California Budget & Policy Center
Independent Analysis. Shared Prosperity.

calbudgetcenter.org

Paid Family Leave:

Helping Workers Balance Career and Caregiving Commitments



NOVEMBER 2019

Table of Contents

California Budget & Policy Center

The California Budget & Policy Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of Californians with low and middle incomes. Support for this *Report* was provided by First 5 California. Please visit the Budget Center's website at www.calbudgetcenter.org.

Acknowledgments

Kristin Schumacher prepared this report with research assistance by Monica Davalos.

Executive Summary

Over the span of a career, most working adults need time off to care for a new child or a sick family member. California policymakers, administrators, and advocates – past and present – have forged a path in building the first comprehensive paid family leave program in the nation. Since the implementation of paid leave in California in 2004, workers across the state have received $8.8 *billion* in payments while taking time off work to care for their loved ones.[1] Research shows that paid family leave has been beneficial for the workers who have accessed the program and for their employers.

Even though the vast majority of workers in California contribute to the program, paid family leave often does not meet the needs of workers due to an absence of job protections and inadequate payments. Lack of job protections means that workers are not guaranteed their jobs when they return to work. Inadequate payments mean that workers – particularly those with low incomes – often cannot pay their bills if they choose to take paid leave. Moreover, the length of leave – currently just six weeks in California – may not provide enough time for workers to care for their families.

After 15 years of paid family leave, it is time to update and improve this critical program so that more Californians can benefit. Governor Newsom has pledged to expand paid family leave during his time in office, and state leaders took initial steps toward this goal as part of the 2019-20 budget agreement.

State policymakers can update and improve California's paid family leave program.

To make sure workers can take leave knowing their jobs are secure, state policymakers can incorporate job protections into California's paid family leave program. This means that all workers who are eligible for paid family leave can take time off knowing their jobs will be there when they return to work.

Policymakers can also make sure that workers do not have to choose between taking time off work to care for their families and paying the bills. Specifically, state leaders can:

- Fully replace wages for lower-wage workers, by boosting the paid family leave payment rate to 100%.
- Increase the number of workers who would have 100% of their wages replaced when taking paid family leave.

In order to ensure that California's paid family leave program provides an adequate amount of time to care for family members, policymakers can:

- Extend the duration of paid family leave to 12 weeks for all workers.
- Allow single parents welcoming new children to their family to take the same amount of paid leave as two-parent families.

Expanding California's paid family leave program by providing job protections, boosting payment rates, and extending the duration of paid leave would increase access for workers across the state. This would likely result in greater utilization of the program and higher payments for longer periods. Because of this, these changes would also require additional resources. Policymakers and administrators have several options to make sure funds are available to support workers who would benefit from an expanded program:

- Require employers to contribute to the Disability Insurance Fund.
- Increase the taxable wage ceiling on workers' earnings.
- Increase workers' contribution rate.

Paid family leave has boosted the health and well-being of Californians, while providing important benefits for businesses and the economy. Yet many workers who contribute to the program are unable to utilize paid family leave, and barriers to accessing paid leave are particularly high for workers with low wages due to a lack of job protections and inadequate payments. The reality is that workers across the state may need paid leave benefits to balance career and caregiving responsibilities to both welcome a new child to the family and care for sick family members. Governor Newsom has already declared that paid family leave is a priority for his administration. California's state leaders now have an opportunity to update and improve California's paid family leave so that workers with low wages can utilize this vital program and benefit from these gains.

An Overview of California's Paid Family Leave Program

Workers precariously juggle work and family responsibilities every day, caught in a bind between earning a paycheck and caring for their family.[2] Balancing these responsibilities can be especially difficult for workers earning low wages who commonly have jobs with limited benefits and flexibility.[3] Paid family leave can often help workers manage these responsibilities by providing paid time off to bond with a new child or to care for a family member with serious health issues.

Unfortunately, the United States lags behind its global peers in establishing national policies that allow workers paid time off work to care for their family.[4] Without a federal paid family leave program, access to paid leave may depend on the benefits workers receive from their employers. This is problematic because employer-provided paid family leave is voluntary, and access to these benefits is limited.[5] Moreover, workers with low wages are far less likely to have *employer-provided* paid leave benefits.[6]

Faced with inaction from both the federal government and the business community, policymakers in California moved to provide workers with time off to balance work and personal life by building upon the state's disability insurance program.[7] The state disability insurance program was established in 1946 to provide paid time off to recover from non-work related injuries and illnesses, including for pregnancy and childbirth.[8] The first step towards expanding the state disability program to include paid family leave occurred when state Senator Hilda Solis introduced Senate Bill 656 in 1999, at the request of the California Labor Federation.[9]

The main purpose of SB 656 was to increase state disability insurance payments and index payments to workers' earnings to make sure they did not lose value over time. However, the bill also required the state to conduct a feasibility study to determine if the existing Disability Insurance Fund could be used to replace wages not just for workers recovering from injury or illness, but also for workers who needed time off to care for a new child or a sick family member.[10] Governor Gray Davis signed the law in 1999, and the feasibility study was published in 2000. The study determined that state lawmakers could utilize the Disability Insurance Fund to provide paid family leave with only a modest cost.[11]

In response, the Work and Family Coalition partnered with state Senator Sheila Kuehl to introduce SB 1661 in 2002, which expanded state disability insurance to include paid leave for workers who need time off to care for a new child or a family member.[12] After intense advocacy efforts led by the coalition, Governor Davis signed the bill in 2002, establishing the nation's first state-level paid family leave program.[13] Payments became available to workers across the state on July 1, 2004.[14] Seven states and the District of Columbia followed California's lead and established paid family leave programs in the ensuing years.[15]

Together, state disability insurance and paid family leave provide workers in California with comprehensive family and medical leave to welcome a new child to the family, to care for a sick family member, and to attend to their own health.

