Executive Summary

Shifting work and family structures in the 21st century highlight the need for workplace policies that help parents balance caregiving and career demands. In collaboration with the Montana Department of Labor and Industry, the Montana Budget and Policy Center conducted three reports on paid leave. This is the first, which uses evidence from state-initiated paid leave programs, and national studies to examine how paid leave benefits families, businesses, and the economy.

Paid Leave Improves Working Families’ Financial Security and Health
As family patterns shift and both parents (or single parents) work to provide for their families, paid leave helps parents balance caregiving and work demands.

• **Unpaid leave creates financial burdens for any family, but particularly impacts single parents and those experiencing poverty.**
• **Many working Americans do not qualify for unpaid leave through the Family and Medical Leave Act because of eligibility requirements tied to business size and work hours.** Among workers who do qualify for the FMLA, many cannot afford unpaid leave.
• **Only 13 percent of American workers have access to paid family leave** and less than 40 percent of employees have access to short-term medical leave through their employers.
• **Paid leave helps women remain employed, earn more, and progress in their careers.** In Montana, women comprise 48% of the workforce, 70% of children live in families where both parents work, and many households rely on female breadwinners for income support.
• **Paid leave establishes stronger bonds between fathers and children when fathers take even two weeks off after a child’s birth.** In California, where a state paid family leave insurance program has been in operation since 2004, men have taken leave at increasing rates to help care for children, which balances caregiving duties in the home and supports women’s economic opportunities.
• **Parents with paid leave can better respond to children’s health care needs.** As a result, **newborns are more likely to receive pediatric check-ups and immunizations, and children can have better cognitive and behavioral skills** in the future.
• **Paid leave allows older workers time off to attend to their health care needs and family members the ability to care for aging relatives without risking economic security.**

Paid Leave Helps Businesses Attract and Retain Skilled Workers
At a time when tens of thousands of workers will be aging out of the Montana labor force, paid leave helps businesses remain competitive and strengthens the workforce.
• Approximately 137,000 working Montanans are 55 years or older and are potentially considering retirement. Paid leave would help businesses attract and retain skilled workers as older Montanans leave the workforce.

• Paid family and medical leave policies help even the playing field for employers, enabling small-businesses to compete with larger employers who already offer paid leave benefits packages to their employees.

• Paid leave helps businesses save money through reduced employee turnover rates. To replace a worker earning $75,000 annually, an employer faces a potential cost equal to 30% of the original employee’s income to recruit and train a new replacement.

• Paid leave increases the likelihood that employees will return to work after time off. In California, over 95% of workers who took paid leave returned to work. First-time mothers who take paid family leave are also more likely to return to the same employer than first-time mothers who take unpaid family leave.

• Employers with paid leave policies benefit from improved worker attitudes, which keep employees motivated and productive and businesses profitable. Over 90% of businesses surveyed in California said that paid leave had a positive, or at the very worst, neutral impact on staff morale and productivity levels.

• Workers appropriately use paid leave. Years after California implemented paid leave, 91% of employers state that workers do not abuse the program.

Paid Leave Strengthens The Economy
Paid leave benefits society through increased work participation, lower public assistance use, and taxpayer savings.

• Encouraging labor force participation among women and low-wage workers improves their financial security and helps stimulate local economies. Paid leave in Montana could keep tens of millions of dollars in the pockets of workers who will turn around and spend these dollars at local businesses, which stimulates the overall economy.

• Family friendly policies could reduce public assistance use. Women with access to temporary disability insurance or paid family leave report receiving an average of $577 less in assistance income in the year following their child’s birth. Low-income women report receiving $800 less. Reducing public assistance use could save taxpayers.
Paid Family and Medical Leave: An Overview

America’s workplace and family structure has changed over the past several decades. Today, women comprise half of the workforce, their earnings are a large portion of household income, and increasingly, it is an economic imperative that both parents in many families work to make ends meet. Alternatively, businesses need workplace policies that can help them compete with larger employers that can afford to provide comprehensive benefits packages for their employees. All businesses need to be able to attract and retain skilled workers during economic downturns and worker shortages, in order to ensure overall economic stability. These realities highlight the need for workplace policies that help parents achieve a healthy work-life balance and enable businesses to maintain productivity and a competitive advantage.1

The United States is the only industrialized economy in the world that does not guarantee paid leave for new mothers or a paid sick leave standard, and one of a handful that does not guarantee leave for new fathers.1 Often called paid leave, policies like these afford workers paid time off to recover from serious illnesses, care for newborn, adopted, or foster children, and attend to ill family members.2

