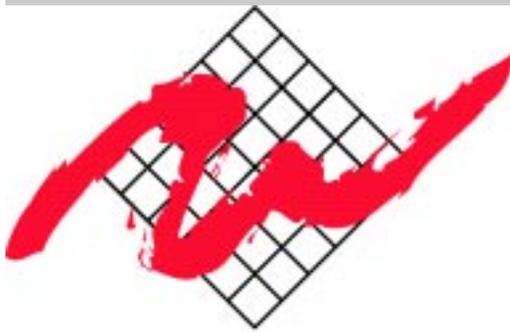


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# The Fiscal Viability of New Jersey Family Leave Insurance

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By Michelle Naples and Meryl Frank



INSTITUTE FOR  
WOMEN'S POLICY RESEARCH

# **THE FISCAL VIABILITY OF NEW JERSEY FAMILY LEAVE INSURANCE**

By

**Michele Naples**  
Associate Professor, Economics  
School of Business  
The College of New Jersey  
naples@tcnj.edu

and

**Meryl Frank**  
Senior Fellow  
Bush Center for Child Development and Social Policy  
Yale University  
gabelfrank@worldnet.att.net



**INSTITUTE FOR WOMEN'S POLICY RESEARCH**

## About This Report

This paper explores the development of family leave policy in the United States and in New Jersey, addressing the need for publicly provided family leave insurance. It assesses the direct economic costs of Family Disability Leave and Babies and Adoption Leave, based on a New Jersey bill that would expand Temporary Disability Insurance (TDI) coverage to encompass parental leave and leave to care for ill family members. Our cost estimates rely on three primary sources: 1) In 1995, the Institute for Women's Policy Research evaluated the costs of a more far-reaching program than proposed in New Jersey; 2) *A Workable Balance*, a 1996 Department of Labor-funded national study of the consequences of the Family and Medical Leave Act, provided data on the frequency and length of actual work leaves taken to provide family care and on the availability of paid leave; and, 3) New Jersey TDI data for current users benchmark weekly benefits and maternity disability use. We start from the IWPR estimates, based on Current Population Survey data, and adapt them to the actual leave experience reported by *A Workable Balance* and to the provisions of New Jersey TDI that would apply under the New Jersey family leave insurance proposal.

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**INSTITUTE FOR WOMEN'S POLICY RESEARCH**  
1707 L Street NW, Suite 750 • Washington, DC 20036  
P: (202) 785-5100 • F: (202) 833-4362

[www.iwpr.org](http://www.iwpr.org)

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# Introduction

The private needs of the family are now at the forefront of the national political agenda as a result of changes in the workforce and in family demographics. The Family and Medical Leave Act of 1993 (FMLA) is the cornerstone of the family policy movement. This act allows an unpaid leave of absence for employed family members who need to care for a newborn, a newly adopted child, or a seriously ill relative. Its benefits to working families are well documented (US DOL 1996; Cantor et al. 2000).

It has become increasingly clear, however, that the FMLA is insufficient to meet the needs of working families. The Act's benefits are limited by a family's financial resources, creating a two-tier system: those who are able to afford the unpaid leave and those who are unable to forgo earnings for even a limited unpaid leave. The economics underlying existing policy produce an unsatisfactory paradox: the employees who cannot afford leave are those who most need its benefits. Recognizing that current law fails to meet either existing family needs or policy objectives, many states are exploring legislation to provide some form of paid family leave (e.g., Boldiston 1998, on New York's initiative; National Partnership for Women and Families 2001, describing legislative initiatives in 26 states).

This paper assesses the direct economic costs and fiscal viability of New Jersey Family Leave Insurance, based on expanding the state's Temporary Disability Insurance (TDI) coverage to encompass leave to care for new babies and adopted children (BAA) and Family Disability Leave (FDL) to care for ill family members.<sup>1</sup> We find that New Jersey Family Leave Insurance (FLI) as currently proposed will cost between \$113 and \$134 million per year. Legislation currently under consideration in New Jersey (see footnote 1) would allocate \$128 million in revenue to cover Family Leave Insurance expenses. We conclude that Family Leave Insurance is fiscally viable in New Jersey.

Although our paper focuses on the fiscal viability of the state-funded program in New Jersey, state law allows companies to provide temporary disability coverage through private plans authorized by the state.<sup>2</sup> Since the New Jersey legislation authorizes the private plans to assess the same charge as the tax rate to finance a comparable paid family leave insurance program, it is to be expected that private plans that do add family leave insurance would also be fiscally sound.

## The Development of Family Leave

The participation of women in the workforce, as family heads and second wage-earners, focused attention on the issues of child care and elder care through the 1980s. As the labor force participation of women with children under one year of age approached 50 percent in the early 1980s, new issues involving the care of infants, recovery from pregnancy and childbirth, and early child development emerged. As working women delayed having families, potential caregivers aged. Many working women found themselves simultaneously providing elder care and child care,<sup>3</sup> instead of tapping older relatives for help with their newborns or sick children. Concerns previously perceived as private matters became legitimate public policy issues with increasingly powerful constituencies.

The federal Family and Medical Leave Act of 1993 (FMLA) was a watershed. Never before had national legislation in the United States focused deliberately on families' need for time off from work to care for family members. After nearly a decade of debate, the FMLA established a guaranteed leave of absence for up to 12 weeks to care for a newborn, newly adopted child, newly placed foster child, or a seriously ill child, parent, or spouse, or for employees themselves to recover from serious illness.

Only two-thirds (66.1 percent) of the U.S. labor force is covered by the FMLA, since small businesses are exempted.<sup>4</sup> The provisions of the FMLA further restrict its reach. Eligibility require-

ments, such as exemptions for certain “key” employees and new employees, deny benefits to approximately 45 percent of the U.S. workforce (US DOL 1996, 64, 202).<sup>5</sup> Nationally, young people (18-24 years old) are least likely to be covered and eligible (34.4 percent). Only 58.3 percent of those with at least one child under 18, and 65 percent of married employees, are covered and eligible. Only 42.8 percent of employees with annual family income below \$20,000, and 60 percent of those whose annual family income exceeds \$30,000, are covered and eligible (*ibid.*, 64).<sup>6</sup> Moreover, the lack of salary reimbursement means that many eligible employees cannot afford to take advantage of the leave program for which they are eligible.

The FMLA was enacted to strengthen families by providing employees with job protection while they cared for a newborn or seriously ill family member. The lack of any income replacement while the caretaker is away from work undermines the intent of the legislation. For many workers, taking an unpaid leave for an extended period of time is not an option, since their financial obligations (such as mortgages, bills, and health insurance) continue to accrue during unpaid leave.<sup>7</sup>

The lack of salary replacement has forced many eligible employees either to forgo or to severely limit their leave. In the absence of paid leave, the current leave system favors those who can afford an unpaid leave, while providing little help to low-income or single caretakers.

The need for paid leave is evident. What remains is to determine the dimensions of a program that is fiscally viable and will serve those most in need.

## The New Jersey Case Study

New Jersey has been at the forefront of much of our nation’s innovative social policymaking. New Jersey’s governors and state legislatures have a tradition of cutting-edge policy initiatives, and legislative efforts here often gain strong bipartisan support. In 1990, three years before the FMLA was passed, the New Jersey Family Leave Act created one of the first and most comprehensive leave programs in the nation.<sup>8</sup> As former New Jersey governor Thomas Kean observed (1988, 333),

New Jersey is what sociologists call a “Bellwether” state, in the forefront of the economic and social challenges facing the United States. Our high population density, location and diverse economy force us to solve many problems before other states even become aware of them. In no area is this more true than family policy.

New Jersey is one of only five states that guarantee all employees Temporary Disability Insurance (TDI) to provide income replacement when the worker is temporarily unable to work. This includes pregnancy disability. The fiscal strength of New Jersey’s TDI system provides a promising opportunity for an expansion of TDI to assure some income replacement for those who must take time from work to care for a newborn, newly adopted, or sick family member.

The New Jersey Assembly is considering legislation that will enable all workers eligible for TDI benefits to take up to 12 weeks of partially paid leave to care for an ill child, spouse, or parent, or a new child (see footnote 1). As under the current TDI system, eligible workers on a qualified leave would receive 60 percent of their average weekly earnings, with a cap of \$381 per week in 1999. As under current TDI, the legislation also mandates no job guarantee for those taking leave; however, in practice it is rare for TDI beneficiaries to lose their jobs, as employers and coworkers have come to accept TDI leave as a right rather than a privilege. It is to be expected that the same might happen over the long run with Family Leave Insurance (FLI), but initially only those covered by the federal FMLA or New Jersey Family Leave Act would be guaranteed their jobs back when their leave ended.

This study calculates the direct economic cost of New Jersey’s Family Leave Insurance proposal. Our cost estimates rely, in part, on two earlier inquiries: An investigation of 10 states by the Institute for Women’s Policy Research (Hartmann et al. 1995c) and a national study of family

leave sponsored by the U.S. Department of Labor, *A Workable Balance* (1996a). Each of these studies provides some empirical evidence that assists in gauging the cost of current New Jersey proposals for Family Leave Insurance.

In 1995, the Institute for Women's Policy Research (IWPR) issued a report summarizing its study of the costs of Family Leave Insurance in 10 states, including New Jersey. IWPR evaluated a program that was more far-reaching than the limited program proposed in New Jersey. The IWPR program assumed paid leave would have been provided to every employee taking time off, even those not covered by TDI, and provided a minimum benefit level for those whose income was so low that they would not qualify for New Jersey TDI. IWPR also based its estimates on very long average leaves and virtually 100 percent utilization of the Family Leave Insurance program. However, its development of estimates of the New Jersey population likely to use the leave on the basis of Current Population Survey (CPS) data,<sup>9</sup> and identification of illness rates for different groups of those needing care, make it a fruitful starting point for our own estimates.

After passage of the FMLA in 1993, the U.S. Department of Labor funded a national study of 2,352 employees to determine the impact of the Act (*A Workable Balance*, US DOL 1996a). That study was the first to provide data on people who actually took leave from work after the Act was passed, whether they were covered by the FMLA or not, and, in particular, on those who needed leave but were unable to take time off. It documents the availability of paid leave and the reasons motivating those who needed time off but did not take it.

Our study incorporates information regarding actual leave patterns from the 1996 *A Workable Balance* survey and the specific provisions of the New Jersey legislation. We refine the IWPR estimates, tailoring them to the actual leave experience reported by *A Workable Balance* and to the provisions of the New Jersey TDI law. When the IWPR estimate of \$399.3 million (in terms of 1990 incomes) for its 100 percent-utilization program is converted to the more limited program under consideration for those covered by New Jersey TDI, we find a realistic estimate in 1999 dollars is that FLI will cost between \$112.7 and \$134.4 million (see Table 1).

Table 1 gives our **high** and **low** estimates of the number of users, average leave length, average weekly benefits, and total cost for New Jersey FLI. By our estimate, the Family Leave Insurance program will be 70 to 80 percent the size of current TDI in terms of the number of users (81,000 to 93,000 for FLI, vs. 117,000 for current TDI). Based on IWPR estimates of the number of New Jersey residents with newborns, our results indicate that 46 to 52 percent of those who are TDI-eligible will take advantage of Babies and Adoption leave (BAA). However, only one-fourth of the TDI-eligible population with newborns currently uses New Jersey pregnancy-related TDI benefits. This raises the possibility that even our **low** estimate may turn out to be high.

