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State of Minnesota

Department of Economic Security

390 North Robert Street
Saint Paul, Minnesota 55101

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February 1, 2002

Senator Roger D. Moe
Senate Majority Leader
208 Capitol
75 Constitution Avenue
St. Paul, MN 55155-1606

Representative Steve Sviggum
Speaker of the House
463 State Office Building
100 Constitution Avenue
St. Paul, MN 55155-1206

Dear Senator Moe and Representative Sviggum:

Enclosed please find this agency's report on paid parental leave, as requested by the Legislature in its 2001 Special Session Laws (Chapter 4, Section 4, Subdivision 5).

We hope the report will be useful to the Legislature in future discussions about the options employers provide, and the choices workers make, during the birth or adoption of a child. Our agency works daily with people and businesses that face difficult economic realities. Working new parents face both joy at their situation, and worry at how they will make ends meet. The solutions are not always easy; but good, reliable information is the first step. This report will give stakeholders on all sides of the issue a look at how things stand today.

The Department of Health and Department of Children, Families, and Learning gave their help and support in preparing this document; we are grateful to them. For questions regarding the report and its research, you can contact Anthony Alongi here at (651) 282-5185.

Sincerely,

Earl Wilson
Commissioner

EW/aa

Enclosure

C Amy Gromer, Governor's Office
Commissioner Rebecca Yanisch
Commissioner Christine Jax
Commissioner Jan Malcolm

2001 Minn. Laws First Spl.
Sess. Chap. 4 Art. 1 Sec. 4

Subd. 5

**Report to the Minnesota State Legislature
on Paid Parental Leave**

as required by 2001 Special Session Laws, Chapter 4, Section 4, Subdivision 5

Prepared by the Minnesota Department of Economic Security
February 1, 2002

Paid Parental Leave Report Customer Satisfaction Survey

The Office of Policy, Planning, and Measures at the Minnesota Department of Economic Security is committed to high-quality customer satisfaction and continuous improvement. You can help us meet our commitment by completing this form, detaching it, and sending it back to us. Contact information is below.

Please rate the usefulness and clarity of this report. (Circle one for each; 5 = highly useful/clear; 1 = not at all useful/clear.)

	LOW				HIGH
Usefulness?	1	2	3	4	5
Clarity?	1	2	3	4	5

What are the most satisfying elements of the report?

What are the least satisfying elements of the report?

Are there elements of the report you would change?

Any other comments?

You can fax or mail this survey to the attention of Anthony Alongi; Office of Policy, Planning, and Measures; Minnesota Department of Economic Security; 390 North Robert Street; Saint Paul, MN; 55101; fax 651-282-5429. Mr. Alongi can also be reached via email at anthony.alongi@state.mn.us.

Thank you for taking the time to tell us what you think!

INTRODUCTION

Per the 2001 Special Session Laws of the Minnesota Legislature (Chapter 4, Section 4, Subdivision 5), the Minnesota Department of Economic Security (MDES) has prepared this report on the topic of paid parental leave.

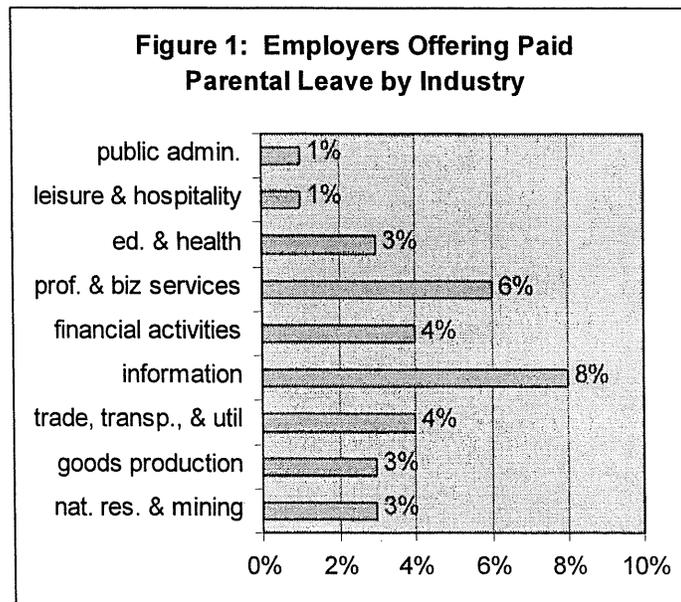
For the purposes of this report, "paid parental leave" is defined as *employer-reimbursed time away from work, not funded via disability insurance or through accrued vacation or sick leave, for employees experiencing a birth or adoption.*

The report is laid out in order of the requirements given by the Legislature: (1) how widespread paid parental leave is among the workforce, and what it looks like; (2) the impact on employers of offering such leave; and (3) public health cost concerns. The last category required separate input from the Departments of Health and Children, Families, and Learning; their reports are appended to this one.

THE STATUS OF PAID PARENTAL LEAVE

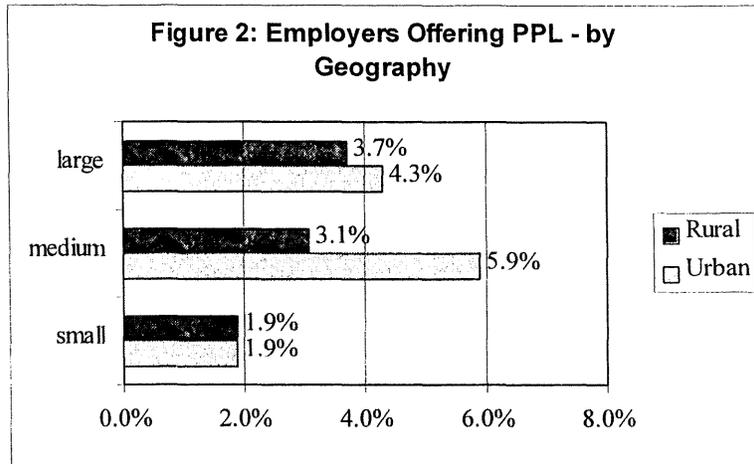
Paid parental leave, as an employee benefit, is rare in the Minnesota employer community. Only 3.4 percent of employers in the state offer such leave as a specific benefit, separate from any other sort of paid time off (e.g., vacation or disability).

Employer industry and geography. The two industry clusters with the highest participation rates were Information and Professional/Business Services (8.3 and 5.9 percent, respectively). (See Figure 1.) The two clusters with the lowest rates were leisure/hospitality (1.0 percent) and public administration (1.2 percent). All other clusters reported in the range of 3 or 4 percent.

