

ARKANSAS NEEDS PAID FAMILY LEAVE

HOW TO CREATE A HEALTHIER WORKFORCE AND ECONOMY

by Eleanor Wheeler, Senior Policy Analyst
February 2016



5 THINGS YOU SHOULD KNOW ABOUT PAID FAMILY LEAVE

1. Taking paid leave is shown to improve the health of children and their parents, even long after the leave time is over.
2. Paid leave is not widely available. The U.S. is the only advanced industrialized country that doesn't provide paid maternity leave, and unlike some states, Arkansas also has no paid family leave program.¹ Current federal laws don't protect about 40 percent of employees' jobs when they take unpaid leave.²
3. Low-income families are more likely to continue working even when they need to take time off because they can't afford to miss a paycheck.
4. Paid leave encourages work and financial stability in families. Women who are able to take paid maternity leave are more likely to return to work, have increased wages, and are less likely to receive public assistance.
5. Paid leave can help employers by improving employee productivity, and reducing costs associated with hiring, training, and turnover.



INTRODUCTION

A lack of paid family leave programs in Arkansas leaves many families, particularly low-income families, in poor physical and financial health. Achieving statewide paid family leave is a great change, but a significant one. A few baby steps toward that ultimate goal could help inform a comprehensive policy that is tailored to Arkansas's specific needs, and calm the fears that some may have about major policy change. Those first steps should start with paid maternity leave for state employees, similar to the bill proposed by Rep. Clarke Tucker in the 2015 legislative session. This would set a precedent for employers in the rest of the state and act as a quantifiable pilot program to influence future paid leave policies at a minimal cost.

Paid family leave works a lot like unemployment insurance. Employees can take time off for specific reasons, and receive either a set percentage of their wages up to a maximum level, or simply a flat rate.³ Paid leave can be used for a personal serious health condition, to care for a seriously ill family member, or to take care of a new child. Research shows that when families have access to paid leave, they are healthier, better employees. Paid leave also helps the economy by encouraging work and reducing reliance on public assistance. Despite the benefits, not many Arkansans have access to this type of program.

PAID LEAVE IMPROVES FAMILY HEALTH

The positive effects of maternity leave on the health of the child and the mother are well established. Taking time off means mothers are more likely to take their newborns to doctor's appointments for checkups and shots⁴ and their babies have a lower risk of infant death.⁵ Mothers who use California's paid leave program are shown to be more likely to breastfeed, and breastfeed for longer than mothers who don't.⁶ Taking time away from work to care for a new baby improves a child's emotional, cognitive, and behavioral outcomes, especially during the first year.⁷

Mothers also see long-term health benefits from taking time off to bond with a new child. A new mother's mental health is connected to her ability to take paid leave, and the benefits far outlast the length of the leave. Paid maternity leave led to a 16.2 percent drop in depression among mothers 30 years after they received the benefits, in one study.⁸ It isn't just mothers who benefit. Men who take time off from work to bond with and care for a new baby are more likely to be involved in their child's life than fathers who don't⁹ and are also shown to improve the personal and economic wellbeing of their families.¹⁰

Kids who get sick later on also greatly benefit from their parents' ability to take time away from their jobs. It is not surprising that kids have better health outcomes when their parents can care for them during a severe illness. Having a parent there can reduce a child's hospital stay by 31 percent.¹¹ Children of parents who are able to take time to care for them when they are sick may also be less likely to get sick in the future.¹²

PAID LEAVE COULD BOOST OUR ECONOMY AND FAMILIES' FINANCIAL STABILITY

Providing paid leave can help employers cut down on expenses by reducing turnover and costs associated with hiring and training. And it will boost our economy by making Arkansas a more attractive place to work. Employees who have paid leave are much more likely to stick around, and that saves business owners money. Finding a replacement for an employee, rather than providing leave, can cost up to five times the employee's yearly wages.¹³ It's no surprise that paid leave also makes better employees by reducing stress and increasing productivity, loyalty, and morale.¹⁴ Paid family leave will help keep smart young workers in Arkansas, and help recruit talent from other states by making Arkansas a more inviting option.

Paid leave also encourages work and reduces reliance on public assistance. Women who are able to take paid maternity leave are shown to be much more likely to return to work and have increased wages compared to those who didn't. Women who have paid leave are also about 40 percent less likely to receive public assistance or food stamps in the year after their child's birth.¹⁵

EVEN UNPAID-LEAVE PROTECTIONS ARE NOT KEEPING UP WITH NEEDS

In 1993, the Family and Medical Leave Act (FMLA) was created to protect workers' jobs for up to 12 weeks if they needed to take (unpaid) time off to care for a family member or a new child.

