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THE WHITE HOUSE

WASHINGTON

January 23, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

SUBJECT: Family and Medical Leave Expansions

This memorandum presents options to expand the Family and Medical Leave Act (FMLA) for your consideration before a possible announcement on this issue in your State of the Union Address. Expanding FMLA would further enable American workers to take protected time off to spend with a new or adopted child, or for medical emergencies. It would build on your strong record of helping parents meet their responsibilities to their families and their jobs, and, specifically, would complement two pieces of your current child care proposal that also help parents who wish to stay at home: (1) support for home visitation and other parent education programs in your Early Learning Fund, and (2) demonstration projects to test policies to help parents stay at home.

As you know, your advisors initially believed that a proposal to expand FMLA could help inoculate your child care initiative against conservative attack by allowing parents to spend more time with their children. Your recent child care announcement has generated overwhelmingly positive support; several leading Republicans, however, have been working on alternative proposals aimed entirely at helping parents to stay at home with their children. While an announcement on FMLA expansion would be an important marker in this area, given the nature of the proposals under active Republican consideration -- such as income splitting, income averaging, and expansion of the $500 per-child tax credit -- it is unlikely that any proposal to expand FMLA could stand up fully to these costly options. We therefore will continue our work with the Treasury Department to explore possible tax-related measures to support stay-at-home parents, in addition to any expansion of FMLA.

FMLA currently requires employers with 50 or more employees to provide up to 12 weeks of unpaid leave to eligible employees for certain family and medical reasons, including the care of a new child. Employees are eligible if they have worked for the employer for at least 12 months and for at least 1,250 hours over the previous 12 months, and if the employer has at least 50 employees working within 75 miles of the employee's worksite. Public agencies are covered by FMLA regardless of size, but employees must still meet the eligibility requirements, including working at a site where at least 50 employees are employed within 75 miles.

Options to expand FMLA include: (1) applying FMLA to businesses with 25 or more employees, either in one step or incrementally; or (2) extending the permissible leave period to 24 weeks for parents with newborns. Over the last few weeks, we have worked to determine the costs to businesses and the benefits to workers of pursuing either or both of these options. Unfortunately, we have found that useful data in this area does not exist. It is impossible to determine, for example, how many people currently taking leave to care for a newborn or adopted child would take additional leave or how additional leave would benefit people of particular income levels. Similarly, it is impossible to quantify the likely costs to small businesses.

Option 1: Expanding Coverage to Businesses with Fewer Employees. You could call for lowering FMLA's employer coverage threshold from 50 to 25, either in one step or incrementally (for example by lowering it to 40, then 35, and finally 25). Senators Kennedy and Dodd have proposed to lower the threshold to 10 employees, but your advisors believe that FMLA would be too great a burden on employers of that size.

According to the Department of Labor, 67 million employees are currently eligible for FMLA. Lowering the threshold to 40 would add 3.4 million people; lowering it to 35 would add 5.4 million people. Lowering the threshold all the way to 25 would add about 10 million people, increasing by 15 percent the number of employees covered by FMLA, and doubling the number of employers covered by the Act (from 330,000 to 690,000).

This proposal would give FMLA protection to more people at no cost to the federal government. It would receive strong support from labor, women's groups, and other core Democratic constituencies. The proposal, however, would provoke strong business opposition. Many Republican and some Democratic Members of Congress would likely criticize any attempt to lower the threshold as detrimental to small business. (According to a survey by the Family and Medical Leave Commission, however, the great majority of businesses that have implemented FMLA report little or no cost increases.)

Extending FMLA Leave from Three to Six Months

Below are three variations on this theme. The first is the most inclusive. The second limits the workers eligible to the full six months to those with two full years of job tenure with their current employer. The third limits the extent of the new benefit *and* makes it available only to new parents.

Option 2A: Extending FMLA from Three to Six Months. This option would allow workers who are currently eligible for FMLA to take longer leave. Approximately 12 million workers take FMLA leave. According to the FMLA Commission's survey, about 12.5 percent or 1.5 million workers take the full 12 week leave. Of these, 450,000 workers took 12 or more weeks leave for maternity, disability, or the care of a newborn, adopted or foster child.

