Usage and Cost of Paid Family and Medical Leave Insurance in Indiana

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Introduction: Family and Medical Leave in the United States and Indiana

Indiana's working families are looking for ways to better balance the demands of their jobs and families at a time when only some employers provide workers with paid family leave (Indiana Institute for Working Families 2016). Nationally, only 15 percent of civilian workers have access to employer-sponsored paid family leave and another 39 percent have access to short-term disability insurance (U.S. Department of Labor 2017). Some workers are able to use other leave allocations, such as paid sick or vacation time, to manage personal or family emergencies. According to the 2012 Family and Medical Leave Survey conducted by Abt Associates for the Department of Labor, 48 percent of workers report receiving full pay and another 17 percent receive partial pay under current law through regular annual or vacation leave, sick leave, or other "paid time off" hours (Klerman, Daley, and Pozniak 2014). Once these benefits are exhausted, as is common with chronic illness or recent childbirth, many are forced to choose between career and family duties. Furthermore, many women in jobs with low pay and status often lack even paid sick days; therefore, facing an urgent familial or medical event exacerbates pre-existing economic insecurity. This poses issues for employers, who in turn lose time, money, and valued employees due to a lack of infrastructure to address personal obligations (Milkman and Appelbaum 2013).

The federal Family and Medical Leave Act of 1993 (FMLA) passed in the hopes of broadly promoting work and family balance between genders, thereby encouraging equal employment opportunity. The FMLA offers 12 weeks of job protected, unpaid leave for personal or familial medical emergencies. Family is defined as an employee's child (biological, adopted, or foster under the age of 18, or above 18 with a documented disability), spouse, or parent (The Family and Medical Leave Act of 1993, as Amended 2009). It has been amended to also cover leaves taken around a family member's military deployment. Longer leaves, up to 26 weeks in a 12 month period, can be taken to care for family member with a serious illness or injury resulting military service.

FMLA applies to all employees who have worked 1,250 hours in the past 12 months in a workplace of 50 individuals or more. This disqualifies many part time, seasonal, and freelance workers from coverage. This is particularly problematic because these workers tend to have lower incomes and fewer fringe benefits. The FMLA's restrictive eligibility criteria, its offer of unpaid time off, and its traditional definition of family leads to continued debates of whether the legislation adequately addresses the balance of work and family life. Only 17 percent of workplaces report they are covered by FMLA, and studies estimate 59 percent of American workers are eligible for FMLA coverage (Klerman, Daley, and Pozniak 2014). Since FMLA's unpaid status necessitates a reliance on personal savings and assets during the leave-taking period, the program's accessibility is likely even lower.

In response to these concerns, many states have expanded FMLA coverage for job protected leave (Gault, Hartmann, Hegewisch, Milli, and Reichlin 2014). Expansions have allowed care giving for additional categories of relatives, more leave time, job protections for workers in firms with fewer than 50 employees, or additional reasons for using leave. Indiana workers are covered by the federal FMLA law and the state has not expanded workers' entitlement to job-protected leave beyond what is provided by the federal FMLA for personal or familial medical needs; Indiana does cover a broader range of family members, for example siblings and grandparents, for limited military leaves (Indiana Institute for Working Families 2016).

Three states are operating Paid Family Leave programs as an expansion of their existing temporary disability insurance (TDI) programs. These three states covered family leaves by expanding the reasons

for claiming benefits under existing TDI programs, but for fewer weeks than available for leaves taken as disability. Women giving birth may access both TDI for their own health needs around pregnancy and delivery and then paid family leave for bonding with their new child. The first to take this step was California in 2004 with Paid Family Leave (PFL), followed by New Jersey with Family Leave Insurance (FLI) in 2008 and Rhode Island with Temporary Caregiving Insurance (TCI) in 2014 (Glynn, Bradley, and Veghte 2017). In January 2018, New York will implement PFL, also as an extension of the state TDI policy, but the benefits will be more generous than under the minimum benefits provided in the Short-term Disability Benefits Law (DBL). Wage replacement will begin at 50 percent and increase to 67 percent by 2021; similarly, the benefit duration will start at 8 weeks and rise to 10 weeks within the same time frame (A Better Balance 2017).

Both Washington state and Washington, DC have enacted legislation to implement paid family and medical leave insurance programs for workers employed in each of their jurisdictions and these new benefits are scheduled to be available starting in 2020.

While the existing state programs focus on providing paid leave benefits for private sector workers rather than public sector workers, the situation in Indiana is reversed. In Indiana, state employees are offered short-term disability insurance to cover their own health conditions, including pregnancy, with costs shared by the state and the employee. Starting January 1, 2018, under Indiana Executive Order 17-31 state employees in Indiana may also be eligible for parental leave upon the birth of a child to the employee or their spouse or placement of a child for adoption. Leaves must be taken within 6 months of the qualifying event and can be up to 150 hours for full-time employees and 75 hours for part-time employees.

Many employees of Indiana University became eligible for paid parental leave in early 2017. The university policy has a higher threshold for eligibility (at least one year of employment for at least 30 hours per week) compared to the state policy (6 months of employment). However, for eligible employees, the university benefits provide up to 240 hours of leave for new parents. When both eligible state and university employees take parental leaves for qualified events, they receive their usual rate of pay rather than only partial wage replacement under the programs in other states currently operating or being implemented.

The remainder of this report will estimate Indiana's worker access to, use of, and cost of family and medical leave (including administrative costs) under current policy conditions as well as under various paid family and medical leave models. The cost modeling presented is done using a simulation model designed to use the best available data on worker leave taking behaviors and apply those observed patterns to the Indiana workforce. In consultation with experts and stakeholders in Indiana, as well as an Independent Advisory Panel, IWPR developed four policy scenarios that capture the range of options for consideration and modeling. Impacts of the policies considered will be analyzed by a number of worker demographic and socio-economic. Drawing on the results of the cost modeling and existing research, additional implications of a paid leave program in Indiana will be explored.

IWPR-ACM Family and Medical Leave Simulation Model

IWPR, together with economists Randy Albelda and Alan Clayton-Matthews at the University of Massachusetts, developed and updated a simulation model to estimate the usage and costs of family and medical leave. The model simulates specific leave-taking behavior (including number, length, benefit eligibility, and benefit receipt) onto individual employees working in Indiana using data from the Census Bureau's 2011-2015 American Community Surveys (ACS).[1] The simulation model estimates several aspects of leave-taking behavior, conditional on demographic characteristics and leave type, including the worker's own health needs, maternity-related disability, new child bonding, and family care for spouse, children, or parents. These include the probability of needing, taking, getting, and extending a leave if some or more pay were received, and so on.

The current model uses observable leave-taking behavior available in a national, comprehensive survey of family and medical leaves. The 2012 FMLA Survey conducted by Abt Associates under contract to the U.S. Department of Labor is used for estimating the occurrence and leave behaviors around qualifying family events experienced by U.S. workers in the previous 18 months. Leaves taken in the past 12 months are also identified. At the time of the 2012 FMLA survey, five states (California, Hawaii, New Jersey, New York, and Rhode Island) already had provisions for workers to be covered by TDI; California and New Jersey had expanded their state programs to cover bonding with a new child and family caregiving leaves. The 2012 FMLA survey asked what share of their usual earnings, if any, workers had received while taking recent leaves, and included options for disability insurance and state leave program benefits among the sources of payments respondents could select. The assumptions of the simulation model are that the worker would choose the compensation (employer provided wages or program benefits) that is most advantageous for herself or himself. The estimates for leave-taking and the associated costs yielded by the model reflect changes in worker behavior due to the implementation of the policy being considered; workers will claim program benefits if they are greater than those currently available to workers through their employer.

