

Testimony in support of LD 1964, “An Act to Implement the Recommendations of the Commission to Develop a Paid Family and Medical Leave Benefits Program.”

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is James Myall, and I’m an economic policy analyst at the Maine Center for Economic Policy. I’m here before you to testify in support of LD 1964, “An Act to Implement the Recommendations of the Commission to Develop a Paid Family and Medical Leave Benefits Program.” LD 1964 would make our economy and our workforce stronger, and benefit tens of thousands of Mainers each year who currently face an impossible choice between a paycheck and caring for themselves or a loved one.

The paid family and medical leave proposal outlined in LD 1964 is in line with similar programs that have been enacted in 11 states and the District of Columbia. Many other states are also considering implementing programs this year. I think it’s important to note that the proposal in LD 1964 is relatively modest. For example, Minnesota’s governor is poised to sign a paid family and medical leave bill which will provide more weeks of leave, and has more robust job protections than are envisaged in LD 1964.¹ Nonetheless, LD 1964 would represent substantial progress for Maine’s workers and our economy.

A state paid family and medical leave program will make our economy fairer and stronger. Currently, thousands of Mainers are kept out of the workforce, or are forced to work fewer hours than they would like, because of care needs. Currently, almost 85,000 Mainers list a care obligation, their own sickness, or a disability, as a reason for not working.² While only a portion of these individuals would enter the labor force if a paid family and medical leave program were in effect, it gives a sense of the scale of the problem. And it’s important to know that the duty of care still falls disproportionately on women – who are almost six times as likely to be out of work due to child care duties than men, and more than twice as likely to be caring for an older relative and out of work.³ Because both men and women receiving equal leave rights under LD 1964, it will help to right this gender imbalance.

This committee has heard plenty of testimony over the past year about the trouble some employers are having in finding workers. LD 1964 is one answer to that problem. Maine actually has more people working today than before the pandemic, and one of the highest rates of employment participation in our history.⁴ The problem is that jobs are being created faster than they can be filled with our current workforce. We can address this issue by attracting more people to come to Maine to live and work, and we can make it easier for current Mainers to work. LD 1964 will help accomplish both.

Research has found that implementing a paid family and medical leave program in California and New Jersey reduced new mothers’ labor force dropout rates by 20 percent.⁵ Other studies show similar impacts on people facing the need to care for a sick or injured spouse.⁶ Economists have pointed to the

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United States' lack of paid leave policies as a significant part of the reason that women here are not able to work as much as women in other developed countries.⁷

Regarding the overall sustainability of the program, the legislative commission has done a very thorough job of assessing the potential costs with the help of a professional actuarial firm. Their estimates are similar to my own independent modelling of the potential costs of the program, and are in line with the experience of other states. I anticipate that the program design laid out in the sponsors' amendment (90 percent wage replacement up to half of the average weekly wage, and 75 percent above that, to a maximum of the average weekly wage) would require a payroll contribution of 0.83 percent. I've included examples of how this would work for different kinds of workers in Maine. For the typical worker, the cost of the program would be equivalent to a cup of coffee (\$3.50) a week. For a business with 25 employees, the payroll contributions would be approximately \$5,800 a year, or around \$230 per employee.

Examples of costs and benefits of LD 1964 for Maine workers

	Annual wage	Weekly wage	Weekly contribution	Potential weekly benefit
Minimum wage, 20 hrs/wk	\$14,352	\$276	\$1.15	\$248
Minimum wage, full-time	\$28,704	\$552	\$2.29	\$492
\$15/hour, full-time	\$31,200	\$600	\$2.49	\$528
Median wage, full-time	\$42,952	\$826	\$3.43	\$697
Average weekly wage	\$53,879	\$1,036	\$4.30	\$855
\$75,000 per year	\$75,000	\$1,442	\$5.98	\$1,036
\$100,000 per year	\$100,000	\$1,923	\$7.98	\$1,036
Social Security tax limit	\$160,200	\$3,081	\$12.79	\$1,036

Source: MECEP modelling of PFML costs using Workers Plus model and US Census Bureau American Community Survey data.

Note: Assumes LD 1964 with a sponsor amendment that would create a benefit rate of 90% of a recipient's usual wages up to half the statewide average weekly wage, plus 75% of wages above that level, with a total benefit capped at statewide average weekly wage. Uses the current SAWW of \$1,036. Assumed contribution rate is based on each worker having a 10% chance of using the program each year and taking an average leave of 44 days (6.3 weeks). The contribution rate includes a 5% administrative overhead and repayment of a \$50 million bond for start-up costs.

