

March 27, 2018
Ashley Moore, Interim State Director
Main Street Alliance of Vermont



MSA-VT Mission & Vision:

Main Street Alliance of Vermont is a statewide network of over 600 small, locally-owned Vermont businesses. Our mission is to elevate the voices of small business owners on important public policy issues in Vermont. We are committed to bringing business owners to the table to engage in and develop policies that reflect the interconnected nature of small businesses and the communities they serve. We want to make Vermont the best place to own a small business and work for a small business by creating the conditions in this state where small businesses, their employees, and their communities can thrive. State policy has an important role to play in ensuring we can achieve this habitat.

Vermont businesses are small and employ a significant percentage of the workforce: 90% of businesses in Vermont have fewer than 20 employees and 98.5% of businesses in Vermont have fewer than 100 employees. 62% of Vermont workers are employed by a business with fewer than 100 employees.¹

Vermont is a small business state and we hope it always will be. We believe it's a major part of what makes Vermont unique and an attractive place to live. As a small business state, we have an opportunity to pass policies that not only support the success of our workforce *or* the success of business but policies that - in tandem - support both; policies like paid family and medical leave insurance.

Why Paid Family & Medical Leave Insurance?:

Most MSA-VT members - and most small business owners we've spoken with statewide - do not provide a paid parental or medical leave benefit. Not because they don't want to, or don't believe it's an essential benefit, but because most aren't able to afford it. Yet these are the very businesses that are often competing with larger in-state and out-of-state companies for top talent.

We believe that creating a paid family leave insurance program in Vermont will help build economies of scale and help level the playing field for these businesses by providing greater opportunities to attract workers. Not only would a paid family and medical leave insurance program support these very businesses and the workers they employ, but also could be an economic development tool for Vermont. As the seventh state to extend this crucial support to our workforce, we can set Vermont apart from other states as a family-friendly state.

And this isn't just the belief of our members. MSA-VT conducts an ongoing statewide survey of small business owners (members and non-members) across the state to better understand perspectives on important policies in Vermont. Beginning in 2015, we began surveying on this issue. We asked small business owners across the state to weigh in on this issue to measure general support or opposition to the idea and collect recommendations for how such a program should be designed and financed. Here are some findings from our most recent report:

¹ Vermont Department of Labor. ELMW Wages and Income. 2017

MSA-VT 2016 Survey Report Findings:

**You can find the full [2016 report](#) on our website*

- Businesses in all 14 counties were surveyed.
- 86% of those surveyed had fewer than 10 employees.
- The majority of those surveyed (56.5%) owned a retail business, while the second largest group of respondents (13%) owned a food service/restaurant establishment.

We found strong support amongst small business owners throughout the state (63.5%) for efforts to establish a statewide family and medical leave insurance program in Vermont.

We found that more than half (51%) of business owners surveyed expressed a preference for shared funding, divided between the employer and employee. Only 8% indicated a preference for an employee-only funding model, although nearly 40% indicated that they do not know or chose not to answer the question.

Regarding the duration of leave that should be covered by the insurance program, we offered respondents two choices: eight or 12 weeks. Roughly twice as many small business owners indicated a preference for 12 weeks (30.5%) than indicated a preference for only eight weeks (15.5%). However, fewer respondents expressed a preference than those that did not express a preference.

Policy Recommendations:

Last year, we worked with our members and organizations that members of the VT FaMLI Coalition to identify the components of an ideal state paid family and medical leave insurance program. As you know, the bill underwent significant changes when it moved through the House (see chart below for reference), and we recognize that it may not be feasible to restore all components of the bill. As you identify areas of the bill you would like to amend, we hope you will consider the following factors:

◆ Number of Weeks

Experts including the American Academy of Pediatrics recommend that healthy full-term infants should not be enrolled in child care until they are at least 12 weeks old due to rapid developmental changes and the risk of quickly developing severe undetected illness.² Also, children whose mothers do not return to work full time in the first 12 weeks are more likely to receive medical checkups and critical vaccinations.³ Current state law permits up to 12 weeks of unpaid leave for certain eligible employees. We recommend the committee consider ensuring access to at least 8-12 weeks of leave.