Unfortunately, this hasn't been shown to meaningfully increase the amount of leave taken by women.¹⁶ And, even with federal laws intended to at least protect workers' jobs after unpaid leave periods, many employees don't end up qualifying for those protections. About 40 percent of workers are not covered by the FMLA's unpaid leave job protection because they are not full-time, haven't worked at their job for long enough, or work for a business with too few employees.¹⁷

ARKANSANS, ESPECIALLY LOW-INCOME FAMILIES, HAVE LIMITED ACCESS TO PAID LEAVE

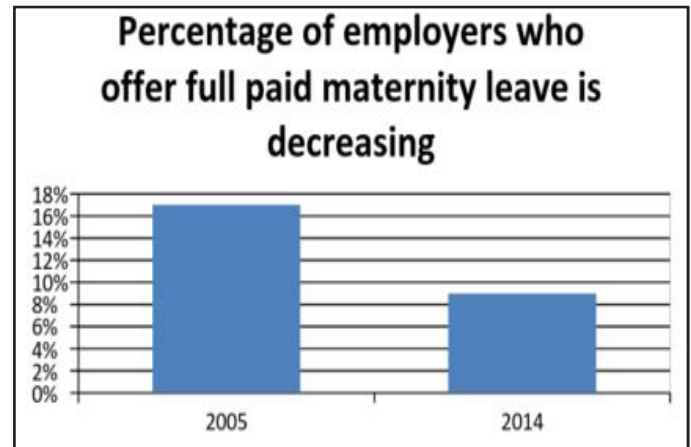
There is no state-level paid leave in Arkansas to protect families financially when a caregiver need arises. This means that many workers, particularly low-income and minority workers, have no real access to leave because they simply can't afford to take time off.¹⁸ Only 13 percent of employees in the U.S. work jobs that allow them to take paid family leave to care for a seriously ill family member, or for parents to care for a new child without worrying about a sudden loss of income.¹⁹ **The U.S. is the only advanced industrialized country that doesn't provide paid maternity leave for new mothers, and unlike some states, Arkansas also has no paid family leave program.**²⁰

About half of first-time mothers don't take any form of paid leave around the time of their pregnancy,²¹ and the most common reason for not taking leave is not being able to afford the drop in income.²² Access to paid leave is already limited, so it is especially troublesome that employers are less and less likely to offer paid leave programs. In 2005, 17 percent of employers offered full paid maternity leave; by 2014 it was only 9 percent.²³ We shouldn't put kids at risk just because their parents can't afford to take time off.

There is a wide disparity in access to paid leave among different demographic groups. Less educated workers, workers with low incomes, and Hispanic workers are particularly left out of paid leave options in the U.S.²⁴ Women with a bachelor's degree are over three times as likely to take paid leave as those with less than a high school education.²⁵ This is because less educated women tend to work in low-wage, low-benefit jobs that are unlikely to offer paid leave. Because of these trends, disadvantaged women stand to benefit the most from a shift from unpaid to paid leave programs. California's flagship paid leave program succeeded in extending the leave time taken by new mothers, and the greatest changes in length of leave were among single moms, moms with less education, and black or Latina mothers.²⁶

PAID FAMILY LEAVE HAS BEEN SUCCESSFUL IN OTHER STATES

Eleven states and the District of Columbia have passed laws to expand who is eligible for job protections, but only three, California, New Jersey, and Rhode Island, included income protection.^{27, 28} These three states have already seen positive



results and gained support from employees, families, and the business community.²⁹ All three offer broad paid leave that includes time to care for a new child, a seriously ill family member, or for a worker's own disability. The programs are paid for either by employees or by a combination of employee and employer payroll contributions.³⁰ Business owners in California overwhelmingly cite either positive or neutral impact on employee performance and profitability.³¹ Arkansas needs legislation that helps families succeed in their personal and professional lives by allowing a reasonable amount of time to focus on family without worrying about losing income.

RECENT ATTEMPTS TO PROVIDE LEAVE FOR ARKANSANS

Two bills were recently introduced that would have helped reverse this trend and make it easier for many Arkansas families to make ends meet. One program was the paid leave credit, which would have helped employers afford paid leave programs by providing a monetary incentive (HB1275). The incentive would have been in the form of a non-refundable income tax credit for employers who offered paid family and medical leave to their employees (covering the birth of a child, a serious illness, or to care for a family member with a serious illness). Employers would receive a credit equal to 25 percent of their paid leave costs. For example, if a new mother received \$1,000 from her employer while on paid maternity leave, her employer would receive \$250 in tax credits. Under this plan, employers could receive a credit of up to \$4,000 annually for each employee. The Arkansas Department of Finance and Administration (DFA) estimated that the cost of this program would be \$7 million during the first year and that it would ultimately cost \$14 million a year.



A bill to provide paid maternity leave for state employees was also considered during the 2015 legislative session, but it did not pass (HB1426). The program would have provided six weeks of maternity leave at a maximum of \$500 a week and was estimated to cost only \$354,000 a year, a small fraction of the \$5.2 billion in net available general revenue.³²

The health and success of children in Arkansas depend on public policies that support families. Without paid leave, hardworking employees, especially low-income workers, can't always be there when their kids need them. Full-time workers shouldn't have to leave a seriously ill family member or a new baby behind because they can't afford to miss a paycheck. Arkansas can afford to provide paid leave, which has built stronger families without hurting business in other states. It is time to give all Arkansans — not just the wealthy — the freedom and flexibility to be there for their families.

