

# Paid Family and Medical Leave Promotes a Healthier and More Effective Workforce

## Position Statement in support of Senate Bill 539


*Given before the Senate Finance Committee*

Ensuring Maryland workers can afford to take time off to care for a new child or a family member dealing with a serious illness would benefit families, communities, and Maryland's economy. Credible research and evidence from other states show that guaranteeing family and medical leave to most workers brings significant and wide-ranging benefits, including improved infant health and reduced employee turnover. For these reasons, the Maryland Center on Economic Policy supports Senate Bill 539.

Maryland's current failure to guarantee paid family and medical leave causes significant harm to workers and our economy. Although the federal Family and Medical Leave Act enables many workers to take up to 12 weeks of job-protected leave to care for a new child or a loved one with a serious health condition, or to recover from their own serious health condition, carve-outs exclude large numbers of workers from these protections. Moreover, a large majority of Americans are not guaranteed any paid leave from their employers for such circumstances, including 94 percent of low-wage workers. Taking significant time off without pay is not an affordable choice for many Marylanders.

As a result, many workers either forgo needed time off work or take less leave than the amount they need:

- About 16 percent of workers nationwide needed to take family or medical leave in the last two years but were unable to, according to a 2016 survey by the Pew Research Center.<sup>1</sup> Another 12 percent took less time off than they needed.
- The Pew survey found that one in five women needed leave but were unable to take any. Latinx workers were more likely than white workers to forgo needed time off, and Black workers were twice as likely as their white counterparts to do so. Workers taking home less than \$30,000 per year were more than twice as likely as those making at least \$75,000 to need leave but not take any.
- Among workers with unmet need for time off, more than two-thirds said they could not afford to take the leave they needed and about half said they were afraid that doing so could cost them their job.
- Some workers who took leaves received full or partial pay during their time off—generally out of accrued paid time off, sick days, or vacation days—but 37 percent received no pay at all. Half of Latinx workers and three out of five low-wage workers received no pay at all during their time off.
- Among workers who received partial pay or none at all, half dealt with the loss of income by dipping into savings intended for another purpose, 41 percent cut their leave short, 37 percent took on debt, and 33 percent put off paying bills.



Senate Bill 539 would enable most Maryland workers to take up to 12 weeks of partially paid leave to care for a new child, to care for a family member with a serious health condition, or to treat their own serious health condition. The bill also extends job protections to workers who are currently left out of the federal Family and Medical Leave Act, ensuring they can take time off without fear of losing their job. Altogether, Senate Bill 539 could extend access to paid family leave to about 1.4 million private-sector workers who currently lack it and extend access to paid medical leave to 1 million workers who currently lack it.<sup>ii</sup>

Similar to unemployment insurance, employers and employees would share the cost of benefits through payroll contributions. Analysis by the Institute for Women’s Policy Research shows that contributions of 0.67 percent of wages, up to the Social Security contribution cap, would cover the cost of benefits. For a worker earning the average weekly wage of \$1,080, this would mean that employers and employees would each contribute \$3.62 per week. If wages above the Social Security cap were also subject to payroll contributions, a combined rate of 0.61 percent of wages would be sufficient. At the average weekly wage, this amounts to \$3.29 per week from each side.

Credible academic research, as well as the experience of other states with similar programs, shows that paid family and medical leave brings significant and wide-ranging benefits:<sup>iii</sup>

- **Public health benefits:** Evidence links paid leave guarantees to a decline in infant mortality, improvements in mothers’ mental health, a 33 percent drop in upper respiratory complications among infants, and increased ability for aging adults to live at home. Research shows that children in low-income families see especially large health benefits.
- **Economic benefits:** A study found that California’s paid leave guarantee decreased the number of mothers of young children with family income below the federal poverty line (currently about \$26,000 for a family of four). While paid leave enables parents to take more time off during the first few weeks of a child’s life, research shows that it can also enable mothers to return to the paid workforce sooner. Studies have linked paid leave to improvements in productivity and declines in turnover. Employers in states that guarantee paid leave generally report that the impact on their business is small and can be positive.

If we want to foster broadly shared prosperity across our state, we should create a Maryland where workers can keep their jobs and their livelihoods while dealing with some of life’s most significant events. If working Marylanders cannot take off from work to deal with important family matters without risking their economic stability, we are all worse off. Ensuring hardworking Marylanders have financial support and flexibility during their times of need is essential to a thriving Maryland.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee make a favorable report on Senate Bill 539.**

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## Equity Impact Analysis: Senate Bill 539

### *Bill summary*

Senate Bill 539 would guarantee partially paid, job-protected family and medical leave to Maryland workers who have worked at least 680 hours in the last year, regardless of employer size. Benefits would be equal to 90 percent of wages for a worker who takes home less than 65 percent of the average weekly wage (\$702 per week in FY 2019), with wages in excess of this amount replaced at a rate of 50 percent. Benefits would be a minimum of \$50 per week and a maximum of \$1,000 per week. To fund these benefits, employers and employees would equally

share payroll contributions on wages and salaries up to the Social Security cap (currently \$137,700 per year, or \$2,648 per week).

### *Background*

The federal Family and Medical Leave Act enables certain workers to take up to 12 weeks of unpaid, job-protected leave to care for a new child, care for a family member's serious health condition, or recover from one's own serious health condition. To qualify for these protections, an employee must have worked at the same employer for at least 12 months, have at least 1,250 hours of employment in the last 12 months, and work for an employer with 50 or more employees within a 75-mile radius.

California enacted the first paid family and medical leave law in the United States, in 2004. Seven other states have since followed suit. However, as of 2019 only 18 percent of private-sector workers nationwide have paid family leave at their job.