The survey data on observed behaviors are coupled with a few assumptions about unobservable behavior in the presence of a leave program including:

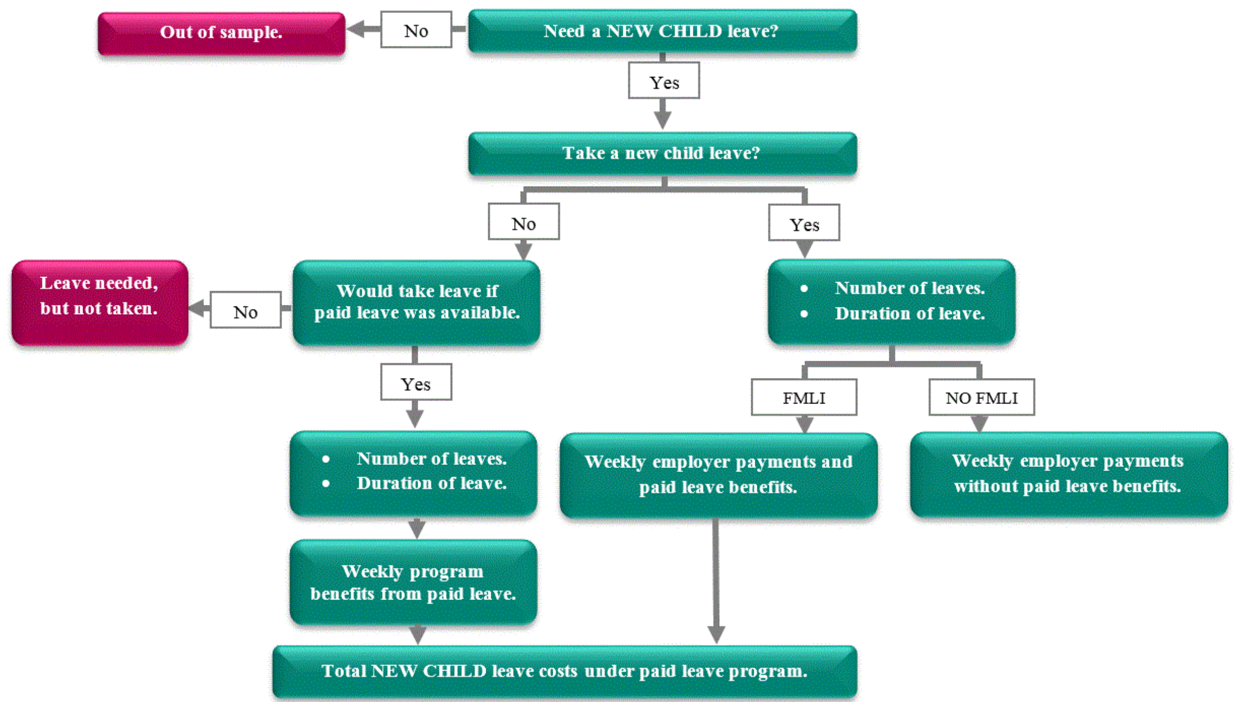
- The model assumes eligible workers compare weekly benefit amounts available in the leave program to the "next best option" (employer-paid wages or uncompensated leave in most cases) when deciding whether to apply for program benefits.
- The point of take-up occurs when an eligible worker experiences a qualifying medical or family event and takes a leave of absence; this allows the analyst to specify the share of eligible leaves that would apply for and receive program benefits. Reasons for less than full take up include lack of knowledge, difficulty with the application process, and lack of job security.
- How a program affects the length of worker leave:
    - Short leaves (less time than a waiting period, if specified) may be extended according to estimates based on responses to "Would you take a longer leave if you received some/additional pay?", a question available in the earlier 2000 FMLA survey.
    - Leaves lasting longer than a leave program's benefit period, but still considered eligible for employer pay, may be extended.
    - Leaves lasting for more weeks than a leave program allows may be extended further even when no pay or benefits are available.

[1] Cost estimates are in 2015 dollars.

In analyses undertaken to confirm that the model can reproduce claims data in states with existing family and medical programs, the IWPR-ACM Model estimates compare well on the number of claims and the total cost of benefits.

Figure 1 provides a diagram of how the model estimates leave-taking behaviors and associated program costs based on program specifications and individual determinations for one type of qualifying leave – to care for or bond with a new child. The model tracks a worker as she or he moves through the decision making process, accounting for the availability of leave, program specifications, and individual worker decisions about take-up. Through this process the model estimates the program's costs and leave-taking behaviors for new child leaves; the model cycles separately through a parallel series of statistical models for each of the other types of family and medical leave.

Figure 1: Simplified Example of New Child Leaves



Estimating the Cost of Paid Family and Medical Leave in Indiana

The Indiana Commission on Women received a grant from the United States Department of Labor Women's Bureau to study the feasibility of Paid Family and Medical Leave in Indiana. This section will focus on the cost analysis of several locally-developed family and medical leave models. Developed with input from an independent Advisory Panel, four proposed policy designs have been defined. They vary in two dimensions: the covered reasons for worker leaves and the maximum number of weeks benefits would be available. In terms of the reasons for taking leave, the policies look at parental and family care giving leave (paid family leave or PFL) and medical, parental, and family care leaves (family and medical leave or FML). Within each group of covered reasons for leave, two maximum benefit durations were modeled: 6 and 12 weeks. Other dimensions of a potential leave policy were held constant for this report.

Table 1: Summary of Four Alternative Paid Leave Policy Scenarios in Indiana

	6 Weeks for Parental and Family Leave	**12 Weeks for Parental and Family Leave**	**6 Weeks for Family and Medical Leave**	**12 Weeks for Family and Medical Leave**
Model abbreviation	PFL-6	PFL-12	FML-6	FML-12
Eligibility	The employee must have worked at least 680 hours in the past 12 months. (Employment is not required to be with the same employer.)			
Workers covered	Workers for private employers, state government, and local governments are included. Self-employed individuals are not included in cost model estimates.			
Waiting period	There is no waiting period.			
Benefit calculation	Benefits are 100 percent of usual weekly wages up to a maximum set at Indiana's average weekly wage ($861 in 2016 based on QCEW for private sector workers)			
Qualified reasons for taking leave	• Childbirth and Bonding with new child (birth or adoption) • Family caregiving		• Own serious health condition • Childbirth and Bonding with new child (birth or adoption) • Family caregiving	
Maximum annual weeks benefits may be received	6 weeks	12 weeks	6 weeks	12 weeks

Table 1 summarizes the four paid leave programs for cost estimations: two limited to parental and family care (PFL) and two for all family and medical leave reasons (FML) are shown in the columns. Parental and family leave and family and medical leave both cover leave for new parents to bond with a child or caring for family members with serious health conditions; family and medical leave also includes leave for self-care of eligible workers with a qualified health condition. For each of these groups of paid leave, 6 and 12 week annual maximum benefit periods are presented.

To be eligible, workers must have worked at least 680 hours in the past 12 months for one or more Indiana employers. All employers, private as well as state and local governments, have been included in the cost estimates. Self-employed individuals have not been included although some states have allowed them to pay into the state insurance funds for coverage. No waiting period was required before workers could apply for benefits.

Benefit levels have been calculated as full usual wages up to a maximum weekly benefit. The maximum used is based on the state private sector average weekly wage in that was $861 in 2016. Using a

maximum threshold such as Indiana's average wage that is already reported each year allows benefits to keep up with wage inflation measured at the state level without additional legislative action. The proposed level is within the range for state programs providing family and medical leave benefits in 2016 -- higher than New Jersey ($615), similar to Rhode Island ($795), but less than California ($1,129). Table 2 shows the results from the simulation model cost estimation averaged over 200 replications. (Additional information on the simulation model variability for number of leaves claiming benefits and the total value of benefits claimed are shown in the appendices.) Dollar figures are shown in 2015 dollars for both benefits and wages.

Under current policies, the model estimates that Indiana workers are taking just over 480,000 leaves each year for family or medical reasons, including both employer paid leave and unpaid leaves. Sixty percent of leaves are taken for the worker's own health needs, 16 percent around new children, and 24 percent for caring for seriously ill family members.

The total number of leaves taken each year is expected to increase under each of the benefit programs modeled, but the increases are relatively small in magnitude and largest for family care leaves that tend to be relatively short. The number of parental leaves increase by 5.4 to 5.6 percent under models for paid parental and family and medical leave. The number of family care leaves increases by 14.2 to 14.4 percent. In the two programs including medical leave benefits for the workers themselves, the number of leaves taken increases 9.2 percent. Overall, the number of leaves taken annually increases 4.4 percent when benefits are available for parental and family leaves and 9.8 percent when all family and medical leaves are covered.

Under the parental and family leave programs, about 89,000 leaves claims would be paid each year in Indiana. Under both family and medical leave programs, 226,000 claims are expected to be paid. There are many reasons that workers experiencing family or health events might not claim program benefits. Workers may not meet the eligibility requirements. An illness (own or family member's) might not be serious enough to qualify. The worker's employer may offer them adequate workplace benefits so that they would not apply of benefits under the program. Even in states that have had programs for many years, lack of awareness and understanding program operations remain common.

Weekly benefits are calculated as just under $600 per week (ranging from $589 to $595 across the four program scenarios). Overall, benefits are expected to be paid for 4.3 weeks when up to 6 weeks of parental and family leave or family and medical leave are available and 6.8 (FML) or 6.9 (PFL) weeks when up to 12 weeks of benefits are available. Benefit claims would last more weeks for parental leaves than family care; paid leaves for the worker's own serious health conditions are slightly shorter than parental leaves in the family and medical leave program scenarios.

