The Case for Minimum Paid Leave for American Workers
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by
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Introduction

Most middle-class Americans take for granted having a few weeks of vacation and sick leave each year. The majority of American workers do get some paid time off. According to the Bureau of Labor Statistics, three-fourths of employees receive paid vacation, and half have paid sick leave.

However, these statistics reveal a significant number of workers who do not have any paid leave, including some who have been on the job for many years. Low-wage earners are less likely to have leave or other workplace benefits than high-income earners. Even middle-class Americans often lack paid leave if they work part time, for a small company, or in a service or construction job. Current welfare policies are pushing more low-income parents into jobs with low pay and no benefits. A recent study of Washington state’s WorkFirst program found that only about one-third of these former welfare recipients who were working had paid vacation or sick leave.¹

The majority of workers of all income levels have personal needs and family responsibilities that require occasional absences from work. Paid leave is essential for workers to maintain their own health and make sure their children and parents are receiving appropriate care, while they themselves remain productive members of the workforce. A majority of households are living paycheck to paycheck, according to a recent survey.² Thus, workers without access to paid leave have little choice but to go to work even when they or their children are sick, and risk a major financial crisis when they simply cannot go to work because of a serious illness or other critical family need.

Many companies have found that providing paid leave is good for business. It increases the retention of trained employees, reduces absenteeism, increases the productivity and commitment of workers, and improves customer service, thereby increasing company profits. Nevertheless, the trend in the United States during the 1990s was for more hours on the job and fewer days of paid leave.

Given prevailing practices and the direction of trends, it is unlikely that American workers will gain the paid leave benefits they need without government action. Improving the health of our nation’s children, families, workers, and businesses...
Introduction cont’d

will require public policy action on two fronts:

1. Establishing family leave insurance programs to provide workers with partial wages during those relatively infrequent occasions when they need extended periods of time off to care for a new child or seriously ill family member, or because of their own serious illness; and

2. Establishing minimum levels for employer-provided paid leave that is available to workers annually for routine needs, such as a child’s minor illness, school meetings, dental visits, or rest and relaxation.

This paper focuses on the need for minimum paid leave.

Pressures on Working Families

Workplace policies in the United States evolved in an era when most families included either a full-time caregiver or an adult whose work was home-based and compatible with providing family care. By the late 20th century, most adults with family responsibilities worked outside the home. In 2001, 95% of men and 72% of women with children under 18 were in the paid labor force. In 1976, only 31% of mothers with children under one year had jobs outside the home. By 1998 that number had increased to 59%, as women were pushed into the labor force by declining male wages and changes in welfare policy, and pulled in by improving job opportunities.

The percentage of new mothers with jobs declined slightly during the last years of the economic boom of the 1990s, as wage growth at all income levels began to ease the economic pressures on families.

In addition to responsibilities for children, growing numbers of workers are providing care to older relatives. According to a MacArthur Foundation study led by Jody Heymann of Harvard University, roughly 40% of working Americans now provide unpaid assistance to their parents or parents-in-law. Another study by the National Alliance for Caregiving and AARP found that 64% of those who provide informal care to older adults are employed. The majority of these caregivers lose income both in the short term and in the long run because of lost hours of work, passed up promotions, and resultant reduced Social Security and pension benefits.

Trends during the last decades of the 20th century were generally in the wrong direction for workers struggling to care for their families while meeting their commitments to their employers. Wages stagnated, work hours increased, and employers reduced retirement, health, and paid leave benefits. Between 1979 and 1995, real wages declined for male workers at most earning levels. Wages rose during the economic boom of the late 1990s, but have stagnated again with recession and the “jobless recovery.” In 2001, an American man earning the

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Percentage of Mothers Who Are Employed, 2001

<table>
<thead>
<tr>
<th>All</th>
<th>married</th>
<th>single</th>
<th>kids 6-17</th>
<th>kids under 6</th>
<th>kids under 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.3%</td>
<td>48.2%</td>
<td>59.6%</td>
<td>58.3%</td>
<td>42.4%</td>
<td>34.2%</td>
</tr>
<tr>
<td>17.4%</td>
<td>19.1%</td>
<td>12.9%</td>
<td>16.9%</td>
<td>18%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
median wage actually earned less than a comparable man during the 1970s when adjusted for inflation.\textsuperscript{10}

