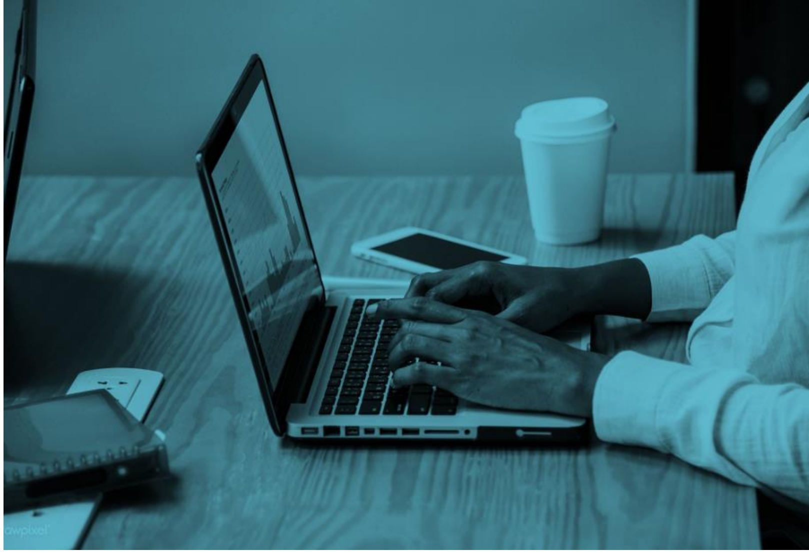

The Impact of Providing Paid Parental Leave in Illinois

A Labor Market Perspective

February 3, 2020

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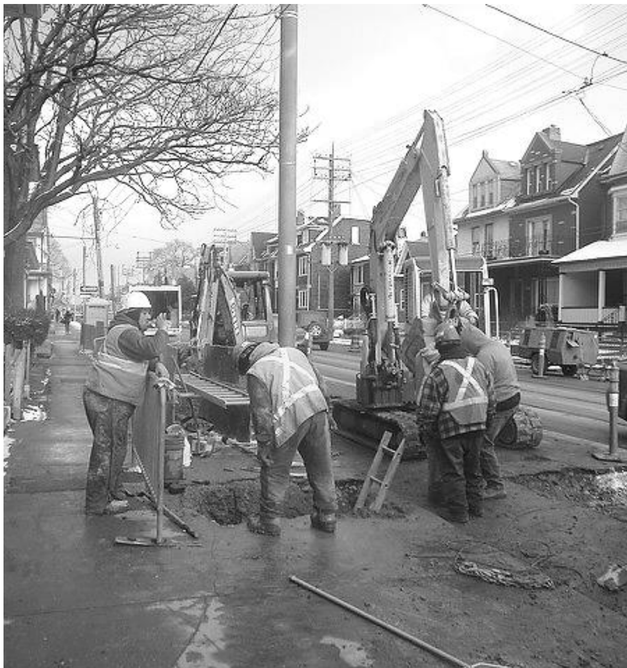
ILLINOIS LABOR & EMPLOYMENT RELATIONS
PROJECT FOR MIDDLE CLASS RENEWAL



Executive Summary

While a majority of Republicans and Democrats support paid family leave, the United States is the only developed country that does not guarantee some form of paid family leave for new parents. While the Family and Medical Leave Act (FMLA) provides 12 weeks of job protection for mothers to care for newborns, the leave is unpaid. Without a federal standard, just 14 percent of workers currently have access to paid family leave. This has led five states and the District of Columbia to pass and implement their own policies. Since summer 2018, three more states have passed paid leave programs. This report assesses the implication if Illinois were to join them.

Research shows that paid leave for new mothers and new fathers promotes positive economic and social outcomes at little to no cost to employers.

- Paid parental leave is associated with lower rates of child mortality, higher rates of vaccination, reduced risk of childhood obesity and diabetes, and more regular health check-ups.
- Paid parental leave increases weekly hours worked for mothers by up to 17 percent in the years after birth, boosting labor force participation.
- Paid leave for fathers shortens leaves for mothers and lifts the salary potential of women.
- U.S. businesses lose $3 billion each year from employee absenteeism caused by child care needs.
- Paid parental leave improves worker productivity and reduces employee turnover, with 99 percent of employers reporting a positive or no negative effect on employee morale.

In the United States, only a small segment of workers currently has access to paid parental leave.

- While 65 percent of workers who used FMLA reported receiving some type of compensation, just 14 percent of U.S. employers currently offer paid family leave programs.
- Workers with access to paid leave programs are more likely to be employed by large companies.
- Low-income workers disproportionately lack access to paid parental leave.

