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Final Report of the Committee to Continue to Study the Benefits and Costs For Increasing Access to Family and Medical Leave

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Executive Summary

Family and medical leave laws exist in most states as well as in federal law. The laws provide job protection for a worker who takes leave from a job because of the worker's serious illness, the serious illness of a family member, or the birth or adoption of a child. The laws preserve the worker's job so that he or she can return to that job or a comparable one when the leave ends, but do not require the employer to pay the employee while he or she is on leave.

A report issued by the United States Department of Labor in 1996 indicated that a large number of Americans who needed family or medical leave said that they did not take a leave because they could not afford to do so without being paid. This report, as well as concerns about the changing demographics of workers and research on the importance of early interactions between parents and babies, have led to proposals in many states to provide for income to employees during family or medical leave.

During the First Session of the 120th Legislature, the Maine Legislature created the Committee to Study the Benefits and Costs for Increasing Access to Family and Medical Leave by Joint Order on June 21st, 2001. The committee met four times during the interim and collected extensive data and information on state and national methodologies to estimate the costs and benefits of a paid family and medical leave program. In addition, the committee heard testimony from a number of Maine employers and employees who spoke on the effect of a paid family and medical leave program on them. The committee concluded that it needed more information on the costs and benefits of paid leave, as well as on methodologies and expertise for estimating the costs and benefits before it can make a substantive recommendation on the issue of paid leave. The committee recommended that the study group continue its work in the 2002 interim.

As a result, the Maine Legislature created the Committee to Continue to Study the Costs and Benefits of Increasing Access to Family and Medical leave for Maine Families during the Second session of the 120th Legislature through Resolves 2001, Chapter 115. This Resolve called for the appointment of a 15-member committee, including legislators and a state labor department official, as well as representatives from a number of interest groups.

The Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families convened in September of 2002. Two primary goals were to find and evaluate methodologies employed by other states to estimate costs and benefits of a paid family and medical leave program, and to develop Maine specific sources of data. The committee reviewed developments regarding paid family and medical leave programs over the past year, including the passage of a California Paid Family and Medical Leave program, and two economics-based methodologies to analyze the costs and benefits of a paid family and medical leave program and resulting analysis.

RECOMMENDATIONS

Majority report:

The Committee's majority report recommends creating a Temporary Disability Insurance program, entitled the Family Security Fund, to provide replacement income for employees while they are unable to work due to illness or maternity disability. This program will be housed within the Department of Labor.

1. The Family Security Fund will include the following components:

- The maximum duration of leave under the program is 26 weeks.
- Employers will have the option of selecting the state-operated program or an equivalent or superior private plan with no additional cost to employees.
- The employer must pay at least half of the premium and may pay the entire premium.
- All private employers with one or more employees must participate; the program is optional for government entities.
- Persons in family employment are excluded.
- For an employee to be eligible for benefits, they must have had earnings from work in 12 of the previous 52 weeks.
- The weekly benefit rate is 66 2/3% of the employees average weekly wage in the highest two quarters in the last 52 weeks. The weekly benefit cap is 100% of the state average weekly wage[1].
- A maximum limit on employee payroll deductions of 90 cents a week. The actual amount of an individual employee's contribution up to this cap will be determined by a sliding scale based on wages in accordance with rules promulgated by the Department of Labor.
- Benefits will be reduced by unemployment insurance and sick pay. Benefits would not be reduced by other disability benefits, pension payments, and other earnings.
- The waiting period is seven days; however, payment for the first seven days must be made retroactively if the disability lasts 3 weeks or more.
- Maternity disabilities with no medical complications are covered for up to 12 weeks postpartum. If there are complications associated with a pregnancy, a disability is treated the same as any other disability and is covered for up to 26 weeks.
- Maternity disabilities with no complications are covered for up to 2 weeks prior to delivery.

2. While an employee is receiving disability benefits, their job will be protected until they return to work.

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[1] A recent estimate for 100% of the average weekly wage in Maine is $546. This is based on the average weekly wage for worker's compensation as of July 1, 2002.

3. Legislation to enact a program will include a report back date in three years to evaluate program effectiveness and consider including leave for the illness of a parent, child or spouse or the birth and adoption of a child.

The majority proposal originally included a separate program that would have allowed parents to stay home with their newborns or newly-adopted child for up to 12 weeks. The basis for this program was recently-adopted federal regulations allowing states to use the unemployment compensation system to provide benefits for new parents. However, because the U.S. Department of Labor announced that it plans to repeal these federal rules, committee members decided not to pursue this option.

Minority report:

Those opposing the majority proposal submitted a minority report. They stated the following:

For the past two years, the Commission to Study Paid Family Medical Leave in Maine (FMLA) has met periodically to determine the feasibility of providing some type of compensation for leave taken by Maine employees. The original mission of the commission was to gather information on the possibility of expanding certain segments of family medical leave, primarily for the illness of a family member or birth and adoption of children through a paid leave format of a duration of between one and 12 weeks, the outer maximum of FMLA in the state of Maine.

The Commission had a significant amount of interesting discussions concerning proposals from other states as well as an opportunity to review a variety of studies undertaken around this issue; however, in the end a minority of the committee has concluded that Maine is in no position, economically or financially to require any type of paid leave from Maine businesses. Nor are employees and employers in the position to afford an additional tax to fund the type of temporary disability insurance being proposed in the majority plan.

A strong minority of this commission believes that in a perfect world, every Maine worker would have insurance coverage for a portion of income lost due to short-term disability. This could include coverage for employees taking time from work for the birth of a child. However, the practical reality in Maine is that neither our businesses, nor our employees, and certainly not our state government can afford to take on the burden of this type of program, and the administrative infrastructure it would require, as proposed by the majority of the commission. We oppose the establishment of a state-run temporary disability insurance program (TDI).

I. INTRODUCTION

A. Creation of the Study

The Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave was created by Resolves 2001, Chapter 115.

The Resolve called for appointment of a 15-member committee, including legislators and a state labor department official, as well as representatives of public and private employers, labor, parents, child care organizations, senior citizens, women's groups and low-income advocacy organizations.

A copy of Resolves 2001, Chapter 115 is included as Appendix A. A membership list, including the interests represented by each member, is included as Appendix B.

B. The Study Process

The study committee was convened for the first time on September 9th, 2002. Subsequent meetings were held on October 7th, October 21st, October 30th and November 18th. The committee reviewed the legal, legislative and methodological developments over the past year, took testimony from a child development specialist, an expert on Alzheimer's, a small business owner, and reviewed other state disability programs and two cost/benefit estimates for Maine.

The committee invited Dr. Vickie Lovell from the Institute for Women's Policy Research to provide economic assistance. Dr. Lovell provided an analysis of paid family and medical leave costs based on Maine specific demographic and employment data. In addition, the authors of a recent study entitled "Paid Family Leave in California: An Analysis of Costs and Benefits" provided a cost/benefit analysis for Maine based on the same methodology used in the California study. In its final meeting, the study committee majority endorsed a recommendation to create a Temporary Disability Program for an employee's own illness and maternity disability.

II. BACKGROUND

A. The Maine and Federal Family and Medical Leave Laws

Maine passed the Family and Medical Leave Act (FMLA) in 1988, and the federal government followed a few years later by passing a national FMLA in 1993. Family and medical leave laws in Maine and nationally share many common elements. They enable workers to take time off from their jobs when the worker or a family member is seriously ill and when the worker has or adopts a child. The laws preserve the workers' job so that he or she can return to that job or a comparable one when the leave ends and enable the worker to continue receiving benefits such as health insurance.[2] The employer is not required to pay the worker while he or she is on leave. The history of the Maine and national family and medical leave laws is thoroughly reviewed in the "Final Report of the Committee to Study the Benefits and Costs For Increasing Access to Family and Medical Leave", December 2001.

B. Impetus for Paid Family and Medical Leave

Proposals to provide some form of income for persons on family and medical leave have been made in more than half of the states in recent years. Advocates in Maine and nationally cite a number of reasons for the upsurge in proposals. For a complete review of this issue, refer to the "Final Report of the Committee to Study the Benefits and Costs For Increasing Access to

ber 2001.

C. Other State Paid Leave Programs – California's new law

In September 2002, California Governor Gray Davis enacted new legislation that expands California's mandatory temporary disability insurance (TDI) program to include a paid family leave component. The following is a summary of the new law:

- Beginning July 1, 2004, workers will receive up to 6 weeks of paid leave per year to care for a new child (birth, adoption, or foster care) or seriously ill family member (parent, child, spouse, or domestic partner).

- Worker payments begin January 1, 2004. Benefits begin July 1, 2004. This time delay allows for administrative systems and funding to be established.

- This program is 100% employee-funded. A minimum wage earner will pay an additional $11.23 a year into the TDI program, while the estimated average cost is $27 per worker per year.

[2] Employees may be required, under state law, to pay the cost of the benefit. Federal law requires that the benefit be continued under the same conditions as prior to the leave.

- The benefit will replace up to 55% of wages, up to a maximum of $728 per week in 2004. The maximum benefit will increase automatically each year in accordance with increases in the state's average weekly wage.

- There is a one-week waiting period before workers can apply for paid family.

- Employers can require a worker to use a maximum of two weeks of vacation time first before receiving paid family leave. One week will be used to cover the waiting period.

- Businesses with fewer than 50 employees are not required to hold a job for a worker who goes on paid family leave. Collective bargaining agreements may offer different protections for these workers.

- New mothers eligible for pregnancy-related disability will also be eligible for paid family leave.

No other state currently requires employers to pay for family and medical leave. Many employees on FMLA leave are entitled to pay from one or more of a variety of sources provided voluntarily by employers, through collective bargaining agreements and in some cases as required by law: paid sick leave, vacation leave, and individual or employer-funded disability policies. In addition, five states (including California) and Puerto Rico require employers to provide temporary disability insurance, either through a state program or by the purchase of insurance in the private market.[3] Some states require that an employer allow an employee to use any sick leave he or she has to take care of sick children.[4]

D. Need for Paid Family and Medical Leave in Maine

The Committee heard testimony from a health care advocate and a child development specialist. In each case, the goal was to gain insight into the existing need for paid family and medical leave, and the potential benefits for employees and employers.

1. The Business and Public Health costs of Alzheimer' s disease

Kathryn Pears from the Alzheimer's Association spoke to the study committee on the difficulties faced by workers with family members afflicted with Alzheimer's Disease, and discussed some of the public health costs associated with Alzheimer's Disease. The greatest burden of Alzheimer's falls on the families, and women in particular. Serving as a primary caregiver for an ill family member can take a toll economically, physically and emotionally.

[3] New York, California, New Jersey, Rhode Island, Hawaii and Puerto Rico have temporary disability insurance programs or require employers to provide such insurance.
[4] California, Minnesota and Washington, according to National Partnership for Women and Families

Ms. Pears referenced a study conducted by Ross Koppel, Ph.D. of the Social Research Corporation[5] estimating the cost to businesses of Alzheimer's disease. He estimated that on a national scale, Alzheimer's disease will cost businesses more than $61 billion in 2002. Of that, $36.5 billion alone will be the business cost for workers who are caregivers specifically for people with Alzheimer's disease. He identifies three primary factors for this cost: absenteeism, productivity losses, and replacement costs of workers who leave their employment.

Ms. Pears recommendations for mitigating the financial impact of Alzheimer's Disease include supporting family caregivers by allowing flexible work schedules. She said that a paid family and medical leave would greatly benefit families in this regard. Allowing workers, for example, up to 12 weeks of time off would provide tremendous value – it would give them the time to deal with a crisis and set up a system of care.