Typical families during the 1980s and much of the 1990s were able to maintain or increase their income only by working more hours. By the year 2000, the average middle-income, married couple with children worked a full 20 weeks more each year than such a couple did in 1970. Single-parent households saw an even larger increase in hours on the job. While two-parent households worked 18% more time at work in 1998 than in 1969, single-parent households worked 28% longer.\textsuperscript{11}

Americans work more hours annually than workers in any other industrialized nation. Workers in Europe, Canada, and Japan worked fewer hours in 2000 than in 1990, but Americans added a full week to their work year over that decade.\textsuperscript{12} Early indications from 2002 and 2003 are that more workers are being pressured to work even longer hours, as employers remain reluctant to take on additional employees in an uncertain economic climate.\textsuperscript{13}

\begin{center}
\textbf{An International Sample of Legally Mandated Minimum Paid Leave}
\end{center}

\begin{center}
\begin{tabular}{|l|c|}
\hline
United States & 0 \\
Canada & 2 weeks \\
Japan & 10 days \\
Great Britain & 20 days \\
Germany & 24 days \\
France & 30 days \\
Finland & 30 days \\
\hline
\end{tabular}
\end{center}

While hours of work increased, the amount of paid leave available to workers declined during the 1980s and 1990s. Employers’ investments in other fringe benefits, notably pensions and health insurance, have also declined, adding significantly to the economic pressures on families.\textsuperscript{14}

When parents have paid time off, their children are healthier and do better in school. For new parents, paid leave allows the bonding, breast-feeding, and early care that provide infants the foundation to thrive physically, intellectually, and socially.\textsuperscript{15} As children grow, paid leave allows parents to attend to myriad needs, from preventative health care to attending teacher conferences.

A recent survey by the Kaiser Family Foundation found that half of working mothers and 30% of working fathers miss work when a child is sick with a common illness. Two-thirds of low-income mothers and one-third of moderate and upper-income mothers who miss work when a child is sick also lose pay.\textsuperscript{16} Not surprisingly, parents of all income levels who have paid leave are more likely to stay home with a sick child. Numerous medical studies have found that children have less severe symptoms and recover more quickly from illness or injury when a parent is present. In fact, children’s hospital stays are 31% shorter when a parent is present.\textsuperscript{17}

Children’s school performance is also affected by their parents’ ability to take paid time off. According to a Harvard study, half of the parents of children scoring in the bottom quartile on math and reading tests were or had recently been in jobs without any paid leave.\textsuperscript{18} When parents do not have paid leave, both the private and the public costs go up. \textsuperscript{19}

\begin{center}
\textbf{Working Mothers Who Lose Pay When Caring for a Sick Child}
\end{center}

\begin{center}
\begin{tabular}{|c|c|c|}
\hline
All women & 49% & 64% & 65% \\
under 200% of poverty & 37% & 42% \\
over 200% of poverty & part-time & full-time \\
\hline
\end{tabular}
\end{center}

Source: Kaiser Family Foundation, April 2003
**Family and Medical Leave Act (FMLA)**

Paid parental leave and annual paid leave are guaranteed for workers in almost every other industrialized country, but workers in the United States enjoy no such benefits. The Family and Medical Leave Act (FMLA) gives about 60% of American workers the right to take unpaid leave for up to 12 weeks following the birth or adoption of a child or because of the serious health condition of the worker or the worker’s child, spouse, or parent. Workers are covered by FMLA protections if they work for companies with at least 50 workers or for public employers and have been with their employer for at least one year. With these restrictions, roughly 40% of workers are not covered by the FMLA.

According to a major study conducted for the Department of Labor (DOL) in 2000, 16 million American workers took leave for family or medical reasons that year. Just over half of these leaves were for the worker’s own illness. About a quarter of leave takers gave reasons related to maternity disability or caring for a newborn or newly adopted child, while close to one-third took leave to care for an ill family member. The majority of these leaves, 54%, were for two weeks or less. While all the leaves were for reasons covered by the FMLA, only one-fourth of the leaves were actually classified as FMLA-leave.

Two-thirds of workers who took leave for family or medical reasons received at least some pay, usually either sick leave or vacation pay. Only 47.5% received full pay for their entire leave period. Lower-income workers, typically those with the fewest resources to fall back on, were the least likely to receive pay while on leave. With illness or a new child often increasing a family’s expenses, it is not surprising that nearly 60% of workers reported difficulty making ends meet while on leave.