Illinois lawmakers could boost earnings for working families by enacting paid maternity and paid paternity leave. If the state guaranteed that employers provide new mothers and new fathers two-thirds of their average weekly pay– up to $1,000 per week– for 12 weeks:

- 220,000 working parents would be directly impacted each year;
- New parents would see their incomes go up by nearly $550 per week while on paid leave;
- Total worker income would increase by more than $1.4 billion per year; and
- The net effect would be an overall increase in employment in the labor market.

There are many options to fully fund a paid parental leave program in Illinois. These include:

- A small 0.5 percent payroll deduction on W-2 wages;
- Approximately 45 percent of the new revenue generated by a potential progressive income tax;
- A 2 percent surtax on annual income over $1 million; or
- An employer-funded system, with costs fully offset by reduced worker turnover, increased productivity, and an expansion of the economy through higher worker earnings.

Paid parental leave would increase earnings for working families, reduce turnover costs for businesses, improve gender equity, promote healthy child development, and foster strong families in Illinois.

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Introduction

The Family and Medical Leave Act (FMLA) was signed into law by President Bill Clinton in 1993 and guarantees 12 weeks of *unpaid* maternity leave for new mothers. In addition, FMLA ensures that employers cannot fire a new mother for taking time off work to care for her newborn or newly adopted child (DOL, 2012). While FMLA expanded access to time off for working parents, the economy has changed significantly since its passage. Compared to three decades ago, women now make up a larger share of the workforce (almost half) and most families need two incomes to earn a living (Pew Research Center, 2018). In Illinois, women account for 48 percent of the labor force (U.S. Census Bureau, 2017).

Raising children puts pressure on working families to balance caregiving responsibilities and work obligations. For example, childcare costs consume a major portion of family expenses, rivaling housing, transportation, and even tuition and fees for public colleges. The high cost of child care can be particularly difficult for low-income families and single parents. Across all 50 states, the cost of center-based infant care averages more than 40 percent of the state median income for single mothers (CCAA, 2016).

The cost to employers is no less pronounced. One recent study found that U.S. businesses lose an estimated $13 billion annually because of their employees' childcare needs. The report also found that the national cost of lost earnings, productivity, and revenue due to childcare needs had reached an estimated $57 billion per year (Bishop-Josef et al., 2019).

The challenges for working parents have also grown. A 2014 study found that, during a three-month period, 29 percent of employed parents experienced some kind of child care breakdown, resulting in absenteeism, tardiness, and reduced concentration at work (CCC, 2014). According to the Early Childhood Program Participation Survey, half of U.S. families report difficulty finding childcare. The report also found that "mothers who were unable to find a child care program were significantly less likely to be employed than those who found a child care program, whereas there was no impact on fathers' employment" (Schochet, 2019).

The United States is the only developed country that does not guarantee paid maternity leave, partially or fully compensating mothers for time away from work to care for a new child (Heymann & McNeill, 2013). At the federal level, the Family and Medical Leave Act fails to account for the responsibilities of parenthood, shifting societal norms, and public policy research regarding the economic effects of paid family leave. In 2018, Congress did reauthorize the Child Care and Development Block Grant (CCDBG) allowing states to set childcare assistance policies that help many low-income families afford childcare. However, CCDBG serves fewer than one-in-six eligible children. In September 2017, Senator Patty Murray and Representative Bobby Scott introduced the Child Care for Working Families Act, which would ensure that no family with an income below 150 percent of a state's median income would pay more than 7 percent of their income for childcare. While both measures address childcare affordability, neither provides paid leave protection (Wikle & Gehr, 2017; Renzulli, 2019). Ultimately, although both Presidents Trump and Obama have advocated for paid family leave, Congress has not enacted any changes to FMLA.

If Congress continues to fail to act on a paid family leave law, the Illinois General Assembly could pass statewide legislation. According to the National Conference of State Legislatures, five states have now enacted paid family leave. These laws were passed or enacted in California in 2004, in New Jersey in 2009, in Rhode Island in 2014, in New York in 2018, and Washington in 2020 (NCSL, 2016). New Jersey and

California passed legislation in 2019 that expanded their paid family leave programs (Hernandez, 2019; Chilco & Barrett Falconer, 2019). Meanwhile, three additional states– Connecticut in 2019, Oregon in 2019, and Massachusetts in 2018– have also recently passed paid family leave policies that will take effect within the next few years (Pzniokas, 2019; Peck, 2019; Young, 2019). In total, at least 20 states have proposed legislation to establish paid family leave programs since 2017 (NPFWF, 2019). This report assesses the potential impacts if Illinois were to pass and implement its own paid family leave program.

Which Type of Paid Family Leave is Analyzed in this Report?

The Family and Medical Leave Act (FMLA) guarantees workers 12 weeks of unpaid, job-protected leave for specified family and medical reasons. These reasons include the birth of a child, the adoption or foster care of a new child, care for a spouse, child, or parent who has a serious health condition, and serious health conditions that make the employee unable to work (WHD, 2019). Employees covered under FMLA are private-sector and public-sector workers who have been employed at their current job for at least a year, have worked a minimum of 1,250 hours in the previous 12 months, and work for an employer with at least 50 employees (WHD, 2012).

