

Notes on H.66
Testimony in The House Ways and Means Committee
Week of 2/28/23

Erin Choquette (Coneticut Paid Leave Authority)

-How does the Paid leave program work in Connecticut?

-Employees who work for employers covered by the program pay one-half of one percent of their wages up to the social security contribution limit to the paid leave trust.

-In the first year of processing claims, \$250 million was paid to approximately 44,000 Connecticut Employees.

-On average, 7,500 claims a month are received with an approval rate of about 70%

-3 Suggestions.

-Do not underestimate the need for ongoing outreach education for employers and workers.

-Be prepared it may take applicants a long time to file claims and provide the necessary documentation.

-Think about the already available data and use it when building the program.

-Suggestions for the period in building payroll contributions to the program

-This is a critical time to do outreach and education to employers and workers in the claim process.

-DOL Unemployment Insurance payroll information is a significant source of data for this process.

-Benefits:

-The amount of the benefit depends on the applicant's earnings in their base period

-Piggyback on UI for this data

-If they earn less than or equal to forty times the minimum wage, the benefit is 95% of the base weekly earning.

-The cap is 60% of the Connecticut minimum wage.

-If you earn the minimum and cap, you get 95% up to forty times the minimum wage plus 60% of the difference

-The amount of benefits is 12 weeks in a 12-month period with two caveats

-For Domestic abuse violence or safe leave it is only 12 days

-Incapacity during pregnancy can receive an additional 2 weeks

Meagan Holstein (The Hartford)

-The Vermont program will provide up to 6 weeks of paid leave benefits in a 12 month period, at 60% of the employee's wages

-The plan is designed to be flexible so that employers who opt into the program can purchase additional coverage

-There are three benefits to having an insurance-run plan:

-Expertise

-The insurance provider has the expertise and history in offering these benefits.

- Infrastructure investment
 - The insurance industry is well-suited to manage the cost and risk associated with paid-leave programs.
- Approaching Employee leave holistically
 - It enables employers the choice to have a single point of contact for employees going on leave.
 - The competition of the private market has driven better services and values for employers and employees.
- The Hartford has the experience, technology, and skilled staff to create a seamless experience and employees.

Matt Buelow (Employment Security Division, Washington State)

- Washington State Law (2017) was the first to stand up family and medical leave together and not build on existing short-term disability programs.
- What are some lessons learned about public awareness?
 - Washington had a component for outreach in their law.
 - Was important for guaranteeing the time, money, and demand to ensure adequate outreach.
 - It is important to set a deliberate culture while setting these benefits up.
 - You do not want to recreate unemployment insurance.
 - Embrace emerging technology.
 - People expect a modern-looking feel.
 - It is very important for Employers to understand the program.
 - Start with Employer outreach.
- The initial split of contributions when the program was set up was 63% Employee and 37% Employer.
 - It is still relatively close to that.

Ben Maddow (Silver Forest, Jewelry Manufacturing Company in Bellow Falls)

- Has about 60 employees.
- Average employee has been with him for about 13.5 years.
 - He has found a way to exceed family medical leave which has helped him retain workers.
 - His average weekly payroll is \$60,000 and about \$3 million yearly.
- With the program proposes 0.58 percent, on an annual basis which is \$18,000 annually for contributions off of \$3 million in payroll.
 - He is inclined to pay all of this given its benefits.
 - For the benefit that is being provided to his employees, he sees lots of value in this.
- He also sees offsets.
 - Many businesses offer paternity week beyond PTO.
 - That benefit would be covered through this bill.
- From a financial standpoint it makes sense

- From a situational point it makes even more sense
 - He will either lose these employees or have to figure out to fill these holes anyway.
 - When employees do come back they are often still suffering and more worried because of financial damages.
 - This will allow employees to be more present and whole when they come back so they can pick up their work at full capacity

Austin Davis (Lake Champlain Regional Chamber of Commerce)

- Discussing what the impact of this proposal would be on the economy and how it would affect employers.
- When evaluating the economic effect, they are not looking at just this proposal but all of the notable proposals being discussed by the legislator.
 - This proposal cannot be looked at in isolation.
- They do have concerns about the startup costs.
 - They have increased from a place holder 20 million to now around 100 million.
 - The funding that would be used for start-ups could be used to be leveraged for either rate buy-downs or education and outreach.
- They have some concerns about annually adjusting the tax rates
 - Would like to see some work so that the premium does not raise in response to shocks.
- Disability insurance is a benefit many employers are bringing on as a way to differentiate themselves in a competitive labor market.
- They feel very strongly that the cost of the premium or the payroll tax should be covered by the employee.
 - Even with the compliance with unpaid FMLA that already exists, there is a substantial cost to employers
 - When looking at the cost of loss of productivity, hiring temporary replacements, or overtime for colleagues it can add up to a lot
 - There is already a large cost associated with an employer handling any kind of leave
 - Any language in the final bill could include the ability for an employer to take on the premium if they chose, however, they believe the starting place should be that employee benefit is levied on the employee side of wages.

Meagan Sullivan (Vermont Chamber of Commerce)

- Vermont businesses want to support their employees, but there are constraints on what they can absorb at one time.
- The workforce shortage is very challenging for businesses.
 - This proposed bill may present additional challenges for employers (especially small businesses) who do not already offer paid leave.
 - It is nearly impossible right now to find temporary employees to cover shifts and positions.
 - It creates an extra burden for small businesses if several of their staff is out for 12 weeks at a time.

-For small businesses operating industries with a high payroll to net income level, where margins are small and payroll costs are high, an additional tax on payroll is challenging

-The Chamber supports a similar proposal to a 2019 proposal where businesses have the option of paying that tax for employees.

-Benefits are an opportunity for businesses to attract employees so for those who can afford it is a good option to have, but not all employers can afford this but their employees would still have access.

-They do have concerns about start-up costs and if there is further opportunity to work with a third-party insurer.

-There are questions around the self-employed group such as whether non-residents would be applicable.

-Especially for small businesses, options for a crawl, walk, run progression should be explored.

-What can these businesses absorb?

-Is there a way to start with 6 weeks so that businesses can absorb and better adapt to employee absence?

-There is concern about what it takes to find temporary employees to cover openings.

-Rep. Kornhieser requested some suggestions on ways to help businesses access temporary employees.

-Rep. Kornhieser is concerned that there is an assumption that people aren't taking this leave already.

-They are it is just unpaid.

-The need to cover with temporary employees is already there, so she would like suggestions to address this issue now as well as if/when this bill passes.

Bill Driscoll (Associated Industries of Vermont)

-It is important to keep this bill in the context of labor costs in Vermont.

-It is important to recognize where this bill is different from other states with paid leave programs.

-Specifically benefit levels, scope, and duration issues.

-This bill does go far beyond what other states are doing.

-It would be good to consider small and voluntary steps as a transition process or alternative.

-He feels that the impact of expanding unpaid leave and the ability to manage employees on very small employers is a neglected topic.