
To: Senate Workforce and House Business and Labor

From: Main Street Alliance of Oregon

Date: March 25, 2019

Re: Letter in Support of HB 3031

Chairs Senator Taylor and Representative Baker, Vice-Chairs Senator Knopp, Representative Barreto and Representative Bynum, and Members of the Committees,

The Main Street Alliance of Oregon, a coalition of over 4000 small businesses across Oregon, supports the HB 3031. Creating a family and medical leave insurance program in Oregon will benefit small business owners, our employees and the communities we serve.

At some point, nearly everyone needs time away from work to recover from a serious illness or care for a sick loved one or new child. **Yet only 17 percent of the U.S. workforce have paid family leave through their employers, and less than 40 percent have personal medical leave through an employer-provided temporary disability program.**¹ Unequal access to paid leave reflects structural inequality, with lower-paid employees² and employees of color less likely to have access.³ Lack of paid leave forces working people to make the impossible choice between their paychecks and their families.

In Oregon, over 368,000 small businesses employ over 823,000 people, that's 55 percent of the state's workforce.⁴ These firms generally **lack the capital and the scale to provide earned benefits like paid family and medical leave** (this includes 85 percent of businesses surveyed by Main Street Alliance, as seen in our [2019 PFML Report](#)), even when business owners want to provide those benefits.⁵ Moreover, many small businesses are losing talented employees to large corporations, which wield the market power to give good benefits to top managers but are squeezing everyone else with low-wage, uncertain jobs.

Paid family and medical leave laws make paid leave affordable and accessible to small businesses, both leveling the playing field between small businesses and large corporations and increasing economic security for small business owners and their employees. States and municipalities across the country – California, New Jersey, Rhode Island, New York, Hawaii, Washington state, Massachusetts, and Washington, DC – are showing these laws help create a more equitable Main Street. Now it's time for Congress to make paid family and medical leave a reality for everyone in the country.

The FAMLI Equity Act is the solution.

The Family And Medical Leave Insurance (FAMLI) Act (HB 3031), led by Representatives Williamson, Fahey, Holvey, Alonso Leon, Doherty, Hernandez, Senator Manning Jr would create an affordable, self-sustaining family and medical

¹ <https://www.bls.gov/ncs/ebs/benefits/2018/employee-benefits-in-the-united-states-march-2018.pdf>

² <http://cepr.net/documents/nj-fli-2014-06.pdf>

³ <http://www.nationalpartnership.org/our-work/resources/workplace/paid-leave/paid-family-and-medical-leave-racial-justice-issue-and-opportunity.pdf>

⁴ <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-OR.pdf>

⁵

leave insurance program for Oregon. It would provide working people across Main Street with a portion of their wages for up to 14 weeks of paid leave to welcome a new child into their home, and up to 12 weeks in a year to address a serious health condition for themselves or a family member. Benefits would amount to up to 90 percent of an individual's monthly wages.

The FAMLI Act is an affordable and responsible way for small businesses to support and retain employees when serious family and medical needs arise. The benefit is funded by small employee and employer payroll contributions of one half of 1 percent each (five cents per \$10 in wages), or less than \$1.00 per week for a typical employer and employee, which is far less than the cost of a cup of coffee a week. Similar to Social Security, small business owners would contribute and receive benefits based on their self-employment income.

The contributions would go into an insurance fund to be managed by the Oregon Department of Consumer and Business Services. Contributions would cover both benefits and administrative costs. This spreads the cost of leave, reducing the burden on individual employers without creating significant new administrative requirements, addressing some of the major reasons Oregon small business owners reported they cannot currently offer paid family and medical leave to their employees.⁶ When an employee or small business owner needs to take time away from work, they can draw income from the fund to get by until they're back on their feet. Employers can use the salary of their on-leave employees as they see fit; they can use it to hire a temporary replacement, invest it in their business or save it for another use.

Oregon small businesses overwhelmingly support the FAMLI Equity Act.

Small business owners want to be part of the solution, both to support their employees and to level the playing field with large corporations. A Main Street Alliance survey of more than 1,700 small businesses showed widespread support for paid family and medical leave, with 64 percent -- including 78 percent of women and people of color -- supporting paid family and medical leave laws. The vast majority, 79 percent, said a social insurance program would help them the most to offer paid leave to their employees. Additionally, 76 percent view the funding of such a program as a shared responsibility and support a joint employer and employee contribution model.⁷ Both elements are consistent with the FAMLI Equity Act.

The FAMLI Equity Act would help strengthen small business bottom lines.

Paid leave contributes to reduced turnover and higher employee morale and loyalty, leading to productivity increases and significant cost savings for small businesses.⁸ Replacing employees is expensive: turnover costs are estimated to average one-fifth of an employee's annual salary.⁹ Paid leave increases employee retention by encouraging employees to stay in the labor force and with the same employer, leading to significant employer cost savings through reduced turnover expenses.