How Paid Family Leave Works in California

California's paid family leave program provides workers with six weeks of paid time off to care for a sick family member or a child who is new to the family through birth, foster placement, or adoption.[16] Birthing parents can access *additional* paid time off through California's state disability insurance program to recover from pregnancy and childbirth.[17] While taking leave, workers receive weekly payments that are 60% or 70% of their earnings.[18]

California's paid family leave and state disability insurance programs are funded by workers' contributions to the Disability Insurance Fund through payroll deductions. To be eligible for paid family leave, a worker must earn at least $300 during the "base period" (a 12-month period ranging from 5 to 18 months prior to the claim), while paying into this fund.[19] Nearly all workers in the private sector and many in the public sector are contributing to the Disability Insurance Fund and are eligible for paid family leave.[20]

Even though many eligible workers in California likely need time off to care for their family, many do not utilize the program.[21] Awareness of paid leave is low, particularly among workers with low wages, immigrants, Latinx workers, and workers with less education.[22] Some people may know about the program, but the payments that partially replace their wages may be too low to cover their basic household expenses.[23] Because California's paid leave program does not provide job protections, many workers likely do not want to risk losing their jobs when they take leave.[24]

Expansions to California's Paid Family Leave

In recent years, state policymakers have expanded paid family leave in a number of ways to address these and other shortcomings:

- In 2013, SB 770 expanded the scope of the paid family leave program to include caregiving for not just a child, spouse, domestic partner, or parent, but also for a grandparent, grandchild, sibling, or parent-in-law.[25]
- The 2014-15 budget package provided $6.5 million in federal funds over a three-year period for outreach activities to promote awareness of paid leave.[26]
- In 2016, Assembly Bill 908 boosted the state disability insurance and paid family leave payment rates for workers from 55% of workers' earnings to 70% for very low-wage workers and to 60% for all other workers.[27] (The increase in payment rates sunsets at the end of 2022.)
- In 2018, SB 1123 expanded eligibility for paid family leave to workers who need time off due to a family member's military deployment overseas, effective in 2021.[28]
- In 2019, AB 406 required the Employment Development Department to provide paid family leave applications in languages other than English spoken by a "substantial" number of applicants.[29]

Most recently, the 2019-20 budget agreement extended the duration of paid family leave benefits from six weeks to eight, effective July 1, 2020.[30] In addition, the Governor's Office will work with a task force to provide recommendations on how to provide job protections for workers, lengthen paid family leave to six months, and increase the program's payment rates. These recommendations are due to the Legislature by November 2019.[31]

Why Paid Family Leave Matters

Since the implementation of paid family leave in California, research has shown that the program positively benefits workers and their families.[32] Studies reveal that paid leave in California increased the share of parents taking time off to bond with a new child.[33] This was particularly the case for mothers without a college degree, single mothers, and Black and Latinx mothers.[34] In addition, paid family leave has improved parents' and children's health and well-being across the state, including by promoting higher rates of breast-feeding and immunizations, with health benefits for children extending into their elementary years.[35]

For workers caring for older adults and children with special needs, access to paid family leave can reduce the odds of these caregivers losing wages.[36] In California, access to paid leave encouraged these caregivers' participation in the workforce, while helping them balance work and family responsibilities.[37] This has had benefits for family members receiving care, such as a decline in nursing home stays for older Californians and improvement in the health and well-being of children with chronic illnesses.[38]

Paid family leave has also created economic benefits for workers and employers in California, including an increase in participation in the workforce.[39] This boosts economic growth, while also improving workers' financial security over time. In fact, California's paid family leave program has been shown to increase household income and reduce the chances of families falling into poverty.[40] Paid leave has also been shown to reduce employee turnover and strengthen employees' morale, which benefits both workers and employers.[41] Finally, an overwhelming majority of employers – including small businesses – reported that paid family leave either had a positive effect on their businesses or made no noticeable change. In fact, some businesses even experienced cost savings by aligning their benefits with the state program.[42]

Eligible Workers Are Not Utilizing Paid Family Leave

However, research also shows that many potentially eligible workers are not utilizing the program.[43] Since the implementation of the program in 2004, the take-up rate for the program has been lower than expected.[44] Some workers are unaware of the program.[45] Others find they cannot utilize the program because a lack of job protections means that they are not guaranteed their jobs when they return to work.[46] Finally, some workers find that the program does not replace a large enough share of their wages, and workers – particularly those with low incomes – often cannot pay their bills if they choose to take paid leave.[47]

Program shortcomings have created barriers for many workers, but there is clear evidence that paid family leave boosts California's health and well-being, while providing important economic benefits for businesses and the state. To help more workers utilize paid leave, state policymakers can enact policies that remove the barriers and leverage the benefits of paid family leave for workers, their families, and businesses.

Millions of Workers in California Do Not Have Access to Job-Protected Leave

The vast majority of California workers are eligible to take paid family leave when the need arises to care for a new child or family member, but workers are not guaranteed their job when their paid-leave period ends. This is because the state's paid leave program *does not* provide job protections when a worker needs to take the paid time off. Workers may have access to *unpaid* job-protected leave under several other state and federal laws – the Pregnancy Disability Law, the New Parent Leave Act, the California Family Rights Act, and the Family Medical Leave Act.[48] Paid family leave and unpaid job-protected leave can occur concurrently, which means that workers who qualify can take paid family leave with job protections under one of these laws.

While paid family leave and unpaid *job-protected* leave can be used at the same time, millions of workers are unable to utilize both types of leave due to restrictions based on employer and worker eligibility, creating barriers for workers and families. This is because eligibility requirements vary based on the size of workers' employer, the length of time with the employer, and the number of hours worked (Table 1). Specifically:

- **Pregnancy Disability Leave:**[49] Under this state law, birthing parents can take unpaid, job-protected time off if they are unable to perform the essential functions of their job, but this only applies to workers in organizations with five or more employees.
- **New Parent Leave Act:**[50] Workers welcoming a new child into their family through birth, foster care, or adoption are able to take up to 12 weeks of unpaid, job-protected leave under this state law. However, this only applies to

