

**Senate Bill 539/ House Bill 839: Labor and Employment –
Family and Medical Leave Insurance Program – Establishment**

POSITION: OPPOSE

Senate Finance Committee

February 27th, 2020

Dear Chairwoman Kelley and Senate Finance Committee Members:

As President of the Printing and Graphics Association Mid Atlantic (PGAMA), I would like to take this opportunity to formally submit our position on Senate Bill 539/ House Bill 839, entitled, “Labor and Employment- Family and Medical Leave Insurance Program – Establishment”. PGAMA is a nonprofit association headquartered in Columbia, Maryland representing over 225 companies in the Mid-Atlantic region, with the vast majority of which are located in Maryland.

If passed, this bill would establish the Family and Medical Leave Insurance (FAMLI) program and FAMLI Fund to provide up to 12 weeks of benefits to a covered individual taking leave from employment due to specified personal and family circumstances. As written, contributions to the fund, which are shared equally between employers and employees, are also based on employee wages. All employers who employ at least one employee must participate in the program. A “covered employee” is an employee who has worked at least 680 hours over a 12-month period immediately preceding the date on which leave is to begin.

This bill is clearly well-intentioned – to provide financial support to employees who miss work because of caring for specified family members, the individual’s own serious health condition, or a qualifying exigency arising out of a family member’s military deployment. Despite this worthy objective, we see a significant number of problems with the overall concept of imposing another mandate on employers and more specifically with the implementation of this bill as currently drafted, which is in essence anti-business. Accordingly, **PGAMA opposes this legislation.**

Most businesses want to treat their employees fairly and well. It is better for business when employees are happy, productive and loyal. In addition, there are costs associated with recruiting, hiring, and training employees. If employees leave, it is expensive to recruit, hire and train new employees. Moreover, there are also costs associated with employees who leave, such as unemployment insurance. The more unemployment claims filed against an employer, the higher the taxation rate for that employer.

But there is the business reality. Employers tend to give what they can afford and still remain competitive. It is critical to recognize the impact on these organizations from mandated benefits laws. Even the federal government understands that smaller employers are less able to provide certain types of benefits.

For PGAMA, the overall make up of our memberships consists of small family-owned businesses that generally employ 20 or less employees. These small family-owned employers are facing challenges ranging from technological changes, capital equipment costs, workforce development and increasing costs of all types, many of which they are not able to pass on to their customers. Against that backdrop, SB 539/HB 839 would add another burden on our members by the introduction of a tax to fund Family Leave.

Additional Issues with the Family and Medical Leave Insurance (FAMLI) program and FAMLI Fund as a Mandated Benefit

Cost Impact, particularly for small businesses and non-profits

- The cost to employers presents additional financial strain to already burdened businesses.
- Mandated employer contributions are an additional financial demand that small businesses and non-profits simply cannot afford, particularly given the layering of other employer mandates (sick and safe leave, \$15 minimum wage) that Maryland has implemented in the recent past.

Definitions of Eligibility

- The definitions contained in the bill language are far broader than what are outlined by FMLA.
- It will undoubtedly be complex and challenging to administer and comply with two vastly different sets of definitions for eligibility.

Length of Leave

- The bill does not clarify whether or not this program is meant to provide wage replacement for leave to which an employee is already entitled, or if it is meant to apply to a separate bank of leave, leaving the door open to the possibility that an employee could be eligible for up to 24 weeks of paid leave.
- Our industry requires collaborative teamwork in many of our applications and thus having an employee out for any length of time presents innumerable challenges.

Verification/Abuse

- Verification and abuse of benefits are already a major challenge as it relates to the implementation of the sick and safe mandate. This program, as written, would exacerbate those challenges.

Implementation/Administrative Complexity

- The bill would require large-scale tracking and verification systems to ensure compliance; Employers would be left to create, manage and administer obtuse tracking systems; Many of our members do not have this internal capability and would incur additional costs if they are required to contract out that responsibility.

Communication

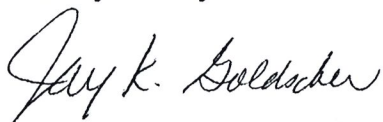
- The bill language is unclear on how these benefits would be communicated to employees—i.e. is this done annually based on a specific date or based on an employee's hire-date?

Although, well intended, the breadth of this bill's application is extensive and unwarranted. This legislation reaches into every business throughout the state, with little regard to the bill's potential impact on employers. It is probable that the implementation of this legislation will lead to unintended consequences and unnecessary litigation.

SB 539/HB 839 is unnecessary legislation that will hurt small employers and expose all employers to increased employment litigation. It would help foster an anti-business climate in this State, at a time when we need to bring employers into the State to create new jobs. In summation, we turn to the famous words of Nobel Prize winner economist, Milton Friedman, who said, "*One of the great mistakes is to judge policies and programs by their intentions rather than their results.*"¹

Despite its good intentions, there would be numerous negative results that outweigh those positive intentions of this Bill. **Therefore, PGAMA opposes this legislation and respectfully urges this committee to give SB 539/ HB 839 an unfavorable vote.**

Thank you for your consideration,



Jay K. Goldscher

President and CEO

Printing and Graphics Association Mid-Atlantic (PGAMA)

¹ Milton Friedman, in an interview with Richard Heffner on The Open Mind. Aired December 7, 1975
bfi.uchicago.edu/post/Milton-friedman-his-own-words.