According to the United States Department of Labor, 65 percent of workers who take leave under FMLA reported receiving some type of compensation during their leave. Most compensated employees report that it comes from employer-provided or collectively-bargained paid vacation leave, paid sick leave, or other "paid time off" hours. Approximately 84 percent of employees who receive partial or no pay report that they limited their spending during their FMLA leave. Another one-third borrowed money or put off paying bills while on leave. In addition, 15 percent of employees went on public assistance due to the financial hardship of unpaid time off. About 50 percent of those who took FMLA leave reported they returned to work because they could not afford to take more time off (Klerman et al., 2013; Waldfogel, 2001; Gerstel & McGonagle, 1999). According to estimates by the Institute for Child, Youth and Family Policy at Brandies University about 40 percent of working adults in Illinois are eligible for unpaid leave under FMLA (ICYFP, 2015).

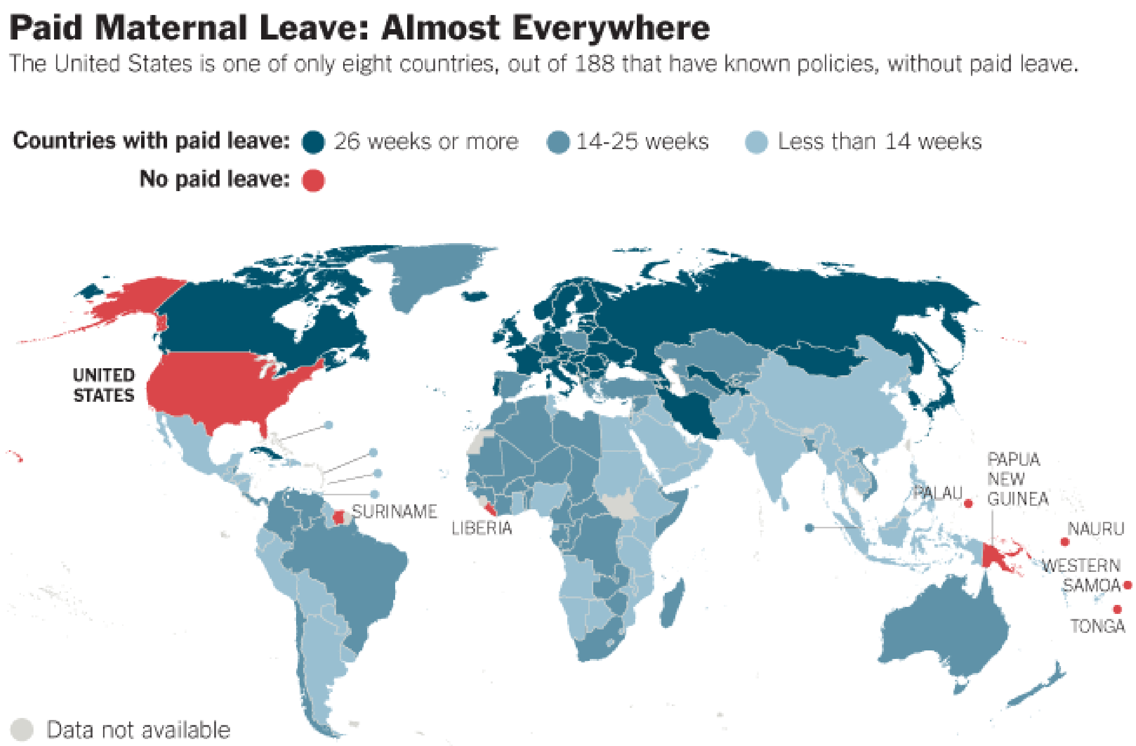
The majority of workers take FMLA leave to care for their own illnesses or care for sick spouses, children, or parents. Fully 55 percent of workers utilize FMLA to care for their own illnesses, while 18 percent of workers take leave to care for sick spouses, children, or parents, and 2 percent take leave for covered military reasons. Only about 21 percent of workers take FMLA leave for pregnancy or a new child (Klerman et al., 2013).

While acknowledging that workers primarily take paid and unpaid leave to deal with their own illnesses and to care for sick children, spouses, and parents, the focus of this analysis is solely on providing both mothers and fathers with paid leave for the birth or adoption of a child. This Illinois Economic Policy Institute (ILEPI) and Project for Middle Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign report uses previous economic research and data from the Illinois Department of Public Health and the *Current Population Survey*, conducted by the U.S. Census Bureau and Bureau of Labor Statistics, to answer several key questions on the potential impact of adopting a paid parental leave program in Illinois.

