Informing the Debate: Modeling Proposed Paid Family and Medical Leave Policies in Massachusetts
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Abstract
In Massachusetts there is considerable grassroots support to provide paid family and medical leave to those employees in the Commonwealth who lack it. Aside from the provisions of the federal Family Medical Leave Act (FMLA) of 1993, employers that fall under FMLA are not required to provide paid family and medical leave in Massachusetts. One current estimate shows 40 percent of Massachusetts workers are not covered under FMLA because they work for employers with fewer than 50 employees (Coalition for Social Justice, 2015). Noting the detrimental effect this lack of coverage has on public health and quality of life in Massachusetts, as well as the costs of so-called ‘presenteeism’ to employers, many different stakeholders have put forth proposals to institute paid family and medical leave programs in recent legislative history. The fate of these proposals has varied, and the obstacles that stand between these proposals and legislative implementation are considerable. One of those obstacles has been the potential cost of such a program. Through the U.S. DOL Women’s Bureau Paid Leave Analysis Grant, Massachusetts has undertaken research to help estimate the costs of proposed paid family and medical leave programs and inform key stakeholders, the legislature and the public about the costs and benefits of paid family and medical leave. Professors Randy Albelda (UMass Boston) and Alan Clayton-Matthews (Northeastern) have developed a micro-simulation model that estimates eligibility and benefit costs of proposed paid family and medical leave programs. The model will include several policy levers so that it can be used to estimate a variety of paid leave programs in Massachusetts, as well as in other states. The parameters of the model that simulate leave-taking behavior will be estimated from the U.S. DOL Family and Medical Leave survey conducted in 2012 and then the American Community Survey (ACS) will be used to estimate paid leave usage and costs. The model will allow policy makers to compare the current costs incurred by employees and employers with no paid family and medical leave program in place to those borne with a paid leave program in place. It also enables users to analyze the distribution of participation and program benefits by demographic characteristics of the population.

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Background

The United States still lags the developed world in providing paid family and medical leave to its working adults. Paid family and medical leave provides wage replacement for a worker when s/he temporarily leaves employment for an extended illness, birth or adoption of a new child, or care for a sick relative. Currently, only four states – California, New Jersey, Rhode Island and Washington – have passed legislation mandating some form of paid family and medical leave for workers who need to take time off to care for a loved one or themselves for an extended illness. Of those, only California, New Jersey and Rhode Island have actually funded and fully implemented the policies. The states that have been successful in implementing paid family leave programs are all states that have had longstanding temporary disability insurance (TDI) programs that have served as a foundation for extending paid family and medical leave benefits.¹ At least 5 other states, including Massachusetts, have laws pending in their legislatures exploring how to expand upon the protections of the federal Family and Medical Leave Act of 1993 (FMLA) and providing wage replacement for some period of time.² At the federal level, Senator Kirsten Gillibrand (NY) has introduced the Family and Medical Insurance Leave Act (FAMILY Act) to work toward a national paid family and medical leave policy.³

Literature Review

In Massachusetts there is considerable grassroots support to provide paid family and medical leave to those employees in the Commonwealth who lack it. Aside from the provisions of the federal FMLA,⁴ employers that fall under FMLA are not required to provide paid family and medical leave in

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¹ Hawaii and New York also have TDI programs and are both exploring expanding them to include paid family and medical leave. Puerto Rico also has a TDI program.

² In addition to Hawaii, New York, and Massachusetts, Colorado and Connecticut also have pending legislation. The state of Washington is also still working on how to move forward with implementing paid family and medical leave.

³ See https://www.congress.gov/bill/114th-congress/senate-bill/786

⁴ FMLA leave eligibility depends on working for an employer with 50 or more employees, having worked for that employer for at least a year and having worked at least 1,250 hours in the prior year. It allows for up to 12 weeks of unpaid, job protected leave for qualified medical and family reasons.
Nationwide, nearly two-thirds of workers receive some pay from their employers during a leave, often through paid sick, vacation or other paid time off, but those who do not are disproportionately low-wage workers (Klerman, Daley, & Pozniak, 2013; The Council of Economic Advisors, 2014). Only 12 percent of private sector workers have access to paid family leave from their employers (U.S. Department of Labor, 2015).

Why is paid family and medical leave important? First, women are more likely to be care givers and take leave. Wage replacement allows women to maintain earnings while on leave and also reduces the need to exit the labor force entirely to provide care. Women’s labor force participation has stagnated even as their share of contributions to household earnings have increased (The Council of Economic Advisors, 2014). Paid leave also increases men’s parental leave, which along with maintaining women’s earnings helps mitigate the gender wage gap. Parental leave also enhances bonding with children for both men and women, which has positive health effects on both children and parents (Ruhm, 2000; Heymann, 2001). In addition, caregiving for the elderly is a growing responsibility for families as the baby-boom generation ages. Nearly half of all caregivers for the elderly are also caring for young children, otherwise known as the “sandwich generation” (The Council of Economic Advisors, 2014). These caregivers are most often employed (78 percent) and working full-time (62 percent) (The Council of Economic Advisors, 2014).

