California Pumps Up Paid Leave Benefits

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On September 30, 2022, California Governor Gavin Newsom signed a new law (Senate Bill 951 or “SB951”) providing for increased benefits for workers taking paid family leave. The existing California Paid Family Leave law provides benefit payments for people who need to take time off work to 1) care for a seriously ill family member, 2) bond with a new child, or 3) participate in a qualifying event because of a family member’s military deployment. SB951 increases the percentage of workers’ salaries replaced if they take time off work under California’s paid leave provisions.

California created the first Paid Family Leave program in the nation 20 years ago. However, advocates have argued that the program has fallen behind other states that more recently have enacted paid leave programs. For instance, laws enacted in Delaware, Maryland, Colorado, and Oregon trend toward income replacement of 80% to 90% or better for low-income workers. Income replacement in California is currently 70% of paychecks for low-income workers making $27,000 or less and 60% for everyone else.

SB951 extends the current wage replacement rates, which were set to expire at the conclusion of 2022, through 2023 and 2024. Workers claiming the benefit can receive paid leave for up to eight weeks. SB951 also increases the benefits to 90% of weekly income for low-wage workers beginning in 2025. Other workers will receive 70% up to a cap, currently $1,539 weekly but adjusting each year based on average statewide wages.

Paid Family Leave is currently funded through a 1.1% tax on workers’ paychecks. SB951 will pay for the increased benefits via increased contributions on payroll taxes for Californians earning above $145,600. The increases in SB951 do not require any additional business contributions but rather are funded entirely by the increased payroll taxes. Newsome vetoed a similar law in 2021 citing budget concerns.

While the law does not directly provide for any changes for employers, California employers should review their policies and prepare to comply with the California Paid Family Leave law as an increased number of employees - particularly low-wage employees - may choose to take advantage of this benefit.

For more information, please contact a member of Benesch’s Labor & Employment Practice Group.

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