Who Provides Paid Parental Leave?

Around the world, most workers have access to paid family leave. Every developed country in the Organization for Economic Cooperation and Development (OECD) except the United States guarantees at least some paid maternity leave (Donovan, 2018). These paid leave programs range from 6 weeks in Portugal to 43 weeks in Greece. On average, however, OECD countries offer working mothers 18 weeks of paid maternity leave and working fathers 8 weeks of paid paternity leave (OECD, 2017). Broadening the scope, 188 countries offer some sort of paid maternity leave. In fact, the United States is one of only 8 countries in the world that does not provide either paid maternity leave or paid paternity leave (Figure 1).

Figure 1: New York Times' Map of Paid Maternal Leave by Country, 2013



Source(s): The New York Times *(2013) – "Children's Chances: How Countries Can Move From Surviving to Thriving."*

Within the United States, five states and the District of Columbia have passed and implemented paid family leave laws (NCSL, 2016). California guarantees workers 60 to 70 percent of their earnings– up to about $1,200 a week– for 8 weeks to care for a new child or sick relative. New Jersey now provides 85 percent of parents' wages up to $860 per week for 12 weeks. Rhode Island provides 4 weeks of paid leave for the birth, adoption, or fostering of a child or to care for a sick relative, with a minimum payment of $72 per week and a maximum payment of $752 per week. New York provides eligible employees up to 8 weeks of paid leave at 55 percent of their weekly earnings, and the payment will increase to 60 percent in 2020 and 67 percent in 2022 (NCSL, 2016). As of January 1, 2020, the State of Washington now offers up to 12 weeks to care for a new child or ill family member, with weekly earnings between 61 percent and 90 percent of a covered worker's weekly income– up to $1,000 (EOI, 2020).

Since summer 2018, three new states have passed paid family leave policies that will go into effect by 2023. In June 2018, Massachusetts enacted 12 weeks of paid family and medical leave with a maximum payment of $850 per week. In June 2019, Connecticut passed 12 weeks of replacement wages with a cap of $900 per week. Oregon also passed 12 weeks of paid leave with a maximum weekly payment of $1,215 in June 2019 (Pzniokas, 2019; Peck, 2019; Young, 2019).

Only a small share– 14 percent– of private-sector employees in the United States have paid family leave provided by their employers (Donovan, 2018). Paid family leave, however, varies widely by industry (Figure 2). Access is most common in the finance and insurance industry (37 percent), the information sector (33 percent), and professional, scientific, and technical services companies (27 percent). By contrast, just 5 percent of workers in the construction industry have access to paid leave at their workplace (DeSilver, 2017). Consequently, access to paid leave tends to be greater in higher-paying occupations (JEC, 2015).

Figure 2: Pew Research Center's Table of Paid Family Leave by Industry, 2016

Share of Workers with Access to Paid Family Leave, By Industry	
Industry	**Percent**
All Private-Sector Workers	14%
Finance and Insurance	37%
Information	33%
Professional, Scientific, and Technical Services	27%
Education and Health Services	19%
Manufacturing	10%
Real Estate, Rental and Leasing	10%
Trade, Transportation and Utilities	7%
Leisure and Hospitality	6%
Construction	5%
All State Government Workers	19%
All Local Government Workers	15%
All Workers (Total)	**14%**

Source(s): DeSilver (2017) – "Access to Paid Family Leave Varies Widely Across Employers, Industries" – 2016 data.

Figure 3: Paid Parental Leave at 10 Large U.S. Companies, 2017

Paid Parental Leave of Big U.S. Companies (in Weeks)		
Large U.S. Employer	**Maternity**	**Paternity**
Amazon	20	6
FedEx	6	0
United Parcel Service	6	0
The Home Depot	6	0
Berkshire Hathaway	5	0
Kroger	6	2
Walmart	16	6
McDonald's	12	2
IBM	20	12
Yum! Brands	18	6
Median	**9**	**2**
Average	**11.5**	**3.4**

Source(s): Vickars & Hester (2017) – "What's the Deal with Parental Leave in America?"

Moreover, workers at large private-sector companies are more likely to be provided with some sort of paid time off for the birth or adoption of a child. While only 9 percent of workers at small businesses have access to paid parental leave, approximately 23 percent of workers at employers with 500 or more employees do (DeSilver, 2017). These include workers at Amazon, FedEx, UPS, The Home Depot, Berkshire Hathaway, Kroger, Walmart, McDonald's, IBM, and Yum! Brands (Figure 3). All 10 of these companies guarantee at least 5 weeks of paid time off for new mothers and 6 provide at least 2 weeks for new fathers. IBM, a tech employer, provides 20 weeks of paid maternity leave and 12 weeks of paid paternity leave. On average, these 10 large private-sector employers in the United States offer about 12 weeks of paid family leave for women and 3 weeks of paid family leave for men (Vickars & Hester, 2017).

