

ASSOCIATED INDUSTRIES OF VERMONT

REPRESENTING THE VERMONT INDUSTRIAL AND BUSINESS COMMUNITY SINCE 1920

Comments on H.66, An Act Relating to Paid Family and Medical Leave Insurance House Committee on Ways and Means March 1, 2023

Overall Concerns and Recommendations

AIV appreciates the opportunity to provide comments on H.66, which would create mandatory paid medical, family, and safe leave as well as greatly expand unpaid leave. AIV does not support H.66 in its current form, owing primarily to cost, uncertainty, need, and competitive pressures on employing Vermonters.

We would strongly recommend that the Committee continue to further examine H.66 in clear comparison to other states with active or pending paid leave statutes, particularly with regard to scope, duration, and especially wage replacement levels for both benefit calculations and maximum benefit caps.

We would also recommend that the Committee consider H.66 in the context of the several other proposals before this Legislature that would increase the cost of employment, as well as existing labor costs and competitive pressures so as to consider the impact on both tax capacity and competitive challenges for companies employing Vermonters.

Finally, we would recommend the Committee consider alternative provisions that could encourage and support employers to provide paid leave through individual or voluntary group programs.

Broader Vermont Labor Cost Context

As the Committee considers H.66, we would encourage recognition of key drivers in the greater context of labor costs in Vermont.

Vermont has long faced competitive challenges across many cost categories, including labor. For one example, according to the federal 2017 Economic Census (see link below), Vermont manufacturing payroll costs relative to sales and revenue were 54% higher than the average of the other states (and 22% higher than states with existing paid leave programs).

With the recent challenges of filling open positions, like other sectors manufacturers have had to increase wages, and have had the additional cost of having to increase in-house training. This has placed additional pressures on not only payroll sustainability but diverted funds from other critical needs.

Finally, it should not be ignored that there are several proposals before this current Legislature that could significantly increase both labor costs and other costs and challenges for businesses employing Vermonters. The potential impacts of H.66 should not be considered in isolation from these proposals.

Considering H.66 in Context of Other Paid Leave States

Not only do most states not have mandatory paid family and medical leave, but compared to the states that have active programs or have programs pending, H.66 tends to be significantly more expansive in both scope of eligibility, level of benefits, and in some cases duration of benefits. This not only raises questions about reasonableness and necessity, but especially raises concerns about costs and taxes to pay for those costs. We believe that it is critical that the Committee review and consider the definitions of parties and circumstances that qualify for benefits, the wage replacement formulas and caps, and other key metrics in clear, apples to apples terms.

Costs and Uncertainty

On its face, the expansiveness of H.66 leads to serious concerns about costs, both relative to states without such programs but also relative to those that do have them. Compounding these concerns, however, is uncertainty. One particular concern with regard to uncertainty is participation.

As discussed in Committee previously, Rhode Island has been used as a reference for participation. However, Rhode Island's laws are significantly different from H.66. H.66 has a broader definition of family coverage (e.g. siblings, "family equivalent" relationships, etc.), arguably a broader definition for individual coverage (RI links to ability to perform work duties), and safe leave, and although Rhode Island allows longer individual disability duration, it only recently went from four weeks for family leave to five weeks in 2022, and both the wage replacement formula (about 60% of average weekly wages) and the benefit cap (85% of the previous year's state average weekly wage) are much lower than in H.66.

This would appear to suggest that H.66 could attract greater participation rates that would undermine the reliability of modeling relying on Rhode Island. We believe the Committee should examine this modeling reliability concern more closely.

Moving Forward

As noted above, AIV strongly recommends and supports that the Committee review and consider the various details and issues outlined before proceeding further with H.66, and consider alternative approaches including provisions promoting and supporting voluntary paid leave policies.

To assist in reviewing other state programs, we have provided copies of and links below to some documents and resources:

- The Mercer report, "2022 State Paid Family and Medical Leave Contributions and Benefits" provides a good overview and breakdown of existing paid leave programs in other states. It is especially helpful in providing statutory and regulatory citations to help understand details.
- The comparison chart for existing and pending paid leave programs in other states from the Bipartisan Policy Center provides less detailed information but covers states whose programs have not yet taken effect.
- A shortcoming common to both documents above is that they sometimes present dollar figures without explaining how they compare or are statutorily linked to state average wages. Looking at underlying statutes can address this (as well as show differences in coverage definitions), but for a simpler way to put dollars into rough context, we have provided a link to state average wages in 2021 and 2022 from the Bureau of Labor Statistics.

While we hope these resources will help the Committee's work, we will also be following up with further work synthesizing the information available from these and other resources, including the underlying statutes and regulations, to present helpful comparative information.

References

<https://www.mercer.com/content/dam/mercer/attachments/global/law-and-policy/gl-2022-state-paid-family-and-medical-leave-contributions-and-benefits.pdf>

<https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2022/12/2022-10-27-State-PFL-Laws-Comparison-1.pdf>

<https://www.bls.gov/charts/county-employment-and-wages/percent-change-aww-by-state.htm>

Below is a link to Vermont's Domestic and Sexual Violence Survivors' Transitional Employment Program:

<https://legislature.vermont.gov/statutes/chapter/21/016A>

Below is a link to the manufacturing summary information from the 2017 Economic Census:

<https://data.census.gov/table?hidePreview=true&table=EC1731BASIC&tid=ECNBASIC2017.EC1731BASIC&lastDisplayedRow=647&q=EC1731BASIC:+Manufacturing:+Summary+Statistics+for+the+U.S.,+States,+and+Selected+Geographies:+2017>