2. Child Development in Maine

Sue Reed, child development expert from the Muskie Institute, spoke to the committee about the state of childcare in Maine and emphasized the importance of primary caregivers for the healthy development of human infants.

Ms. Reed stated that the current ratio of infants to caregivers in Maine is four to one. According to Ms. Reed, ninety percent of childcare in Maine is sub-standard in terms of optimal conditions for a child to flourish and forty percent of childcare situations are harmful. A major consequence of substandard childcare is behavioral problems. She noted that the lower the ratio of infants to childcare providers, the better it is for the child; one on one care is the best situation for an infant. Ms. Reed cited statistics that reveal an increasing trend in special education costs. She believes this trend is at least partially a result of inadequate childcare.

Ms. Reed stated that the first three months with a primary caregiver are critical and allowing a caregiver to stay home with a child for two years is optimal. She provided a rough figure that for every dollar spent on early child care, seven dollars are saved in the long term.

E. Impact on Small Businesses

Jim Amaral, owner of Borealis Bread and member of Maine Businesses for Social Responsibility, shared information regarding his perspective on paid family and medical leave as a small business owner. He stated that he views a state disability program as a value to employees and businesses down the road. Mr. Amaral also noted that as a business owner, he does not want to be making health care decisions for his employees or shopping for insurance programs. He would prefer that there be a state program for him to access.

[5] "Alzheimer's Disease: The Costs to U.S. Businesses in 2002", Ross Koppel, Ph.D. Social Research Corporation, Wyncote, PA and Department of Sociology, University of Pennsylvania, Philadelphia, PA, September, 2002.

In response to concerns about employee absenteeism, Mr. Amaral stated that due to the nature of his business as a bread maker, daily production is critical. Absenteeism is difficult to manage; however, his staff usually "step-up" to help out co-workers. He believes that if Borealis can deal with staff shortages, most businesses should also be able to manage them. Mr. Amaral also believes that paid family and medical leave might serve to attract talent from out of state and encourage employees to become more vested in the company. He added that he believes it's good for business to let families be families. Most employees who need leave to take care of their own health or the health of family members use their personal time and vacation time for these situations. As a result, they do not take vacations, which can be difficult on morale. A paid family and medical leave program would provide employees with more options for taking time off.

F. Options for Providing Paid Benefits

1. Extend unemployment compensation benefits to new parents

Recently-adopted federal regulations[6] allow states to use the unemployment compensation system to provide benefits to parents of newborns or newly-adopted children. However, the U.S. Department of Labor announced in December 2002 that it will repeal these regulations; there will be a 60-day comment period on the proposed repeal. In 16 states, lawmakers had drafted legislation to use the unemployment funds to provide several months of income to workers who become parents. Four other states had commissioned studies to determine if the programs could be used in this way without endangering their trust funds. No state has enacted legislation to allow unemployment compensation funds to be used for this purpose.

2. Require Temporary Disability Insurance programs

Five states and Puerto Rico require employers to provide temporary disability coverage. Temporary Disability Insurance (TDI) programs provide partial wage replacement for employees with non-work-related injuries or illnesses (workers' compensation would cover work-related injuries and illnesses). In three of the states, employers may elect to participate in a state-run program or to purchase private insurance or to self-insure with programs that meet state standards. In Rhode Island, all employers must participate in the state program. In Hawaii, there is no state program and all insurance is purchased on the private market or is self-insured. Most programs require an employee contribution as well as an employer contribution toward the cost of coverage.

Phillip Bruen from UnumProvident presented additional information on state disability programs. Mr. Bruen provided a chart outlining the program components for each jurisdiction, such as minimum and maximum benefits, and maximum duration of benefits. (Appendix C) He elaborated on the self-insurance option, stating that in all five states, an employer may choose to self-insure its program – or administer the program internally.

[6] 20 CFR Part 604 (2001)

Because of the high administrative burden, not many companies choose this option. This comparison also revealed that the benefit amount and duration of benefits varies among the states. The most common duration is 26 weeks, after a 7-day waiting period. Benefit amounts range from 50% to 66% of average weekly wages. A chart comparing the costs of several TDI programs is included in Appendix D.

Mr. Bruen also commented that estimating costs for a program that covers all the leaves allowed under the Maine FMLA law would be difficult. UnumProvident has data on maternity leaves and employee illness, but not family-related leaves.

G. Cost/Benefit methodologies and results

1. Estimating Costs

One of the duties of the Committee was to arrange for the assistance of experts in economic analysis to prepare cost and benefit estimates for a paid family and medical leave program in Maine. The Committee was fortunate to be able enlist the assistance of two sources of expertise – Dr. Vickie Lovell from the Institute For Women's Policy Research, and Arin Dube and Ethan Kaplan, authors of a cost/benefit analysis for a paid family leave program in California. Both groups developed economic models designed specifically for estimating the costs of implementing a paid family and medical leave program. To tailor the results for Maine, both models used two datasets prepared by the U.S. Department of Labor: *Balancing the Needs of Families and Employers* (Cantor et al. 2001), which contains the results of a survey of employees and employers conducted in 2000, and Maine Current Population Survey data (CPS), which is demographic data about workers in Maine.

Both models employ methodologies that include assumptions regarding potential changes in leave-taking behaviors of employees due to a paid family and medical leave program. These assumptions are derived from the following program utilization factors:

Rate of Leave take-up: Both methodologies estimate the substitution effect of implementing a paid family and medical leave program. They quantify changes in the number of people that will start using a paid family leave program instead of using their sick or vacation leave for FMLA leaves.

Leave length: Both methodologies provide estimates for the impact of implementing a paid family and medical leave program on changes in leave length. Specifically, they address the extent to which people will now take longer leaves because all leave is paid.

a. Economists -- California Study

Arin Dube (University of Chicago) and Ethan Kaplan (University of California, Berkeley) contracted with the study committee to create a spreadsheet to evaluate the costs and benefits for a number of policy options. The spreadsheet calculates costs based on user selections for what groups are covered, who is eligible, what types of leave are covered, the maximum benefit duration, and whether there will be a seven day waiting period. An example of the type of analysis is included in Appendix E

Methodology and Cost Factors: Mr. Dube and Mr. Kaplan based their spreadsheet calculations on the methodology employed in their California study. They identified four components as determining the full cost of a paid family leave program: 1) leave take-up, 2) leave length, 3) weekly benefit amounts, and 4) administrative costs. As noted earlier, their methodology draws on data from a DOL survey (2000) and CPS data (2002).

Since no data are available for several cost variables, certain assumptions are made based on the DOL survey data. These assumptions allow them to estimate changes in employee leave utilization and leave length due to a paid family leave program. In addition, estimates for three “scenarios” are calculated: a “lower estimate” and an “upper represent outer limits of the cost impact, and a “likely estimate” that represents the most likely outcome and falls in between the lower and upper estimates. A complete description of their methodology is included as Appendix F.

b. Institute for Women’s Policy Research (IWPR)

The Institute for Women’s Policy Research, working with the Labor Resource Center of the University of Massachusetts Boston, recently completed construction of an econometric model for estimating the cost of paid family and medical leave polices. Dr. Lovell made a presentation that details the results from this model on the cost of paid family leave program in Maine. Outcomes from the model include identifying the likely range of costs for a paid family leave program in Maine; illustrating how costs will vary with different usage rates (different levels of program participation); and comparing the impact of different policy parameters, such as eligibility criteria and employer size thresholds.

Methodology and Costs: Since there are currently no states with universal paid leave programs, there are no data documenting what decisions workers would make with a universal paid leave program.[7] IWPR’S model employs available data about workers’ need for and use of family and medical leave and information about Maine’s workforce.

Using this model, IWPR provided an estimate for a paid family leave program that includes all employers regardless of the number of employees and would cover all employees that worked at least 1250 hours in the past 26 weeks. They estimated that a program paying 50 percent of wages to a maximum of $273 per week, for a maximum of 12 weeks, would cost a total of $14.1 to $27.8 million per year in benefit payments, depending on the program participation rate. Benefit payments would average $231per week and leave lengths would average 12 work days (seven days of paid leave). Funding

[7] In September 2002, California Governor Gray Davis enacted new legislation that expands California’s mandatory temporary disability insurance program with paid family leave. The program will begin in January 2004, with the first payments scheduled to be made in July 2004.

this program would cost $21 to $42 per employee annually. The complete report is included as Appendix G.

Using a this same model, IWPR provided an estimate for a Temporary Disability Insurance program including all private sector employers and covering all employees with earnings in 12 of the previous 52 weeks. They estimated that a program paying 66 2/3 percent of wages to a maximum of $546 (100% of the average weekly wage), for a maximum of 26 weeks, would cost a total of $45 to $56 million annually in benefits. The average weekly benefit payment under this program is estimated to be $321 during the weeks in which program benefits are received. The estimated per-worker annual cost of benefits under this program is $95. The complete report is included as Appendix H.

For both estimates, the range for total costs reflects differences in expected participation rates over time. For example, the lower estimate for the TDI program is based on a 67% program participation rate in the program's startup years. As employees and employers learn about the program, the participation is expected to rise; the higher estimate represents a participation rate of 80%. Dr. Lovell has suggested that the lower cost estimates are, therefore, more likely to be an accurate projection of the costs of a TDI or paid family and medical leave program in its early years.

2. Estimating Benefits

Measuring the benefits of providing paid family and medical leave is more difficult than measuring the cost, since many of the benefits are intangible and not immediate. However, Mr. Dube and Mr. Kaplan developed a methodology for a rough estimate of the benefits. They identified two components to include in calculating the benefits: 1) benefits accruing to firms and 2) benefits accruing to the government.

a. Turnover Cost Savings to Firms

The calculation of benefits accruing to firms is based on savings due to reduced turnover costs. Workers are less likely to leave a job if they get paid leave with the job. With their methodology, the total savings to firms is based on the number of people who don't quit their jobs due to the paid family leave policy and the cost per person to the firm of turnover. The costs per person of turnover are derived from the 1990 Small Business Employee Survey[8]. According to Mr. Dube and Mr. Kaplan, it is an old study and the lowest cost estimate for turnover they could find. Therefore, they consider these numbers to be a lower bound estimate of the per person costs of turnover.

b. Decreased public assistance expenditures

[8] The SBA commissioned a nationally representative survey that requested data on company policies on various types of family medical leaves. It also asked questions about costs of leaves and terminations to employers. This questionnaire was forwarded to 10,000 business executives, and the response rate was 31.3%.

Use of public assistance programs will most likely decrease due to the availability of paid family leave. Currently, when workers take family leave, some make use of Food Stamps and TANF. There is a large difference, however, between the percentage of those taking unpaid leave who go on public assistance and those taking paid leave who go on public assistance. Based on the Department of Labor survey (2000), approximately 11% of those on unpaid family leave end up on some form of public assistance during leave; on the other hand, only 5% of those on paid family leave end up on some form of public assistance. These data are used to impute the change in use of other public assistance policies due to paid family leave.

The calculation of the savings to governments is equal to the change in percentage using public benefits due to paid family leave multiplied by the number of people taking leaves. This number is multiplied by the average benefit level to find the total savings.

c. Other Benefits

Advocates of paid leave suggest that there are additional benefits that will accompany a paid family leave program, such as decreased health and nursing home costs, and lowered rates of children with developmental problems. The Committee received some cost information related to each of these issues, although this information is not comprehensive. Sue Reed, from the Muskie Institute, provided an estimate that for every dollar spent on child care, seven dollars is saved down the road in education and mental health costs. (Look at literature for figures).