Total costs, including 5.5 percent of benefits to cover administrative costs, range from $221.2 million for the parental and family leave up to 6 weeks to $894.9 million for family and medical leave up to 12 weeks. To put these costs into a context of where a payroll tax might need to be set for the program to be both self-finances and self-sustaining, they are shown as a percentage of total wages paid in Indiana. When calculated as a share of total wages, the program costs range from 0.17 percent of total wages for up to 6 weeks of parental and family leave to 0.71 percent of total wages for up to 12 weeks of family and medical leave.

Table 2: Paid Leave Program Cost Estimates for Four Alternative Paid Leave Policy Scenarios in Indiana and Comparison to Number of Leaves Taken Under Current Policies

	Indiana Current Policy	6 Weeks, Parental and Family Leave	12 Weeks, Parental and Family Leave	6 Weeks, Family and Medical Leave	12 Weeks, Family and Medical Leave
Total Number of Leaves Taken Annually (Paid or Unpaid)					
Own Serious Health Condition	288,890	289,182	289,352	315,465	315,571
Parental/Bonding	78,853	83,100	83,198	83,277	83,306
Family Care	114,432	130,955	130,783	130,641	130,743
Total	482,175	503,237	503,333	529,383	529,620
Number of Leaves Taken and Receiving Paid Leave Benefits					
Own Serious Health Condition	NA	NA	NA	136,978	136,963
Parental/Bonding	NA	61,996	62,034	62,021	62,116
Family Care	NA	27,018	26,987	26,927	26,838
Total	NA	89,014	89,021	225,926	225,917
Weeks Receiving Program Benefits					
Own Serious Health Condition	NA	NA	NA	4.3	6.7
Parental/Bonding	NA	4.8	8.1	4.8	8.1
Family Care	NA	3.2	4.3	3.2	4.3
Overall	NA	4.3	6.9	4.3	6.8
Average Weekly Benefit	NA	$595	$593	$589	$589
Benefit Cost ($millions)					
Own Serious Health Condition	NA	NA	NA	$320.5	$506.0
Parental/Bonding	NA	$163.9	$281.4	$163.8	$281.6
Family Care	NA	$45.7	$60.8	$45.5	$60.7
Total Benefit Cost	NA	$209.6	$342.3	$529.8	$848.3
Administrative (5.5 percent)	NA	$11.5	$18.8	$29.1	$46.7
Total Cost ($millions)	NA	$221.2	$361.1	$558.9	$894.9
QCEW Earnings ($millions)	NA	$126,608	$126,608	$126,608	$126,608
Cost as a Percent of QCEW Earnings	NA	0.17%	0.29%	0.44%	0.71%

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

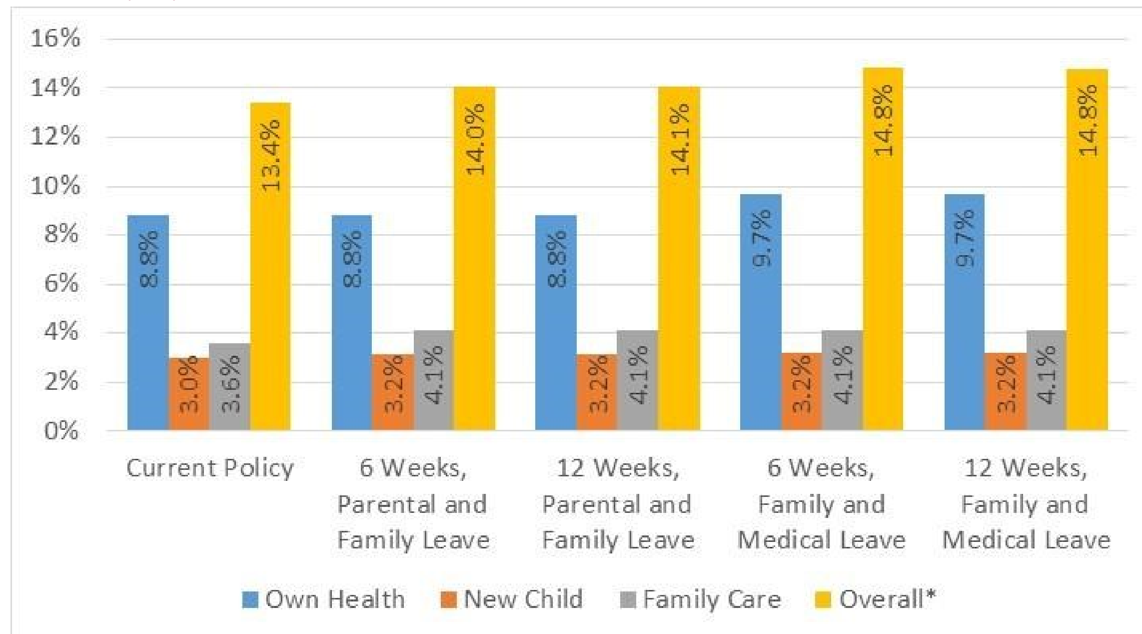
Note: Total Quarterly Census of Employment and Wages (QCEW) Wages based on BLS Databases for Private, State, and Local government workers.

Impacts on Workers from Paid Family and Medical Leave in Indiana

Figures 2, 3, and 4 show the overall increase in the share of workers taking leave each year -- paid or unpaid -- for family and medical reasons under current policies and the four scenarios introducing a range of leave program benefits. Figure 2 shows moderately increased leave taking when calculated as the share of workers expected to take leaves in one year under different policy scenarios. Under current policies, 13.4 percent of Indiana workers are estimated to take leaves for family and medical reasons in a one year period. Most workers take leaves for their own health needs (8.8 percent) and fewer for parental (3.0 percent) and family care reasons (3.6 percent). The percentages for the separate reasons covered by FMLA to the overall because a worker may take more than one leave for covered reasons within the year.

The overall share of workers taking leaves increases by less than 1.5 percentage points across all three of the policy changes modeled. Under scenarios limited to benefits for parental and family care leaves, there is no increase in the percentage of workers taking medical leaves for their own serious health conditions. The percentage of workers taking parental leaves increases to 3.2 percent and the percentage for family care to 4.1 percent under both the 6 and 12 week maximums for benefit receipt. When the workers' own health needs are covered, 9.7 percent of Indiana's workers are estimated to take a medical leave in a one year period.

Figure 2. Estimated Share of Indiana Workers Taking Family and Medical Leaves Annually by Reason for Leave



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)
*The percentages for the separate reasons covered by FMLA may not sum to the overall because a worker may take more than one leave for covered reasons within the year.

Figures 3 and 4 show inequality in the share of Indiana workers taking leave each year by earnings level (Figure 3) and family economic status (Figure 4 measures economic status as family income relative to the poverty threshold for the household size). In Figure 3, the largest increases in levels of annual leave

taking are observed for workers with annual earnings less than $30,000 (Figure 3), but they remain the least likely to take leave relative to those with higher earnings across all four paid leave scenarios.[2] Under current policies, 12.2 percent of workers with annual earnings below $30,000 take family or medical leave in a year. This increases by 0.8 percentage points (to 13.0 percent) under the 6 and 12 week parental and family leave scenarios and by 1.8 percentage points (to 14.0 percent) for the 6 and 12 week family and medical leave scenarios. Workers with annual earnings from $30,000 to $74,999 are most likely to take family and medical leaves. Under current policies, 14.5 percent take leave and this increases to 15.0 percent under a parental and family leave program and 15.6 percent under programs providing leave benefits for all family and medical leave reasons. Among workers with annual earnings of $75,000 or higher, 14.3 percent take family or medical leaves in a year under current policy and this is expected to increase to 14.7 percent under a parental and family leave program and 14.9 percent for benefits covering all family and medical leave reasons.