Why Provide Paid Maternity Leave and Paid Paternity Leave?

Paid leave can help children get a strong start in life (Sakaria & Tosto, 2018; Berger et al., 2005). Studies analyzing policies in other countries show that paid parental leave is associated with lower rates of child mortality, higher rates of vaccination, and more regular health check-ups as parents have more time to care for their newborns (Burtle & Bezruchka, 2016). Similarly, paid leave reduces a child's risk of obesity and diabetes. Research has also found that maternity leave improves the mental and physical health of mothers and lowers overall rates of child abuse (Sakaria & Tosto, 2018). Moreover, fathers who take at least 2 weeks of leave after a child's birth are more likely to spend time with the child and carry out more child care activities during the first few months of life compared to fathers who do not take leave (Petts et al., 2018; Huerta et al. 2013; Nepomnyaschy & Waldfogel, 2007). After a 2012 law in Sweden allowed new fathers to take off 30 days from work as needed, maternal health outcomes improved. Sweden experienced a 26 percent decrease in anti-anxiety medication prescribed to new mothers, a 14 percent decrease in hospitalizations for new mothers, and an 11 percent decrease in antibiotic prescriptions for new mothers (Persson & Rossin-Slater, 2019). Ultimately, paid parental leave is first and foremost about the health and wellbeing of newborn children and their parents.

Paid parental leave provides caretakers with time to attend to critical family developments without severe financial penalty. In addition, time away from work, especially for women after childbirth, reduces– and, in some cases, eliminates– complications from stress and post-partum depression. Parents have time to bond with their newborn or newly-adopted child, which is linked to creating stronger family ties both immediately and over time (Winston & Chicot, 2016; NPFWF, 2018).

Providing paid leave may also situate Illinois as the most family-friendly state in the Midwest. A review of past research on the value of leave to different stakeholders suggests that offering paid parental leave to Illinois workers might invigorate the state's population growth by both decreasing the migration of young families out of the state and increasing the migration of such families to Illinois (Kramer et. al., 2019).

Paid parental leave also improves economic outcomes (Rossin-Slater et al., 2013). Paid leave prevents workers from having to choose between caring for their families and furthering their careers. Economic studies have shown that access to paid leave significantly increases the likelihood that workers– mainly women– will return to their jobs instead of dropping out of the labor force altogether (JEC, 2015). According to a study by the Federal Reserve Bank of San Francisco, if the U.S. had policies to expand childcare services, 5 million more prime-age women would join the labor force (Daly et al., 2018). One study found that paid leave increases the weekly hours worked for mothers by between 10 percent and 17 percent in the years *after* birth (Sakaria & Tosto, 2018). Another found that states that implemented paid leave policies experienced a 20 percent reduction in female workers leaving their jobs in the first year after welcoming a child, and a 50 percent reduction after five years (Jones, 2020). Paid leave helps workers stay in jobs that are a good match for them and where they have developed skills, resulting in higher levels of productivity (Dunbar, 2013).

The lack of paid leave appears to disproportionately impact working families most in need of assistance. A recent report found that "low-wage workers, who are least likely to be able to afford to take unpaid time off from work, are also least likely to have access to any paid sick days or paid family or medical leave" (Johnson et al., 2018; Pragg & Knoester, 2017).

A growing body of evidence suggests that paid parental leave policies improve productivity and promote strong families without harming businesses. Economic research has found that the cost to replace a worker is 21 percent of that employee's annual salary (Boushey & Glynn, 2012). Paid leave reduces these turnover costs by improving recruitment, retention, and employee motivation. In fact, a survey of 253 employers in California found that the vast majority reported either a "positive" effect or "no negative" effect of California's paid family leave program that guarantees workers 60 to 70 percent of a their weekly pay for up to 6 weeks (Sakaria & Tosto, 2018; Cornfield, 2018). Fully 89 percent of employers reported a positive or no negative effect on long-run productivity, 96 percent reported a positive or no negative effect on turnover, and 99 percent reported a positive or no negative effect on employee morale. Employers adjusted to paid family leave without an undue burden on their businesses while employees felt more appreciated.

Many CEOs of companies that provide paid leave even say that it is "worth every penny" (Schwarzman, 2017). Since June 2016, a number of companies have announced new or expanded paid family leave policies that include hourly, part-time employees. IBM, Gap Inc., and Estée Lauder have adopted or expanded paid parental leave policies for both hourly and salaried employees (Johnson et al., 2018).

"We have found that paid family leave isn't only smart policy, it's good for business."
–Stephen Schwarzman, Chairman and CEO of The Blackstone Group, a private equity firm

Source(s): Schwarzman (2017) – Letter to the Editor in the Wall Street Journal.

