Paid leave in Louisiana

By Stacey S. Roussel

Overview

The vast majority of workers in Louisiana do not have access to paid leave benefits that would support them when they get sick, when they need to take time to care for an ailing family member or when they need time to bond with a new baby. And those who have such benefits are likely to hold the highest-paying jobs. This leaves most low-wage workers facing a terrible choice between keeping food on the table and caring for themselves or their family when an unexpected illness arises.

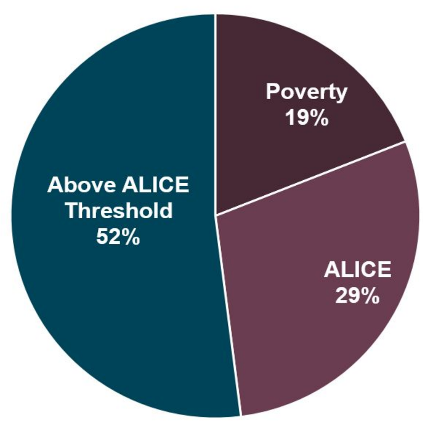
But with modest contributions from workers and their employers, Louisiana can ensure that more than 80 percent of workers are covered by a paid leave policy that lets them take up to 12 weeks off to care for themselves or a family member. The weekly cost for most workers would amount to less than the price of a cappuccino.

This affordable solution, built on lessons learned from other states, would benefit all Louisiana workers. But it would particularly help low-income earners who can least afford to miss time from work.

Living on the Margins

Despite a commitment to hard work and family, far too many Louisiana households find themselves without enough income to save for an emergency, let alone take unpaid time from work. According to United Way's ALICE report,[1] nearly half of Louisiana households don't make the minimum income required to meet basic needs for a family in their region. This measure is even more severe for African American households: More than two-thirds - 67 percent - of Black families in the state make below the ALICE threshold.

Chart 1. Nearly half of Louisianans live below the ALICE threshold



This persistent poverty is a major reason why, across the South, only 16 percent of workers have access to paid family leave, the second-lowest rate in the nation behind the Midwest.[2] Access to paid leave nationally is skewed in favor of the highest-paid workers, with the top 10 percent of earners five times more likely to enjoy paid leave benefits than those in the bottom 10 percent.[3]

[1] United Way ALICE (Asset Limited, Income Constrained, Employed): https://www.unitedforalice.org/louisiana

[2] U.S. Bureau of Labor Statistics. (2018, September). National Compensation Survey: Employee Benefits in the United States, March 2018 (Table 32). Retrieved April 2019. Percent of workers who have access to paid family leave by U.S. region: Northeast (23 percent), South (16 percent), Midwest (14 percent) and West (18 percent). https://www.bls.gov/ncs/ebs/benefits/2018/employee-benefits-in-the-united-states-march-2018.pdf

[3] U.S Department of Labor, Employee Benefits in the U.S.

The experiences of other states show Louisiana a path forward to an affordable paid leave program that would benefit the state's workers, families, and businesses and would help build a more inclusive economy. This report takes lessons learned from those states' policies and their implementation, and recommends a solution for Louisiana.

A paid leave program that works for Louisiana

The United States is the only industrialized nation in the world without a paid leave program. In the absence of federal action, six states and the District of Columbia have enacted paid leave programs. The experience of "early adopter" states such as California (2004) and Rhode Island (2014) provides valuable information on usage rates and lessons learned. More recently enacted programs in Washington (2019) and Massachusetts (2019), along with pending legislation in Colorado, provide guideposts on contribution levels and benefits for Louisiana.

The program outlined below would ensure that paid leave is a meaningful option for workers at all income levels by replacing a comparatively greater percentage of weekly salary for low-wage workers. Similar to the federal Family Medical Leave Act (FMLA), it offers a standard 12-week benefit to anyone who has worked at least 1,250 hours during the previous 12 months. It includes a graduated wage replacement model, which reimburses lower wages at 90 percent and higher wages at 50 percent up to a maximum weekly benefit equal to the state average weekly wage (AWW).[4] The cost of the program would be shared equally between employee and employer. People who are self-employed could opt in by paying both the employer and employee premium—a total of about 50 cents for every $100 earned.