This proposal would give parents additional time to spend with their new babies (again at no cost to the federal government). It might help respond to the charge that our child care proposal helps only working parents, not those who -- with a little help -- can and want to stay home with their children for a period of time. However, any family leave policy would not fully respond to that criticism because leave is by definition geared toward people who have been in the workforce and will return to it. In addition, this proposal would not help workers who currently cannot afford to take even the full 12 weeks of FMLA leave. According to the Commission's survey, 65 percent of those who would have liked to take leave to care for their newborn, foster, or adopted child could not do so for economic reasons. Because this proposal would not help such workers, FMLA advocates would likely give it only lukewarm support. Finally, businesses already covered by FMLA would oppose the extension because guaranteeing *six* months of leave would disrupt their operations.

Option 2B: Extend FMLA from Three to Six Months for Workers with Two Years Tenure. Although there is no data available, your advisors generally feel that extending FMLA to six months is a non-trivial burden on business. While businesses can arrange for other employees or temporary help to cover a co-workers' *three* month absence, a *six* month absence is harder to manage. Employers may have to hire replacement workers, thus increasing their costs significantly. Moreover, employers faced with the possibility of having to offer six months of job-protected leave to workers with only one year's tenure may be less likely to hire employees they suspect will take this leave. This option is intended to mitigate these problems by limiting eligibility for the extended leave to employees with two years of tenure.

Option 2C: Allow New Parents Up to 24 Weeks Leave in a Two Year Period. To eliminate the possibility that an employee could work only six months *each year* by taking six months of job protected leave annually, this proposal would instead allow new parents only to take six months of job protected leave *every two years*. Under this option, by taking the full six months to care for a newborn, the employee would forego any right to paid leave in the following year. Current law allows six months every two years, but restricts it to two three month periods. This proposal simply gives employees additional flexibility in taking their leave while adding only minimally to the business burden.

Recommendations: Your advisors agree that lowering the employee threshold will provoke significant opposition, but some of your advisors, including the First Lady, believe that it is a fight worth having. The First Lady believes strongly that lowering the threshold to 25 will make a real difference in people's lives, covering about 10 million more American workers with this significant benefit. She believes that, politically, it is an important thing to be for.

Some of your advisors feel that a decision about lowering the threshold must be made in the context of the impact of your overall agenda on the business community. Secretary Herman, for instance, believes that if you decide to call for an increase in the minimum wage, you should not also lower the threshold. If, however, you do not propose raising the minimum wage, then she feels you could call for lowering the threshold. Administrator Alvarez opposes any changes to current law because she feels they will engender significant business opposition and may undermine gains we have already made.

Secretary Herman supports extending the length of FMLA leave. Secretary Rubin and Janet Yellin oppose Options 2A and 2B. Secretary Rubin feels that because businesses may need to hire replacement workers to cover six month absences, the cost to business of longer leave could be greater than the cost of initial implementation of the FMLA. He is also concerned that higher income workers are more likely to benefit from longer leave, while empirical evidence would suggest that all workers will pay for this in the form of lower wages. Janet Yellin shares Secretary Rubin's concerns about Options 2A and 2B, but supports Option 2C because she feels it is a very minor change from current law. The First Lady worries that the six month leave extension will make only a marginal difference, and will disproportionately assist higher-income workers.

The NEC has concerns about six months leave, but on the whole would support Option 2B -- extending the FMLA to six months for workers with two years tenure. The NEC fears, however, that lowering the limit to 25 will cause too much opposition from Southern Democratic Senators, especially if we also propose to raise minimum wage.

The DPC recommends that you propose Option 2B -- extending the FMLA to six months for workers with two years tenure -- and if you are willing to take on a larger fight, that you propose to lower the employee threshold to 25 as well. In addition, your advisors recommend that you continue to fight for the 24-hour extension of FMLA for school visits, doctor appointments and other family responsibilities.

1. Expand FMLA Coverage to Businesses with 25 Employees

____ YES ____ NO ____ DISCUSS

2A. Extend FMLA Leave from Three to Six Months

____ YES ____ NO ____ DISCUSS

2B. Extend FMLA from Three Months to Six Months for Workers With Two Years Tenure

____ YES ____ NO ____ DISCUSS

2C. Allow New Parents Six Months Every Two Years

____ YES ____ NO ____ DISCUSS

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