While Congress enacted the Family and Medical Leave Act (FMLA) in 1993, this legislation provides very limited options for women and families balancing household and work demands. The FMLA provides eligible employees up to 12 weeks of unpaid, job-protected leave around the birth or adoption of children, to recover from a serious illness, or to care for seriously ill family members.3

Yet, the FMLA does not cover a large proportion of workers and threatens the financial security of those who take unpaid leave. Many workers are not covered by the FMLA because they are part-

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1 This is the first in a series of three reports on paid family and medical leave conducted by the Montana Budget and Policy Center in collaboration and consultation with the Montana Department of Labor and Industry and funded by a grant from the U.S. Department of Labor Women’s Bureau.
time or work for businesses that employ fewer than 50 workers. And even among those who do qualify, many employees cannot risk taking unpaid time off due to financial reasons. **Unpaid leave creates financial burdens for any family, but particularly impacts single parents and those experiencing poverty.** These populations are most likely to benefit from paid leave, but are the least likely to be covered by the FMLA or have employer-provided paid leave benefits.

While the United States has fallen behind by not creating a federal paid leave program, some states have responded to issues of unpaid leave and limited coverage by enacting state initiatives. California, New Jersey, and Rhode Island have built upon long-standing temporary disability insurance (TDI) programs to also provide paid family leave benefits. Now, workers in these states have access to short-term disability insurance (medical leave) through TDI and family leave benefits through the newly established family leave programs. As statewide insurance programs, workers in these states receive a portion of their weekly wages when they need time off work to recover from a serious injury or illness, around the birth, adoption, or foster placement of a child, or need to attend to a seriously ill or injured family member. Still, most working Americans have no access to paid leave or must cobble together benefits, like sick time, vacation leave, and disability insurance, to continue paying for household necessities like rent and groceries during leave. Not all workers can utilize those benefits. In the private sector, **only 13 percent of American workers have access to paid family leave through their employers**, less than 40 percent have short-term medical leave, and more than one-third have no paid sick leave. **Among the least economically secure workers**, 76 percent of low-wage workers in the private sector did not have access to paid sick or paid family leave in 2014.

**Montana’s Workforce: Aging Population Requires Solutions to Support Young Families**

Work and family patterns in Montana reflect national trends, but Montana will also face a greater demand for skilled workers as thousands begin to age out of the workforce. Approximately 137,000 working Montanans are 55 years or older, representing over one-fourth of Montana’s workforce. While some Montanans will remain employed into their older years, the state projects that there are not enough young and skilled workers entering the labor force to account for impending retirements. As a result, Montana’s job growth is expected to slow after 2015, raising the need for policies that educate, attract, and retain skilled workers in the near future.

Additionally, women in Montana make up 48 percent of the workforce, and almost 70 percent of children live in families in which both parents work. Dual earners, female breadwinners, and single-mothers must be able to care for their families and also remain employed, financially secure, and able to obtain career opportunities to maintain their families’ long-term stability. Like the rest of the nation, parents in Montana need family-friendly policies that help them balance career and caregiving demands. However, a recent study on the status of women in America concluded that Montana ranks 49th in the country in terms of access to work-family policies like paid leave, elder care, and childcare. **Paid leave is an effective way to improve working families’ financial security and health, strengthen businesses, and grow the economy.**
Paid leave Provides Families Financial Security and Better Health

As family patterns shift and both parents (or single parents) must work to support the household, parents need to balance caregiving demands with the necessity to work and provide for the family. Paid family and medical leave policies make it possible for parents to remain financially secure, attend to their own health, and respond to child and eldercare needs.

Keeping parents economically secure
The lack of paid leave policies disproportionately affect women who are often forced to make difficult decisions between working and caring for their families. Almost half of the U.S. workforce is female, and two-thirds of American families rely on women’s earnings for at least one-quarter of the household’s total earnings.15,16 Yet, women remain the primary caregivers in the home.17

In Montana, the number of families supported by a single-female breadwinner is growing (Figure 1).18 This means families rely on women to balance work, caregiving, and household demands. Many women, especially low-income and single mothers, simply cannot miss work when a family member becomes ill. Doing so means loss of income, possible loss of a job, and potentially limited career opportunities for women over their lifetime. However, workers should not be forced to choose between work and caring for a seriously ill child or aging parent.

Women experience a greater loss in earnings and career opportunities over time because they are more likely than men to take time off from work to care for a child and elderly parent.19 Evidence suggests that women and their families lose an average of $434,000 over a lifetime because of the gender wage-gap and lower work participation rates.20 Paid leave policies help reduce this wage penalty by enabling women to remain employed, earn more over time, and progress in their careers.