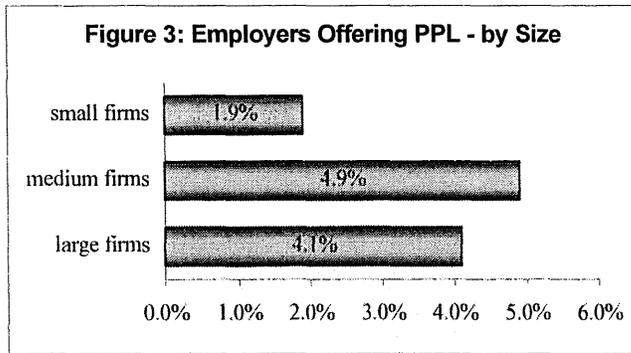


There is a sharp divide between urban and rural employers. (See Figure 2.) The rate of leave provision in urban counties is 4.0 percent, compared to 2.5 percent in rural counties. (See methodology in appendix for county breakdown.) The difference does not appear to be in small employers, where participation rates are virtually identical between urban and rural counties, but rather in mid-sized and large employers, where urban participation is significantly higher.

Estimating the number of employees. When this new data is blended with existing data on the numbers of employees across different sizes of businesses, we can make a reasonable estimate of the actual number of Minnesotans with potential access to paid parental leave.



Not surprisingly, the percentage of mid-sized (4.9) and large (4.1) employers who provide the benefit is greater than the percentage of small (1.9) employers. (See Figure 3. Small employers have 1-49 employees, mid-sized have 50-249, and large have 250 or more.) Using 2001 employment data on how many workers are in each firm size class, and assuming workers in each size class are spread evenly among employers, MDES estimates the number of Minnesota employees with reasonable access to a paid parental leave plan at 92,000, or 3.5 percent of the State's 2.6 million-strong workforce.



This estimate may be slightly high since a few employers provide the benefit selectively (e.g., full-time employees only). It serves as a reasonable maximum of the number of workers in Minnesota with access to a paid parental leave policy.

Other parental benefits provided. While paid parental leave is rare, the concept of providing some benefit to new parents, particularly mothers, is certainly familiar to much of the business world. Over half of employers without paid parental leave policies allow their employees to use paid vacation time specifically for parental leave; and over a third allow for accumulated paid sick leave. About one in seven provide paid "personal leave" that can be used similarly. And a bit more than a fifth of them use short-term disability insurance policies to provide a partial wage to new parents staying at home.

While some of the data on other benefits may be of interest to policymakers (for example, employers in natural resources and mining industries are more than twice as likely as employers in information-related industries to have no provisions at all for parental

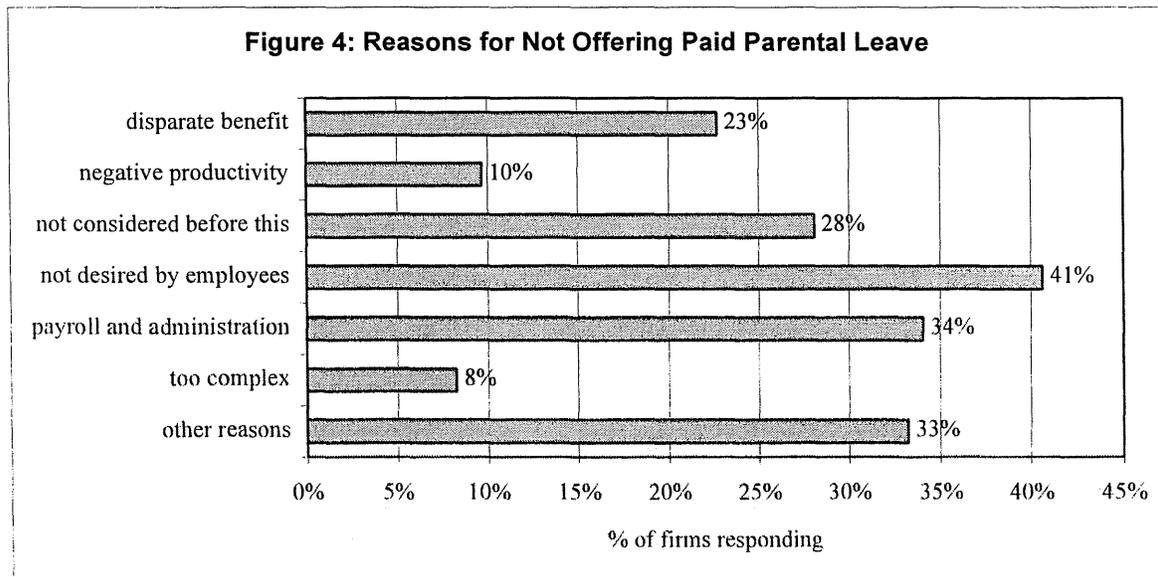
leave), such concerns are not the focus of this report. Substantial data, however, has been appended to the report for policymakers and stakeholders who wish to explore further.

One finding that is not particularly surprising, but still very important, relates to the size of employers. Small employers are many times more likely (35 percent) to provide no options for new parents at all than to provide paid parental leave. In fact, no category of benefit got a higher response among smaller employers than “none” (34 percent allow use of vacation time).

Mid-sized employers are somewhat more likely to provide some sort of benefit to new parents, but the percentage providing none at all still outweighs the 4.9 percent that provide specific paid leave. Large employers, on the other hand, are four times *more* likely to provide such paid leave than have no provision at all for such workers.

When asked in focus group or interviews, several small employers suggested that while they do not carry specific policies on paid or unpaid leave, most typically consider cases one employee at a time and do their best every time to allow for a few months’ unpaid leave, including some paid vacation time. (Note that small employers are not bound by the federal Family Medical Leave Act, which mandates such unpaid time.) This informal finding suggests that many small employers are more generous toward their employees than the survey implies.

Why employers don’t do it. In anticipation of a high percentage of employers who do not provide paid parental leave, MDES included in its survey a space for respondents to explain their reasoning. (See Figure 4.)



The most common reason given for not providing the benefit was a lack of sufficient employee demand. Also prominent were concerns over the additional costs and administrative systems, as well as the feeling that parental leave is a “disparate” benefit

that only a subset of their employees are eligible for. There was a substantial number who simply never considered the benefit at all.

(Less-repeated reasons, listed as “other” in the chart, included the part-time or seasonal nature of employees, arrangements reached via union and/or corporate office, or issues that correlated closely with cost and demand factors.)

Nature and extent. Those employers who do provide paid parental leave returned considerable survey information on benefit scope and scale. MDES noted the following employer policy trends:

- half of participating employers provide their policy to all employees, while most of the rest identify eligible groups (e.g., full-time employees);
- requirements include averages of 29 hours of work per week, and eight months of prior service with the employer;
- paid parental leave policies allow up to seven weeks of leave on average, with small employers averaging five and large employers averaging ten;
- wage replacement ranges from 40 percent to 100 percent, with a large majority across all firm sizes at 100 percent.

Working new parents do take paid parental leave, when they have the opportunity. On average, 85 percent of working new parents who can access such a benefit use it. The next section explores the costs and benefits to employers of this use.

