a better balance
the work and family legal center

80 Maiden Lane, Suite 606, New York, NY 10038 | t: 212.430.5982 | f: 212.430.5983 | info@abetterbalance.org | abetterbalance.org

Paid Family Leave Insurance: Benefiting New York Businesses

New Yorkers need paid family leave (PFL), and it is as important for business as it is for employees. The New York State Paid Family Leave Act (A. 3870 / S. 3004) will provide income—financed solely through employee payroll contributions with no cost to employers or the government—to employees who need to take time off to care for a new child or seriously ill family member. The program will have multiple benefits for businesses, including a reduction of costly turnover and improvement of morale and productivity.

PFL Will Minimize the Burden on Employers and Will Make New York Businesses More Competitive

- **No new administrative requirements.** The PFL program will simply modernize and expand New York's current Temporary Disability Insurance (TDI) program, providing employees with up to 12 weeks of benefits to bond with a newborn or newly adopted child, care for a seriously ill family member, or address certain needs of military families.[1] Since PFL will be integrated into the existing TDI system—that has been in place since 1950—implementation of the program will create no administrative changes for businesses and allow businesses to use whatever mechanism they currently use to comply with TDI requirements.
- **A minimal burden on business.** The weekly PFL benefit will be financed solely through ***employee*** payroll deductions of up to 45 cents a week in the first year. In subsequent years, New York's Superintendent of Financial Services will determine the amount of employee contributions based on the cost per worker of providing PFL through the state insurance fund. In addition, a modest increase to the state's TDI cap—stuck at $170/week for more than 25 years—will help employees to support their families when unable to work due to illness, injury, pregnancy, or recovery from childbirth. The cost of raising the TDI benefit level will continue to be shared, as in the current TDI program, by both workers and employers.
- **Employers can require notice and proof of need for leave.** The Paid Family Leave Act provides for written notice and proof requirements related to an employee's need to take such leave.
- **PFL will save employers money.** PFL will not interfere with businesses that already provide paid family leave for their employees, and will help to offset their existing costs. As in the TDI program, businesses will be able to provide PFL through a private insurance carrier or as a self-insurer rather than using the state fund and receive reimbursement for some of their costs.
- **PFL will help small businesses.** PFL will help make small business more competitive by ensuring that all employees can receive paid family leave regardless of the size of the company for which they work. Small businesses in New York often cannot afford to provide the same paid leave benefits to their employees as larger companies, and thus lose valuable employees as a result.[2]
- **PFL will help New York businesses remain competitive with New Jersey.** Many New York businesses also stand at a competitive disadvantage to businesses in New Jersey, since New Jersey already has a successful statewide PFL program in place.

PFL Is a Needed Benefit that Has Proven Successful in California, New Jersey, and Rhode Island

- While the federal Family and Medical Leave Act (FMLA) guarantees those who work for large employers *unpaid*, job-protected leave to care for a new child or seriously ill relative, or to recover from one's own serious health condition, many employees—more than 40% of all employees and 80% of new mothers—are not covered by the FMLA; those who are covered are often financially unable to take unpaid leave. [3]
- A recent study showed that an overwhelming majority of California employers believe PFL has had a positive or neutral effect on their business.[4] Small businesses were more likely than large businesses to report that PFL has a neutral or positive effect.[5]

- Nearly 90% of employers reported that the California PFL program has a positive effect or no noticeable effect on productivity, while 99% reported the same for employee morale.[6]
- California's experience with PFL has shown that employees only take as much leave as is needed; the average employee who takes PFL uses less than the full amount allowed under the law.[7]
- On the heels of PFL successes in California and New Jersey, Rhode Island became the third state to create a PLF program. Rhode Island's plan went into effect in January 2014.

Businesses Retain Employees and See Savings with PFL

- Research has shown that paid family leave leads to business savings by lowering turnover, improving productivity, and enhancing employee morale and loyalty.[8]
- Nearly 93% of California businesses reported that PFL has a positive or no noticeable effect on employee turnover.[9] By reducing turnover, PFL creates savings for employers. The American Management Association has estimated that replacing an employee costs between one quarter and five times an employee's annual salary or wages, with additional losses in employee morale and productivity.[10]
- Women who take paid leave after a child's birth are more likely to be employed 9-12 months after the child's birth than women who take no leave.[11] Of mothers who worked during their first pregnancy and returned to work within one year of the child's birth, 80% went back to the same employer.[12]
- In California, 83% of employees in lower paying jobs who have used PFL returned to their employer while only 74% of employees not using the program did so.[13]
- While an employee is on leave, businesses cover the employee's work by shifting responsibilities to remaining employees, or using resulting payroll savings to hire temporary employees or pay overtime.[14]
- In California, the overwhelming majority of businesses reported that the state's PFL program has not resulted in any cost increases. Additionally, some employers who already provided paid benefits to employees have saved money when coordinating these benefits with the state program. [15]

