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**FINANCIAL CONSIDERATIONS FOR PAID
FAMILY LEAVE IN NEW HAMPSHIRE**

Presented to the NH House Finance I Committee

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EXECUTIVE SUMMARY

Paid family leave is a major issue that has gained prominence in the past electoral cycles, with both President Obama and President Trump supporting paid leave programs at the federal level.¹ Currently, there is no national program providing paid family leave to workers, but four states now offer coverage, and paid leave is part of benefit packages at many companies. As of 2016, approximately 14 percent of civilian workers had access to paid family leave, a striking contrast to many other developed nations that provide paid leave on a national level. Paid family leave programs have wide ranging benefits, from increasing job stability to reducing dependence on government programs and improving child development. However, providing paid leave generally requires levying a payroll tax, and education and administrative costs can be hurdles to achieving a successful program. This report will focus on the impact of paid family leave programs, the results of existing programs in the United States, and the logistics of implementing such a program in New Hampshire.

1. METHODOLOGY

State-implemented paid family leave programs are slowly emerging in the United States, with four states currently running active programs and more developing legislation. To fully understand the impact of paid family leave in the State of New Hampshire, an analysis on paid family leave across the nation, in similar states, and in New Hampshire itself is required. In order to better understand the context of a paid family leave program in New Hampshire, we have conducted a state by state comparison of the states with implemented paid family leave programs. This analysis relies primarily on bill texts and is supplemented by interviews with bill sponsors. This overview allows for easy comparisons across states and allows for patterns in legislative changes to be clearly seen. Additionally, this report compiles a body of evidence regarding the impact of paid family leave programs across the country and the ways in which paid family leave can influence personal health, economic stability, and social issues.

2. INTRODUCTION

2.1 What is Paid Family Leave?

Paid family leave is leave from employment in order to care for family members with serious illnesses or to bond with a new child. Paid family leave is already available in four states, with employers offering paid leave following birth or adoption or to take care of ailing family members. On the state level, paid family leave programs are generally administered as a state-run insurance funds, where employers or employees pay into a fund that is then used to replace lost wages when employees take off time to care for family



members or children.² Currently, 14 percent of Americans have access to paid leave, and many disadvantaged and lower income groups have much more restricted access.³

2.2 Legislation in New Hampshire

Legislation for a paid family leave program was introduced in New Hampshire in 2017 in HB 628. This bill is currently passing through the House of Representatives. HB 628 lays out a plan that would provide family and medical leave insurance for up to six weeks at 60 percent pay, funded by a 0.67 percent payroll tax. The benefits will be more than \$125 per week, or greater than 85 percent of the average weekly wage in New Hampshire. Childbirth, adoption, and a serious illness in the family are all circumstances eligible for coverage by this act. Additionally, workers can take leave to care for their own serious illness. Caring for a family member with a medical addiction is also covered by this program. Employers who already have a family leave program that meets the same requirements are able to opt out, and the current version (2/8/18) of the bill contains a clause allowing employees to opt out of the program at the beginning of employment and opt back in at the beginning of each year. This program will be independent of other state insurance programs and will be managed by the Department of Employment Security.⁴

2.3 Paid Family Leave Insurance and Voluntary Programs

It is important to note that, since paid family leave programs are insurance against the loss of income due to taking time off of work to care for family members or new children, these programs are extremely vulnerable to information imbalances. When beneficiaries know more about their future need for insurance against some loss, they will be more likely opt into that insurance, while those who know they will not need that insurance are more likely to opt out. This increases the costs of covering each person in the risk pool, which leads to increased costs to employees, pushing more people out of the risk pool, leading to a spiral of adverse selection.⁵

For example, if a couple was trying to have a child, they would be able to opt into paid family leave insurance before the child was born, take leave after birth, then exit the pool after their benefits ran out, paying less into the fund than they took out. Since people generally know their plans for growing their family and the health of close family members, using a voluntary paid family leave program could lead to extreme adverse selection, leading to only people who knew about future needs opting into the program.