The paid leave model is presented in three stages: initial, partial and full implementation. This captures the experience of other states in which program utilization rates increase over approximately five years as workers and employers become familiar with the program, at which point usage rates and program costs stabilize.

Table 1. Paid Leave Program Cost Estimate

	Initial	Partial	Full
Average Leave Duration	9 weeks	9 weeks	9 weeks
Max Weekly Benefit	$894	$903	$912
Average Weekly Benefit	$570	$570	$570
Workers Eligible	1,703,994	1,703,994	1,703,994
Usage Rates	2.5%	3.25%	4.50%
Number Using Benefits	42,600	55,380	76,680
Program Benefit Cost	$218,369,255	$283,880,031	$393,064,659
Administrative Costs (5%)	$10,918,463	$14,194,002	$19,653,233
TOTAL COSTS	$229,287,718	$298,074,033	$412,717,892
Total Payroll	$88,707,874,142	$89,594,952,883	$90,490,902,412
Percent of Total Payroll	0.26%	0.34%	0.47%

[4] The state AWW is calculated by the Louisiana Workforce Commission. It totaled $894 in 2017, the most recent year for which data is available.

An affordable solution for Louisiana workers

When fully implemented, a modest wage premium of about one-half percent would provide the majority of Louisiana workers with a meaningful benefit. Under the proposed eligibility requirements, 1,703,994 people—or 80 percent of Louisiana workers—would be partially but significantly reimbursed for wages lost when they take time off to care for newborn children or ailing family members or due to their own illness. The average weekly benefit would total $570 and the average amount of leave taken would be nine weeks. Based on the experience of other states, we estimate that initially 2.5 percent of workers would take advantage of the program for a total cost of $230 million or 0.26 percent of payroll. When fully implemented, it is estimated that 4.5 percent of workers will use the program each year. At this rate, costs would level off at $413 million annually or just 0.46 percent of payroll. This means that for the program to sustain itself, employers and employees will each contribute about 25 cents to the program for every $100 in wages.[5]

Two of the primary cost drivers of a state paid leave program are eligibility and benefits. If the assumptions around one of these changes, the cost changes. Each assumption also reflects a choice that policymakers must consider. The remainder of this paper presents the choices we made for these cost drivers, and explores alternatives where relevant.

Eligibility

The proposed paid leave program has a minimum eligibility requirement of 1,250 hours worked in the past 12 months.[6] At this rate, approximately 80 percent of Louisiana workers would enjoy coverage. This requirement mirrors the Federal Family Medical Leave Act (FMLA),[7] which provides eligible workers with automatic job protection while on paid leave. It is also a familiar eligibility requirement for workers and employers, given the longevity of the FMLA program. Other states that have implemented paid leave policies, however, have set different eligibility standards. Lawmakers in Washington and Colorado set minimum hour requirements lower than this and provide for explicit job protection within their statutes. Lowering the minimum number of hours worked would increase the number of eligible workers in Louisiana, as seen in Table 2.

Table 2. Eligibility by Hours Worked

Number of Hours Per Year	Number of Workers
520 Hours	1,912,192
1,040 Hours	1,735,970
1,250 Hours*	1,703,994
2,080 Hours	1,361,560

Other eligibility features include portability, firm size and sector. In portable programs, the benefit follows the worker and provides credit for hours worked at previous jobs as long as it falls within the 12 month eligibility requirement. Some states require a waiting period or minimum employment period before activating paid leave, which ranges from seven days to 26 weeks. This model assumes portability and does not have a waiting period.