Figure 3. Estimated Share of Indiana Workers Taking Family and Medical Leaves Annually by Annual Earnings

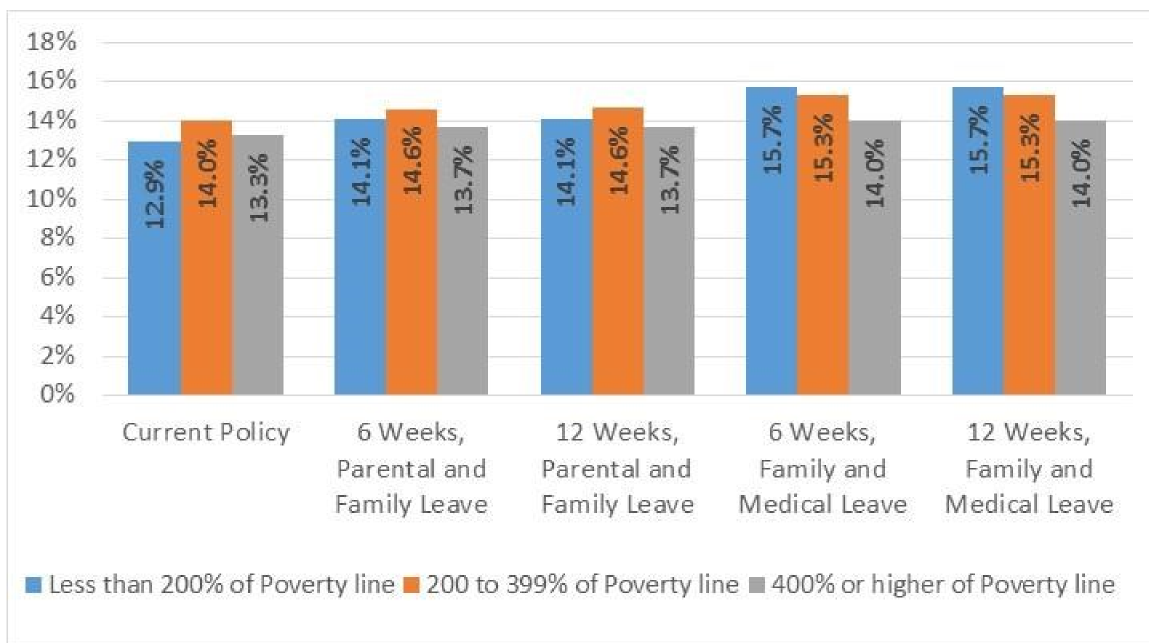
Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

The general patterns for the workers own earnings and family economic status are similar under current policy and for the two parental and family leave scenarios. That is, the increases in leave taking are greatest among the lower socioeconomic groups and the benefit programs reduce the differences across groups. In Figure 4, family economic status is measured in groups defined by the ratio of family income to the poverty threshold for the family size and composition. The poorest group has family income that is less than twice the poverty threshold for the family type and the highest group has family income equivalent to at least four times the poverty threshold. Workers from the poorest families

[2] Workers are classified by their annual earnings regardless of whether they work full-time or part-time and all year or part year.

increase their yearly leave taking from 12.9 percent under current policies to 14.1 percent when parental and family leave benefits are available and 15.7 percent when benefits are available for all family and medical reasons. Workers in the middle income category, family incomes that are 200-399 percent of their poverty thresholds, increase leaves from 14.0 percent under current policies to 14.6 percent under the parental and family leave scenarios and 15.3 percent under the family and medical leave scenarios. The highest income group, workers with family incomes 4 or more times the poverty threshold, show the smallest increases in leave taking across the leave scenarios. Under current policies, 13.3 percent of workers from the highest income group take leave each year and this increases on 0.4 percentage points when parental and family leaves are eligible for benefits and 0.7 percentage points when benefits are available for all family and medical reasons. For the two programs covering all family and medical leave reasons, both 6 and 12 week scenarios, the gradient across the groups for family economic status shows that when medical leaves are included, workers from the lowest income families are most likely to take leaves from work and the share taking leaves from work declines across each of the two progressively higher family income categories.

Figure 4. Estimated Share of Indiana Workers Taking Family and Medical Leaves Annually by Family Economic Status



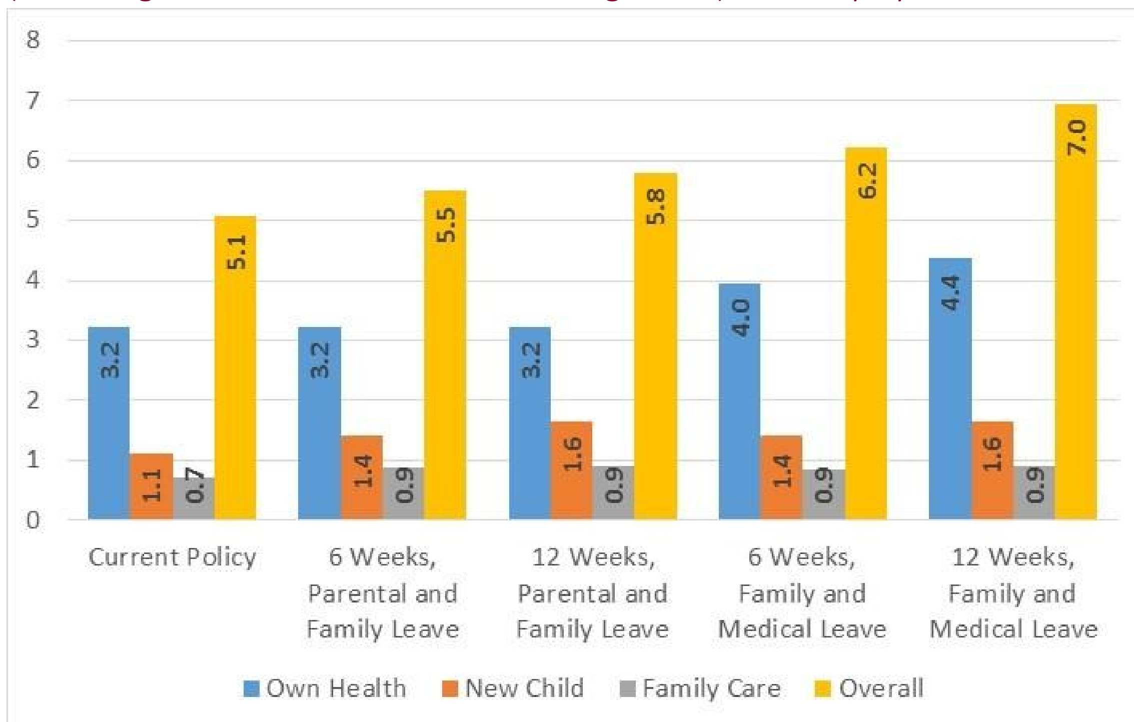
Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Figures 5 and 6 show the expected changes in the lengths of leave under current policy and the four program scenarios. Figure 5 looks at the average (mean) number of days calculated across all workers -- those taking leaves as well as those that do not (included as zero) – and Figure 6 shows the average number of days taken for only those workers taking leave.[3] Figure 4 shows that, on average, workers in

[3] In Figure 4, the three family and medical reasons do not sum to the overall average due to rounding error. Figure 5 shows that the reasons for taking family and medical leave are expected to require different amounts of time for

Indiana take 5.1 days each year for their own serious health conditions (3.2 days), bringing a new child into the family (1.1 days), or caring for family members (0.7 days). The mean number of days per worker taken in a year increases to 5.5 under the scenario providing up to six weeks of parental and family care leave including no change in leave taking for the worker's own health needs (no benefits added) and an additional 0.3 days for parental and 0.2 days for family care. Under the scenario for 12 weeks of parental and family care leave, on average, workers are expected to take 5.8 days: 3.2 days for their own health (as under current policy), 1.6 days for parental leaves, and 0.9 for family caregiving. When benefits are available for workers' own serious health conditions in the family and medical leave plan for up to 6 weeks of benefits, overall average leave increases to 6.2 days, 4.0 days for the average workers' needs, 1.4 days for parental leave, and 0.9 days for family care. Under the family and medical leave plan offering up to 12 weeks of benefits, the average worker would take 7.0 days per year, including 4.4 days for her or his own health, 1.6 days for parental leave, and 0.9 days for family care.

Figure 5. Estimated Mean Number of Days of Family and Medical Leave Used (Including Zeroes for Workers Not Taking Leave) Annually by Reason for Leave



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Looking just at the length of time a worker is absent from work when he or she experiences a qualified family or medical event, Figure 6 shows that under current policy, a worker with one or more leaves would take 37.7 work days overall: 36.7 days if the leave is for their own serious health condition, 36.8 days if the reason is a parental leaves, and 20.3 days when leave is taken to care for a family member. Under the 6 week parental and family leave scenario, leaves taken for family care increase by less than one day to 20.9 days and leaves taken around new children increase by 7.7 days to 44.5 days, on