3. BENEFITS OF PAID FAMILY LEAVE

3.1 Health Benefits

Paid family leave has major health benefits for both mothers and children who use paid leave following childbirth, in comparison to mothers who either do not take leave or take



unpaid leave.⁶ Children whose mothers use leave are more likely to be successfully breastfed. Mothers who took leave breastfed for twice as long on average as mothers who did not.⁷ This is an important part of infant development, and can decrease risk of asthma, sudden infant death syndrome and obesity.⁸ Additionally, children were 25.3 percent more likely to receive their measles vaccines and 22.2 percent more likely to receive their polio vaccines when their mothers took paid leave.⁹

Paid family leave has also been linked to increased infant survival. A study of European social policies found that providing generous paid leave programs was an effective way to reduce infant mortality rates, while a global analysis found that increasing paid leave by ten weeks was associated with a ten percent decrease in infant mortality after adjusting for socioeconomic factors and health care trends.¹⁰

Maternal health also improves with access to paid leave. Mothers who were able to take paid leave not only reported a higher level of overall health, but were also at lower risk of developing postpartum depression, a disorder that impacts 15 percent of women in the months following childbirth.¹¹ In the long term, the use of paid maternal leave reduced depression later in life by 14 percent.¹²

3.2 Social Benefits

Paid family leave also provides social benefits and assists disadvantaged and low-income groups. Both women and men who take paid family leave are less likely to receive public assistance in the year following their child's birth, and women are 40 percent less likely to use food stamps if they took paid leave following childbirth.¹³ Paid family leave programs also contribute to closing the benefit gap between workers in high quality jobs and workers in low-quality jobs.^A In states without state-run paid leave, access to paid leave is particularly low for less educated workers, low wage workers, and Hispanic workers, groups that are often unable to take unpaid leave and are disadvantaged.¹⁴ When paid family leave programs are implemented, the largest benefits tend to go to workers in low quality jobs who were educated about paid family leave opportunities.¹⁵

Access to paid leave has also been shown to increase parental involvement, which can have beneficial effects in both the short and long term. In California, the number of men using paid leave to bond with new children rose from 17 percent to 26 percent over the first six years of the program, which can improve cognitive development and impact achievement later in life.¹⁶ In addition, research in Norway following a reform of the paid family leave system found that increased access to paid leave significantly reduced high school dropout rates and raised lifetime earnings, especially in children whose mothers were previously ineligible for paid leave. In children of mothers with low educational attainment, increased

^A High quality jobs are defined as paying more than \$20 per hour and having employer-sponsored health insurance.



access to paid leave decreased the likelihood of high school dropout by 5.2 percent, and increased wages at age 30 by eight percent.¹⁷

The availability of paid family leave also benefits the elderly: the paid family leave programs implemented around the country have all allowed employees to take time off to care for ailing family members. This can have a large impact in reducing home health care costs, as family care can replace visiting nurse care or nursing home use. In fact, a study of the California paid family leave program found that the availability reduced the utilization of nursing homes by the elderly by 11 percent when compared to similar groups without access to paid leave.¹⁸ This in turn can impact state finances, as Medicaid pays for approximately 35 percent of long term care nationally.¹⁹

3.3 Individual Economic Benefits

Taking paid leave is also linked to many individual economic benefits. One major concern regarding family leave is reentry into the workforce, as in some cases women taking unpaid leave may not return to their jobs. However, studies have found that taking paid leave made women more likely to return to their jobs, with women in low-quality jobs in California returning to their prior jobs in 83 percent of cases following paid leave, compared to 74 percent of women who did not take paid leave. Research in California and across the country found that women who took paid leave were more likely to report wage increases after returning to work, and worked on average three to nine percent more hours, with a corresponding wage increase.²⁰ This impact on workforce participation is a major benefit that has implications in both gender equality and productivity.