TABLE 1
Family and Medical Leave Policies in Effect in California, 2019

	State Law					Federal Law
	Paid Family Leave	State Disability Insurance	Pregnancy Disability Leave	New Parent Leave Act	California Family Rights Act	Family Medical Leave Act
Employers Covered	Most private-sector employers and some public-sector employers**	Most private-sector employers and some public-sector employers**	5 or more employees	20 or more employees within a 75-mile radius	50 or more employees within a 75-mile radius	50 or more employees within a 75-mile radius
Job Protections	No	No	Yes	Yes	Yes	Yes
Worker Eligibility	Earned at least $300 while contributing to state disability insurance in the 5 to 18 months prior to the claim	Earned at least $300 while contributing to state disability insurance in the 5 to 18 months prior to the claim	Disability due to pregnancy, childbirth, or related medical condition	Worked a minimum of 1,250 hours for at least one year for a covered employer	Worked a minimum of 1,250 hours for at least one year for a covered employer	Worked a minimum of 1,250 hours for at least one year for a covered employer
Reason for Leave*	To bond with a new child or care for an ill family member	Unable to work due to nonwork-related illness or injury, pregnancy, or childbirth	Unable to perform essential functions of a job	To bond with a new child	To bond with a new child or care for an ill family member	To bond with a new child or care for an ill family member
Paid Leave	Yes	Yes	No	No	No	No

* The definition of "family member" varies across state and federal laws.
** Certain employees and certain types of employment are exempt and don't contribute to state disability insurance. In addition, employers or a majority of employees can opt into voluntary disability plans in lieu of state disability insurance and paid family leave with approval from the state.
Source: Budget Center analysis of federal and California state law and administrative documents

workers with an employer that has 20 or more employees within a 75-mile radius. In addition, these workers must have worked at least part-time for one year with their employer.[51]

- **California Family Rights Act:**[52] Workers welcoming a new child into their family through birth, foster care, *or* adoption or workers taking time off to care for a sick family member are able to take up to 12 weeks of unpaid, job-protected leave under this state law. These provisions apply only to workers with an employer that has 50 or more employees within a 75-mile radius. In addition, these workers must have worked at least part-time for one year with their employer.[53]
- **Family Medical Leave Act:**[54] This federal law generally contains the same provisions as the California Family Rights Act, but the federal version has a more restrictive definition of "family member," and does not include domestic partners. However, unlike California's law, the Family Medical Leave Act *does* provide unpaid, job-protected time off from work due

to a family member's military deployment overseas.[55]

Millions of California workers' have limited ability to use paid family leave and unpaid job-protected leave at the same time due to the size of their employer and the worker eligibility restrictions under state and federal laws. Specifically, four in 10 workers in California – 7.2 million – are employed by an organization that has fewer than 50 employees (Figure 1). This means these workers are not eligible for job-protected leave under the California Family Rights Act and the Family Medical Leave Act, which provide job-protected leave to care for a new child *or* a sick family member. Some of these workers in these smaller organizations may be able to take job-protected leave for pregnancy, childbirth, or to bond with a new child under the Pregnancy Disability Leave law or the New Parent Leave Act. Even so, there are still 1.4 million workers in California who work in an organization with fewer than five employees. These workers do not qualify for *any* job-protected leave under any of these state or federal laws.

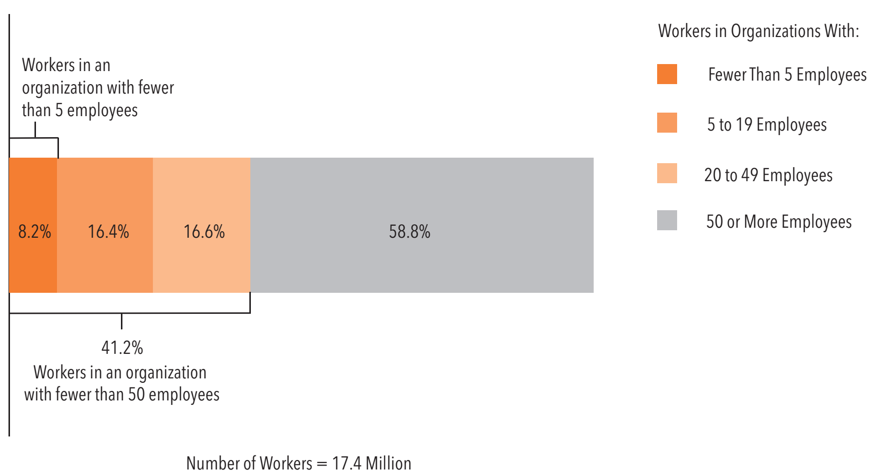
Workers with low wages are more likely to work for organizations with fewer than 50 employees, which do not have to guarantee that workers will have jobs when they return to work after caring for an ill family member. They also are more likely to work for organizations with fewer than 10 employees, which do not have to guarantee that workers will have jobs if they take time off to bond with a new child.[56] This can be a deterrent for workers who cannot afford to lose their job after taking time away to care for their family. In fact, a survey of workers in California revealed that some workers did not take paid leave because they were concerned it would jeopardize their employment.[57]

In addition, lower-wage workers are also more likely to work multiple part-time jobs and move from job to job, which means they may not have worked long enough or have the required number of hours with one employer to be eligible for job-protected leave.[58] This further limits low-wage workers' ability to utilize paid family leave and unpaid job-protected leave at the same time.

FIGURE 1

4 in 10 Workers in California Are in a Workplace With Fewer Than 50 Employees With Limited Access to Job-Protected Leave

Share of California Workers by Size of Employer, 2018



Note: Data are for the third quarter of 2018.
Source: Budget Center analysis of Employment Development Department data

A number of states do include job protections in their paid family leave programs. For example, Massachusetts, New York, Oregon, and Rhode Island have created job-protected paid family leave programs that provide leave without limiting access based on the size of the employer, length of time with the employer, or number of hours worked.[59] Data from Rhode Island show that a greater share of workers with low wages are taking leave compared to other states without job protections.[60] Internationally, many of the 34 Organisation for Economic Co-Operation and Development (OECD) countries offer job protections while taking family leave regardless of the size of the employer, length of time with employer, or number of hours worked.[61]

California Should Provide Job Protections for All Workers

State policymakers should provide job protections for all workers who are eligible for paid family leave, regardless of the size of the employer, length of time with employer, or number of hours worked. This would simplify policies, which would make taking leave more straightforward for workers and employers. Providing job protections would also provide more job security for workers who are eligible for paid family leave who need to use the paid leave benefits they have earned; especially workers with low wages who are less likely to be eligible for job-protected leave under various state and federal family leave laws.