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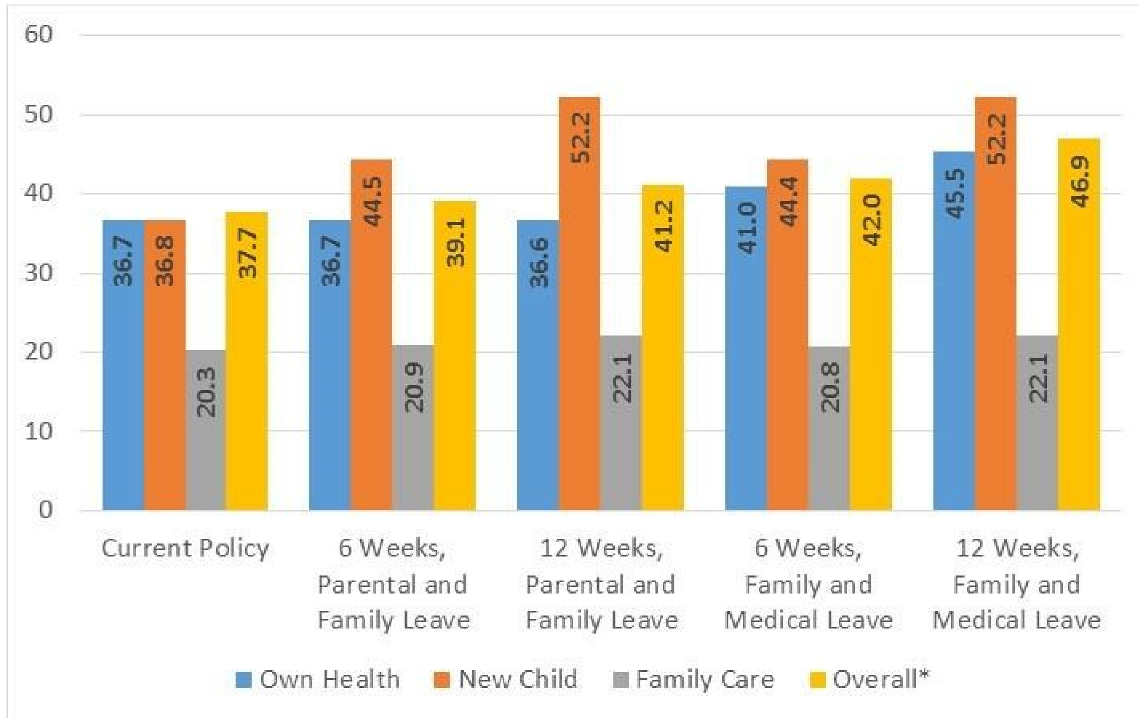
the worker or care recipient to recover. These do not sum to the overall number due to some workers taking multiple leaves in a one year period for different covered reasons.

average. When up to 12 weeks of parental and family leave are available, leaves taken for family care increase by less 1.8 days to 22.1 days and leaves taken around new children increase by 15.4 days to 52.2 days, on average. These increases in average leave lengths are very similar under the family and medical leave scenarios where leaves taken for workers' own serious health condition increases to 41.0 days (an additional 4.3 days) when up to 6 weeks are available and to 45.5 days (an additional 8.8 days) when up to 12 weeks are available.

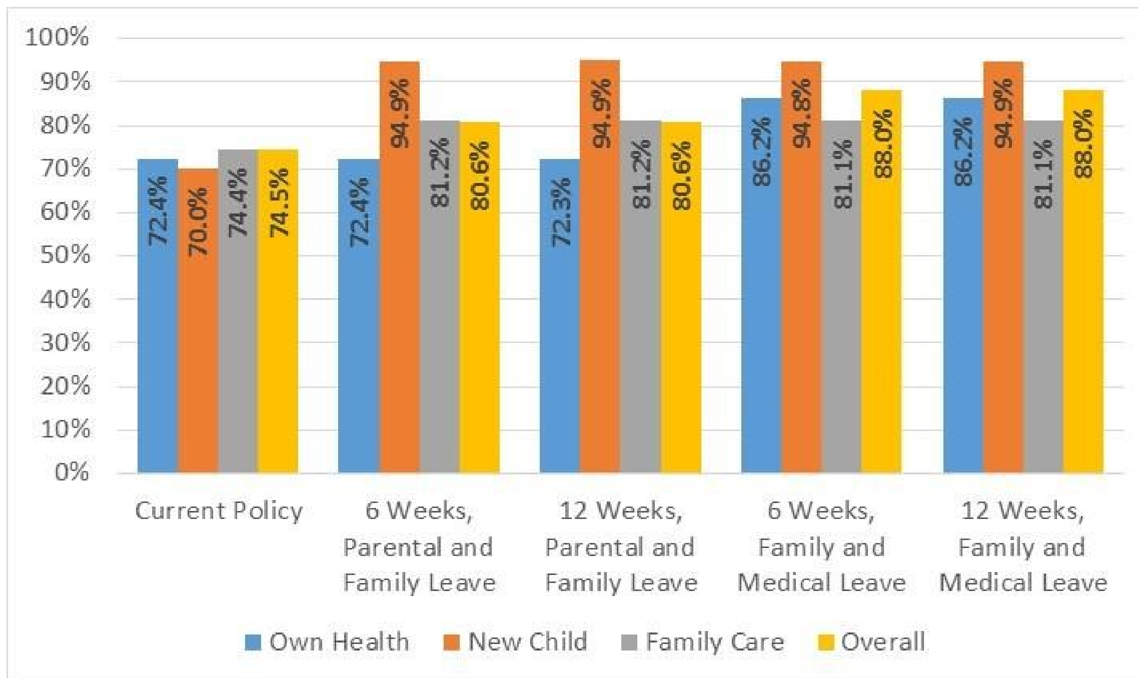
Figure 6. Estimated Mean Number of Days of Family and Medical Leave Used Annually by Workers Taking Eligible Leaves by Reason for Leave



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Figure 7 shows the share of leaves taken for covered family or medical events that receive some income replacement – either employer wages paid or program benefits claimed – under current policy and the four alternative leave scenarios. Overall, nearly three-quarters of worker leaves are at least partially paid under current policy from paid sick days, annual leave, or consolidated PTO plans as well as dedicated employer-provided disability insurance or dedicated paid family leave. The largest increase in access to paid leave is for new parents where the share of leaves taken while receiving pay increases by almost 25 percentage points, from 70.0 percent to 94.8 or 94.9 percent. Under the family and medical leave scenarios covering workers' own serious health needs, paid leave increases by almost 14 percentage points, from 72.4 percent of leaves receiving some pay under current policy to 86.2 percent of leaves with some pay while away from work. The share of family care leaves where workers receive some income increases by almost 7 percentage points, from 74.4 percent under current policy to 81.1 or 81.2 percent under the four policy scenarios.

Figure 7. Estimated Share of Workers Taking Family and Medical Leave Receiving At Least Partial Income Replacement (Program Benefits or Employer Provided Wages) by Reason for Leave



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

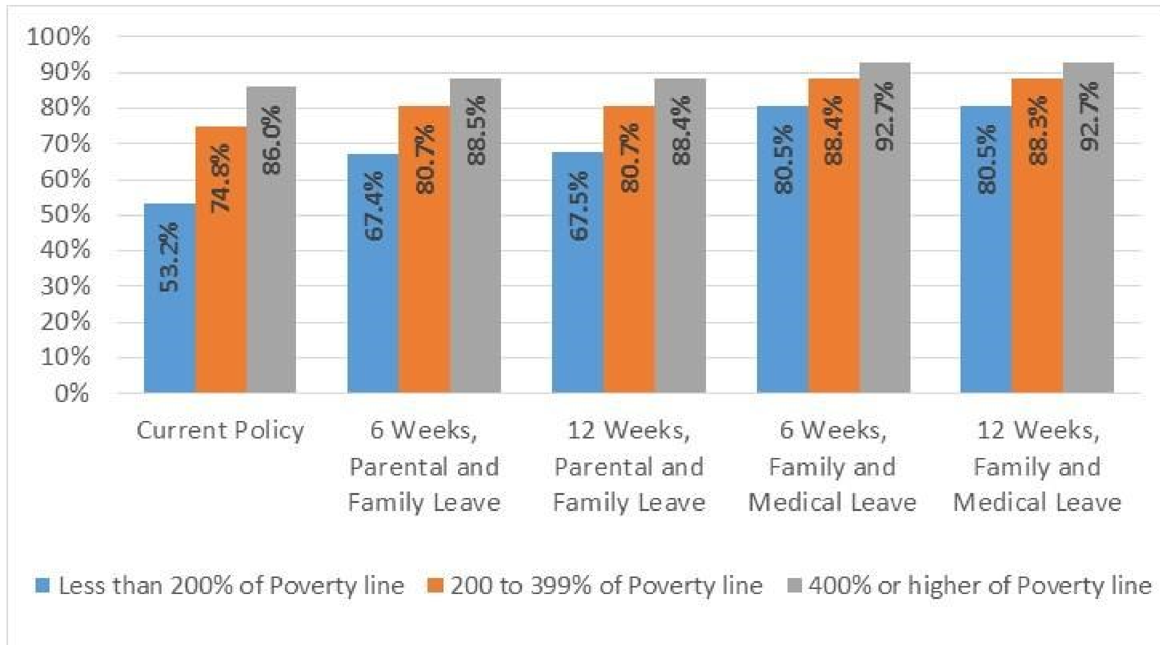
While Figure 7 shows how workers' access to pay when on leave from work for qualified family or medical reasons would increase, Figures 8 and 9 show how this increase improves access to paid leave disproportionately for low earners (Figure 8) and low income families (Figure 9) and can help reduce inequality in Indiana. For example, Figure 7 shows that overall 74.5 percent of family and medical leaves are at least partially paid. However, Figure 8 shows that this average masks inequality across workers at different earnings levels. Workers earnings less than $30,000 per year are much less likely to receive pay (62.9 percent) compared to workers earnings $75,000 or more each year (90.7 percent) when taking leave for family and medical reasons. While all workers gain access to paid family and medical leave under each of the policy scenarios, low wage workers access increase is relatively greater and inequality across earnings levels is reduced. For the most comprehensive and generous scenario (up to 12 weeks family and medical leave) the gap between the lowest and highest earnings levels is reduced by half – from 27.8 percentage points under current policy to 13.1 percentage points under 12 weeks of family and medical leave. The lowest earnings group increases their share of leaves taken with pay from 62.9 percent under current policy to 82.4 percent under family and medical leave for up to 12 weeks (an increase of nearly 20 percentage points). The highest earnings group increases, but not as much, from 90.7 percent to 95.5 percent (and increase of 4.8 percentage points).