²American Academy of Pediatrics, American Public Health Association, and National Resource Center for Health and Safety in Child Care and Early Education, *Caring for Our Children: National Health and Safety Performance Standards*, Third Edition (2011).

³ Lawrence M. Berger, Jennifer Lynn Hill, and Jane Waldfogel, "Maternity Leave, Early Maternal Employment and Child Health and Development in the US," *The Economic Journal* 115, no. 501 (2005).

◆ **Allowable Uses**

State FMLI programs provide essential support to Vermont's workforce during a variety of planned or unexpected challenging personal and family life events. Under the draft as passed the House, the ability to take leave for one's own illness or injury was removed. Vermont would be the only state program that doesn't include leave for this purpose. We believe it is crucial to ensure this program includes personal medical leave.

◆ **Wage Replacement**

If we want these programs to be available to low-wage workers, the most important thing we can do is ensure high wage replacement levels. Many other states have fairly low wage replacement levels which has been part of the cause of lower take-up rates among workers of lower incomes. We recommend keeping wage replacement levels between 80-100% of an employees average weekly wage to ensure accessibility workers of all incomes.

◆ **Job Protection**

As the bill was introduced, job protection was extended to employees of all employers regardless of size. While we understand the general rationale behind employer size exemptions/thresholds, we believe in the importance of universal standards to help level the playing field and minimize complexity for small business owners. MSA-VT believes it's important to extend access to this protection to employees regardless of the size of their employer.

◆ **Eligibility Requirements**

Current eligibility requirements in the bill as passed the House are too restrictive and would exclude a number of workers who have irregular schedules or seasonal jobs. We recommend moving back to the original eligibility requirement that stated all workers who had worked at least six of the last 12 months would be eligible - or we recommend considering other eligibility options [such as recommended in the study committee report which recommended that those who had earned \$9079 (based on average employment of 20 hours per week for a year at \$8.73/hour) in the 12 months preceding the leave would be eligible].

◆ **Self-Employed Access**

Nearly all states with programs allow self-employed individuals to elect to obtain coverage. As the nature of employment continues to change in Vermont across the nation, its important we consider how we can ensure workers of all types have access to important support systems like this. We believe portable benefits such as this are a component of what could help encourage entrepreneurs to start their business, and are part of what keeps self-employed Vermonters afloat in challenging times.

◆ **Intermittent Leave**

Current state and federal unpaid family and medical leave laws permit intermittent leave and the current bill does not specify whether or not intermittent leave would be permitted. We recommend including language that explicitly states that leave can be used intermittently.

◆ **Funding Mechanism**

MSA-VT was in full support of the bill with joint funding and we are in support of the current financing mechanism as well. For our member businesses that already have their own paid family leave benefit (generally 12 weeks at 100% wage replacement) or temporary disability insurance benefit, most found that the cost of the payroll deduction under the original proposal (.465%) would have been less expensive than the cost of having their own policy. Under the current draft of the bill, most of our members who provide their own policy have stated that they would pay the employee payroll deduction and supplement the program with their own policy if the program is less generous than the company's current policy. For those small employers who aren't providing leave because they can't afford it, we've heard some will still pay for the employee deduction and others have said they may not. We support both options for funding and leave this to the committee's discretion.

Substantive Changes to H.196	
H.196 as Introduced	H.196 as Passed the House
12 weeks	6 weeks
100% wage replacement (% of average weekly wage, capped at two times the livable wage)	80% wage replacement (% of average weekly wage, capped at two times the livable wage)
Leave can be used to bond with a new baby, care for an ill or injured family member, or recover from own illness or injury	Leave to recover from own illness or injury <i>removed</i>
Must have worked 6 of the last 12 months to be eligible	Must have worked 12 of the last 13 months to be eligible
Self-employed can elect to obtain coverage	Self-employed can not elect to obtain coverage
Funded by .93% payroll deduction [split evenly (.465% each) by employer & employee]	Funded by .141% payroll deduction (paid by default by employees, with employer option to contribute)
Employers are required to provide job protection (with a few exceptions)	Employers are required to provide job protection (with a few exceptions) unless the employer employs fewer than 10 FTEs (defined as at least 30 hours per week)

Thank you for the opportunity to testify on behalf of MSA-VT. Please see comments from members below. We are excited about the opportunity for Vermont to create this program which will provide needed support to small businesses and the workforce in Vermont. We look forward to continuing to work with you on this issue.