In addition, Kathy Pears, from the Alzheimer's Association, provided a study entitled "Alzheimer's Disease: The Costs to U.S. Businesses in 2002". As the title indicates, this study focuses on the costs of Alzheimer's Disease (AD) to businesses. However, it also considers the more general question of the cost to the nation of Alzheimer's Disease. Researchers estimate this disease costs the nation from between $67.1 billion to twice that figure[9]. The more inclusive cost calculations include estimates for "lost" work time of care-givers and the economic value of care-givers. This would suggest that providing income during a leave so that an employee can care for an ill, elderly parent at home rather that placing the parent in a nursing home would benefit the parent and the employee as well as saving nursing home costs.

[9] Wimo, A; Ljunggren, G.; and Winblad, B., "Cost of dementia and dementia care: a review", International Journal of Geriatric Psychiatry 12. 1997

III. Recommendations

Majority report:

The Committee's majority report recommends creating a Temporary Disability Insurance program, entitled the Family Security Fund, to provide replacement income for employees while they are unable to work due to illness or maternity disability. This program will be housed within the Department of Labor.

1. The Family Security Fund will include the following components:

   - The maximum duration of leave under the program is 26 weeks.
   - Employers will have the option of selecting the state-operated program or an equivalent or superior private plan with no additional cost to employees.
   - The employer must pay at least half of the premium and may pay the entire premium.
   - All private employers with one or more employees must participate; the program is optional for government entities.
   - Persons in family employment are excluded.
   - For an employee to be eligible for benefits, they must have had earnings in 12 of the previous 52 weeks.
   - The weekly benefit rate is 66 2/3% of the employees average weekly wage in the highest two quarters in the last 52 weeks. The weekly benefit cap is 100% of the state average weekly wage.
   - A maximum limit on employee payroll deductions of 90 cents per week. A graduated weekly deduction limit based on income will also be developed.
   - Benefits will be reduced by unemployment insurance, workers compensation and sick pay. Benefits would not be reduced by other disability benefits, pension payments, and other earnings.
   - The waiting period is seven days; however, payment for the first seven days must be made retroactively if the disability lasts 3 weeks or more.
   - Maternity disabilities with no medical complications are covered for up to 12 weeks postpartum. If there are complications associated with a pregnancy, a disability is treated the same as any other disability and is covered for up to 26 weeks.
   - Maternity disabilities with no complications are covered for up to 2 weeks prior to delivery.

2. While an employee is receiving disability benefits, their job will be protected until they return to work.

3. Legislation to enact a program will include a report back date in three years to evaluate program effectiveness and consider including leave for the illness of a parent, child or spouse or the birth and adoption of a child.

The proposal originally included a birth and adoption program to be administered through the State's Unemployment Compensation program as permitted under the recently adopted federal rules. The program would have allowed maternity and paternity leave for birth and adoptive children for up to 12 weeks. However, because the U.S. Department of Labor announced that it plans to repeal these federal rules, committee members decided to incorporate pregnancy leaves into the disability program.

Minority report:

Those opposing the majority proposal submitted a minority report. They stated the following:

For the past two years, the Commission to Study Paid Family Medical Leave in Maine (FMLA) has met periodically to determine the feasibility of providing some type of compensation for leave taken by Maine employees. The original mission of the commission was to gather information on the possibility of expanding certain segments of family medical leave, primarily for the illness of a family member, or birth and adoption of children through a paid leave format of a duration of between one and 12 weeks, the outer maximum of FMLA in the state of Maine.

The Commission had a significant amount of interesting discussions concerning proposals from other states as well as an opportunity to review a variety of studies undertaken around this issue; however, in the end a minority of the committee has concluded that Maine is in no position, economically or financially to require any type of paid leave from Maine businesses. Nor are employees and employers in the position to afford an additional tax to fund the type of temporary disability insurance being proposed in the majority plan.

A strong minority of this commission believes that in a perfect world, every Maine worker would have insurance coverage for a portion of income lost due to short-term disability. This could include coverage for employees taking time from work for the birth of a child. However, the practical reality in Maine is that neither our businesses, nor our employees, and certainly not our state government can afford to take on the burden of this type of program, and the administrative infrastructure it would require, as proposed by the majority of the commission. We oppose the establishment of a state-run temporary disability insurance program (TDI) for the following reasons:

- As one of the highest taxed states in the nation, Maine cannot tolerate additional taxes on its businesses or on its working citizens to finance a temporary disability program for Maine workers. Conducting business in Maine is already significantly higher than other states; the possibility of a new tax on employers to pay for a TDI program would exacerbate the problem. At the same time it is unimaginable for a state facing a massive budget deficit as we do through the next biennium to add a multi-million dollar program. A major weakness of the majority plan is that there is currently no administrative infrastructure in place for claims in-take, claims adjudication, certification of disabilities, and assisting claimants to return to work. This would require a significant investment in state bureaucracy. In addition, the majority report lacks specificity as to the criteria for determining benefit eligibility, such as definition of disability, which will significantly affect the cost of the program.

- At this time, the majority of the commission proposes to place surtaxes on both employers and employees based on payroll to fund such a TDI program. The minority of the committee opposes this. From an employer's standpoint, we believe it would only contribute to economic problems this state already faces and increase the overall costs of doing business in Maine. This makes our ability to compete for new jobs, plan expansions, or relocations to this state, and new opportunities for our citizens more difficult.

- Additional costs to employees are equally troublesome. Employees in Maine are being asked to pay a greater contribution toward their health insurance by Maine employers, whether in higher premiums, greater co-pays or higher deductibles. Health insurance rates in the small group market have skyrocketed. Increases of 30-40 percent are not unusual. Small businesses in this state are hardest hit by these rate increases. Additional taxes levied on employees toward a state TDI fund removes additional disposable income that they may need to put toward other expenses, such as health insurance premiums. At the very least, employees should have the opportunity to decide how they want to spend their benefit dollars rather than a mandate to all Maine employees.

- Many Maine workers already have private short-term disability (STD) insurance coverage, including paid maternity leave through their employers. These employers often provide STD coverage as part of their benefits package to attract workers. However, many employers cannot afford such coverage for their employees. Many of the types of these employers that cannot afford this coverage represent the backbone of the Maine economy, businesses with 10 or fewer employees. Currently, those employers who do provide the disability coverage, as well as those who do not, continue to struggle with the cost of health care insurance. Employees in Maine are seeing a greater increase in their portions of their paychecks devoted to their health insurance premiums. As stated earlier, we think that given the choice, employers and employees would consider health insurance a much higher priority for their limited dollars than any TDI program.

- Currently, only five states in the country have long-established TDI programs. No state has added a TDI program in many years. The state of Rhode Island's program has been in existence for over 60 years. Last year the cost of the program was $142 million funded totally by taxes on employees. Given the fact that the state of Maine faces a budget shortfall in the neighborhood of greater than $1 billion over the biennium, we feel the establishment of a state-run program, even funded by taxes on employers and employees, is unsound and unrealistic. In weak economic times, austerity is called for by the state and the state budget process. Creating a new level of state government with commensurate administrative costs is simply not responsible.

- We believe any new state TDI program will tend to be understaffed and is unlikely to include adequate staff to manage benefits and return people to work as quickly as possible. In the current TDI states, claims durations tend to be longer than private disability insurance, and incidence of claims higher than private insurance. Because there is often little disability management, employers lose their employees for longer periods of time, resulting in increased costs. In addition, state TDI programs do not integrate with private long-term disability programs that employers often offer their employees. Again, because state programs do not manage disabilities well, employees can end up using the employer's long-term disability plan unnecessarily, resulting in higher overall employer costs.

- Finally, and most importantly, for a minority of the committee, the impact of yet another state mandated program that includes taxes on all Maine employers and employees, represent another layer of government regulation. Nationally, Maine is recognized as being one of the most unfriendly business states in the country. A recent study provided in the Small Business Survival guide, ranked Maine 49th out of 50 states in terms of its friendliness to small businesses.

- A recent study by the National Center for Policy Analyses in Washington and Canada's Frasier Institute, Maine ranked as having one of the worse levels of economic freedom in the country. In their study, Maine was tied with North Dakota for 46th out of 50 states. The study found the overall tax burden among states range from 9.9 percent of income in Delaware, to 12.7 percent in Maine. The study concluded that Maine lost $3,328 per person per year in economic efficiency compared to the average state.

The committee majority was unable to produce any valid data that indicated costs savings would be available to Maine employers as a result of implementation of their report. Furthermore, no data was produced which adequately represented the cost to Maine employers if the proposals contained in the majority report were actually implemented. What cannot be denied is the proposals contained in the majority report represent a new level of government regulation mandate as well as additional taxes and a burden on Maine employers. For these reasons, we submit our report opposing these proposals.

APPENDIX A

Authorizing Document, Resolves 2001, Chapter 115

STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND AND TWO

H.P. 1556 - L.D. 2058

Resolve, to Continue the Study of the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families

Sec. 1. Committee established. Resolved: That the Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families, referred to in this resolve as the "committee," is established; and be it further

Sec. 2. Committee membership. Resolved: That the committee consists of 15 members:

1. Seven members appointed by the President of the Senate as follows:

A. One Senator;

B. One representative of employers in the health care industry;

C. One representative of employers in the insurance industry;

D. One representative of municipal employers; and

E. Three members representing labor, women's groups and senior citizens;

2. Six members appointed by the Speaker of the House of Representatives as follows:

A. One member of the House of Representatives;

B. One representative from the low-income advocacy field;

C. One representative of a child care organization;

D. One parent or educator; and

E. Two members of the business community, one representing a large business and one representing a small business;

3. The President of the Maine State Chamber of Commerce or the president's designee; and

4. The Commissioner of Labor or the commissioner's designee; and be it further

Sec. 3. Chairs. Resolved: That the Senate member is the Senate chair of the committee and the House of Representatives member is the House chair of the committee; and be it further

Sec. 4. Appointments; meetings. Resolved: That all appointments must be made no later than 30 days following the effective date of this resolve. The appointing authorities shall notify the Executive Director of the Legislative Council once the appointments have been made. When the appointment of all members has been completed, the chairs of the committee shall call and convene the first meeting of the committee no later than 15 days after completion of the appointments; and be it further

Sec. 5. Duties. Resolved: That the committee shall study the benefits and costs of providing family and medical leave benefits. In conducting the study, the committee shall:

1. Review and consider information gathered by the committee during the 2001 interim;

2. Continue to examine the issues set forth in Joint Order 2001, House Paper 1386, section 5, paragraph A;

3. Identify or develop additional sources of Maine-specific data on use of family and medical leave and the availability of paid leave;

4. Obtain information from other states and interest groups that are conducting studies or developing methodologies for estimating costs and benefits on paid family and medical leave;

5. Arrange for the assistance of experts in economic analysis to prepare costs and benefit estimates for the committee if other sources of funds are received for this purpose in accordance with section 9; and

6. Invite testimony from experts on early childhood development, including experts on bonding between children and parents, to assist the committee in considering potential long-term benefits of providing paid leave so that parents will be able to take leave following the birth or adoption of a child; and be it further

Sec. 6. Staff assistance. Resolved: That, upon approval of the Legislative Council, the Office of Policy and Legal Analysis shall provide necessary staffing services to the committee; and be it further

Sec. 7. Compensation. Resolved: That members of the committee who are Legislators are entitled to the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for necessary expenses incurred for their attendance at authorized meetings of the committee. Other members of the committee not otherwise compensated by their employers or other entities that they represent are entitled to receive reimbursement of necessary expenses incurred for their attendance at authorized meetings of the committee. If other sources of funding become available, those funds may be used to compensate members; and be it further

Sec. 8. Report. Resolved: That the committee shall submit its report, together with any necessary implementing legislation, to the First Regular Session of the 121st Legislature no later than November 6, 2002. The committee is authorized to introduce legislation related to its report to the First Regular Session of the 121st Legislature at the time of submission of its report. If the committee requires a limited extension of time to conclude its work, it may apply to the Legislative Council, which may grant the extension; and be it further

Sec. 9. Budget; grants. Resolved: That the chairs of the committee, with assistance from the committee staff, shall administer the committee's budget. Within 10 days after its first meeting, the committee shall present a work plan and proposed budget to the Legislative Council for approval. The committee may not incur expenses that would result in the committee's exceeding its approved budget. Upon request from the committee, the Executive Director of the Legislative Council promptly shall provide the committee chairs and staff with a status report on the committee's budget, expenditures incurred and paid and available funds. The chairs of the committee may seek and accept grants and other sources of funding on behalf of the committee. Prompt notice of solicitation and acceptance of such funds must be sent to the Legislative Council. All funds accepted must be forwarded to the executive director, along with an accounting that includes amount, date received, from whom, purpose and limitation on use of the funds. The executive director administers any funds received; and be it further

Sec. 10. Appropriations and allocations. Resolved: That the following appropriations and allocations are made.