Figure 8. Estimated Share of Workers Taking Family and Medical Leave Receiving At Least Partial Income Replacement (Program Benefits or Employer Provided Wages) by Earnings Level

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Figure 9 results are similar when looking at family income levels relative to the poverty line to those by earnings level to those shown in Figure 8 for workers earnings. Workers in families with income less than twice the poverty threshold for their family size are much less likely to receive pay (53.2 percent) compared to those with family incomes two to four times their poverty threshold (74.8 percent) and higher incomes more than four times their poverty threshold (86.0 percent) when taking family and medical leaves under current policy. While all workers gain access to paid family and medical leave under each of the policy scenarios, workers in low income families increase relatively more access to paid leave and inequality across family income levels is reduced. For the most comprehensive and generous scenario (up to 12 weeks family and medical leave) the gap between the lowest and highest family income levels is reduced by nearly 60 percent – from 32.8 percentage points under current policy to 12.5 percentage points under 12 weeks of family and medical leave. The lowest earnings group increases their share of leaves taken with pay from 53.2 percent under current policy to 80.5 percent under family and medical leave that covers medical and family leave for up to 12 weeks (an increase of 27.3 percentage points). Paid leave for the highest family income group increases, but not as much, from 86.0 percent to 92.7 percent (an increase of 6.7 percentage points).

Figure 9. Estimated Share of Workers Taking Family and Medical Leave Receiving At Least Partial Income Replacement (Program Benefits or Employer Provided Wages) by Family Economic Status



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

A paid family and medical leave program would only modestly increase the number of leaves taken and the length of time workers are absent from their jobs. The greatest increase in leave time occurs for parental leaves which occur early in the life course before workers can save to self-fund a leave of absence and only a couple of times during the worker's career suggesting that a paid leave policy could greatly increase leave at a critical time for families. The model results demonstrate support for paid family and medical leave's ability to increase access to income replacement when taking time off for work to welcome a new child into the family, provide care for family members with medical needs, and attending to their own serious health conditions. A public program would reach low wage workers and those in families with lower income levels who are often not provided paid leave by their employers under current policy and reduce the persistent inequality in access to paid leave for the most vulnerable workers in Indiana.

Programs with Coverage Incorporating Voluntary Participation

IWPR also explored the associated costs of providing paid leave benefits if Indiana employees were offered a family and medical leave insurance program that they could opt into voluntarily. There is no data available on what economists term "adverse selection" in paid family and medical leave programs – that workers more likely to claim leave benefits would be more likely to participate and to only participate as long as they could foresee a potential need for the program. The simulation model has been developed to estimate costs for more universal program coverage, but provides enough flexibility to conduct a preliminary analysis using the program output. The analyses that follow considers a policy that is comparable to the more universal policies evaluated above and provides cost estimates for two levels of worker elective participation – 70 percent (Table 3) and 35 percent (Table 4). The results presented in Table 2 are based on all employers participating to compare two levels of voluntary participation by workers in Tables 3 and 4.

The 70 percent participation threshold was based on the responses to a Granite State Poll (New Hampshire) conducted in February 2016, asking, "Paid family and medical leave programs often provide up to 12 weeks of paid leave from work to provide care for a new child, during pregnancy, for their own serious illness, or to care for a family member with a serious illness. If such a program was available in New Hampshire, would you be willing to pay about $5 per week to be part of the program?" (Smith 2016). The results for this question indicated that overall 69 percent of respondents would voluntarily participate in a paid leave program based on an estimated cost of $5 per week. The second threshold, 35 percent, was selected to estimate costs assuming voluntary participation were about half of that level. However, no family and medical leave programs currently in operation have a large degree of flexibility in worker participation, so there are few data available to corroborate the Granite State Poll results or to gauge the accuracy of the participation levels modeled. Participation at only one weekly cost estimate, $5, was measured.

There are several reasons that there is more uncertainty around the estimates incorporating voluntary participation by workers. The willingness to participate in a family and medical leave insurance program was taken from a poll conducted in New Hampshire and not Indiana. While it did not mention the benefit levels available in the program, only benefit durations, the models estimated here include insurance for full wage replacement which might be an incentive towards greater participation. The simulation model is based on leave taking behaviors for all workers rather than the subset most likely to experience a qualifying family or medical event. Predicting the workers who are most likely to need and use family and medical leave based on their social characteristics might not adequately capture the relevant information that shapes these decisions on an individual basis; this includes information such as health status or childbearing plans. These factors may increase benefit claiming above the levels estimated here.

The costs for voluntary participation include an estimate of administrative costs (7.5 percent of benefits) than used for the more universal participation models in Table 2 (5.5 percent of benefits). While higher administrative costs were included for plans with workers choosing to participate, the actual administrative costs may end up higher in practice. Administrative costs may be higher once the policy is implemented if there is high turnover in participation among workers, which can lead to a more complex and costly system for eligibility determination and claim verification. The administrative cost estimates account for only one year of administrative costs and these costs may not capture workers cycling in and out of paid leave and at times when workers may be most in need of leave benefits. The Granite State poll did not estimate the drop off in voluntary participation at higher weekly program

costs per worker and the estimated levels are above the $5 per week cost in the survey question. As costs climb for a smaller participant pool with higher benefits claiming, more workers may withdraw or cease to participate in ways that we have not yet been able to measure or estimate, which would result in an unsustainable program.

Table 3: Paid Leave Program Cost Estimates for Four Alternative Paid Leave Policy Scenarios in Indiana Adjusting for Workers Selecting to Participate in a FMLI Program: 70 Percent of Workers Opt-In

	6 Weeks, Parental and Family Leave	**12 Weeks, Parental and Family Leave**	**6 Weeks, Family and Medical Leave**	**12 Weeks, Family and Medical Leave**
Number of Leaves Taken and Receiving FMLI Benefits				
Own Health Condition	NA	NA	100,413	100,424
Parental/Bonding	61,996	62,034	62,013	62,106
Family Care	21,801	21,770	21,183	21,093
Total	83,797	83,804	183,608	183,623
Weeks Receiving Program Benefits				
Own Health Condition	NA	NA	4.3	6.7
Parental/Bonding	4.8	8.1	4.8	8.1
Family Care	3.2	4.3	3.2	4.2
Overall	4.3	7.1	4.3	6.8
Average Weekly Benefit	$595	$594	$597	$597
Benefit Cost ($millions)				
Own Health Condition	$0.0	$0.0	$237.8	$376.0
Parental/Bonding	$163.9	$281.4	$163.8	$281.6
Family Care	$36.4	$48.6	$36.1	$48.2
Total Benefit Cost ($millions)	$200.4	$330.0	$437.8	$705.7
Administrative (7.5 percent, $millions)	$15.0	$24.8	$32.8	$52.9
Total Cost ($millions)	$215.4	$354.8	$470.6	$758.7
ACS Earnings ($millions)	$75,702	$75,648	$78,898	$78,937
Cost as a Percent of ACS Earnings	0.28%	0.47%	0.60%	0.96%

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Table 4: Paid Leave Program Cost Estimates for Four Alternative Paid Leave Policy Scenarios in Indiana Adjusting for Workers Selecting to Participate in a FMLI Program: 35 Percent of Workers Opt-In