Paid Family Leave Payments Do Not Adequately Support Workers With Low Wages

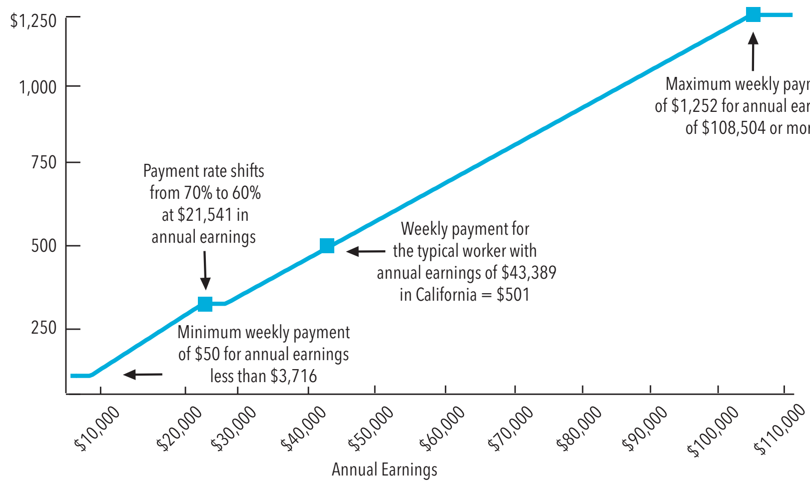
Paid family leave payments should provide workers with the financial security to pay the bills and care for their family. Most workers in California contribute to the Disability Insurance Fund and are eligible to use paid family leave, receiving payments based on their earnings during the "base period" (a 12-month period ranging from 5 to 18 months prior to the claim).[62] In 2019, the minimum weekly payment amount is $50, provided to workers earning up to about $3,700 annually, and the maximum weekly payment is $1,252, provided to workers earning about $108,500 or more (Figure 2).[63] As an example, the typical worker in California earns about $43,400 annually and would receive a weekly payment of $501.[64]

Paid family leave payments are designed to boost benefits for workers with low wages. *Very* low-earning workers receive a payment that equals 70% of earnings, and all other workers receive payments that are equal to 60% of their earnings. The higher payment rate applies to workers whose earnings are at or below one-third of the state average weekly wage (about $21,500 annually).[65] A minimum wage worker who is working full time, earning about $25,000 annually, would make *too much* to receive the higher payment rate, and therefore would receive the lower payment rate of 60% of earnings.[66]

FIGURE 2

California's Paid Family Leave Program Does Not Adequately Support Workers With Low Wages

Weekly Paid Family Leave Payments, 2019



Note: The calculation of weekly payments assumes consistent earnings throughout the prior 12-month period. Payment rate refers to the "wage replacement rate," a term commonly used by administrators and advocates.
Source: Budget Center analysis of Employment Development Department data and Unemployment Insurance Code, Section 2655(e)

California Budget & Policy Center
Independent Analysis. Shared Prosperity.

When compared to other states with a paid family leave program, California's payment rate for lower-wage workers is quite low (Figure 3). A full-time worker earning California's minimum wage of $12 per hour would receive a payment that is equal to 60% of earnings – just $290 per week. Only one other state – New York – has a payment rate lower than California (55% of earnings). In contrast, when Oregon – the most recent state to enact a paid family leave program – implements their program in 2023, lower-wage workers will receive 100% of their weekly earnings while taking leave.[67] If the Oregon program were in operation today, a worker earning $12 per hour would receive a payment of $480 – 66% higher than California's payment for a similarly situated worker.[68]

Oregon's paid family leave payments are more progressive than California's for two reasons. First, as already mentioned, Oregon has a payment rate of 100% for lower-wage workers. Second, Oregon's definition of "lower wage" is broader: less than 65% of the state's average weekly wage, compared to less than 33% of the average weekly wage in California.[69]

Other states with newly enacted paid family leave laws also have higher rates that provide lower-wage workers with larger payments.[70]

How California Can Boost Payment Rates for More Workers

Because of California's low payment rates, workers earning low wages – disproportionately Black and Latinx workers and women – may not be able to afford to take time off to care for their family.[71] Research on paid family leave programs shows that a payment rate of *at least* 80% is necessary to ensure that lower-wage workers are able to cover their bills when they take time off to care for their family, but even then workers with low wages may not be able to make ends meet.[72]

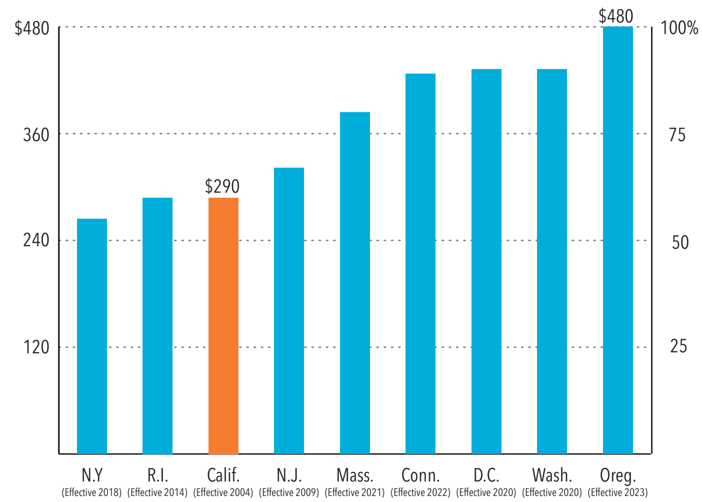
To ensure that all workers in California can afford to take time off to care for their family, state policymakers can make two changes to how payments are calculated:

- **Boost the payment rate to 100% of earnings for lower-wage workers.** Many workers with

FIGURE 3

For Workers With Low Wages, Paid Family Leave Benefits in California Are Less Than in Many Other States

Weekly Payment and Payment Rate for a Worker Earning $12 Per Hour, 2019



Note: The calculation of weekly payments assumes consistent earnings of $12 per hour for 40 hours per week throughout the prior 12-month period. Estimates for states that have not become effective assume payments based on current information.
Source: National Partnership for Women & Families; Budget Center analysis of various state laws and administrative documents

California Budget & Policy Center
Independent Analysis. Shared Prosperity.

low wages – disproportionately Black and Latinx workers and women – cannot afford to take time off at a fraction of their earnings. Boosting the payment rate could allow workers the financial freedom to utilize paid leave.