LEGISLATURE

Study Commissions - Funding

Initiative: Provides a base allocation from the Federal Expenditures Fund in the amount of $500 in the event grants are awarded and other sources of funds are received to support the Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families.

Federal Expenditures Fund	2001-02	2002-03
All Other	$0	$500

Study Commissions - Funding

Initiative: Provides a base allocation from Other Special Revenue funds in the amount of $500 in the event grants are awarded and other sources of funds are received to support the Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families.

Other Special Revenue Funds	2001-02	2002-03
All Other	$0	$500

LEGISLATURE DEPARTMENT TOTALS	2001-02	2002-03
FEDERAL EXPENDITURES FUND	$0	$500
OTHER SPECIAL REVENUE FUNDS	0	500
DEPARTMENT TOTAL - ALL FUNDS	$0	$1000

APPENDIX B

List of members

COMMITTEE TO STUDY THE BENEFITS AND COST FOR INCREASING ACCESS TO FAMILY AND MEDICAL LEAVE FOR MAINE FAMILIES

Resolves 2001, Ch 115

As Of Thursday, July 25, 2002

Appointment(s) by the President

Sen. Betheda G. Edmonds, Chair 122 Hunter Road Freeport, ME. 04032	Senate Member
David Brenerman UNUM Provident / Government Relations 2211 Congress Street, P318 Portland, ME 04122-0545	Representing Employers in the Insurance Industry
Ms. Jean Dellert PO Box 67 Gardiner, ME 04345	Representing Senior Citizens
Joseph Derouche 9 Kimball Street Mexico, Maine 04257	Representing Municipal Employers
Laura A. Fortman Maine Women's Policy Center PO Box 85 Hallowell, ME 04347	Representing a Woman's Group
Mary Mayhew Maine Hospital Association 150 Capitol St. Augusta, ME 04330	Representing Employers in Health Care Industry
Ned McCann ME AFL-CIO PO Box 1072 Augusta, ME 04332	Representing a Statewide Organization Representing Labor

Appointment(s) by the Speaker

Rep. Gerald M. Davis, Chair 15 Hamlin Road Falmouth, ME 04105	House Member
Ms. Lu Bauer PO Box 457 Windham, ME 04062	Representing Small Business
Mrs. Nancy Kelleher, Director Sweetser – Government Relations 50 Moody Street Saco, ME 04072-0892	Representing Large Business
Christine Hastedt Maine Equal Justice Project P.O. Box 5347 Augusta, ME 04332	Representing Low-income Advocates
Ms. Elizabeth Mahoney 9 Longmeadow Road Cumberland, ME 04110	Representing Parents

Ms. Patti Wooley
KVCAP
101 Water Street
Waterville, ME 04901

Representing Child Care Organizations

Commissioner of Dept. of Labor or Designee

Laura Boyett
Director of the Bureau of Unemployment
54 State House Station
Augusta, ME 04333-0054

President, Maine State Chamber of Commerce

Peter Gore
Maine State Chamber of Commerce
7 University Drive
Augusta, Maine 04330

Designee, Representing the Maine State Chamber of Commerce

Staff: Lisa Baldwin, OPLA, 287-1670

APPENDIX C

State Temporary Disability Insurance programs

Appendix C -- State Temporary Disability Insurance Program Components:

	California	Rhode Island	Hawaii	Puerto Rico	New Jersey	New York
Private or state plans	State or private plan	State plan only	Private plans only (insured or self-insured)	State or private plan	State or private plan	State plan or private plan (insured or self-insured)
Employee contribution	.9% of wages and salaries up to $31,676	1.5% of wages up to $44,000	Up to .5% of weekly wages or 50% of costs (1999). Maximum of $3.14/week	Not more than ½ the premium, which is up to .6% of 1st $9,000. (1999)	.5% of wages up to $20,200	.5% of wages not to exceed 60 cents per week. Employers pay the balance
Employer contribution	None mandated. Employer may contribute toward the cost	None mandated	Employer must pay at least half of cost, and may pay entire cost of the plan	Half or up to full premium of .6% of 1st $9,000 of annual earnings	New employers must pay same rate as employees (.5%of taxable wage). This may change based on benefit experience	Balance of costs for "standard" plans; share of state's admin. costs
Employers covered	All employers with one or more employees; optional for public entities, public schools, and self-employed individuals	All private employers; optional for local government; state and federal govt. are exempt.	All employers with or more employees; federal govt. exempt	All employers with one or more employees	All employers with one or more employees; optional for local governments	All employers with one or more employees
Workers excluded	Most jurisdictions excluded coverage of nonprofit orgs, government entities, railroads, students and domestic workers					
Eligibility: minimum earnings	Earned $300 in the past year	Earned $6780 in the past year[1]	Worked at least half-time for 14 weeks.		Earned a total of $8700 or worked for 20 weeks earning at least $144 per week.	Worked for at least 4 weeks.
Weekly benefit range	55% of previous wage up to $490 per week	4.62% of high quarter wages up to $504.[2]	58% of previous wage up to 121% of the state average weekly wage		Two-thirds of previous wage up to $401 per week.	50% of previous wage up to $170 per week.
Duration of benefits	52 weeks	30 weeks	26 weeks	26 weeks	26 weeks	26 weeks
Waiting period	7 days	7 days – payment for that period can made retroactively if person has 28 consecutive days of disability	7 days	7 days	7 days – payment for that period can be made retroactively if individual is eligible for during the 7 day period and for 3 additional weeks	7 days
Disqualifying income	Unemployment insurance or voluntary disability benefits	Workers compensation	Workers compensation, unemployment insurance and any other payments.	Pension or retirement income; employer-related income	Unemployment compensation or any other state or federal disability benefits, income for work, pension income	Workers compensation, unemployment compensation or sick pay.
Other benefits	**All states** cover maternity disability for 6 to 10 weeks.			Death benefit of $4,000 is person dies while receiving disability benefits due to the disability	Maternity disability may start up to 4 weeks prior to delivery date	

1 Workers who meet all of the following conditions also may qualify: 1) earned at least $1130 in one base period quarter (3 months); 2) earned total base period (1 year) wages of at least 1.5 times one's highest single quarter earnings; and 3) earned total base period wages of at least $2260

2 Workers may also receive a dependent allowance equivalent to the greater of $10 or 7% of weekly benefit, per child

APPENDIX D

Cost Comparison of State Temporary Disability Insurance progams

Rhode Island State TDI program coverage and costs -- 2001[1]

Average Annual Covered Employment	415,000
Average weekly benefit	$303.00
Average benefit duration (weeks)	12.5
Total Program Cost	$142,862,327
Annual Cost per employee	$344
% of administrative costs	4.9%
Maximum number of weeks	30 weeks

Comparison of state-operated versus private plan TDI costs -- 1998[2]

State	California	New Jersey	Puerto Rico	Rhode Island
Total **state** costs (millions)	1790.4	347.1	8.4	109.6
Total **private** costs (millions)	176	135.2	3.3	--
Annual **State** Cost/employee	$157	$130	$47	$280
Annual **Private** Cost/employee	$322	$203	$8	--
State Admin. $ as % of Total	8.1%	8.1%	27%	5.3%
Private Admin. $ as % of Total	15.9%	1.3%	6%	--
Avg. **state** weekly benefit	$229.7	$282	$89	$263.00
Avg. **private** weekly benefit	$352.06	N/a	$91	--
Avg. **state** benefit Duration (weeks)	12.14	N/a	8.46	9.6
Avg. **private** benefit duration (weeks)	10.46	N/a	7.99	--

[1] Rhode Island Dept. of Labor and Training, Temporary Disability Program, 2001 report
[2] From Social Security Bulletin – Annual Statistical Supplement (2001)

APPENDIX E

Cost/benefit analysis results: Economists – California Study

Economists -- California Study: Assumptions for Cost/Benefit Scenarios

Scenario 1 (Most inclusive):

- Entire workforce is covered – no FMLA or UI workplace requirement.
- 20 hour per week eligibility requirement (1,040 hours per year)
- 12 weeks maximum duration
- Average benefit is $201 (maximum of $283/week)
- 6 -- 10% administrative costs

Scenario 2:

- Entire workforce is covered – no FMLA or UI workplace requirement.
- 24 hour per week eligibility requirement (1,250 hours per year)
- 12 weeks maximum duration
- Average benefit is $201 (maximum of $283/week)
- 6 -- 10% administrative costs

Scenario 3:

- FMLA employers (50 or more employees) are covered.
- 20 hour per week eligibility requirement (1,040 hours per year)
- 12 weeks maximum duration
- Average benefit is $201 (maximum of $283/week)
- 6 -- 10% administrative costs

Scenario 4 (Least inclusive):

- FMLA employers (50 or more employees) are covered.
- 24 hour per week eligibility requirement (1,250 hours per year)
- 12 weeks maximum duration
- Average benefit is $201 (maximum of $283/week)
- 6 -- 10% administrative costs