POLICY RECOMMENDATIONS

Arkansas would be far better off with paid leave laws that allow all working families to take time off to care for a new child, a seriously ill family member, or to recover from an illness themselves. To do that, we should follow the example of the successful programs in California, New Jersey and Rhode Island. All three states fund paid leave through payroll taxes and handle claims via their already established disability programs.³³

NOTES

- [1] Pew Research Center (2013)
- [2] US Department of Labor – Wage and Hour Division Chapter 3
- [3] National Partnership for Women and Families – Paid Family and Medical Leave Fact Sheet (2015)
- [4] Berger, L. M., Hill, J. and Waldfogel, J. (2005), Maternity leave, early maternal employment and child health and development in the US. *The Economic Journal*, 115: F29–F47
- [5] Ruhm, C. J. (2000). Parental leave and child health. *Journal of Health Economics*, 19(6), 931-960.
- [6] National Partnership for Women and Families – Children Benefit When Parents Have Access to Paid Leave Fact Sheet (2015)
- [7] http://www.nccp.org/publications/pdf/text_1059.pdf
- [8] Article from the Harvard School of Public health, based on the study : Avendano, Mauricio, et al. “The Long-Run Effect of Maternity Leave Benefits on Mental Health: Evidence from European Countries.” (2014).
- [9] Nepomnyaschy, Lenna, and Jane Waldfogel. “Paternity Leave and Father's Involvement with their Young Children: Evidence from the American Ecls–B.” *Community, Work and Family* 10.4 (2007): 427-453.
- [10] <http://www.dol.gov/asp/policy-development/PaternityBrief.pdf>

- [11] Heymann, Jody. *The Widening Gap: Why America's Working Families Are in Jeopardy - and What Can Be Done About It*. Basic Books, 2001.
- [12] Heymann, Jody, and Alison Earle. *Raising the global floor: dismantling the myth that we can't afford good working conditions for everyone*. Stanford University Press, 2010.
- [13] *Pay Matters: The Positive Economic Impacts of Paid Family Leave for Families Businesses and the Public*, Rutgers Center for Women and Work, Jan 2012.
- [14] National Partnership for Women and Families- Paid Family and Medical Leave Fact Sheet (2015)
- [15] *Pay Matters: The Positive Economic Impacts of Paid Family Leave for Families Businesses and the Public*, Rutgers Center for Women and Work, Jan 2012.
- [16] *Maternity Leave and Employment Patterns of First-Time Mothers: 1961-2008*. U.S. Census
- [17] US Department of Labor – Wage and Hour Division Chapter 3
- [18] https://www.whitehouse.gov/sites/default/files/docs/leave_report_final.pdf
- [19] Bureau of Labor Statistics – Employee Benefits Survey table 32 (2014)
- [20] Pew Research Center (2013)
- [21] *Maternity Leave and Employment Patterns of First-Time Mothers: 1961-2008*. U.S. Census
- [22] US Department of labor- Family and Medical Leave Technical Report (2012)
- [23] National Partnership for Women and Families – Children Benefit When Parents Have Access to Paid Leave Fact Sheet (2015), based on the studies: Matos, K., & Galinsky, E. (2014). 2014 National Study of Employers. Families and Work Institute Publication. Retrieved 26 July 2014, from <http://familiesandwork.org/downloads/2014NationalStudyOfEmployers.pdf>; Galinsky, E., Aumann, K., & Bond, J. (2011, August). 2008 National Study of the Changing Workforce. Families and Work Institute Publication. Retrieved 4 March 2015, from http://familiesandwork.org/site/research/reports/Times_Are_Changing.pdf
- [24] https://www.whitehouse.gov/sites/default/files/docs/leave_report_final.pdf
- [25] *Maternity Leave and Employment Patterns of First-Time Mothers: 1961-2008*. U.S. Census
- [26] National Partnership for Women and Families – Children Benefit When Parents Have Access to Paid Leave Fact Sheet (2015)
- Rossin-Slater, Maya, Christopher J. Ruhm, and Jane Waldfogel. “The Effects of California's Paid Family Leave Program on Mothers' Leave-Taking and Subsequent Labor Market Outcomes.” *Journal of Policy Analysis and Management* 32.2 (2013): 224-245.
- [27] <http://www.childtrends.org/making-the-case-for-paid-family-leave/>
- [28] National Partnership for Women and Families- State Paid Family Leave Insurance Laws
- [29] Connecticut, California, Massachusetts, and most recently, Oregon, have paid sick leave requirements.
- [30] National Partnership for Women and Families- State Paid Family Leave Insurance Laws (2015)
- [31] National Partnership for Women and Families- Paid Leave Works in California, New Jersey and Rhode Island (2015)
- [32] <http://www.arkleg.state.ar.us/bureau/fiscal/Publications/C.%20Session%20Summary%20of%20Fiscal%20Action/K.%202015%20Reg%20Session%20Fiscal%20Summary%20for%20FY2016.pdf>
- [33] <http://www.childtrends.org/making-the-case-for-paid-family-leave/>