- **Increase the number of workers who would receive a payment rate of 100%.** Policymakers should follow the lead of other states and create a more progressive payment rate structure that includes more workers. A more progressive rate structure fully replaces the wages of workers up to a higher earnings threshold. For example, California could provide 100% wage replacement to workers earning up to 65% of the state average weekly wage – about $42,000 in annual earnings in 2019. For workers who earn more than this, their payment rate would be 100% up to this threshold, plus 50% of any earnings over the threshold.[73]

With this rate structure, many lower-wage workers could more easily afford time off to attend to family while also covering basic household expenses.

Paid Family Leave Does Not Provide Enough Time to Fully Support Workers and Their Families

Paid family leave can make a life-changing difference for workers welcoming a new child to their family or for those who are supporting a loved one with an illness. Research strongly supports a minimum of six months of paid leave following the birth or adoption of a child in order to boost the health and well-being of both parents and children.[74] Research also finds health benefits for workers and family members needing care when they have adequate time off to attend to their family.[75]

California's paid family leave program provides six weeks of leave to care for a new child or a sick family member.[76] As part of the 2019-20 budget agreement, policymakers extended the duration of the program from six weeks to eight, effective July 1, 2020.[77] However, compared to other states and countries, California's paid family leave program provides less time away from work to care for family members.[78] Without further action, the duration of leave in California will fall short compared to other states (Figure 4). In fact, six of the nine states with a paid family leave program will offer 12 weeks of paid family leave in the next few years when they fully implement their paid leave program or extend their existing program.[79]

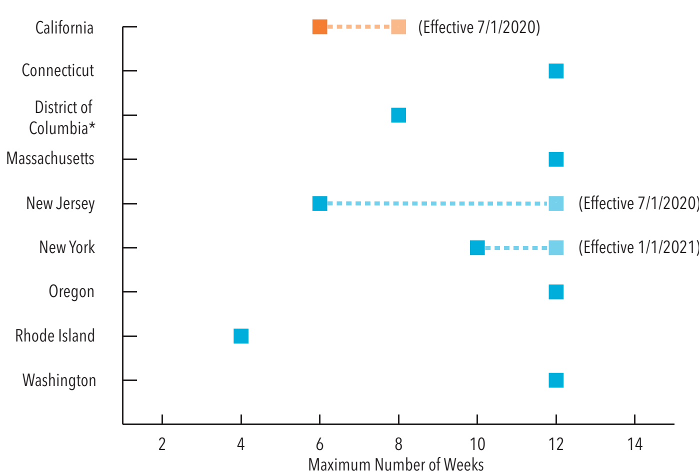
One of the strengths of California's paid family leave program is that it is comprehensive in nature, providing time away from work to care for family members at different stages of life. This reflects the reality of caregiving for workers across the state who may need paid leave benefits to welcome a new child to the family or to attend to critically ill family members – both children and adults. State policymakers should set a goal to provide six months of paid family leave to offer time off for workers' varying caregiving needs. This change would likely need to be phased in over time. As an initial step, policymakers can:

- **Extend the duration of paid family leave to 12 weeks.** This change would put California back on par with other states' paid family leave programs and within reach of other nations' policies. It also recognizes the challenges of balancing work and family responsibilities, by allowing time to care for a new child *or* to attend to an ill family member.
- **Allow single parents to take the same amount of paid leave as two-parent households.** This change would allow a single parent to take two consecutive periods of paid family leave.[80] Allowing single parents to stay home for the same duration of time as two-parent families would maximize the benefits of paid family leave for families with just one caregiver.

FIGURE 4

California's Paid Family Leave Program Offers Fewer Weeks of Benefits for Workers Compared to Most Other States

States With an Enacted Paid Family Leave Program



* Reflects the maximum number of weeks to bond with a new child. In contrast, the District of Columbia provides up to six weeks to care for a family member.
Note: States may provide additional time off for pregnancy and childbirth.
Source: National Partnership for Women & Families

California Budget & Policy Center
Independent Analysis. Shared Prosperity.

Policymakers Have Options in Funding an Expanded Paid Family Leave Program

California's paid family leave program is funded entirely by workers' contributions to the Disability Insurance Fund via payroll deductions. The Disability Insurance Fund makes payments to workers for both disability claims and paid family leave claims.[81] Workers' contribution rate is calculated using a formula set in state law that considers the fund balance, the amount of payments, and contributions made by workers.[82] The state strives to keep the fund balance between 25% and 50% of total payments in the prior 12-month period.[83] The director of the Employment Development Department – the agency that administers the program – has the authority to incrementally change workers' contribution rate to ensure that the fund balance is adequate to pay all claims, but the rate must remain between 0.1% and 1.5%.[84] The contribution rate for 2019 is 1.0%, which has been typical throughout the program's history.[85]

There is a wage ceiling on workers' contributions, which is also determined based on a statutory formula that includes the maximum paid family leave payment.[86] The maximum paid family leave payment is tied to the state's average weekly wage, and, as wages across the state increase, the maximum payment increases. The increase in the maximum payment then results in an increase in the taxable wage ceiling, generating additional resources.[87] In the current year, workers do not contribute on earnings over roughly $118,000.[88]

Expanding California's paid family leave program by providing job protections, boosting payment rates, and extending the duration of paid leave would increase access for workers across the state. This would likely result in greater utilization of the program and higher payments for longer periods. In order to ensure that the fund remains solvent, state policymakers could:

- **Require employers to contribute to the Disability Insurance Fund.** The paid family leave program is funded entirely by workers' contributions, but research shows that paid family leave benefits businesses – small and large.[89] In fact, four of the nine states with a paid family leave program require employers to contribute to the program.[90] Internationally, among OECD countries with paid parental leave programs, just one country funds their programs *solely* with contributions from employees.[91] All other countries rely on public funds or a combination of contributions from employers, employees, and the government.[92] Similarly, in OECD countries with paid leave programs to care for an ill family member, programs are generally funded with public funds and/or contributions from employers.[93]

- **Increase the taxable wage ceiling.** Currently, the wage ceiling is roughly $118,000 in annual earnings. Four states have higher wage ceilings than California at about $133,000 annually – Connecticut, Massachusetts, Oregon, and Washington.[94] The District of Columbia does not have a wage ceiling, and *employers* pay 0.62% of employee wages.[95] Policymakers could adjust the formula so that contributions to the Disability Insurance Fund are capped at a higher wage ceiling, providing more resources for the fund.