PFL is an Important Way for Businesses to Support Their Communities and Employees' Families

- New parents need time to bond with a new child and will often take time off when that child arrives. PFL makes it possible for parents to take time during this critical period without undue financial hardship. Research shows that paid family leave helps parents recover from childbirth, bond with newborn or newly adopted children, and better meet their children's health needs.[16]
- By keeping workers with caregiving needs attached to the workforce, PFL decreases reliance on public assistance, which creates significant taxpayer savings.[17]
- The benefits of PFL to elderly and sick individuals are clear: family caregivers can help ill and aging individuals to recover more quickly and to spend less time in hospitals, leading to financial savings and a decreased burden on overcrowded health care facilities.[18]

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[1] For more information on the importance of paid family leave, see A Better Balance's factsheets *available at* http://www.abetterbalance.org/web/ourissues/familyleave.
[2] *See* E. Appelbaum & R. Milkman, *Achieving a Workable Balance*, Rutgers Center for Women and Work (2006), p. 23.
[3] E. Appelbaum & R. Milkman, *Leaves that Pay: Employer and Worker Experiences with Paid Family Leave in California*, CEPR (Jan. 2011), p. 1; J.A. Klerman, K. Daley & A. Pozniak, *Family and Medical Leave in 2012: Technical Report* (Abt Associates, prepared for U.S. Department of Labor, September 7, 2012), i.
[4] Appelbaum & Milkman, *Leaves that Pay,* p. 4.
[5] Ibid., p. 8 (large businesses are defined here as those with more than 100 employees).
[6] Ibid., p. 4.
[7] *See* State of California, Employment Development Department. *State Disability Insurance Statistical Information: Paid Family Leave Program Statistics* (2004-2012).
[8] *See, e.g.* Appelbaum & Milkman, *Leaves that Pay*, pp. 4, 8; E. Rudd, *Family Leave: A Policy Concept Made in America*, Sloan Work and Family Research Network (2004).
[9] Appelbaum & Milkman, *Leaves that Pay,* p. 8.
[10] L. Houser & T. Vartanian, *Pay Matters: The Positive Economic Impacts of Paid Family Leave for Families*, *Businesses and the Public*, Rutgers Center for Women and Work (Jan. 2012), p. 6. (Another estimate is that it costs an employer 150% of a salaried employee's yearly salary to replace him or her. For an hourly employee, turnover costs the employer anywhere from 50 to 75 percent of the employee's annual pay. *J. Levin-Epstein, Getting Punched: The Job and Family Clock: It's Time for Flexible Work for Workers of All Ages*, CLASP, July 2006, p. 8. Employees who quit cost their employers $40,000 each, on average, in hiring and training expenditures. A. Russell Hochschild, THE TIME BIND: WHEN WORK BECOMES HOME AND HOME BECOMES WORK, 31 (1997)).
[11] Houser & Vartanian, *Pay Matters*, pp. 6-7.
[12] L. Laughlin, *Maternity Leave and Employment Patterns of First-Time Mothers: 1961-2008*, United States Census Bureau, Current Population Reports, P70-128, (October 2011), p. 18.
[13] Appelbaum & Milkman, *Leaves that Pay,* p. 5. (The report distinguished between "high-quality jobs," which pay more than $20 an hour and provide employer-paid health insurance, and "low-quality jobs," which do not. Ibid. pp. 3-4).
[14] *See* Appelbaum & Milkman, *Achieving a Workable Balance*, pp. 10, 23.
[15] Appelbaum & Milkman, *Leaves that Pay,* pp. 4, 8. (In this report, 86.9% of businesses stated that introduction of paid family leave did not result in "any cost increases.")
[16] *Failing its Families: Lack of Paid Leave and Work-Family Supports in the US*, Human Rights Watch (Feb. 2011), pp. 37-48.
[17] *See, e.g.*, A. Dube & E. Kaplan, *Paid Family Leave in California: An Analysis of Costs and Benefits*, Labor Project for Working Families (July 2002), pp. 44-47 (estimating annual savings of over $23 million in usage of food stamps and TANF in California).
[18] For more on the benefits of family caregiving, *see, e.g.*, A. Houser & M.J. Gibson, *Valuing the Invaluable: The Economic Value of Family Caregiving, 2008 Update*, AARP Public Policy Institute (Nov. 2008), pp. 1-2, 6; --, *Valuing the Invaluable: A New Look at the Economic Value of Family Caregiving*, AARP (June 2007), p. 6.