



INSTITUTE FOR WOMEN'S POLICY RESEARCH
1200 18th Street NW, Suite 301 ♦ Washington, DC 20036

TO: Senator Gayle Goldin (Rhode Island)
FROM: Jeff Hayes, PhD, Study Director, Institute for Women's Policy Research (IWPR)
DATE: Tuesday, June 18, 2013
RE: Proposed temporary caregiver insurance (TCI) within Rhode Island's Temporary Disability Insurance (TDI) program (REVISED)

IWPR has calculated estimates of the cost of providing temporary caregiver insured leave proposed under S 0231, which would provide up to eight (8) weeks of wage replacement benefits to workers who take time off work to care for a seriously ill child, spouse, parent, domestic partner, or to bond with a new child. Estimates use data from the 2011 American Community Survey (ACS, U.S. Census Bureau) for Rhode Island and the recently-released 2012FMLA survey (U.S. Bureau of Labor Statistics, national data).

To estimate the amount of leave that would be used during the first three years of the TCI program, data on paid leaves for family care from the 2012 FMLA survey from the Bureau of Labor Statistics were used. The average durations under the proposed caps (4, 6, and 8 weeks) are estimated to be 3.8 weeks, 5.5 weeks, and 7.1 weeks, respectively.

IWPR calculated a smaller number of leaves that would be taken under the proposed policy than the Department of Labor and Training (DLT) estimated. Under Rhode Island's TDI program, the qualifying earnings level (\$9,300) is more restrictive than the family leave programs in California or New Jersey (with qualifying earnings levels of \$300 and \$7,300, respectively).¹ Based on the 2011 ACS, I estimate that there would be 5,405 private wage and salary workers in the first year of the program qualified for a child bonding leave (having a newborn less than one year of age, and with earnings greater than \$9,300 in the previous 12 months) rather than 8,145 estimated by DLT. Using the California ratios of 87.8 percent of family leaves for bonding and 12.2 percent of temporary caregiver leave, I estimated that there would be an additional 751 qualified workers taking caring leaves, for a total of 6,156 workers taking temporary caregiver leaves (Table 1). Using DLT's 2010-2020 employment projections; this figure is estimated to grow at 1.05 percent annually.

Using these temporary caregiver leave usage estimates, the proposed new benefits would cost \$10,501,577 in the first year, or 0.075 percent of the TDI wage base.² In year 3, with the TCI program phased in (8 weeks maximum), the benefits are estimated to cost \$21,255,747 or 0.14 percent of the TDI wage base.

¹ http://www.edd.ca.gov/pdf_pub_ctr/de2511.pdf and http://lwd.dol.state.nj.us/labor/forms_pdfs/tDI/WPR-119.pdf

² 6,156 workers * 3.8 weeks of leave * \$448.92 per week = \$10,501,577; \$10,501,577/\$13,930,653,034 = 0.008.

Using the 2011 ACS, the average annual earnings for private wage and salary workers in Rhode Island were \$40,060 and the total earnings, up to the TDI cap of \$61,400, was \$13,930,653,034 (adjusted to 2012 dollars using the CPI-U.) According to the BLS, in the third quarter of 2012, the average weekly wage in Rhode Island was \$855 (.³ Using the 2012 BLS average weekly earnings the average worker would pay \$10.26 for temporary disability insurance⁴ plus an additional \$0.64 for temporary caregiver insurance⁵ for a total cost of \$10.90 per week using the 1.275 percent combined rate (1.2 percent TDI + 0.075 percent TCI) in the first year. In the third year, the average worker is estimated to pay \$10.88 for TDI and \$1.30 for TCI, a total of \$12.19 per week.

Table 1: Cost Estimates for Proposed Temporary Caregivers Insurance, Years 1 to 3.

	Year 1	Year 2	Year 3
Eligible Workers with Event*	6,156	6,221	6,286
Maximum Weeks of TCI	4	6	8
Average Weeks TCI Claiming	3.8	5.5	7.1
Weekly Benefit**	\$448.92	\$462.39	\$476.26
Benefit Cost	\$10,501,577	\$15,820,025	\$21,255,747
TDI Wage Base (\$61,400 cap)	\$13,930,653,034	\$14,348,572,625	\$14,779,029,804
Benefit Cost as Percent of Wage Base	0.075%	0.110%	0.144%
RI Average Weekly Wage (Q3 2012)	\$855	\$881	\$907
TDI Cost per worker per week	\$10.26	\$10.57	\$10.88
TCI Cost per worker per week	\$0.64	\$0.97	\$1.30
Combined TDI & TCI per worker per week	\$10.90	\$11.54	\$12.19

* Assuming labor force increase of 1.05 percent annually.

** Year 1 in 2012 dollars using CPI-U and 3 percent annual inflation for dollar amounts in Years 2 and 3.

Source: IWPR analysis of American Community Survey 2011, BLS Family and Medical Leave Act Survey 2012, and BLS Quarterly Census of Employment and Wages.

The estimates presented in this memo assume that all workers eligible for leave under the new policy would know about and use their new paid leave benefits. On the contrary, during the early years of the program, it is likely that many workers will be unaware of their new leave benefits and not take any time off under the new law. In particular, workers may not be aware of the multiple uses allowed by the law. For example, Appelbaum and Milkman (2011) find that after six years of the California Paid Family Leave program, public awareness of the program remained low and more than half of the workers surveyed who had experienced a qualifying event did not know the program existed.⁶

³ <http://www.bls.gov/ro1/riqcew.htm>

⁴ \$855 weekly wage * .012 (1.2 percent) = \$10.26.

⁵ \$855 weekly wage * .0014 (0.14 percent) = \$1.20

⁶ <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>