	6 Weeks, Parental and Family Leave	**12 Weeks, Parental and Family Leave**	**6 Weeks, Family and Medical Leave**	**12 Weeks, Family and Medical Leave**
Number of Leaves Taken and Receiving FMLI Benefits				
Own Health Condition	NA	NA	51,649	51,641
Parental/Bonding	56,352	56,450	50,243	50,219
Family Care	11,431	11,420	12,301	12,159
Total	67,782	67,870	114,193	114,018
Weeks Receiving Program Benefits				
Own Health Condition	NA	NA	4.3	6.7
Parental/Bonding	4.9	8.3	5.0	8.6
Family Care	3.2	4.2	3.2	4.3
Overall	4.6	7.6	4.5	7.3
Average Weekly Benefit	$599	$598	$584	$584
Benefit Cost ($millions)				
Own Health Condition	$0.0	$0.0	$120.4	$190.1
Parental/Bonding	$149.9	$260.6	$133.5	$235.3
Family Care	$19.3	$25.6	$20.4	$27.2
Total Benefit Cost ($millions)	$169.2	$286.3	$274.3	$452.6
Administrative (7.5 percent, $millions)	$12.7	$21.5	$20.6	$33.9
Total Cost ($millions)	$181.9	$307.7	$294.9	$486.5
ACS Earnings ($millions)	$42,183	$42,176	$36,733	$36,833
Cost as a Percent of ACS Earnings	0.43%	0.73%	0.80%	1.32%

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Weekly Program Cost for Indiana Workers Earning Minimum Wage or Average Wages

In the section the weekly costs of the family and medical leave insurance programs modeled in Tables 2, 3, and 4 are calculated for Indiana workers. The cost to workers per week are evaluated at two wage levels: one, a minimum wage worker employed for 40 hours per week (earnings of $290 per week) and two, a worker earning average weekly wages for Indiana ($852 in 2016 computed as a weighted average across private, state, and local employees). The contribution rate is based on the simulation model results to calculate costs and assume that all earnings are taxed -- there is no maximum on the earnings after which a worker no longer contributes to the program.

Table 5: Weekly Program Cost for Indiana Workers Earning Minimum Wage or Average Wages

	40 Hours at Minimum Wage ($7.25 per hour)	Indiana Average Weekly Wage ($852 per week)
All Private, State, and Local Workers Covered		
6 Weeks, Parental and Family Leave	$0.51	$1.49
12 Weeks, Parental and Family Leave	$0.83	$2.43
6 Weeks, Family and Medical Leave	$1.28	$3.76
12 Weeks, Family and Medical Leave	$2.05	$6.02
70 Percent Opt-In		
6 Weeks, Parental and Family Leave	$0.83	$2.42
12 Weeks, Parental and Family Leave	$1.36	$4.00
6 Weeks, Family and Medical Leave	$1.73	$5.08
12 Weeks, Family and Medical Leave	$2.79	$8.19
35 Percent Opt-In		
6 Weeks, Parental and Family Leave	$1.25	$3.67
12 Weeks, Parental and Family Leave	$2.12	$6.22
6 Weeks, Family and Medical Leave	$2.33	$6.84
12 Weeks, Family and Medical Leave	$3.83	$11.25

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Costs are calculated on a per worker basis. On a per capita basis, covering all workers is less expensive than allowing workers to decide whether or not they will participate. Furthermore, the per capita costs increase as worker participation declines from all workers, to 70 percent of workers, and finally 35 percent of workers used in the estimation. These are the amounts that would pay for benefits and day-to-day administration of a self-financed, sustainable system. The program income could come from workers (as in California and Rhode Island), employers (as in DC), or a combination (as in New Jersey, New York, and Washington state).

Additional Benefits

Drawing on the results in the cost estimation above and research findings from other paid leave studies, this section will explore a few additional benefits that Indiana could experience following the implementation of paid family and medical leave benefits. These benefits may accrue to employers or state institutions in addition to the workers themselves. Most of the existing research is on the effects of paid family and medical leaves around birth outcomes.

Reduced Low Birthweight Births

In 2016, there were 83,016 live births in Indiana (Indiana State Department of Health). Based on the 2016 ACS, 38,453 women in Indiana had worked in the previous 12 months and were living in Indiana in 2016 with their own newborn child (under one year of age). According to the Center for Disease Control (CDC), Indiana is about average among U.S. states for pre-term births (9.6 percent of births, state rank is 25th) and low birthweight births (8.0 percent of births, state rank 26th). At the state average rate of low birthweight births, 3,076 working women in Indiana would have had a low birthweight infant in 2016. Stearns (2015) has estimated that paid leave for childbirth reduces the rate of low birthweight births by 3.2 percent. This implies that had Indiana provided a paid leave that could be used for maternity and childbirth, 98 fewer births would have been considered low birthweight. Drawing on Behrman and Stith Butler (2007), eliminating 98 low birthweight births in 2016 would have saved Indiana $4.2 million dollars in higher maternity delivery costs and medical care for the infant from birth though age 5.[4] There would also be additional savings from medical care at ages 6 and older for the child, special education costs, and lost productivity for the working mother that would accrue to workers, employers, and state institutions.

Reduced TANF Participation

Recent research done in Washington state has estimated the impact paid family and medical leave might have on TANF and SNAP caseloads and expenditures (Kang, Meyers, and Romich 2016). They find that paid family and medical leave would reduce TANF participation by 1.3 percent among new mothers age 20 to 34 with lower education (less than an Associate's degree). Again, using the 2016 ACS, there were 18,535 births in Indiana to women age 20 to 34 with less than an Associate's degree. If this number were reduced by 1.3 percent in the presence of the paid family and medical leave program, TANF caseloads would have been reduced by 241 families. Based on the cost models shown in Table 2, new mothers are expected to take 4.8 weeks of leave when up to 6 weeks are available and 8.1 weeks of leave when up to 12 weeks are available. Using the average payment per family from the Indiana Division of Family Resources (2017), a paid family and medical leave program in Indiana providing up to 6 weeks of benefits would save $57,000 and one providing up to 12 weeks would save $96,000.[5] Given that the paid family and medical leave weekly benefits would be higher than Indiana's TANF benefits, on average, if one assumed that these workers would use all their available family and medical leave, savings would be $71,000 for six weeks of leave and $142,000 for 12 weeks of leave.

Kang, Meyers, and Romich (2017) point out that these would be conservative estimates for TANF savings for several reasons. They focused on a subset of new mothers based on age and education, but mothers

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[4] The dollar values in Behrman and Stith Butler (2007) were inflated from 2005 dollars to 2016 dollars using the CPI-U-RS.

[5] Unmarried mothers' benefits were based on child-only and one-parent families' payments and married mothers' benefits were based on two-parent families' payments.

outside this study population might also receive TANF benefits. Their estimate for the reduction in TANF caseloads are only based on leave taking around the birth of a child, but the family and medical leave programs considered here cover a broader range of reasons that might also reduce TANF take-up. By keeping new parents from becoming familiar with TANF in the first place, these families might be less likely to access TANF benefits in the future.

Kang, Meyers, and Romich (2017) found that paid maternity leave is also associated with lower rates of SNAP in the year following a birth, but the reduction was not statistically significant different from zero.

Conclusion

At some time during their careers, nearly every worker will need to take time off from their jobs to recover from illness or seek medical treatment, to welcome a new child into their home, or to care for a close relative. However, many cannot afford to lose even one day's pay. One solution to this problem is providing paid family and medical leave to replace at least some of the lost pay that many workers cope with when taking leave for such reasons. The Indiana Commission on Women received a grant from the United States Department of Labor Women's Bureau to explore what a program for paid family and medical leave might look like in Indiana. Together with an independent Advisory Panel, they designed a range of four possible policy scenarios. This report has presented what those four policies might cost, what the direct impacts on workers would be, and what some of the indirect effects on workers, employers, and public institutions in Indiana.

The results of the cost modeling show that under current policies many workers are taking leaves each year. While this number increases slightly under the paid family and medical leave policy scenarios considered, employers are already dealing with workers taking time off from work when necessary. Simply paying them does not greatly increase the number of leaves taken annually. The leaves taken under the paid leave scenarios are longer, but the average increase across all workers is only two additional days under the most generous proposal modeled. Some of the largest increases among leave-takers were for maternity and childbearing leaves; from an employer's perspective, these should largely be leaves that can be foreseen and planned and, therefore, less disruptive to the worksite.

The costs of the universal programs ranged from $221 million to $895 million including benefits and expenses for administering the program. In terms of the cost of funding such a program, the cost as a share of total wages paid in Indiana ranged from 0.17 percent to 0.71 percent across the four scenarios modeled. If all these costs were borne by workers, the weekly cost to an Indiana worker with average earnings would range from $1.49 to $6.01 when all workers are included. Allowing workers to voluntarily participate would reduce the costs in absolute dollars paid as benefits, but raise the cost per worker substantially. If policymakers were to pursue such a policy in Indiana, additional research on how Indiana workers might behave would be suggested.

