



What We Know About Paid Family Leave in the Private Sector

Ben Gitis

March 17, 2016

Overview

This paper examines the current state of paid family leave in the private sector. We find that overall paid family leave is not frequently available in the private sector, particularly for low-wage workers. Specifically, in 2015:

- 12 percent of private sector workers were offered paid family leave;
- While only 5 percent of the workers earning wages in the bottom quartile had access to paid family leave, 23 percent of workers in the top quartile were offered the benefit; and
- Only 8 percent of workers in businesses with fewer than 50 employees were offered paid family leave, while 22 percent of workers in businesses with 500 or more employees had access to the benefit.

It turns out, however, that the most important finding is the paucity of information regarding paid family leave, which is a serious impediment to designing effective policy to enhance paid family leave.

Introduction

Paid family leave is a major current labor market policy issue, and has spurred a substantial policy debate. The Family and Medical Leave Act of 1993 (FMLA) allows for up to 12 weeks of unpaid, job-protected leave to care for a newborn, recover from a serious medical condition, or care for a family member with a serious medical condition. Some [states](#) have gone above and beyond the 12 week requirement, as allowed by the law. Three states even offer paid family leave programs to qualifying workers, but none currently require employer contributions to those programs. However, there are no federal laws that entitle workers to paid family leave and would allow workers to receive compensation during their time away from work. Recently, federal policymakers from both sides of the aisle have introduced several bills that aim to increase access to paid family leave. To help policymakers decide what would be most beneficial to American workers and their families, it is first essential to understand what access to paid family leave in the private sector looks like today. While the data indicate that paid family leave is not frequently available in the private sector, particularly for low-wage workers, it turns out that there is very little information on paid family leave available.

Recent Proposals

There have been a number of federal proposals to make paid family leave available for workers. On the left, Senator Kirsten Gillibrand's [FAMILY Act](#) would provide 12 weeks of paid family leave by creating a trust fund that would be financed with a 0.4 percent payroll tax, split between employers and employees. The American Action Forum (AAF)



[analyzed](#) the FAMILY Act and found that this approach is undercut by weak math: the revenue raised by its 0.4 percent payroll tax would at most only cover 19.2 percent of the program's projected costs.

On the right, there have been a number of proposals aimed at increasing paid family leave. Senator Deb Fischer's [Strong Families Act](#) would provide a tax credit to businesses that give at least two weeks of paid family leave that would equal 25 percent of every hour of paid leave. In addition, [Senator Kelly Ayotte](#), [Senator Mike Lee](#), [Representative Martha Roby](#) introduced similar bills that would allow workers to accrue paid time off for working overtime in lieu of additional pay. So instead of earning 1.5 times their usual hourly wages for each hour of overtime, employees could choose to receive 1.5 hours of paid time off. A [previous version](#) of Representative Roby's bill passed the House of Representatives in 2013.

Finally, a recent bipartisan bill aims to make it easier for workers to save for parental leave. Representatives John Katko and Kyrsten Sinema have introduced the [Working Parents Flexibility Act](#), which would allow employers to offer workers the option to divert a portion of their pretax earnings to a parental leave savings account. This would be similar to a standard 401(k) retirement savings account, in which employees are able to invest a portion of their pretax earnings in a savings fund that they can access upon retirement. For the paid leave savings fund, instead of accessing the savings during retirement, workers would be able to draw from them whenever they decide to take leave. Also like a 401(k), employers would be free to match worker contributions.

What Do We Know About Paid Family Leave?

The only government source with recent information on paid family leave is the Bureau of Labor Statistics' (BLS) National Compensation Survey (NCP), which began in 2010. The NCP's paid family leave figures only refer to the percent of workers who have access to that benefit and do not indicate how much time off employers offer their workers. In addition, these data only refer to paid leave benefits specifically intended for caring for a newborn, recovering from a serious medical condition, or caring for a family member suffering from a serious medical condition. Not counted are other paid leave benefits that are more widely available and that workers could use to afford time away from work. These include paid vacation, paid holidays, paid sick leave, short-term disability leave, and paid personal leave.

According to the NCP, access to paid family leave has grown 20 percent in the private sector since 2010, but remains limited. Access to paid family leave, however, is much more prevalent and has grown more rapidly for more highly paid workers and for those working in larger business establishments.

Table 1 shows the percent of private sector workers overall and in each hourly wage quartile whose employers offer paid family leave.

