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Expand and Simplify To Reach Low-Income Workers with Paid Family Leave Policies

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The COVID-19 pandemic has underscored the importance of paid sick and paid family leave for safeguarding public health while providing income protection for families. Unfortunately, access to paid leave in the U.S. is extremely limited and far from equal throughout the labor market. Only 34% of U.S. workers in the highest wage decile have access to paid family leave through their employers, versus a mere 6% of workers in the lowest wage decile.² In response, a handful of states, including California, have created state-level paid family leave programs, however these programs are complex and remain poorly understood. Prior research finds that five years after California's Paid Family Leave (PFL) program took effect in 2004, just 49% of respondents who had recently experienced a qualifying event (such as new parenthood or serious family illness) were aware of the availability of paid leave. Awareness was even lower among low-wage workers (38%), immigrants (34%), Latinos (34%), and workers with less than a high school diploma (21%).³ Furthermore, divergence between multiple programs at different government levels, each well-intentioned but structured differently, compounds the confusion. This suggests that an alternative "KISS Leave" approach, based on the "Keep it Simple, Stupid" KISS design principle, could be far more effective.

New research finds that parental leave benefits need expanded eligibility and a simplified application process to better target low-income workers

In two new research papers, we report knowledge of and increases in paid parental leave access following San Francisco's 2017 Paid Parental Leave Ordinance (PPLO). Since 2002, California's PFL program has provided new parents 6 weeks⁴ of bonding leave paid at 55% of their previous wages (up to a cap), building on the separate 6-8 weeks of state disability leave for birth mothers. PPLO's unique innovation was to further require employers to supplement wages beyond the state's 55% pay, so that covered workers were eligible for *full pay* for up to six weeks of bonding leave starting in 2017.

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² U.S. Department of Labor, U.S. Bureau of Labor Statistics. *National Compensation Survey: Employee Benefits in the United States, March 2019*; 2019:549.

³ Appelbaum E, Milkman R. *Leaves That Pay: Employer and Workers Experiences with Paid Family Leave in California*. Washington, DC: Center for Economic and Policy Research, 2011.

⁴ California PFL has since been expanded somewhat. Starting in 2018, the state program increased wage replacement to 60%, and to 70% for low wage workers. As of July 2020, paid leave has increased to 8 weeks.

In the first new paper⁵ we report results from a 2018 random survey of Bay Area employers, comparing San Francisco employers covered by the mandate (private employers with 20 or more employees) with similar employers in the five surrounding counties. We find that employer-reported availability of paid leave in San Francisco increased from 45% of covered firms in 2016 to 79% of firms following implementation of the PPLO. This is significantly more than the increase from 32% to 47% in surrounding counties. The average cost of compliance was low, and overall 82% of employers supported the PPLO. These findings suggest that PPLO may be a promising model for expanding paid family leave elsewhere.

However, in the second new paper⁶ we report on PPLO from the perspective of employees, and the results are discouraging. We interviewed 1,300 Bay Area working mothers who gave birth in the year before (2016) or after (2017) PPLO implementation, and further analyzed paid leave-taking records from the state Employment Development Department. The PPLO was intended to expand the use of parental leave, especially for economically vulnerable parents who could not afford extended leave at only partial pay. However, we found only limited impacts of the program. There was a small (13%) increase in paternity leave, and no change in maternity leave uptake or duration.

What went wrong? Although the vast majority of employers who we surveyed were aware of their PPLO obligation, relatively few working mothers giving birth in 2017 understood their paid parental leave benefits or were even aware of the new PPLO benefit providing leave at full pay. Among the targeted group of lower-income (Medicaid-covered) working mothers, only 10% were aware of the PPLO benefit, and less than 2% had accurate knowledge of it. This is despite extensive public outreach efforts by the City and labor advocacy groups.

Several factors contributed to this low awareness and confusion:

- **Eligibility is limited.** Small employers with fewer than 20 workers are exempt from PPLO, and independent contractors are exempt from both PPLO and the state PFL mandates.⁷ There are also differing hours and job tenure requirements between the laws. Remarkably, of San Francisco working mothers in 2017, 65% of those not covered by Medicaid were eligible for PPLO, but only 33% of Medicaid-covered workers were eligible for this leave at full pay.
- **Enrollment rules are complicated.** After an initial 6-8 weeks of state disability insurance to recover from pregnancy, birth mothers must then re-file paperwork to be able to take the additional six weeks of bonding leave. Fathers and other non-birth parents often receive no notification of enrollment eligibility, processes, or rules.

