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"PAID FAMILY LEAVE" BILL

S-786 (Sweeney/Buono) A-873 (Burzichelli)

HOW DOES THIS AFFECT YOUR BUSINESS?

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- **Every worker would pay an extra \$33 on average per year into the PFL (Paid Family Leave) fund.** The total levy being deposited into a dedicated fund to administer the program.
- **The benefit would be 2/3 of an employee's salary, up to a maximum of approximately \$524 per week for six (6) weeks – intermittent or consecutive.** The tax begins January 1, 2009 and the benefits begin July 1, 2009.

The proposal imposes an additional income tax increase on all New Jersey workers. Funding for the plan is through an additional fractional percent tax on an employee's wages. Should this fund not adequately support the number of employees utilizing this paid leave program, workers may expect additional tax increases to cover the balance.

- **Applies to all private and public sector employees (in businesses with more than one employee) in New Jersey.** It includes local governmental employees who are opted out of the regular TDI program.

The proposal will contribute to higher property tax rates by requiring school districts to hire many more substitute teachers and temporary administrative employees.

- **PFL mandates will not help New Jersey businesses in a slowing national and state economy.**

Currently, New Jersey workers in businesses with 50 or more employees are covered under the federal Family and Medical Leave Act (FMLA) and the New Jersey Family Leave Act (NJFLA). Each of these leaves allows employees to take up to 12 weeks of unpaid leave for their own or a family member's serious health condition and to care for a newborn or newly adopted child. These leaves, a total of 24 weeks, may be taken consecutively. In addition to this unpaid leave, New Jersey is one of only five states that provides Temporary Disability benefits (TDI) for non-work related injuries/disabilities (a maximum of 26 weeks). Through this program, an employee at a business of any size can take leave for pregnancy, up to four weeks before the expected delivery date and up to six weeks after the actual delivery date.

- **Conscientious employees would bear the extra work burden and higher payroll costs of those who shirk the system.**

According to an article in the Wall Street Journal on June 20, 2007, the federal Department of Labor estimates that paid family leave programs cost employers an average of **\$1.76 per hour per full-time employee, or 6.8% of total compensation.** Using the above hourly estimate, a company with just ten full-time employees would see an average increase of approximately \$36,608.

- **PFL will invariably increase the number of people utilizing leave (because they will get paid not to work).**

Since the program would provide workers with two-thirds of their weekly wages, there is no doubt that many more employees will choose to take paid family leave. The bill will have a significant impact on business as companies will need to hire and train temporary and/or replacement workers, or to train other employees to cover their fellow employee's workload.

- **Employee morale will likely be impacted as the number of those on paid family leave increases.**

Most companies are lean workplaces where employee resources are already at full capacity. A paid leave policy would place the burden on other employees to cover their co-worker's tasks. Lowered morale, decreased productivity, and disruption to the workplace will surely be experienced as more workers take advantage of generous leave policies.

- **One particularly troublesome clause in the bill allows employees time off to provide "psychological comfort" to a family member.**

The scope of such "comfort" is not clearly defined and open to exceedingly loose interpretation and dreadful employee abuse. For example, if employee John's wife has a dental issue that requires treatment (treatment provided by a dentist is covered under the bill's definition of "serious health condition"), John could argue to his employer that he needs to stay home every Friday in order to provide "psychological comfort" to his wife so that she can endure the condition. In the event that a doctor certifies to that need, the employer would have a difficult time denying the employee the leave. Few doctors would be inclined to deny such a request.

- **Protections in the bill do not appear adequate to deal with potential abuses to the system.**

Currently, employers experience abuse associated with the unpaid leave policies now in place. Paid leave decreases incentive for an employee to return to work as compared to an unpaid leave.

- **PFL could cause some employers in response to adopt a rigid policy for time off that could actually make it more difficult for employees to get time off.**
[The employer may require employees use a maximum of two weeks of available fully-paid accrual leave provided by the employer before receiving benefits under the legislation.]

The bill imposes a government system of paid leave on business, thereby eliminating flexibility for employers and employees. Most employers (but not all admittedly) provide their employees with some form of sick, vacation, and/or personal paid time off. And, most employers work with their employees to find an arrangement that meets the needs of both the employer and employee regarding time off to care for a sick family member. This legislation would put New Jersey out of synch with other States, thereby likely making us even more unfriendly to business.

- **NFIB (National Federation of Independent Business) estimates that a federal requirement for paid family leave would cost employers about \$9,600 every time a worker takes the full leave benefit.**

Statistics from the California model show that paid leaves average nearly five weeks out of the six weeks provided and nearly 90 percent of the claims were for leaves associated with a new child. That data underscores the point that many individuals will utilize the leave and will do so for the majority of the time provided under the legislation.