



1 Beacon Street, 16th Floor  
Boston, MA 02108

www.aimnet.org | 617.262.1180 | fax 617.536.6785

January 30, 2018

Chairman Jason Lewis, Senate Chair  
Chairman Paul Brodeur, House Chair &  
Members of the Committee on Labor and Workforce Development  
State House  
Boston, Massachusetts

Dear Chairman Lewis, Chairman Brodeur, and Members of the Committee:

Associated Industries of Massachusetts, (AIM) would like to avoid the time, expense, and disruption of the paid family and medical leave ballot question pending before this committee.

AIM has testified many times about its concern over the expense of this program. We have argued that the cost estimates provided by proponents are deceptively low. We have repeatedly been disparaged for our financial analysis of this and similar programs by advocates who suggest that our estimates were too high.

Happily, that is no longer the case.

In a [policy brief released in December of 2017](#), proponents of paid leave offered for the first time detailed, if slightly erroneous, cost estimates that we would like to bring to the Legislature's attention. These newly released estimates mirror AIM's cost assessments shared over the last several years with this committee. (See attachment 1.)

The program proposed by this question will cost workers and employers more than \$1 billion.

Employers could pay one-half of that cost while workers pay the other. The Commonwealth, as an employer, will pay \$55 million for its workforce.<sup>1</sup> The bureaucracy to run the program would cost \$70 million.

A surprise to some may be that there is no opt-out provision and that employee fees would be collected from an individual's paycheck through a payroll deduction. This would apply to all; including any self-employed individuals who may opt-into the program.

The proposed law would create a trust fund into which employers would pay 0.63 percent of each employee's annual OASDI<sup>2</sup> wages, up to half of which could be deducted from employee wages.

Beginning October 1, 2021, the contribution rate would be reviewed and adjusted annually to ensure funding of at least 140 percent of the amounts paid out during the previous year.

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<sup>1</sup> AIM estimate – see prior testimony to committee

<sup>2</sup> For earnings in 2018, this base is [\\$128,400](#).

AIM estimates that the likely cost per employee to fund the program cost hundreds per employee yearly, mirroring the average \$508 per employee that companies now pay for the \$1.3 billion Massachusetts Unemployment Insurance program.

The proposal would allow covered workers to take up to 16 weeks of family leave or 26 weeks of medical leave. Workers could take family leave to care for a child after the child's birth, adoption, or placement in foster care; to care for a seriously ill family member; or to address needs arising from a family member's active duty military service.

Workers taking family or medical leave would receive 90 percent of their average weekly earnings, up to \$1,000 per week. Beginning January 1, 2021, the weekly cap on benefits could be adjusted annually based on the Consumer Price Index (CPI) published by the United States Department of Labor for the Boston metropolitan area. The specific CPI mentioned in the ballot question, does not exist. Many AIM member - employers currently provide for paid leave through disability insurance or have negotiated the same through a collective bargaining agreement or self-insurance option.

According to the 2016 AIM *Benefits Survey*, 87 percent of member companies offer short-term disability to their employees with benefits ranging from 51 to 70 percent of salary replacement. Seventy-nine percent offer long-term disability insurance and 59 percent have a leave of absence policy.

AIM believes a mandated paid leave law will prompt many of those companies to discontinue their current policies and direct all employee leaves through the state program.

This ballot question is disruptive, expensive, and unnecessary. Employers would like to work with you to avoid it by creating a better approach to providing leave to their employees.

Please contact me if you need further information or assistance.

Sincerely,

A handwritten signature in black ink that reads "John R. Regan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

John R. Regan

Executive Vice President for Government Affairs  
Associated Industries of Massachusetts

Attachment 1

<b>Table 2. Total Estimated Program Costs and Usage</b>			
	<b>House Bill (H. 2172)</b>	<b>Senate Bill (S. 1048)</b>	<b>2018 Initiative Petition</b>
<b>Covered employees</b>	3,534,331	3,534,331	3,534,331
<b>Cost of program (in millions)</b>	\$619.0	\$867.6	\$949.2
<b>Average yearly cost per worker*</b>	\$175	\$245	\$269
<b>Average weekly cost per worker</b>	\$3.37	\$4.72	\$5.16
<b>Payroll contribution rate**</b>	0.33%	0.55%	0.61%
<b>Average weekly benefit paid</b>	\$481	\$748	\$700
<b>Annual program leaves</b>	144,000	126,500	147,400
<b>Program leaves as percentage of employment</b>	4.1%	3.6%	4.2%
<p><b>*Total cost/covered workforce</b></p> <p><b>**All wages are subject to contributions in the House bill. Contributions in the Senate bill and Initiative Petition are based on wages earned up to \$118,500.</b></p> <p><b>Notes: Data are based on September 2, 2017 version of ACM/IWPR Paid Family and Medical Leave Simulation Model.</b></p> <p><b>Estimated costs provided do not include administrative costs.</b></p>			

NB. This chart is not 100% reflective of the ballot question language in three respects; one, the payroll contribution rate in the question is 0.63%, not 0.61% - two, the wages subject to contribution are understated – the question uses the OASDI limit of \$128,400, not \$118,500 – a difference of 8.4% and, three, the cost number is understated because of these two errors.