Ashley Moore
Interim State Director
 Main Street Alliance of Vermont

Eric Sorkin, Runamok Maple in Cambridge: “The Paid Family and Medical Leave bill is, in my opinion, an incredible no-brainer. We have about 35 employees, and in the past year have worked with roughly six different people to manage absences due to family deaths, medical emergencies, mental health issues and births. In every situation, our employees were concerned about wage replacement and job security. In each case we were able to meet these needs, but for a business our size, it is a struggle, and the costs are felt directly and invariably impact our growth. Put simply: passing this bill would fix this significant issue at nominal cost, and put Vermont in the vanguard with respect to competing for employees.”

Kim Crady-Smith, Green Mountain Books & Prints and the Grindstone Cafe in Lyndonville: “As a business owner I support a paid family and medical leave program for Vermont. I know that businesses want to offer this to their employees and it’s a very difficult thing to offer if you’re a small business. Having a system in place would certainly benefit businesses that are already here and be very attractive to businesses that are looking to move to the state or open another branch. I think it’s an excellent benefit for any worker and it’s a huge benefit for workers as well. I think it’s really important to create an atmosphere where we have young people coming in who want to work here, who want to live here, and I think that paid family and medical leave is an important component of attracting young workers to the state.

Randy George, Red Hen Baking Company in Middlesex: “Although many larger companies can afford to offer this benefit to their employees, it would be far too expensive for most small businesses to afford to pay people for up to 12 weeks while they are not working. Despite how much we would like to offer paid family leave to people in these positions, it is impossible for a service industry business of our size to even consider funding our own paid family leave plan. Yet, aside from health insurance, paid family leave is probably of more importance and value than any of the benefits that we currently offer at our business. In just the last five years, six of our employees have had babies. Each time, these new parents dealt not only with the strain of having a new baby in the house, but they were also faced with the dilemma of how to maintain their income. Fortunately, a solution to this problem has been proposed.”

Sivan Cotel, Stonecutter Spirits in Middlebury: “At Stonecutter Spirits in Middlebury, we’ve offered Paid Family Leave since Day One. Paid Family Leave has been a differentiator that helped us hire great people, including recent graduates from Champlain College, St. Mike’s College, and Middlebury College — all of whom chose to stay here in Vermont after graduating in order to join our team. By passing the Paid Family Leave bill, we can make this a statewide differentiator that helps us grow Vermont in thoughtful and meaningful ways.”

Michael Desanto, Phoenix Books in Burlington, Essex, Rutland, Woodstock, Chester: “I’ve been in business selling books for over 20 years. Family is the keystone of the community. Having a paid family and medical leave program would enhance our ability to retain our employees. Paid family and medical leave would in fact play big time in building the Vermont brand that allows people to answer the call of obligation in the family whenever issues come up.”

Angela Earle-Gray, Chroma Technology in Bellows Falls: “As Vermont attempts to attract employees, it is important that we retain and strengthen our reputation as a legislative leader in supporting family-friendly workplaces to draw the talent we need to our state.”

Ricky Klein, Groennfell Meadery in Colchester: “Everyone, regardless of political leaning, claims to want to protect the most vulnerable. There is no individual more vulnerable than the one that just arrived on this earth, and there is no time more crucial to support them than those first few weeks and months.”

Melinda Moulton, Main Street Landing in Burlington: “For many years Main Street Landing has provided paid leave for our employees. This has never diminished our bottom line or placed a burden on our staff. What it has done is create an opportunity for our employees to take the time they need to bond with their new baby, heal themselves, and become well and strong. And when they return to their job, they are stronger in mind, body, and spirit. This creates a loyalty and commitment to the company they work for, and it creates complete and whole human beings who bring joy and fulfillment to their jobs. This is an important bill - and it will also help bring young people back to our state to fill the jobs we need to fill to have a strong economy. This bill will make Vermont stronger on so many levels. Please support this bill. It is time.”