In California, where a family leave insurance program has existed for more than a decade, most employers report positive or neutral effects of the program on productivity (89 percent), profitability/performance (91 percent), turnover (96 percent), and employee morale (99 percent); with small businesses reporting more positive outcomes than large businesses (those with more than 100 employees).¹⁰

A recent EY survey found that more than 80 percent of businesses that offer paid family leave report it has a positive impact on employee morale, and more than 70 percent report an increase in employee productivity.¹¹ According to

6

https://d3n8a8pro7vhm.cloudfront.net/mainstreetallianceoregon/pages/42/attachments/original/1552498890/MSAOR_PFML_Report_-_finalv7_print.pdf?1552498890

7

https://d3n8a8pro7vhm.cloudfront.net/mainstreetallianceoregon/pages/42/attachments/original/1552498890/MSAOR_PFML_Report_-_finalv7_print.pdf?1552498890

⁸ <https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

⁹ <https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

¹⁰ <http://cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

¹¹ [http://www.ey.com/Publication/vwLUAssets/EY-viewpoints-on-paid-family-and-medical-leave/\\$FILE/EY-viewpoints-on-paid-family-and-medical-leave.pdf](http://www.ey.com/Publication/vwLUAssets/EY-viewpoints-on-paid-family-and-medical-leave/$FILE/EY-viewpoints-on-paid-family-and-medical-leave.pdf)

Harvard Business Review, a majority of the most successful companies report that exemplary benefit programs strengthen employee loyalty and morale, increasing worker productivity.¹² These factors correlate with a better bottom line.

Evaluations of existing state Paid Family Medical Leave programs demonstrate that it doesn't increase costs for small businesses, and is feasible to implement. A survey of California employers revealed that 87 percent confirmed that the state program had not resulted in any increased costs, and 60 percent reported coordinating their benefits with the state's paid family leave insurance system – likely resulting in ongoing cost savings.¹³

The New Jersey Business and Industry Association found that businesses large and small have adjusted easily to the state's paid leave law. And nearly two thirds of small businesses (65 percent) reported no increases in overtime pay costs because of the law.¹⁴ In Rhode Island, a study of small- and medium sized employers conducted after the state's program came into effect found no negative effects on employee workflow, productivity or attendance; the majority of employers surveyed said they were in favor of the new program.¹⁵

Paid family and medical leave laws help level the playing field between small businesses and large corporations, allowing small businesses to compete on more equal footing.

With modest bottom lines small businesses often have trouble matching more generous paid leave benefits offered by larger employers (including 84 percent of businesses surveyed by Main Street Alliance) – resulting in a hiring disadvantage.¹⁶ In the current labor market, that means losing talented employees to larger employers, which wield the market power to provide paid leave to top managers but are squeezing everyone else with low-wage, uncertain jobs.

Paid Family and Medical Leave provides critical financial security for small business owners themselves.

Small business owners themselves need paid family and medical leave. They, too, have new babies and ailing partners or parents, and often cannot afford to take unpaid leave. Their cushion maybe razor thin, and a single accident or a medical emergency could jeopardize the health of a small business and throw a business owner into financial ruin. Under the FAMLI Act, small business owners would have a guaranteed revenue source while out on leave allowing them to take care of themselves and their family without risking their business.

Paid Family and Medical Leave goes right back into the local economy, boosting consumer demand at small businesses, as working people spend their increased earnings to cover the basics.

When individuals do not have access to paid leave it impacts their spending and consumption patterns. People lose \$20.6 billion annually in lost wages because of lack of paid leave.¹⁷ When they take unpaid leave, employees give up income they need to pay bills, buy groceries and support their families. Those who take unpaid or partially paid leave reported putting off spending, resulting in hardship for families and lost income to small businesses. Business owners cite weak sales as the biggest problem for their business and the economy, and ensuring that employees have their consistent wages means that consumer demand won't go lax with each illness or family event or emergency.¹⁸

Main Street Alliance surveyed business owners about best practices to better support their workforce, improve the economy and reduce inequality. The results showed overwhelming support for family-friendly workplace policies. The widespread support for a solution to the lack of access to paid family and medical leave in Oregon and nationally, particularly among those that do not currently offer these policies, indicates an important role for public policy. These

¹² <https://secure02.principal.com/publicvsupply/GetFile?fm=VF1040&ty=VOP&EXT=.VOP>

¹³ <http://cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

¹⁴ <http://policy.rutgers.edu/academics/projects/presentations/AFE2012/Ramirez.pdf>

¹⁵ https://www.dol.gov/asp/evaluation/completed-studies/AssessingRhodeIslandTemporaryCaregiverInsuranceAct_InsightsFromSurveyOfEmployers.pdf

¹⁶

https://d3n8a8pro7vhmx.cloudfront.net/mainstreetallianceoregon/pages/42/attachments/original/1552498890/MSAOR_PFML_Report_-_finalv7_print.pdf?1552498890

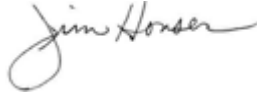
¹⁷ <https://www.americanprogress.org/issues/women/reports/2016/09/22/143877/the-cost-of-inaction/>

¹⁸ http://asbcouncil.org/sites/default/files/files/Regulations_Poll_Report_FINAL.pdf

findings suggest that, with the successful adoption of thoughtful paid family and medical leave policies, the number of businesses able to implement these programs would greatly expand.

We urge you to consider and pass HB 3031, the FAMILI Equity Act, help small businesses, our employees and our communities.

Yours respectfully,



Jim Houser, co-chair
Hawthorne Auto Clinic, Portland



Mark Kellenbeck, co-chair
Storage at Exit 24, Medford