THE IMPACT ON EMPLOYERS

The exact benefits and costs to employers of paid parental leave policies are extraordinarily difficult to determine. Most participating employers do not, or cannot, track this information themselves, and can only estimate what they have spent and saved. Throughout the focus group and interviews, neither employers who provide the benefit nor those who do not seemed to have performed any formal cost-benefit analysis to support their decision. However, most employers can fluidly lay out the reasons why the decision feels right for their individual organization.

Both costs and benefits split into those that are tangible and those that are not. (See Figure 5.) The survey gathered a small base of information on the tangible costs; twelve employers offering leave provided information. Intangibles were largely left to focus groups and interviews.

Tangible costs. Wage replacement and lost productivity are, of course, closely related. When losing an employee for two months (the average paid leave policy maximum), an employer either has to pay overtime to one or more workers, hire and train a temporary worker, and/or accept some level of lost productivity. In addition, there is some level of administrative burden associated with human resources expertise and time. All told, each instance of paid parental leave (that is, per employee) costs a typical employer about \$8,200. (The range of data is very wide, from less than \$100 to nearly \$20,000.)

Figure 5: POTENTIAL COSTS AND BENEFITS (EMPLOYER)

	COSTS	BENEFITS
TANGIBLE	Wage replacement Lost productivity Administrative burden	Employee retention Employee recruitment Increased productivity
INTANGIBLE	Changed work culture Loss of flexibility Loss of unique skills	Changed work culture Increased loyalty Compassion of employer

Tangible benefits. Keeping employees who would otherwise leave the employer permanently, and picking up a few who may otherwise go elsewhere, were perhaps the most difficult dollar estimates to draw out of employers. But retention and recruitment are widely held as the two most important benefits of paid parental leave policies. Both stem directly from the intangible benefit of loyalty to the firm.

Retention and recruitment are benefits in terms of avoiding costs (i.e. savings); but increased productivity can also occur. Such gain can happen as a by-product of loyalty (“I’ll work harder because they were so good to me”), or as a simple function of staying at an employer longer and gaining deeper experience. Employers estimated the total amount of benefits per case of parental leave at about \$15,500. (Again, the data range is very wide, from less than \$8,000 to more than \$23,000.)

Intangible costs. Some employers who “make the jump” to providing a paid parental leave policy note the change in culture that results. There is less freedom to provide more (or less) largesse on a case-by-case basis; and some non-parent employees who watch new parents get a special benefit may feel some level of resentment. In addition, sometimes an employee (for example, a television news anchor) who takes a longer paid leave because it is available, leaves a unique skills gap (in this case, audience identification) that does not translate well into dollars.

Intangible benefits. A change in business culture is not always negative, of course. Some small employers that grow into mid-sized employers seek ways to keep a paternalistic, “we care” culture...and since a growing employer can better afford new policies like paid parental leave, they make use of that tool. Such instincts can spiral into other arenas (“we care about the community, so we’ll provide local grants for X”). And of course, the basic notion of employee loyalty extends beyond immediate new hiring and training costs – rural employers that incite employee loyalty may be keeping entire small towns together. And keeping that town thriving, in the long run, helps the employer draw from a better pool of workers.

Interpretation. On balance, the hard math for a typical leave-offering employer, and the soft math surrounding it, may favor benefits over costs. But of course not every employer is typical, or offers leave. While the benefit and cost estimates are statistically

valid, far more employers listed cost as a prohibitive barrier (between 640 and 1200, depending on what categories you count) than supplied this survey's cost and benefit data.

So the exact explanation for low employer participation in an activity with a probable net benefit is uncertain. It could be that all of the employers who assume prohibitive costs are being "short-sighted". Or it could be that the only few employers for which offering this benefit is a good idea have already self-selected, and every other employer would enjoy a less satisfying experience. Reality is, naturally, somewhere in between. The fact that the benefits tend to be long-term and passive, while most costs are short-term and active, certainly has an impact.

Reaction to government assistance. As part of the research in determining cost and benefit factors, MDES sought reaction of businesses via focus group and interview to the idea of government assistance with costs. (Nothing makes employers think harder about how unbearable a cost is than asking them if they want government to help.) The interviewer described to the employer(s) a generic, voluntary "thirds" plan, where the government, business (by choice), and employee (by choice) all agree to "pitch in" a third of the employee's wage.

No statistically valid numbers are available here; but reaction was, at best, mixed among those that provide the benefit and those that do not. Businesses are predictably wary of government programs, even voluntary ones. And even employers who do not provide specifically paid parental leave may be able to innovate in a way that runs against the grain of a government initiative. One mid-sized, rural communications company in southern Minnesota just put in place last year an aggressive "time pool" package integrating vacation, sick, and short-term disability benefits. The net generosity of this policy could put some paid parental leave policies to shame. It also has the side benefit of neatly side-stepping the intangible unfairness and inflexibility costs noted above, while picking up all of the intangible – and tangible – benefits.

Creative examples like this one may be more or less likely to arise in an environment where government is actively encouraging paid parental leave. At the very least, the State should be careful not to displace or penalize such activity.

PUBLIC HEALTH COST CONCERNS

Per the Legislature's direction, the Department of Economic Security called upon the Departments of Health and Children, Families, and Learning to speak to the impact of paid parental leave (or lack thereof) on infant care and maternal health. Their findings are appended to this agency's report.

FURTHER POLICY CONSIDERATIONS

Stakeholders reading this report may wish to encourage further research along several lines. Following are three briefly sketched possibilities. Part of this research would be

appropriate for MDES or other state agencies; and part would be best done outside of government.

What working parents do now. Hearing directly from employers is critical. So is hearing directly from their employees. A large-scale survey of working parents that explores when they had their child(ren), what their employer did for them, and what measures they had to take on their own would provide rich data for decision-making.

What creative or "hybrid" leave policies exist, and employees' satisfaction. This report touched on the presence of employer policies that do not set aside paid parental leave as a separate benefit, but instead use alternate methods. Further exploration of those methods (e.g., short term disability), and what level of satisfaction they generate among employees, may help inform policymakers.

The status of paid parental leave in other states. This research would take time and patience, as it requires other states to do research similar to what has been done here. Comparative study of what employers are doing nationwide, and what role state governments in economies similar to Minnesota's own have decided to play, would give our State some context for its own decisions. (See Appendix for a broad listing of recent legislative activity in other states.) Note that while the Clinton Administration ruled Unemployment Insurance funds as available state-level resources to support paid parental leave; no state has yet passed legislation on this matter.

For more information on this report and its findings, contact Anthony Alongi at the Minnesota Department of Economic Security, 651-282-5185, anthony.alongi@state.mn.us.