SCENARIO 1	LOWER	LOWER	LIKELY	UPPER
	Parental	All Leaves	All Leaves	All Leaves
With 7 day Waiting Period				
Cost Side				
TOTAL LEAVES (RAW: 19months sample, 1999)	7,792	37,744	54,588	76,294
No. 1999 12months	4,921	23,838	34,477	48,186
Aggregate Growth of Employment (1999 to 2002)	0.03	0.03	0.03	0.03
No. 2002 12m	5,062	24,522	35,465	49,567
Maine Relative Birth Rate	0.73			
UI Workforce ? ("0" or "1")	0	0	0	0
FMLA Establishment Size Coverage Req ("0" or "1")	0	0	0	0
FMLA Hours Eligibility Requirement ("0" or "1")	0	0	0	0
Alternative 20 Hours + Eligibility Requirement ("0" or "1")	1	1	1	1
FINAL COVERAGE RATE (Prop. Of Civ. Workforce)	**0.86**	**0.86**	**0.86**	**0.86**
Total Covered & Eligible Leaves (2001)	3,185	19,851	28,475	42,451
Maximum Duration of Paid Leave ("6","9", or "12")	12	12	12	12
Average Duration of Leave	7.6	5.0	5.9	6.2
Average weekly benefits	$201	$201	$201	$201
(12/22 wage replacement; $283 weekly cap)			28,475	
Subtotal Cost	$4,865,943	$20,015,189	$33,888,622	$52,976,132
ADM COST PERCENT	0.06	0.06	0.08	0.1
ADM COST	$291,957	$1,200,911	$2,711,090	$5,297,613
Total Cost	**$5,157,899**	**$21,216,100**	**$36,599,712**	**$58,273,745**
Size of Civilian Workforce(2002)	438,233	438,233	438,233	438,233
Total Num. Employees Cov. & Elig.	375,322	375,322	375,322	375,322
Costs/week per employee	**$0.26**	**$1.09**	**$1.88**	**$2.99**
Costs/month per employee	**$1.06**	**$4.35**	**$7.50**	**$11.94**
Costs/year per employee	**$13.74**	**$56.53**	**$97.52**	**$155.26**
Benefits Side				
Savings to the Private Sector				
Differential Return Probabilities	**0.114**			
Turnover Costs	**$1,100**			
Annual Savings From Reduced Turnover	**$634,818**	**$3,129,674**	**$4,767,013**	**$6,870,840**
Savings to Government				
Differential Takeup of Public Assistance	**0.053**			
Mean Benefit For Public Assistance	558			
Annual Savings From Drop in Public Assistance	**$94,204**	**$354,764**	**$591,155**	**$964,123**

SCENARIO 2	LOWER	LOWER	LIKELY	UPPER
	Parental	All Leaves	All Leaves	All Leaves
With 7 day Waiting Period				
Cost Side				
TOTAL LEAVES (RAW: 19months sample, 1999)	7,792	37,744	54,588	76,294
No. 1999 12months	4,921	23,838	34,477	48,186
Aggregate Growth of Employment (1999 to 2002)	0.03	0.03	0.03	0.03
No. 2002 12m	5,062	24,522	35,465	49,567
Maine Relative Birth Rate	0.73			
UI Workforce ? ("0" or "1")	[redacted]	0	0	0
FMLA Establishment Size Coverage Req ("0" or "1")	[redacted]	0	0	0
FMLA Hours Eligibility Requirement ("0" or "1")	[redacted]	1	1	1
Alternative 20 Hours + Eligibility Requirement ("0" or "1")	[redacted]	0	0	0
FINAL COVERAGE RATE (Prop. Of Civ. Workforce)	0.82	0.82	0.82	0.82
Total Covered & Eligible Leaves (2001)	3,050	19,006	27,264	40,645
Maximum Duration of Paid Leave ("6","9", or "12")	[redacted]	12	12	12
Average Duration of Leave	7.6	5.0	5.9	6.2
Average weekly benefits	$201	$201	$201	$201
(12/22 wage replacement; $283 weekly cap)			27,264	
Subtotal Cost	$4,658,881	$19,163,479	$32,446,553	$50,721,829
ADM COST PERCENT	[redacted]	0.06	0.08	0.1
ADM COST	$279,533	$1,149,809	$2,595,724	$5,072,183
Total Cost	**$4,938,414**	**$20,313,288**	**$35,042,277**	**$55,794,011**
Size of Civilian Workforce(2002)	438,233	438,233	438,233	438,233
Total Num. Employees Cov. & Elig.	359,351	359,351	359,351	359,351
Costs/week per employee	**$0.26**	**$1.09**	**$1.88**	**$2.99**
Costs/month per employee	**$1.06**	**$4.35**	**$7.50**	**$11.94**
Costs/year per employee	**$13.74**	**$56.53**	**$97.52**	**$155.26**
Benefits Side				
Savings to the Private Sector				
Differential Return Probabilities	**0.114**			
Turnover Costs	**$1,100**			
Annual Savings From Reduced Turnover	**$634,818**	**$3,129,674**	**$4,767,013**	**$6,870,840**
Savings to Government				
Differential Takeup of Public Assistance	**0.053**			
Mean Benefit For Public Assistance	**558**			
Annual Savings From Drop in Public Assistance	**$90,195**	**$339,668**	**$565,999**	**$923,097**

SCENARIO 3	LOWER	LOWER	LIKELY	UPPER
	Parental	All Leaves	All Leaves	All Leaves
With 7 day Waiting Period				
Cost Side				
TOTAL LEAVES (RAW: 19months sample, 1999)	7,792	37,744	54,588	76,294
No. 1999 12months	4,921	23,838	34,477	48,186
Aggregate Growth of Employment (1999 to 2002)	0.03	0.03	0.03	0.03
No. 2002 12m	5,062	24,522	35,465	49,567
Maine Relative Birth Rate	0.73			
UI Workforce ? ("0" or "1")	0	0	0	0
FMLA Establishment Size Coverage Req ("0" or "1")	1	1	1	1
FMLA Hours Eligibility Requirement ("0" or "1")	0	0	0	0
Alternative 20 Hours + Eligibility Requirement ("0" or "1")	1	1	1	1
FINAL COVERAGE RATE (Prop. Of Civ. Workforce)	0.66	0.66	0.66	0.66
Total Covered & Eligible Leaves (2001)	2,453	15,285	21,926	32,688
Maximum Duration of Paid Leave ("6","9", or "12")	12	12	12	12
Average Duration of Leave	7.6	5.0	5.9	6.2
Average weekly benefits	$201	$201	$201	$201
(12/22 wage replacement; $283 weekly cap)			21,926	
Subtotal Cost	$3,746,776	$15,411,696	$26,094,239	$40,791,622
ADM COST PERCENT	0.06	0.06	0.08	0.1
ADM COST	$224,807	$924,702	$2,087,539	$4,079,162
Total Cost	**$3,971,582**	**$16,336,397**	**$28,181,778**	**$44,870,784**
Size of Civilian Workforce(2002)	438,233	438,233	438,233	438,233
Total Num. Employees Cov. & Elig.	288,998	288,998	288,998	288,998
Costs/week per employee	**$0.26**	**$1.09**	**$1.88**	**$2.99**
Costs/month per employee	**$1.06**	**$4.35**	**$7.50**	**$11.94**
Costs/year per employee	**$13.74**	**$56.53**	**$97.52**	**$155.26**
Benefits Side				
Savings to the Private Sector				
Differential Return Probabilities	**0.114**			
Turnover Costs	**$1,100**			
Annual Savings From Reduced Turnover	**$634,818**	**$3,129,674**	**$4,767,013**	**$6,870,840**
Savings to Government				
Differential Takeup of Public Assistance	**0.053**			
Mean Benefit For Public Assistance	558			
Annual Savings From Drop in Public Assistance	**$72,537**	**$273,169**	**$455,189**	**$742,375**

SCENARIO 4	LOWER		LIKELY	UPPER
	Parental	All Leaves	All Leaves	All Leaves
With 7 day Waiting Period				
Cost Side				
TOTAL LEAVES (RAW: 19months sample, 1999)	7,792	37,744	54,588	76,294
No. 1999 12months	4,921	23,838	34,477	48,186
Aggregate Growth of Employment (1999 to 2002)	0.03	0.03	0.03	0.03
No. 2002 12m	5,062	24,522	35,465	49,567
Maine Relative Birth Rate	0.73			
UI Workforce ? ("0" or "1")	0	0	0	0
FMLA Establishment Size Coverage Req ("0" or "1")	1	1	1	1
FMLA Hours Eligibility Requirement ("0" or "1")	1	1	1	1
Alternative 20 Hours + Eligibility Requirement ("0" or "1")	0	0	0	0
FINAL COVERAGE RATE (Prop. Of Civ. Workforce)	**0.63**	**0.63**	**0.63**	**0.63**
Total Covered & Eligible Leaves (2001)	2,348	14,635	20,993	31,297
Maximum Duration of Paid Leave ("6","9", or "12")	12	12	12	12
Average Duration of Leave	7.6	5.0	5.9	6.2
Average weekly benefits	$201	$201	$201	$201
(12/22 wage replacement; $283 weekly cap)			20,993	
Subtotal Cost	$3,587,339	$14,755,879	$24,983,846	$39,055,808
ADM COST PERCENT	0.06	0.06	0.08	0.1
ADM COST	$215,240	$885,353	$1,998,708	$3,905,581
Total Cost	**$3,802,579**	**$15,641,231**	**$26,982,553**	**$42,961,389**
Size of Civilian Workforce(2002)	438,233	438,233	438,233	438,233
Total Num. Employees Cov. & Elig.	276,700	276,700	276,700	276,700
Costs/week per employee	**$0.26**	**$1.09**	**$1.88**	**$2.99**
Costs/month per employee	**$1.06**	**$4.35**	**$7.50**	**$11.94**
Costs/year per employee	**$13.74**	**$56.53**	**$97.52**	**$155.26**
Benefits Side				
Savings to the Private Sector				
Differential Return Probabilities	**0.114**			
Turnover Costs	**$1,100**			
Annual Savings From Reduced Turnover	**$634,818**	**$3,129,674**	**$4,767,013**	**$6,870,840**
Savings to Government				
Differential Takeup of Public Assistance	**0.053**			
Mean Benefit For Public Assistance	558			
Annual Savings From Drop in Public Assistance	**$69,450**	**$261,544**	**$435,820**	**$710,784**

APPENDIX F

Cost/benefit Methodology: Economists – California Study

Documentation for the State of Maine's Cost Benefit Study on Paid Family Leave

There are four types of boxes on the spreadsheet: model parameters, input cells, implicit input, and output. Model parameters are parameters that we have calculated or which we supply and which are used in calculations. They are often state-specific demographic characteristics such as state fertility rates relative to the national fertility rate. Input cells are cells where the policy analyst can enter numbers which are relevant to cost-side estimation such as eligibility or maximum duration of leave. Implicit input are cells which are tied to input cells such as maximum duration of leave. The policy analyst enters the maximum duration of leave once in the input cell and then that number gets replicated in the implicit input cells. Output cells are just the output which the model calculates. The policy analyst has control over the input cells which include:

(1.) Size of the Workforce (Cell 26B): This can be obtained from the BLS or the Statistical Abstract of the US. It is a state parameter.
(2.) Administrative Cost Percentage (Cells 22B, 22G, 22L): This is the percentage of direct costs which are added on as administrative costs. This is an assumption of the model but the policy analyst can alter the assumption.
(3.) Maximum Duration of Paid Leave (Cell 17B): This is a policy parameter chosen by the policy analyst. It is the maximum length of leave which is funded by the state.
(4.) Alternative 20 Hours + Eligibility Requirement (Cell 14B): This cell is either a zero or a one. This takes on a value of one if the hours eligibility requirement instead of being the same as the FMLA requirement (24 hours) is actually 20 hours per week. It takes on a value of zero if the eligibility requirement is 24 hours or there is no eligibility requirement.
(5.) FMLA Eligibility Requirement (Cell 13B): This cell is either a zero or a one. If FMLA hours requirements (1250 hours in a company within the past calendar year or approximately 24 hours per week) are also a requirement for receiving benefits, this cell should be one; if not, it should be zero.
(6.) FMLA Establishment Size Requirement (Cell 12B): This cell is either a zero or a one. If FMLA establishment size requirements (more than 50 employees within a 75 mile radius) are a requirement for receiving benefits, this cell should be one; if not, it should be zero.
(7.) UI Workforce (Cell 11B): This cell is either a zero or a one. If only the population that pay into the UI system are eligible, then this cell takes on a value of one. Otherwise it takes on a value of zero.

