid sick days, while 75 percent of those earning $15 or more have such access. By occupation, 83 percent of managers and professionals but only 66 percent of sales and service workers, 51 percent of production workers, and 42 percent of service workers have access to paid sick days (Kramer and Zilberman 2008). As a result, children in low-income families are far less likely than other children to have a parent with paid sick days (Clemens-Cope et al. 2008; Earle and Heymann 2002).

Family Leave Insurance in California and New Jersey

In 2004 California became the first state in the nation to implement family leave insurance. Employees began contributing to this fund in January of 2004 and, once the fund was established, were able to collect benefits beginning in July of that year. California employees who need to take family leave to bond with a new child or to care for a seriously ill child, parent, spouse or domestic partner are able to collect partial wage replacement from a state-administered insurance fund that is fully funded by employee contributions. Employees are able to collect 55% of their weekly earnings up to a maximum that rises each year along with the average wage paid in the state. The maximum benefit was $728 in 2004 rising to $882 in 2007 and $917 in 2008. The average weekly benefit actually paid out was $406 in 2004, $405 in 2007 and $421 in 2008. While income replacement under the paid family leave program has been very important to the well-being of families that have received it – and a total of about 740,000 claims have been paid, only a very small fraction of employees has taken paid family leave in any year. The percentage that has taken paid family leave in each year of the program's existence has been between 1.2% and 1.4% of eligible employees.

A large majority of the claims (88%) are for bonding with a new child. While women still do the majority of care work in the home, by 2008 a fifth of all bonding leaves were taken by men. The remaining claims (12% of the total) are for care of a seriously ill family member, most often a spouse or parent; more than a third of these leaves were taken by men as has been the case since 2004. The average length of leave has been about 5.4 weeks each year, reflecting the fact that most of these leaves are for bonding. Leaves to care for a seriously ill family member are substantially shorter. (All California data are from the Employment Development Department of the State of California.)

In 2008 New Jersey became the second state to pass family leave insurance and put a mechanism in place to fund it (the third state after Washington to pass such a program). Like the California family leave insurance program, it is fully worker funded and provides up to 6 weeks of partial wage replacement. Employees began contributing to this insurance fund on January 1, 2009 and will be able to begin collecting from it on July 1 of this year. Employees will be able to collect two-thirds of their weekly wage up to a maximum in 2009 of $548. This formula is a bit more generous to low-wage employees than the California program, but it is capped at a much lower level. The cost of this benefit is 25 cents a week ($13 a year) for a worker earning $7.25 an hour and is capped in 2009 for all employees at $26.01 a year or 50 cents a week.

FEDERAL MEASURES TO PROMOTE FAMILY-FRIENDLY POLICIES IN THE WORKPLACE

Family-friendly policies take many forms. Some, like minimum wage and paid sick days, establish employment standards and can reasonably be expected to be provided by employers. Others, like unemployment insurance and family leave insurance, are paid for through a payroll deduction to cover the premium.

Family leave insurance is still in its infancy in the U.S. For California and New Jersey, which have long-standing state temporary disability insurance funds, adding family leave insurance to temporary disability insurance made a lot of sense. Washington State, which needed to create the program from scratch, took another route of charging a fixed amount per hour and paying out a fixed weekly benefit. As other states begin to implement a state insurance fund to provide income to families when a wage earner must miss work for a family or medical leave, we are likely to see – and will want to encourage – a wide diversity of approaches. This will be important for providing us with important information about the best way to make this insurance universally available. An important role for the federal government is to provide states with incentives and support to develop their own family leave insurance initiatives. The federal government can do this by providing grants to states to implement programs that provide partial or full wage replacement to those taking the types of leaves defined by the Family and Medical Leave Act. The grants might be used to develop and implement the program, to cover administrative costs, for outreach and education, or to provide incentives to small businesses to provide job protection. In particular, the grants might be used to enable states to begin paying benefits during the initial 6-month period between the time employees begin paying into the fund and the time the fund has built up sufficient assets to begin accepting claims for payment. In order to not penalize states that have already implemented such a program, a similar one-time grant could be made to them as well.

Paid sick days should be a universal employment standard in the U.S. It is in no one's best interest to have employees come to work when they have a bad cold or the flu. And, indeed, a majority of employers do provide their workers with paid sick days. It can, however, be difficult to implement paid sick days if the companies with which you compete do not do likewise. Requiring employers to provide workers with a minimum of seven job protected paid sick days, levels the playing field for good employers who want to meet this standard. Employees would accrue the paid sick days at a rate of one hour of paid sick time for every X hours of time worked up to 7 or more days As with the minimum wage, national legislation could provide a universal floor for all workers, with states free to set higher standards. In the absence of national legislation requiring paid sick days as a workplace standard, some states and localities have begun to introduce local ordinances. Measures have passed in San Francisco, Milwaukee and DC; the San Francisco and Milwaukee ordinances require 9 paid sick days.

Paid sick days are even more important now, in the midst of the current severe recession and accelerating job loss. Without access to this basic standard, workers lose income and may even lose their jobs if they miss work to care for their own health or that of a child. For the employee, this would be a terrible time to lose a job. And employers are not likely to hire a replacement, with negative impacts on the local community and the macroeconomy. Yet, the business community's lack of confidence during the current recession could make companies fearful of making changes or adopting new policies, however beneficial. This is especially true of smaller employers. And it is employees of smaller companies, especially those who are low-paid, that are most likely to lack paid sick days. Only about half of companies with less than 100 employees offer any paid sick days compared with nearly three-quarters of companies with 100 or more employees (Kramer and Zilberman 2008).

One way to address this is to provide a temporary subsidy, say for two years, to small employers that introduce and/or increase the number of days of job protected sick days. The full subsidy would be available to all employers with less than 50 employers and would phase out as the number of employees increased, up to 100 employees. The subsidy would be capped at 3% of annual pay not to exceed a $750 credit per worker.

CONCLUSION

Difficult economic times like the present are the worst times for people to lose a job. Family leave insurance and paid sick days enable workers to maintain a stable stream of income and underpins consumption when workers must miss work to deal with their own health needs or those of a family member. These measures are important during the current recession. They are also essential to building a sustainable economy for the long run that works for working families.

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