APPENDICES
to the
**Report to the Minnesota State Legislature
on Paid Parental Leave**

- Appendix A – Authority and Methodology for Report
- Appendix B – Employer Survey
- Appendix C – Employer Survey Data
- Appendix D – Report from Minnesota Department of Health
- Appendix E – Report from Minnesota Department of Children, Families,
and Learning
- Appendix F – Economic Opportunity Institute web page
(<http://www.econop.org/FLI-ActivityAcrossUS.htm>)

REPORT AUTHORITY AND METHODOLOGY

The authority and requirement to conduct this report can be found in Special Session Laws of 2001, Chapter 4, Section 4, Subdivision 5, which reads:

Workforce Wage Assistance. \$35,000 in the first year is to prepare a report to the legislature by February 1, 2002, on the costs and benefits of providing paid or insured wage replacement during parental leave. The report must include (1) estimates of the percent of employees who currently have the option of taking paid parental leave, including the nature and extent of the benefits, (2) the impact on employers of offering paid parental leave, including wage replacement costs, and the impact on overall employment, retention, and recruitment costs, and (3) an estimate of the public health costs of not providing wage replacement during parental leave, including the impact on infant care and maternal health. The commissioners of health and children, families, and learning shall assist in the report's preparation, as needed.

The first two included items (estimates of scope and employer impact) were prepared by the Office of Policy, Planning, and Measures at the Department of Economic Security, with the assistance of the Office of Research and Statistics. Research for this report consisted of a detailed survey, a focus group, and phone interviews, from August 2001 to January 2002.

The survey was mailed to 3,321 existing employers with valid addresses in Minnesota. (Prior to that, a pre-mailing survey was sent to 20 employers for feedback on survey content and design.) The first mailing was followed by two additional rounds to non-respondents and/or corrected addresses. The final response rate was 56.6 percent (1,880 surveys returned).

Employers were randomly selected within strata based on industry NAICS code and size class (by number of employees, 1-49 small, 50-249 mid-sized, 250+ large). The industry groups included: Natural Resources and Mining; Goods Production; Trade, Transportation, and Utilities; Information; Financial Activities; Professional and Business Services; Education and Health Services; Leisure and Hospitality; and Public Administration. Employers in Anoka, Carver, Dakota, Hennepin, Olmsted, Ramsey, Scott, Stearns, St. Louis, and Washington counties were classified as urban; all other employers as rural. Due to this stratification and a sufficient response rate, the results of the survey can be considered representative of the population.

To obtain an overall percentage of employees with access to paid parental leave from an overall percentage of employers providing paid parental leave, first quarter 2001 (latest available) employee numbers were calculated from the agency's ES-202 data set. This data can provide numbers across employer size. Small employers employed 943,009 workers; mid-sized employed 822,488; and large employed 824,364. The percentage of employers providing leave were then applied to each of these totals. (For simplicity's sake, MDES assumes that workers are spread evenly across employers within their size class.) The resulting numbers add to 92,017.

The focus group and interviews were designed to capture nuances – such as intangible costs and benefits of leave policies – that would be difficult to capture in a survey. While original design was for two to four focus groups, the difficulties in bringing together interested rural employers for focus groups made phone interviews a more practical method to capture their views. One focus group was held in the metro area to explore urban employer concerns.

The third included item (infant care and maternal health) was prepared by the Department of Health, with additional items from the Department of Children, Families and Learning. Information on these departments' methodologies can be obtained from them directly.

Key legislators, as well as stakeholders from differing sides of the paid parental leave issue (particularly the Children's Defense Fund and the Minnesota Chamber of Commerce), provided insight and resources throughout the preparation of this report. Three meetings from August through October 2001 gave these parties the opportunity to give additional detail on the Legislature's intent and stakeholders' priorities.

The Department is grateful to those stakeholders for their assistance, as well as to the Midway Chamber of Commerce in Saint Paul and the University of Minnesota's Twin Cities campus for their help in hosting a focus group.

For more information on this report and its findings, contact Anthony Alongi at the Minnesota Department of Economic Security, 651-282-5185, anthony.alongi@state.mn.us.

PAID PARENTAL LEAVE SURVEY

For the purposes of this survey, "paid parental leave" refers to paid time away from work for employees experiencing a birth or adoption, which is not funded via disability insurance or through accrued vacation or sick leave. Thank you for your participation.

PART A

A1 How many of your employees experienced a birth or adoption last year? _____ EMPLOYEES

A2 Does your company offer any of the following benefits for employees upon the birth or adoption of a child? If yes, please provide minimum and maximum days allowed per year.

	MINIMUM days/year	MAXIMUM days/year
<input type="checkbox"/> Vacation	_____	_____
<input type="checkbox"/> Sick leave	_____	_____
<input type="checkbox"/> Temporary disability insurance benefits ...	_____	_____
<input type="checkbox"/> Personal leave (<i>paid</i>)	_____	_____
<input type="checkbox"/> 12 weeks unpaid leave (<i>per the Family Medical Leave Act</i>)	_____	_____
<input type="checkbox"/> Paid parental leave**	<u>NA</u>	<u>NA</u>
<input type="checkbox"/> Other (please specify) _____	_____	_____
<input type="checkbox"/> None of the above		

****If you selected paid parental leave please skip to Part C, if not continue with Part B.**

PART B PAID PARENTAL LEAVE BENEFITS ARE NOT OFFERED

B1 Why does your company not currently provide paid parental leave benefits? (check all that apply)

- I have not considered providing this benefit.
- I am concerned that there will be negative productivity effects.
- I am concerned that the payroll and administrative costs would be too high.
- It would be too complex to administer the paid parental leave benefit program.
- I am concerned about adding a benefit that would focus only on parents.
- Employees have not expressed a desire for paid parental leave.
- Other (please explain) _____

If your company does not offer paid parental leave benefits stop here.

PART C PAID PARENTAL LEAVE BENEFITS ARE OFFERED

PLEASE NOTE: The following questions refer only to *paid parental leave benefits*, and do not include the provision of vacation, sick, personal leave, temporary disability insurance, or other leave related benefits.

C1 Paid parental leave is available to employees working a minimum of how many hours per week? HOURS

C2 Paid parental leave is offered to the following employees:

- All employees
- Case by case basis
- Specific groups (e.g. full time, union, management)

Please list: _____

C3 Under current company policy, how many total employees are eligible for paid parental leave?..... EMPLOYEES

C4 How many employees used a paid parental leave last year? EMPLOYEES

C5 How many employees used the following number of weeks of paid parental leave?

1 - 4 WKS _____ 5 - 8 WKS _____ 9 - 11 WKS _____ 12 WKS _____ 13 or more WKS _____

C6 What percentage of wages do you replace? %

C7 What is the number of months of service required to be eligible for this wage replacement rate? MONTHS

C8 What is the maximum number of weeks of paid parental leave provided at this rate? WEEKS

C9 Are there other rates of wage replacement offered? (please describe) _____

C10 Are any of the following factors considered a cost for your organization as a result of providing paid parental leave? If yes, please estimate the related total organizational tangible costs during the past year: (We understand this is difficult to estimate, but we would appreciate your best efforts.)

