

HB 1460: Paid Family Leave

IBL Committee - 1/30/23

Testimony from Rep. Karla Rose Hanson

Chairman Louser and members of the Committee,

My name is Karla Rose Hanson and I represent District 44 in Fargo. Today I am introducing HB 1460, which would create a Paid Family Leave program in North Dakota.

Paid Family Leave addresses a problem that too many North Dakotans face today: choosing between their paycheck and caring for themselves or a loved one.

This bill enables us to develop an optional, state-facilitated paid family leave program that is funded through contributions from employees and/or employers. When a worker has an eligible event like the arrival of a new child, or their parent faces their last weeks of life, they would withdraw from the fund instead of getting a salary from their employer. This enables them to care for themselves or a loved one while also maintaining financial security.

Why North Dakota needs Paid Family Leave Now:

1. **Pro-family:** Paid family leave enables North Dakotans to care for their own family members – aligning with our family values. Additionally, those without a paid leave option at work are often the very people who will most benefit from the financial security it provides.
2. **Pro-business:** Paid family leave helps businesses recruit and retain talent.
 - Retention: When employees face these infrequent but significant events, paid family leave helps businesses retain them long-term. Today, these employees can just quit, knowing they can get another job later in the tight labor market. That means employers face the costs and time of re-recruiting and re-training talent, which is challenging with today's workforce shortages. Research indicates that paid family leave leads to higher loyalty, greater productivity, and higher retention among employees.
 - Competition: South Dakota is expanding its public and private paid family leave programs, and Minnesota is likely to pass a paid family leave program this year. North Dakota can remain competitive with its neighboring states by passing HB 1460, giving new businesses and new workers another reason to move here.
 - Level playing field: I often hear - let's leave it to companies. They can offer paid leave benefits themselves. But the fact is, most don't. Most simply can't. Small businesses often can't offer the same benefits as large corporations. Participating

in a larger pool via a state-facilitated program would help them compete for the same talent as big companies that offer robust paid leave benefits.

- **All workers covered:** Private-market offerings often have participation minimums, leaving out most ND small businesses. This proposal also supports the growing gig economy, allowing independent contractors and sole proprietors to participate.
3. **Eases our childcare crunch:** More than 10,000 babies are born every year in ND. Most childcare providers don't accept these infants until they are 6 weeks old, and most parents don't have 6 weeks of paid time off, so they're in a bind. Paid family leave helps new parents stay home with their new babies during those first critical weeks, and also a few extra weeks, reducing the demand on childcare facilities a bit.

How would this Paid Family Leave Program Work?

The US Family & Medical Leave Act (FMLA) guarantees 12 weeks of job-protected time off to eligible employees for certain family caregiving needs. However, nearly half of ND's workers don't qualify for FMLA protections, and for those that do, that time off is unpaid. Taking unpaid leave from work creates financial challenges, essentially putting it out of reach.

This bill builds on FMLA. In this state-facilitated program, employers & employees invest together in a paid leave policy as an earned benefit – similar to an insurance fund.

How much is paid in? Each employee participating in the program shall contribute to the fund six cents for every \$10 of wages. That can be paid entirely by the employee, entirely by the employer, or split between them. That flexibility is an important feature.

So, what does that actually look like?

- The average wage for a North Dakota worker is \$56,851.
- Six cents for every \$10 in wages equals \$341 in annual contribution or \$6.50 / week.
- If split between employer and employee, that equates to the cost of a cup a coffee each week for each party.

Who can take leave? To take leave, an employee needs to have accrued 500 hours of service and have an eligible event – most commonly, to care for a serious health condition in themselves or in a family member or to care for a new child who joined your family through birth, adoption or foster care.

What are the benefits to the employee? The program would pay 66% of the employee's average weekly wages with a maximum of \$1,000 per week, for up to 12 weeks a year.

What are the benefits to the employer? Besides enjoying higher employee retention rates, a business is entitled to a state income tax credit equal to 20% of the contributions paid by the business on behalf of the employee.

How would it be rolled out?

The fund will be started by a \$5 million loan from the Legacy Fund interest earnings, to be paid back over 20 years. During the first year, staff would set up the program and develop administrative rules.

Eligible employees and employers may contribute to the fund beginning July 1, 2024.

Eligible employees may withdraw from the fund for an eligible event beginning July 1, 2025.

How will this impact small businesses?

While participation in the ND Paid Leave Program is optional, if an employee participates and has a qualifying event, the employer must allow the employee to take time off. Businesses with a small number of employees may be concerned about how one employee's absence could be a burden. We should recognize that the employee would frequently take the time off regardless if we have this program or not – either as unpaid time off or they would simply quit, knowing there are plenty of open jobs out there for them to take later. Most of these caregiving situations are not optional or frivolous: a baby's arrival, mandatory bedrest, cancer treatment, or your parent dying. Most business owners want to do right by their employees, they want their workers to be financially stable during these infrequent but significant life events, and they want them to return to work. This helps on all those fronts.

How do we compare to other states?

11 states + DC have paid leave programs. Colorado passed its program through initiated measure; the rest were passed by legislatures. All are funded through required payroll taxes. Some are funded jointly by employees and employers; some are by one or the other.

Minnesota is likely to pass its paid leave bill this year. And last week South Dakota Gov. Noem announced plans to expand its existing paid leave program for public employees and to provide \$20 million to help private businesses provide paid family leave benefits.

Conclusion

Too many North Dakotans face an impossible choice: their paycheck or caring for their new baby... their financial security or being by their mother's side during her last weeks on Earth. At the same time, ND businesses are struggling to recruit and retain workers, and childcare providers have more demand than capacity.

We can address each of these challenges by creating a Paid Family Leave Program in ND. The legislature has the decision-making power and the financial resources to make a meaningful difference in the lives of thousands of North Dakotans and help businesses be more competitive in recruiting and retaining workforce.

Paid Family Leave is needed, and it's a win-win for families and businesses. I respectfully ask this committee for a do-pass recommendation on HB 1460.