The policies with coverage for all workers would improve access to paid leave and reduce inequality across workers with different earnings and from different family income levels; the programs designs modeled do lift up the most vulnerable workers in Indiana. The additional indirect benefits considered would also help vulnerable workers, but would also be expected to provide benefits to employers and other institutions in Indiana.

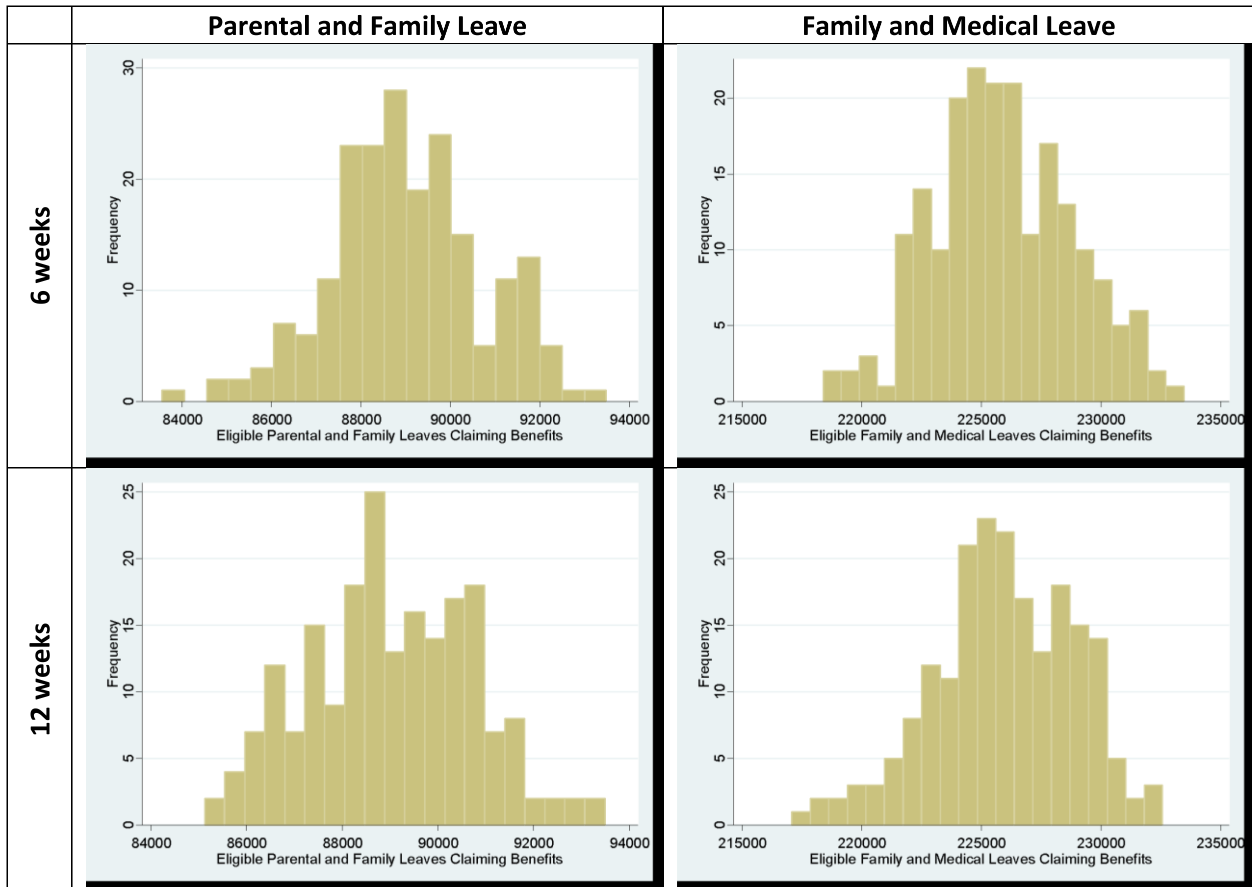
Appendices

Appendix 1. Variability in Simulation Model Estimates of Annual Number of Family and Medical Leave Claims and Total Amount of Benefits Paid

	6 Weeks, Parental and Family Leave	12 Weeks, Parental and Family Leave	6 Weeks, Family and Medical Leave	12 Weeks, Family and Medical Leave
Number of Leaves Taken Claiming Benefits				
Mean	89,014	89,021	225,926	225,917
Standard Deviation	1,708	1,716	2,934	2,943
Median (50th Percentile)	88,868	88,895	225,670	225,936
10th Percentile	86,874	86,627	222,231	222,013
90th Percentile	91,510	91,099	230,074	229,790
Total Benefits Paid ($Ms, 2015)				
Mean	$209.6	$342.3	$529.8	$848.3
Standard Deviation	$5.0	$8.8	$8.2	$13.8
Median (50th Percentile)	$209.8	$342.5	$529.8	$849.3
10th Percentile	$203.7	$329.5	$519.8	$831.1
90th Percentile	$216.2	$353.3	$539.9	$864.8

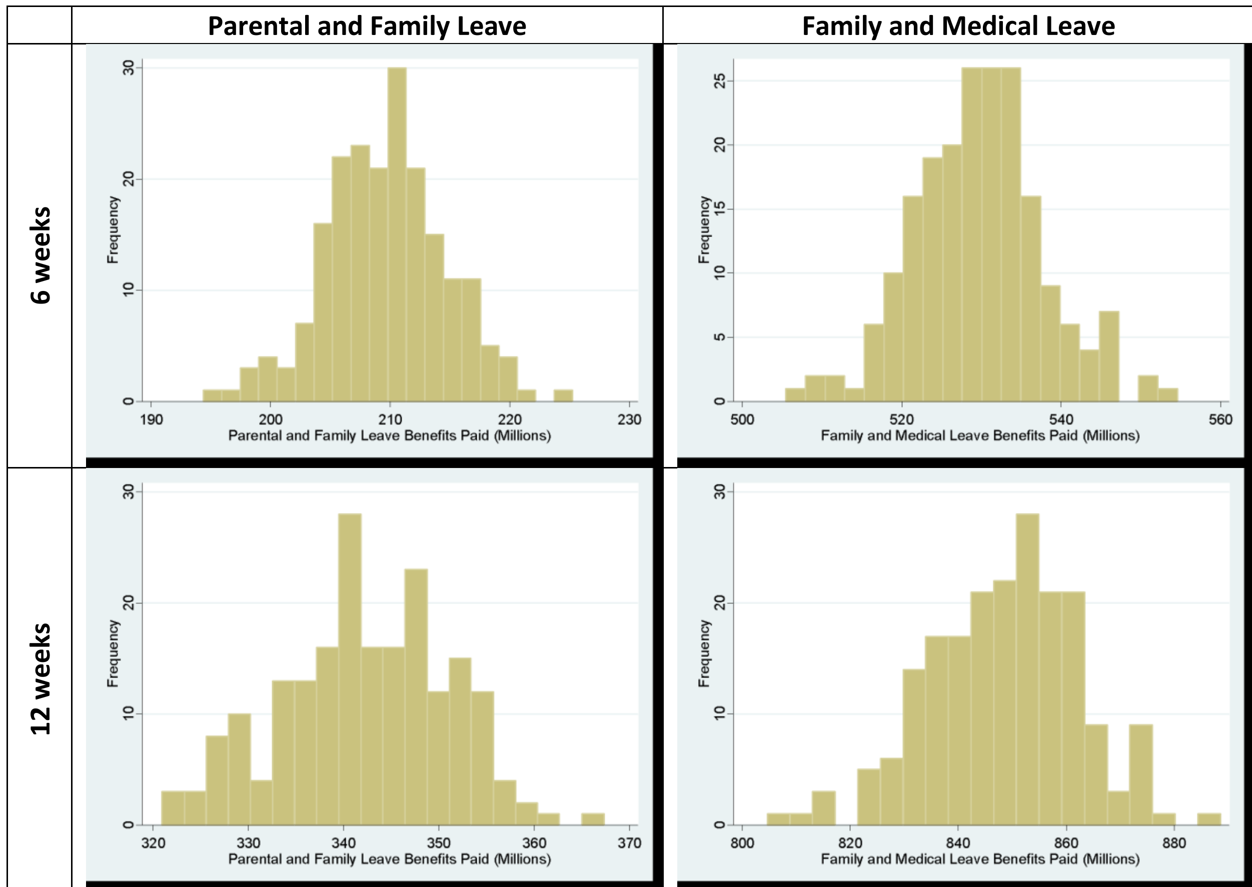
Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Appendix 2. Variability in Simulation Model Estimates of Annual Number of Family and Medical Leave Claims



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

Appendix 3. Variability in Simulation Model Estimates of Total Amount of Family and Medical Leave Benefits Paid



Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model based on 2011-2015 American Community Survey and 2012 FMLA Employees survey. (200 replications run 15 August 2017.)

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