- REPLACEMENT WORKERS \$ _____
- LOST PRODUCTIVITY \$ _____
- ADMINISTRATIVE \$ _____
- RECRUITMENT \$ _____
- OTHER (specify) \$ _____

C11 Are any of the following factors considered a benefit for your organization as a result of providing paid parental leave? If yes, please estimate the related total organizational tangible benefits during the past year: (We understand this is difficult to estimate, but we would appreciate your best efforts.)

- RETENTION OF CURRENT EMPLOYEES \$ _____
- ATTRACTING QUALIFIED EMPLOYEES AND RELATED PRODUCTIVITY \$ _____
- INCREASED PRODUCTIVITY \$ _____
- OTHER (specify) \$ _____

C12 Would you be willing to participate in a focus group on intangible paid parental leave benefits and costs?

YES NO

C13 Comments? _____

Paid Parental Leave Survey Results

<i>Survey status</i>	<i># of firms</i>
sample size	3370
number with no address	132
number closed businesses	17
number mailed	3221
number of surveys returned	1880
total response rate	56%

<i>Response rate by firm size</i>		<i>Response rate</i>	<i>n</i>
small firms (0-49 employees)	846	60%	1415
medium firms (50-249 employees)	716	61%	1180
large firms (250+ employees)	318	41%	775

<i>Response rate by industry</i>		<i>Response rate</i>	<i>n</i>
Natural Resources and Mining	187	57%	326
Goods Production	265	62%	426
Trade, Transportation, and Utilities	196	47%	421
Information	180	48%	373
Financial Activities	110	43%	257
Professional and Business Services	203	51%	395
Education and Health	273	63%	432
Leisure and Hospitality	207	52%	398
Public Administration	259	76%	342

<i>Offer PPL - all firms</i>		<i>Percent</i>	<i>n</i>
PPL=yes	64	3.4%	1880
PPL=no	1816	96.6%	1880

<i>Offer PPL - by industry</i>		<i>Percent</i>	<i>n</i>
Natural Resources and Mining	5	3%	187
Goods Production	7	3%	265
Trade, Transportation, and Utilities	8	4%	196
Information	15	8%	180
Financial Activities	4	4%	110
Professional and Business Services	12	6%	203
Education and Health	8	3%	273
Leisure and Hospitality	2	1%	207
Public Administration	3	1%	259

<i>Offer PPL - by firm size class</i>		<i>Percent</i>	<i>n</i>
small firms (0-49 employees)	16	2%	846
medium firms (50-249 employees)	35	5%	716
large firms (250+ employees)	13	4%	318

<i>Offer PPL - by geography</i>	<i>n</i>	<i>Percent</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>
Urban	45	4.0%	1.90%	5.90%	4.30%
Rural	19	2.5%	1.90%	3.10%	3.70%
Total employers in survey	1880				

<i>Benefits offered - all firms</i>		<i>Percent</i>	<i>n</i>
vacation	970	52%	1880
sick leave	724	39%	1880
temporary disability insurance	395	21%	1880
Paid personal leave	270	14%	1880
other benefits	123	7%	1880
none	339	18%	1880

Paid Parental Leave Survey Results

Parental leave benefits provided by firms without PPL

		Percent	n
vacation	941	52%	1816
sick leave	702	39%	1816
temporary disability insurance	379	21%	1816
paid personal leave	253	14%	1816
unpaid 12-week leave	970	53%	1816
other benefits	111	6%	1816
none	340	19%	1816

Reasons for not offering PPL

		Percent	n
disparate benefit	427	23%	1816
negative productivity	182	10%	1816
not considered before this	528	28%	1816
not desired by employees	764	41%	1816
payroll and administration	640	34%	1816
too complex	155	8%	1816
other reasons	625	33%	1816

Duration of leave at firms offering PPL

		Percent	n
1 - 4 weeks	21	33%	64
5 - 8 weeks	17	27%	64
9 - 11 weeks	3	5%	64
12 weeks	5	8%	64
13+ weeks	3	5%	64
NA - no weeks listed	15	23%	64

PPL offered to employee groups

		Percent	n
offered to all employees	32	50%	64
offered on case by case basis	1	2%	64
specific groups	25	39%	64
NA - no employee group listed	6	9%	64

Descriptives of paid parental leave

	Average	Min	Max	n
hours of employment per week required	29	0	40	57
months of service required	8	0	48	55
births in 2000	5	0	50	56
employees eligible for PPL	140	1	2000	54
employees using PPL	5	0	50	54
% of employees with births utilizing a PPL	85%	0%	100%	37
max. weeks of PPL provided	7	0	52	56
% of wages replaced	93%	40%	100%	53

Descriptives of paid parental leave (cont'd)

	25th %ile	50th %ile	75th %ile	90th %ile	n
hours of employment per week required	20	30	40	40	57
months of service required	1	6	12	19	55
births in 2000	0	2	4	11	56
employees eligible for PPL	12	49	123	247	54
employees using PPL	0	2	4	8	54
% of employees with births utilizing a PPL	75%	100%	100%	100%	37
max. weeks of PPL provided	3	6	8	12	56
% of wages replaced	100%	100%	100%	61%	53

Paid Parental Leave Survey Results

Descriptives by firm size (small)	25th %ile	50th %ile	75th %ile	90th %ile	Average	n
hours of employment per week required	30	35	40	40	31	13
months of service required	3	6	12	12	9	13
births in 2000	0	0	1	1	1	16
employees eligible for PPL	3	5	12	17	8	13
employees using PPL	0	0	1	1	0	12
% of employees with births utilizing a PPL	0	80%	100%	100%	60%	4
max. weeks of PPL provided	2	3	4	6	5	13
% of wages replaced	100%	100%	100%	100%	100%	12

Descriptives by firm size (medium)	25th %ile	50th %ile	75th %ile	90th %ile	average	n
hours of employment per week required	30	32	40	40	31	32
months of service required	2	6	12	13	9	30
births in 2000	1	2	4	5	3	31
employees eligible for PPL	34	53	105	150	75	31
employees using PPL	1	2	4	5	2	32
% of employees with births utilizing a PPL	73%	100%	100%	100%	84%	24
max. weeks of PPL provided	4	6	9	12	7	28

Descriptives by firm size (large)	25th %ile	50th tile	75th %ile	90th %ile	average	n
hours of employment per week required	20	20	24	35	21	12
months of service required	0	2	6	22	7	12
births in 2000	6	10	27	41	18	9
employees eligible for PPL	153	325	512	1145	512	10
% of employees with births utilizing a PPL	100%	100%	100%	100%	97%	9
max. weeks of PPL provided	4	8	8	18	10	13
% of wages replaced	100%	100%	100%	100%	92%	12



<i>Cost Information</i>	Considered a cost	Percent	No amount provided	Not considered a cost	
replacement workers	16	25%	5	48	
lost productivity	15	23%	4	49	
administrative	7	11%	1	57	
recruitment	2	3%	0	62	
other costs	2	3%	0	62	