Our results suggest that the length of leaves under Family Leave Insurance will be appreciably shorter than for current TDI, with Family Disability Leave (FDL) leaves lasting slightly over three weeks (as compared with 9.6 weeks for TDI). Leaves for BAA will be longer than FDL at 6.3 weeks, although shorter than for pregnancy disability (9.8 weeks).<sup>10</sup> The *per user* cost in 1999 dollars of FDL is estimated to be about \$930 to \$1,020, or one-third of current TDI, while BAA leaves would be \$1,780 to \$1,825, or about two-thirds the cost of a current TDI leave. Roughly, costs per user would be \$900 to \$1,000 for caregiving for a sick spouse or child, \$1,100 to \$1,200 for caring for elderly parents, and about \$1,800 for newborn care. That is, the newborn care component is 80 to 90 percent more expensive per user than family disability leave.

These estimates can be contrasted with the few others that are available. A New Jersey Office of Legislative Services (OLS) estimate (Williams 2000) projected that a TDI-FLI program would serve 44,500 claimants for BAA and 37,700 claimants for FDL in 1998, projections that are only one to two percent higher than our **low** estimates. The average leave length estimates in the OLS study are 20 to 30 percent higher than ours: 8.3 weeks for BAA and 3.8 weeks for FDL. A California Employment Development Department (EDD) study (2000) projected the cost of extending California TDI to cover FLI, assuming a 6-week mean leave length based on its own

historical claims data, and assuming average weekly benefits of \$270 in 2001. EDD estimated a 0.1 percent increase in payroll taxes for TDI would be necessary to fund the program. A more modest program for FLI proposed for Washington state would limit FLI to five weeks, pay \$250 per week (prorated for part-time workers), and assess \$0.01 per worker-hour, or 35 to 40 percent of our estimates (Idemoto 2000). A Massachusetts BAA program using unemployment insurance to reimburse 50 per-

<b>Table 1. Estimated Costs of Family Leave Insurance under New Jersey TDI</b>					
	<b>LOW ESTIMATE</b>				
	LOW Estimated Users (Appendix Table B-1)	Estimated TDI leave length (weeks) (Appendix Table B-2)	LOW Estimated Weekly Benefit (Appendix Table B-3)	LOW Estimated Cost FLI (\$ Million)	LOW Estimated Cost/User FLI
<b>Current TDI Benefits</b>					
Pregnancy-related	17,962	9.8	\$282.95	\$49.8	\$2,772.9
Other Own Disability	99,438	9.5	\$298.06	\$281.6	\$2,831.6
<b>Current TDI Benefits: Total</b>	<b>117,400</b>	<b>9.6</b>	<b>\$295.00</b>	<b>\$331.4</b>	<b>\$2,822.6</b>
<b>Family Leave Insurance</b>					
<b>Family Disability Leave</b>					
Sick Spouse	19,400	2.9	\$298.06	\$17.0	\$878.3
Elderly Parents	6,333	3.7	\$298.06	\$7.0	\$1,100.8
Sick Children: <sup>a</sup>					
Single Parent	2,540	3.1	\$282.32	\$2.2	\$881.5
Two Parents	9,275	3.1	\$298.06	\$8.6	\$930.6
Subtotal, Sick Children	11,815	3.1	\$294.68	\$10.9	\$920.0
<b>Family Disability Leave: Total</b>	<b>37,548</b>	<b>3.1</b>	<b>\$297.00</b>	<b>\$34.9</b>	<b>\$928.9</b>
<b>Baby &amp; Adoption Leave</b>	<b>43,650</b>	<b>6.3</b>	<b>\$282.95</b>	<b>\$77.8</b>	<b>\$1,782.6</b>
<b>Family Leave Insurance: Total</b>	<b>81,198</b>	<b>4.8</b>	<b>\$287.15</b>	<b>\$112.7</b>	<b>\$1,387.8</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>	<b>198,598</b>	<b>7.7</b>	<b>\$292.25</b>	<b>\$444.1</b>	<b>\$2,236.0</b>
	<b>HIGH ESTIMATE</b>				
	HIGH Estimated Users (Appendix Table B-1)	Estimated TDI leave length (weeks) (Appendix Table B-2)	HIGH Estimated Weekly Benefit (Appendix Table B-3)	HIGH Estimated Cost FLI (\$ Million)	HIGH Estimated Cost/User FLI
<b>Current TDI Benefits</b>					
Pregnancy-related	17,962	9.8	\$287.38	\$50.6	\$2,816.3
Other Own Disability	99,438	9.5	\$303.62	\$286.8	\$2,884.4
<b>Current TDI Benefits: Total</b>	<b>117,400</b>	<b>9.6</b>	<b>\$299.75</b>	<b>\$337.8</b>	<b>\$2,877.6</b>
<b>Family Leave Insurance</b>					
<b>Family Disability Leave <sup>b</sup></b>					
Sick Spouse	22,696	2.9	\$331.63	\$22.2	\$977.2
Elderly Parents	7,409	3.7	\$325.92	\$8.9	\$1,203.6
Sick Children: <sup>a</sup>					
Single Parent	2,972	3.1	\$262.39	\$2.4	\$819.3
Two Parents	10,851	3.1	\$335.44	\$11.4	\$1,047.3
Subtotal, Sick Children	13,823	3.1	\$319.73	\$13.8	\$998.3
<b>Family Disability Leave: Total</b>	<b>43,928</b>	<b>3.1</b>	<b>\$326.76</b>	<b>\$44.9</b>	<b>\$1,022.0</b>
<b>Baby &amp; Adoption Leave</b>	<b>49,024</b>	<b>6.3</b>	<b>\$289.77</b>	<b>\$89.5</b>	<b>\$1,825.6</b>
<b>Family Leave Insurance: Total</b>	<b>92,952</b>	<b>4.8</b>	<b>\$301.16</b>	<b>\$134.4</b>	<b>\$1,445.8</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>	<b>210,352</b>	<b>7.5</b>	<b>\$300.15</b>	<b>\$472.2</b>	<b>\$2,244.9</b>
<sup>a</sup> Sick Children Leave weekly benefit amounts are averaged over all user-weeks for sick children.					
<sup>b</sup> Family Disability Leave weekly benefit amounts are averaged over all user-weeks for all categories of leave. The average leave length is taken for all user-weeks.					

cent of the average weekly wage, not to exceed \$261 in 1998, was estimated to cost \$11 per worker-year (Albelda and Manuel 2000), or about one-third of our estimate.

Table 2 shows how much net FLI costs would increase New Jersey state expenditures, after cost savings in other programs. Of those users included in our estimates, 2.1 percent would otherwise be receiving unemployment compensation, since they come under the 4f program that provides temporary disability coverage for the unemployed.<sup>11</sup> The unemployed who receive TDI benefits under FLI cannot simultaneously draw unemployment compensation. Thus, we subtract the unused unemployment insurance benefits from the gross FLI expenditures to give the direct cost of FLI. At the 1999 unemployment rate (4.6 percent), the direct cost of FLI is between \$110.2 million and \$131.6 million, taking the gross outlay for FLI minus the savings on unemployment compensation.

Moreover, US DOL (1996a) found that nine percent of leave-takers (7.5 percent of all employees who needed a leave, including those who could not afford to take one) relied on public assistance for economic support. That would mean that \$8.4 million to \$10.1 million of the estimated gross cost of FLI would be offset by savings in public assistance costs. Because the survey question reported in *A Workable Balance* did not specify whether “public assistance” included unemployment compensation as well as welfare (US DOL 1995), we conservatively assume that these savings include the savings in unemployment benefits just reported. Therefore, the net cost to the state of New Jersey for Family Leave Insurance is in the range of \$104.2 million to \$124.3 million, including the savings in unemployment insurance and welfare as well as the outlay for FLI benefits under TDI.<sup>12</sup>

Our adjustments have not eliminated several aspects of the IWPR numbers that make their estimates high for the proposed New Jersey FLI program. IWPR’s data on the need for care include days at home with medical supervision, which would disqualify the family caregiver from family disability leave. IWPR criteria for leave-takers include people who would not qualify under New Jersey TDI because they had not worked at least 20 weeks during the preceding year.

IWPR’s estimates also assume that middle-income workers would use Family Leave Insurance as frequently as other workers. However, workers earning more than four-fifths of the New Jersey median wage would receive only the maximum benefit amount, equal to 53 percent of average New Jersey earnings. People in dire circumstances would still have to make hard choices. For middle-income or low-income households that are just making ends meet, it would be difficult to forego the one-third to two-thirds of the caregiver’s salary that would not be replaced by New Jersey TDI coverage. Single parents in particular may not be able to afford to use Family Leave Insurance. Such families would have to make other arrangements, such as asking extended family members to work different shifts so someone could care for the ill relative, or, if an elderly care-needer qualifies for Medicaid, signing up for a home-health aide. Without experience with FLI to provide data on actual take-up rates, our cost estimates are likely to be biased upward. As a result of all of these considerations, it is advisable to consider our **low** estimate as closest to the likely costs of New Jersey TDI Family Leave Insurance. Once Family Leave Insurance is implemented, New Jersey should launch a follow-up study to assess the extent to which households from different socioeconomic and demographic categories are able to take advantage of the FLI program and therefore of the federal and state Family Leave Acts.

A summary of how the IWPR estimates (in Hartmann et al. 1995c) were refined to conform to the specifications of the New Jersey legislation is provided in Appendix A. A detailed description of the revision of the IWPR estimates is reported in Appendix B.

## Conclusion

This study estimates the costs of Family Leave Insurance under New Jersey TDI by drawing on two published studies to supplement state data. The first, by the Institute for Women’s Policy Research, estimated a far-reaching Family Leave Insurance policy in New Jersey that included more

people and provided longer coverage than the proposed New Jersey legislation. The second, funded by the U.S. Department of Labor, gathered national data on the extent of actual leave-taking under the FMLA. By combining this information with actual New Jersey data on TDI coverage and average incomes, we have been able to evaluate the cost of proposed Family Leave Insurance under New Jersey TDI.

