Executive Summary

Shifting work and family structures in the 21st century highlight the need for workplace policies that help parents balance caregiving and career demands. In collaboration with the Montana Department of Labor and Industry, the Montana Budget and Policy Center will conduct four reports on paid leave. This first report uses evidence from state-initiated paid leave programs and national studies to examine how paid leave benefits families, businesses, and the economy.

Paid Family Leave Improves Working Families’ Financial Security and Health
As family patterns shift and both parents (or single parents) work to provide for their families, paid leave helps parents balance caregiving and work demands.

- **Unpaid leave creates financial burdens for any family, but particularly impacts single parents and those experiencing poverty.**
- 40% of working Americans are not covered by the Family and Medical Leave Act and of the workers who do qualify, 46% state that they cannot afford unpaid leave.
- **Paid leave helps women remain employed, earn more, and progress in their careers.** In Montana, women comprise 48% of the workforce, 70% of children live in families where both parents work, and many households rely on female breadwinners for income support.
- **Paid leave establishes stronger bonds between fathers and children when fathers take even two weeks off after a child’s birth.** In California, where a state paid family leave insurance program has been in operation since 2004, men have taken leave at increasing rates to help care for children, which balances caregiving duties in the home and supports women’s economic opportunities.
- Parents with paid leave can respond to children’s health care needs. As a result, children have improved health outcomes, are more likely to receive pediatric check-ups and immunizations, and have better cognitive and behavioral skills in the future.
- Paid leave allows older workers time off to attend to their health care needs and family members the ability to care for aging relatives without risking economic security.

Paid Family Leave Helps Businesses Attract and Retain Skilled Workers
At a time when tens of thousands of workers will be aging out of the Montana labor force, paid leave helps businesses remain competitive and strengthens the workforce.

- Approximately 137,000 working Montanans are 55 years or older and are potentially considering retirement. Paid leave would help businesses attract and retain skilled workers as older Montanans leave the workforce.
- Almost half of Montana’s workforce is made up of women. Many households rely on mothers’ earnings for support and women need access to policies than enable them to work and balance household demands.
• Paid leave helps businesses save money through reduced employee turnover rates. Recruiting and retaining one employee costs a business between 10% and 30% of the original employee’s income.

• More than 95% of California workers who took paid family leave returned to work, with more than 80% of workers returning to the same employer.

• First-time mothers who take paid family leave are more likely to return to the same employer than first-time mothers who take unpaid leave.

• Employers with paid leave policies benefit from improved worker attitudes, which keep employees motivated and productive and businesses profitable. Over 90% of businesses surveyed in California said that paid leave had a positive, or at the very worst, neutral impact on staff morale and productivity levels.

• Workers appropriately use paid leave. Years after California implemented paid leave, 91% of employers state that workers do not abuse the program; among those who said employee abuse was a problem, 99.5% said there were less than five instances of abuse.

Paid Family Leave Strengthens The Economy
Paid leave benefits society through increased work participation, lower public assistance use, and taxpayer savings.

• Encouraging labor force participation among women and low-wage workers improves their financial security and helps stimulate local economies. Paid leave in Montana would keep $45 million in the pockets of thousands of working families.

• Family friendly policies could reduce public assistance use. Women with access to temporary disability insurance or paid family leave report receiving an average of $577 less in assistance income in the year following their child’s birth. Low-income women report receiving $800 less. Reducing public assistance use could save millions in taxpayer dollars.
Paid Family and Medical Leave: An Overview

Paid leave provides support to working families, while also allowing businesses the opportunity to retain skilled employees and boosting the overall economy through a more productive workforce. America’s workplace and family structure has changed over several decades. Today, women comprise half of the workforce, their earnings are a large portion of household income, and increasingly, both parents must work to make ends meet. These realities highlight the need for workplace policies that help parents balance caregiving and job responsibilities.¹

The United States is one of the only advanced economies in the world that does not guarantee paid family or medical leave for workers.¹ Often called family leave or paid leave, these programs afford workers paid time off to recover from serious illnesses, care for newborn, adopted, or sick children, and attend to ill family members.²

While Congress enacted the Family and Medical Leave Act in 1993, this legislation provides very limited options for women and families balancing household and work demands. The Family and Medical Leave Act (FMLA) provides eligible employees up to 12 weeks of unpaid and job-protected leave around the birth or adoption of children, to recover from a serious illness, or to care for sick family members.³ A national survey found that 40% of working Americans are not covered by the FMLA, usually because they are part-time or work for businesses that employ fewer than 50 workers. Of the workers who do qualify but did not take leave for a FMLA-qualifying event, 46% state that they cannot take time off due to financial reasons.⁴ Unpaid leave creates financial burdens for any family, but particularly impacts single parents and those experiencing poverty. These are also populations less likely to be covered by the FMLA or have employer-provided paid leave.⁵