Since women are more likely than men to take leave to care for family members and (in part) because of the gender-wage gap, women and their families lose an average of

$434,000 over a lifetime


Figure 1: Number of Montana families supported by a female breadwinner increased 17% from 2006 to 2013.
not significantly increase after the FMLA was implemented in the early 1990s. However, evidence from California’s paid family leave program shows that men use paid leave when it’s available. In California, leave-taking among men has more than doubled in the 11 years since the program’s implementation. **Fathers account for one-third of parental leave claims, and men take longer leaves to bond with new children at home than they did before the program was enacted.** Analysis of state data by the National Partnership for Women & Families also shows that during the first year of Rhode Island’s paid family leave program, men took leave at higher rates than in California and New Jersey in those programs’ first years, possibly showing changing cultural norms and reflecting an eagerness among men to provide care for new children.

The increased use of paid family leave among men suggests a broader cultural shift around caregiving duties. A better balance of caregiving responsibilities between men and women can further boost women’s economic opportunities. As mentioned before, women are more likely than men to take time off for caregiving, and the different work histories between men and women accounts for about 10% of the gender wage gap. Therefore, paid family leave and its ability to increase men’s use of leave can help close the income difference between men and women.

**Addressing Montana’s Aging Workforce: Caring for Oneself and Aging Family Members**

Paid family and medical leave would provide older working Montanans the chance to take time off work to attend to their health care needs and remain economically secure and productive at work. According to the Montana Department of Labor and Industry, 27% of Montana’s workforce will be 55 years or older starting in 2015. Since older adults are more likely to experience serious health issues, they will inevitably need time off work to recover from an illness, injury, or chronic health condition. However, many older and working individuals may forgo leave because they cannot afford to take unpaid time off work.

In addition to supporting older workers, paid leave would provide family members time off to care for aging parents and help them remain financially secure and able to return to the workforce. Women are often responsible for caring for a parent or family member. In fact, in the U.S., women are twice as likely as men to care for an older adult. To date, estimates indicate that about 12% of Montana’s total population is made up of adult caregivers, about 118,000 individuals. As Montana’s population ages, increasing care demands will most likely be in the hands of female family members. But, caregivers who take unpaid leave to care for an elderly parent risk reduced earnings and job opportunities. Studies have shown that when family members leave the workforce to care for a parent, they lose on average over $300,000 in wages, Social Security, and pension benefits over a lifetime. Paid leave would enable individuals to remain employed and make ends meet, and able to take the time they need to care for a seriously ill family member.

**Providing children a healthy start**

Parents with paid leave are better able to respond to children’s health care needs resulting in improved health outcomes. In California, mothers who received paid family leave were more likely to take six to eight weeks of time off around childbirth, the minimum amount of time recommended by physicians. New mothers who take longer periods of leave through paid family
Paid Leave Programs are more likely to breastfeed their newborns and take them in for regular pediatric checkups and immunizations, ensuring a healthy start in life. Longer periods of leave are also associated with reduced infant mortality rates. A study examining paid leave in 16 European countries found that extending leave reduced infant mortality rates. A few studies even suggest that the longer a mother bonds with an infant in its first year leads to positive cognitive and behavioral effects for children in the future.

In 2014, 13,000 workers in Montana became parents to newly born or adopted children and likely needed some time off from work to with bond and care for these children. Paid leave would protect families financially, give new parents adequate time to bond with their infants, and provide children with a healthy start in life.

**Paid Leave Allows Businesses to Stay Competitive and Retain Skilled Workers**

At a time when tens of thousands of Montana workers will begin aging out of the workforce, businesses must think strategically about how to retain skilled employees. In addition to the effects on family financial security and health, paid leave policies can be cost-effective tools that level the playing field for all businesses and help employers recruit and retain skilled workers.

**Paid Leave Policies Can Save Businesses Money**

Maintaining workers and reducing turnover saves businesses money associated with recruitment and training. A meta-analysis examining turnover costs across varying industries and sectors found that turnover of a single employee earning $75,000 annually or less, can cost a business between 10% and 30% of the original employee’s annual earnings. While the results from this study depend on the industry, region, and economic status of a given area, such estimates suggest that retaining one employee could save a Montana business between $4,000 and $12,000.