We estimate the total costs of Family Leave Insurance under New Jersey TDI as falling in the range

<b>Table 2. Estimated Gross, Direct, and Net Costs of Family Leave Insurance under NJ TDI</b>					
<b>LOW ESTIMATE</b>					
	<b>LOW Estimated Gross Cost FLI<sup>a</sup> (\$ Million)</b>	<b>% of Est'd. Users Not Covered by 4f Unempl. * Col 1</b>	<b>LOW Direct Cost FLI= (\$ Million)</b>	<b>% FLI Users Not Switching from Public Assistance * Col 1</b>	<b>LOW Net Cost FLI= (\$ Million)</b>
<b>Current TDI Benefits</b>					
Pregnancy-related	\$49.8	100.0%	\$49.8		\$49.8
Other Own Disability	\$281.6	100.0%	\$281.6		\$281.6
<b>Current TDI Benefits: Total</b>	<b>\$331.4</b>	<b>100.0%</b>	<b>\$331.4</b>		<b>\$331.4</b>
<b>Family Leave Insurance</b>					
<b>Family Disability Leave</b>					
Sick Spouse	\$17.0	97.9%	\$16.6	92.5%	\$15.7
Elderly Parents	\$7.0	97.9%	\$6.9	92.5%	\$6.5
Sick Children:					
Single Parent	\$2.2	97.9%	\$2.2	92.5%	\$2.0
Two Parents	\$8.6	97.9%	\$8.4	92.5%	\$8.0
Subtotal, Sick Children	\$10.8	97.9%	\$10.6	92.5%	\$10.0
<b>Family Disability Leave: Total</b>	<b>\$34.8</b>	<b>97.9%</b>	<b>\$34.1</b>	<b>92.5%</b>	<b>\$32.2</b>
<b>Baby &amp; Adoption Leave</b>	<b>\$77.8</b>	<b>97.9%</b>	<b>\$76.2</b>	<b>92.5%</b>	<b>\$72.0</b>
<b>Family Leave Insurance: Total</b>	<b>\$112.6</b>	<b>97.9%</b>	<b>\$110.2</b>	<b>92.5%</b>	<b>\$104.2</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>	<b>\$444.0</b>		<b>\$441.6</b>		<b>\$435.6</b>
<b>HIGH ESTIMATE</b>					
	<b>HIGH Estimated Gross Cost FLI<sup>a</sup> (\$ Million)</b>	<b>% of Est'd. Users Not Covered by 4f Unempl. * Col 1</b>	<b>HIGH Direct Cost FLI= (\$ Million)</b>	<b>% FLI Users Not Switching from Public Assistance * Col 1</b>	<b>HIGH Net Cost FLI= (\$ Million)</b>
<b>Current TDI Benefits</b>					
Pregnancy-related	\$50.6	100.0%	\$50.6		\$50.6
Other Own Disability	\$286.8	100.0%	\$286.8		\$286.8
<b>Current TDI Benefits: Total</b>	<b>\$337.4</b>	<b>100.0%</b>	<b>\$337.4</b>		<b>\$337.4</b>
<b>Family Leave Insurance</b>					
<b>Family Disability Leave</b>					
Sick Spouse	\$22.2	97.9%	\$21.7	92.5%	\$20.5
Elderly Parents	\$8.9	97.9%	\$8.7	92.5%	\$8.2
Sick Children:					
Single Parent	\$2.4	97.9%	\$2.3	92.5%	\$2.2
Two Parents	\$11.4	97.9%	\$11.2	92.5%	\$10.5
Subtotal, Sick Children	\$13.8	97.9%	\$13.5	92.5%	\$12.8
<b>Family Disability Leave: Total</b>	<b>\$44.9</b>	<b>97.9%</b>	<b>\$44.0</b>	<b>92.5%</b>	<b>\$41.5</b>
<b>Baby &amp; Adoption Leave</b>	<b>\$89.5</b>	<b>97.9%</b>	<b>\$87.6</b>	<b>92.5%</b>	<b>\$82.8</b>
<b>Family Leave Insurance: Total</b>	<b>\$134.4</b>	<b>97.9%</b>	<b>\$131.6</b>	<b>92.5%</b>	<b>\$124.3</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>	<b>\$471.8</b>		<b>\$469.0</b>		<b>\$461.7</b>

<sup>a</sup> From fourth column of Table 1.

of \$113 million to \$134 million. The range reflects alternate estimates of how many people will use TDI, depending on job protections (those with no FMLA coverage or no job guarantees are excluded from the low figure) and voluntary employer leave provisions, and estimated vs. current TDI weekly benefit levels. We consider these estimates as lower and upper bounds what Family Leave Insurance in New Jersey will actually cost. The net costs of Family Leave Insurance, over and above savings on unemployment compensation and public assistance, are estimated to lie between \$104 million and \$124 million.

The New Jersey initiative to provide Family Leave Insurance is an important avenue for making Family and Medical Leave a viable option for low-income families. As such, it will help implement the original goal of both the state Family Leave Act and the federal FMLA: making family leave accessible to working families.

# APPENDIX A

## Summary of Revision of IWPR Cost Estimates

The Family Leave Insurance plan considered by IWPR that was closest to the proposed New Jersey TDI program was the Low/Inclusive option.<sup>13</sup> Even this option was more inclusive than the New Jersey plan for several reasons. First, the Low/Inclusive option covered the entire labor force, even workers making as little as \$500 in the base year (the 52 weeks prior to the disability), while in 1990 New Jersey's TDI program required at least \$1,980 annual earnings (with a \$6,000 minimum for those not working 20 weeks). Second, IWPR assumed that everyone eligible for Family Leave Insurance would use TDI, a 100 percent utilization rate,<sup>14</sup> ignoring such other considerations as the availability of full reimbursement from employers (through sick, personal, and vacation leave), jobs employees felt were too important to allow leave-taking, and the presence of other extended family members who could provide care. Third, IWPR assumed that workers taking as little as one day off would be funded, although New Jersey TDI will only reimburse workers taking more than one week off from work.<sup>15</sup>

### Starting Point: IWPR Data on Caregivers, Appendix Table A-1

#### Eligible Population

IWPR's Low/Inclusive Option estimate of the number of employed potential caregivers begins with Current Population Survey (CPS) data for New Jersey for those who satisfy the IWPR Inclusive criteria, i.e., earned more than \$500 a year (Appendix Table A-1). For leave to care for a sick spouse, IWPR identified those 16 and older in the civilian labor force who were married. For caring for elderly parents, IWPR limited its figure to people working at least 30 hours per week. For sick children, IWPR identified labor force participants who were single parents or in two-parent families<sup>16</sup> and who had children under 18. For a newborn child, IWPR identified female labor force participants who had worked the previous year and had an infant, which was interpreted as a count of women working during their pregnancy. Thus, column A of Appendix Table A-1 represents IWPR's estimates of the number of employed persons who had a spouse, elderly parent, and/or children, or who gave birth.

#### Utilization and Estimated Caregivers

To estimate the number of eligible employed persons who might experience a need for FLI, these initial IWPR figures of eligible populations were then multiplied by IWPR's morbidity figures by illness category.<sup>17</sup> That figure was then multiplied by IWPR's assumed utilization rates.

For pregnancy disability, IWPR relied on California data on utilization of its TDI program for pregnancy disability by age of the mother. IWPR then extrapolated to New Jersey based on Census data regarding the age distribution of the New Jersey population. This gave a 41.4 percent estimated utilization rate for New Jersey for women of child-bearing age (16 - 45).<sup>18</sup>

For sick spouses, IWPR assumed a 33 percent utilization rate. In part this may have reflected the expectation that sick prime-age adults would not require the attentive care and supervision that children do. Moreover, wives would be far more likely to take time off work to care for husbands than vice versa, and women have a lower labor force participation rate than men (59 percent vs. 75 percent; US Office of the President 1997, 343). In the extreme, if 100 percent of all wives provide care (50 percent of all spouses), but 0 percent of husbands do, then about 44 percent of all working spouses would provide care.

Table A-1. IWPR Estimated Costs of Family Leave Insurance Low/Inclusive Option						
A	B	C	D	E		
Eligible Population, Low/Inclusive Option	Assumed TDI Usage Rates	Estimated Leave-needers	Estimated Users, TDI Leaves	Assumed Leave Length (weeks)	Estimated Weekly Benefits	IWPR Estimated Cost FLI \$Million
<b>Current TDI Benefits<sup>a</sup></b>						
Pregnancy-related	41.39%	133,775	55,369	9.5	\$197.03	\$103.3
Other Own Disability	5.58%	3,994,847	222,770	7.5	\$219.92	\$347.0
<b>Current TDI Benefits: Total</b>		<b>4,128,622</b>	<b>278,139</b>	<b>7.9</b>	<b>\$204.88</b>	<b>\$450.3</b>
<b>Family Leave Insurance<sup>b</sup></b>						
<b>Family Disability Leave<sup>b,c</sup></b>						
Sick Spouse	33.33%	136,030	45,343	7.0	\$227.18	\$72.1
Elderly Parents	100.00%	21,776	21,776	7.0	\$223.27	\$34.0
Sick Children: <sup>d</sup>						
Single Parent	100.00%	5,607	5,607	5.0	\$179.75	\$5.0
Two Parents	50.00%	39,364	19,682	5.0	\$229.79	\$22.6
Subtotal, Sick Children	56.23%	44,970	25,289	5.0	\$218.70	\$27.7
<b>Family Disability Leave: Total</b>	<b>45.57%</b>	<b>202,776</b>	<b>92,408</b>	<b>6.5</b>	<b>\$224.38</b>	<b>\$133.8</b>
<b>Baby &amp; Adoption Leave</b>	<b>100.00%</b>	<b>133,775</b>	<b>133,775</b>	<b>10.0</b>	<b>\$198.50</b>	<b>\$265.5</b>
<b>Family Leave Insurance: Total</b>	<b>67.21%</b>	<b>336,551</b>	<b>226,183</b>	<b>8.6</b>	<b>\$206.48</b>	<b>\$399.3</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>		<b>4,331,398</b>	<b>504,322</b>	<b>8.2</b>	<b>\$205.62</b>	<b>\$849.6</b>

<sup>a</sup> Current TDI Benefits rely on IWPR assumptions for eligible population and weekly benefits, and use California TDI data to derive leave-needers, TDI usage rates, and therefore TDI users, and for leave length.

<sup>b</sup> The estimated subtotals and totals for leave length and weekly benefits are computed from other relevant subtotals.

<sup>c</sup> Family Disability Leave (FDL) relies on IWPR assumptions for eligible population, TDI usage rates, leave length and weekly benefits, and uses other sources for illness rates to estimate leave-needers - see text.

<sup>d</sup> The estimated total leave-needers or users, and the subtotals for sick children, aggregate the relevant individual categories.

One hundred percent of the eligible caregivers are assumed to care for their sick parents, 100 percent of sick children were assumed to be cared for by an employed parent (therefore, 50 percent of parents in two-parent households were assumed to be caregivers), and 100 percent of employed mothers were assumed to take leave to care for newborns or newly adopted children.

## **Estimated Average Length of Family Leave Insurance**

For pregnancy disability and other own disability leaves, IWPR based its estimated lengths of leave on actual California TDI experience, revising California data based on the age distribution of California TDI users to reflect the age distribution of the New Jersey labor force.

For Family Disability Leave, there was little empirical data to guide IWPR's estimations of the average duration of leaves. Available estimates of the average lengths of the need for care for sick relatives were used, despite the fact that these included illnesses lasting for more than the specified 12 weeks, with some lasting perhaps a year or more. In general, IWPR relied on 1985 National Health Interview Survey data available from the U.S. General Accounting Office. For children, the average spell of sickness lasting more than 14 bed-days was 5 weeks; for sick spouses, the average spell of sickness lasting more than 14 bed-days was 7 weeks total. In the absence of other data, the IWPR applied the seven-week figure for spouses to estimate the duration of elder-care leave (Hartmann et al. 1995b, A2).