---

¹ This is the first in a series of four reports on paid family and medical leave conducted by the Montana Budget and Policy Center in collaboration with the Montana Department of Labor and Industry.
While the United States has fallen behind in providing a federal paid leave program, some states responded to issues of unpaid leave and limited coverage by enacting state specific programs. California, New Jersey, and Rhode Island built upon already established temporary disability insurance programs and now provide workers on leave a portion of wages. Washington will soon become the fourth state to implement a paid family leave program. Still, most working Americans have no access to paid leave or must cobble together benefits, like sick and vacation leave and disability insurance, to make ends meet during time off. And not all workers can even combine those benefits. In the private sector, one in five employees do not have access to any type of paid leave, even a few vacation or sick days. Among the least economically secure workers, 56% of low-wage individuals do not have access to any type of paid leave.

Montana’s Workforce: Aging Population Requires Solutions to Support Young Families

Work and family patterns in Montana reflect national trends, but Montana will also face a greater demand for skilled workers as thousands begin to age out of the workforce. Approximately 137,000 working Montanans are 55 years or older, representing over one-fourth of Montana’s workforce. While some Montanans will remain employed into their older years, the state projects that there are not enough young and skilled workers entering the labor force to account for impending retirements. As a result, Montana’s job growth is expected to slow after 2015, which raises the need for policies that educate, attract, and retain skilled workers in the near future.

Additionally, women in Montana make up 48% of the workforce, and almost 70% of children live in families in which both parents work. Dual earners, female breadwinners, and single-moms must be able to care for their families and also remain employed, financially secure, and able to obtain career opportunities to maintain their families’ long-term stability. Like the rest of the nation, parents in Montana need family-friendly policies that help them balance career and caregiving demands. However, a recent study on the status of women in America concluded that Montana ranks 49th in the country in terms of access to work-family policies like paid leave, elder care, and childcare. Paid leave is an effective way to improve working families’ financial security and health, strengthen businesses, and grow the economy.

Paid leave Provides Families Financial Security and Better Health

As family patterns shift and both parents (or single parents) must work to support the household, parents need to balance the requirement to care for their children with the necessity to work and provide for the family. Paid leave policies make it possible for parents to remain financially secure, attend to their own health, and respond to child and eldercare needs.

Keeping parents economically secure

The lack of paid leave policies disproportionately affect women who are often forced to make difficult decisions between working and caring for their families. Almost half of the U.S. workforce is female and two-thirds of American families rely on mothers’ earnings for at least one-quarter of the household’s earnings. Yet, women remain the primary caregivers in the home.
In Montana, the number of families supported by a single-female breadwinner is growing (Figure 1). This means families rely on women to balance work, childcare, and household demands. Many women, especially low-income and single mothers, simply cannot miss work for a family member’s health. Doing so means loss of income and potentially limited career opportunities for mothers over their lifetime. However, restricting a mother’s care for her child can lead to fewer pediatric checkups, sustained periods of sickness for the child, and more absent days from school.

Women are more likely than men to take time off from work to care for a child and elderly parent, often negatively impacting their opportunities in the workforce. Women experience a greater loss in earnings and career opportunities over time. Evidence suggests that women and their families lose an average of $431,000 over a lifetime because of the gender wage-gap and lower work participation rates. Paid leave policies help reduce the “motherhood wage penalty” by enabling women to remain employed, earn more, and progress in their careers.

Men also benefit from paid and family leave options, and flexible workplace policies can help address the changing dynamics around shared child-rearing responsibilities. Men’s use of unpaid leave in California did not significantly increase after the FMLA was implemented in the early 1990s. However, evidence from California’s Paid Family Leave program shows that men use paid leave when it’s available. In California, leave-taking among men has more than doubled in the 11 years since the program’s implementation. Fathers account for one-third of parental leave claims, and men take longer leaves to support new children at home than they did before the program was enacted. Analysis of state data by the National Partnership for Women and Families also shows that during the first year of Rhode Island’s paid family leave program, men took leave at higher rates than in California and New Jersey, possibly showing changing cultural norms and reflecting an eagerness among more men to provide care for new children.