- **Increase the contribution rate.** Workers' contribution rate in 2019 is 1.0%. The Employment Development Department already has the authority to incrementally increase the contribution rate to as high as 1.5% to ensure that the fund balance remains healthy. However, a contribution rate of 1.5% would be far higher than the contribution rate in other states.[96] In addition, an increase in the contribution rate would disproportionately hurt lower-wage workers who can least afford larger deductions from their paychecks.

Conclusion: Ensuring the State's Paid Family Leave Program Benefits All Californians

For fifteen years, California's paid family leave program has allowed many workers to take paid time off to care for their families – whether that's a new child or a sick family member. However, the program's shortcomings create barriers, particularly for workers with low wages. This means that workers may be unable to use paid leave – a benefit they have earned – to support their family. By expanding job protections for workers, boosting payments, and providing sufficient time off from work, policymakers can make sure the state's paid family leave program works for all Californians.

ENDNOTES

1 Budget Center analysis of Employment Development Department data. Reflects payments made from July 2004 to August 2019.

2 Geoffrey J. Hoffman and Carolyn A. Mendez-Luck, *Stressed and Strapped: Caregivers in California* (UCLA Center for Health Policy Research: September 2011) and Susan C. Reinhard, et al., *Valuing the Invaluable: 2015 Update* (AARP Public Policy Institute: July 2015).

3 Julie Vogtman and Karen Schulman, *Set Up to Fail: When Low-Wage Work Jeopardizes Parents' and Childrens' Success* (National Women's Law Center: January 2016).

4 Amy Raub, et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018) and Amy Raub, et al., *Paid Leave for Family Illness: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

5 US Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States* (September 2019), Table 31.

6 US Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States* (September 2019), Table 31.

7 Netsy Firestein, Ann O'Leary, and Zoe Savitsky, *A Guide to Implementing Paid Family Leave: Lessons From California* (Labor Project for Working Families and Berkeley Center for Health, Economic & Family Security, University of California, Berkeley: 2011)

8 Workers may receive up to 52 weeks of disability insurance benefits for non-work related injuries and illnesses – both physical and mental. The duration of disability insurance benefits is different for workers recovering from pregnancy and childbirth. State disability insurance allows for four weeks of paid time off before birthing parents' due date and six weeks after the birth. Birthing parents that have had a Cesarean section receive an additional two weeks of disability insurance. After disability insurance ends, birthing parents can then take six weeks of paid family leave – extending to eight weeks on July 1, 2020. State disability insurance replaces wages at the same rate as paid family leave. For more on the history of California's state disability insurance program, see Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013) and Workplace Flexibility 2010 and Berkeley Center on Health, Economic & Family Security, *Family Security Insurance: A New Foundation for Economic Security* (University of California, Berkeley: December 2010).

9 Netsy Firestein, Ann O'Leary, and Zoe Savitsky, *A Guide to Implementing Paid Family Leave: Lessons From California* (Labor Project for Working Families and Berkeley Center for Health, Economic & Family Security, University of California, Berkeley: 2011).

10 SB 656 (Solis, Chapter 973 of 1999).

11 Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

12 Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

13 Senate Bill 1661 (Kuehl, Chapter 901 of 2002). Legislators significantly amended the bill during the legislative process, cutting the duration of leave from 12 weeks to six and eliminating the requirement that employers pay into the fund. See Netsy Firestein, Ann O'Leary, and Zoe Savitsky, *A Guide to Implementing Paid Family Leave: Lessons From California* (Labor Project for Working Families and Berkeley Center for Health, Economic & Family Security, University of California, Berkeley: 2011).

14 Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

15 Jessica Mason, et al., *Meeting the Promise of Paid Leave: Best Practices in State Paid Leave Implementation* (National Partnership for Women & Families: 2019).

16 Unemployment Insurance Code, Section 3301(a)(1). Workers can take paid leave either continuously or intermittently.

17 State disability insurance allows for four weeks of paid time off before birthing parents' due date and six weeks after the birth. Birthing parents that have had a Cesarean section receive an additional two weeks of disability insurance. After disability insurance ends, birthing parents can then take six weeks of paid family leave – extending to eight weeks on July 1, 2020. Unemployment Insurance Code, Section 2626(b)(1).

18 Specifically, the calculation of benefits is based upon the three-month period during the base period with the highest earnings. The total earnings during this period is divided by 13 and multiplied by either 60% or 70% to determine the weekly benefit. State disability insurance replaces wages at the same rate as paid family leave.

19 Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

20 Certain employees and certain types of employment are exempt and do not contribute to state disability insurance. In addition, employers or a majority of employees can opt into voluntary disability plans in lieu of state disability insurance and paid family leave with approval from the state.

21 Sarah Bana, Kelly Bedard, and Maya Rossin-Slater, "Trends and Disparities in Leave Use Under California's Paid Family Leave Program: New Evidence From Administrative Data," *American Economic Association Papers and Proceedings* 108 (2018), pp. 388-391.

22 Polling shows that awareness of paid family leave ranges from 36% to 43%. See Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013) and Mark DiCamillo and Mervin Field, *Just 36% of Voters Aware of State's Paid Family Leave Program* (Field Corporation and California Center for Research on Women and Families: January 2015).

23 Andrew Change & Co., *Paid Family Leave Market Research* (December 2015) and Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

24 Andrew Change & Co., *Paid Family Leave Market Research* (December 2015) and Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

25 SB 770 (Jackson, Chapter 350 of 2013).

26 SB 852 (Leno, Chapter 25 of 2014).

27 AB 908 (Gomez, Chapter 5 of 2016).

28 SB 1123 (Jackson, Chapter 849 of 2018).

29 AB 406 (Limón, Chapter 386 of 2019).

30 SB 83 (Committee on Budget and Fiscal Review, Chapter 24 of 2019).

31 Department of Finance, *2019-20 California State Budget* (July 2019), p. 31 and California Budget & Policy Center, *First Look: 2019-20 Budget Includes Balanced Investments, Leaves Opportunities to Improve the Economic Well-Being of More Californians* (July 2019).

32 Maya Rossin-Slater, *Easing the Burden: Why Paid Family Leave Policies Are Gaining Steam* (Stanford Institute for Economic Policy Research: February 2018).

