



Connecticut Campaign for PAID FAMILY LEAVE

Frequently Asked Questions: Business Impact of Paid Family and Medical Leave

What is the cost of PFML to employers?

- Employers will contribute 0%, or \$0 to the program. Instead, employers may experience a cost savings from shifting the burden to their employees to essentially fund their own paid leave

How will PFML impact business?

- PFML allows small businesses to compete for the top candidates by offering benefits similar to what large businesses offer. They want to offer this benefit now, but often can't afford to
- Research shows that after 10 years of doing this in CA, approximately 90% of employers have experienced a positive or neutral impact on their business. Paid leave increases loyalty, morale, and productivity¹
- PFML boosts the economy by keeping people attached to the workforce and less reliant on public assistance

Do any businesses in CT support PFML?

- YES. In 2017, a poll indicated that 77% of small businesses in CT support paid leave legislation like S.B. 1 that is entirely employee funded. About 100 small businesses are signed on in support of the Campaign. Support for PFML grew once small business owners learned more about the benefits of PFML to workers and employers.²

What will be the impact of increased absence on employers?

- Right now, workers get sick, have babies, or need to care for their loved ones. Employers will typically find temporary replacements or temporarily re-assign work, whether the person who is out on leave receives pay or not
- PFML that is entirely employee paid shifts the burden from employers providing a paid leave benefit, to workers funding their own leave. The employee's unpaid salary can often help bridge the gap to pay for a temporary worker
- PFML keeps workers attached to the labor force, rather than being forced to quit their job. This saves the employer from losing money on turnover costs, which amount to 1/5 of an employee's salary³

Will workers abuse the program or take PFML every year?

- There is little evidence of fraud or abuse in existing PFML programs because all laws in effect require a worker to obtain documentation and submit certification regarding a family member's serious health condition. This ensures that workers will only use PFML when necessary
- The states with paid family leave laws require workers to submit documentation from the family member's health care provider in order to take leave
- In California, 91.7% of women and 92.8% of men who made any PFML claims had just one claim in an entire decade

How will PFML impact millennials?

- Connecticut is surrounded by states that have passed PFML. To attract young workers to our state, we must be next.
- According to Harvard Business Review, 38% of millennials say they would move to another country with better parental leave benefits
- Millennials are much more likely than older generations to seek out companies that offer paid parental leave and are happier, more engaged employees while working for those that do.

¹ Eileen Appelbaum and Ruth Milkman. 2011. Leaves That Pay: Worker and Employer Experiences with Paid Family Leave in California. Retrieved from: <http://cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

² BLS Research & Consulting. 2017. Small Business Owner Survey – Paid Family Leave. Retrieved from: <https://paidfamilyleavect.org/2017/05/31/new-poll-small-businesses-support-paid-family-and-medical-leave/>

³ Heather Boushey and Sarah Jane Glynn. 2012. There are significant business costs to replacing employees. Retrieved from: <https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>

Frequently Asked Questions: Costs & Usage of Paid Family and Medical Leave

What are the startup costs for paid family and medical leave (PFML)?

- The fiscal note for S.B. 1: *An Act Concerning Paid Family and Medical Leave* estimates start-up costs at \$13.6 million. The start-up costs include approximately \$4.7 million in salaries and fringe benefit costs, \$7.7 million for IT, \$776,700 for overhead and capital needs, and \$340,000 for outreach/marketing⁴
- S.B. 1 includes an authorization of \$20 million of General Obligation (GO) bonds over two years, or \$10 million for start-up costs in FY 20 and FY 21
- All start-up costs will be reimbursed to state within the first year of collections of premiums. After that, the program is self-sustaining and will not require annual appropriation from the state budget

How much does PFML cost workers?

- All employees will contribute up to 0.5% of their weekly earnings to the program - just a few dollars a week to fund a safety net that could save their family's economic stability
- A worker who earns about \$40K/year would pay a little over \$4/week or \$215 for the year

How do the total benefits of PFML compare to its administrative costs?⁵

- The total cost for PFML benefits paid to workers in a year would be \$318.8 million
- IWPR estimates administrative costs as 5% of benefits paid, which is \$15.9 million

What are the staffing needs to administer PFML?

- Roughly 120 employees are estimated to be needed once the program is fully operational, though other states that recently passed PFML, such as WA, estimate this number may be lower
- One hundred twenty new employees are not needed initially. The number of employees needed will gradually increase as the claims increase.⁶

How many people would likely take leave under S.B. 1?⁷

- Analysis from IWPR based on 2018's S.B. 1 estimates just over 68,000 workers would take leave per year
- 60% of claims would be for a worker's serious illness; 30% for pregnancy, childbirth and bonding; and 10% for caring for a seriously ill family member

What would be the estimated duration of leave and average weekly compensation?⁸

- Average length of leave: 7.2 weeks
- Average weekly benefit: \$698

How will the program and PFML fund remain solvent?

- An economic and actuarial analysis by IWPR commissioned by the CGA in 2015 calculated that the program is administratively viable and self-sustaining using data from CT's unpaid FMLA, as well as usage numbers from other states' paid leave programs⁹
- PFML works like insurance. Like any other insurance pool, not everyone will use PFML at the same time or full the 12 weeks. Many workers won't use PFML at all, but everyone has the benefit available if/when they need it
- S.B. 1 is modeled from successful PFML programs in CA and NJ, which remained solvent through the 2008 recession

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Learn more: www.paidfamilyleavect.org

⁴ Office of Fiscal Analysis. 2019. SB 1: An Act Concerning Paid Family and Medical Leave. Retrieved from: <https://www.cga.ct.gov/2019/FN/pdf/2019SB-00001-R000035-FN.pdf>

⁵ Institute for Women's Policy Research. 2018. Estimating the Cost of Paid Family and Medical Leave in Connecticut. Retrieved from:

https://iwpr.org/wp-content/uploads/2018/04/B372_Estimating-cost-of-paid-family-and-medical-leave-in-Connecticut.pdf

⁶ Institute for Women's Policy Research. 2016. Implementing Paid Family and Medical Leave Insurance in Connecticut. Retrieved from: <https://fmli.files.wordpress.com/2014/09/implementation-study.pdf>

⁷ See note 2

⁸ See note 2

⁹ See note 3