<i>Total tangible costs - descriptives</i>	Average	Min	Max	Median	n
replacement workers	\$17,043	\$12	\$101,250	\$3,120	11
lost productivity	\$10,391	\$410	\$52,500	\$5,000	11
administrative	\$9,850	\$100	\$50,000	\$2,250	6
recruitment	\$7,500	\$3,000	\$12,000	\$7,500	2
other	\$5,500	\$1,000	\$10,000	\$5,500	2

<i>Total tangible costs - percentiles</i>	25th %ile	50th %ile	75th %ile	90th %ile	n
replacement workers	\$1,900	\$3,120	\$18,100	\$32,500	11
lost productivity	\$3,250	\$5,000	\$9,320	\$20,000	11
administrative	\$750	\$2,250	\$3,750	\$27,000	6
recruitment	\$5,250	\$7,500	\$9,750	\$11,100	2
other	\$3,250	\$5,500	\$7,750	\$9,100	2

<i>Tangible costs per employee using PPL</i>	Average	Min	Max	Median	n
replacement workers	\$3,500	\$12	\$10,833	\$2,300	8
lost productivity	\$2,738	\$10	\$6,667	\$2,500	8
administrative	\$710	\$20	\$1,500	\$661	4
recruitment	\$1,000	\$0	\$500	\$250	2
other	\$250	\$0	\$500	\$250	2

Paid Parental Leave Survey Results

<i>Benefit Information</i>	Considered a benefit	Percent	No amount provided	Not considered a benefit	n
retention of current employees	28	44%	16	36	12
attracting qualified employees	17	27%	12	47	5
increased productivity	6	9%	3	58	3
other benefits	1	2%	0	63	1
<i>Total tangible benefits</i>	Average	Min	Max	Median	n
retention of current employees	\$25,125	\$1,000	\$100,000	\$12,000	12
attracting qualified employees	\$33,900	\$1,000	\$100,000	\$7,000	5
increased productivity	\$5,300	\$1,000	\$100,000	\$49,000	3
other benefits	na	\$100,000	\$100,000	na	1
<i>Total tangible benefits - percentiles</i>	25th %ile	50th %tile	75th %ile	90th %ile	n
retention of current employees	\$5,000	\$12,000	\$25,500	\$76,200	12
attracting qualified employees	\$1,500	\$7,000	\$60,000	\$84,000	5
increased productivity	\$29,500	\$49,000	\$74,500	\$89,800	3
other benefits	na	na	na	na	1
<i>Tangible benefits per employee using PPL</i>	Average	Min	Max	Median	n
retention of current employees	\$8,238	\$714	\$26,667	\$4,500	10
attracting qualified employees	\$6,286	\$142	\$20,000	\$2,500	4
increased productivity	\$8,500	\$7,000	\$10,000	\$8,550	2
other benefits	na	na	na	na	1

NOTE: Information on the level of statistical significance for report data can be obtained from the Department of Economic Security by contacting Anthony Alongi at 651-282-5185.

Public Health Benefits of Paid Parental Leave

The Department of Health was requested to estimate *the public health costs of not providing wage replacement during parental leave, including the impact on infant care and maternal health*. The cost in terms of dollars to the health of the public to not provide paid parental leave has not been studied and would therefore be difficult to estimate. The cost in terms of health and well-being of mothers, infants and families has been documented by researchers nationally and locally. It is this body of knowledge from which we have drawn to present this estimate.

Research provides us with the following:

1. Every child benefits from at least one close and dependable relationship from a consistent, loving adult, preferably the parent.
2. The duration of parental leave is highly dependent on both public and employer policy.
3. Women/parents would be more likely to take longer parental leaves if they were paid.
4. Parental leave benefits promote maternal and infant health, facilitate parent-child attachment and provide job security.

At the federal level, the Family Medical Leave Act (FMLA) passed in 1993 ensured the right to 12 weeks of job-protected unpaid leave from work for a variety of family-related circumstances for covered workers. While this was an extremely important piece of legislation, it does not cover all workers and does not insure a temporary income replacement while a parent is not working. Estimates from a national survey of employees reveal that 42% of employees are not covered by the federal FMLA, because they work at organizations with less than 50 employees (USDOL, 2000). In addition, 2.4% of covered employees (3.5 million) needed Family and Medical Leave during an 18 month period, but were unable to take it. The primary reason for not taking FMLA leave, despite needing it, was that workers could not afford to take unpaid leave. Moreover, 9% of all FMLA users receiving no pay or less than full pay had to rely upon public assistance to make ends meet while on leave (USDOL, 2000).

In contrast to federal policy, Minnesota's parental leave policy covers smaller establishments with 21 or more employees, but does not mandate employers to continue to contribute to the leave-taking employees' health premium while on unpaid leave and is six weeks shorter in duration than the federal law (Minn. Stat. Sec.181.940). As a result, even families that are eligible for both state parental leave and federal FMLA benefits may not be able to afford the length of leave that they and their families need.

Dr. Patricia McGovern and colleagues at the University of Minnesota have studied the role of parental leave policies in determining the duration of time taken by new mothers in association with childbirth-related leave from work. Their research, based on Minnesota data, provides good information to apply to reshaping family leave policy and statute in Minnesota. Their study revealed benefits and costs, not necessarily in dollar

amounts, but in general well-being and health benefits to mother, child and the family. The following discussion is based on the work of McGovern, et al.

Maternal Health and Well-being

Of great importance is the finding that the duration of leave from work after childbirth has a positive effect on maternal health. Women who took 12, 15, or 20 weeks or more off after childbirth reported more vitality, better mental health and fewer limitations to daily role function (McGovern 1997). However, many women returned to work before experiencing the health protection that a leave policy could provide (Gjerdingen and Chaloner 1994; McGovern 1997). The number of days or weeks that women took from work was determined by a number of factors. McGovern and others in their study of Minnesota women found that the primary determinants of duration of maternity leave were access to paid leave policies, higher spousal earnings, and the woman's job flexibility. Access to paid leave policies result in more maternal time off work, yet approximately half the women studied lacked paid maternity or parental leave benefits, and 15% also lacked paid vacation or sick leave benefits (McGovern 2000). Women with some type of paid leave took approximately four weeks more time from work than women without paid leave policies (McGovern 2000).

The time required for some women's recovery from childbirth and resumption of daily activities, including employment and caring for one's family, - has been underestimated. Women's experiences balancing multiple roles in the year after childbirth have not been well described in terms of the implications for maternal, infant or family health and well-being. In 1997, McGovern reported that some employed women experienced diminished levels of well-being even at 7 months after childbirth. Factors associated with poorer levels of maternal health included - symptoms of maternal anxiety and depression during pregnancy; more frequent episodes of infant acute illness in the several months of life; fewer hours of maternal sleep per night; lower levels of social support; more difficulties arranging childcare; lower levels of maternal job satisfaction; and more physical exertion on the job (McGovern 1997).