With respect to newborns, where again there were no relevant survey data available at the time, IWPR assumed a 10-week leave. While some employer-provided maternity leaves allowed 6 months, and New Jersey pregnancy disability is available for up to 26 weeks, the FMLA allows a maximum of 12 weeks to care for sick family members. IWPR therefore estimated newborn-care leaves at 10 weeks—6 weeks to heal from childbirth and an additional 4 weeks for parental bonding, to establish breastfeeding and/or to arrange for childcare. Notably, pregnancy disability leaves in California and New Jersey have also averaged almost 10 weeks. Since New Jersey TDI would already cover the healing process under pregnancy disability, IWPR's 10 weeks may be an overestimate for newborn care in that state.

## **Benefit Amount**

IWPR constructed estimates for average benefit amounts on the basis of New Jersey data from the March 1991 Current Population Survey. The Institute calculated the average weekly earnings of full-time workers in New Jersey in 1990 as \$580.43. IWPR estimated average earnings for those meeting their inclusive/low criteria and in the civilian labor force (working at least 16 hours per week) for the following populations: 1) for elder care, all those eligible who worked at least 30 hours/week; 2) for sick spouse, all who were married and in the civilian labor force; 3) for sick child, single parents' average earnings, and two-parent families' average earnings, in both cases for those in the civilian labor force; and 4) for newborns, average earnings by age category of women in the civilian labor force (under age 26, 26-35, and 36-45).

The average benefit amounts reflected IWPR's assumption that New Jersey Family Leave Insurance would replace 50 percent of earnings for those earning above \$100 per week, to a maximum benefit amount of \$290.22, and a minimum benefit amount of \$50 per week even for those earning less than \$100 weekly (personal communication with IWPR staff and unpublished IWPR SAS output).

# Converting the IWPR Estimates to the Actual New Jersey TDI Proposal

We adjust the IWPR estimates by making three sets of specific corrections. To the extent possible, we modify IWPR estimates of current TDI benefits in the same way as we modify IWPR estimates of Family Leave Insurance. The 15 numbered points below identify the specific corrections necessary to accurately predict the estimated cost of the New Jersey legislation. The full explanation of these points is provided in Appendix B, together with supporting data and analysis.

## Number of Users

First, for the number of users, we do the following (see Appendix B and Appendix Table B-1):

- 1) expand 1990 IWPR eligible population estimates to 1999 levels;
- 2) include only actual users of New Jersey TDI disability for own-disability estimates;
- 3) include only the New Jersey workforce actually covered by the state TDI Plan;
- 4) apply the base-year income requirement necessary to qualify for New Jersey TDI;
- 5) eliminate those able to use leaves fully paid by employers from those seeking TDI;
- 6) include users of short leaves (7-13 days) to take care of an ill child or spouse; and
- 7) exclude the unemployed not covered by unemployment insurance provisions, who would not qualify under the 4f program for TDI benefits.

This gives the **high** users estimate. To calculate an alternate **low** users estimate, we:

- 8) exclude those with no job protections or leaves provided at their work sites.

## Average Leave Length

Second, for the average length of leave, we do the following (see Appendix B and Appendix Table B-2):

- 9) replace IWPR leave durations, based on sick care-needers, with US DOL (1996a) survey data on actual leaves taken to provide care;
- 10) expand estimated leave lengths to correct for those who, without Family Leave Insurance, cut their leaves short;
- 11) include short leaves (7-13 days) to care for an ill child or spouse in the average duration;
- 12) adjust the IWPR estimate of current New Jersey TDI leaves, as modified by US DOL (1996a) data, to actual current New Jersey TDI leave lengths; and
- 13) reduce the length of BAA leaves taken by those who also took pregnancy disability leaves, to eliminate “recovery time” from their BAA leaves.

For leave length, we had no reason to distinguish a high and low estimate.

## Weekly Benefit Amount

Third, for the weekly benefit amount, we provided two options (see Appendix B and Appendix Table B-3):

- 14) convert IWPR estimates based on census income figures to 1999 levels, which gives our **high** estimate of weekly benefits; or
- 15) apply benefit amounts based on current New Jersey TDI experience for appropriate categories of beneficiaries, to create our **low** estimate of weekly benefits.

# APPENDIX B

## Detailed Discussion of Revision of IWPR Cost Estimates

### Adapting the Number of Users to New Jersey TDI: Appendix Table B-1

#### Eligible Population

**Point 1. Expand 1990 eligible population estimates to 1999 level.** IWPR estimated the eligible population for each category of family and medical leave on the basis of 1990 Census data. To update their estimates to 1999, we multiplied their numbers for each category of leave by the ratio of the New Jersey labor force in 1999 to the 1990 New Jersey labor force (viz., 1.04).

#### Current TDI Benefits: Pregnancy and Other Own Disability

**Point 2. New Jersey Experience vs. Estimates based on California Data.** IWPR estimates of pregnancy disability leaves in New Jersey are derived from California TDI experience with women's claims for pregnancy disability, by age. Because California had a higher fertility rate than New Jersey (84.4 vs. 67 live births per 1000 women aged 15 to 44; US Department of Health and Human Services 1992), we expect the number of New Jersey pregnancy disability users to be about 79 percent of the IWPR estimates.

Judging from the number of users of pregnancy disability in New Jersey, estimated on the basis of closed claims,<sup>19</sup> the number of New Jersey TDI pregnancy disability claims (17,932) is 32 percent of the IWPR estimate (55,369). This suggests that of the 68 percent differential between the IWPR estimate and actual New Jersey TDI pregnancy disability, 21 percentage points are due to the lower fertility rate in New Jersey, in California, and 47 percentage points are due to IWPR's over-estimate of the extent to which leave-takers rely on TDI in New Jersey as against California. While it is not obvious why there should be such a difference between the two states' experiences, there are many possible explanations, including TDI eligibility, age distribution, average family size, average income, percent of low-income families, percent of women working part-time vs. full-time, and the availability of employer-paid leave.

IWPR projections of the number of TDI users for other categories of own disability are also based on California TDI experience. Our assessment of the actual number of New Jersey TDI users for non-pregnancy disabilities based on closed claims for New Jersey TDI (see previous footnote) suggests that the IWPR figures are again high (222,770 vs. 99,268), although to a smaller extent (an overestimation factor of 2.2 compared to 3.1).

The actual number of users of pregnancy-disability and other own disability leaves in New Jersey falls far below the IWPR estimates. We therefore substitute actual New Jersey leave-users for pregnancy disability and other own disability for IWPR estimates.

#### Family Leave Insurance

##### Eligibility for New Jersey TDI

To be eligible for family leave, an employee must be the full-time caregiver for the ill relative or newborn child. If the ill relative is hospitalized, or has full-time daytime medical supervision, an employee will not qualify for TDI leave. IWPR's data on the need for care do exclude hospital bed-

**Table B-1. The Number of Users of Family Leave Insurance: Converting to NJ TDI**

	<b>IWPR</b> Estimated Users, TDI leave	<b>POINT # 1</b> NJ Lf 1999/ NJ Lf 1990 *	<b>POINT # 2</b> Actual # Users Current NJ TDI <sup>a</sup> *	<b>POINT # 3</b> % of Workforce Covered by NJ TDI, 1999 *	<b>POINT # 4</b> Change Minimum 1990 Income to 1999 Level *	<b>Subtotal</b> =	<b>Subtotal</b> =
<b>Current TDI Benefits</b>							
Pregnancy-related	55,369	1.04	0.324			17,962	17,962
Other Own Disability	222,770	1.04	0.446			99,438	99,438
<b>Current TDI Benefits: Total</b>	<b>278,139</b>	<b>1.04</b>	<b>0.422</b>			<b>117,400</b>	<b>117,400</b>
<b>Family Leave Insurance</b>							
<b>Family Disability Leave<sup>b</sup></b>							
Sick Spouse	45,343	1.04		0.678	0.976	31,949	31,167
Elderly Parents	21,776	1.04		0.678	0.978	15,344	15,009
Sick Children:							
Single Parent	5,607	1.04		0.678	0.941	3,951	3,717
Two Parents	19,682	1.04		0.678	0.979	13,868	13,574
Subtotal: Sick Children	25,289	1.04		0.678	0.970	17,819	17,291
<b>Family Disability Leave</b>	<b>92,408</b>	<b>1.04</b>				<b>65,112</b>	<b>63,468</b>
<b>Baby &amp; Adoption Leave</b>	<b>133,775</b>	<b>1.04</b>		0.678	0.936	<b>94,259</b>	<b>88,243</b>
<b>Family Leave Insurance: Total</b>	<b>226,183</b>	<b>1.04</b>				<b>159,371</b>	<b>151,711</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>	<b>370,547</b>					<b>352,456</b>	<b>269,111</b>

	<b>POINT # 5</b> Exclude Fully Paid Leave- takers *	<b>POINT # 6</b> Include Leaves of 7-13 Days for Child, Spouse *	<b>POINT # 7</b> Exclude Unemployed Not Covered By Unemp. Ins. *	<b>POINT # 8</b> Exclude Non- FMLA with No Leave or No Job Protection *	<b>Subtotal</b> =	<b>Subtotal</b> =	<b>LOW</b> <b>Total</b> <b># Users</b> <b>=</b>
<b>Current TDI Benefits</b>							
Pregnancy-related					17,962	17,962	17,962
Other Own Disability					99,438	99,438	99,438
<b>Current TDI Benefits: Total</b>					<b>117,400</b>	<b>117,400</b>	<b>117,400</b>
<b>Family Leave Insurance</b>							
<b>Family Disability Leave<sup>b</sup></b>							
Sick Spouse	0.444	1.673 <sup>c</sup>	0.979	0.855	23,183	22,696	19,400
Elderly Parents	0.481		1.026	0.855	7,219	7,409	6,333
Sick Children:							
Single Parent	0.575	1.419	0.979	0.855	3,035	2,972	2,540
Two Parents	0.575	1.419	0.979	0.855	11,084	10,851	9,275
Subtotal: Sick Children	0.575	1.419	0.979	0.855	14,120	13,823	11,815
<b>Family Disability Leave</b>					<b>31,023</b>	<b>44,522</b>	<b>37,548</b>
<b>Baby &amp; Adoption Leave</b>	0.567		0.979	0.890	<b>50,076</b>	<b>49,024</b>	<b>43,650</b>
<b>Family Leave Insurance: Total</b>					<b>81,099</b>	<b>92,952</b>	<b>81,197</b>
<b>TOTAL TDI, incl. FDL &amp; BAA</b>					<b>198,499</b>	<b>211,997</b>	<b>198,597</b>

<sup>a</sup> These figures are the ratio of actual TDI users to IWPR estimations; they are not usage rates.

<sup>b</sup> The subtotals for Family Disability Leave and Family Leave Insurance users aggregate the relevant individual categories.

<sup>c</sup> The adjustment does not apply to the elderly because IWPR estimates did not limit their illnesses to those greater than two weeks.

days from the average leave durations, but include days at home with medical supervision. This biases their estimates upward, although there is no obvious way to control for that bias.

**Point 3. Workforce covered by TDI.** Not all employment sectors are covered by New Jersey TDI, and there is a minimum base-year income requirement that IWPR estimates, designed to have complete coverage, did not take into account. To adapt the IWPR estimates for Family Leave Insurance to current New Jersey TDI criteria, we first adjusted for the percent of the workforce covered by TDI in New Jersey.