The most important outputs are:

(1.) Total Cost (lines 24 and 65): this gives the total cost of paid family leave including administrative costs for a given scenario and set of policies.

(2.) Cost Per Employee Per Week/Month/Year (lines 28, 29, 30, 69, 70, and 71): These are just the total cost numbers broken down per employee per unit of time.
(3.) Annual Savings from Reduced Turnover (lines 36 and 77): This is the amount of annual savings to firms from reduced turnover due to a paid family policy.
(4.) Annual Savings From Drop in Public Assistance (lines 41 and 82): This is the amount of annual savings to government from reduced usage of public benefits due to paid family leave.

Estimation of the Cost Side

Costs are calculated by multiplying the take-up rate[1] by the covered and eligible employees (lines 9 and 51) by the mean benefit per employee per month (lines 19 and 60) by the mean length of time on aid (lines 18 and 59). The costs are listed in total amounts (lines 24 and 65), cost per employee per week (lines 28 and 69), cost per employee per month (lines 29 and 70), and cost per employee per year (lines 30 and 71).

$$AnnualCost = Takeuprate * AvgLength * AvgBenefit * CoveredLaborforce$$

Take-up Rate Estimation: Take-up rates are estimated from the Department of Labor Data Set. First, we broke leaves up into three types: self, parental, and other[2]. For each type of leave, we calculate the take-up rate first by looking at the proportion of the population who took unpaid leaves. Next, we add the proportion of people who stated that they would have liked to have taken paid leave but were unable due solely to financial reasons. However, the percentage of the population taking up paid family leave would most likely be higher than just the people who would have liked to take leave but were unable due to financial reasons. Some people who are currently using vacation time, sick time, personal days, or other types of employer-granted leave would most likely switch from using their sick or vacation days to paid family leave. Unfortunately, we do not have a data which allows to figure out how many people will substitute between their current ways of financing paid family leave and state-provided paid family leave insurance. We do have data on current ways in which family leave is financed (sick days, personal days, temporary disability insurance, parental leave, vacation time, self-financed and other benefits). We use this information to construct our three scenarios (upper, middle, and low estimates) about how many people are likely to switch from currently funded privately paid leave to publicly paid leave. We add (1) the proportion of the population taking unpaid leaves, (2) the proportion of population who state that they would have taken leave if they received some pay during leaves, and (3) *a subset* of the proportion of people who currently finance their leaves using benefits such as vacations or sick days. More information on the precise assumptions for each scenario are described in the appendix below. Note that for maternity/paternity leave, we have adjusted the national take-up rate by the ratio of the state fertility rate to the national fertility rate. This is

[1] The take-up rate is just the percentage of covered people who use the policy.
[2] Other leaves refers to those family leaves which are neither for an individual's own illness nor for the illness or welfare of a child. These leaves include ones taken for spouses and parents.

done in order to take into account differences across states in fertility behavior. Fertility rates are available on the web in the Statistical Abstract of the United States.

Average Length of Leave: We have to calculate average number of weeks of publicly provided paid family leave taken per person taking a leave. First, we use the Department of Labor Survey to find out how long paid leaves currently are. We have average leave lengths by type of leave. However, leave lengths under a paid family leave program would not be the same on average as for people currently taking leave. First, people currently taking leave are most likely using fully paid leave; if PFL were partially funded, PFL leave lengths would likely be less[3]. This would lead us to overstate leave length. On the other hand, some of those taking leave are not being paid at all and these lengths likely would lengthen as a result of a public PFL program. Lastly, there is the group of people who are currently not taking leave but would take leave if it were paid. These potential leave-takers on average would probably take leaves less long than those who are currently taking leave because they are more likely to be worried about financing. However, we do not have the data to settle these questions. Instead, we again use three scenarios. We did use the DOL survey to see how much longer leave lengths are within the group who claim to be financially constrained for those with at least partially paid leave as opposed to those without any paid leave. We found that this difference in length was 50%. We utilize this difference, and alternative assumptions about *further* increase in leave length as a result of availability of pay in the three scenarios (see appendix below). We calculate average *paid* leave length for each type of leave as the current average length plus scenario adjustments, for up to the maximum number of weeks of paid leave afforded by the policy.

Average Benefit: The average benefit level is the average amount that a person who takes paid family will receive per week. This amount is estimated using three different pieces of information: (1.) the state distribution of income conditional of demographics of leave takers, (2.) the wage replacement rate, and (3.) the cap on benefits. We utilize the demographic breakdown of leave takers using the DOL survey, which is combined with data from the Current Population Survey to construct a distribution of wages conditional on the demographic characteristics of the leave takers. . Using the wage replacement rate and the benefit cap (provided by the policy analyst in the spreadsheet), the average benefit level is calculated.

Covered and Eligible Labor Force: The covered labor force is just the number of people who are covered by the policy. This number is calculated by multiplying the labor force in the state by the coverage rate (i.e., fraction of the workforce working in covered establishments), the eligibility rate (i.e., fraction of the workforce with sufficient hours to qualify for PFL), and one plus the population growth rate to the power of the number of years in between the year of data on the labor force and the year for which the costs are being predicted:

$$CoveredLabor = Laborforce * Eligibilityrate * Coveragerate * (1 + popgrowthrate)^N$$

[3] Note that it is quite likely that those who would switch to PFL might continue to supplement PFL with other forms of employer-provided fully paid leaves.

Administrative Costs: Administrative costs are added to the cost of the program. We assume this is some additional percentage of the direct costs of supplying the insurance. The policy analyst can decide upon what percentages are most appropriate for each of the three scenarios (low, medium, and high).

Estimation of the Benefit Side

There are two components to calculating the benefits side: benefits accruing to firms and benefits accruing to the government.

Turnover Costs Savings to Firms: The benefit accruing to firms which we look at is savings due to reduced turnover costs. Workers are less likely to leave a job if they get paid leave with the job. The total savings to firms is equal to the number of leaves multiplied by the number of people who don't quit their jobs due to the paid family leave policy multiplied by the cost per person to the firm of turnover:

$$CorporateSavings = Numberofleaves * Changeinreturnrate * Costsperpersonofturnover$$

The explanation for how the number of leaves are obtained is reviewed above. The change in the return rate due to paid family leave is calculated by looking at the average difference in return rates between workers with at least partially paid family leave and workers without any paid family leave. This differential is reported in lines 39 and 80. The costs per person of turnover are derived from the 1990 Small Business Employee Survey. It is an old study and the lowest cost estimate for turnover we could find. Therefore, these numbers are almost certainly a lower bound estimate of the per person costs of turnover. Other numbers can be entered in the place of the $1100 per person cost.

Public Benefits Reductions Savings to Government: The savings to governments is equal to the change in percentage using public benefits due to paid family leave multiplied by the number of people taking leaves multiplied by the average benefit level:

$$Govsavings = Numberofleaves * Changeinuserate * Averagepublicbenefitslevel$$

The calculation to obtain the number of leaves is described above. The change in the use rate of public benefits is obtained from the DOL survey. The change is the average difference (across demographic groups) in the percentage of people using public benefits while on paid family leave for those with at least partial pay as compared with those receiving no pay. Using the CPS, we then figure out for those using public benefits while on family leave, which benefits they use and how much of each benefit they use. We then take the average amount of benefit received while on family leave for each type of benefit and come up with the average public benefit for someone on paid family leave. We then multiply this average public assistance benefit level by the change in the usage rate of public benefits due to paid family leave and the number of total leaves to obtain our public sector cost savings estimate.

Detailed Scenario Descriptions

Scenario A: Estimate for Likely Outcome

- Those using SDI, Parental Leave will not use PFL. *All* those using vacation-time, Sick Days and Personal Days, and other benefits will switch to PFL if they are receiving *partial* wage replacement today. A *third* of those using these benefits will switch if they are getting *full* wage replacement today
- Leave length will rise for those who were unable to take longer leaves due to financial reasons – differentially depending on whether they currently receive some pay or not.
- Needers who cite financial constraints will take up PFL; their average leave lengths are predicted using demographic information and leave types

Scenario B: Lower Estimate

- Those who are currently getting wage replacements will not switch to PFL
- Leave Length will remain the same
- Needers who cite financial constraints will take up PFL; their average leave lengths are predicted using demographic information and leave types

Scenario C : Upper Estimate

- Those using SDI, Parental Leave will not use PFL. *All* those using vacation-time, Sick Days and Personal Days, and other benefits will switch to PFL if they are receiving *partial* wage replacement today. *Two-third* of those using these benefits will switch if they are getting *full* wage replacement today
- Leave length will rise for all – differentially depending on whether they currently receive some pay, and whether they indicate financial constraints on length of leave
- Needers who cite financial constraints will take up PFL; their average leave lengths will be same as current leave takers.

APPENDIX G

“The Cost of Paid Family and Medical Leave in Maine”
Institute for Women’s Policy Research

The Cost of Paid Family and Medical Leave in Maine

Report to the Committee to Continue to Study the Benefits and Costs
for Increasing Access to Family and Medical Leave for Maine Families

Vicky Lovell, Ph.D.
Institute for Women's Policy Research
December 11, 2002

The Institute for Women's Policy Research, working with the Labor Resource Center of the University of Massachusetts Boston, has constructed an econometric model for estimating the cost of paid family and medical leave polices. This paper presents findings based on this model about the cost of paid family and medical leave in Maine. These estimates should be useful for:

- identifying the likely range of costs for paid family and medical leave in Maine;
- illustrating how costs will vary with different usage rates (different levels of program participation); and
- comparing the impact of different policy parameters, such as eligibility criteria and employer size thresholds.

Estimating the Cost of Paid Family and Medical Leave

The ideal method of developing estimates of the cost of a paid family and medical leave program would be to evaluate the experiences of workers who have such a program available and adapt that data to another state's workforce and paid leave proposal. Since there are currently no states with universal paid leave programs, there are no data documenting what decisions workers would make in the context of a universal paid leave program.[1] Our model employs the best available data about workers' need for and use of family and medical leave and information about Maine's workforce, incorporating a number of assumptions about program participation.

The model uses two datasets prepared under the direction of the U.S. Department of Labor.

1. A survey of employees and employers conducted in 2000, *Balancing the Needs of Families and Employers* (Cantor et al. 2001), provides information about workers who needed to take family and medical leave: whether they took a leave (or more than one leave), whether they received pay from their employers during their leaves, how long their leaves were, whether they would have taken a longer leave if they had received more pay during their

[1] In September 2002, California Governor Gray Davis approved new legislation that expands California's mandatory temporary disability insurance program with paid family leave. The program will begin in January 2004, with the first payments scheduled to be made in July 2004.

leave, etc. (The survey was conducted to evaluate the federal Family and Medical Leave Act of 1993 (FMLA).) The dataset also has information about workers' demographic characteristics, which are assumed to be significant in determining their experiences in needing and taking leave.[2]

2. Data about workers in Maine is obtained from the March Annual Demographic Supplement of the Current Population Survey (CPS). This dataset contains detailed information about individuals' work experiences and demographic characteristics. Three years of CPS data (the 1999, 2000, and 2001 surveys, which contain data for 1998 through 2000) are combined to create a larger sample.[3]

The model works by evaluating the demographic and employment characteristics of each person in the CPS dataset and simulating, or hypothesizing, whether each person would have a need to take family and medical leave and then predicting whether the worker would choose to take a leave, would receive any pay from her or his employer during the leave, and would elect to participate in the universal program, and how long leaves would last. The predictions are made by calculating probabilities that an individual with specified characteristics would experience certain leave- and employment-related circumstances. The model uses these probabilities and a random number generator to assign each individual to one path among a series of potential paths representing leave-related experiences and decisions.

