



Paid Parental Leave One Step Closer To Reality

PRESIDENT'S PROPOSED BUDGET SEEKS 6 WEEKS OF PAID LEAVE FOR ALL FAMILIES

Insights

5.23.17

The White House released the details of President Trump's proposed budget today, and if the president has his way, employees will be eligible to receive up to six weeks of paid parental leave by the year 2020. However, employers will not be on the hook to provide the compensation for this program. Instead, the administration proposes that paid parental leave would be "fully offset" by a package of reforms to the state unemployment insurance system. While specific legislation still needs to be developed and approved by Congress to install this program, this marks the first time that such a leave proposal has been advanced in a presidential budget.

Summary Of Paid Leave Program

At this stage, the program is painted in broad brush strokes as opposed to fine detail, but the general outline of the proposed paid parental leave (PPL) program looks promising for employers. According to the proposed budget, the fully paid-for proposal would provide six weeks of paid family leave to new mothers and fathers, including adoptive parents, so "all families" can afford to take time to recover from childbirth and bond with their new children without worrying about their next paycheck.

The proposal suggests that each state develop their own individual PPL program that is "most appropriate for their workforce and economy." Although each state would have "broad latitude" to design and finance the program, states would be required to provide at least six weeks of paid parental leave under the new law. It is interesting to note that the budget proposal uses the term "all families" to describe those who would benefit from the program, although it remains to be seen whether the specific federal legislation may set a minimum employer size or permit states to develop their own eligibility criteria.

Paid Leave Would Be Financed By Broad Revision Of Unemployment System

The centerpiece of the PPL proposal is that employers would not have to fund the paid leave. Although the administration estimates that the PPL program would cost billions of dollars over the next 10 years, the proposal says the benefit would be "fully offset" by a package of reforms to the unemployment insurance (UI) system in each state. There are four main reforms recommended by the administration that would accomplish this goal:

- **Improve UI program integrity:** The administration believes it can achieve significant cost savings by forcing states to clamp down on the improper payment of UI benefits. The proposal would require states to improve their use of data when exchanging information with employers regarding a claimant's separation from employment and when searching whether a claimant has returned to work for another employer, and would give more power to the U.S. Department of Labor to hold states' feet to the fire if they fail to improve their improper payment rates. The White House believes the combination of these actions, and other similar steps, will keep UI taxes lower and reduce UI payments across the board.
- **Establish UI solvency standard:** Another source of significant cost savings would come from establishing a tax credit system rewarding those states that have adequately funded their UI systems. By building up these trust fund balances, the administration believes the states will be in a better position to fund the PPL program.
- **Provide mandatory Reemployment Services and Eligibility Assessments (RESEAs):** The proposal recommends mandatory funding to states permitting them to provide RESEAs to those claimants profiled as the most likely to exhaust their UI benefits.
- **Offset overlapping UI and disability payments:** Finally, the proposal recommends closing a loophole that currently allows individuals to receive both UI and disability insurance benefits for the same period of joblessness. The administration believes that doing so will discourage some workers from applying for UI, reducing benefit outlays from the UI system.

Conclusion

"The administration looks forward," the budget concludes, "to working with the Congress on legislation to make paid parental leave a reality for families across the nation." The American public seems ready for a paid parental leave benefit, and this is perhaps the closest yet we've been to achieving this standard. At this stage, however, the PPL proposal is merely that: a proposal. It is too early to determine whether it will succeed in its current form. Nevertheless, given that the proposed benefit would not require employers to fund a paid leave system and would not greatly contribute to a budget deficit, it may find traction in Congress.

We will continue to monitor the status of this proposal and will provide further updates as events warrant. If you have questions about how this proposal might affect your business, please contact your Fisher Phillips attorney.

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Richard R. Meneghello
Chief Content Officer
503.205.8044
Email

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