Table 1: Percent of Private Sector Workers Offered Paid Family Leave by Wage Quartile

Year	Total	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
2010	10	4	9	12	16
2011	11	5	10	12	19
2012	11	4	9	13	19
2013	12	5	10	14	21
2014	12	5	10	13	22
2015	12	5	10	14	23

In 2015, 12 percent of all private sector workers were offered paid family leave by their employer. While that is 2 percentage points (20 percent) higher than the 10 percent rate in 2010, overall access to paid family leave remains very modest. Furthermore, the higher a worker's wage level, the more likely he or she is to be offered paid family leave. In 2015, only 5 percent of workers in the bottom quartile of wages had access to paid family leave. Meanwhile, in the second, third, and fourth quartiles 10 percent, 14 percent, and 23 percent of workers were offered paid family leave respectively.

In addition, access to paid family leave is growing far more quickly among more highly paid workers than it is among lower-wage workers. In the bottom quartile the 5 percent rate in 2015 was only 1 percentage point (25 percent) higher than the 4 percent rate in 2010. In the top quartile, however, the 23 percent rate in 2015 was 7 percentage points (44 percent) higher than the 16 percent rate in 2010. If access to paid leave continues to grow in each quarter at their same rates, then by 2025 only 7.8 percent of workers in the bottom quartile of wages will have the option to take paid family leave compared to 47.5 percent of workers in the top quartile. These trends are important for policymakers to understand, as it is the lower-wage workers who lack virtually any access to paid family leave and will likely continue to miss out on the benefit in the future.

While lower-wage workers have little access to paid family leave, the data indicate that the same is true of those who work for small businesses. Table 2 contains the percent of workers offered paid family leave by business size.

Table 2: Percent of Workers Offered Paid Family Leave by Business Size

Year	Less than 50 Workers	50-99 Workers	100-499 Workers	500 or more Workers
2010	7	9	10	17
2011	7	10	11	19
2012	7	10	11	20
2013	8	10	12	20
2014	8	9	13	21
2015	8	10	14	22



In 2015, only 8 percent of workers in businesses with fewer than 50 workers had access to paid family leave, 10 percent had access in businesses with 50 to 99 workers, 14 percent had access in businesses with 100 to 499 workers, and 22 percent had access in businesses with 500 or more workers. Moreover, while growth in access to paid family leave in small businesses has been flat in recent years, the rate at which workers in large businesses are offered the benefit has grown considerably. The 8 percent rate that workers in businesses with fewer than 50 employees were offered the benefit was only 1 percentage point (14 percent) higher than the 7 percent rate in 2010. But, the 22 percent of those in businesses with 500 or more employees offered the benefit was 5 percentage points (29 percent) higher than the 17 percent offered the benefit in 2010. It is clear that those who tend to lack access to paid family leave work in small businesses that may not be able to afford it the benefit.

Another factor that impacts the likelihood that workers are offered paid family leave is whether they are full-time or part-time workers. These data are illustrated in Table 3.

Table 3: Percent of Full-Time and Part-Time Workers Offered Paid Family Leave

Year	Full-time	Part-time
2010	12	5
2011	13	6
2012	13	4
2013	14	5
2014	15	5
2015	15	5

Unsurprisingly, full-time workers are three times more likely to be offered paid family leave than part-time workers. In 2015, 15 percent of full-time workers were offered paid family leave by their employer. That was 3 percentage points (25 percent) greater than in 2010. Meanwhile, only 5 percent of part-time workers were offered paid family leave, unchanged since 2010. So while access to paid family leave is clearly growing modestly among all full-time workers, it has been flat among part-time employees.

Finally, one of the perceived advantages to joining a labor union are generous benefits that the union can negotiate from the employer on a worker's behalf. It appears, however, that paid family leave is not one of the benefits that unions can successfully guarantee their members. Table 4 contains the percent of private sector workers offered paid family leave by union membership status.

Table 4: Percent of Workers Offered Paid Family Leave by Union Membership Status

Year	Union	Nonunion
2010	10	10
2011	10	11
2012	10	11
2013	11	12
2014	11	12
2015	11	12

The rate at which union and nonunion workers are offered paid family leave is effectively the same, with nonunion members being slightly more likely to receive the benefit. In 2015, while 11 percent of union workers were offered paid family leave, 12 percent of nonunion workers had access to the benefit. In addition, nonunion workers' access to paid family leave has grown slightly more rapidly than union worker access. The 12 percent rate at which nonunion workers were offered paid family leave was 2 percentage points (20 percent) higher than the 10 percent rate in 2010. Meanwhile the 11 percent rate at which union workers were offered paid family leave was 1 percentage point (10 percent) higher than the 10 percent rate in 2010.

What Do We Not Know?

While there is some information available about the rate that private sector workers are offered paid family leave, there is a lot of information AAF requested from the BLS and then subsequently learned is not available. Data collection in the following areas would prove very helpful for further understanding the current state of paid family leave in the private sector.