Finally, the provision of both paid maternity leave and paid paternity leave also promotes gender equity. In the United States, studies have found that motherhood is the biggest contributor to the gender pay gap. The wage penalty associated with motherhood is 4 percent for each child (Budig, 2014). Paid leave for fathers has been found to shorten leaves for mothers and lift the salary potential of women (GAO, 2007). As a result, paid paternity leave helps close the wage gap between men and women, as companies must treat both genders equally when they have children (Covert, 2015). A recent report by the McKinsey Global Institute found that, if women were to participate in the economy identically to men, the economies of North America would grow by $3 trillion by 2025 (Woetzel et al., 2015). Paid leave would move the United States towards gender parity in the workplace and boost the overall economy.

What Would Be the Impact of Paid Maternity Leave and Paid Paternity Leave in Illinois?

Support for paid parental leave is high. A recent survey by Pew Research Center found that about 8-in-10 Americans (82 percent) say that mothers should have access to paid maternity leave, while about 7-in-10 (69 percent) support paid paternity leave for fathers. Those who favor paid maternity leave *and* paid paternity leave say mothers should receive a median of 9 weeks off while fathers should receive a median of 4 weeks off. Additionally, paid family leave has bipartisan support. Fully 90 percent of Democrats and 75 percent of Republicans support paid leave for new mothers, while 79 percent of Democrats and 57 percent of Republicans support paid leave for new fathers. Among those who support paid leave, three-fourths say that employers should cover the costs of paid leave, rather than the federal government or state government (Horowitz et al., 2017).

This analysis focuses exclusively on the potential impacts of paid leave following the birth or adoption of a child. Figure 4 provides data for the State of Illinois that are relevant in the paid maternity leave and paid paternity leave policy discussion. In 2016, there were 154,467 births in Illinois– 95 percent of which were delivered by mothers over 20 years old (IDPH, 2019). According to data from the *Current Population Survey* by the Bureau of Labor Statistics and the U.S. Census Bureau, about 70 percent of all women between the ages of 20 and 45 in Illinois are employed. On average, working women in Illinois earn $22 per hour and work 36 hours per week. Approximately 43 percent of working women are low-income, earning less than $15 per hour in 2017. Similarly, about 80 percent of all men between the ages of 20 and 45 are employed, and they earn an average of $26 per hour over about 40 hours of work per week. Approximately 33 percent of working men are low-income. In a typical year, an estimated 7.4 percent of female workers ages 20-45 will give birth to a child and 7.7 percent of male workers ages 20-45 will become new fathers in Illinois (Figure 4).

Figure 4: Pertinent Background Birth Statistics and Workforce Statistics in Illinois, 2016-2017

Background Data in Illinois on Working Mothers and Fathers		
Statistic	**Value**	
Births by Illinois Residents (2016)	154,467	
Percent of Births by Mothers 20+ Years Old (2016)	94.9%	
Gender Breakdown	Women	Men
Percent Ages 20-45 with At Least One Job (2017)	69.8%	80.3%
Average Hourly Wage (2017)	$21.87	$26.15
Usual Hours Worked Per Week (2017)	36.5	40.4
Estimated New *Working* Parents Ages 20-45 (2017)	102,423	117,745
Share of Workers Ages 20-45 With a Baby Born in Past 12 Months (2017)	7.4%	7.7%

Source(s): IDPH (2019) – "More Detailed Birth Statistics"; CEPR (2018) – 2017 Current Population Survey Outgoing Rotation Groups *(CPS-ORG).*

Figure 5 presents estimated impacts if Illinois passed paid leave based on the following assumptions:

1. All private and public sector employees would be eligible to receive paid leave[1];
2. A guarantee of 12 weeks of paid maternity leave and 12 weeks of paid paternity leave for the birth or adoption of a child;
3. New parents would receive two-thirds of their average weekly pay for 12 weeks, although companies could provide a higher share at their own discretion;
4. The maximum weekly payment would be $1,000 for a working parent[2], although companies could provide more at their own discretion; and
5. Only workers over the age of 20 years old would be eligible[3] for paid leave.

Based on these assumptions, the Illinois General Assembly could boost earnings for more than 220,000 parents each year by enacting paid leave for both mothers and fathers (Figure 5). On average, working parents would see their incomes go up by nearly $550 per week while they stay at home to care for their newborn babies. If all new parents used the full 12 weeks of paid leave, the legislation would raise total worker income in the state by more than $1.4 billion per year, an increase of 0.4 percent.[4]

Figure 5: Impact of Enacting Paid Leave on Directly-Affected Parents in Illinois, 2016-2017 Data

Direct Labor Market Impact of 12 Weeks of Paid Parental Leave in Illinois	
Economic Outcome	**Estimate**
Working Parents Affected Per Year	220,168
Average Increase in Weekly Earnings	+$548.13
Total Annual Change in Worker Income	+$1,448,000,000
Increase in Net Income in Illinois*	**+0.4%**

