New Jersey Business and Industry Association

The Impact of Paid Family Leave on New Jersey Businesses

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Today’s Agenda

1. Overview of NJBIA
2. NJBIA & AFE
3. The NJBIA Experience
4. NJBIA Paid Family Leave Survey
5. Findings
6. Lessons Learned
7. References & Acknowledgements
Overview of NJBIA

- Founded in 1910
- Goal: To improve the business climate in New Jersey so that employers can better compete with businesses in other states.
- Offers Information, Services, Networking Opportunities & Advocacy to member businesses.
- Over 21,000 businesses to date
- NJBIA is located on West State Street in Trenton, NJ
- Consists of three primary departments
  - Communications
  - Marketing
  - Government Affairs
NJBIA Government Affairs Team

- Advocates for policies to rein in government regulations, lower the tax burden, cut down on workplace mandates and promote economic development.

- 7 lobbyist covering different areas of policy issues:
  1. Economic Development
  2. Environment
  3. Tax Development
  4. Education
  5. Banking and Insurance
  6. Health
  7. Employment Law/Labor and Workforce Development
NJBIA & AFE

• Why did I choose NJBIA as my AFE?
  • Interest in state politics and how interest groups and other organizations contribute to the policymaking process.

• M.P.P. Coursework
  • Relevancy
  • Methods, Survey Methods, Legislative Policymaking, and Public Policy Advocacy

• Concentration: Political Processes and Institutions
The NJBIA Experience

- Tasks and Projects
  1. Research
     - Labor and employment bills in New Jersey, including minimum wage, gender parity, and severance pay.
     - Prisoner recidivism programs across the nation and identify best practices.
  2. Observe & Advocate
     - Attend meetings with elected officials and voting sessions
  3. NJBIA Paid Family Leave Survey
NJBJA Paid Family Survey

• Background of Paid Family Leave
  • Implemented in 2009
  • Provides employees up to 6 weeks of paid time off in the case of the birth of a child, a sick relative, or adoption.
  • Adamant opposition from employers

• Survey Objective: to identify the impact the Paid Family Leave Act has had on New Jersey businesses and highlight potential policy recommendations to strengthen the law.

• Goals:
  1. What is the incidence of employee paid family leave across New Jersey businesses?
  2. What impact has the Paid Family Leave Act had on business and employee productivity/performance and costs?
  3. How difficult or not difficult has it been for New Jersey businesses to comply with the requirements of the Paid Family Leave Act?
Results

- A total of 259 businesses responded to the survey, representing various sectors and sizes.

- For the purposes of this analysis, businesses were broken down by size:
  - Small: 1-49 employees
  - Medium: 50-99 employees
  - Large: 100 or more employees

- Results generated five primary findings
Finding 1.

Based on survey results, of those businesses that responded, many have yet to experience having an employee take Paid Family Leave benefits.
Incidence of Continuous Leave

# of employees who have taken paid leave in the last 12 months

- None: 41%
- 1 or 2: 34%
- 3 or more: 25%
Incidence of Intermittent Leave

# of employees who have taken intermittent leave

- None: 75%
- 1 or 2: 18%
- 3 or more: 8%
Finding 2.

Overall, businesses primarily cover work for employees on-leave by assigning work temporarily to other employees.
Covering Employees on Leave

How does your business cover work for an employee on paid leave?

<table>
<thead>
<tr>
<th>How does your business cover work for an employee on paid leave?</th>
<th>Intermittent Leave</th>
<th>Continuous Leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hired an outside temporary replacement</td>
<td>14.2%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Hired a permanent replacement</td>
<td>2.8%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Assigned work temporarily to other employees</td>
<td><strong>79.0%</strong></td>
<td><strong>70.5%</strong></td>
</tr>
<tr>
<td>Assigned work permanently to other employees</td>
<td>4.0%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>
Finding 3.

Overall, businesses have experienced no effects on business profitability/performance and employee productivity regardless of employee size.
## Business Profitability/Performance

### Effect on Business Profitability/Performance by Business Size

<table>
<thead>
<tr>
<th></th>
<th>Small Business</th>
<th>Medium Business</th>
<th>Large Business</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Negative Effect</strong></td>
<td>44%</td>
<td>30%</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td><strong>No Effect</strong></td>
<td>53%</td>
<td>65%</td>
<td>76%</td>
<td>67%</td>
</tr>
<tr>
<td><strong>Positive Effect</strong></td>
<td>2%</td>
<td>4%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
# Employee Productivity

## Effect on Employee Productivity by Business Size

<table>
<thead>
<tr>
<th></th>
<th>Small Business</th>
<th>Medium Business</th>
<th>Large Business</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Negative Effect</strong></td>
<td>47%</td>
<td>33%</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td><strong>No Effect</strong></td>
<td>49%</td>
<td>63%</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td><strong>Positive Effect</strong></td>
<td>4%</td>
<td>4%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Finding 4.

The impact on administrative and overtime pay costs *varies* by business size.

While smaller businesses have experienced *greater administrative costs*, larger businesses have experienced *higher costs related to overtime pay*.
Impact on Administrative Costs by Business Size

- **Large Business**
  - Increased Costs: 41.2%
  - No Financial Impact: 58.8%

- **Medium Business**
  - Increased Costs: 36.0%
  - No Financial Impact: 64.0%

- **Small Business**
  - Increased Costs: 54.7%
  - No Financial Impact: 45.3%
Impact on Overtime Pay Costs by Business Size

- **Increased Costs**
  - Large Business: 59.4%
  - Medium Business: 73.1%
  - Small Business: 34.9%

- **No Financial Impact**
  - Large Business: 40.6%
  - Medium Business: 26.9%
  - Small Business: 65.1%
Finding 5.

Regardless of business size, based on survey results, New Jersey businesses have had little trouble adjusting to requirements of the Paid Family Leave law.
Overall difficulty of complying with the Paid Family Leave law requirements by business size

- **Large business**
  - Difficult: 37.5%
  - Not difficult: 62.5%

- **Medium business**
  - Difficult: 41.7%
  - Not difficult: 58.3%

- **Small business**
  - Difficult: 46.6%
  - Not difficult: 53.4%
Lessons Learned

• New Jersey businesses are learning to adjust and overcome the anticipated challenges related to implementing the Paid Family Leave law.

• However, increased administrative and overtime pay costs can be harmful to businesses that continue to struggle with rising economic costs.

• Results support NJBIA’s overall efforts to reduce the costs of doing business in New Jersey by advocating for reduced state-mandated employer costs and government efficiency that helps better serve the needs of businesses.
References & Acknowledgement

References:

New Jersey Department of Labor and Workforce Development. (2012). “Family leave insurance- Frequently asked questions.” http://lwd.dol.state.nj.us/labor/fli/content/fli_faq.html


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