

New Jersey Partnership for Working Families

It's Time To Care for New Jersey's Families

S-2249 (Sweeney / Albano) Legislative Background - Paid Family Leave

As released from the Senate Appropriations Committee - May 2007

What is the Benefit?

The legislation is the best vehicle for labor, business and the government to come together to promote positive infant development upon birth or adoption of a child or to care for a seriously ill family member.

The bill allows up to 10 weeks of leave, which is 2 weeks less than the federal family leave law. Statistics show that a significant majority (66%) of workers only utilize up to half that time, or six weeks, and the vast majority only use two weeks, according to a November 2006 Rutgers University Eagleton poll.

The employee is entitled to 2/3 of their current weekly salary, up to a \$502 weekly maximum in 2007. This is approximately \$300 less than the weekly payment under the California Paid Family Leave Law.

Funding - Who Pays?

The bill is completely funded by employee contributions with NO cost to the employer. Each worker in New Jersey would pay less than a dollar a week for the benefit, or \$.92 a week via payroll deductions. Each worker would pay a total of \$47.88 a year, which is based upon the 0.18% of taxable income on the first \$26,600 earned, which is the maximum allowed under existing programs such as Unemployment Insurance and Temporary Disability Insurance. Therefore, a new Paid Family Leave program would be consistent with these other pro-worker programs in regard to funding.

Approximately 95% of employees would be required to pay into the Family Leave Fund. The only exceptions are certain federal employees or employees that do not contribute to Unemployment Insurance.

How is the Benefit Administrated?

The benefit would be provided via the existing TDI program and contributions would be deposited in a "stand alone" family leave fund. The fund is examined annually by the Department of Labor and the cost of the benefit is adjusted to minimize surpluses in the fund and to reduce employee contributions if necessary. The fund is adjusted to equal 125% of the previous year's total benefit payout.

There are no "start up" costs for the benefit because contributions are collected for six months before any benefits are paid. Administrative costs are also paid for by this money.

Protections from Abuse:

Several strong provisions have been added to protect the program from abuse. Workers are required to give a 30 day notification to the employer before using the benefit for care of a child.

Any use of the benefit requires a doctor certification of illness or a copy of the birth or adoption certificate. The bill also requires the employee to use up to two weeks of available sick or vacation leave prior to utilizing the benefit.

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The employee is only entitled to 2/3 of their current weekly salary, up to a \$502 maximum. Therefore they would be sacrificing 1/3 of their current salary, making it financially unrealistic to abuse the program.

All penalties associated with fraud that currently exist in the TDI program would be extended to this program. The Department of Labor investigates applications on an ongoing basis, and violators have to repay benefits and also pay additional monetary fines.

Does the Public Support the “Employee Pays” Concept that S-2249 is Based Upon?

Yes, by a significant margin. A recent Rutgers University Eagleton Institute of Politics Poll conducted in November 2006, indicated support for the employee funded program at 78% of all adults in the state.

What Nations or States Already Have This Benefit?

The rest of the industrialized world has had this program for decades. The United States is the only first world nation that does not have a mandatory workplace program for this type of income support. Of 173 nations surveyed, only five do not guarantee paid maternity leave. Those nations are: Lesotho, Liberia, Swaziland, Papua New Guinea and the United States.

California and Washington offer Paid Family Leave. In California, only 1.3% of workers use the Paid Family Leave Benefit. Of these leaves, only 12% were taken to care for a seriously ill family member. That is less than 2/10ths of 1% of the workforce and the length of leave for this purpose for the majority of workers is less than two weeks.

Do Workers Immediately Qualify for the Benefit when Hired?

In order to be eligible for the benefit, the worker must meet the same qualifying benefit that exists with current Family and Medical Leave Act. That threshold is based on a minimal annual wage earning and must work for a minimum of 5 months in order to be eligible. For this reason, an employee cannot find a job and then immediately qualify for Paid Family Leave and leave that job.

What is the Effect on Small Business?

Under the FMLA, a business with less than 50 employees does not have to hire back a worker that qualifies for FMLA benefits. This provision would be maintained under the Paid Family Leave Program. Therefore, if a small business is adversely affected by this policy in regard to staffing, they can simply hire a replacement.

Furthermore, it should be understood that there is NO small business exemption for current payroll deduction benefit programs. This holds true for Social Security, Temporary Disability Insurance, Unemployment Insurance and Workers Compensation. Paid Family Leave would be consistent with this precedent.

Employers will not lose any money when seeking to fill vacant spots when an employee uses the benefit because studies illustrate that these positions are either filled by temporary employment agencies, not filled at all, or responsibilities are delegated to other employees. Costs associated with these options are significantly less than the salary and benefits of the employee on leave, which the company would not be paying during the leave period, saving payroll in many examples.

The New Jersey Partnership for Working Families Coalition consists of over 60 labor, religious, minority, academic, women and community organizations that advocates in support of Paid Family Leave programs. For more information or to join the coalition, please call 609-989-8730.