**State Leave Laws**

Since the FMLA’s passage, several states have extended job-protected leave to additional workers. For example, Oregon law covers workers in companies with 25 or more employees who have been on the job for at least six months (compared to the 50-employee size and one-year thresholds set by the FMLA.) Other states, including Massachusetts, New Hampshire, Iowa, Louisiana, Minnesota, and Vermont, require smaller companies to provide unpaid leave for new parents.

California, New York, New Jersey, Rhode Island, Hawaii, and Puerto Rico have had temporary disability insurance (TDI) programs in place since the mid-20th century, covering most workers in those states, including those in the smallest companies. These programs provide partial wage replacement to workers with

![Family and Medical Reasons That Workers Took Leave](chart.png)

Minimum Paid Leave

an illness or disability unrelated to their job that prevents them from working. In the 1970s, these programs were extended to include disability related to pregnancy and childbirth, in effect providing birth mothers in those states with paid maternity leave.

In September 2002, California became the first state to adopt a family leave insurance program, by extending its TDI program to family care. Beginning in July 2004, California workers will be eligible for benefits of about 55% of their usual pay for up to six weeks when taking time off to care for a seriously ill child, spouse, parent, or domestic partner, or to bond with a new child. Benefits will be financed by payroll deductions paid by workers, averaging about $3 per month. Other states have acted to ensure that workers can use sick leave, if their employer provides it, to care for sick family members, including California, Hawaii, and Washington. Adopted in 2002, Washington’s Family Care Act gives all workers with paid time off, including sick leave, vacation, or personal leave, the right to use that time for the care of a sick child, spouse, parent, parent-in-law, or grandparent. While the Family Care Act is a major benefit for many Washington workers, it does nothing to help the more than half a million workers in the state who have no paid leave.

Source: Dept. of Labor, Balancing the Needs, 2000

Percentage of Workers Receiving Some Pay While on Leave for Family or Medical Reasons, by Family Income

![Chart showing percentage of workers receiving pay while on leave by family income](chart.png)

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than $20,000</td>
<td>26.2%</td>
</tr>
<tr>
<td>$20,000-$30,000</td>
<td>62.4%</td>
</tr>
<tr>
<td>$30,000-$50,000</td>
<td>67.7%</td>
</tr>
<tr>
<td>$50,000-$75,000</td>
<td>76.2%</td>
</tr>
<tr>
<td>$75,000-$100,000</td>
<td>81.2%</td>
</tr>
<tr>
<td>more than $100,000</td>
<td>79.4%</td>
</tr>
</tbody>
</table>
A large majority of workers in Washington are employed by companies that provide some paid leave benefits. In a 2002 survey of Washington state residents, 83% of workers said their employer provided paid vacation or sick leave, although survey respondents were not asked if they were themselves eligible to use the leave.27

Workers with lower incomes are much less likely than their middle-income counterparts to have paid leave. The state survey found that while only 5% of workers earning between $75,000 and $100,000 annually are in jobs that do not offer paid leave, 41% of workers earning less than $15,000 work for an employer that provides no vacation or sick leave. Many of these lowest-paid workers are employed full time or close to it: 37.4% of those earning under $15,000 work 40 or more hours per week, and another 19.4% work between 30 and 39 hours weekly.

### Washington Workers Whose Employers Provide Paid Vacation or Sick Leave, 2002

<table>
<thead>
<tr>
<th>Have Paid Leave</th>
<th>Don’t Have Paid Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Washington Workers</td>
<td>83%</td>
</tr>
<tr>
<td>Men</td>
<td>86%</td>
</tr>
<tr>
<td>Women</td>
<td>81%</td>
</tr>
<tr>
<td>Have children under 14</td>
<td>83%</td>
</tr>
</tbody>
</table>

**Hours per week:**

- less than 25: 46% | 54%
- 25-34 hours: 70% | 30%
- 35+ hours: 90% | 10%

**Earnings:**

- less than $15,000: 59% | 41%
- $15,000-$24,999: 84.5% | 15.5%
- $25,000-$75,000: 92.5% | 7.5%

