



AB 123: Full Income Replacement for Paid Family Leave Benefits

IN BRIEF

Assembly Bill 123 would ensure workers utilizing the state's Paid Family Leave (PFL) program can receive 90 percent of their income during the period of their leave.

EXISTING LAW

Paid family leave allows families to avoid choosing between being present at home to bond with their newborn or care for their loved ones in times of need, and working to make ends meet. Access to paid family leave benefits ensures that workers are able to take extended leave to care for a new child, recover from a serious illness, or care for an ill family member, while continuing to retain a portion of their wages.

California's Paid Family Leave (PFL) program, the first of its kind in the United States, covers approximately 18.7 million California workers. This program is entirely employee-funded through the State Disability Insurance (SDI) payroll deduction. If eligible, a worker can have approximately 60 to 70 percent of their wages replaced, up to \$1,357 per week, for up to eight weeks within any 12-month period. Other states with paid family leave programs such as Washington, New Jersey, and Massachusetts guarantee 80 to 90 percent wage replacement for their low and middle-income workers.

PROBLEM

Paid family leave is a hallmark workplace protection, but one that still isn't reasonably accessible for many low- and middle-income workers. In January 2021, new legislation will take effect that ensures Californians working for employers with five or more employees are not at risk of losing their job while taking paid family leave. However, significant barriers continue to prevent countless working parents and family caregivers from accessing the worker-funded PFL program. An estimated one in six workers claim they experienced one or more instances when they needed to take time off from work after the birth or adoption of their child, to care for a family member with a serious health condition or to deal with their own serious health condition, but were unable to do so¹. This figure nearly doubles among those with household incomes under \$30,000. Data from the Center for Economic and

Policy Research indicates that low-wage workers cannot make use of the PFL program when the need arises because partially-paid leave "on minimum wage isn't enough to live on"².

It's clear that current rates of wage replacement in California are still too low for workers who survive paycheck-to-paycheck to make use of this benefit. Of the surveyed workers who faced the issue of not being able to utilize family leave, 72% cited that their reason for not taking family leave when they needed to was concerns over loss of wages or salary³. Working mothers are disproportionately harmed by this gap in our state's PFL program. This is evident by the fact that one in four mothers feel that they have no choice but to return to their jobs within a mere two weeks of giving birth to make ends meet². However, opting out of the labor force without a guarantee of full income replacement is not an option for most Latina, Native American and Black single mothers when they are facing the pressures of being the family's sole provider. Moreover, single mothers of color working low-wage jobs have the highest need for full income replacement because they are also balancing the role of primary caregiver for their loved ones.

Not allowing workers access to full pay during leave has serious consequences for their long-term financial security. Even if they utilize the PFL program, many low- and middle-income workers do not have enough savings to offset being out of work for an extended period of time. Over a third of workers who have utilized family leave say they had to use savings they had set aside for a different purpose, cut their leave time short, or take on debt³. Nearly a quarter of workers who took family leave say they had to borrow money from family or friends. A vast majority of workers with incomes under \$30,000 were forced to go on public assistance and put off paying their bills.

Research has conclusively shown that the PFL program benefits workers and employers alike. Mothers who utilize paid family leave are more likely to remain in the workforce after having a child, and have a reduced likelihood of falling into poverty and depending on food stamps and other social services within a year of giving birth³. Repeated surveys of businesses in the state strongly

² Appelbaum, Eileen, and Ruth Milkman. "Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California." 2011.

³ Houser, L., & Vartanian, T. P. (2012, April). Policy Matters: Public Policy, Paid Leave for New Parents,

¹ <http://www.pewsocialtrends.org/2017/03/23/an-inside-look-at-family-and-medical-leave-in-america-the-experiences-of-those-who-took-leave-and-those-who-needed-or-wanted-to-but-couldnt/>

suggest that the existing PFL program has generated cost savings for businesses, particularly when employers coordinated their own benefits with the state PFL program, and other positive effects such as increased productivity and employee retention⁴.

On January 1, 2022, wage replacement rates for all workers will decrease to 55 percent, absent any action by the Legislature. The Master Plan for Early Learning and Care commissioned by Governor Newsom was released December 1, 2020 and recommends increasing wage replacement rates to at least 90 percent for those earning less than 70 percent of the state average weekly wage. This would mean an employee making less than \$50,341 per year would have 90 percent of their wages replaced.

THE SOLUTION

Removing barriers to California's Paid Family Leave program will help ensure financial security for millions of working families who cannot afford to take partially-paid leave. AB 123 would ensure paid family leave is a benefit that all workers can enjoy by guaranteeing 90 percent wage replacement, up to the weekly benefit amount established by the Department of Industrial Relations. This critical policy empowers workers to meet their health and family needs without sacrificing their economic security.

FOR MORE INFORMATION

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and Economic Security for U.S. Workers. Rutgers, the State University of New Jersey Center for Women and Work Publication

⁴ Appelbaum, Eileen, and Ruth Milkman. "Leaves That Pay: Employer and Worker Experiences with Paid Family Leave in California."