Women's Employment Outcomes

The absence of paid family and medical leaves frequently has a negative impact on women's earnings. Vicky Lovell (2001) from the Institute for Women's Policy Research reports that for both single and married women, common strategies to balance family and work include reducing work hours to less than full-time, taking breaks from employment for childbirth-related leave, temporarily dropping out of the labor force, or avoiding jobs with work schedules incompatible with caregiving. However these options are used at the expense of women's current earnings and future promotional opportunities and retirement income. In her testimony before the Illinois state legislature, Dr. Lovell cited research findings that reveal how paid leave mitigates this effect as it increases women's duration of employment and their return to work after childbirth. The increased time at work leads to higher earnings, both by

avoiding periods without income and by keeping women on a path of career development. Thus leave policies are important for increasing families economic security by strengthening labor force attachment and increasing women's earnings (Lovell, 2001).

Infant Health and Well-being

The study of brain development in recent years has documented a sensitive period when the brain is most able to respond to and grow from exposure to environmental stimulation. This window of optimal brain development is from the prenatal period to the first years of a child's life. Daily interaction plays an important role in a child's emotional and mental development. While the brain is forming and learning how to develop, consistent positive interaction is needed to ensure proper brain activity. Poor day care hinders a child's brain activity and impedes development by discouraging interaction and limiting environmental stimulation (Burchinal, Lee & Ramey, 1989; Cost, Quality & Child Outcome team, et. al., 1995).

In 2000 after two and a half years of committee analysis, the National Research Council and Institute of Medicine published "From Neurons to Neighborhoods, the Science of Early Childhood Development". Their summary of current scientific research on early childhood development thoroughly documented the importance of the caregiver in the first year of an infant's life. In order to grow and thrive, infants need a consistent caregiver to provide love, nurturance, security, responsive interaction, and encouragement for exploration. Without at least one such relationship, development is disrupted and the consequences can be severe and long-lasting (National Research Council and Institute of Medicine 2000).

Policy Models

As Minnesota policy makers study the issue of paid parental leave, they may want to consider the costs and benefits of various policy models. The National Partnership for Women and Families (2001) recently released a publication to address these issues, "Family Leave Benefits: A Menu of Policy Models for State and Local Policy Leaders." It includes detailed information on policy models currently under consideration across the country including temporary disability insurance, family leave funds, grants to low income parents of infants and toddlers, unemployment insurance programs and tax credits as a few examples. Such resources will help stimulate the needed research and policy proposals addressing the value of paid parental leave for American families.

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December 27, 2001

Dear Anthony,

Enclosed please find CFL's summary of the research available on child attachment and its impact on child development. There is also some information on CFL's experiences with the At-Home Infant Care Program.

We've also enclosed a press release on the NICHD study that illustrates the impact on child outcomes of a slight raise in income for children in families with low incomes. This study does not relate directly to paid parental leave but may be informative to the discussions.

I will be in the office on Monday, December 31 and then out until Monday, January 7 (651-582-8516 or avisia.whiteman@state.mn.us) if you would like to touch base on this project.

Thank you for your leadership on this initiative.

Sincerely,

Avisia Whiteman
Research & Evaluation Team
Early Childhood & Family Support

Cc: Karen Carlson, Assistant Commissioner
Cherie Kotilinek, Manager
Barbara O'Sullivan, Supervisor

Additional Notes from CFL:

1. Research has shown that it is critical that infants are securely attached to a warm, stable, loving adult – whether this adult is the parent of the child or another adult in the community. Through research conducted at the University of Minnesota we know that this secure attachment creates the base for future cognitive, emotional and social development. Research also demonstrates “that the major factor leading to a secure attachment is the (adult’s) sensitivity and responsiveness to the child’s cues and signals.” (Farrell Erickson & Glen 1998)
2. Parents are the child’s first teacher and play a critical role in the child’s development. Intensive time early in a child’s life can lay the foundation for positive development throughout the child’s life. (Farrell Erickson, Kurz-Riemer 1999)
3. Parents communicated the tension between wanting to be home with newborns and meeting their financial obligations in the At-Home Infant Care Program Evaluation. Of nineteen families responding – nine gave infant development and bonding reasons for participating. Another five reported financial reasons. One parent clearly stated this tension in the following quote “An increase in subsidy may have made it possible to say home the full first year. When our child was 10 months old, we financially had to have both parents work.” The small number responding to the evaluation means that this tension cannot be generalized across all Minnesota families but it could be viewed as an indication of what some parents may be dealing with on a day to day basis.
4. A majority of families who responded to the survey participated in the At-Home Infant Care program for less than 3 months (67%). An additional 21% of families participated for 3-5 months. Program changes since this evaluation may impact length of participation and the small number of responses may not adequately represent a larger sample’s participation rate.
5. The Study of Early Child Care, funded by the National Institute of Child Health and Human Development, reports “there is no consistent relation between the hours infants and toddlers spend in child care and these children’s cognitive, linguistic or social development.” (<http://www.nichd.nih.gov/new/releases/timeinchildcare.cfm>) Additional studies point to the importance of the quality of the child care environments to improve child outcomes as compared to the amount of time spent in child care.

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Farrell Erickson, M., Kurz-Riemer, K. 1999. Infants, Toddlers, and Families: A Framework for Support and Intervention. New York, New York.: The Guildford Press. 62.



press release

**EMBARGOED FOR
PUBLICATION UNTIL:
12:15 a.m.,
Monday, November 19, 2001**

**CONTACTS:
Margaret Haas, 617-496-1884
Eric Dearing, 617-495-5911
Kathleen McCartney, 617-496-1182**

Small Boost in Family Income Increases Children's Social Skills and School Readiness, According to New Research from the Harvard Graduate School of Education

Harvard Graduate School of Education
November 19, 2001

A small amount of money can make a big difference for young children from poor families by increasing their social skills and readiness for school to levels seen in children from middle-class families, according to a new study by researchers at the Harvard Graduate School of Education (HGSE) and Baylor University.

While the association between poverty and slower development is well known, the study, "Change in Family Income-to-Needs Matters More for Children with Less," published in the November/December issue of *Child Development*, is the first to examine changes in economic resources within families as opposed to measuring the difference between families.

Findings indicate that for a family of four below the poverty level whose needs remained constant, an increase in family income of approximately \$13,400 over three years resulted in the children scoring as well as children in families with twice the income. Even modest increases in family economic resources led to improved performance by children as young as 3 on tasks such as identifying colors, letters and shapes. These children also were more likely to understand and produce a larger number of words and phrases.

"Gains in family economic resources ... are likely to improve the cognitive and social functioning of very young children living in poverty," says lead author Eric Dearing, Ph.D.

"From these findings, we know that naturally occurring decreases in family income-to-needs were associated with worse developmental outcomes for children from poor families," says Dearing, who coauthored the study with [Kathleen McCartney](#), a professor at HGSE, and Beck Taylor, an economist at Baylor University.