Part-time workers are also much less likely to have access to paid leave or any other benefits. A separate survey of Washington employers conducted by the Washington State Department of Employment Security found that 77% of firms provide paid vacations to full-time employees, but only 28% extend this benefit to part-time workers. Employers provide paid sick leave less often than vacation, health, or retirement benefits. Fifty-six percent of employers provide sick leave for full-time employees, and 22% for part-time workers. Larger firms are more likely to offer benefits than smaller firms. About 90% of businesses with 50 or more employees provide paid vacation to full-time workers, compared to 62% of firms with fewer than 10 employees. Provision of sick leave differs more dramatically by company size. Only 43% of companies with fewer than 10 workers offer sick leave to full-time workers, while 67% of firms with 50 to 99 employees and 87% of firms with more than 250 employees offer sick leave.
Access to paid leave also varies considerably by occupation. Office workers usually get paid leave. Occupations that tend to be seasonal and those in the service sector, including personal care and food services, often do not provide paid leave benefits.

A similar pattern is evident when looking at which firms provide paid leave. Public sector, health care, and professional firms typically provide both vacation and sick leave to full-time workers. Full-time manufacturing and retail jobs usually come with vacation, but only about half offer sick leave. The provision of benefits drops considerably in construction, accommodation, and food services.

Over the past 30 years, the share of service sector jobs in Washington state’s economy has nearly doubled, from 15.7% of non-agricultural jobs in 1970 to 28.7% in 2001. Meanwhile, manufacturing jobs, often covered by union contracts and strong benefit packages, have declined from 22% to 13%. These trends in state employment suggest that without public policy changes, over time fewer and fewer workers will have paid leave or other benefits.

Washington Workers with No Paid Leave by Occupation


Washington Firms Providing Paid Leave for Full-Time Workers by Industry

Source: Washington State Employment Security
A number of studies have found that businesses which provide paid leave for workers profit from higher productivity and morale, reduced absenteeism, and lower turnover and training costs. These benefits to businesses in most cases make up for the direct costs of providing paid leave.

Business consultant Leigh Branham estimates that hiring and training a new employee typically costs several thousand dollars for a low-skilled employee and tens of thousands for higher-level workers. Absenteeism is also costly. While personal illness is the most common reason for a worker’s absence, human resource professionals in one survey said that two-thirds of last-minute no-shows were because of other family or personal reasons. Policies that allow workers to schedule time off in advance for a child’s doctor appointment or a school meeting enable the employer to plan for those absences. A recent economic analysis found that providing workers with paid time off to care for sick family members in particular resulted in increased profits for employers.

Other studies have found that a company’s ability to retain employees and keep morale high has a direct impact on retaining customers and therefore on company profits. Customers in a range of industries were happier and more likely to continue patronizing a business when served by well-trained, knowledgeable, satisfied employees who worked together as a team.

For example, Dick’s Drive-In Restaurants, with five Seattle stores known for good burgers, fries, and milkshakes, provides both full and part-time employees with paid vacations, along with higher wages and better benefits than most fast food restaurants. As a result, according to company managers, Dick’s employees are exceptionally loyal to the company and committed to quality customer service.

The majority of businesses clearly understand the wide-ranging benefits of providing paid time off, and do so voluntarily. However, a significant number of businesses do not provide paid leave to their employees. Legislation to establish minimum leave standards will not only benefit workers and their families, but will also help those businesses that are hesitant to offer paid leave when their competitors do not.

Experience with the FMLA and the existing state TDI programs shows that government leave mandates work and do not put undue burdens on businesses. Although some business associations initially objected to the FMLA, surveys since that act’s implementation indicate that the vast majority of employers have found it easy to administer and not to have any adverse effect on the bottom line. Moreover, there is no indication that businesses in the five states that require temporary disability insurance for all workers are at a competitive disadvantage with businesses in other states.
The data on workers with and without access to paid leave have important implications for policy design:

1. Lower-income workers especially need legal rights to paid leave, but middle-income workers also need legislative action to gain access to paid leave, particularly those working part time, in smaller firms, and in certain industries. The closer paid leave legislation comes to applying universally, the better it will serve the public interest and the needs of families.

2. Part-time workers rarely have access to paid leave under prevailing practices. Workforce attachment requirements included in family leave and minimum leave rules should be drafted so that part-time workers also gain access to paid leave.

3. Vacation is much more commonly available to workers than sick leave. Therefore, including vacation and other kinds of paid time off in policies allowing workers to use sick leave for sick family members will maximize the number of workers covered.

In 2002, Washington state adopted the Family Care Act which allows workers to use sick leave or other paid time off to care for a seriously ill child, spouse, parent, parent-in-law, or grandparent. This law provides crucial flexibility to workers struggling to balance family needs with their responsibilities as employees.

