

Reestablishing
the Value of
Families:

A Guide for Public Policy

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Children's Defense Fund-Minnesota is dedicated to improving the lives of children through research, publications, public education and advocacy.

This series of reports is designed to raise important economic and tax policy issues that affect the lives of Minnesota families.

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A Proposal to Expand Parental Leave Options in Minnesota

Over the last thirty years, American's workforce has changed dramatically. One of the most significant changes is the growth in the number of working parents. Minnesota, with one of the highest female labor force participation rates in the country, has thousands of families struggling to balance work and family. Caught in the balancing act are infants and newly adopted children.

Public policy has struggled to keep pace by encouraging development of more child care options and mandating unpaid parental leave for some employees. However, large gaps remain in both areas, compromising the nurturing and care many young children receive. To expand the options available to new parents and their employers, CDF-MN proposes a voluntary program that would share the costs of partially replacing the wages of new parents between parents, employers and the state. The goal is to increase the time new parents can take from their jobs, while maintaining their ties to their employer.

The proposal described in Section 1 provides new parents and their employers with financial assistance for at least six weeks paid leave. The cost would be shared equally by the state, the employer and the employee. The amount of financial assistance available to new parents would be based on their pre-leave wage, within lower and upper weekly wage bounds of \$300 to \$750. The state share of the weekly payment would be \$100-250. Participation would be voluntary for both employers and employees. The estimated cost of the proposal to the state is \$15.6 million per year. Participating employers would have an equivalent matching expense.

Before releasing this proposal, CDF-MN surveyed nearly 200 employers to learn more about their experiences with the current parental leave laws.¹ This proposal is based on what was learned through the survey, as well as employee benefit data from the state Department of Economic Security² and national data from the federal Commission on Leave.³ This information is discussed in Section 2. In brief, these studies found that:

- most new parents take twelve weeks or less of leave,
- lack of income while on leave limits the time new parents take, and
- there is a wide variation across employers in the extent to which they offer paid or unpaid leave;
- employers who do provide parental leave often find that it benefits both employees and management,
- those employers who provide paid leave are the most satisfied, citing its positive effect on employee retention and loyalty,
- few employers report major problems implementing the existing law, but
- the costs of offering and/or expanding their current parental leave options is a concern for many employers.

¹ "Parental Leave in Minnesota: A Survey of Employers," (Children's Defense Fund of Minnesota, 2000), available from CDF-MN or on the web at www.cdf-mn.org.

² Minnesota Department of Economic Security, "Employee Benefits Survey," 1999.

³ "A Workable Balance: Report to Congress on Family and Medical Leave Policies," (Commission on Leave, 1996), available on the web at www.ilr.cornell.edu/library or from the Women's Bureau, U.S. Department of Labor.

Current Law

Laws requiring unpaid parental leave were enacted thirteen years ago at the state level, seven years ago at the federal level. Under Minnesota law, employers with 21 or more employees must provide up to six weeks leave for parents upon the birth or adoption of a child.

Employers of fifty or more employees must offer up to twelve weeks, under the federal Family and Medical Leave Act.⁴ Both laws have allowed many parents to take time to care for their new child, without fear of losing their jobs or health benefits. However, several years into the country's experience with the family leave laws, many working parents are still unable to fully benefit from the legislation because: 1) their employer is not covered by the law; 2) they have not worked for their current employer for at least one year, either half-time (to be covered by the state law) or for 1250 hours (to be covered by the federal law); or 3) they cannot afford to take leave without pay. As a result, some new parents can take leave, while others cannot, for reasons unrelated to the needs of their family. The proposal discussed below is an attempt to address the cost barrier by providing employers and employees with an option for paid parental leave.

Section 1

Balancing Work and Family: Sharing the Costs and Benefits of Parental Leave Among Employers, Employees and Government

CDF-MN is proposing that the state establish a voluntary paid parental leave program that includes the following components:

⁴ Parental leave is just one of the uses of the Family and Medical Leave Act. Most of the leaves taken under the FMLA are taken by people who are ill themselves or to take care of seriously ill family members. Only about one-fifth of leaves are taken related to the birth or adoption of a child.

- Partial maintenance of the wages of working parents taking parental leave because of the birth or adoption of a child for at least six weeks, up to a maximum of 26 weeks, based on the working parent's wage immediately prior to the leave-taking. Minimum and maximum total weekly wage equivalent amounts would be established, ranging from \$300 to \$750. These amounts correspond to annual salaries of \$15,600 to \$39,000 — the range within which most new parents' salaries fall.
- A shared financial commitment between parents, the state and employers to cover the costs of the leave. Working parents would contribute one-third (i.e., forego one-third of their salary), employers would contribute one-third (\$100-\$250 per week) and the state would match the remaining third of the leave costs (\$100-\$250 per week).
- Participation open to all employers and employees, regardless of the employer's size.
- Encouragement of longer leaves by requiring employers of fifty or more employees to offer at least 26 weeks of total leave (paid and unpaid) to their employees in order to receive at least six weeks of state match.
- Inclusion of less-than-full-time workers in the program, since payment would be based on their wages, rather than on full- or part-time status.
- Voluntary participation on both the employer's and employee's part. However, only those employees whose employers are willing to match the state's contribution could use the benefit.

