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May 24, 2021

Honorable Gavin Newsom Governor, State  
of California

Honorable Nancy Skinner Chair, Senate  
Budget and Fiscal Review Committee

Honorable Toni Atkins President pro  
Tempore, California State Senate

Honorable Phil Ting Chair, Assembly  
Committee on Budget

Honorable Anthony Rendon Speaker,  
California State Assembly

To: Governor Newsom and the California State Assembly and Senate

We represent diverse constituencies including advocates for families with young children, older Californians, parents, and caregivers, domestic violence prevention advocates, health and racial equity groups and worker and community advocacy organizations. We believe that every Californian should be able to take paid time off of work to care for themselves or their family without jeopardizing their economic security.

California's State Disability Insurance (SDI) and Paid Family Leave (PFL) programs have served workers in our state for decades. Together, these two programs form a critical safety net that is supposed to ensure that Californians are able to recover from a serious illness, bond with a new child or care for a seriously ill family member and still meet their financial obligations.

However, many low-wage workers are unable to access these benefits due to California's low wage replacement rate. In fact, AB 908, which increased the wage replacement rate from 55% to the current 60% or 70% in 2018, is scheduled to sunset this year. The Legislature and the Administration must take action now so we don't go backwards. Instead, we must protect and increase wage replacement to 90% so low-income workers and families who can't afford to live on a small percentage of their pay can benefit from these vital programs.

**While we applaud Governor Newsom for the historic investments in the May Revision, the Governor's May Revision did not include funding to extend and improve the wage replacement rates for Paid Family Leave and State Disability Insurance. We call on the California Legislature and Governor Newsom to take action in the June Budget to:**

- 1) Make a one-time investment in the Disability Insurance Fund to stabilize the fund and prevent further increases to payroll taxes on California workers;**
- 2) At a minimum, ensure that wage replacement rates do not decrease at the end of 2021 by protecting AB 908 levels of wage replacement for the coming year; and**

- 3) **Build a path to increasing the Paid Family Leave and State Disability Insurance wage replacement rate to 90% for low-wage workers, and ensuring that more Californians with low incomes qualify for this rate.**

### **California's State Disability Insurance and Paid Family Leave Are Critical for California's Health.**

Paid Family Leave and SDI are important interventions to address the social determinants of health because they reduce the likelihood of premature birth and infant mortality<sup>1</sup>. PFL especially promotes breastfeeding<sup>2</sup>, and reduces nursing home admissions<sup>3</sup>. Paid leave in California has increased the share of parents taking time off to bond with a new child, and most significantly for mothers without a college degree, single mothers, and Black and Latinx mothers<sup>4</sup>. Paid Leave has also improved parents' and children's health and wellbeing across the state, including by promoting higher rates of immunizations, with health benefits extending into children's elementary years. Access to paid leave encourages caregivers' participation in the workforce, while helping them balance work and family responsibilities.

Paid family leave also acts as an economic stimulus. California's Paid Family Leave program has been shown to increase household income and reduce the chances of a family falling into poverty. It has also been shown to reduce employee turnover and strengthen employees' morale, benefiting both workers and employers. Finally, it serves as an important tool for small employers, helping them provide competitive benefits they would be unable to afford without the state fund.

### **Low Wage Workers, Who are Disproportionately People of Color, Women, and Immigrants, Need Adequate Wage Replacement Rates to Be Able to Access PFL and SDI.**

While California is the 5th largest economy in the world, we also have the highest rate of childhood poverty and the highest number of children living in poverty in the country<sup>5</sup>. In 2017, 32% of California workers made less than \$14.35 an hour, which is about 4.9 million Californians<sup>6</sup>. **At the same time, California's Paid Family Leave offers workers earning \$14 per hour the lowest wage replacement rate in the country<sup>7</sup>.** As we've seen throughout the COVID-19 pandemic, unexpected illness or a critically ill infant can be the first event that leads to economic collapse for a family. Paid Family Leave and State

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<sup>1</sup> Christopher J. Ruhm. 2011. "Policies to Assist Parents with Young Children." *Work and Family* 21(2); Maya Rossin. 2011. "The Effects of Maternity Leave on Children's Birth and Infant Health Outcomes in the United States." *Journal of Health Economics* 30(2); Sakiko Tanaka. 2005. "Parental Leave and Child Health Across OECD Countries." *The Economic Journal* 115(501): F7-F28; C.R. Winegarden and Paula Bracy. 1995. "Demographic Consequences of Maternal-Leave Programs in Industrial Countries: Evidence from Fixed-Effects Models." *Southern Economic Journal* 61(4): 1020-35; Pamela Winston. 2014. *Work-Family Supports for Low Income Families: Key Research Findings and Policy Trends*. Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation.