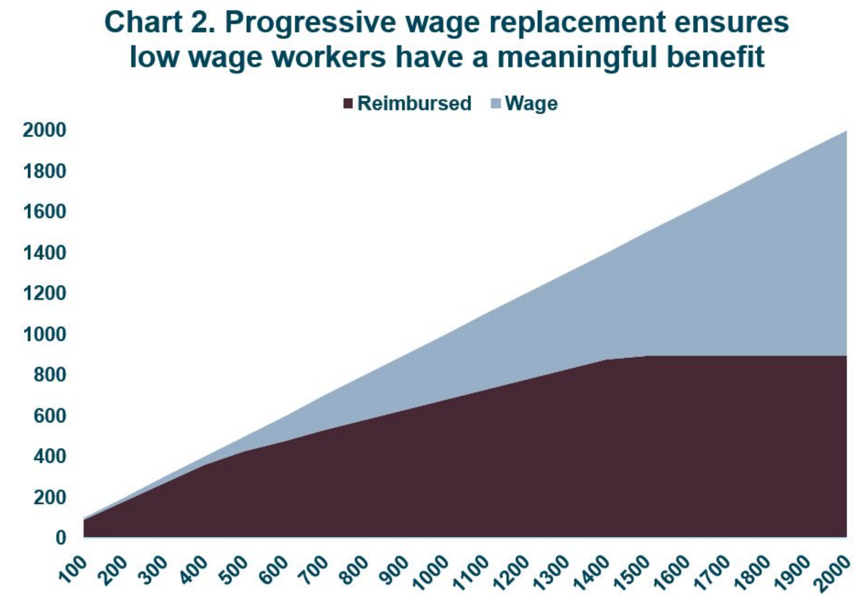
Another point to consider is company size. This model includes all firm sizes. By comparison, FMLA does not provide coverage for small companies. Some states subsidize employer contributions for smaller firms while providing full benefits to employees as employees pay premiums regardless of employer size. In Louisiana, nearly 18 percent of workers are employed in firms with less than 20 employees in Louisiana.[8]

[5] The difference in contribution amounts (0.5%) and percent of payroll (0.46%) is due to the maximum wage contribution amount, which is set at the Social Security Administration contribution and benefit base amount discussed on page 4.
[6] Full time employment is 2,080 hours per year (40 hours per week for 52 weeks per year).
[7] https://www.dol.gov/whd/regs/compliance/whdfs28.pdf
[8] https://www.sba.gov/sites/default/files/advocacy/Louisiana.pdf

Lastly, the cost model includes employees from all sectors, public, private and nonprofit due to the manner in which data is collected. However, states may have existing programs or statutes that preclude public employee participation. In Louisiana, private sector employment accounts for 84 percent of jobs. Providing a paid leave benefit for public employees without access to this benefit through their local, state or federal government is recommended.

Benefit

The proposed paid leave benefit is based on a progresive or graduated wage replacement model in order to provide lower wage workers with the majority of their wages while they are on leave. The benefit is pegged to the state average weekly wage (AWW), which was $894 in 2017. The formula proposed here would replace 90 percent of wages up to half the state average weekly wage, and 50 percent of wages above that up to the benefit cap.



The model is based on contributions to the state paid leave fund being made up to the Social Security Administration contribution and benefit base amount,[9] which totaled $127,200 for 2017.

Conclusion

An affordable paid leave benefit is within reach for Louisiana. A modest contribution of 50 cents - shared equally between the employer and employee - for every $100 in wages, provides a paid leave program that covers over 1.7 million Louisiana workers. And policy options such as a graduated wage replacement model ensure the program is both accessible and meaningful to Louisiana workers who need it the most. It is time for Louisiana to join other states and nations around the world in establishing a paid leave program.

Data

The report draws on two primary data sources, the U.S. Census American Community Survey (ACS) Public Use Microdata Sample (PUMS), and the Louisiana Workforce Commission. Analysis is based on 2017 data, the most recent year for which complete data was available.

Acknowledgement

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[9] https://www.ssa.gov/oact/cola/cbb.html

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