Participating employers would submit documentation to the administering state agency showing that they had paid their employees for the period required under the program. The state would reimburse employers for the state share.

Benefits received under this program would be counted as income in determining eligibility and payment under the state's At-Home Infant Care Program.⁵

Costs

CDF-MN estimates the upper limit of the proposal's cost to be \$15.6 million per year, based on:

- the most recent data available regarding the percent of projected annual births,
- the wages and rate of employment among parents with young children,
- assuming an average paid leave of 12 weeks, and
- an employer participation rate of 20% (based on results from the CDF-MN survey).

While there would be offsetting expenses in some of the state's child care expenditures, these savings are not included in the cost estimate.

Other Options

Two other options being considered in other states are mandating temporary disability insurance and expanding unemployment insurance to cover parental leave. Research indicates that temporary disability insurance (which is mandated in five states and offered to a portion of Minnesota workers currently) has extended the time period mothers take away from work, especially low income working mothers, in the first few weeks of their child's life in those states. However, its use is medically deter-

⁵ Minnesota's At-Home Infant Care Program (M.S. 119B.061) is intended to help families with incomes below 75% of the state median income who are not on welfare to have one parent stay home full-time to care for a child in the first year of its life. Since the program was enacted one and half years ago, 87 families have used it.

Projected Births	57,700
Estimated Number of Children (living with two working parents, working mother or working mothers only)	38,000
Estimated Weekly Parents Wage (80% mothers, 20% fathers), range limited to \$300—\$750	\$17.4 million
State Costs (1/3 Weekly Wage) (plus estimated payroll and other costs)	\$6.5 million
Twelve Weeks Cost; 20% Participation Rate	\$15.6 million

mined, limiting both who can use it and for how long (i.e., mothers for the period of 'incapacitation'). Unemployment insurance is receiving a great deal of attention as a possible funding source for parental leave since it is also intended to maintain non-working parents' attachment to the labor force. States with large surpluses in their trust funds, which does not currently include Minnesota, are paying particular attention to this option.

Section 2

Research Support for Expanded Parental Leave Options

The CDF-MN survey of 185 Minnesota employers asked about their experiences with, and perceptions of, parental leave. The survey included employers of all sizes, from the very small (less than four employees) to some of the largest in the state, representing a wide range of industries and geographic areas. Based on the survey results, we made the following conclusions, supported by data from a national survey of employees and employers conducted by the Commission on Leave, and employee benefit gathered by the state Department of Economic Security.

- **Establishing new expectations through public policy results in real changes in parental leave options and choices.**

Expectations established in legislation do make a difference. In the CDF-MN survey, 98% of employers falling under the state or federal leave laws offered some form of leave, compared to 64% of employers who do not fall under either law. Employers also tend to use the state and federal laws as the ceiling for what they offer: both the CDF-MN survey and the state DES survey found only one in seven employers offering more than the federally mandated leave of twelve weeks to new mothers.

Parents' choices are also largely determined by the law. In the CDF-MN survey, 88% of new mothers take leaves based on the standard established in federal law (12 weeks or less).

- **Addressing employers' cost concerns is necessary to encourage more leave options for employees. As employers have more experience with parental leave, they are likely to discover that its costs are less than anticipated, and that financial savings may even be realized in some parts of their operations.**

In the CDF-MN survey, cost was identified most frequently by employers as the main reason they do not offer paid parental leave. Twenty percent of respondents indicated that incentives would encourage them to offer paid leave, with government financial assistance mentioned most often.

It should be noted that although cost is often cited as a major concern by employers, the Commission on Leave found that employers with actual experience with employees taking family medical leave were less concerned about costs than those with no experience. In the Commission's survey, employers with FMLA experience reported no or small cost increases in benefits (93%), hiring and training (95%) and administration (89%). In fact, some employers in both the Commission on Leave's survey

and the CDF-MN survey indicated cost savings from offering leave. Five percent of employers with 50-99 employees, 4% of employers with 100-259 employees and 11% for employers of 251-500 employees reported savings in the Commission's study, mostly from retaining employees, which reduces hiring and training costs.

In fact, parental leave is a relatively small part of the employee benefit picture, compared to other personnel issues such as health care coverage, retirement, sick and vacation time. Most employers do not have an employee who needs to take parental leave in any given year. In the CDF-MN survey, only two out of five employers reported either a male or female employee who became a new parent in the previous year. Slightly less than one in three reported a female employee giving birth or adopting a child. Small employers—the group most concerned about potential cost, and who do not currently fall under either the state or federal law—reported an even lower rate of new mothers (13%). In terms of the total workforce, the Commission on Leave found a similarly low rate of parental leave taking— .4% of all employees in the time period they studied.