Massachusetts has tried to pass paid family and medical leave legislation several times unsuccessfully. Currently, there are several bills pending in the Massachusetts General Court that would create a temporary disability insurance program in the state that would allow for paid family and medical leave, funded either through employer or employee contributions.\(^5\) The program would

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\(^5\) See H1718, H809 and S1008 in the 189\(^{th}\) Massachusetts General Court Session (2015-2016), [https://www.malegislature.gov](https://www.malegislature.gov). H1718 and S1008 would be financed through employer contributions, and H809 would be financed through employee contributions for family leave and employer contributions for temporary disability (own health) leave.
establish a trust fund managed by the state treasurer and administered by a new Division of Family & Medical Leave in the Executive Office of Labor and Workforce Development. The fund would cover an estimated 40 percent (1.2M) of Massachusetts workers not currently covered by FMLA because they work for companies with fewer than 50 employees. It would provide replacement for 66-95 percent of average weekly wages up to $1,000 per week, for up to 26 weeks for own disability and 12 weeks for family care. A statewide poll conducted in January 2015 found that nearly 73 percent of Massachusetts voters supported such program (Coalition for Social Justice, 2015). ‘Raise Up Massachusetts’ (RUP), a statewide grassroots campaign is also dedicated to the cause. RUP collected over 170,000 signatures from Massachusetts voters to put earned sick time on the ballot in November 2014, which was passed with overwhelming support. They are currently at work supporting the proposed paid family and medical leave proposals in the legislature (Raise Up Massachusetts, 2015). This, along with efforts by the City of Boston to extend paid parental leave to non-union workers and State Attorney General Maura Healey and State Treasurer Deborah Goldberg offering paid parental leave to their workers, offer reasonable evidence that extending some sort of paid family and medical leave program to the majority of working individuals in the Commonwealth may be feasible.

The obstacles that stand between proposals for paid family and medical leave and legislative implementation are considerable, including opposition from the business community. Business groups cite the cost to employers associated with extending paid leave as a major reason for opposition. They also insist that mandating the extension of paid leave or earned sick time benefits to employees will hamper their ability to make business decisions based on current economic circumstances and will hurt profitability. The 2012 Worksite Survey conducted by Abt Associates for the US Department of Labor found that most employers reported little negative feedback on the FMLA (Klerman, Daley, & Pozniak, 2013). A 2011 survey of employers in California found that over 90 percent reported either positive or no noticeable effects on profitability, turnover, and morale from their paid family and medical leave
program (Applebaum & Milkman, 2011). Some argue that the state level administrative costs to implementation would be too burdensome, though there has been limited research about what these costs could be, given that only states with TDI administrative structures in place have implemented paid family and medical leave to date. We have yet to learn about what the costs would be for a state implementing paid family and medical leave without a TDI infrastructure in place.

The research conducted through this grant substantially updates and revises a simulation model created in 2006 for the Institute for Women’s Policy Research and the Labor Resource Center at UMass Boston. The model will allow policy makers in Massachusetts and other states to compare the current costs incurred by employees and employers with no paid family and medical leave program in place to those borne with a paid leave program in place.

**Methods**

The research and analysis project Massachusetts conducted through the U.S. Department of Labor Women’s Bureau Paid Leave Analysis Grant program involved developing a micro-simulation model that estimates eligibility and benefit costs of proposed paid family and medical leave programs, with specific attention to the proposed Massachusetts program. However, the model includes several policy levers so that it can be used to estimate a variety of paid leave programs in Massachusetts as well as in other states.

The model bases estimates of program costs on actual known leave-taking behavior. Where this is not possible, the model provides users the ability to estimate a range of costs reflecting a range of reasonable assumptions about unknown aspects of behavior in the presence of a paid leave program. The model will enable users to analyze the distribution of participation and program benefits by demographic characteristics of the population, such as race/ethnicity, age, gender, and educational level of employees.
The parameters of the model that simulate leave-taking behavior are estimated from the U.S. Department of Labor’s Family and Medical Leave in 2012 survey (hereinafter referred to as the “DOL Survey”). This survey includes extensive information on the number and types of leaves taken, how long they were, whether and to what extent the employer provided pay while on leave, and whether or not some or additional pay while on leave would have resulted in a decision to take a leave or to have taken a longer leave. The survey includes several demographic characteristics related to leave-taking behavior, including sex, race and ethnicity, marital status, the presence of children, educational attainment, family income, and attributes about the job. These are used to estimate leave-taking behavior conditional on these demographic characteristics, such as the probability of needing a particular type of leave, taking a leave, getting paid for a leave, and extending a leave if some or more pay were received. The survey includes information on employers, which will be used to help condition leave-taking behavior on job characteristics.

The simulator also uses the American Community Survey (ACS) to estimate the number of eligible leave takers, program participants, and program costs. This survey is a large representative sample of the state’s households and individuals with a rich array of demographic characteristics that closely match those of the DOL survey, allowing the behavioral estimates from the DOL survey to be applied to the ACS. The ACS is of a sufficient sample size to yield reliable estimates at the state level. Where ACS data are not sufficient to produce a particular estimate, other data sources can be used to customize the model, such as the Current Population Survey (CPS).