<sup>2</sup> Paid Family Leave: A Crucial Support for Breastfeeding. CLASP and BreastfeedLA. Retrieved December 11, 2018, from <https://www.clasp.org/sites/default/files/public/resources-and-publications/files/Breastfeeding-Paid-Leave.pdf>

<sup>3</sup> Arora, K., & Wolf, D. A. (2017, November 3). Does Paid Family Leave Reduce Nursing Home Use? The California Experience. *Journal of Policy Analysis and Management*, 37(1), 38-62. DOI: 10.1002/pam.22038.

<sup>4</sup> [https://calbudgetcenter.org/wp-content/uploads/2019/11/CA\\_Budget\\_Center\\_1120-PFL.pdf](https://calbudgetcenter.org/wp-content/uploads/2019/11/CA_Budget_Center_1120-PFL.pdf)

<sup>5</sup> Laird, Jennifer, et al. "Poor State, Rich State: Understanding the Variability of Poverty Rates across US States." *Sociological Science* 5 (2018): 628-652.

<sup>6</sup> <https://laborcenter.berkeley.edu/low-wage-work-in-california/#the-numbers>

<sup>7</sup> <https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/state-paid-family-leave-laws.pdf>

Disability Insurance can be the only source of income for a family going through one of the most stressful times of their life. In addition to being a source of stability in times of crisis, Paid Family Leave also allows parents to establish strong bonds with their children and to participate fully in one of the most joyful events for a family, welcoming a new child. All parents deserve to be present for their children during this unique and important time.

Because the wage replacement rate is so low, low wage workers, almost all of whom pay into the SDI fund, are disproportionately unable to access a benefit that they themselves are paying for. As Governor Newsom's Taskforce on Paid Family Leave concluded, one of the leading causes for Californians to forego taking PFL is because current benefit levels replace too little of a worker's wages. Currently, workers earning less than \$22,000 a year receive wage replacement rates of 70% and workers earning more receive 60% of their wages during leave. These wage replacement rates require the lowest wage workers to choose between trying to live on less than \$300 a week from PFL or SDI, or simply forgo the benefits they pay for.

The low wage replacement rate has created an inequitable system by which lower wage workers are subsidizing their higher paid counterparts who are able to take paid family leave. A 90% wage replacement rate would ensure that low-wage workers don't see a reduction in salary while on SDI and PFL. For a full-time worker earning \$14 an hour, this would come out to about \$504 a week. For a full-time worker earning the minimum wage of \$14 an hour, a 90% wage replacement rate would increase the benefit by 50% from \$336 per week to \$504 per week.

### **If We Don't Act Now, Current Wage Replacement Rates for SDI and PFL Will Decrease in 2022.**

Workers who qualify for SDI or PFL currently receive 60% or 70% of their regular weekly wages depending on income. However, if no action is taken this year, these rates will sunset and the wage replacement rate for both SDI and PFL will shrink back to 55% of weekly wages. We cannot afford to move backwards when we know how critical SDI and PFL are to the health and wellbeing of California workers and their families.

Even at current levels of wage replacement, California's Paid Family Leave program benefits are lower for low-wage workers than in any other state in the country<sup>8</sup>.

We urge immediate action to ensure that the current wage replacement rates are protected and increased so that all families can afford to benefit from the PFL and SDI programs they pay for. California led the way by creating Paid Family Leave, but now it is time for us to catch up by making our State Disability Insurance and Paid Family Leave programs accessible to California's most vulnerable families.

Sincerely,

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<sup>8</sup> <https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/state-paid-family-leave-laws.pdf>

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California Employment Lawyers Association

California Immigrant Policy Center

California National Organization for Women

California Pan-Ethnic Health Network

California Partnership to End Domestic Violence

California WIC Association

California Work & Family Coalition

Central Coast Early Childhood Advocacy Network

Child Care Law Center

Children Now

Citizens For Choice

Community Medical Centers, Inc. WIC

Equal Rights Advocates

Family Caregiver Alliance

First 5 Association of California

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First 5 Monterey County

First 5 San Francisco

First 5 San Mateo County

First 5 SLO County

Friends Committee on Legislation of California

Geelo Wellness

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Inland Empire Breastfeeding Coalition

Jewish Center for Justice

LA Best Babies Network

Legal Aid at Work

Mi Familia Vota

Mother's Own Milk Matters

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North Bay Labor Council

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