33 Ann Bartel, et al., "Paid Family Leave, Fathers' Leave-Taking, and Leave-Sharing in Dual-Earner Households," *Journal of Policy Analysis and Management* 37:1 (2018), pp. 10–37; Charles L. Baum and Christopher J. Ruhm, "The Effects of Paid Family Leave in California on Labor Market Outcomes," *Journal of Policy Analysis and Management* 35:2 (2016), pp. 333–356; and Maya Rossin-Slater, Christopher J. Ruhm, and Jane Waldfogel, "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management* 32:2 (2013), pp. 224-245.

34 Small samples sizes reduce the precision of the estimates for these groups. See Maya Rossin-Slater, Christopher J. Ruhm, and Jane Waldfogel, "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management* 32:2 (2013), pp. 224-245.

35 Lindsey Rose Bullinger, "The Effect of Paid Family Leave on Infant and Parental Health in the United States," *Journal of Health Economics* 66 (2019), pp. 101-116; Agnitra Roy Choudhury and Solomon W. Polachek, *The Impact of Paid Family Leave on the Timing of Infant Vaccinations* (IZA Institute of Labor Economics: July 2019); Rui Huang and Muzhe Yang, "Paid Maternity Leave and Breastfeeding Practice Before and After California's Implementation of the Nation's First Paid Family Leave Program," *Economics & Human Biology Journal* 16 (2015), pp. 45-59; and Shirlee Lichtman-Sadot and Neryvia Pillay Bell, "Child Health in Elementary School Following California's Paid Family Leave Program," *Journal of Policy Analysis and Management* 36:4 (2017), pp. 790-827.

36 Alison Earle and Jody Heymann, "The Cost of Caregiving: Wage Loss Among Caregivers of Elderly and Disabled Adults and Children With Special Needs," *Journal of Community, Work & Family* 15:3 (2012), pp. 357-375.

37 Joell Saad-Lessler and Kate Bahn, *The Importance of Paid Leave for Caregivers: Labor Force Participation Effects of California's Comprehensive Paid Family and Medical Leave* (Center for American Progress: September 2017).

38 Kanika Arora and Douglas A. Wolf, "Does Paid Family Leave Reduce Nursing Home Use? The California Experience," *Journal of Policy Analysis and Management* 37:1 (2018), pp. 38-62 and Mark A. Schuster and Paul J. Chung, "Time Off to Care for a Sick Child – Why Family-Leave Policies Matter," *New England Journal of Medicine* 371:6 (2014), pp. 493-495.

39 Charles L. Baum II and Christopher J. Ruhm, "The Effects of Paid Family Leave in California on Labor Market Outcomes," *Journal of Policy Analysis and Management* 35:2 (2016), pp. 333–356 and Maya Rossin-Slater, Christopher J. Ruhm, and Jane Waldfogel, "The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes," *Journal of Policy Analysis and Management* 32:2 (2013), pp. 224-245.

40 Alexandra Boyle Stanczyk, "Does Paid Family Leave Improve Household Economic Security Following a Birth? Evidence From California?" *Social Service Review* 93:2 (2019).

41 Eileen Appelbaum and Ruth Milkman, *Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California* (Center for Economic and Policy Research: 2011) and Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

42 Eileen Appelbaum and Ruth Milkman, *Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California* (Center for Economic and Policy Research: 2011) and Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

43 Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013) and Ariel Pihl and Gaetano Basso, *Paid Family Leave, Job Protection, and Low Take-up among Lowwage Workers* (University of California Davis, Center for Poverty Research (No Date).

44 Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

45 Andrew Change & Co., *Paid Family Leave Market Research* (December 2015).

46 Andrew Change & Co., *Paid Family Leave Market Research* (December 2015).

47 Andrew Change & Co., *Paid Family Leave Market Research* (December 2015) and Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

48 California Department of Fair Employment and Housing, *"PDL, CFRA, NPLA, and FMLA Requirements and Obligations"* at https://www.dfeh.ca.gov/resources/frequently-asked-questions/employment-faqs/pregnancy-disability-leave-faqs/pdl-cfra-fmla-guide/.

49 State policymakers passed the Pregnancy Disability Leave Law in 1978 (Berman, Chapter 1321 of 1978), which protects the jobs of workers unable to unable to perform the basic functions of their job due to pregnancy by providing up to four months of unpaid leave.

50 In 2017, Senate Bill 63 (Jackson, Chapter 686 of 2017) built upon the California Family Rights Act by extending job-protected leave for workers in an organization with 20 or more employees within a 75-mile radius – but only for workers with a new child. The New Parent Leave Act did not extend job protections to workers who need to take leave for other family caregiving responsibilities – such as attending to an older child with special health care needs.

51 Specifically, workers must have worked at least 1,250 hours in the prior 12-month period. Assuming a consistent schedule, this is about 24 hours per week.

52 State lawmakers worked with advocates throughout the 1980's to enact legislation allowing workers to take time off to attend to family caregiving responsibilities or personal health issues without fear of losing their jobs. These efforts resulted in the California Family Rights Act – AB 77 (Moore, Chapter 462 of 1991). See Netsy Firestein, Ann O'Leary, and Zoe Savitsky, *A Guide to Implementing Paid Family Leave: Lessons From California* (Labor Project for Working Families and Berkeley Center for Health, Economic & Family Security, University of California, Berkeley: 2011) and Patricia A. Shiu and Stephanie M. Wildman, "Pregnancy Discrimination and Social Change: Evolving Consciousness About a Worker's Right to Job-Protected, Paid Leave," *Yale Journal of Law and Feminism* 21:1 (2009).

53 Specifically, workers must have worked at least 1,250 hours in the prior 12-month period. Assuming a consistent schedule, this is about 24 hours per week.

54 President Clinton signed the federal Family and Medical Leave Act into law in 1993 (Public Law 103-3).

55 See US Department of Labor, Wage and Hour Division, Fact Sheet #28M(c): *Qualifying Exigency Leave Under the Family and Medical Leave Act* (February 2013).

56 Budget Center analysis of US Census Bureau, 2018 Current Population Survey data.

57 Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

58 Anna Walther, *Unstable Jobs, Unstable Lives: Low-Wage Work in the United States* (Institute for Research on Poverty and Morgridge Center for Public Service, University of Wisconsin-Madison: 2018).

