

Different Measures Used in Setting Benefits for Family and Medical Leave Insurance (FMLI)

JFO/jm; Updated 1 May 2019

Prepared for Senate Economic Development Committee

H.107 sets the benefit at 90% of earnings up to the VT Livable Wage and 50% of earnings above that amount, capped at 2.5 times the VT Livable Wage.

	Hourly	Weekly	Annual	2.5 Times - wkly	2.5 Times - p.a.	Annual Income to get max. ben.
VT Liv Wg 2018 (1/15/2019)	\$13.34	\$533.60	\$27,747	\$1,334	\$69,368	\$116,538

Issue #1: The VT Livable Wage is updated every two years and may contain changes in methodology when updated.

Alternative Measures: Consider a measure related to Vermont's Average Weekly Wage, available on the VT Dept of Labor website, and used by New York, Washington State, and Massachusetts in their paid family leave programs.

Issue #2: Vermont would have the most generous maximum weekly benefit of all states with FMLI.

May 2018 State Occupational Employment and Wage Estimates -- Vermont (updated on Apr. 11, 2019)

https://www.bls.gov/oes/current/oes_vt.htm#00-0000

	Hourly	Weekly	Annual	Max Wkly Ben		Size relative to	10-yr
				2.5 Times (H.107)	Annual	VT Liv Wg	avg gro rate
VT Liv Wg 2018 (1/15/2019)	\$13.34	\$533.60	\$27,747	\$1,334	\$69,368		1.40%
60% of VT Avg Wkly Wg*	\$14.47	\$578.64	\$30,089	\$1,447	\$75,223	108%	2.53%
57% of VT Avg Wkly Wg	\$13.74	\$549.71	\$28,585	\$1,374	\$71,462	103%	2.53%
55% of VT Avg Wkly Wg	\$13.26	\$530.42	\$27,582	\$1,326	\$68,955	99%	2.53%
25th percentile 2018	\$13.98	\$559.20	\$29,078	\$1,398	\$72,696	105%	2.22%
*Note: The VT Avg Wkly Wg for 2018 was released by the Bureau of Labor Statistics on 4/2/2019.							
VT Avg Wkly Wg in 2018	\$24.11	\$964.40	\$50,149	\$2,411		181%	
Gov. Scott's proposal (60% of Soc Sec tax max)				\$1,533		115%	

How several other states use the statewide AWW in their benefit calculation

		Max Wkly Ben
New York	For family care, benefit is 55% of own average weekly wage, not to exceed 55% of statewide Avg Wkly Wg; Family care percentage rises to 60% in 2020 and 67% in 2021 (if 67%, max ben \$909+\$170=\$1,079)	\$984
Washington State	For own disability, benefit is 50% of own average weekly wage, with a maximum of \$170/week Benefit is 90% of own average weekly wage up to 50% of statewide Avg Weekly Wg If earn more than 50% of statewide Avg Wkly Wg, 50% of excess, with a max of \$1,000/week Intent for max benefit: 90% of statewide Avg Wkly Wg	\$1,000
Massachusetts	80% of employee's wages up to 50% of statewide Avg Wkly Wg plus 50% of employee's wages above the statewide Avg Wkly Wg; Maximum benefit is \$850/week	\$850

Vermont Paid Family and Medical Leave Scenarios, Ways & Means Request March 15-18, 2019 and April 20, 2019

	12 wks for maternity/bonding 8 wks for family care, own medical Wage rep 90% up to the VLW & 50% above VLW up to max. No self-employed	
Maximum Weekly Benefit	2.5 time VLW	VT Average Weekly Wage
Number of Leaves Taken and Receiving FMLI Benefits		
Own Serious Health Condition	9,103	9,156
Parental/Bonding	4,217	4,276
Family Care	1,754	1,731
Total	15,074	15,163
Weeks Receiving Program Benefits		
Own Serious Health Condition	6.6	6.6
Parental/Bonding	8.3	8.5
Family Care	4.2	4.2
Overall	7.3	7.4
Average Weekly Benefit	\$613	\$588
Benefit Cost (\$millions, 2016)		
Own Serious Health Condition	\$36.2	\$35.4
Parental/Bonding	\$22.2	\$21.9
Family Care	\$4.2	\$4.0
Total Benefit Cost (\$millions)	\$62.6	\$61.3
Administrative (5 percent, \$millions)	\$3.1	\$3.1
Total Cost (\$millions, 2016)	\$65.8	\$64.3
VT-LJFO Taxable Earnings (\$millions, 2016)	\$13,083.6	\$13,083.6
Cost as a Percent of Total Earnings	0.50%	0.49%

X
X
X

Source: Estimates based on IWPR-ACM Family Medical Leave Simulation Model

“The Opt-Out Option,” Sept 13, 2013; Association for Psychological Science
<https://www.psychologicalscience.org/news/minds-business/the-opt-out-option.html>

Some experiments with organ donation serve as a model. **In the United States, 85 percent of Americans say they approve of organ donation, but only 28 percent give their consent to be donors by signing a donor card.** The difference means that far more Americans die awaiting transplants. But psychologists Eric J. Johnson, a professor at Columbia University Business School, and Daniel Goldstein, formerly at Yahoo and now a principal researcher at Microsoft Research, found in a 2003 study that **in many European countries, individuals are automatically organ donors unless they opt not to be — organ donation is the default choice. In most of these countries, fewer than 1 percent of citizens opt out.** In an article published in *Science* in 2003, Johnson and Goldstein theorized that opting out in those countries was simply too much of a hassle for most people, since it involved “filling out forms, making phone calls, and sending mail.”

Harvard economics professor David Laibson, whose research focuses on the psychology of savings and investment, has found that defaults counter workers’ tendencies to delay enrollment in employer-provided retirement plans. The problem with those savings benefits, he says, is that people are beset with **present bias**, which leads them to avoid thinking about their future. As a consequence, only about half of U.S. employees save sufficient sums for retirement, he says, largely because on average they wait two years to enroll in a 401(k) program. **Only about 40 percent of employees typically enroll in a company retirement plan when they have to enroll themselves.** But in one of his studies, Laibson showed that when newly hired workers have to act to “**opt out**” rather than “**opt in**” to those savings plans, participation jumped to **90 percent in a year.**