



Testimony of Eric Gjede  
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Before the Committee on Labor and Public Employees  
Hartford, CT  
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**Testifying in opposition to  
SB 1: AN ACT CONCERNING PAID FAMILY AND MEDICAL LEAVE**

Good afternoon Senator Kushner, Representative Porter, Senator Miner, Representative Polletta and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am vice president of government affairs at the Connecticut Business and Industry Association (CBIA), which represents thousands of large and small companies throughout Connecticut.

CBIA supports employers that voluntarily adopt paid family and medical leave programs. We are, however, opposed to the type of inflexible and unsustainable state mandate proposed in SB 1.

As many state rankings have shown, operating a business in Connecticut is often costlier than running the same business in other states. With each additional workplace mandate, the cost separation between Connecticut and other states increases. The burdens imposed on business in this bill tilt the playing field against Connecticut businesses to other states, typically ones that are not forcing such mandates on their businesses. Each year, a coalition of the state's leading business organizations and chambers of commerce urge this committee to reject the paid FMLA concept.

Despite claims to the contrary, this new mandate is not good for business and will not attract workers to this state. Migration data also shows that more workers come to Connecticut from states that have a paid FMLA program, and workers from Connecticut leave most often for states without such a program, like Pennsylvania, North Carolina, and Florida.

The business community also disputes the claim that the program has no cost to employers. In fact, businesses are required to continue to provide non-wage benefits for those using the program. Employers and taxpayers will be on the hook to pay for the projected \$13 million in startup costs and \$18 million in ongoing costs to operate the program. Further, if other states' experiences are instructive, the IT infrastructure needed to run such a program will cost in the tens of millions of dollars.

As currently written, the program proposed in SB 1 will be unsustainable. The amount the state intends to deduct from employee wages to pay for the program will need to be increased in the future to ensure the fund is solvent.

Despite the adverse impact this legislation will have on businesses, employees, and taxpayers across Connecticut, it appears the committee is likely to move the bill forward and will seek passage in both chambers. Given that likelihood, I offer the following suggested revisions to help shape this legislation into a workable program and minimize some of the adverse impact to employers:

1. **Do not allow for 100% wage replacement** for employees on leave. No state that has adopted a paid FMLA program allows a 100% wage replacement rate. In fact, most programs average between 65-70% wage replacement. Full wage replacement will discourage workers from returning to the workforce as quickly as possible and creates an incentive for employees to remain out of the workforce beyond what is necessary.
2. **Do not expand the number of family members for which paid FMLA is permitted.** Proposals in the last few years have allowed for leave to care for extended family members, including grandparents, grandchildren, in-laws, and even those "equivalent to a family member." This makes it impossible for an employer to know whether a claim is legitimate.
3. **Do more to discourage program fraud.** Prohibiting any individual who has attempted fraud from participating in the program for one year is simply not enough. These individuals should be required to pay back the wages they fraudulently collected and subjected to criminal liability. Fraud is a significant issue for paid family leave programs in other states and was the subject of an address by Rhode Island Governor Gina Raimondo who noted lawmakers needed to "target waste and fraud, especially in our TDI system."
4. **Opt-in/opt-out.** Sole proprietors are allowed to opt in to the program, which is problematic because any sole proprietor who has a failing business can simply place themselves on paid FMLA and receive benefits. They can also time their participation to coincide with their need, then opt out when that need no longer exists. If sole proprietors can opt in to the program, all employees should have the option of permanently opting out of the program.
5. **Independent contractors.** Employers that hire independent contractors should not be required to administer this benefit on behalf of people who are not directly employed by them.
6. **The benefit should not be for individuals who are currently unemployed.**
7. **The minimum time period for intermittent use of paid FMLA should be one day.** Otherwise, employers will have a difficult time finding necessary replacement workers for half-day time blocks.
8. **The remedy for disputes and violations of this program should not be the courts.** As proposed in this legislation, the state Department of Labor is set up as the entity that makes decisions regarding who is eligible for paid FMLA. Disputes that arise under this program should be dealt with at the department and not via a costly, time-consuming civil claim.
9. **Ensure the state is subject to the same paid FMLA requirement.** Past versions of the program have excluded state employees in response to agency testimony about the disruption the program would have to the state workforce. Agencies have estimated that around 6% of their employees use unpaid FMLA on any given day and have testified that this number would be even higher if the benefit was paid. While state employees do receive generous non-wage benefits, the state should be subject to the same mandates imposed upon the private sector.

While these revisions will help make the program more sustainable, they will not prevent the adverse economic impact the program will have on our state.

While I would prefer no paid FMLA program be enacted, I urge the committee to adopt the reforms suggested in this testimony.