Source(s): IDPH (2019) – "More Detailed Birth Statistics"; CEPR (2018) – 2017 Current Population Survey Outgoing Rotation Groups *(CPS-ORG); IDOR (2018) – "Individual Income Tax Stratifications By Year: 2016." *Net income is the portion of Illinois residents' incomes that is taxed by the state after deductions, credits, and exemptions.*

[1] Some states have exempted workers in highly-unionized sectors from their programs because certain unions already had bargained for paid leave. California, for example, exempts state workers, teachers, firefighters, and other public employees. California's public employees neither pay into the fund nor receive benefits (Watts, 2019). Connecticut also exempts state and municipal employees from its paid leave program (Fitch, 2019). However, these exemptions have left thousands of public sector workers in California and Connecticut without access to *any* paid family leave because they are not eligible for the state system and their union has not collectively bargained for paid leave (Watts, 2019).

[2] The $1,000 weekly maximum payment is two-thirds of $1,500 per week (or $78,000 annualized) and would ensure that the program did not disproportionately benefit highly-compensated employees. In Illinois, 11.1 percent of women ages 20-45 and 21.9 percent of men ages 20-45 earn above this threshold per week (CEPR, 2018).

[3] This eligibility restriction would eliminate any small financial incentive for teen pregnancy.

[4] The estimates could be too high or too low depending on certain factors. For example, this analysis assumes for simplicity that all births require a male resident and a female resident. This assumption is not technically true because one parent could live out-of-state and due to advances in technology (e.g., surrogate mothers for LGBTQ+ couples), which means that the estimated number of working parents affected would be too *high*. However, it also does not account for adoptions, which means that this estimate would be too *low*. Moreover, some workplaces in Illinois already offer paid family leave and many workers would not choose to go the full 12 weeks with only two-thirds of their salary, which means the estimated change in worker income is *high*. However, companies would be allowed to pay more than legally mandated, so the estimate could be too *low*. Since each of these factors have opposite effects, Figure 5 is considered a "middle-of-the-road" estimate providing general parameters.

How Could a Paid Parental Leave Program Work in Illinois?

Either Illinois could enact a publicly funded paid leave program or the state could simply require all private and public sector employers to provide compensation for paid parental leave. In 2017, Illinois State Senator Daniel Biss sponsored the Family Leave Insurance Act, which would have created a state fund to pay for both men and women to take 12 weeks of paid leave for the birth of a child, for the adoption of a child, or to care for a seriously ill family member. Employees would have been compensated for two-thirds of their average weekly pay during the leave. The bill was similar to the Family Leave Insurance Program that was introduced by State Representative Mary Flowers in the House (Duncan, 2017). In his 2019 inauguration speech, Governor J.B. Pritzker also pushed for the policy: "We want strong families, but we have yet to embrace more robust policies supporting paid parental leave and affordable child care that will sustain them" (Vinicky, 2019).

By 2023, eight states will fund public paid leave programs through employee contributions. Amounts, rates, and maximum contributions differ by policy in each state (Figure 6). New Jersey, which recently amended its law, now deducts 0.08 percent of taxable wages up to $131,000; however, the payroll deduction will change every year based on projected funding needs (Levinsky, 2019; Marcus, 2019). California funds its program by deducting 1.0 percent of annual wages up to a maximum of $1,184 withheld from each employee, Rhode Island applies a 1.1 percent deduction on wages up to $71,000, and Washington has a 0.4 percent deduction up to the Social Security wage base of $137,700 (California EDD, 2019; RI DTL, 2018; EOI, 2020). Connecticut will deduct 0.5 percent, Oregon will deduct 1.0 percent, and Massachusetts will deduct 0.63 percent (Pzniokas, 2019; Peck, 2019; Young, 2019).

Figure 6: Payroll Deductions for Paid Leave by State, 2018

State	Payroll Deduction
California	1.00%
Connecticut	0.50%
Massachusetts	0.63%
New Jersey	0.08%
New York	0.15%
Oregon	1.00%
Rhode Island	1.10%
Washington	0.40%

Source(s): California Employment Development Department (2019); Governing.com (2019); New York State (2019); Rhode Island Department of Labor and Training (2019); The CT Mirror (2019); HuffPost (2019); WBUR News (2019); and Economic Opportunity Institute. (2020).

If Illinois were to implement a public program to provide both mothers and fathers with 12 weeks of paid leave for the birth or adoption of a child, employees would need to contribute 0.5 percent of their wages in order for the state fund to be fiscally solvent (Figure 7). This is a conservative estimate that is based on the estimated increase in net income to working parents reported in Figure 5. If approximately 220,000 new working parents receive two-thirds of their income at an average payment of about $550 per week, the legislation would raise the incomes of working families by $1.4 billion per year. To ensure a sustainable program that does not go underfunded, a 0.5 percent payroll deduction would be needed to cover the

$1.4 billion in boost to labor income.[5] This small deduction would amount to less than $5 per week for the average Illinois worker.

