

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

Position Statement in support of House Bill 496


Given before the Economic Matters 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. Ensuring workers can take needed time off to deal with major life events is especially vital as families contend with the continued upheaval of the COVID-19 pandemic. For these reasons, the Maryland Center on Economic Policy supports House Bill 496.

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 93% 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% 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.ⁱ Another 12% 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% 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 or no pay, half dealt with the loss of income by dipping into savings intended for another purpose, 41% cut their leave short, 37% took on debt, and 33% put off paying bills.



House Bill 496 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, House Bill 496 would likely extend access to paid leave to 1 million private-sector workers who currently lack it.ⁱⁱ

Similar to unemployment insurance, employers and employees would share the cost of benefits through payroll contributions. Previous analysis by the Institute for Women's Policy Research has found that a similar bill, House Bill 8, could be sufficiently funded with contributions of 0.67% of wages, up to the Social Security contribution cap. For a worker earning the FY 2020 average weekly wage of \$1,050, this would mean that employers and employees would each contribute \$3.52 per week.

The Maryland Center on Economic Policy estimates that the provision of House Bill 496 exempting employers with less than 15 employees from paying their share of payroll contributions would reduce by the revenue yield of a given contribution rate by approximately 5%.ⁱⁱⁱ However, the higher contribution rate cap in House Bill 496 would provide sufficient flexibility to offset this loss.

Evidence from states that guarantee paid family and medical leave shows that small and large businesses alike fare well under these programs:

- Most businesses in states that today offer paid leave report positive or neutral impacts on their bottom line. Owners of small businesses are equally or more likely to report positive or neutral impacts than others.^{iv}
- 61% of small business owners support establishing state paid family and medical leave programs.^v
- Peer-reviewed research finds that businesses fare well when workers can take paid leave, with little impact on their bottom line and an increased chance that workers will return to their previous job after taking leave.^{vi}

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:^{vii}

- **Public health benefits:** Evidence links paid leave guarantees to a decline in infant mortality, improvements in mothers' mental health, a 33% 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.

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 Economic Matters Committee make a favorable report on House Bill 496.

Equity Impact Analysis: House Bill 496

Bill summary

House Bill 496 would guarantee partially paid, job-protected family and medical leave to workers who have worked at least 680 hours in the last year, regardless of employer size. Benefits would be equal to 90% of wages for a worker who takes home less than 65% of the average weekly wage (\$683 per week in FY 2019), with wages above this amount replaced at a rate of 50%. 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 \$147,000 per year, or \$2,827 per week). Employers with less than 15 employees would be exempt from paying their share of payroll contributions.

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 nationwide in 2004. Seven other states have since followed suit. However, as of 2021 only 23% of private-sector workers 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% of women, 23% of Latinx workers, 26% of Black workers, and 30% of low-wage workers.
- Seven out of 10 workers with unmet need for leave cited inability to afford the lost income as a reason for taking no leave or less than they needed, more than any other factor.
- 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.

House Bill 496 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

House Bill 496 would likely **improve racial, gender, and economic equity** in Maryland.

ⁱ 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/>

ⁱⁱ Based on 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%) and short-term disability insurance (42%).

ⁱⁱⁱ MDCEP analysis of 2019 Annual Business Survey data.

^{iv} Eileen Applebaum and Ruth Milkman, “Leaves that Pay: Employer and Worker Experiences with Paid Family Leave in California,” Center for Economic and Policy Research, 2011, <https://www.cepr.net/documents/publications/paid-family-leave-1-2011>

^v “Opinion Poll: Small Businesses Support Paid Family Leave Programs,” Small Business Majority, 2017, <https://smallbusinessmajority.org/sites/default/files/research-reports/033017-paid-leave-poll.pdf>

^{vi} Sarah Bana, Kelly Bedard, and Maya Rossin-Slater, “The Impacts of Paid Family Leave Benefits: Regression Kink Evidence from California Administrative data,” *Journal of Policy Analysis and Management* 39(4), 2020, <https://onlinelibrary.wiley.com/doi/abs/10.1002/pam.22242>
Kelly Bedard and Maya Rossin-Slater, “The Economic and Social Impacts of Paid Family Leave in California: Report for the California Employment Development Department,” California Employment Development Department, 2016, https://www.edd.ca.gov/disability/pdf/PFL_Economic_and_Social_Impact_Study.pdf

^{vii} 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

Worker's Average Weekly Wage	Annualized	Weekly Contribution (Assume 0.67% Rate)		Weekly Contribution (0.75% Maximum Allowable 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	\$0.75	\$0.38	\$90	
\$150	\$7,800	\$1.01	\$0.50	\$1.13	\$0.56	\$135	
\$200	\$10,400	\$1.34	\$0.67	\$1.50	\$0.75	\$180	
\$250	\$13,000	\$1.68	\$0.84	\$1.88	\$0.94	\$225	
\$500	\$26,000	\$3.35	\$1.68	\$3.75	\$1.88	\$450	\$12.50 per hour, 40 hours per week *
\$600	\$31,200	\$4.02	\$2.01	\$4.50	\$2.25	\$540	\$15.00 per hour, 40 hours per week **
\$683	\$35,490	\$4.57	\$2.29	\$5.12	\$2.56	\$614	90% / 50% Replacement rate threshold
\$750	\$39,000	\$5.03	\$2.51	\$5.63	\$2.81	\$648	
\$1,000	\$52,000	\$6.70	\$3.35	\$7.50	\$3.75	\$773	
\$1,050	\$54,600	\$7.04	\$3.52	\$7.88	\$3.94	\$798	FY 2020 average weekly wage ***
\$1,250	\$65,000	\$8.38	\$4.19	\$9.38	\$4.69	\$898	
\$1,454	\$75,608	\$9.74	\$4.87	\$10.91	\$5.45	\$1,000	Maximum benefit
\$1,500	\$78,000	\$10.05	\$5.03	\$11.25	\$5.63	\$1,000	
\$1,750	\$91,000	\$11.73	\$5.86	\$13.13	\$6.56	\$1,000	
\$2,000	\$104,000	\$13.40	\$6.70	\$15.00	\$7.50	\$1,000	
\$2,250	\$117,000	\$15.08	\$7.54	\$16.88	\$8.44	\$1,000	
\$2,500	\$130,000	\$16.75	\$8.38	\$18.75	\$9.38	\$1,000	
\$2,827	\$147,000	\$18.94	\$9.47	\$21.20	\$10.60	\$1,000	Social Security contribution cap
\$3,000	\$156,000	\$18.94	\$9.47	\$21.20	\$10.60	\$1,000	
\$3,500	\$182,000	\$18.94	\$9.47	\$21.20	\$10.60	\$1,000	
\$4,000	\$208,000	\$18.94	\$9.47	\$21.20	\$10.60	\$1,000	
\$5,000	\$260,000	\$18.94	\$9.47	\$21.20	\$10.60	\$1,000	

Source: Maryland Center on Economic Policy. Created January 11, 2022.

* 2022 Minimum wage.

** 2025 Minimum wage for most workers.

*** For illustration, this table uses the FY 2020 average weekly wage of \$1,050 as reported by the Maryland Workers' Compensation Commission.