3.4 Business Benefits

Paid family leave has not had the negative impact on businesses that some expected. In fact, evidence has shown that paid family leave programs have had a positive effect on employee retention, recruitment, morale and productivity. A survey of California employers found that 91 percent of employers were not aware of any abuse of the state program, and most employers reported that paid family leave had either a “positive effect” or “no noticeable effect” on productivity (89 percent), profitability/performance (91 percent), turnover (96 percent), and employee morale (99 percent).²¹ Businesses also reported no significant increase in administrative costs following the implementation of paid family leave in New Jersey and California.²²

Smaller businesses were more likely to report dissatisfaction with the paid family leave program than their larger counterparts but were overall satisfied with the program. Additionally, in the long run, the state-run program may actually benefit small businesses, allowing comparable paid leave benefits to be offered at both small and large companies.²³



Increased employee retention, as discussed above, has a beneficial effect on businesses with employees taking paid leave. If employees return to work after leave, rather than finding new jobs or leaving the workforce, companies can reduce administrative costs through reduced need for recruitment and training of new employees, while the returning employees are more productive than new hires.²⁴ This was reported in multiple states and is a particularly large benefit in highly skilled fields and small businesses.

4. HURDLES TO SUCCESSFUL PROGRAMS

4.1 Public Education

Public education is an integral component of paid family leave implementation and success. In order to fully understand the system of extended leave and its benefits, the public must be educated on the legislation and how to take advantage of it.

California has tried to tackle the issue of public awareness through the recent “Moments Matter” campaign. The California Employment Development Department (EDD) launched the media campaign in 2017 to raise awareness. The campaign highlights important moments in life when individuals can use the partial wage replacement benefits to care for a new child or care for a seriously ill family member. The media campaign features radio content, public service announcements in Spanish and English, as well as additional digital and print materials. The California Work and Family Coalition helped the EDD secure funding and provide input. California also used a one-year outreach campaign immediately following the passage of paid family leave. These efforts included billboards near busy highways and hospitals, brochures and posters in multiple languages, and direct communication with clinics, hospitals, and community centers in densely populated urban areas of the state. The legislature allocated \$1 million to this campaign, which ended after one year. However, the state still operates a comprehensive website and also allows employers and health facilities to bulk-order applications to the program.²⁵

New York has also undertaken an effort to educate the public on paid family leave legislation. The state has dedicated a website to answering questions on the policy with section for employers, health care providers and employees. The site also explains the four-year adoption phase in which the state will adopt and expand paid family leave.

Rhode Island and New Jersey also have comprehensive websites with explanations regarding eligibility and the application process. New Jersey, however, has been criticized for not fully informing residents about the opportunities of their paid leave program. Low-income workers in particular face obstacles in receiving information about the state policy; inaccurate or incomplete information on the state website is frequently cited as a major obstacle. While states like California and New York have detailed step-by-step processes and easy to navigate FAQ sections, New Jersey’s outreach program is seen as lacking on these fronts.²⁶



4.2 Cost and Logistics

Two major hurdles to implementing a paid family leave program are finances, in most cases the imposition of a new tax, and logistics, planning what administrative body will carry out the policy. The four states that have implemented paid family leave programs have similar financial and administrative structures for these programs. All use a payroll tax on a certain amount of the employee's wages to fund the program. All have also built upon existing administrative structures—temporary disability insurance programs—to implement their paid family leave programs. A temporary disability insurance program is an insurance pool, funded by employee and/or employer contributions, used to provide wage replacement for those employees who are unable to work because of injury or illness. As paid family leave benefits operate as a similar insurance program, it makes sense that the paid family leave program would be built upon this kind of program. New Hampshire may consider the feasibility of building on an existing tax-collection structure, such as their short-term disability insurance program.²⁷

California funds its paid family leave program by employee only, and the employee is required to pay 0.9 percent payroll tax on annual wages combined for family leave and disability up to \$110,902. The paid leave benefit in California provides approximately 60 to 70 percent of one's weekly salary (from \$50 up to \$1,216 weekly).²⁸ The California paid family leave program is built on its existing state disability insurance program that is also entirely funded by the employee.²⁹ California created its temporary disability insurance program (TDI) in 1946.³⁰ In 1990 the state passed a study bill to examine the effects of expanding the existing program to cover workers needing to take time off to care for family members and found that by increasing employee payroll taxes less than one percent, the state would be able to cover the cost of expanding the TDI program to also cover paid family leave benefits.³¹

The New Jersey paid family leave program is also funded solely by the employee. The employee contributes 0.1 percent of taxable wage base (first \$33,500 in calendar year) up to \$33.50 per year.³² Its paid family leave program is built on its existing state disability insurance program that is also entirely funded by the employee.³³

The Rhode Island paid family leave policy is also funded solely by the employee, through a payroll tax of 1.2 percent up employee's first \$68,000 earnings.³⁴ Like California and New Jersey, Rhode Island followed the example of building this program on top of its existing temporary disability insurance program, and as a result workers are able to use both medical and family leave benefits during leave.

