



The Family and Medical Insurance Leave (FAMILY) Act

January 2017

An FAQ for Businesses

The Family and Medical Insurance Leave (FAMILY) Act offers a pragmatic solution to a significant problem facing many businesses: the absence of a national paid family and medical leave program. A growing number of employers recognize that such a program would help to retain high-quality employees and attract the best talent.

What is the FAMILY Act?

- The FAMILY Act would create an insurance program to be administered by a new Office of Paid Family and Medical Leave in the Social Security Administration. The program would enable almost all workers to take up to 12 weeks of paid time away from work in order to care for a seriously ill family member, bond with a new child, or address his or her own serious health issues. Family members include children, grandchildren, spouses, domestic partners, parents, parents of spouses or partners, siblings, and grandparents. A parent can take leave to bond with a newborn, newly adopted child, or new foster child.

How would it work?

- The program would be entirely funded by small contributions from employers and employees of just two-tenths of 1 percent of wages each. This is about \$1.68 per week for a typical worker.
- Employer and employee contributions would generate sufficient funds to support both benefits and administration of the program, which would be run by a new Office of Paid Family and Medical Leave (“The Office”) in the Social Security Administration. The Office would be responsible for determining eligibility, making payments, maintaining records, preventing fraud and abuse, providing employers with notices to share with employees, data collection, education, and outreach.
- During leave, employees would receive payments of up to 66 percent of their monthly wages, capped at \$4,000 per month in the first year. These payments would be made by the Office—not employers.
- When workers apply to the Office for benefits, they will have to state that their employer has been notified.
- The certification requirements would be similar to those of the Family and Medical Leave Act (FMLA), under which employers are permitted to ask for medical documentation in cases where an employee takes leave for caregiving or his or her own serious illness (but not for bonding with a new child).

What would employers’ obligations be under the FAMILY Act?

- Under the FAMILY Act, employers would not be permitted to fire or discriminate against an employee who uses or intends to use leave insurance benefits.

What are business leaders saying about the FAMILY Act?

“When employees need to care for a sick family member, bond with a new child, or recover from serious illness, they should be able to do so without risking their jobs or financial security. I support the FAMILY Act, which would create a national paid family leave insurance program, because it will give companies the capacity to treat their employees right – and ultimately, to build better businesses.”

Rob Everts
Co-Executive Director,
Equal Exchange

Universal participation maximizes the virtues of an insurance system. Employers can adjust the benefits they were providing prior to the FAMILY Act to top up the federal program’s wage replacement levels.

- Employers who are not subject to FMLA requirements (such as those with less than 50 employees) would not be obligated to hold an employee’s job for them while they are on leave. Those employers who *are* subject to FMLA would continue to have the same job protection requirements under the FAMILY Act.
- Employers would deduct family and medical leave insurance contributions from employees’ wages, as they do for Social Security, and would make employer-side contributions.

Which employers would be covered by the law?

- All employers are covered by the law.

What happens to employers that already offer paid family and medical leave to their employees?

- The FAMILY Act creates a “floor” for paid leave; companies with their own programs may “top up” wage replacement by offering additional benefits.

What are business leaders saying about the FAMILY Act?

“We know from experience that doing the right thing by employees is a necessary element of doing business. [...] The economic returns are tangible. Employee turnover costs companies up to 150 percent of the base salary of the person exiting. [...] Let’s pass the FAMILY Act and ensure we take care of millions of people each year.”

Rose Marcario
President and CEO,
Patagonia

Do any states have similar programs?

- Yes. Five states have Temporary Disability Insurance Programs, which cover workers taking leave for their own serious health issues. These are California, New Jersey, Rhode Island, New York, and Hawaii. [California](#), [New Jersey](#), [Rhode Island](#), [New York](#), and [Washington, D.C.](#) have also instituted paid family leave insurance programs. California’s Paid Family Leave (PFL) program has been in effect for 10 years;

New Jersey's Family Leave Insurance (FLI) program has been in effect for 5 years; Rhode Island's Temporary Caregiver Insurance (TCI) program went into effect in January 2014; New York's Paid Family Leave Program will go into effect in 2018; and D.C.'s Universal Paid Leave Program will begin in 2019.