In 1999, 67.8 percent of the New Jersey workforce was covered by the state TDI Plan (New Jersey DOL 2000). To convert the IWPR estimates of Family Leave Insurance for the entire workforce to those actually eligible for New Jersey Family Leave Insurance, it was necessary to multiply the IWPR estimates by that coverage rate.

**Point 4. Minimum base-year income requirement.** In 1990 (the IWPR study year), there were two ways workers could qualify for TDI. Either workers had to earn at least \$1,980 in the base year, by working at least 20 weeks and by earning at least \$99 per week, or they had to earn \$6,000 if they worked fewer weeks. IWPR's estimates for its Low/Inclusive option included workers earning as little as \$500, and IWPR did not set a minimum number of weeks worked to qualify for TDI. IWPR also estimated the costs of alternative Medium- and High-option programs, which required at least \$1,000 (\$3,800) minimum earnings in the base year (unpublished IWPR data).

To calculate the degree to which IWPR overestimated the workers eligible for TDI in New Jersey in its Low/Inclusive option, we took the number of workers earning between \$500 and \$1,000, plus one-third the number earning between \$1,000 and \$3,800, and divided by the number of workers earning above \$500 (to approximate the number earning between \$1,000 and \$1,980), using unpublished IWPR estimates based on CPS data. This suggested that 4.8 percent of those included by IWPR in its Low/Inclusive figure would be excluded from New Jersey TDI. We multiplied family disability leave costs by, on average, 95.2 percent to correct for including too many workers.<sup>20</sup>

### Utilization of TDI-funded Family Leave Insurance

We have been able to get more detailed New Jersey TDI data than IWPR had access to, including actual use of New Jersey TDI for pregnancy disability. These data have permitted us to adapt IWPR utilization to actual New Jersey experience and to construct **low** and **high** estimates for the number of users of New Jersey TDI FLI.

A key source of overestimation comes from IWPR not excluding caregivers who could use employer-paid leave (sick leave or vacation time) to cover their absence from work. Perhaps to correct for this upward bias in their data, IWPR assumed that only those sick at least two weeks would have caregivers who qualified for New Jersey TDI Family Disability Leave. So, while IWPR eliminated potential FDL recipients (since New Jersey would also cover one week of leaves lasting one to two weeks), this balanced IWPR's inclusion of caregivers who could finance their leaves through accumulated sick or vacation time instead of relying on the lower levels of income replacement provided by New Jersey TDI.

To provide a more accurate measure of leave utilization (and, later, leave length), we were able to use data unavailable at the time of the IWPR study indicating the use of sick or vacation time to fund leave. The *Workable Balance* national survey data by familial relationship of care-needer permitted us to revise IWPR estimates to exclude those whose leaves were fully paid by employers. We first expanded the IWPR utilization figures to include estimates of those taking leaves for one to two weeks (see **Point 5**) below.

**Point 5. Employer payment during leave.** The IWPR study assumed that everyone eligible for TDI-funded Family Leave Insurance would take advantage of it (except in the case of a sick spouse), i.e., 100 percent utilization. This is a potentially large overestimate, since actual utilization will depend on such factors as income levels and availability of other family members to provide care.

As an alternative to TDI-funded leave, employees may use sick pay or vacation pay to fund their leave. *A Workable Balance* gives data on the extent to which workers were fully paid, partially paid, or unpaid during the leaves they took, or needed leave but were unable to take it. These data permit us to correct the IWPR estimates, since employees who can earn full pay are not likely to choose a partial-reimbursement program such as TDI.<sup>21</sup>

Our estimation excluded workers who took leave with full pay (on average, 45 percent of all leave-takers).<sup>22</sup> Our estimation also excluded those unable to take leave because their jobs were too important (39.4 percent of the 3.4 percent of workers who needed but did not take leave; US DOL 1996a, 100).<sup>23</sup> The combined correction factor, an average of 53.5 percent for all leaves covered by Family Leave Insurance, was applied to the IWPR numbers.

**Point 6. Include care providers for immediate family members who are sick one to two weeks.** For medical leaves to take care of children or spouses, IWPR considered only illnesses that would last at least two weeks; there was no such limitation for elder care. This excluded from IWPR's study those sicknesses lasting between one and two weeks for nuclear family members whose care-providers would qualify for New Jersey TDI.

*A Workable Balance* provided data on the share of all leave-takers, covered by the FMLA or not, by weeks of leave (1996a, 269-270). Their numbers suggest that most of the total number of leave-takers took off from work only for short periods (41 percent for up to 1 week, 16 percent for 1 to 2 weeks, 9 percent for 2 to 4 weeks; US DOL 1996a, 271). These *A Workable Balance* numbers summarize direct information on employed workers actually **providing** care. IWPR used statistics on those **needing** disability care to infer the number of those providing such care. We would be remiss if we simply expanded the IWPR illness numbers to include *A Workable Balance* estimates of those providing care for one to two weeks, since this would double-count a number of care-providers. Many of those caring for nuclear family members who are ill more than two weeks would take less than two weeks off from work, using makeshift arrangements with other family members or arranging for a home-health aide for the remaining period that care was needed.

To avoid such double-counting, we assume that about half of those who take between one and two weeks leave are taking care of relatives who turn out to be ill for a longer period, and are therefore already included in the IWPR estimates. Thus, we used 50 percent of *A Workable Balance's* share of leave-takers taking at least one week of leave divided by *A Workable Balance's* share of leave-takers taking at least two weeks of leave as a correction factor for Family Disability Leave to care for sick spouses and children not otherwise included by IWPR.

**Point 7. Excluding unemployed labor force participants who do not qualify for unemployment compensation or 4f coverage.** IWPR estimated the costs of a Family Leave Insurance program that covered the entire labor force for certain categories of leave-takers: those caring for sick spouses and sick children. The New Jersey proposal covers employed workers and those unemployed workers who qualify for unemployment compensation and therefore meet the criteria for temporary "disability-during-unemployment benefits" (New Jersey DOL 1986, 5). Other unemployed workers will not qualify for Family Leave Insurance and should be excluded from the total number of users.

Those who meet state unemployment insurance requirements and are disabled more than 14 days after becoming unemployed are entitled to temporary disability-during-unemployment benefits (4f),<sup>24</sup> administered as part of the state unemployment insurance program (New Jersey DOL, 1986). Because IWPR considers labor force participants as potential TDI beneficiaries, and not just the employed, our estimates based on the IWPR figures already incorporate both 4f beneficiaries and other non-qualifying unemployed workers in the totals.

To estimate such non-qualifying unemployed workers, we took the unemployment rate minus the insured unemployment rate, reflecting those filing claims for New Jersey unemployment insurance (New Jersey DOL 2000). For 1999, that figure was 2.1 percent, so the correction factor applied to caretakers for immediate family members and for newborn children<sup>25</sup> estimated

on the basis of the labor force was 97.9 percent. To expand elder caregivers estimated on the basis of employed caregivers to include qualifying unemployed workers, we applied the correction factor of 1.026.

**High Estimate:** These adjustments, when applied in Appendix Table B-1, give the **high** estimate for the number of users of Family Leave Insurance under New Jersey TDI.

**Point 8. Exclude those not covered by FMLA whose employers do not provide leave, or do not guarantee job security if leave is taken.** The **high** estimate does not differentiate potential leave-takers whose employers are covered by the FMLA from those not covered. *A Workable Balance* estimates that about one-third of all workers are not covered by the federal law (US DOL 1996a, xix), and 45 percent are not eligible to take advantage of it (*ibid* 64).<sup>26</sup> Clearly, workers who may lose their jobs by leaving are also likely to exhaust other options, such as their family networks, before choosing to take New Jersey TDI benefits. Most of the worksites not covered by the FMLA (about 60 percent) do not provide for disability leave from work. Those that do allow employees to take leave sometimes will not guarantee them a comparable job when they are ready to return to work (about 15 percent) (US DOL 1996a, 69,72).

We were able to construct measures of the extent of workers not covered by the FMLA who also would not receive other disability leave or job guarantees at their workplaces, by category of disability leave, using unpublished US DOL (1996b) data.

**Low Estimate:** This subtracts from the **high** estimate those workers not covered by FMLA protections whose employers either do not provide for disability leave or do not guarantee jobs for those taking leaves.

## Number of Users: Summary

The number of users starts from IWPR data on the New Jersey population for each category of care that meets the IWPR Low/Inclusive criteria. We expanded this estimated population from 1990 to 1999 levels (point # 1). We adjusted estimated users of pregnancy and other disability leave for the actual New Jersey TDI figures (point # 2). We adjusted estimated Family Leave Insurance users for actual TDI coverage (point # 3) and for the \$1,980 income cutoff (point # 4). We then corrected for those with fully paid leave or whose jobs were too important to take leave (point # 5). We added in those people caring for sick children or spouses whose leaves would last more than one week but less than two weeks, based on *A Workable Balance* data (point # 6). For those estimates based on labor force participants rather than the employed, we excluded those unemployed who would not qualify for unemployment insurance nor therefore for TDI under the 4f program, giving the **high** estimate of users (point # 7). The **low** estimate excluded those whose lack of FMLA coverage and limited leave availability or lack of employment guarantees would discourage them from using Family Leave Insurance under New Jersey TDI (point # 8).

## Average Length of Leave under Family Leave Insurance: Appendix Table B-2

New Jersey TDI covers pregnancy disability and other own disability leaves that last 1.2 to 26 weeks, where leaves that last more than one but less than three weeks are not funded for the first week of the leave. For family leaves, the proposed New Jersey TDI program will fund leaves lasting 1.2 to 12 weeks, where again leaves that last more than one but less than three weeks will not be funded for the first week of the leave.

IWPR used California TDI fertility rates and patterns of leave by age of new mothers and duration of leave to estimate the average length of pregnancy leaves under New Jersey TDI. For pregnancy and own disability, IWPR limited benefits to 12 weeks, which is more restrictive than

**Table B-2. The Average Length of Family Disability Leave and New Parent Leave: Converting to NJ TDI**

	<b>POINT # 9</b> IWPR assume length (weeks) Workable Bal. TDI leave duration replace IWPR duration	<b>POINT # 10</b> US DOL: length TDI leaves not cut short/ length all leaves *	<b>POINT # 11</b> Include leaves of 7-13 days kids, spouse *	<b>POINT # 12</b> Use current disab. duration for NJ TDI *	<b>POINT # 13</b> Allow 4 weeks leave for BAA if user took preg. disab. *	<b>Average Weeks Leave</b>
	<b>Subtotal</b>	<b>Subtotal</b>	<b>Subtotal</b>	<b>Subtotal</b>	<b>Subtotal</b>	<b>=</b>
<b>Current TDI Benefits</b>						
Pregnancy-related	9.5	1.12		0.701		9.6
Other Own Disability	7.5	1.12		1.078		9.8
	<b>12.5</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>	<b>9.6</b>
<b>Family Leave Insurance</b>						
<b>Family Disability Leave</b>						
Sick Spouse	7.0	1.12	0.59 <sup>a</sup>			2.9
Elderly Parents	7.0	1.12				3.7
Sick Children:						
Single Parent	5.0	1.12	0.80			3.1
Two Parents	5.0	1.12	0.80			3.1
Subtotal: Sick Children	5.0	1.12	0.80			3.1
	<b>6.9</b>	<b>7.7</b>	<b>7.7</b>	<b>7.7</b>	<b>7.7</b>	<b>6.3</b>
<b>Baby &amp; Adoption Leave</b>	10.0	1.12			0.82	

<sup>a</sup> The adjustment does not apply to the elderly because IWPR estimates did not limit their illnesses to those lasting longer than two weeks.

the New Jersey TDI standards, and IWPR included leaves lasting less than one week, which is more inclusive than New Jersey TDI.