What Workers Do Today When Requiring Family Leave

When workers in the United States today are faced with a situation such as the birth of a newborn, how do they manage? How many use paid family leave and how many use unpaid leave? Do they utilize other forms of paid leave that are more widely available? As previously mentioned, it is possible that workers use other paid leave benefits in these situations. These benefits include paid vacation, paid holidays, paid sick leave, short-term disability leave, and paid personal days. Many of these benefits are more widely available in the private sector. In 2015, for instance, 76 percent, 77 percent, and 61 percent of private sector workers had access to paid vacation, paid holidays, and paid sick leave, respectively. The data, however, do not indicate how frequently workers use those other benefits while taking family leave. While there has been some [Census Bureau](#) research on how pregnant workers manage after giving birth to their first child, the findings are outdated and are limited in application to all family leave scenarios. As a result, analysts are unable to precisely determine how workers who need to take family leave manage and whether they are able to use other paid leave benefits. This information could help lawmakers understand if there are other resources already being used by workers who



take family leave and whether it would be helpful to implement policy that streamlines and enhances this process.

Duration and Value

There are no data available on the duration and value of paid family leave that employers offer. For instance, for the workers who are offered paid family leave, what is the length of the leave their employers offer? It would be minimally helpful to new mothers and fathers if their paid leave only lasts a few days. For policymakers, information on the distribution of the length of the leave programs offered would be very helpful.

In addition, how much do employers pay their workers while they are on leave? Do they replace a worker's entire normal paycheck? 50 percent of it? Researchers are unable to answer these questions as the BLS also lacks these data. Information on the distribution of the pay replacement for the workers who are offered paid time off would be incredibly useful for researchers and policymakers.

Utilization

While the BLS does publish data on the percent of workers who are offered paid family leave, they provide no data to indicate how often those workers *utilize* paid family leave. The former indicates how frequently workers have the option to take paid family leave. The latter, however, indicates how many actually benefit from it. Utilization data would help indicate how much offering this benefit actually costs employers. Among those who utilize paid family leave, it would also be helpful to know how many weeks they actually take off from work and how much of their normal pay they receive. Do most workers on paid family leave utilize the entire duration of their benefit? In addition, are workers more likely to use paid family leave if they receive their entire normal paycheck? These are questions that analysts can only answer once they have data on paid family leave utilization.

Length of Time on the Job

The BLS has no information on how long workers with access to paid family leave have been with their current employer. Are any workers offered paid family leave from the start of their job or do most have to work for their employer for a while before they can use the benefit? In general, there should be information on how long employees who are offered paid family leave had to work for their employer before having access to the benefit. This would help researchers pinpoint how time with an employer impacts access to paid family leave. If, for instance, it turns out that those with the greatest access to paid family leave are those who have been with their employer for at least 3 years, this would indicate to lawmakers that it may be helpful to have a targeted program that increases access for workers with short tenures in their companies. Without the data, however, we are unable to study the relationship between worker tenure and access to paid family leave.



Household Information

The BLS provides the percent of workers who receive paid family leave in each wage quartile. Hourly wages alone, however, are a flawed metric of well-being. An hourly wage rate does not capture how many hours an individual works per week and the number of weeks that person works per year, both important factors that make up the worker's individual annual income. Moreover, a person's hourly wage does not tell us how many other workers are in his or her household. In total this information leads to the most important indicator of an individual's well-being: total household income. How many workers who are offered paid family leave are single parents who are more likely to rely on this benefit? How many are in poverty? How many live in households with multiple earners and have a high total household income, making paid family leave less important to them? Without data on household characteristics of the workers who receive paid family leave, we are unable to answer these questions.

Demographic Characteristics

Finally, the BLS has no information on the demographic characteristics of the workers who are offered paid family leave. It would be useful to understand the gender, race, and education characteristics of the workers who are offered paid family leave. Do many men receive paid family leave or is it mostly women? Do black workers have access to the benefit? How about workers who have not completed high school? Data on information like this would also allow policymakers to craft targeted and highly effective laws to increase access to paid family leave.

Conclusion

There are myriad of policy proposals on both sides of the aisle aimed to increase access to paid family leave in the private sector. Unfortunately, the data available to help inform policymakers is rather inadequate. We do know that overall access to paid family leave in the private sector has grown, but remains limited at 12 percent. While higher-wage workers and workers in larger businesses are more likely to be offered paid family leave, lower-wage workers and workers in smaller businesses are extremely unlikely to be offered the benefit. We do not know, however, important information about those who receive paid family leave and their household and demographic characteristics. This information is very important to evaluating the state of paid family leave in the private sector. Access to relevant data would help inform researchers and policymakers in designing effective paid family leave policies.