Alternatively, a paid parental leave program could be funded through a progressive income tax (Figure 7). If lawmakers and voters approve a constitutional amendment to switch from a flat-rate income tax to a graduated-rate income tax, $1.4 billion in new annual revenue generated from a progressive income tax could be appropriated to a paid parental leave fund. Under current tax reform proposals, this would account for about 45 percent of the new revenue (Bruno & Manzo, 2019; Miller, 2019). Conversely, Illinois could levy a 2 percent surtax on *only* net income over $1 million to fully fund the paid parental leave program. Using data obtained through an open records request to the Illinois Department of Revenue, this option would affect just 0.3 percent of tax filers in Illinois and would raise $1.5 billion in new revenue per year, enough to fully fund a paid parental leave program (Bruno & Manzo, 2019).

Figure 7: Potential Revenue Options to Fund a Public Paid Parental Leave Program in Illinois

Labor Market or Tax Change	Explanation	Estimate
Impact of Paid Parental Leave	**⅔rds of Weekly Earnings for 12 Weeks**	**$1,448,000,000**
Potential Public Funding Source		
1. Employee Payroll Deduction	0.5% of Earned Income (W-2)	$1,821,000,000
2. Progressive Income Tax	About 45% of Revenue from Proposal	$1,450,000,000
3. Millionaires' Tax	2% Surtax on Net Income Over $1 Million	$1,520,000,000

Source(s): Authors' estimates based on Illinois Department of Revenue tax data (IDOR, 2018; Bruno & Manzo, 2019).

However, most Americans think employers should be responsible for providing paid leave (Horowitz et al., 2017). Instead of creating a publicly-funded program, Illinois' lawmakers could consider legislation that requires employers to provide 12 weeks of paid leave for both new mothers and new fathers at two-thirds of their income up to a maximum of $1,000 per week. Figure 8 presents potential impacts on the Illinois economy if businesses were expected to pay for paid parental leave using IMPLAN, an input-output economic modeling software that is considered the "gold standard" in economic impact analysis (Vowels, 2012). IMPLAN uses U.S. Census Bureau data to account for the interrelationship between households and businesses in a market, following a dollar as it cycles throughout the economy (IMPLAN, 2019).

The $1.4 billion boost to worker earnings provided by paid parental leave legislation would have a marginal impact on Illinois businesses (Figure 8). Requiring employers to pay for paid leave would likely result in a small decrease in employment of about 8,700 jobs. However, the $1.4 billion shift in income from employers to working parents through the paid leave program would lower employee turnover, raise the labor force participation rate, and boost consumer spending, creating nearly 9,200 jobs in Illinois and entirely offsetting the initial negative impact on the labor market. Thus, Illinois could provide 12 weeks of paid leave to new parents while having no net-negative effect on the broader economy.[6]

[5] In Fiscal Year 2017, the General Fund received $13.66 billion in revenue from a flat individual income tax of 3.75 percent, which amounts to $1.82 billion per 0.5 percent of net income (Illinois OMB, 2018). This $1.82 billion would not only cover the total cost of the paid parental leave program, it would produce a budget surplus.

[6] Simply requiring employers to fund paid parental leave may also be more efficient than a public program because it would remove any "deadweight loss" associated with a payroll deduction or tax increase on high-income individuals (Nielson, 2005).

Figure 8: Economic Impact of Requiring Employers to Provide Paid Parental Leave in Illinois

Estimated Economic Impact	Employment	Worker Earnings
Impact on Businesses: Profits and Payroll Costs	-8,671 jobs	-$438,500,000
Impact on Workers: Productivity, Turnover, and Spending	+9,162 jobs	+$466,500,000
Net Effect on Economic Development in Illinois	**+491 jobs**	**+$28,000,000**

Source(s): Authors' estimates from an economic simulation using IMPLAN (2019) based on findings from Figures 4 and 5.

Conclusion

In the absence of federal action by Congress to amend the Family and Medical Leave Act, some elected officials in Illinois have called for the state to pass paid family leave legislation. Illinois would join eight other U.S. states and the District of Columbia if it passed and intended to implement a paid leave policy.

Illinois lawmakers could boost earnings for over 220,000 working parents every year by enacting paid maternity leave and paid paternity leave. By putting more money in the pockets of working families, paid leave would spur consumer demand and provide a boost to the economy. Paid leave would also reduce worker turnover, improve employee morale, raise labor-force participation, and help close gender pay gaps. Most importantly, paid maternity leave and paid paternity leave would promote healthy child development. Ultimately, paid parental leave would foster strong families in Illinois.

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