### *Equity Implications*

Maryland's current lack of a paid family and medical leave guarantee poses significant equity concerns:

- Sixteen percent of workers nationwide needed to take family or medical leave in the last two years but were unable to do so, according to a 2016 survey by the Pew Research Center. This group includes 19 percent of women, 23 percent of Latinx workers, 26 percent of Black workers, and 30 percent of workers with less than \$30,000 in annual income.
- Workers with unmet need for leave were more likely to cite inability to afford the lost income as a reason for taking no leave or less than they needed than any other factor (72 percent of those taking no leave, 69 percent of those taking less leave than they needed).
- While some workers received full or partial pay during their time off, Latinx workers and workers with annual income under \$30,000 were least likely to receive any pay.
- Many workers who took a pay cut during their time off work dealt with the loss of income by dipping into savings intended for another purpose, cutting their leave short, taking on debt, or putting off paying bills.
- Research suggests that parents who take no leave, insufficient leave, or unpaid leave may face a higher risk of experiencing mental health problems; their children may face a higher risk of health problems or even death. Workers who face barriers to taking the leave they need—who are disproportionately workers of color or low-wage workers—are especially likely to face these risks.

Senate Bill 539 would mitigate—though not eliminate—these equity concerns by guaranteeing partially paid, job-protected family and medical leave to the majority of Maryland workers.

### *Impact*

Senate Bill 539 would likely **improve racial, gender, and economic equity** in Maryland.

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<sup>i</sup> Juliana Horowitz, Kim Parker, Nikki Graf, and Gretchen Livingston, “Americans Widely Support Paid Family and Medical Leave, but Differ over Specific Policies,” Pew Research Center, 2017, <https://www.pewsocialtrends.org/2017/03/23/americans-widely-support-paid-family-and-medical-leave-but-differ-over-specific-policies/>

<sup>ii</sup> MDCEP analysis of 2016–2018 IPUMS American Community Survey microdata, 2016–2018 IPUMS Current Population Survey Annual Social and Economic Supplement microdata, 2019 Employee Benefits Survey. Assumes Maryland private-sector workers are equally likely as private-sector workers nationwide to have access to paid family leave (18 percent) and short-term disability insurance (42 percent).

<sup>iii</sup> Heather MacDonagh, “Family and Medical Leave Insurance,” Department of Legislative Services, 2019, [http://dls.maryland.gov/pubs/prod/BusTech/Family\\_and\\_Medical\\_Leave\\_Insurance.pdf](http://dls.maryland.gov/pubs/prod/BusTech/Family_and_Medical_Leave_Insurance.pdf)

Worker's Average Weekly Wage	Annualized	Weekly Contribution (Assume 0.67% Rate)		Weekly Contribution (0.70% Maximum Rate)		Weekly Wage Replacement	Notes
		Total	Worker's Share (50% of Total)	Total	Worker's Share (50% of Total)		
\$100	\$5,200	\$0.67	\$0.34	\$0.70	\$0.35	\$90	
\$150	\$7,800	\$1.01	\$0.50	\$1.05	\$0.53	\$135	
\$200	\$10,400	\$1.34	\$0.67	\$1.40	\$0.70	\$180	
\$250	\$13,000	\$1.68	\$0.84	\$1.75	\$0.88	\$225	
\$440	\$22,880	\$2.95	\$1.47	\$3.08	\$1.54	\$396	\$11.00 per hour, 40 hours per week *
\$500	\$26,000	\$3.35	\$1.68	\$3.50	\$1.75	\$450	
\$600	\$31,200	\$4.02	\$2.01	\$4.20	\$2.10	\$540	\$15.00 per hour, 40 hours per week **
\$702	\$36,504	\$4.70	\$2.35	\$4.91	\$2.46	\$632	90% / 50% Replacement rate threshold
\$750	\$39,000	\$5.03	\$2.51	\$5.25	\$2.63	\$656	
\$1,000	\$52,000	\$6.70	\$3.35	\$7.00	\$3.50	\$781	
\$1,080	\$56,160	\$7.24	\$3.62	\$7.56	\$3.78	\$821	Average weekly wage
\$1,250	\$65,000	\$8.38	\$4.19	\$8.75	\$4.38	\$906	
\$1,438	\$74,797	\$9.64	\$4.82	\$10.07	\$5.03	\$1,000	Maximum benefit
\$1,500	\$78,000	\$10.05	\$5.03	\$10.50	\$5.25	\$1,000	
\$1,750	\$91,000	\$11.73	\$5.86	\$12.25	\$6.13	\$1,000	
\$2,000	\$104,000	\$13.40	\$6.70	\$14.00	\$7.00	\$1,000	
\$2,250	\$117,000	\$15.08	\$7.54	\$15.75	\$7.88	\$1,000	
\$2,500	\$130,000	\$16.75	\$8.38	\$17.50	\$8.75	\$1,000	
\$2,648	\$137,700	\$17.74	\$8.87	\$18.54	\$9.27	\$1,000	Social Security contribution cap
\$3,000	\$156,000	\$17.74	\$8.87	\$18.54	\$9.27	\$1,000	
\$3,500	\$182,000	\$17.74	\$8.87	\$18.54	\$9.27	\$1,000	
\$4,000	\$208,000	\$17.74	\$8.87	\$18.54	\$9.27	\$1,000	
\$5,000	\$260,000	\$17.74	\$8.87	\$18.54	\$9.27	\$1,000	

Source: Maryland Center on Economic Policy.

\* 2020 Minimum wage.

\*\* 2025 Minimum wage for most workers.