The simulation model is a software application that “runs” each sample person from the ACS through the estimated behavioral models and sets of assumptions about leave-taking behavior. The flow of each person through the software mimics the sequence of decisions and events that a person makes and experiences in the leave process. This is an appealing aspect of simulation methodology since its
structural approach helps identify what assumptions are necessary in developing program cost estimates and at the same time clarifies the impact of these assumptions on the bottom line estimates.

Many of these events and decisions are probabilistic, with probabilities and distributions of outcomes – like the probability of needing and taking a leave and the length of the leave – conditional on individual demographic and job characteristics as estimated from the DOL survey. These random processes are the essence of the simulation technique, which directs each sample person along a path to the next event or decision in the leave-taking process, while at the same time storing the outcome in a dataset that can be analyzed as if it were a set of administrative records of the family and medical leave program, except with a full set of demographic information on both participants and non-participants. The model will provide a summary of the proposed program’s recipients, eligibles and costs, along with micro data sets that contain the simulator’s output for each sample person, giving the user complete flexibility to undertake detailed analyses of the distribution of the program’s impacts by demographics, incidence of costs and benefits, intensity of use, and so on. The model will allow policy makers to compare the current costs incurred by employees and employers with no paid family and medical leave program in place to those borne with a paid leave program in place.

Results

In 2006, findings from the simulation model using 2000 DOL Survey data and the CPS for 1999, 2000 and 2001, showed that with no paid family and medical leave program in place half of all leaves taken by workers in Massachusetts were for their own health, 22 percent were for taking care of a dependent child and 23 percent were for caring for another relative (Albelda & Clayton-Matthews, 2006). The average length of leave for one of these reasons was 5.4 weeks, with 33.8 percent of all

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family and medical leaves being unpaid. This highlights the need for paid leave to extend coverage across own health, dependent child and other family member related leaves. In 2006, nearly 52,000 workers were unable to take a leave they needed because they could not afford it. About 11 percent (357,000) of all employees (3.2M) in Massachusetts took an FMLA leave, but only 7.3 percent of those (237,000) received any wage benefits from employers while on leave. The total leaves taken (since some workers take more than one leave) was estimated at 442,570. The estimated costs to employers in paid leave benefits (vacation, sick, etc.) was $114 per worker. Meanwhile, the estimated costs to an average worker in uncompensated wages was $417. In total, the estimated yearly cost to employers and workers in Massachusetts without a paid leave program in place was $1.73 billion.

Using a paid family and medical leave proposal being vetted by the legislature at the time, Albelda and Clayton-Matthews found that with a 66.7 percent take-up rate the total cost of the paid family and medical leave program – not including administrative costs – would be about $389 million. This take-up rate is based on the assumption that some workers who need a leave will choose not to take it, even if it is paid, for various reasons. Total eligible leaves with this paid leave program in place would increase 5.7 percent from 442,570 to 467,962, or 25,400 additional leaves. While costs per worker would go up slightly for employers, from $114 to $120 primarily due to more workers taking a leave, employer contributions would actually decrease because some workers would use the paid leave program instead of what their employer provides. Costs in uncompensated wages for workers would be reduced from $417 to $367. Overall, total costs of leaves would rise 6.4 percent to $1.84 billion, but the amount of foregone employee wages and benefits paid by employers would decrease with the proposed program. The average length of leave under this paid leave proposal would also increase slightly, from

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7 On April 27, 2006, then-Senate President Robert Travaglini proposed a family and medical leave insurance program that would provide job protected paid leave for own health, a new child or care of an ill relative for up to 12 weeks, with a cap of $750 per week, financed through employee contributions into a Strong Families Trust Fund.

8 See Appendix for more detail on take-up rate ranges and rationale: Albelda and Clayton-Matthews, 2006.
5.4 weeks to 5.5 weeks. Leave lengths were found to be most closely associated with the severity of the illness, not whether or not they were paid. The percentage of leaves without pay would decrease from 33.8 percent to 24 percent. This decrease would disproportionately benefit those who need it the most—low-income households, non-white, younger and less-educated workers.

While final results using updated data through the 2012 DOL Survey and ACS are still to come, we can see from the 2006 findings that it is likely that a paid family and medical leave program would only marginally increase the current cost of leave taking. In addition, there would be benefits for families related to improved health, retained wages and increased labor force participation. Most workers will need to take leave to care for themselves, a child or a family member over the course of their working lives. Even without paid family and medical leave, employers and workers are already bearing significant costs associated with unpaid leave taking.

**Conclusion**

While the simulation model has some limitations (it does not estimate take-up rates or the administrative costs of implementing a paid family and medical leave program), it should still prove to be helpful in informing the debates about the costs associated with implementing paid family and medical leave policies. The model can help estimate how much longer workers would take a leave given specific parameters of a paid leave program. It can also help estimate the potential costs at various take-up rates and the savings that employers and employees could have with a program that spreads costs more evenly across employers or employees, compared to leave costs incurred without a program in place (the status quo in most states). The new simulation model will allow for a range of policy proposals in Massachusetts and most other states around the U.S. to be examined in greater detail.
Works Cited