In New York, paid family leave is funded by the employee only. In 2018, the first year of implementation of the New York paid family leave program, the maximum employee contribution in 2018 will be 0.126 percent of weekly wage up to a maximum weekly wage



of \$1,305.92.³⁵ New York's disability insurance program is funded jointly by employee and employer payroll tax. The employee contributes 0.5 percent up to 60 cents per week.³⁶ Employer contributes the balance of the cost not covered by employee.³⁷

5. CASE STUDIES

5.1 California

In 2002, California became the first state to pass a law requiring a paid family leave program, and in 2004, became the first state to implement a paid family leave program. State Senator Sheila J. Kuehl was the author of the original bill, SB1661, which was introduced in February 2002. The original bill provided for 12 weeks of leave to match state and federal unpaid job-protected leave, and included cost-sharing measures to balance the financial burden between employers and employees.³⁸ Once SB1661 arrived in Assembly, moderate and conservative coalitions pushed for changes in the bill, and the negotiated bill cut the paid leave benefit from 12 weeks to six weeks and removed the employer contribution. The bill also allowed employers to require their employees to take up to two weeks paid vacation time before taking paid leave. Recent literature about the California legislative process contends that this bill was able to pass because of an active and diverse grassroots and labor supported coalition.

The current program provides up to six weeks of partially paid wage replacement for workers who have chosen to take time off to care for a newborn child or sick family member. The program was expanded in 2016 to provide a higher percentage of weekly wages to the lowest income earners.

In 2015, California commissioned a consulting agency to conduct a market research study to look into the usage and awareness of the program in California. In its first 10 years, the California Employment Development Department approved 1.8 million paid family leave claims for \$4.6 billion in benefit payments. Ninety percent of claims were for bonding with a new born children and 10 percent of claims went to caring for a sick family member.³⁹ California's paid family leave plan tends to be most often used by mothers, particularly in disadvantaged communities. Approximately 84 percent of bonding claims were made by biological mothers.⁴⁰ A study in 2011 found that the California paid family leave program had more than doubled the overall use of maternity leave from three weeks to six or seven weeks, and that less advantaged groups saw a particularly large boost in usage of paid leave.⁴¹ Though findings were not conclusive from this study, it appeared that adoptive and foster parents used the paid family leave available to them at very low rates. While women typically used all six weeks of paid leave available to them, men typically used about two thirds of that available leave. Two thirds of care claims were women and one third of claims were men.⁴² Most of the care claims were used for taking care of relatives with cancer and birth defects.



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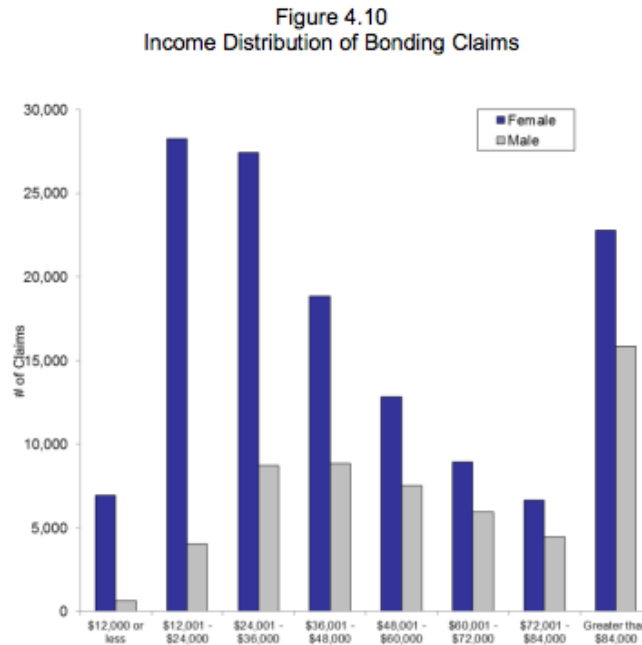
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The study also examined why certain employees might not be choosing to take paid family leave or medical care benefits. A 2015 poll conducted by the California Field Poll found that only 46 percent of voters were currently aware of the state paid family leave program.⁴³ The study found that awareness of the program varied by location and also varied in what parts of the program employees knew about. Awareness of paid family leave for bonding appeared to be higher than awareness of paid family leave for medical care benefits, and employees suffered from misinformation which was a serious barrier to making claims. Those workers who were most likely to need paid family leave most—low wage workers, young workers, and disadvantaged minorities—were most likely to be unaware of their eligibility for the program. The survey indicated some ways that California could mitigate this misinformation and lack of awareness would be to make the information on the EDD website clearer and more concise, especially on matters of eligibility, job protection, and how to make claims. Integrating training for employers would also be an important next step. According to the survey, 78 percent of human resources professionals agreed that training in paid family leave benefits would be helpful.⁴⁴ The state also needs to think of ways to integrate public education about paid family leave in a manner that will reach the most disadvantaged communities who know the least about the program.