The increased use of paid leave among men suggests a broader cultural shift around caregiving duties in the home. A better balance between caregiving responsibilities between men and women can further boost women’s economic opportunities. As mentioned before, women are more likely than men to take time off for caregiving and the different work histories between men and women

Figure 1 - Number of Montana Families Supported by a Female Breadwinner Increased 17% between 2006 and 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Families</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>16,270</td>
</tr>
<tr>
<td>2013</td>
<td>19,176</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau. American Community Survey

Since **women are more likely than men to take leave** to care for family members and (in part) because of the **gender-wage gap**, **women and their families lose an average of $431,000** over a lifetime.


family leave program, men took leave at higher rates than in California and New Jersey, possibly showing changing cultural norms and reflecting an eagerness among more men to provide care for new children.
accounts for about 10% of the gender wage gap.\textsuperscript{22} Therefore, paid family leave and its ability to increase men’s use of leave can help close the income difference between men and women.

\textbf{Addressing Montana’s Aging Workforce: Caring for Oneself and Elderly Family}

Paid family leave would provide older working Montanans the chance to take time off work to attend to their health care needs, and remain economically secure and productive. According to the Montana Department of Labor and Industry, 27% of Montana’s workforce will be 55 years or older in 2015.\textsuperscript{23} Since older adults are more likely to experience health issues, they will inevitably need time off work to recover from an illness or chronic health condition. However, many older and working individuals may forgo leave because they cannot afford to take unpaid time off work. The most recent estimates state that more than 150,000 private sector employees (nearly half) in Montana do not have access to any paid sick time.\textsuperscript{24}

In addition to supporting older workers, paid family leave would provide family members time off to care for elderly parents and help them remain financially secure and able to return to the workforce. According to Census data, approximately 16% of Montanans (or one in six Montanans) are 65 years or older.\textsuperscript{25} Women are often responsible for caring for an elderly parent or family member. In fact, in the U.S., women are twice as likely as men to care for an elderly parent.\textsuperscript{26} As Montana’s population ages, increasing eldercare demands will most likely be in the hands of female family members. But caregivers who take unpaid leave to care for an elderly parent risk reduced earnings and job opportunities. Studies have shown that when family members leave the workforce to care for an elderly parent, they lose on average over $300,000 in wages, Social Security, and pension benefits over a lifetime.\textsuperscript{27} Paid leave would enable family members to maintain their financial security through partial wage replacement during such critical life events.

\textbf{Providing children a healthy start}

Parents with paid leave are better able to respond to children’s health care needs resulting in improved health outcomes. In California, mothers who received paid leave were more likely to take six to eight weeks of time off around childbirth, the minimum amount of time recommended by physicians.\textsuperscript{28} New mothers that take longer periods of leave are more likely to breastfeed their newborns and take them in for regular pediatric checkups and immunizations.\textsuperscript{29} Longer periods of leave are also associated with reduced infant mortality rates. A study examining paid leave in 16 European countries found that extending leave reduced infant mortality rates.\textsuperscript{30} A few studies even suggest that the longer a mother stays home during an infant’s first year leads to positive cognitive and behavioral effects for children in the future.\textsuperscript{31}

Between 2012 and 2013, over 12,000 women gave birth in Montana and likely needed some time off from work to care for their newborns.\textsuperscript{32} Paid leave would protect families financially, give new parents adequate time to bond with their infants, and provide children with a healthy start in life.

\textbf{Paid Leave Allows Businesses to Stay Competitive by Retaining Skilled Workers}

At a time when tens of thousands of Montana workers will be aging out of the workforce, businesses must think strategically about how to retain skilled employees. In addition to the
effects on family financial security and health, paid leave policies can be a cost-effective tool for businesses to recruit and retain skilled workers.

**Paid Leave Policies Can Save Businesses Money**
Maintaining workers and reducing turnover rates saves businesses money because they don’t incur costs associated with recruitment and training. A meta-analysis examining turnover costs across varying industries and sectors found that turnover of a single employee can cost a businesses between 10% and 30% of the original employee’s annual earnings.\(^{33}\) While the results from this study depend on the industry, region, and economic status of a given area, such estimates suggest that retaining one employee could save a Montana business between $5,000 and $15,000.\(^{34}\)

Reduced employer turnover could save businesses between $5,000 and $15,000 (per employee)

Source: Calculation derived from U.S. Census Bureau. American

Paid leave encourages women and low-wage workers, populations most likely to not have access to employer-provided paid leave under current policies, to return to work after taking time off. A longitudinal study conducted by the Census Bureau between 1961 and 2008 found that 80% of first-time mothers with access to paid leave returned to their same employer.\(^{35}\) In California, over 95% of workers who took paid leave through the state’s program returned to work and four-fifths returned to the same employer. And among low-wage workers, 83% who took paid leave returned to their same employer, a ten-point increase over those who did not take paid leave through the state program.\(^{36}\) As a result, the vast majority of surveyed businesses have stated that California’s paid leave program has had, at best, a positive or, at worst, an unnoticeable effect on turnover.\(^{37}\) Economists projected that keeping workers employed could save California businesses a collective $89 million each year.\(^{38}\) Furthermore, since workers in New Jersey and California cover paid leave programs through employee payroll taxes and benefits are administered through state temporary disability insurance programs, businesses do not incur any new direct costs.