⁵ Goodman, J., H. Elser, and W. Dow. "Employer-Reported Access to Paid Parental Leave: A Study of San Francisco's Paid Parental Leave Ordinance." Forthcoming. *SSM - Population Health*.
http://www.populationsciences.berkeley.edu/sites/default/files/PPLO-employer-preprint_SSM-PopHealth2020.pdf

⁶ Goodman, J., H. Elser, and W. Dow. "Among Low-Income Women in San Francisco, Low Awareness of Paid Parental Leave Benefits Inhibits Take Up." *Health Affairs*, July 2020.
<https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2020.00157>

⁷ Independent contractors are eligible for a separate elective coverage program, but the program design is likewise complicated and few are aware of it.

- **PPLO did not seamlessly integrate with existing state PFL benefits.** PPLO was designed to supplement the state partially-paid PFL bonding leave, but to claim the additional employer payments required a second process through the employer. This was particularly complex for those holding multiple jobs.
- **Employers found the PPLO confusing.** In our survey of San Francisco employers, 36% reported difficulty understanding the legal requirements, 41% reported difficulty administratively complying, and 38% reported difficulty understanding their responsibilities regarding wage replacement.
- **Job protection is uneven.** Some employers continue to discourage new parents from taking long leaves. Parental bonding leave has not been job protected among employers with fewer than 20 employees, and protection depends on job tenure and hours. This patchwork of rules creates further confusion among parents experiencing pressure from employers to limit their leave.
- **Employers were not a reliable source of information for many workers.** Only half of Medicaid-covered women said that their employer was helpful in understanding their parental leave benefits. In the context of complex policies that vary by employer and employee, this leaves many mothers without adequate knowledge to take advantage of these benefits. Only half of Medicaid-covered women understood their parental leave benefits even moderately well.

Expand and Simplify for Higher Impact of U.S. Paid Family Leave Policies

In March of 2020, the federal government created national emergency paid family and medical leave as well as sick leave benefits as part of the Federal Families First Coronavirus Response Act (FFCRA). Although only temporary and only to provide paid leave related to COVID-19, the FFCRA constitutes a major milestone as the first U.S. national paid leave benefit. Unlike the California PFL, the benefit is delivered by employers. Unlike the PPLO, employers with more leave-takers are not responsible for higher costs: they will be reimbursed from the federal government. Unfortunately though, like PPLO, this benefit is not universal. Employers with more than 500 workers are excluded, and some employers with fewer than 50 workers are exempt from certain provisions. Integrating the federal benefit with other paid leave benefits creates further confusion for employers and employees. The rules become even more complex for “essential workers.”

What does our research tell us about a more effective way to structure paid family and sick leave in the U.S. in order to increase uptake so as to realize its public health benefit? It should follow KISS design principles:

- **Make paid parental leave universally available.** In addition to ensuring that the most vulnerable workers are covered, this simplifies messaging so that working parents will be more likely to know that paid leave is available and that their job is protected—so they will then take it when needed.
- **Unify enrollment through a single government portal by place of residence.** If different regions have different benefits then these should be reconciled between the relevant agencies themselves, rather than requiring the parent to work with multiple agencies.

- **Allow employers to file claims on behalf of employees, with employee approval.** This would minimize delays by allowing employers to receive reimbursements for providing paid leave benefits directly to employees.
- **Fully pay for family leave from a central, tax-financed fund.** PPLO requires employers to determine what wages are paid by the state PFL program, and then to pay the remainder of usual wages (up to a cap) from their own funds. This process is complex, especially for smaller employers without full-time human resources staff. Furthermore, it raises fairness concerns for employers hiring a disproportionate share of new parents. Our survey of San Francisco employers found that while they were overall supportive of PPLO, if the leave was instead funded through a payroll tax then 43% of employers would be even more supportive and only 13% would be less supportive. This increased employer support and cooperation is essential for achieving the public health benefit of a simple, universal leave system.