Figure 1 below provide a sense of income distribution of employees taking paid family leave benefits in California.



Figure 1: Income Distribution of Bonding Claims in California, 2014.⁴⁵



Source: 2014 EDD Data

5.2 New Jersey

With the enactment of P.L. 2008, Chapter 17, on May 2, 2008, New Jersey expanded its already existing temporary disability benefits program to provide family leave insurance benefits for workers taking time to bond with newborn or newly adopted children or caring for ill family members. The final passed bill was sponsored by then Senate Majority Leader Steve Sweeney, a Democrat, and Assemblyman Nelson Albano, also a Democrat. The bill was also heavily supported by the “Time to Care” Coalition that was made up of consumer, labor, and family advocacy organizations who were all proponents of passing paid family leave legislation. The paid family leave act was twelve years in the making and faced strong opposition from business associations and employers in the initial phases of the bill. Laurie Ehlbeck, state director of the National Federation of Independent Business of New Jersey expressed concern about the costly new mandate on small business of this bill.⁴⁶

According to a 2016 State of New Jersey Department of Labor and Workforce Development Report, workers filed nearly 217,000 leave claims through the family leave insurance program between the program implementation in 2009 and December 2015.⁴⁷ The main findings from recent studies that have looked at the New Jersey paid family leave program are that the program has had mainly positive economic effects, workers and



businesses alike are happy with the program, and yet, the awareness of the program remains lower than expected.

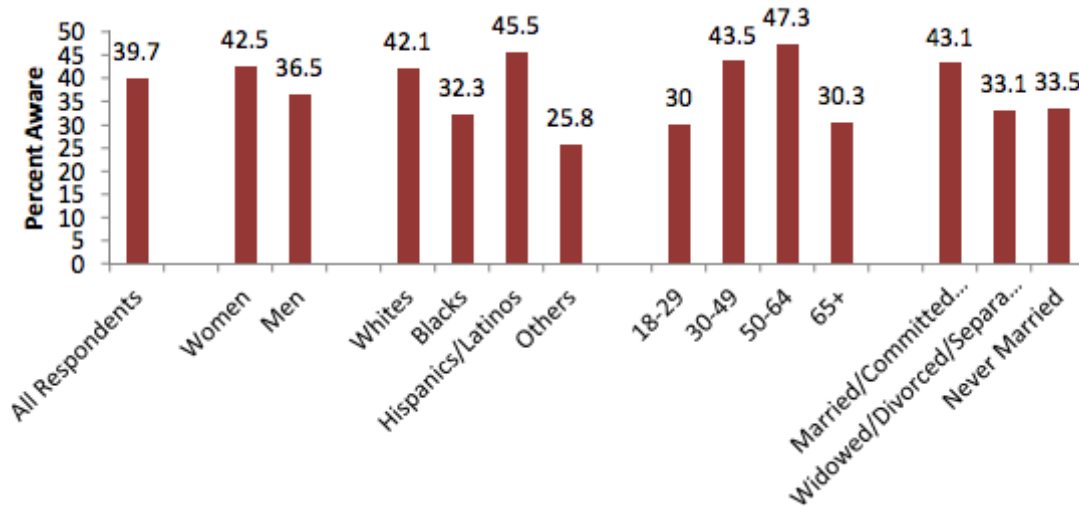
Over 81 percent of claims in New Jersey were filed to bond with a newborn child or newly adopted child, with the remainder of the claims used to care for an ill family member. In 2012, the average duration of time off for paid leave was about 5.2 weeks.⁴⁸ Virtually all of the claimants for paid family leave for newborn care (99 percent) were under the age of 45, while 60 percent of claimants for family care were over the age of 45.⁴⁹