- **The wages lost by new parents on leave must be partially made up if more parents are going to be able to take time with their newborns or newly adopted children.**

While many employees currently have some financial assistance to make up for lost wages while on parental leave, it often falls short of allowing them to spend more than a minimal amount of time at home. Furthermore, access to these benefits is not distributed evenly across income and educational levels.

Although CDF-MN found that many employees do have access to at least some wage replacement while on leave, the extent to which these benefits can actually make up for lost wages varies widely. For instance, while 75% of respondents who do not offer specific paid parental leave do allow their

Table 1: Leave-Takers' Methods of Covering Lost Wages by Income

Annual Family Income	Public Assistance for Leave	Savings Earmarked	Other Savings	Borrow Money	Limit Extras	Put Off Paying Bills	Cut Leave Short
< \$20,000	21%	49%	47%	38%	88%	52%	44%
\$20-30,000	5	39	43	28	82	50	44
\$35-50,000	4	45	40	29	74	39	31
\$50-75,000	2	45	34	13	72	29	49
\$75,000 or more	2	39	30	9	59	18	34

Source: Commission on Leave

employees to use accrued sick and/or vacation time, and/or temporary disability insurance, the extent to which those benefits can be used is highly dependent on the employer. The amount of sick leave allowed, for instance, ranges from two days to twenty-six weeks.

The Commission on Leave's findings gives some indication of the extent to which these benefits are adequate for new parents. Table 1 above shows how leave-takers (for all FMLA purposes) make up for lost wages. The data show that employees at all income levels are making financial sacrifices to take leave, but that employees in the lowest income levels are sometimes forced on to public assistance to sustain themselves.

Lowest-income families are also less likely to have paid leave available to them, although families at all income levels may also find themselves without any benefits, as Table 2 shows.

- **To increase the number of new parents able to take leave, leave options should include employers of all sizes. Employees of small employers**

Table 2: Rates of Unpaid Leave (Family and Medical Leave) by Demographic and Job Characteristics

Education	%	Annual Family Income	%	Compensation Type	%
< High School	46.2	< \$20,000	49.4	Salaried	10.5
High School Graduate	42.1	\$20-30,000	38.9	Hourly	42.8
Some College	36.9	\$35-50,000	24.8	Other	71.8
4+ Years of College	20.4	\$50-75,000	26.3		
		\$75,000 or more	20.8		

Source: Commission on Leave

(20 or fewer employees) are least likely to have leave options available to them now.

In addition to the data cited earlier that found employees of small companies (less than 21 employees) were less likely to have either paid or unpaid leave made available, the CDF-MN survey found that female employees of smaller employers were also likely to take somewhat shorter leaves (although the sample size is too small to draw any definite conclusions). Small employers also expressed the most concern about costs, both for paying for the leave and for covering the costs of employees while they were on leave. Again, data from the Commission on Leave indicates that covering for leave-taking employees' workloads may not be as problematic as some

employers fear. The Commission found the majority of employees supportive and understanding of the need for co-workers to take time off for family leave purposes.

- **Making the program voluntary will increase its acceptance among employers. Once employers have experience with paid parental leave, they are likely to see benefits for both management and employees.**

Although employers in the CDF-MN survey indicated there were specific incentives that would encourage them to provide paid parental leave, many respondents expressed concern about further involvement by government in personnel issues. Mandating expansion or paid leave would likely be met with considerable opposition.

Overall, however, the results of the CDF-MN survey suggest that employers will be generally satisfied if they have additional options to offer their employees who are new parents. Most of the respondents in the survey who already offer either paid or unpaid parental leave indicated that their policies did not pose a problem for management, and almost a third stated that the policies provided a benefit for management. The most commonly cited benefits were increased employee loyalty, lower turnover and new employee recruiting advantages. Employers also felt that leave benefited their employees, because it allowed time to spend time with their families without fear of losing their jobs. *The employers most satisfied with their parental leave policies, both in terms of management and employees, were those who offered paid parental leave benefits.*

Conclusion

The public is aware of the stresses families face, and the need for additional support. In a 1998 survey (Lake Sosin Snell Perry and Associates), 79% of respondents answered that they would support publicly-financed proposals to “provide partial wages when people need to take time from work to care for a newborn or a newly adopted child; to care for a seri-

ously ill parent, child or spouse; or to recover from their own serious illness.” The support crossed party lines: 85% of Democrats, 71% of Republicans and 79% of Independents supported the statement.

The care and nurture of children in the first year of their life is critical to their development. The proposal outlined above begins to address one approach to this issue—increasing the time that new parents have to care for their child. It is based on information from employers and employees about current parental leave options and gaps, and it is affordable and feasible within the current structure.

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