59 Of the four states with job-protected paid family leave programs, just New York and Rhode Island have implemented their programs. See National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).

60 Jessica Mason, et al., *Meeting the Promise of Paid Leave: Best Practices in State Paid Leave Implementation* (National Partnership for Women & Families: 2019).

61 The Organisation for Economic Co-Operation and Development (OECD) is a coalition of countries that work together to boost well-being across the globe. For a detailed discussion of family leave policies across OECD countries, see Amy Raub, et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries* (World Policy Analysis Center: 2018) and Amy Raub, et al., *Paid Leave for Family Illness: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

62 Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

63 The calculation of payments assumes consistent earnings throughout the prior 12-month period. California's paid family leave payments are tied to the state's average weekly wage, and the maximum payment increase over time as wages across the state increase.

64 "Typical" reflects the median wage. Median wage data are based on the hourly median wage for all workers and assumes 40 hours per week throughout the prior 12-month period. Median wage data are from the Employment Development Department, Occupation Employment Statistics and Wages, 1st Quarter 2019.

65 Low wages are defined as less than one-third of the state's average *quarterly* wage, which is the state average weekly wage multiplied by 13. Unemployment Insurance Code, Sections 2655(e) and 2655(g).

66 The minimum wage is for employees working in organizations with 26 or more employees.

67 Workers in Oregon will be able to take leave with benefits beginning January 1, 2023. Oregon Legislature, House Bill 2005 (Williamson, Chapter 700 of 2019).

68 This estimate assumes consistent employment for 40 hours per week throughout the prior 12-month period.

69 In Oregon, workers earning up to 65% of the state's average weekly wage (about $679 in 2019) will receive 100% of their earnings. Oregon Legislature, House Bill 2005 (Williamson, Chapter 700 of 2019).

70 National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).

71 Alissa Anderson, et al., *California's Workers Are Increasingly Locked Out of the State's Prosperity* (California Budget & Policy Center: August 2019) and Kristin Schumacher, *Supporting Working Mothers in California* (California Budget & Policy Center: June 2018).

72 Amy Raub, et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

73 For example, if 65% of the state average weekly wage were the equivalent of $42,000 annually, a worker earning $50,000 annually would receive a weekly paid leave payment that is based off of 100% of their wages up to $42,000, and then 50% of their weekly wages for remainder of their earnings ($8,000 annually).

74 Kali Grant, et al., *The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program That Works for All* (PL+US and Georgetown Law Center on Poverty and Inequality: July 2019) and WORLD Policy Analysis Center, *A Review of the Evidence on the Length of Paid Family and Medical Leave* (February 2018).

75 Kanika Arora and Douglas A. Wolf, "Does Paid Family Leave Reduce Nursing Home Use? The California Experience," *Journal of Policy Analysis and Management* 37:1 (2018), pp. 38-62; Alison Earle and Jody Heymann, "Protecting the Health of Employees Caring for Family Members with Special Health Care Needs," *Social Science & Medicine* 73:1 (2011), pp. 68-78; and Mark A. Schuster and Paul J. Chung, "Time Off to Care for a Sick Child – Why Family-Leave Policies Matter," *New England Journal of Medicine* 371:6 (2014), pp. 493-495.

76 In addition, workers may receive state disability insurance benefits for workers recovering from pregnancy and childbirth. State disability insurance allows for four weeks of paid time off before birthing parents' due date and six weeks after the birth. Birthing parents that have had a Cesarean section receive an additional two weeks of disability insurance. After disability insurance ends, birthing parents can then take six weeks of paid family leave – extending to eight weeks on July 1, 2020.

77 Department of Finance, *2019-20 California State Budget* (July 2019), p. 31 and California Budget & Policy Center, *First Look: 2019-20 Budget Includes Balanced Investments, Leaves Opportunities to Improve the Economic Well-Being of More Californians* (July 2019).

78 The duration of leave varies across countries based on the reason for leave, such as the birth or adoption of a child, a child's health needs, or an adult family member's health needs. The majority of the 34 OECD countries provide at least 14 weeks of paid leave to both parents for the birth of a child, and many provide six months of leave. Half of OECD countries provide at least three months of paid leave to care for sick children, and roughly one-quarter provide at least three months to care for an adult family member. See Amy Raub, et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018) and Amy Raub, et al., *Paid Leave for Family Illness: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

79 "States" also refers to the District of Columbia. Some states may provide additional time off (beyond 12 weeks) for workers recovering from pregnancy and childbirth. See Jessica Mason, et al., *Meeting the Promise of Paid Leave: Best Practices in State Paid Leave Implementation* (National Partnership for Women & Families: 2019) and National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).

80 Birthing parents would be able to take six weeks of disability to recover from pregnancy and childbirth, followed by two consecutive periods of paid leave.

81 The majority of payments made from the Disability Insurance Fund are for disability claims – not paid family leave. See Employment Development Department, *May 2019 Disability Insurance Fund Forecast* (October 2019).

82 Unemployment Insurance Code, Section 984(a)(2)(A).

83 This is referred to as the "adequacy rate." See Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

84 Unemployment Insurance Code, Section 984(a)(3). See Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

85 See Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

86 Unemployment Insurance Code, Section 985.

87 Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

88 Employment Development Department, *Overview of California's Paid Family Leave Program* (2019).

89 Ruth Milkman and Eileen Appelbaum, *Unfinished Business: Paid Family Leave in California and the Future of US Work-Family Policy* (Ithaca: Cornell University Press, 2013).

90 Figures include the District of Columbia. The four states that require employers to contribute to the state paid family leave program are the District of Columbia, New Jersey, New York, and Oregon. Massachusetts and Washington also require employers to contribute to their programs, but employers only contribute to the portion of each state's program that funds medical leave for workers – not paid leave to care for family members. See the National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).

91 Poland is the exception. Amy Raub, et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

92 Amy Raub, et al., *Paid Parental Leave: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

93 Amy Raub, et al., *Paid Leave for Family Illness: A Detailed Look at Approaches Across OECD Countries* (WORLD Policy Analysis Center: 2018).

94 National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).

95 National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).

96 National Partnership for Women & Families, *State Paid Family and Medical Leave Insurance Laws* (August 2019).