

Finance, Revenue and Bonding Committee

Public Testimony of the CT Women's Education and Legal Fund (CWEALF)

H.B. 5407: *An Act Establishing a Tax Credit for Employers that Provide Paid Family and Medical Leave Benefits and Medical Leave Accounts Program*

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The Connecticut Women's Education and Legal Fund (CWEALF) is a statewide nonprofit that advocates for and empowers women and girls in Connecticut, especially those who are underserved or marginalized. For forty-five years, CWEALF has advocated for policies that advance the economic security of women across our state and promote gender equity in the workplace.

CWEALF leads the Campaign for Paid Family Leave, a coalition created in 2013 that advocates for the passage and implementation of a comprehensive system of paid family and medical leave. Our coalition includes more than 75 organizations across Connecticut that represent a variety of interests: elder care, women's health, long-term illnesses, low-income families, pediatrics, and more. Approximately 100 small businesses are official supporters of the Campaign and a sensible wage replacement system that benefits both workers and employers.

We oppose H.B. 5407: *An Act Establishing a Tax Credit for Employers that Provide Paid Family and Medical Leave Benefits and Medical Leave Accounts Program*.

We applaud the bipartisan recognition that our state's current lack of paid family and medical leave is a critical detriment to working families and our state's fiscal success. Unfortunately, H.B. 5407 will not provide sufficient coverage to Connecticut workers who need a paid leave program that is accessible, inclusive, and comprehensive.

Both the federal and state Family and Medical Leave Acts (FMLA) provide unpaid leave to eligible workers who have a serious illness, need to care for a family member with a serious illness, or welcome a new child. More than twenty six years later, significant gaps in both laws require modern solutions to fulfill their intent: to support workers and their families.

Currently, only 17% of private sector workers have access to paid family and medical leave through their employer. This number varies by employer size: 23% of workers at employers with 500 or more employees have access to paid family and medical leave, compared to just 9% of workers at employers with fewer than 100 employees. Research shows that only 6% of low-wage workers have access to paid leave.¹

¹ Pew Research Center. 2017. Access to paid family leave varies widely across employers, industries. Retrieved from: <http://www.pewresearch.org/fact-tank/2017/03/23/access-to-paid-family-leave-varies-widely-across-employers-industries/>

An employer-based tax credit will not guarantee that all, or even most workers have access to paid family and medical leave to care for themselves and their families. Experience with similar incentives in employment and training and childcare fields suggest tax credits are ineffective.

Though H.B. 5407 is not yet drafted, evidence from similar legislation in previous years and from across the country suggests that tax credits do not require employers to provide paid leave to all of their employees. Therefore, to be eligible for a tax credit from the state, an employer is only incentivized to provide the bare minimum of leave to some, not all, of their employees. This will worsen disparities in access to paid leave and will do nothing to support workers, especially low-wage workers and workers of color, who are least likely to have access to paid leave right now.

Tax credits also subsidize employers that have already made investments in paid family and medical leave. House Bill No. 5407 will offer an incentive to businesses already able to support their employees while failing to provide access to workers of employers unwilling or unable to do the same. Any proposal including tax credits also perpetuates the notion of the “boss lottery” – that an employee must hit the jackpot in order to have the opportunity to care for their families and remain financially stable during a critical life event.

House Bill No. 5407 also establishes a “medical leave accounts” program, which will likely allow individuals to make deposits into an account to meet qualified family and medical leave expenses, similar to existing health savings accounts. This model is realistic only for the highest earners in Connecticut – those most likely to already have paid leave - and presumes that workers have enough income to put aside in a savings account, especially one that has a restricted use.

Nearly half of all adults in the U.S. say they could not afford an emergency expense of \$400. The “savings account” model is especially unhelpful for workers in low-income households who spend all or nearly all of their earnings on daily necessities, like food or rent, and simply have less money available to save. Recent research from United Way’s 2018 Alice Report indicates that nearly 40% of households in Connecticut are unable to afford basic necessities such as food, childcare, and healthcare, let alone put aside additional funds into a savings account.²

In contrast, a paid family and medical leave insurance program similar to those in California, New Jersey, Rhode Island, New York, Washington, and soon in Massachusetts, allows employees to contribute a few dollars every week to an insurance fund they can draw upon when they need to take leave to care for an ill loved one, recover from an illness, or welcome a baby.

A universal paid leave program operates like an insurance fund. No single person pays the full cost of leave, but rather draws on pooled resources. This makes family and medical leave insurance less expensive for everyone and presents the opportunity to benefit all workers. House Bill No. 5407 instead creates a tax shelter that does little to support the workers who need paid leave the most.

House Bill No. 5407 will also provide little support to small business owners who simply cannot afford to offer their employees paid leave. According to 2017 poll by BLS Research and Consulting,

² Connecticut United Way. 2018. ALICE: A Study of Financial Hardship in Connecticut. Retrieved from: http://alice.ctunitedway.org/wp-content/uploads/2018/08/CT-United-Ways-2018-ALICE-Report-8.13.18_Hires-1.pdf

77% of small business owners in Connecticut support a social insurance program such as that proposed in S.B. 1: *An Act Concerning Paid Family and Medical Leave* and H.B. 5003: *An Act Implementing a Paid Family Medical Leave Program*.

Small employers want to support their employees, who are the foundation of their business and economic wellbeing, but often do not have the financial means to do so. Senate Bill No. 1 and H.B. 5003 create a system of paid leave funded solely by employee contributions, which shifts the burden of offering a paid leave benefit from the employer and allows employees to fund their own medical or family leave.

Universal paid family and medical leave allows small businesses to compete with larger companies who can afford to offer a generous benefit. Since California implemented its paid leave program more than a decade ago, the majority of businesses have reported no increased costs as a result of the program. Some businesses even reported a cost savings because the program reduced employee turnover.³

Though the Campaign appreciates the bipartisan recognition that paid family and medical leave is an issue critical to the well-being of our state, Connecticut workers need a statewide program that is accessible and affordable.

Every day, workers in our state face impossible choices between their paycheck and battling cancer, caring for an elderly loved one, or celebrating the birth of a new baby. Workers need more than just a tax credit or a savings plan. They need statewide paid family and medical leave that provides financial support when their children, their families, or their health demands it most.

The Campaign for Paid Family Leave actively seeks bipartisan support for paid leave but is committed to a program that is accessible to and inclusive of all workers in our state. We urge lawmakers to support S.B. 1: *An Act Concerning Paid Family and Medical Leave* and H.B. 5003: *An Act Implementing a Paid Family Medical Leave Program*.

³ National Partnership for Women and Families. 2018. Paid Leave Works in California, New Jersey and Rhode Island. Retrieved from: <http://www.nationalpartnership.org/research-library/work-family/paid-leave/paid-leave-works-in-california-new-jersey-and-rhode-island.pdf>