

Finance, Revenue and Bonding Committee
Public Testimony of the CT Women's Education and Legal Fund (CWEALF)
H.B. 5584: *An Act Establishing a Tax Credit for Employers that Provide Paid Family and
Medical Leave Benefits and Concerning Family and Medical Leave Accounts*
Submitted by: Madeline Granato, Policy Manager
April 2, 2018

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 nearly 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 that advocates for the passage and implementation of a comprehensive system of paid family and medical leave. Our coalition includes more than 65 organizations across Connecticut that represent a variety of interests: elder care, women's health, long-term illnesses, low-income families, pediatrics, and more. Fifty small businesses are official supporters of the Campaign and a sensible wage replacement system that benefits both workers and employers.

We oppose H.B. 5584: *An Act Establishing a Tax Credit for Employers that Provide Paid Family and Medical Leave Benefits and Concerning Family and Medical Leave Accounts*

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. But, H.B. 5584 will not provide sufficient coverage to Connecticut workers who need a paid leave program that is accessible, comprehensive and affordable.

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 for the birth or adoption of a child. More than twenty-five years later, significant gaps in both laws require modern solutions to fulfill their intent: to support workers and their families.

Currently, just 15% 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 5% of low-wage workers have access to paid leave.¹

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.

House Bill No. 5584 does 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. 5584 offers incentives to businesses already inclined and 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 access to critical benefits that allow them to care for their families and remain financially stable.

House Bill No. 5584 also establishes an FMLA account program to allow individuals to make deposits into an FMLA account to meet qualified family and medical leave expenses. The state Treasurer shall administer individual FMLA accounts to “encourage and assist eligible individuals to save private funds to provide support during periods of approved job-protected leave” under the provisions of the state and federal FMLA.

Paid leave “saving accounts” as created in H.B. 5584 are unrealistic for all but 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. In contrast, a paid family and medical leave insurance program similar to California, New Jersey, Rhode Island, New York and soon to be Washington allows employees to contribute a few dollars every week to an insurance

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/>

fund they can then 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 one person is paying the full cost of leave, but rather drawing 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. 5584 instead creates a tax shelter that does little to support the workers who need paid leave the most and robs Connecticut of much-needed revenue.

House Bill No. 5584 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, 77% of small business owners in Connecticut support a social insurance program such as proposed in S.B. 1: *An Act Concerning Earned Family and Medical Leave* and H.B. 5387: *An Act Concerning Paid Family Medical Leave*.

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. 5387 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.²

Though we appreciate the recognition from both political parties that paid family and medical leave is an issue critical to the well-being of our state, Connecticut workers simply deserve better than what is proposed in H.B. 5584.

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 affordable, adequate, and accessible to all workers. We urge

² 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>

lawmakers to support S.B. 1: *An Act Concerning Earned Family and Medical Leave* and H.B. 5387: *An Act Concerning Paid Family Medical Leave*.