



SENATOR
MARIA ELENA DURAZO
LEGISLATIVE FACTSHEET

Senate Bill 951 (Durazo)
Equitable Paid Family Leave and Disability Insurance Benefits

Summary:

SB 951, which is a priority of the Latino and Women’s caucuses, equitably increases wage replacement rates for the State Disability Insurance (SDI) and the Paid Family Leave (PFL) Insurance programs to promote access for all families.

Background:

Almost all private sector employees and some public sector employees pay into California’s Disability Insurance Fund, which funds the SDI and PFL insurance programs.

SDI provides partial wage replacement when a worker is unable to work due to a serious injury or health condition that is not work related, including pregnancy.

PFL provides partial wage replacement when a worker is unable to work due to caring for a seriously ill or injured family member or while caring for a new child.

SDI and PFL cover approximately 18.7 million workers across the state. These programs are entirely employee-funded through a payroll deduction into the SDI Fund. In 2022, employee contributions are 1.1% of wages, up to the first \$145,600 of income per year.

Through the existing program, workers can receive up to 60 or 70 percent of their income while on leave, up to \$1,540 per week for up to eight weeks of PFL and up to 52 weeks of SDI within any 12-month period.

Only workers earning less than \$27,213 a year (one third the median wage) currently receive a wage

replacement rate of 70%, meaning that even full-time workers earning minimum wage (\$15 an hour, or \$30,000 a year in 2022) do not qualify for the 70% wage replacement rate and must live on 60% of their regular income. California PFL provides minimum wage workers with less income than almost any other state’s program.

If the Legislature takes no action this year, current wage replacement rates will sunset and the wage replacement rate for both SDI and PFL will actually decrease to 55% for all workers.

The Paid Family Leave Task Force and Master Plan for Early Learning and Care, both commissioned by Governor Newsom, recommend increasing wage replacement rates to at least 90 percent for those earning less than 70 percent of the state average weekly wage.

Other states with paid family leave programs such as Washington, New Jersey, and Massachusetts guarantee 80 to 90 percent income replacement for their low and middle-income workers. California’s Paid Family Leave has fallen behind.

Problem:

While all eligible workers contribute into the SDI Fund, middle and higher-income earners - who also have greater access to savings and employer-paid sick and vacation time - are far more likely to utilize PFL or SDI benefits.

This means that lower wage workers who cannot afford to use these benefits and are more likely to be women, born outside of the United States, or to identify as Black or Latinx,¹ are in essence

¹ <https://laborcenter.berkeley.edu/low-wage-work-in-california-data-explorer/>

subsidizing wealthier and whiter workers' family and medical leaves.

This inequity is magnified by the fact that low-wage workers in California already face health disparities due to systemic racism, sexism and xenophobia.

Paid Family Leave and State Disability Insurance can be important interventions to address the social determinants of health because they allow workers to care for their and their family's health without losing their full income. They reduce the likelihood of premature birth and infant mortality,² promote breastfeeding³, and reduce nursing home admissions.⁴

Workers who cannot afford to live off of 60% of their wages are currently forced to keep working, often endangering their or their family's health.

Solution:

SB 951 would help ensure more equitable access to the SDI and PFL programs by ensuring lower wage workers (defined as those earning at or below 70% of the Statewide Average Weekly wage) receive 90 percent wage replacement while out on SDI or PFL leave. All other workers would receive 70 percent wage replacement up to the maximum weekly benefit amount established by statutory formula.

SDI and PFL are funded by monthly payroll contributions (currently 1.1% of wages) into the SDI fund.

At the point in the year when a high earning worker reaches their first \$145,600 in income, they stop making monthly contributions into the fund.

SB 951 would simply remove that taxable wage ceiling so that higher income worker would continue contributing the same share of their income into the fund as they had in prior months and as low-wage workers do throughout the entire year. According to the LAO, this generates enough funding for the enhanced benefits in SB 951

Currently, 92% of California workers earn below the taxable wage ceiling and would not see any change in their monthly or yearly contributions into the fund. Those eight percent that earn more than \$145,600 would simply continue paying the same monthly amount into the fund and in the end pay the same share of their annual wages into the fund as all other workers.

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² 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

³ 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>

⁴ 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.

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None