For leaves to care for sick relatives, IWPR considered only illnesses that would last at least two weeks for children or spouses, acute illnesses for the elderly of unspecified duration, and chronic conditions defined as those lasting at least three months for the frail elderly. IWPR's average leave lengths therefore include long leaves exceeding the 12-week limit on benefits and exclude leaves under two weeks to care for children or spouses that would qualify for New Jersey TDI. For these leaves, IWPR assumed average leaves for a sick spouse or elderly parent of seven weeks, and for a sick child of five weeks, based on 1985 National Health Interview Survey data for spouses and children sick for at least 14 bed-days.

For newborn care, IWPR chose 10 weeks for estimated leave length, to include time for post-partum recovery as well as for bonding with the newborn. It is therefore likely to be an overestimate since New Jersey's pregnancy disability already allows for post-partum recovery.

**Point 9. Use *A Workable Balance* data for length of leave.** We use U.S. Department of Labor (1996a) data published in *A Workable Balance* for two purposes. We modify the IWPR average leave lengths to eliminate short leaves (those lasting less than one week, and the first week of those lasting less than three weeks) and to cap long leaves under Family Leave Insurance at 12 weeks of benefits. The modifying factor takes the average length of TDI-qualifying leaves from *A Workable Balance* relative to the average length of IWPR leaves.

This correction also serves to adjust IWPR estimated leave lengths based on family members' need for care by factoring in US DOL findings on working adults' actual provision of care. The average length of leave was cut by 30 to 50 percent in point 9 as a result of both of these factors.

Note that since the pregnancy disability question posed by the US DOL (1995) survey was problematic in limiting examples to pregnancy conditions and not post-partum recovery, the answers are not considered as reliable as for other categories of leave.<sup>27</sup> In fact, IWPR estimated the average pregnancy-related leave to be 12.5 weeks, which is significantly higher than New Jersey experience (see below).

We replace the IWPR estimates of the duration of own disability and Family Leave Insurances with the actual *A Workable Balance* numbers for eligible leaves (lasting 1 to 12 weeks or only 12 weeks of the total leave under Family Leave Insurance, 1 to 26 weeks for pregnancy and other disability).

**Point 10. Adjust for *A Workable Balance* leaves cut short.** The *A Workable Balance* study discovered that many people cut their leave short as a result of not receiving full reimbursement by employers for the desired leave period.<sup>28</sup> It was possible to use the study's unpublished data to calculate the average leave lengths for those who cut their leave short (30 days qualifying for New Jersey TDI FLI), and for those who did not (41 qualifying days) (for related data see US DOL 1996a, 283, last column of table 5.R). Assuming that otherwise these two groups were similar, we estimated that if paid leave allows New Jersey leave-takers not to cut their leave short, the average length of all leaves reported in *A Workable Balance* (36 qualifying days) would expand to 41 qualifying days, or by 12 percent.

Based on these adjustments, the *A Workable Balance* averages for TDI-qualifying leaves were 32 days for a sick spouse, 24 days for an elderly parent, and 26 days for a sick child.<sup>29</sup> For newborn leaves, IWPR included all leaves lasting at least one day and with no upper limit. The average length of leaves that would qualify for New Jersey TDI<sup>30</sup> based on *A Workable Balance* data (US DOL 1996a, 269-270) was 39 days for newborns, where IWPR had assumed 70 days for newborns.<sup>31</sup>

**Point 11. Include leaves to care for immediate family members sick 1-2 weeks.** Our high and low estimates of the number of users of Family Leave Insurance expanded IWPR estimates to include those providing care for nuclear family members who are sick for one to two weeks. To

estimate the average leave length relative to this expanded base of users of Family Leave Insurance, we took the number of users from point 5, Appendix Table B-1, multiplied by the associated average length of leave (point 10, Appendix Table B-2), to get total leave-days under IWPR assumptions that excluded care for immediate family lasting less than two weeks.<sup>32</sup> We added this to the product of the additional users taking such short leaves (the total number of users, point 6, minus the number of short-leave users under point 5, Appendix Table B-1) times their average length of leave (half a week of one to two week leaves would on average qualify for TDI coverage) to get total user-days. We divided this aggregate by the number of users (point 6, Appendix Table B-1) to get the average length of leave (point 11, Appendix Table B-2).

**Point 12. Replace IWPR estimates of current TDI with actual New Jersey TDI figures.** For pregnancy disability and other disability leave lengths, our revised estimates based on IWPR projections and *A Workable Balance* corrections can now be compared with actual New Jersey TDI experience. Not surprisingly, in light of our cautions regarding the way US DOL (1996a) phrased the question about pregnancy-disability leave,<sup>33</sup> actual New Jersey TDI experience with pregnancy disability leave suggests that our revised figure based on *A Workable Balance* is substantially different from New Jersey experience.<sup>34</sup> However, both of our other adjustments of IWPR estimates of other own disability based on US DOL (1996a) figures (points 9 and 10) have brought the IWPR estimate closer to actual New Jersey TDI experience. Our adjusted figure for other own disability still falls short of the New Jersey TDI average, but by less than 8 percent. Point 12 therefore applies the average leave durations for pregnancy-related and other own disability as experienced under New Jersey TDI in 1999.

We should be cautious in drawing any general conclusions from these findings that our estimated leave length for own disability, based on IWPR's original figures, and actual TDI experience were so close. IWPR's methodology for estimating leave length for current TDI benefits was totally different from its methodology for Family Leave Insurance because of limited data availability. Pregnancy disability and other own disability estimates were based on California TDI experience with leave lengths; Family Disability Leaves were based on the 1985 National Health Interview Survey calculations of the average length of sickness for spouses and children. Still, it is encouraging that the modifications using data from the US DOL study have brought the IWPR-based estimate close to the actual length of leaves for own disability under New Jersey TDI.

**Point 13. For newborn care, eliminate double counting for those taking pregnancy disability leave.** In its original estimate of leave length, IWPR allocated six weeks for healing following childbirth and four weeks for bonding with the newborn or adopted child. Lengths of such leaves reported in *A Workable Balance* did not distinguish the five TDI states from the other 48 states and territories. Assuming that most of those responding did not have access to TDI for pregnancy disability, our estimated leave lengths are too long for those whose time for healing was covered by pregnancy disability benefits. To be conservative, we allotted the full four weeks the IWPR posited for these women, who were 40 percent of all BAA leave-takers, and adjusted the average length of BAA leave accordingly. The resultant average length of BAA leave was reduced by 18 percent.

## **Average Length of Leave under Family Leave Insurance: Summary**

The average length of qualifying leaves starts from IWPR data on morbidities for certain categories of illness and the associated average length of such health conditions. It adjusts IWPR estimates of FLI leave lengths by using *A Workable Balance* data drawn from actual leave experience (point # 9). It then corrects this FLI figure for leaves cut short, based on data provided by the *A Workable Balance* report (point # 10). It brings into the average the very short leaves initially excluded by IWPR's focus only on spouse and child sicknesses lasting more than two weeks (point # 11). It corrects IWPR estimates of pregnancy and other disability leave lengths that were based

on California experience with estimates that are based on actual New Jersey TDI experience (point # 12). It then eliminates double counting of time for healing taken under pregnancy disability, which would not be taken again under newborn leave (point # 13).

IWPR estimated average family disability leaves for a sick spouse or elderly parent of seven weeks, and for a sick child of five weeks, based on available morbidity data and the need for care. The actual length of work interruptions by care-providers was shown to be lower by the more recent US DOL (1996a) study. The average spells of actual leaves reported by *A Workable Balance*, corrected for those who cut their leave short, and adjusted to meet New Jersey TDI specifications on length of FLI leave, are 42 to 63 percent of IWPR's original estimates.

## Adapting the Benefit Amount to New Jersey TDI: Appendix Table B-3

IWPR weekly benefit amounts for 1990 have to be adjusted for inflation to be brought to current values. However, the adjusted IWPR benefit amount exceeds actual rates of reimbursement currently used for New Jersey TDI for own disabilities. If individuals taking Family Leave Insurance have higher weekly incomes than do current TDI beneficiaries, the IWPR estimates are appropriate. If, on the contrary, current New Jersey TDI benefit levels reflect the income distribution of FDL users, then those numbers are more appropriate. For the purposes of estimating the costs of the proposed family-disability legislation, we treat the inflation-adjusted IWPR figures as a **high** estimate and average New Jersey TDI figures as the **low** (see Appendix Table B-3).

**Point 14. Use 1999 pay levels to adjust IWPR figures for inflation.** To convert costs to 1999 levels, since TDI bases benefit levels on earnings for the eight weeks prior to the disability week, the IWPR 1990 data were converted to 1999 data to get a basis for 1999 costs. The state-wide average weekly wage was 46 percent higher in 1999 than in 1990.<sup>35</sup>

**High Estimate:** The result of this adjustment gives our **high** estimate.

<b>Table B-3. Weekly Benefit Amount for Family Leave Insurance Categories: Converting to NJ TDI</b>					
	IWPR Estimated Weekly Benefits (\$1990)	<b>POINT # 14</b> Convert to 1999 income ( '90 --> '99 ) *	<b>HIGH</b> Weekly Benefits =	<b>POINT # 15</b> Substitute NJ TDI Benefit Amounts	<b>LOW</b> Weekly Benefits
<b>Current TDI Benefits</b>					
Pregnancy-related	\$196.87	1.460	\$287.38	a	\$282.95
Other Own Disability	\$207.99	1.460	\$303.62	a	\$298.08
<b>Current TDI Benefits:</b>	<b>\$205.34</b>	1.460	<b>\$299.75</b>		<b>\$295.00</b>
<b>Family Leave Insurance</b>					
<b>Family Disability Leave</b>					
Sick Spouse	\$227.18	1.460	\$331.63	a	\$298.06
Elderly Parents	\$223.27	1.460	\$325.92	a	\$298.06
<b>Sick Children:</b>					
Single Parent	\$179.75	1.460	\$262.39	a	\$282.32
Two Parents	\$229.79	1.460	\$335.44	a	\$298.06
<b>Baby &amp; Adoption Leave</b>	<b>\$198.50</b>	1.460	<b>\$289.77</b>	a	<b>\$282.95</b>

<sup>a</sup> The next column substitutes NJ TDI benefit amounts for IWPR estimates.

**Point 15. Actual weekly benefits paid, New Jersey TDI, 1999.** The New Jersey Department of Labor publishes data on weekly benefits paid by disability category (New Jersey DOL 1998b, 14). For pregnancy disability, current TDI benefit figures are slightly lower than the adjusted IWPR figures. We expect that leave for newborn care would receive the same benefit amount, which is slightly below the IWPR estimates. However, every other benefit amount IWPR uses, except for single parents, is higher than the average weekly figure for New Jersey TDI for own disability other than pregnancy disability (estimated to be \$298.06),<sup>36</sup> by as much as 13 percent (New Jersey DOL 2000, 1998b). We substitute the own-disability benefit amount for IWPR's categories for sick spouse, parent, and children in two-parent families. Single parents typically have very low incomes, as IWPR's estimates on the basis of Census data reflect. So, instead of the average New Jersey TDI figure, the lowest weekly amount paid by New Jersey TDI for any own disability category (estimated as \$282.32 for congenital defects; see footnote 35) is used, although this is still higher than IWPR's estimate from single-parent incomes.

