TESTIMONY ON HB 988
FAMILY AND MEDICAL LEAVE INSURANCE PROGRAM - MODIFICATIONS

House Economic Matters Committee
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SUPPORT

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My name is Molly Weston Williamson and I'm a Senior Fellow at the Center for American Progress, where my work focuses on paid leave policy advocacy and research at the state and federal levels. I have been working on paid leave around the country for many years and am especially proud to have been working in support of passage of paid leave in Maryland since 2017.

I thank the chair, the sponsor, and the committee for the opportunity to speak today regarding HB 988. I am proud to support this legislation, which would offer valuable technical adjustments to clarify and improve the already strong Maryland law. In particular, splitting the contributions to sustain the program 50/50 between employees and contributing employers would be in line with established best practices and with the shared rewards paid leave brings to employees and employers.

Like Maryland, most states that have passed paid leave legislation share the costs between employees and employers. Adopting a 50/50 split would align Maryland with the national trend. Among the states that share costs, an even split is the most commonly used ratio. A fifty/fifty ratio is in use in Colorado, the most recent state to begin collecting premiums, and will be in use in neighboring Delaware, whose legislation was enacted shortly before Maryland's. This year, the ratio in Massachusetts is also approximately 50/50. A more detailed list of current premium sharing arrangements is included in the appendix.

The even shares approach also mirrors the way that Social Security and Medicare are funded, with employers and employees each paying half the total tax rate. This approach is both fair and familiar to Maryland employers and employees who have been paying into—and benefitting from—the same shared value, shared responsibility approach in the federal context for years.

In addition, the legislation before you reflects the decision Maryland made last year to exempt employers with fewer than fifteen employees from paying contributions. Therefore, whatever split the legislature ultimately assigns will not impose excessive—or any—cost burdens on the smallest employers.

This bill reflects the value that paid leave will bring to employers and the economy, along with the value it will bring to workers.

Paid leave supports the economy.

Nationwide, our economy loses out on an estimated $22.5 billion in wages per year due to our lack of a national paid family and medical leave program.[1] By passing paid leave last year, Maryland has stepped up to ensure that its workers will not be left paying the cost of inaction. That means money being put directly back into the state's economy and to Maryland's communities, as those benefitting from paid leave buy food, clothing, and medicine and pay their rent and bills.

Paid leave also keeps our economy strong by increasing labor force participation, especially for women.[2] As research from states that have already implemented paid leave programs shows, paid leave means new mothers are more likely to be working after a child's birth and caregivers are better able to continue working. Increased labor force participation will benefit Maryland employers and the state's economy.

Moreover, paid leave can have important, beneficial ripple effects for the state budget and the economy. For example, one study found that California's paid leave program resulted in an 11% decrease in nursing home usage, which can reduce Medicare and Medicaid spending.[3] Similarly, paid leave can help in combatting substance use disorders, reducing needed spending on the harms brought on by substance abuse.[4]

Paid leave supports businesses.

Especially in a tight labor market, paid leave is a critical recruiting tool: workers with access to paid leave are 22% more likely to recommend their job to a friend.[5] Small business owners especially see the recruiting benefits: those who offer paid leave report seeing it as a business imperative and those who do not struggle in hiring.[6]

Paid leave can reduce employee turnover,[7] keeping experienced employees on the job. Reducing costly turnover saves employers money, from the costs of hiring and training to the reduced productivity of newer employees. Replacing an employee can cost nearly 40% of that employee's annual wages[8]—money directly out of employers' pockets.

Research shows that the adoption of state paid leave programs corresponds to an increase in productivity,[9] mirroring the productivity benefits businesses see from adoption of their own paid leave programs.[10] Increased productivity, in turn, benefits the bottom line, one of the key reasons businesses often experience increased profitability following the adoption of paid leave programs.[11]

Paid leave is a smart investment in workers, businesses, and the state's economy, one that Maryland has wisely chosen to make. This bill will move Maryland forward in enacting that powerful vision. I strongly urge a favorable report on HB 988.

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[1] Sarah Jane Glynn, *The Rising Cost of Inaction* (2020), Center for American Progress, https://www.americanprogress.org/article/rising-cost-inaction-work-family-policies/.

[2] *Fact sheet: What does the research say about the economics of paid leave?*, Washington Center for Equitable Growth, https://equitablegrowth.org/factsheet-what-does-the-research-say-about-the-economics-of-paid-leave/.