What are business leaders saying about the FAMILY Act?

“Spotify’s paid leave policy defines who we are as a company, born out of a culture that emphasizes a healthy work/family balance, gender equality and the ability for every parent to spend quality time with the people that matter most in their lives. We believe that all working people in the United States deserve the same without risking their financial stability or disrupting their career. [...] That’s why we support the FAMILY Act. We believe this policy will make a tangible difference in the lives of America’s workers and families, help create a baseline on which businesses like us can build and strengthen America’s economy.”

Katarina Berg
Chief Human Resources
Officer,
Spotify

What effects would the FAMILY Act have on businesses?

- Research suggests businesses in California, New Jersey, and Rhode Island have found paid family leave easy to implement. Majorities of employers also report positive or neutral effects on their workplaces.
 - According to a California [study](#), 9 out of 10 employers experienced positive or no noticeable effects on productivity, profitability, turnover, and employee morale.
 - In a New Jersey [survey](#), the majority of employers reported no difficulty implementing the program.
 - In a Rhode Island [survey](#), more than three-quarters of employers either supported or felt neutral about the state’s paid family leave program one year after it went into effect.
- Many small businesses that can’t afford to offer paid leave would be able to offer it through the FAMILY Act. This would help small businesses compete for the best employees and give employers peace of mind about their workers’ wellbeing. Employers that already offer paid family leave can expect to see cost savings.
- A [recent poll](#) conducted for Small Business Majority (SBM) found that a plurality (45 percent) of small businesses support publicly administered family and medical leave insurance pools funded by employee and employer payroll contributions—the model proposed under the FAMILY Act. Employees and employers would each contribute one-fifth of 1 percent of an employee’s wages.

What effects would the FAMILY Act have on employees?

- Many employers agree that their employees are their greatest assets. Under the FAMILY Act, employees who need to take leave to care for a loved one, welcome a new child, or recover from a serious illness could do so without worrying about whether they will be able to pay their

bills. There are numerous health benefits for mothers and children when longer maternity leaves are available. When fathers are able to take longer leaves, children experience improved developmental outcomes. Sick children recover more quickly when their parents are able to stay with them during treatment. With the population of older Americans growing quickly, more and more workers would benefit from being able to care for a sick parent or other relative without fear of job or wage loss. And workers who are suffering from serious illnesses will be better able to get the treatment they need and return to work when they are well.

Who is involved with the FAMILY Act campaign?

- A broad and growing national coalition that includes business, labor, public health, and faith-based groups, among others. See a [list of businesses](#) that support the FAMILY Act and read their [testimonials](#). See a [letter](#) from the American Sustainable Business Council (ASBC) in support of the FAMILY Act. See a [letter](#) from Small Business Majority in support of the FAMILY Act.

What can businesses do to support the FAMILY Act?

- Publicly voice your support for the legislation by using social media, signing on to a letter of support, giving testimony, writing op-eds, or submitting letters to the editor.
- Invite fellow business leaders to join the effort.
- Share your reasons for supporting the FAMILY Act with others; explain the benefits it would offer your business.

For more information, contact the CLASP Job Quality Team at jobquality@clasp.org.

To learn more about businesses and paid leave, visit [Better Workplaces, Better Businesses](#).

What are business leaders saying about the FAMILY Act?

“Managed by Q provides smart office management services. Our startup, which has grown from just 2 to over 500 employees in under 2 years, is premised on a “worker first” business model, with a commitment to providing meaningful employment to everyone involved with the company. This means ensuring that our employees thrive in their lives inside and outside the office. [...] We support the FAMILY Act, which would enable workers across the country to use family and medical leave insurance and support employers like us, who want to do the right thing but may not be able to bear the full cost of paid leave. At Managed by Q, we believe our business will grow precisely because we put our workers first – and we think the same is true for the economy more broadly.”

Dan Teran
Co-Founder and CEO,
Managed by Q