**Low Estimate:** We construct a **low** estimate of weekly benefits by using the actual 1999 New Jersey TDI rate for pregnancy disability and for newborn leave, the lowest New Jersey TDI rate for single parents, and the New Jersey TDI average rate for non-pregnancy disabilities for other categories of family disability leave.

### **Average Benefit Amount: Summary**

The average benefit amount calculation starts from IWPR data on the New Jersey working population that meets the IWPR Low/Inclusive criteria for each category of care. We convert costs to 1999 pay levels (point # 14). The resultant figure is the **high** estimate of average benefit under New Jersey TDI Family Leave Insurance. Alternatively, we replace the IWPR-adjusted figures with actual New Jersey TDI average benefit amounts (point # 15), giving the **low** estimate of average benefit under New Jersey TDI Family Leave Insurance. The two benefit amounts differ by 2 to 13 percent, depending on the leave category.

## **Aggregate Costs of Family Leave Insurance**

Table 1 provides our final cost calculations based on our results for the number of users (from Appendix Table B-1), average leave duration (from Appendix Table B-2), and average weekly benefits (from Appendix Table B-3) under New Jersey TDI Family Leave Insurance. The product of these three elements is the estimated cost of Family Leave Insurance.

The two final projections for New Jersey TDI Family Leave Insurance (\$112.7 million to \$134.4 million), based on the **low** and **high** estimates provided in Table 1, vary because of how they estimated the *number of leave-users* and the *benefit amount*. The **high** estimate in Appendix Table B-1 includes expected leave-takers not covered by the FMLA who have no job guarantee if they take leave; the **low** estimate excludes such workers (about 14 percent of the workforce), since they will be much less likely to take Family Leave Insurance if it means losing their jobs (compare the **high** and **low** for *number of leave-users* in the first columns of Table 1). In Appendix Table B-3, the **high** estimates for weekly benefits derive from IWPR calculations based on Census data for all New Jersey income-earners. But low-income workers are most likely to use New Jersey TDI, since those earning more than 79.5 percent of average New Jersey earnings only receive the maximum benefit level of 53 percent of the average salary. This most likely explains why the current benefit amounts actually paid to TDI recipients is below the adjusted IWPR figures based on all workers. It is therefore probable that the **low** estimates are more accurate predictors of New Jersey Family Leave Insurance experience than the **high** estimates (compare the **high** and **low** for the *benefit amount* in the second columns of Table 1).

## Factors Not Taken into Account in These Corrections

There are at least two systematic factors not incorporated into our corrections that may bias upward our estimates of the number of users of Family Leave Insurance: both high-salary workers and single parents would be less likely to take leave than other workers.

**High-salary workers.** For those in the upper tiers of the income distribution, the maximum TDI repayment salary of \$381 per week in 1999 would not be sufficient to maintain their usual standard of living. Consequently, such workers would be much less likely to choose TDI-paid leave. Since the cap on TDI benefits is 53 percent of average New Jersey salaries, and benefits are at most two-thirds of salary, employees who earned above 80 percent of the average salary would only qualify for the maximum benefit. That is, individuals with earnings equal to the state average recoup 53 percent of their previous pay on TDI leave; workers who earned twice the state average (about \$74,000 per year) recoup only 27 percent of their previous pay. Thus, upper-income employees are more likely to make arrangements with nonworking extended-family members to provide care or to hire others once they exhaust employer paid leave. While *A Workable Balance* sought to identify these workers needing leave who did not take it, such high-income workers might not have considered themselves in need, since they had successfully made other arrangements.

To the extent that upper-middle and high-income workers are more likely to enjoy leave paid by their employers, we have succeeded in taking them out by excluding those who took fully paid leave. But for those high-income employees without such paid-leave benefits, our estimates treat them like all other workers, which means both our **high** and **low** estimates are high.

**Single parents.** The IWPR study treated single parents and parents with a spouse present as equally likely to take time off from work to care for sick children or an elderly parent. Given that IWPR calculates that single parents comprise 20 percent of all New Jersey households, our estimates based on IWPR figures suggest that single parents will represent 17 to 20 percent of all parental Family Disability Leave leave-takers. However, since sole providers would be hard pressed to weather such a pay cut, their inclusion with the same baseline utilization rates as two-income families (100 percent of children would have a parent take time off) biases their estimates upward. Therefore, the actual costs of the New Jersey Family Leave Insurance should be lower than we estimated.

## Assessing the Net Policy Cost of Family Leave Insurance

Some users of the proposed Family Leave Insurance would otherwise qualify for income-replacement policies such as unemployment compensation and public assistance. Assessing the net cost of this new policy requires estimating the savings in these other programs that would occur once Family Leave Insurance is instituted.

### 4f Coverage and Savings on Unemployment Insurance

Our estimates include coverage for both employed and qualifying unemployed labor force participants. However, unemployed workers would not collect unemployment compensation if they were receiving FLI. Therefore, the second and third columns of Table 2 break out the share of Family Leave Insurance recipients who do not fall under the 4f provisions of the unemployment

insurance program. We assume that the savings on unemployment compensation equals the level of expenditure on FLI for these people.<sup>37</sup>

In 1999, about half (54.3 percent) of the 4.6 percent of the labor force who were unemployed drew unemployment insurance, and half did not (New Jersey DOL 1999). Therefore, 97.9 percent of those covered by New Jersey Family Leave Insurance (which, pursuant to point #7, excludes the unemployed who do not qualify for unemployment insurance) would be covered by New Jersey TDI. The other 2.1 percent would fall under the 4f program and constitute savings on unemployment insurance. The cost of Family Leave Insurance net of savings on unemployment insurance would be \$110.2 million to \$131.6 million.

## **Reductions in Public Assistance Claims with Family Leave Insurance**

*A Workable Balance* reported that many of those who took unpaid or partially paid family leave relied on public assistance to replace lost wages (US DOL 1996a, 283). The report found that 9 percent of all leave-users relied on public assistance, and 83.2 percent of all leave-needers were able to take unpaid family leave. This suggests that 7.5 percent of leave-needers received public assistance while on leave. Therefore, the net cost to the state of New Jersey for Family Leave Insurance would be \$104.2 million to \$124.3 million, which is the outlay for TDI benefits minus the savings in public assistance (see Table 2, columns four and five).

## **Summary**

Taking into account savings in both of these income-maintenance programs, unemployment insurance and public assistance, indicates that the net cost of Family Leave Insurance will be about 7.5 percent lower overall than the gross cost of the program.

# Endnotes

1. Proposed New Jersey law A-1577 would impose a 0.2 percent (two-tenths of a percent) added tax on TDI-eligible income, which along with repayment of a loan from the TDI trust fund to the General Fund, would pay for Family Leave Insurance. This is a pilot program designed to sunset after five years. To simplify our analysis, we focus on this bill, which is entirely administered through TDI. New Jersey is one of only five states that have in place a mandatory temporary disability insurance program (with California, Hawaii, New York, and Rhode Island), which gives the state an advantage in financing Family Disability Leave in particular.

Another pending bill, A-2037, would impose a 0.1 percent (one-tenth of a percent) added tax on TDI-eligible income to pay for Family Disability Leave, drawing from the surplus in the unemployment insurance (UI) fund to pay for new-parent leave, as the Clinton Administration proposed in late 1999. This pilot program is also designed to sunset after five years. The proposal for baby-and-adoption leave requires applicants to meet unemployment insurance criteria rather than TDI criteria for eligibility, which is a somewhat more inclusive standard since local government employees can opt out of TDI but not UI. Average UI reimbursement currently runs seven percent higher than for TDI, in part reflecting slightly higher reimbursement rates for those with one or more dependents.

2. New Jersey law requires most employers covered by the unemployment compensation law to provide TDI protection. They are automatically covered by the state plan, unless they propose a private plan that is then approved. The private plan must include all eligible employees and provide benefits that are at least as good as those of the state plan. In 1999, private plans covered 676,400 workers (20 percent of covered workers) while the state plan covered 2,721,200 (80 percent of covered workers; New Jersey DOL 2000). Larger firms tend to opt for private plans instead of the state plan for their state-mandated TDI program: In 1999, the average size of companies covered by private plans was 94 employees, while for the state plan it was only 13 employees (from data in New Jersey DOL 2000).
3. Three-fourths of those who care for elderly relatives are women, and two-thirds of these women work full- or part-time. More than 4 in 10 have children to care for as well (US DOL 1998).
4. Small businesses are those with fewer than 50 employees within a 75 mile radius. Also exempted are new businesses that did not employ people for at least 20 work weeks in the current or preceding calendar year.
5. Key employees are defined as the highest-paid 10 percent of employees within 75 miles of the work site; “new” employees have not worked for the employer for at least 12 months and at least 1250 hours in the last year.
6. Gerstel and McGonagle (1999, 521) found that income and marital status had no effect on leave-taking under the FMLA, controlling for other demographic variables. However, lower-income family members are significantly less likely than the more affluent to take leaves to care for others (522), and relatively more likely to be denied leave to care for family medical concerns (4 percent vs. 10 percent) (527). In light of Wever’s (1996) finding that women covered by TDI are relatively more likely to take maternity leave, we expect that the same will prove true under Family Leave Insurance.
7. Low-income workers are least likely to have sick or vacation pay that they can apply towards newborn or family-disability leaves. Jody Heymann (2000) found that two to three of every four workers in the lowest quartile of family income lacked paid sick leave, vacation leave, or both. Such workers face two unsatisfactory options: continue to try to juggle work responsibilities while caring for the newborn or sick relative, or quit their job and try to qualify for public assistance.
8. The New Jersey Family Leave Act (New Jersey FLA) provides leave for family disability, but not for own disability. Therefore, someone who receives leave for their own disability for 12 weeks under the FMLA can qualify for an additional leave to provide care for other family members under the New Jersey FLA. New Jersey Family Leave provides up to 12 weeks in a 24-month period, while the FMLA allows for 12 weeks annually. The New Jersey FLA covers more employees than the FMLA: A company’s total employees, rather than only employees in a 75 mile radius, count towards the New Jersey FLA’s minimum of 50 employees. New employees may qualify sooner under the New Jersey FLA, since the prerequisite is 1000 base hours (excluding overtime) over the preceding 12 months, where the FMLA requires 1250 hours.