However, at least 500,000 workers in the state continue to have no paid leave benefits. Therefore, the Washington Family Leave Coalition developed a minimum paid leave policy. Representative Mary Lou Dickerson and Senator Karen Keiser introduced companion bills in the 2003 legislature which embodied the coalition’s policy, including these provisions:

- All employers in the state would be required to provide a minimum of 5 days or 40 hours of paid leave for all workers for every 6 months of employment (that is, 10 days annually).
- Part-time workers would also be eligible for paid leave on a prorated basis.
- Workers would only be entitled to leave after 6 months with an employer.
- Employers would be allowed to adopt reasonable policies regulating the use of paid leave by their employees, including policies concerning notice, advance scheduling for vacations, certification of medical conditions, and the like.
- Collective bargaining agreements or employer policies could provide for paid leave above the minimum and available before 6 months.
- The leave under this act would be subject to the Family Care Act, making it available to employees during periods of family illness.
Routine paid leave is essential to the health of workers, to the well being of children and families, and to the ability of low and middle-income families to build basic economic security. In different stages and times of their lives, people need time off for different reasons: to care for a child with a cold, to go to the dentist, to attend school meetings, to close on a house, to go to court, and to rest and relax.

Minimum paid leave is an important policy to move forward, not in competition with or instead of paid family leave, but as another essential component of 21st century workplace policy. Given the mobility of both workers and firms in today’s economy, standards for minimum annual leave and family leave insurance need to be adopted ultimately at the national level. Historically, a number of important policy reforms, from women’s suffrage to adoption of the FMLA, have been pioneered in several states before the federal government took action. The more progress we make in adopting paid leave policies in individual states, the closer we will get to achieving national policies that provide all American workers with the tools to care for their families, fulfill their responsibilities on the job, and build family economic security.

Conclusion

Given the mobility of both workers and firms in today’s economy, standards for minimum annual leave and family leave insurance need to be adopted ultimately at the national level. Historically, a number of important policy reforms, from women’s suffrage to adoption of the FMLA, have been pioneered in several states before the federal government took action. The more progress we make in adopting paid leave policies in individual states, the closer we will get to achieving national policies that provide all American workers with the tools to care for their families, fulfill their responsibilities on the job, and build family economic security.

Endnotes

9 “The MetLife Juggling Act Study: Balancing Caregiving with Work and the Costs Involved,” findings from a national study by the National Alliance for caregiving and the National center on Women and Aging at Brandeis University, November 1999, Metropolitan Life Insurance Company.
18 Heymann, Widening Gap, p. 57-58.
21 DOL, Balancing the Needs, p. 2.4.
22 These data are for workers who took leave for reasons covered by the FMLA, whether or not the worker or employer were covered by FMLA, or the leave was deemed FMLA leave. DOL, Balancing the Needs, 2.4.
23 DOL, Balancing the Needs, pp.4.5-4.7, Tables A2-4.1 and A2-4.2.
24 Vermont covers employees of 15 or more for all FMLA leave, and 10 or more for birth or adoption; District of Columbia covers employers of 20 or more for all leave; Hawaii, Montana, and Puerto Rico cover all employees for maternity disability, and Kentucky covers all employees for adoption. Altogether, at least 15 states cover more employers than the FMLA. National Partnership, “State Family Leave Laws that Are More Expansive than the Federal Family and Medical Leave Act,” www.nationalpartnership.org.

27 The 2002 Washington State Population Survey, conducted by the Gilmore Research Group for the Washington State Office of Financial Management, http://www.ofm.wa.gov/sps/index.htm. The survey asked numerous questions about employment, family composition, income, and health insurance. It asked a single question on paid leave: Does your current employer provide paid vacation or sick leave? The survey did not ask how many days of leave were available to the worker or what the leave could be used for, or if the worker qualified to receive the leave, but it did ask a number of questions about the workers household, earnings, and hours at work. 3,512 workers responded to the leave question. Cross tabulations on the data for this analysis were conducted by EOI.


29 Roughly one third of Washington workers are employed by companies with more than 250 employees, 28% work for companies with 50 to 249 employees, and 35% work for companies with fewer than 50 employees. “Washington State Employee Benefits Survey.”


37 DOL, Balancing the Needs, p. 6.9.