Washington Center for Equitable Growth

Paid family care leave: A missing piece in the U.S. social insurance system

June 2019   Equitable Growth

The aging of the baby-boom generation means that millions of working families are part of a growing "sandwich generation," juggling care for young children and aging parents. Many will need time off work to care for a seriously ill child or older family member. A newly published report summarizes why paid family care leave is a policy with important economic, social, and health implications for U.S. employers, employees, and their family members.

Family care leave

Family care leave is defined as leave to care for a family member with a serious illness, including a spouse, domestic partner, child, parent, or other relative. It is distinct from **parental leave**, which is leave to care for a newborn or newly adopted child, and from **medical leave**, which is leave to care for one's own serious illness. And medical leave is distinct from **sick leave**, which is paid short-term time off for workers dealing with a temporary health need such as the flu or a stomach virus. There is no national mandate in the United States that employers offer paid sick days, but a number of states, cities, and counties have passed laws requiring them.

Unpaid family care leave

Existing U.S. federal law currently only provides for unpaid, job-protected family care leave, but eligibility exclusions seriously limit the law's impact on family care leave-taking.

- **The Family and Medical Leave Act of 1993 is the only federal legislation that directly confronts families' need to balance both work and care**. The law entitles certain workers to unpaid, job-protected time off for approved reasons, including the need to care for a seriously ill family member. But the law's eligibility requirements mean that many of the workers who most need access to leave do not have it.

- **Only 55.9 percent of the private-sector workforce is eligible for unpaid leave under the Family and Medical Leave Act**. FMLA does not cover workers at firms with fewer than 50 employees within a 75-mile radius of the employee's worksite, effectively excluding small-business workers. Employees must have worked at a covered firm for at least 12 months and logged at least 1,250 hours during the past year to be eligible for unpaid, job-protected leave. Low-income workers both face the highest risk of family illness and are the least likely to be eligible for FMLA leave due to higher levels of employment in small firms and shorter job tenures.

- **The Family and Medical Leave Act narrowly defines "family."** FMLA has a restrictive definition of "family" that bars workers from taking job-protected leave to care for siblings, grandparents, grandchildren, or domestic partners.

Many employees cannot afford to take unpaid time off for caregiving

- Nearly half of FMLA-eligible workers who express a unmet need for time off did not take leave because they could not afford to do so.

- Access to paid time off is unevenly distributed across the income distribution. Among those who took family care leave, 53 percent of workers with below-median family income in the United States received no pay during their time away from work, as compared to 17.7 percent of those with family incomes above the median.

- Most employees who do receive pay during family care leave cobble it together from banked sick or vacation time.

The lack of paid family care leave has consequences for workers, families, and employers

- Workers experience:

  - **Financial hardship due to foregone earnings**. Fifty-seven percent of employees with incomes of $30,000 or less took on debt after a partially compensated or uncompensated leave, and nearly half (48 percent) received public assistance during their leave.

  - **Reductions in work time due to the need to restructure one's work life in the absence of compensated leave**. Without paid leave coverage, workers in need of caregiving leave may have to reduce work hours, switch to less demanding jobs, work part time, or retire early. These reductions in work time lead to a reduction in take-home wages, employee benefits, and career advancement prospects, while early retirement reduces earnings and future Social Security benefits. These trade-offs are especially difficult for low-income families, many of which are most likely to have a seriously ill family member and least likely to have access to unpaid FMLA leave or paid leave.

- **Negative health consequences for both the worker and the family member in need of care**. Taking unpaid leave has negative mental and physical health consequences for the caregiver, compared to paid leave takers. The absence of paid leave leads 38 percent of caregivers with little or no compensation to cut their caregiving leave short, potentially leading to adverse consequences for seriously ill individuals.

- Employers experience:
  - **Recruitment challenges**. Workers view paid leave as an important benefit, and it may impact an employer's ability to recruit and retain talent, especially in tight labor markets. More than one-quarter of working Americans cite paid leave as the benefit that would help them most, including 38 percent of those who have needed or taken it in the past.
  - **High turnover**. The absence of paid family caregiving leave creates retention challenges. Nearly all (97 percent) of leave-taking employees who receive full pay during their leaves return to the same job they held prior to their leave. Yet only 85 percent of those receiving partial pay and 74 percent of those receiving no pay returned to their jobs.
  - **Productivity drag**. Workers without access to paid leave may work distracted and preoccupied by stressors at home. Some may struggle with mental health issues due to overlapping care and work responsibilities. Firms may lose more money on employees who are not fully focused on the job than they would by covering paid leave.

Paid family care leave at the state and local level

Six states plus the District of Columbia have passed comprehensive paid family and medical leave legislation that covers family caregiving leave, along with parental and medical leave. Evidence suggests that these programs are working as designed.

- **Paid leave programs are popular**. While family care leave represents the smallest of the three types of leave (bonding/parental, medical, and family care), usage is growing over time.

- **Employer responses to paid family care leave in the states have been predominantly neutral or positive, including amongst small businesses**. For instance, 80 percent of firms in New Jersey reported that the state's paid leave program had not impacted their firms' profits, while 10 percent reported that the program had increased profits. Employers in California report that paid leave had little adverse effect on productivity and helped improve employee retention rates, especially for those in low-quality jobs.

- **Studies on parental leave imply that paid caregiving leave will be positive for both workers and caregivers**. The availability of paid parental leave in California reduced new mothers' receipt of public assistance and food stamps, a finding that is likely to translate over into family caregiving leave. Results on the impact of paid leave on parental mental health also suggest that paid family care leave may improve caregiver mental health.

Existing paid family care leave works for everyone

The state and local examples above illustrate how to provide leave in a cost-effective way that minimizes burdens on employers and benefits families.

- **All of the existing paid family caregiving leave programs utilize a social insurance model that relies on a small payroll tax**. The fully operational state programs in California, New Jersey, New York, and Rhode Island fund the program with a small payroll tax on employees, while new programs in Washington state, Massachusetts, and the District of Columbia are funding their new programs through a joint employee-employer payroll tax or, as in D.C., an employer-only payroll tax.

- **Employers in existing paid leave programs have not reported that the cost of covering for workers out on leave is a problem**. No evidence suggests that this has posed a problem for businesses to date. Instead, many employers are able to avoid hiring a new employee during the leave period and redistribute the leave-taking employee's work to colleagues during the leave period.

- **Leave length should be short enough that the workers perceived as most likely to take leave do not face discrimination**. Research from Europe suggests that very lengthy leaves (more than 1 year) may have adverse effects on women, the group most likely to take parental leave, as employers discriminate against people seen as likely to take leave. No evidence of discrimination exists for shorter leave durations.

For more details in these findings, please see our report.

Our Mission

The Washington Center for Equitable Growth is a non-profit research and grantmaking organization dedicated to advancing evidence-based ideas and policies that promote strong, stable, and broad-based economic growth.

Washington Center for Equitable Growth

1156 15th Street, NW, Suite 700, Washington, DC 20005 • Tel: 202-545-6002 • www.equitablegrowth.org • @equitablegrowth