Reduced employer turnover could save businesses between $4,000 and $12,000 (per employee)


Paid leave encourages women and low-wage workers, populations most likely to not have access to employer-provided paid leave, to return to work after taking time off. A longitudinal study conducted by the Census Bureau between 1961 and 2008 found that 80% of first-time mothers with access to paid family leave returned to their same employer. In California, over 95% of workers who took paid leave through the state’s program returned to work, and four-fifths returned to the same employer. And among low-wage workers, 83% who took paid leave returned to their same employer. As a result, the vast majority of surveyed businesses have stated that California’s paid leave program has had, at best, a positive or, at worst, an unnoticeable effect on turnover. Further, California and Rhode Island finance their paid family and medical leave
programs through employee-only contributions, which means that businesses have no direct costs in terms of paying for the statewide program.

As Montana’s job growth begins to slow in the near future and the state faces impending retirements that could reduce the labor force by 137,000 workers, businesses and policy makers should consider paid leave an affordable solution that offers businesses a way to attract and retain skilled workers. Further, paid leave helps level the playing field for all employers, which is a particular benefit as our economy experiences a worker shortage. Small-businesses that struggle to match the more comprehensive benefits provided by larger employers face challenges in attracting and hiring workers. In a time when job vacancies are increasing in Montana, but the number of workers to fill these spaces is becoming harder to come by, small-businesses that offer paid leave benefits would be better able to compete for these hires, all at little or no cost.

**Paid Leave Provides a Strong Recruitment Tool and Bolsters Employee Morale**

Employers with paid leave experience better worker attitudes, and increased profitability. In California, over 90% of surveyed businesses said that paid family and medical leave had a positive, or at the very worst, neutral impact on workers’ morale and productivity levels.\(^{38}\)

Finally, while businesses may voice early concerns about potential abuse, studies show that workers use paid family and medical leave responsibly. Years after California implemented paid leave, 91% of surveyed employers stated that workers do not abuse the program. Among the employers who said employee abuse occurred, 99.5% said there were less than five instances.\(^{39}\) In New Jersey, an evaluation of the state’s paid leave program turned up no instances of abuse.\(^{40}\)

**Paid Leave Policies Strengthen Our Communities and Our Economy**

Paid leave has greater societal benefits associated with labor force attachment and public assistance use, which strengthens the overall economy.

Paid leave encourages labor force participation, especially among women and low-wage workers, keeping businesses stable and growing employment rates in local communities. Since women have historically taken more leave than men, flexible workplace options allow them to remain in the workforce and reduce the chance that they will quit to care for children or ill relatives. A national survey found that **new mothers that took paid family leave were 93% more likely to return**
to their employers and earn more the following year after giving birth, compared to new mothers who did not take any form of leave.\cite{41} Paid family leave also increases the probability that low-income and single parents (populations most likely to not be covered by the FMLA or receive employer-provided paid leave) continue working after leave.

Further, ensuring that workers and their families are financially secure during periods of leave has resounding and positive impacts on local economies. For example, in 2014, an estimated 13,000 Montana workers became parents to newly born or adopted children. These parents faced potential lost wages equaling about $45 million because Montana does not have a statewide program that guarantees paid family leave.\cite{42} If Montana had a paid leave program, this money would remain in the pockets of working parents and be used to stimulate local businesses.

Finally, implementing “family friendly policies” such as paid family and medical leave could reduce the need for public assistance and decrease the overall cost for taxpayers. A national study examining women’s use of public assistance in states with paid family and medical leave found that women using paid leave were less likely to need public assistance and SNAP benefits (commonly referred to as “food stamps”) in the year after a child’s birth and reported receiving an average of $577 less in public assistance income. Low-income mothers reported receiving over $800 less in public assistance the year after a child was born.\cite{43} Today, there are over 121,000 SNAP recipients in Montana claiming $15 million worth of benefits.\cite{44} Paid leave could be one solution to reduce these struggling families’ need for such benefits and save Montana taxpayers millions each year.

**Conclusion**

Montana, like the majority of states, can do a better job supporting working families. Evidence from states with paid family and medical leave programs highlights the many benefits that paid leave has for workers and their families, businesses, and the overall economy. Parents are better able to care for themselves and family members and maintain a steady income in the process. Businesses can attract and maintain workers and experience cost savings from reduced turnover rates. Finally, paid leave benefits our entire economy by increasing labor force participation, creating a healthy and stable workforce, and allowing healthy and financially secure families to give back to the economy. It’s time that Montana, and the country as a whole, considers paid leave. It is one of the most affordable solutions to supporting our families, businesses, and the economy.

2 In this report, we use paid leave, paid family leave, and paid family and medical leave interchangeably.


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