As Montana’s job growth begins to slow in the near future and the state faces impending retirements that could reduce the labor force by 137,000 workers, businesses and policy makers should consider paid leave an affordable solution that offers businesses a way to attract and retain skilled workers.

**Key Terms**

- **Labor Force Attachment** – the length and frequency an individual works (part-time and part-year employment compared to full-time and full-year employment).
- **Labor Force Participation** – the percentage of working-age people who are employed or unemployed but looking for a job.
- **Wage Replacement** – A worker receives a portion or all of his or her wages while on leave.
- **Motherhood Wage Penalty** – Some women who take leave to care for children or family members are penalized in the form of reduced pay and career opportunities compared to men and childless women.
Paid Leave Provides a Strong Recruitment Tool and Bolsters Employee Morale

Employers with paid leave benefit from better worker attitudes, motivated employees, and increased profitability. In California, over 90% of surveyed businesses said that paid leave had a positive, or at the very worst, neutral impact on workers’ morale and productivity levels.\textsuperscript{39}

Finally, while businesses may voice early concerns about potential abuse, studies show that employers benefit and workers use paid leave appropriately. Years after California implemented paid leave, 91% of surveyed employers stated that workers do not abuse the program. Among the remaining employers who knew of abuse in the program, less than 30% stated that they knew of only once instance.\textsuperscript{40} Additionally, an evaluation of New Jersey’s paid leave program turned up no instances of abuse.\textsuperscript{41}

Paid Leave Policies Strengthen Our Communities and Our Economy

Paid leave has greater societal benefits like labor force attachment and lower rates of public assistance use, which strengthens the overall economy.

Paid family leave encourages labor force participation, especially among women and low-wage workers, keeping businesses stable and growing employment rates in local communities. Since women have historically taken more leave than men, flexible workplace options allow them to remain in the workforce and reduce the chance that they will quit to care for children or elderly parents. A national survey found that new mothers that took paid leave were 93% more likely to return to their employers and earn more the following year after giving birth, compared to new mothers who did not take any form of leave.\textsuperscript{42} Furthermore, paid leave increases the probability that low-income and single parents (populations most likely to not be covered by the FMLA or receive employer-provided paid leave) continue working after taking leave. In Montana, an estimated 13,000 families lose a collective $45 million in wages each year because of unpaid leave.\textsuperscript{43} Paid leave would help thousands of Montanans remain employed and secure their household income for the future.

Finally, implementing “family friendly policies” such as paid family leave and temporary disability insurance could reduce the need for public assistance and decrease the cost for taxpayers. A national study examining women’s use of public assistance in states with temporary disability insurance programs found that women using paid leave were less likely to need public assistance and SNAP benefits (commonly referred to as “food stamps”) in the year after a child’s birth and reported an average of $577 less in public assistance income. Low-income

---

**Paid Family Leave Strengthens the Overall Economy**

- Workers are financially secure and more likely to return to work after taking leave.
- Businesses retain employers and save money through reduced recruitment and training costs.
- Workers are happier and more productive, which leads to improved business profitability
- Families rely less on income from public assistance and taxpayers save money

---
mothers reported receiving over $800 less in public assistance the year after a child was born.\textsuperscript{44} Currently, there are over 121,000 SNAP recipients in Montana claiming $15 million worth of benefits.\textsuperscript{45} Paid leave could reduce these struggling families’ need for such benefits and save Montana taxpayers millions each year.

## Conclusion

Montana, like the majority of states, can do more to support working families. Evidence from state-initiated paid leave programs highlights the many benefits of paid leave. Parents are better able to care for themselves and their family members and maintain a steady income in the process. Businesses attract and maintain workers and experience cost savings from reduced turnover rates. Lastly, paid leave benefits our entire economy by increasing labor force participation, creating a healthy and stable workforce to contribute to businesses, and allowing healthy and financially secure families to give back to the economy. It’s time that Montana, and the country as a whole, considers paid leave as it offers one of the best solutions to supporting our families, businesses, and the economy.

---

\textsuperscript{2} In this report, we use paid leave, paid family leave, and paid family and medical leave interchangeably.
\textsuperscript{6} The Montana Budget and Policy Center has a forthcoming report highlighting state-initiated paid leave policies.
\textsuperscript{11} U.S. Census Bureau. American Community Survey. Selected Occupation By Sex and Median Earnings in the past 12 months for the civilian employed population 16 years and over in Montana. 2013 1-Year Estimates. Retrieved 7 May, 2015