[3] *Id.*

[4] Isabel Atkinson, *Universal Paid Leave: A Pathway for Treating Substance Use Disorder* (2021), National Partnership for Women & Families, https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/universal-paid-leave-pathway-treating-substance-use-disorder-issue-brief.pdf.

[5] Thea Garon et al., *Unpaid And Unprotected: How The Lack Of Paid Leave For Medical And Caregiving Purposes Impacts Financial Health* 5 (2021) , https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/unpaid-and-unprotected-how-lack-paid-leave-impacts-financial-health.pdf.

[6] Small Business For America's Future, *Paid Leave Policies On Main Street* (2021), https://www.smallbusinessforamericasfuture.org/small-business-for-america-s-future-releases-paid-leave-survey-results.

[7] Benjamin Bennett et al., *Paid Leave Pays Off: The Effects of Paid Family Leave on Firm Performance* (Nat'l Bureau of Econ. Rsch., Working Paper No. 27788, 2021), https://www.nber.org/system/files/working_papers/w27788/w27788.pdf.

[8] Kate Bahn and Carmen Sanchez Cumming, *Improving U.S. Labor standards and the quality of jobs to reduce the costs of employee turnover to U.S. companies* (2020), p. 4, Washington Center for Equitable Growth, https://equitablegrowth.org/wp-content/uploads/2020/12/122120-turnover-costs-ib.pdf.

[9] Benjamin Bennett et al., *Paid Leave Pays Off: The Effects of Paid Family Leave on Firm Performance* (Nat'l Bureau of Econ. Rsch., Working Paper No. 27788, 2021), https://www.nber.org/system/files/working_papers/w27788/w27788.pdf.

[10] Panorama & Am. Sustainable Business Council, *The Business Impacts of Paid Leave* (2019), https://www.asbcouncil.org/sites/main/files/file-attachments/panorama_report_-_business_impacts_of_paid_leave.pdf.

[11] *Id.*

Appendix: Cost Sharing in State Paid Leave Programs

All rates are as of March 2023, except where marked.

		Employee cost[1]	Employer cost[1]	Income subject to contributions annually	Employer contribution exemption	Employee/employer contribution ratio
Employer only	D.C.	N/A	0.26%	No limit	No	0/100
Shared costs	Colorado	0.45%	0.45%	Social Security limit[2]	Under 10 employees	50/50
	Delaware[3]	0.4%	0.4%	Social Security limit[2]	No[4]	50/50
	Maryland[5]	*TBD*	*TBD*	*Social Security limit[2]*	*Under 15 employees*	*50/50*
	Massachusetts	0.318%	0.312%	Social Security limit[2]	Under 25 employees	50/50[6]
	New Jersey	0.06%	0.10% to 0.75%[7]	Employees: $156,800 Employers: $41,100	No	Varies
	New York[8]	TDI: Up to 0.5% PFL: 0.455%	Varies[9]	TDI (Employees): $6,240[10] TDI (Employers): No limit PFL: $87,785.88	No	Varies
	Oregon	0.6%	0.4%	$132,900	Under 25 employees	60/40
	Washington	0.582%	0.218%	Social Security limit[2]	Under 50 employees	73/27[6]
Employee only	California	0.9%	N/A	$153,164	N/A	100/0
	Connecticut	0.5%	N/A	Social Security limit[2]	N/A	100/0
	Rhode Island	1.1%	N/A	$84,000	N/A	100/0

[1] All costs are expressed as a percentage of wages. Employer cost reflects contributing employers. Except where marked, percentages are total applicable program costs.

[2] For 2023, the Social Security contribution limit is $160,200 in income.

[3] Listed rates are the initial rates. Contributions in Delaware begin January 1, 2025.

[4] While Delaware does not exempt any covered employers from contributing, Delaware's law excludes from coverage employers with fewer than 10 employees for parental leave and with fewer than 25 employees for medical and caregiving leave; employers who are not covered do not contribute.

[5] Reflects proposed approach under SB 828 with sponsor amendments.

[6] Calculated ratio is approximate.

[7] New Jersey employer premiums are experience rated by employer based on program use for temporary disability insurance.

[8] This row refers to temporary disability insurance (TDI) and paid family leave (PFL), where costs are broken out separately.

[9] Employers pay the cost for TDI that is not covered by the allowable employee contribution (which varies); employers do not contribute to the cost of paid family leave.

[10] Technically, the limit is a maximum contribution of 60 cents per week, which is equivalent to $6,240 in annual income subject to contribution.