"Nearly 17 percent of children in the United States live in poverty, placing them at increased risk for developmental delays and school problems. These data suggest that programs leading to redistributions of wealth will improve children's school readiness scores and social skills," says McCartney.

press release

**•Small Boost in Family
Income Increases
Children's Social Skills and
School Readiness,
According to New Research
from the Harvard Graduate
School of Education**

**•Please contact the [Media
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Using a measure called "income-to-needs" that compares a family's income to the poverty level for a family its size, the researchers found a correlation with developmental measures such as cognitive development, language abilities and social behavior in children from birth to age 3.

"Change in family income-to-needs mattered more for children with less," the authors explain. But they were surprised to find that children in poor families who benefitted from increased income scored about the same as children who were not poor to begin with.

"Thus, a positive change in income-to-needs was a powerful protective factor for children from poor families," they conclude.

Data on 1,216 families collected as part of the National Institute on Child Health and Human Development Study of Early Child Care were used in this study. The study was funded by a grant from the National Institute on Child Health and Human Development.

Dearing is a postdoctoral fellow at HGSE. He received his Ph.D. in developmental psychology earlier this year from the University of New Hampshire. McCartney, a professor at HGSE, has served as a principal investigator in the NICHD Study of Early Child Care. The study tracked over 1,000 children from birth through age seven to examine the effects of early child care on areas such as parent-child relationships, a child's development, and a child's later success in transitioning to school. Taylor is the Smith Professor of Economics at Baylor University's Hankamer School of Business.

Child Development is the bimonthly peer-reviewed journal of the Society for Research in Child Development. For information about the journal, contact Jonathan J. Aiken at 734-998-7310.

For More Information

For a full copy of the study, or to arrange a time to speak with the authors, contact Margaret Haas at the Harvard Graduate School of Education at 617-496-1884.

Respond to this press release with an e-mail to the editor

News & Views, Harvard Graduate School of Education

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* Indicates bill introduced in 2001

State (includes Puerto Rico)	Temporary Disability Insurance	Unemployment Insurance	Other
Arizona*		•2001 bill introduced to extend UI to care for new child	
California	<ul style="list-style-type: none"> •universal disability leave •pregnancy disability leave averages 11 weeks •1999 act requiring study of extending TDI to full family leave and raising benefit cap •employee funded 		<ul style="list-style-type: none"> •employers must allow use of sick leave for care of sick family member •2000 bill introduced to require minimum of 6 days sick leave if 5+ employees
Connecticut			<ul style="list-style-type: none"> •maternity disability leave in all companies with 3+ employees •2000 law enacted requiring study of costs and benefits of paid family leave
District of Columbia			<ul style="list-style-type: none"> •extends full FMLA protections to workers in companies with 25+ employees
Georgia*		•2001 bill introduced	

		to extend UI to workers on family and medical leave	
Hawaii*	<ul style="list-style-type: none"> ●universal disability and maternity leave ●employee funded 	●2001 bill introduced to extend UI to workers on family and medical leave	●2001 bill introduced for tax credits to employers providing paid family and medical leave
Illinois*		<ul style="list-style-type: none"> ●2000 bill introduced to provide up to 12 weeks of UI for workers on FMLA leave ●Commissioned study of UI and family leave 	●2001 bill introduced for paid family and medical leave, funding source to be determined
Indiana		●2000 House passed bipartisan bill to provide up to 12 weeks of UI to care for new child	
Iowa			<ul style="list-style-type: none"> ●maternity disability leave in all companies with 4+ employees ●1998 bill introduced to establish fund for employees on family leave
Kansas*		●2001 bill introduced to extend UI to care for new child	
Maryland*		●2000 and 2001 bills introduced to provide up to 12 weeks UI for care of new child	●1999 law requires employers to extend leave offered to birth parents to adoptive parents
Massachusetts*	●2001 bill to provide paid family and medical leave through new TDI system	<ul style="list-style-type: none"> ●2000 bill pending to extend UI to workers on parental leave passed the legislature and was vetoed by the governor ●2001 bill introduced to extend UI to care for new child 	●maternity leave in all companies with 6+ employees
Minnesota		●bill introduced for UI for care of new child	<ul style="list-style-type: none"> ●parental leave following birth or adoption in companies with 21+ employees ●1998 law subsidizes low-income parents to care at home for child under 1 year old ●2000 Senate approved \$1 million pilot for state match of employer's wage replacement during

			parental leave
Missouri*			<ul style="list-style-type: none"> ●2001 bill introduced to give tax credits to companies offering paid family leave
Nebraska*		<ul style="list-style-type: none"> ●2001 bill introduced to extend UI to care for new child 	
New Hampshire			<ul style="list-style-type: none"> ●maternity disability leave in all companies with 6+ employees ●2000 bill passed to study broad range of family leave funding options
New Jersey*	<ul style="list-style-type: none"> ●universal disability and maternity leave ●employee/employer funded ●2000 bill introduced to extend TDI to full family leave 	<ul style="list-style-type: none"> ●2000 and 2001 bills introduced to extend UI to care for new child 	
New Mexico*		<ul style="list-style-type: none"> ●2001 bill introduced to extend UI to care for new child 	
New York	<ul style="list-style-type: none"> ●universal disability and maternity leave ●employee/employer funded ●bill introduced to extend to full family leave 		<ul style="list-style-type: none"> ●family leave benefits study included in 2000 state budget
Oregon*		<ul style="list-style-type: none"> ●2001 bill introduced to extend UI to care for new child 	<ul style="list-style-type: none"> ●extends full FMLA protections to workers in companies with 25+ employees who have worked 6 months
Puerto Rico	<ul style="list-style-type: none"> ●universal disability and maternity leave 		
Rhode Island	<ul style="list-style-type: none"> ●universal disability and maternity leave ●employee funded 		
Texas*		<ul style="list-style-type: none"> ●2001 bill introduced to extend UI to care for new child 	
Vermont			<ul style="list-style-type: none"> ●parental leave following birth or adoption in companies with 10+ employees ●leave to care for an ill family member or the worker's own medical condition in companies of 15+

			<p>employees</p> <ul style="list-style-type: none"> •2000 Senate passed bill to create employer-financed trust fund to fund up to 12 week of parental leave
Washington*		<ul style="list-style-type: none"> •1999 and 2000 legislation introduced to provide up to 5 weeks of UI for care of new child 	<ul style="list-style-type: none"> •2001 bill to provide paid family and medical leave through new system •all women workers have job protection during pregnancy or childbirth-related disability •employers must allow use of sick leave for care of sick child



Glossary

FMLA

The Family and Medical Leave Act of 1993 provides up to 12 weeks of unpaid leave to care for a newborn or newly adopted child, a sick family member, or for the worker's own serious medical condition.

TDI

Temporary Disability Insurance, provides partial wage replacement during disability or illness related to the workplace (Workers' Compensation covers job-related disabilities).

UI

Unemployment Insurance is a federal-state cooperative program designed to provide insurance to workers with partial replacement of wages lost by involuntary unemployment.

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