For businesses, there are benefits to offset the costs of these payroll contributions. Businesses which offer paid family and medical leave report lower turnover rates, improved morale and productivity, and better talent attraction.⁸ That's why most large companies offer this benefit. The advantage of a state program as proposed in LD 1964 is that it levels the playing field for small businesses. By sharing the costs among the whole state, it allows small businesses to afford a plan that they otherwise could not, and allows them to compete with the large companies which are already offering this benefit. A survey of New York employers after the implementation of that state's program found that most employers were supportive of the new program, and that it made it easier for employers to plan for worker absences - likely because workers now gave clearer timelines for how long they would be absent.⁹

Our understanding is that the sponsor's amendment contains a "hardship exemption" for small businesses which would absolve them of the need to retain job and benefit protections for workers on leave. Maine Center for Economic Policy is very concerned about the potential for this to become a general exclusion for the 114,000 Mainers who work for businesses with fewer than 15 employees. These Mainers have been excluded from existing family and medical leave legislation, and currently have no right even to unpaid leave. There's no reason they should be disadvantaged once again.

LD 1964 already exempts small employers from paying any contributions into the fund, and the research does not support the idea that a paid family and medical leave program presents a significant "hardship" for these employers. And without the guarantee of a return to work or the continuation of benefits during the leave period, leave becomes a very difficult prospect for many Mainers, especially people without savings to fall back on.

LD 1964 would provide security for the tens of thousands of working Mainers each year who must take time away from work temporarily to welcome a new child, to take care of a loved one, or to recover from a serious illness. It would do so in a thoughtful way, with a program designed to consider the needs of workers, businesses, and our economy. As a result, it would not only make workers more secure, but strengthen our economy overall. I urge you to vote "ought to pass" on the legislation.

Thank you. I'll be happy to take any questions.

Notes

¹ Molly Weston Williamson, "Fast Facts About Minnesota's New Paid Leave Law." *Center for American Progress*. May 19, 2023. <https://www.americanprogress.org/article/fast-facts-about-minnesotas-new-paid-leave-law/>

² US Census Bureau, Household Pulse Survey, average of periods 45-57 (covering May 2022-May 2023).

³ James Myall, "State of Working Maine 2022." *Maine Center for Economic Policy*. Oct 2022. P13.

<https://www.mecep.org/wp-content/uploads/2022/10/State-of-Working-Maine-2022.pdf>

⁴ Maine Department of Labor, Nonfarm payroll job estimates. <https://www.maine.gov/labor/cwri/ces.html>

⁵ Sam Abbott, "New research shows paid leave increases mothers' labor force participation following childbirth." Mar 12, 2020. *Washington Center for Equitable Growth*. <https://equitablegrowth.org/new-research-shows-paid-leave-increases-mothers-labor-force-participation-following-childbirth/>

⁶ Priyanka Anand, Laura Dague, and Kathryn L. Wagner, "The Role Of Paid Family Leave In Labor Supply Responses To A Spouse's Disability Or Health Shock." *National Bureau for Economic Research: Working Paper 28808*. May 2021.

https://www.nber.org/system/files/working_papers/w28808/w28808.pdf

⁷ Francine D. Blau and Laurence M. Kahn, "Female Labor Supply: Why Is The Us Falling Behind?" *National Bureau for Economic Research: Working Paper 18702*. Jan 2013. https://www.nber.org/system/files/working_papers/w18702/w18702.pdf

⁸ Trish Stroman, Wendy Woods, Gabrielle Fitzgerald, Shalini Unnikrishnan, and Liz Bird, "Why Paid Family Leave is Good for Business," *Boston Consulting Group*. Feb 7, 2017. <https://www.bcg.com/publications/2017/human-resources-people-organization-why-paid-family-leave-is-good-business>

⁹ Ann Bartel, Maya Rossin-Slater, Christopher Ruhm, Meredith Slopen, Jane Waldfogel, "The Impact of Paid Family Leave on Employers: Evidence from New York." *Institute of Labor Economics: Discussion Paper 14262*. Apr 2021.

<https://docs.iza.org/dp14262.pdf>