The New Jersey plan has struggled with increasing utilization of the program, perhaps partly because the New Jersey program does not offer nearly as much weekly pay as the other programs in California or Rhode Island. Only 12 percent of eligible workers use the benefit in New Jersey, while both Rhode Island and California see higher percentages of use.⁵⁰ This may be because the benefit in New Jersey maxes out at \$633 weekly, while the California weekly cap is \$1,173 and Rhode Island weekly cap is \$817.⁵¹ The low weekly cap puts additional strain on families who may not be able to live on \$633 per week, especially with the new financial stresses of a child. New Jersey Policy Perspective, a New Jersey think tank, recently made the following suggestions in order to increase usage of the program: to increase the current two-thirds wage replacement, raise the cap on earnings, include job protection for those taking leave, increase public education, allow for 12 weeks of paid leave, and expand the definition of “family” for eligibility purposes.⁵²

A recent study of the New Jersey paid family leave program found that about 76 percent of workers say they view the program favorably, and support for the program crosses gender, race/ethnicity, age, marital status, union affiliation, employment status and income.⁵³ However, another study found that roughly six out of every ten residents of New Jersey said that they had not “seen or heard anything about” the state program.⁵⁴ The majority of New Jersey residents who were aware of the program, but ultimately decided not to take paid leave made this decision because of financial reasons. Adults with incomes below \$50,000, were most likely to decide not to take leave because the wage replacement rate would not be enough to support a family.⁵⁵ It seems that New Jersey will need to invest in public education and also raise the weekly wage replacement in order to increase utilization rates. Figure 2 below gives a sense of the low rates of awareness of the New Jersey paid family leave program.



Figure 2: Percent Aware of Family Leave Insurance by Demographic Group, New Jersey, 2012.⁵⁶



5.3 Rhode Island

Rhode Island was the third state to pass paid family leave legislation. The Rhode Island Temporary Caregiver Insurance Program was signed into law on July 11, 2013 and has been available since January 2014. The law built upon Rhode Island's existing temporary disability insurance program. Recently, a new paid medical leave law has been enacted in Rhode Island.

In the year following the implementation of paid family leave, 2015, nearly 13,000 claims were filed with the state, or 0.68 percent of eligible workers.⁵⁷ Of the approved claims, more than 75 percent were filed to take time off to bond with a child. Men in Rhode Island were more likely to take leave time in order to bond with children than in California or New Jersey. Men were also more likely to take time off to care for an ill family member in comparison to other states with paid family leave programs.⁵⁸

While the majority of claims were related to growing families, 24 percent of claims were filed to care for an aging parent or other family member, a higher percentage than seen in other states. This has been attributed to more awareness that this program covers serious family illnesses, as well as the higher median age in Rhode Island in comparison to California and New Jersey. Additionally, Rhode Island allows for workers to take paid leave to care for parents-in-law, which allows for increased utilization.

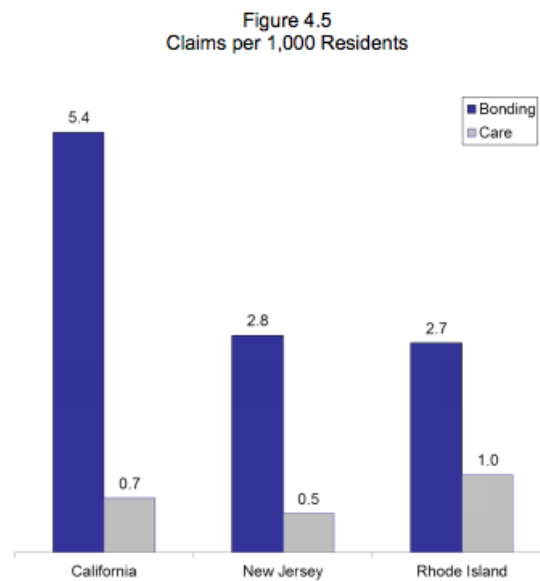
The paid family leave law in Rhode Island protects workers taking leave from actions of their employer, ensuring that they will get their job back, and that there will be no punishment for taking leave time. This provision addresses an issue seen in California, where 38 percent of workers were concerned about consequences for taking paid leave.⁵⁹