9. The IWPR study is based on the 1991 Current Population Survey of 1990 data (Hartmann et al. 1995c).
10. That is not surprising since there is no physical disability involved in newborn care, while pregnancy disability includes recovery from Caesarian sections and episiotomies as well as from natural childbirth.
11. The “disability-during-unemployment” program is spelled out in New Jersey SA 43:21-4(f), hence the 4f shorthand for this category of TDI recipient.
12. To the extent that recent changes in welfare eligibility have already eliminated some welfare expenses for family caregivers, our estimated savings on public assistance from TDI are overstated.
13. This description of IWPR assumptions and methods draws on the Appendix to Hartmann et al. 1995b, the Yoon (1997a, 1997b) memoranda, and unpublished data and tables supplied by IWPR.
14. The sole exception was care of a sick spouse, where IWPR assumed a 33 percent utilization rate for unspecified reasons.
15. New Jersey TDI does not reimburse workers taking off one week or less from work for disability. It reimburses all but one week of up to three weeks taken off and the full leave period of a leave lasting three weeks or longer.
16. IWPR assumed that 1 of the 2 parents would take time off to care for the child, a 50 percent utilization rate by eligible parents. This means that in single-earner two-parent households, 50 percent of the income earners were assumed to take off from work to care for a sick child, despite having a spouse at home full time, which is clearly unlikely, making this an overestimate. It also means that in households with both parents working, 100 percent of the children needing care were assumed to be cared for by one of the employed parents, rather than by other caregivers.
17. In the case of an elderly parent, IWPR relied on the Stone and Kemper (1989) estimate from the 1984 Long-Term Care Survey that 0.3 percent of full-time employees provided care for elders who were disabled in activities of daily living (bathing, dressing, eating, using the toilet, and getting into or out of a bed or chair) for at least three months (see Appendix to Hartmann et al., 1995b). The Institute assumed that illness causing acute need for care for elderly parents would double this figure, and that employees would take off on average 7 weeks to provide for all such ailing parents. For sick spouses, the Institute used 1985 National Health Interview Survey data furnished by the U.S. General Accounting Office, indicating that 5.7 percent of spouses were sick in bed for more than 14 days, on average for 7 weeks. This data covered all married people, not just those with working spouses. IWPR assumed that spouses of the employed would be sick at the same rate.

The Institute’s data on the need for elder care includes both spouse and child caregivers. A significant number of caregivers for the elderly are spouses (Stone and Kemper 1989, 494, estimate that 61 percent are; more recently, US DOL (1999) estimated that 38 percent are). However, the incidence of elderly illness in households with employed caregivers is much smaller than of spouse illness, probably reflecting the larger population below 65 and the fact that only 8 percent of the elderly requiring care have primary caregivers who are employed (from data reported in Stone and Kemper, 497). Therefore, the double counting of spouses who are elder caregivers (as caring for both a spouse and for the elderly) is only 2 to 3 percent of all spouse caregivers.

In 1996, more than 4 million households spent at least 40 hours a week in caregiving for the elderly (US DOL 1999). Three-fourths of those providing elder care are women, 52 percent of whom are employed full-time and 12 percent part-time (US DOL 1999). More than 4 in 10 have children to care for as well. About two percent of people residing in households require assistance to perform activities of daily living. Most often spouses are the providers (38 percent), although caregivers include daughters (19 percent), other relatives (12 percent), and sons (8 percent). Only nine percent of those needing assistance use paid providers.

In a small, non-random study (cited in NAC/NCWABU 1999, 2), about half of those 45 and older who reported providing unpaid care to an older relative or friend also reported associated disruptions of their work. In-depth interviews of 55 such individuals who had provided at least 8 hours of caregiving per week and at least two caregiving tasks weekly for at least 6 months yielded the following profile: 64 percent had used sick days or vacation time; 33 percent had reduced their work hours; 22 percent had taken a leave of absence from work; 20 percent had switched from full- to part-time; 16 percent had quit their jobs; and 13

percent had retired early (*ibid.*, 3, 4).

IWPR's estimates of child illness is also from the 1985 Survey, provided by the U.S. General Accounting Office. 3.1 percent of children were sick in bed for more than 14 days, for 5 weeks on average.

18. By ignoring mothers over 45, IWPR estimates that they exclude only 0.85 percent of all births in New Jersey (IWPR, unpublished data). Since the mothers identified must have worked in the previous year, they are at least 16.
19. The New Jersey TDI Administration (1998b) supplies data on closed TDI claims (i.e., where processing has been completed) by category of qualifying leave. 40,331 of 117,200 claims (34.4 percent) in 1997 were closed in the calendar year. We treat the share of closed claims for pregnancy disability (15.3 percent) as approximating the average percent of all TDI claims for pregnancy.

The closed-claims data overestimate average leave duration, but not the weekly benefit paid. The average weekly benefit paid for closed claims can be calculated from average gross benefits divided by average duration (\$273.69; see New Jersey DOL 1998a, 14); this figure is about the same as the average weekly TDI benefit (\$273) reported in New Jersey DOL (1998a) for that year. The average duration of all TDI claims equals total TDI expenditures divided by the average weekly wage and by the number of users. This aggregate average duration is about 67 days, while the average duration of closed claims is 81 days. The ratio of these two durations is 82.7 percent, and the ratio of total TDI expenditures to expenditures on closed claims is 82.5 percent, so closed claims are otherwise assumed to be representative of all claims.

20. The correction to exclude those with incomes too low to qualify for New Jersey TDI varies by type of leave, ranging from 0.94 to 0.98. This is based on IWPR estimates of eligible users for each category of leave under its Low/Inclusive vs. Medium and High option programs.

This correction does not take out those few high-income workers who met the \$1,980 hurdle but did not work 20 weeks the preceding year, i.e., who earned more than \$100 per hour.

21. The data are reported separately for those covered by FMLA, and those not covered.

It might be argued that even those who took fully paid leaves might choose to extend their leaves once eligible for TDI-funded leave after they have exhausted their resources at work. Aware of this possibility, we do not exclude *A Workable Balance* estimates of people who had enjoyed partially paid leave from our estimates of TDI users, treating them as if they would be as likely to apply for the TDI program as someone with no such reimbursement. In reality, during the period when they were drawing their full salary, such leave-takers would presumably not apply for TDI's partial-reimbursement program, and by rights should be excluded. This was difficult to do, however, since we did not know if they had received reduced pay for the full period (perhaps working reduced hours), or if they had used up their paid leave and taken the rest of their leave without pay.

The inclusion of those who had partially paid leaves and would probably not use TDI, or use it for less than the average period, helped us compensate for those fully paid leave-takers we had excluded, but who in fact would take additional leave once the TDI program became available. (The pending legislation allows for a total of 12 weeks of leave, with any leave paid for by the employer counting toward that 12 weeks.) According to *A Workable Balance*, the ratio of partially paid leave-takers to those enjoying fully paid leave was 42 percent (pp. xvi, xix, 108).

22. Depending on the category of leave, 42 to 56 percent of leave-takers had fully paid leaves.
23. It is possible that as cultural norms regarding leave to care for family members change with the implementation of policies like the New Jersey FLA, the FMLA, and Family Leave Insurance, even less than these one percent of all leave-needer's jobs will be labeled as "too important" to allow for leave.
24. See Footnote 11, above.
25. For newborns, IWPR considered all women with infants who had worked sometime in the previous year. Since virtually all of the unemployed this year who would qualify under 4f would have worked last year, we treat IWPR's estimate as based on the labor force.

26. More workers are eligible under the New Jersey FLA, in light of its somewhat wider coverage (50 workers including all worksites, vs. 50 workers within 75 miles for the FMLA). Numbers are not available on the magnitude of the difference.

Women are disproportionately likely to be caregivers (Stone et al. 1987; Wagner and Neal 1994) and are more likely to work at covered sites than men, but are equally likely to be eligible for leave under the federal law (US DOL 1996a, 64).

27. Unfortunately, *A Workable Balance* gathered information about pregnancy disability based on asking whether the “reason for the leave” was “for maternity-related disability, such as morning sickness or toxemia” (US DOL 1995). It did not specify any post-partum disabilities such as recovery from pregnancy and delivery, including Caesarean section. Moreover, toxemia has come to be called preeclampsia by physicians, so respondents may not have recognized the term used in the questionnaire. Therefore, the *A Workable Balance* data on the incidence of pregnancy disability and the associated leave length probably undercount actual leave needs and use.
28. *A Workable Balance* reports that of those taking leave, 40.3 percent cut their leaves short; see US DOL 1996a, 283, last column of Table 5.R.
29. The average lengths of TDI-eligible leaves were taken relative to all those who *A Workable Balance* identified as taking leave.
30. To capture leaves covered by Family Leave Insurance under New Jersey TDI, we excluded from the average leaves lasting less than 1 week and 1 week of those leaves lasting 1 week to 20 days, and included leaves lasting up to 12 weeks and 12 weeks of longer leaves. The average we provide in the text is taken relative to all leaves reported by *A Workable Balance*.
31. *A Workable Balance* (p. 54) cites the Wisconsin Maternity Leave and Health Project finding that newborn leaves lasted 9 weeks on average, compared with IWPR’s 10 weeks. Note that 29 percent of the family leaves in the Wisconsin study exceeded 12 weeks and would not be covered under New Jersey TDI.
32. Note that points 7 and 8 both use the same proportionate correction for leaves to care for a sick spouse or child (.979 and .855 respectively), so that our results for average leave would not change if we multiplied both point 5 and point 6 user-estimates by  $.979 \times .855$ , effectively calculating average leave length for our low user estimate.
33. IWPR originally estimated 66 days of average leave for pregnancy disability, based on the age distribution of California TDI users, and therefore its fertility pattern (unpublished IWPR data). New Jersey TDI data indicate that pregnancy-disability leaves averaged 69 days in 1997. The *A Workable Balance* data indicate average leaves qualifying for TDI were 88 days long. Therefore, pregnancy disability is the one category of leave for which the IWPR estimate is initially closer to New Jersey TDI experience than is the *A Workable Balance* data.
34. The average length of pregnancy-disability leaves under New Jersey TDI for closed claims was 81 days or 11.6 weeks in 1997 (New Jersey DOL 1998b, 14). However, closed cases are only half of all cases. Aggregate data on New Jersey TDI expenditures, average weekly benefit, and total recipients show an average disability leave of 9.57 weeks, while the closed-claim data suggest that an average disability leave lasts 11.29 weeks. We corrected the closed-claim estimate for pregnancy-disability leave length proportionately, which reduced it to 9.81 weeks. On the assumption that the closed-claim finding that pregnancy-disability leaves were 15 percent of all disability leaves held in the aggregate as well, we estimated non-pregnancy-related leaves as lasting 9.53 weeks.
35. The maximum weekly benefit under New Jersey TDI was 46 percent higher in 1999 than in 1990 (New Jersey DOL, 1992, 2000). Because the maximum benefit is a fixed percentage (53 percent) of the New Jersey average, the statewide average weekly wage was also 46 percent higher in 1999 than in 1990.
36. We took the 1997 figure (\$275.83, calculated from data provided in New Jersey TDI (1998b)) times the 1999 average weekly benefit (\$295) relative to the 1997 average weekly benefit (\$273).
37. In fact, unemployment compensation has a higher wage-replacement rate of 75 (71, 67) percent of the claimant’s previous wage for those with 3 (2, 1) dependents, and a higher maximum benefit amount of

56.67 percent of the state average weekly wage (New Jersey DOL 1998a). Only if the unemployed claimant has no dependents does the rate of reimbursement fall below TDI's two-thirds reimbursement rate, to 60 percent. Therefore, we may underestimate the saving on unemployment compensation.

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