The model can be modified to reflect the specific parameters of paid family and medical leave proposals, including earnings and work hours eligibility criteria, the wage replacement rate, the maximum benefit amount, the maximum length of leave, payment of dependent allowances, and the presence of a waiting period during which no benefits would be paid. It also allows the user to set three other estimation parameters.

1. The take-up or program participation rate: Social programs rarely have a 100 percent take-up rate. Some eligible individuals fail to receive benefits because they are not aware of a program or choose not to apply. (For instance, only 60 percent of all employees have heard of the federal FMLA (Cantor et al.).) In addition, program participation may be lower in the first years of a new policy, before it becomes familiar to workers. We produced three sets of estimates for some program outcomes, assuming that 40 percent, 67 percent or 80 percent of eligible workers will participate fully in the program and receive all the benefit payments to which they are entitled. (The 40 percent take-up rate is presented as a representation of possible participation in the initial years of the program.)

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[2] Our model uses some combination of the following demographic characteristics to predict leave behavior for each type of leave, depending on the variables' significance in affecting behavior related to the specific type of leave: age, age squared, parent status, educational achievement, family income, marital status, hourly or wage-and-salary worker, race, and ethnicity.

[3] The estimates presented here also reflect a statistical "cloning" technique that replicates each person in the Maine sample 31 times for use in the model's simulator, to improve the model's predictive accuracy.

2. Workers' decisions about whether and how to participate in the program depend on benefit programs their employers offer. If an employer provides more generous benefits than the program would (for example, full salary payable through a sick leave program), a worker may choose to use that program rather than the new universal paid leave program. Some may receive pay under both programs, for different portions of their leave. Our model simulates workers' choices about which program(s) to participate in, based on data from *Balancing the Needs of Families and Employers.*

3. Some workers may take a longer leave under a universal paid program than they would if they did not receive any pay during their leave. We allow leave lengths to be extended for certain leave circumstances when workers choose to participate in the paid leave program.

Additional information describing the model will be available in two reports to be published by the Institute for Women's Policy Research and the Labor Resource Center of the University of Massachusetts Boston, tentatively titled *Cost of Family and Medical Leave Programs in the States: Model and Model Documentation* (by Alan Clayton-Matthews and Randy Albelda) and *Estimating the Costs and Benefits of Paid Family Leave in Massachusetts* (by Randy Albelda, Alan Clayton-Matthews, and Tiffany Manuel).

The Cost of Paid Family and Medical Leave in Maine

We estimated the cost of a new paid family and medical leave program in Maine with a maximum of 12 weeks of benefits (with a one-week unpaid waiting period) for workers with a serious health condition, with a pregnancy- or maternity-related medical disability, caring for a newborn, newly adopted, or newly placed foster child, or providing care for a child, spouse, or parent with a serious health condition. (We separate pregnancy- and maternity-related medical disability from parental or "new child" leave, which may be taken by fathers as well as mothers and by adoptive and foster parents.) The estimates reflect a benefit payment rate of 50 percent of earnings (to a maximum of $273 per week, 50 percent of Maine's average weekly wage) for workers meeting the FMLA work hours eligibility criterion (1,250 hours annually) who worked at least 26 weeks in the previous year. For all leaves except maternity disability and new child, workers must visit a doctor or have a hospital stay (to establish medical eligibility). A dependent allowance of $10 per dependent child per week (the amount provided under Maine's Unemployment Insurance system) was also calculated. (The program parameters are summarized in Table 1.)

The estimates are for a program that does not have an employer size threshold. Estimates are presented for three groups of employers, based on size: less than 15 employees, 15 to 49 employees, and 50 or more employees (the federal FMLA threshold).[4] (Maine's Family and Medical Leave law covers workers in firms with 15 or more employees.)

Table 1. Policy Parameters for Paid Leave Cost Estimates

Eligible workforce	FMLA work hours threshold (1,250 annually); 26 weeks of employment in the previous year; saw a doctor or had a hospital stay for all leaves except maternity disability and new child; no employer size restriction
Covered activities	Serious illness/health condition of self, child, spouse, or parent; care for newborn, newly adopted, or newly placed foster child; pregnancy and maternity disability
Replacement rate	50 percent of weekly earnings, with a maximum benefit of $273
Dependent allowance	$10 per week per dependent
Waiting period	One week
Maximum leave period	12 weeks

Total estimated benefit payments under this program are $14.1 to $27.8 million annually, depending on the take-up rate (Table 2). Annual benefit payments for employees in firms with less than 15 employees are estimated at $1.9 to $4.1 million; for employees in firms with 15 to 49 employees, $1.4 to $2.9 million; and for those in large firms (50 or more employees), $10.8 to $20.9 million.[5]

Table 2. Estimated Total Annual Benefit Payments, by Employer Size, Leave Type, and Program Participation Rate

Panel A. 40 Percent Program Participation Rate

	Total annual benefit payments ($ million)			
	Employer size: number of employees			
Type of leave	less than 15	15 to 49	50 or more	**Total[1]**
Own health	1.1	0.9	6.5	8.4
Maternity disability	0.4	0.1	1.1	1.6
New child	0.3	0.2	1.4	1.9
Ill child	0.1	0.1	0.5	0.6
Ill spouse	0.1	0.0	0.4	0.5
Ill parent	0.1	0.1	0.9	1.1
Total[1]	1.9	1.4	10.8	14.1

[4] The model uses CPS data on *employer* size, while FMLA eligibility is based on *establishment* size. Because employer size is at least equal to establishment size and may be greater, our estimates are likely to overstate eligibility for paid leave and therefore overestimate program costs.
[5] Although the majority of Maine firms are small—89 percent have fewer than 20 employees—most employees work for larger establishments (69 percent of private-sector workers are employed by firms with total employment of 20 or more employees; U.S. Census Bureau 2002).

Panel B. 67 Percent Program Participation Rate

Type of leave	Total annual benefit payments ($ million)			
	Employer size: number of employees			
	less than 15	15 to 49	50 or more	**Total**[1]
Own health	1.6	1.2	10.4	13.1
Maternity disability	0.5	0.4	1.7	2.5
New child	0.7	0.5	2.4	3.6
Ill child	0.1	0.1	0.8	1.1
Ill spouse	0.1	0.1	0.6	0.8
Ill parent	0.3	0.2	1.5	1.9
Total[1]	3.2	2.4	17.4	23.0

Panel C. 80 Percent Program Participation Rate

Type of leave	Total annual benefit payments ($ million)			
	Employer size: number of employees			
	less than 15	15 to 49	50 or more	**Total**[1]
Own health	1.9	1.8	12.6	16.3
Maternity disability	0.6	0.2	2.1	2.8
New child	1.0	0.5	2.9	4.4
Ill child	0.2	0.1	1.0	1.3
Ill spouse	0.1	0.1	0.6	0.8
Ill parent	0.2	0.2	1.8	2.2
Total[1]	4.1	2.9	20.9	27.8

Panel D. Summary: Total Benefit Costs by Program Participation Rate

Program Participation Rate	Total annual benefit payments ($ million)	
	Employer size: number of employees	
	All employers	15+ employees
40 percent	14.1	12.2
67 percent	23.0	19.8
80 percent	27.8	23.7

[1] Row and column amounts may not sum to totals due to rounding.

Leaves for own health account for the majority of program costs: roughly 58 percent. This reflects the frequency of leave-taking for this circumstance compared to other leaves (Table 3) and the relative length of leaves for this circumstance (Table 4).

The average (median) estimated number of days for all leaves under this program is 12 work days (two weeks and two days) (Table 4). With a one-week unpaid waiting period, seven days of a 12-day leave would be paid. Leave lengths are expected to be the longest for maternity disability (50 work days, or 10 weeks). Own-health leaves will average 18 work days (two weeks and three days with program benefits). The median length of leaves to care for ill relatives is 10 days.

Table 3. Estimated Distribution of Leaves by Leave Type

Type of leave	Percent of All Leaves[1]
Own health	48
Maternity disability	5
New child	15
Ill child	12
Ill spouse	5
Ill parent	15
Total[2]	100

[1] For 80 percent program participation rate. With a 40 percent or 67 percent participation rate, distributions vary by no more than one percentage point.
[2] Row amounts may not sum to total due to rounding.

For all leave types except maternity disability and new child, leaves under the paid program are expected to be somewhat longer than those for workers not participating in the program. Program participants are likely to take an additional eight days of leave for own-health circumstances and one more week for new child and ill relative leave.

Table 4. Estimated Average Leave Length, by Benefit Recipiency and Leave Type

	Median leave length (number of work days, including 5-day waiting period)[1]	
Type of leave	Receives benefits	Does not receive benefits
Own health	18	10
Maternity disability	50	50
New child	10	10
Ill child	10	5
Ill spouse	10	5
Ill parent	10	5
All	12	10

[1] For 80 percent program participation rate. Median leave lengths vary by no more than two days with participation rates of 40 percent and 67 percent.

The average weekly benefit payment under this program is estimated to be $231 (Table 5) during the weeks in which program benefits are received. (Workers participating in the program will not receive program benefits in all leave weeks, because they may choose to participate in employer leave programs for some weeks and may have some weeks with no benefits.) Weekly benefits are smaller for workers in smaller firms, because wages tend to be lower in smaller establishments (data not shown). Weekly benefit payments vary among leave types due to demographic and earnings differences among employees likely to use the program to take different kinds of leave.

Table 5. Estimated Average Weekly Benefits, by Leave Type

Type of leave	Mean weekly benefit[1]
Own health	$226
Maternity disability	221
New child	237
Ill child	235
Ill spouse	235
Ill parent	237
All	$231

[1] For weeks receiving program benefits; at 80 percent program participation rate.

Total benefit payments per leave will average $320 to $1,550, depending on the leave reason (Table 6) and the average earnings of workers taking a particular kind of leave. Total benefit payments are highest for the leave type with the longest average leave length—maternity disability—at $1,550 and lowest for ill child ($320).

Table 6. Estimated Average Total Benefits, by Leave Type

Type of leave	Mean benefit payment[1]
Own health	$ 960
Maternity disability	1,550
New child	810
Ill child	320
Ill spouse	430
Ill parent	430
All	$ 790

[1] For 80 percent program participation rate. Average benefits vary from these by no more than 20 percent with a 40 percent or 67 percent participation rate.

The total number of leaves is expected to be approximately 18,000 to 35,000 (Table 7), depending on the program participation rate.

Table 7. Estimated Number of Leaves, by Leave Type and Program Participation Rate

Type of leave	Number of leaves taken annually — Program participation rate: 40 percent	67 percent	80 percent
Own health	8,300	13,600	16,900
Maternity disability	1,100	1,600	1,800
New child	2,600	4,500	5,400
Ill child	2,100	3,500	4,100
Ill spouse	1,000	1,500	1,900
Ill parent	2,600	4,400	5,200
Total[1]	17,700	29,100	35,300

[1] Row amounts may not sum to totals due to rounding.