However, despite this mandate on businesses, a survey of Rhode Island business owners showed solid support for the program, and a strong sentiment among business owners that there was no significant negative impact on the Rhode Island economy.⁶⁰

Figure 3 below shows a state by state comparison in the number of claims per 1,000 residents and the breakdown of bonding vs. care claims in the three states.

Figure 3: Bonding Claims per 1,000 Residents in California, New Jersey, and Rhode Island, 2014.



Source: 2014 EDD, 2014 New Jersey Department of Labor, 2014 Rhode Island Department of Labor and Training and 2013 U.S. Bureau of the Census

6. PAID FAMILY LEAVE IN NEW HAMPSHIRE

6.1 Public Opinion

The Carsey School of Public Policy at the University of New Hampshire released two surveys in 2016 that addressed the current state of paid family and medical leave in New Hampshire that included levels of support for such policies among respondents. The “Paid Family and Medical Leave in New Hampshire” study found that approximately one-third of New Hampshire workers have jobs that do not have extended paid leave for their own medical needs, and around two-thirds lack similar access to care for an ill family member. In addition, half of New Hampshire workers lack access to parental leave. The study also



found that while women were more likely to take leave, they were also less likely to have jobs that provided paid family and medical leave. Approximately 60 percent of employed women have taken paid or unpaid family and medical leave compared to 40 percent of employed men. Family income also impacts the ability of families to access and utilize paid family and medical leave benefits. Workers living in households earning less than \$60,000 a year have notably less access to extended leave benefits compared to those with higher incomes. As noted earlier, extended paid leave can encompass or exclude various forms of leave, such as personal illnesses, parental leave and care for a family member. In New Hampshire, less than a third of workers have access to the three types of extended paid leave mentioned.

A second survey highlighted the climate of support for paid leave policies. A poll conducted in the winter of 2016 revealed that 82 percent of New Hampshire residents support paid family and medical leave insurance. There were gender discrepancies in this support, with approximately 90 percent of women and 75 percent of men in support of such insurance. For respondents who identified as male, extended paid leave policies were less supported by those who are married, employed, have higher education levels, or live in higher-income families relative to comparable women. In regard to tangible policy structure, 69 percent of employed respondents said that they would be willing to pay five dollars per week into a paid family and medical leave insurance program.

6.2 Usage Estimates for New Hampshire

In the three states with implemented paid family leave programs, one to two percent of the labor force made claims in a given year, with California having claims from 1.25 percent of the labor force, or 237,000 claims, Rhode Island having 13,600 claims from 2.04 percent of the labor force and New Jersey having 42,500 claims from 0.94 percent of the labor force.⁶¹ Based on the size of the New Hampshire workforce, we would expect the state to receive between 7,400 and 14,800 claims annually, following the ramp up and education periods.

7. RECOMMENDATIONS AND NEXT STEPS

Moving forward, there are several important pieces of information to consider in the next steps of planning a paid family leave program in New Hampshire.

First, it is important to remember that paid family leave operates as an insurance program and is therefore vulnerable to adverse selection when there are information imbalances. This issue has been addressed in all other states through not giving employees the option to opt out. Additionally, an opt-out option may leave some people without aid when they need it due to unforeseen circumstances in their families, such as severe accidents.



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Second, all other states have built their paid family leave program on of existing disability insurance programs. This allows them to expand existing programs and staff, rather than having to create entirely new programs.

Finally, the importance of education cannot be understated. Without adequate public education, people will not be able to benefit from the program and none of the benefits will be reaped. In a rural state like New Hampshire, new public education techniques will have to be used, which could present the state with a unique challenge.



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