Impact of Imposing an Earnings Requirement on Program Participants

Using an 80 percent program participation rate, we calculated the costs of the program described above if an additional eligibility criterion of earnings of $3,120 were imposed (Table 8). We find that restricting the program in this way would not have a substantial impact on program outcomes, probably because so few workers would fail to meet the earnings standard.

Table 8. Comparison of Programs With and Without Earnings Eligibility Requirement, by Employer Size

Program outcome	No earnings requirement: 15+ employees	No earnings requirement: All	Earnings of $3,120 required: 15+ employees	Earnings of $3,120 required: All
Total annual benefit payments (millions)	$23.8	$27.8	$23.5	$27.7
Average weekly benefit payment	$131	$129	$131	$129
Average total benefit payment	$797	$788	$770	$771
Number of leaves	30,000	35,300	30,600	36,000

Summary

Using an econometric model that simulates workers' behavior under a paid family and medical leave program in Maine, we estimate that a program with FMLA work hours and weeks worked requirements, paying 50 percent of wages to a maximum of $273 per week, for a maximum of 12 weeks, would cost a total of $14.1 to $27.8 million per year in benefit payments, depending on the program participation rate. Benefit payments would average $231 per week and leave lengths would average 12 work days (seven days of paid leave). Total benefits paid per leave would be approximately $790. Funding this program would cost $21 to $42 per employee annually.

References

Cantor, David, Jane Waldfogel, Jeffrey Kerwin, Mareena McKinley Wright, Kerry Levin, John Rauch, Tracey Hagerty and Martha Stapleton Kudela. 2001. *Balancing the Needs of Families and Employers: Family and Medical Leave Surveys.* Washington, DC: U.S. Department of Labor. <http://www.dol.gov/asp/fmla/> (February 8, 2001).

U.S. Census Bureau. 2002. *Maine: 2000.* <http://www.census.gov/prod/2002pubs/00cbp/cbp00-21.pdf> (October 18, 2002).

APPENDIX H

"The Cost of Temporary Disability Insurance Program in Maine"
Institute for Women's Policy Research

Appendix H

The Cost of Temporary Disability Insurance in Maine

Report to the Committee to Continue to Study the Benefits and Costs
for Increasing Access to Family and Medical Leave for Maine Families

Vicky Lovell, Ph.D.
Institute for Women's Policy Research
December 23, 2002

The Institute for Women's Policy Research, working with the Labor Resource Center of the University of Massachusetts Boston, has constructed an econometric model for estimating the cost of paid family and medical leave polices.[1] At the Committee's request, we estimated the cost of a new Temporary Disability Insurance (TDI) program in Maine with the following program parameters:

Table 1. Policy Parameters for TDI Cost Estimates

Eligible workforce	Private-sector workers with earnings in 12 of the previous 52 weeks. (Due to data constraints, our estimates require 12 weeks of work in the previous calendar year.) Data on the cost of benefits for government workers are provided separately in Table 2.
Covered circumstances	Workers' serious non-job-related accidents and illness, including pregnancy- and maternity-related disability. (Pregnancy- and maternity-related disability program outcomes are presented separately, for purposes of comparison.)
Replacement rate	66.67 percent of average weekly earnings in the two highest-earning quarters of the previous 52 weeks, with a maximum benefit of $546 (the average weekly wage in Maine for worker's compensation purposes, as of July 1, 2002). (Due to data constraints, our estimates are based on average weekly earnings in the previous calendar year.)
Waiting period	One week, if disability lasts less than three weeks; none, if disability lasts three or more weeks.
Maximum leave period	26 weeks. (The proposal provided to us by the Committee establishes pregnancy- and maternity-related disability leave up to 12 weeks, plus two weeks of pre-delivery leave, or for the full period of disability if complications occur. Our estimate provides that pregnancy- and maternity-related disabilities will be covered for the actual period of disability to a maximum of 26 weeks, as are other circumstances.)

[1] Additional information describing the model will be available in two reports to be published by the Institute for Women's Policy Research and the Labor Resource Center of the University of Massachusetts Boston, tentatively titled *Cost of Family and Medical Leave Programs in the States: Model and Model Documentation* (by Alan Clayton-Matthews and Randy Albelda) and *Estimating the Costs and Benefits of Paid Family Leave in Massachusetts* (by Randy Albelda, Alan Clayton-Matthews, and Tiffany Manuel).

Maine's Family and Medical Leave law covers workers in firms with 15 or more employees. The estimates presented here are for a program that does not have an employer size threshold. However, our estimates are broken out for two groups of employers, based on size: less than 15 employees and 15 or more employees.

Total estimated annual benefit payments for private-sector workers under this program are $45 to $56 million annually, depending on the take-up rate (Table 2). Annual benefit payments for employees in firms with less than 15 employees are estimated at $6 to $7 million; for those in larger firms (15 or more employees), $39 to $49 million. Benefits for government workers are estimated at $3 to $4 million per year. A program covering both private-sector and government workers would incur annual benefit expenditures of $48 to $60 million, depending on the program participation rate.

Table 2. Estimated Total Annual Benefit Payments, by Employer Size, Employment Sector, Leave Type, and Program Participation Rate

Panel A. 67 Percent Program Participation Rate

	Total annual benefit payments ($ million)				
	Private employers				
	Employer size: number of employees				
Type of leave	Less than 15	15 or more	**Total[1]**	**Government**	**Total**
Own health	4.5	32.3	**36.9**	2.9	39.8
Maternity disability	1.2	6.5	**7.7**	0.4	8.1
Total[1]	5.8	38.8	**44.6**	3.3	47.9

Panel B. 80 Percent Program Participation Rate

	Total annual benefit payments ($ million)				
	Private employers				
	Employer size: number of employees				
Type of leave	Less than 15	15 or more	**Total[1]**	**Government**	**Total**
Own health	5.1	40.1	**45.2**	3.7	48.9
Maternity disability	1.7	8.8	**10.5**	0.5	10.9
Total[1]	6.7	49.0	**55.7**	4.2	59.8

[1] Row and column amounts may not sum to totals due to rounding.

The average (median) estimated number of days for all leaves under this program is 25 work days (five weeks) (Table 3). The median number of days with program benefits is 20 (four weeks). (Leaves lasting fewer than three weeks would include a one-week unpaid waiting period; longer leaves would not have an unpaid waiting period.)

Table 3. Estimated Average Leave Length and Number of Days With Program Benefits, by Program Participation Rate and Leave Type

Type of leave	Median leave length (days)		Median number of days with program benefits	
	67 percent PPR	80 percent PPR	67 percent PPR	80 percent PPR
Own health	20	20	19	18
Maternity disability	50	60	43	49
All	25	25	20	20

The average weekly benefit payment under this program is estimated to be $321 during the weeks in which program benefits are received (Table 4). (Workers participating in the program will not receive program benefits in all leave weeks, because they may choose to participate in employer leave programs for some weeks and may have some weeks with no benefits.) The median total benefit payment for those receiving some benefits is estimated to be $1,112 (half of all program participants would receive total benefits less than this amount and half would receive more than this); the mean is $2,235. Although average weekly benefits for pregnancy- and maternity-related disability are lower than for other health circumstances (because workers with pregnancy- and maternity-related disability are younger and have lower earnings than other workers, on average), total benefits for this circumstance are higher because leave lengths are longer (ten or twelve workweeks, depending on the program participation rate; Table 3).

Table 4. Estimated Average Weekly and Total Benefits, by Leave Type

Type of leave	Mean weekly benefit[1]	Median total benefit	Mean total benefit
Own health	$333	$ 970	$2,113
Maternity disability	245	1,829	2,972
All	$321	$1,112	$2,235

[1] For weeks receiving program benefits; at 80 percent program participation rate.

Benefit payments during the first week of leave (for participants with leaves lasting three weeks or longer) are estimated to total $4 to $5 million per year, depending on the program participation rate (Table 5).

Table 5. Benefit payments during the first week of leave

	67 percent PPR	80 percent PPR
Total first-week benefit payments (millions)	$4.2	$5.0

Comparison to actual benefit expenditures in states with TDI programs

The estimated per-worker annual cost of benefits under this program is $95. This is higher than actual per-worker benefit expenditures in New York and lower than payments in California, Hawaii, New Jersey, and Rhode Island (Table 6).

Table 6. Comparison of estimate to actual TDI expenditures

State	Per-worker benefit expenditures (1998)
Maine (estimate)	$ 95
California (state-operated fund)	145
Hawaii (private plans)	109
New Jersey (state-operated fund)	119
New York (private plans)	84
Rhode Island (state-operated fund)	265

Source: U.S. Social Security Administration, *Annual Statistical Supplement to the Social Security Bulletin, 2001*, Table 9.C1.

New Jersey's TDI program experienced 0.043 eligible claims per covered worker per year in 2001 (New Jersey Department of Labor, *Income Security Fact Card*). We estimate a new TDI program in Maine would have 25,000 eligible claims per year, or 0.040 eligible claims per covered worker (at a program participation rate of 80 percent).

APPENDIX I

Proposed Legislation

Sponsor: Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families
LA: Lisa Baldwin
File Name: G:\COMMITTEES\LAB\BILLDRFT\009101.doc
LR (item)#: 009101
Date: January 2, 2003

Title: Resolve, Directing the Labor Committee to Report out a Bill to Implement the Recommendations of the Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families

Sec. 1. Authority to report out a bill. Resolved: That the committee of the Legislature having jurisdiction over labor matters shall report out a bill during the first session of the 121st Legislature to implement the recommendations of the Committee to Continue to Study the Benefits and Costs for Increasing Access to Family and Medical Leave for Maine Families.

The committee recommends creating the Family Security Fund, a Temporary Disability Insurance program for Maine employees, to provide a source of income to employees while they are unable to work due to illness or maternity disability. The Family Security Fund would be housed within the Department of Labor. The program would include the following elements:

1. The maximum duration of leave under the program is 26 weeks.

2. Employers will have the option of selecting a state-operated program, or an equivalent or superior private plan with no additional cost to employees.

3. The employer must pay at least half of the premium and may pay the entire premium.

4. All private employers with one or more employees must participate; the program is optional for government entities.

5. Persons in family employment are excluded.

6. For an employee to be eligible for benefits, they must have had earnings in 12 of the previous 52 weeks.

7. The weekly benefit rate is 66 2/3% of the employees' average weekly wage in the highest two quarters in the last 52 weeks. The weekly benefit cap is 100% of the state average weekly wage.

8. There will be a maximum limit on employee payroll deductions of 90 cents per week. The actual amount of an individual employee's contribution up to

this cap will be determined by a sliding scale based on wages in accordance with rules promulgated by the Department of Labor.

9. Benefits will be reduced by unemployment insurance, workers compensation and sick pay. Benefits will not be reduced by other disability benefits, pension payments, and other earnings.

10. The waiting period is seven days; however, payment for the first seven days must be made retroactively if the disability lasts 3 weeks or more.

11. Maternity disabilities with no medical complications are covered for up to 12 weeks. If there are complications associated with a pregnancy, a disability will be evaluated by the same standards as any other disability and is covered for up to 26 weeks.

12. Maternity disabilities with no complications are covered for up to 2 weeks prior to delivery.

The committee further recommends that while an employee is receiving disability benefits, that employee's job would be protected. The Department of Labor will report back to the joint standing committee of the Legislature having jurisdiction over labor matters in three years to evaluate program effectiveness and consider including leave for the illness of a parent, child or spouse or the birth and adoption of a child.