Oregon State Council
SEIU
Stronger Together

April 4, 2017

To: Chair Lively and Members of the Early Childhood and Family Supports Committee

Fr: Matt Swanson, SEIU Oregon State Council

Re: House Bill 3336 -- Opposition

On behalf of the more than 60,000 members of the Service Employees International Union, I am pleased to offer this testimony about an issue of immense importance to working Oregonians – paid family leave. There are many ways to develop policies that protect workers who need time to deal with an important life event like a pregnancy, birth of a child or major illness.

We appreciate the growing interest in expanding access to paid family and medical leave, and actively seek bipartisan support. Any effective proposal should cover all workers, be affordable, accessible, comprehensive and inclusive.

Unfortunately, we cannot support using tax credits to expand access to paid leave because, unlike a paid family and medical leave insurance program, a tax credit will increase, rather than decrease, unequal access to paid leaves. The vehicle this bill contemplates to provide replacement income is also insufficient. The idea of family leave savings accounts, also known as "pregnancy 401ks" flips the idea of a long-term savings account on its head.

The Center for American Progress authored a review of these proposals, a highlight in their analysis illustrates the short comings of such proposals,

"Unfortunately, creating 401(k)-style accounts to fund paid leave is also unlikely to expand access for low- and middle-income families. For prospective new parents, the proposal is especially problematic—given that the average age at which a woman has her first child is 26—since workers would be attempting to save during their lowest earning years. Furthermore, there would be very li le time for any contributions to compound before workers needed to use them. Saving up for 12 weeks of unpaid leave means setting aside the equivalent of 23 percent of annual income, in addition to paying rent, living expenses, and any student loan debt, as well as saving for other costs or retirement is a tall order for people who are early in their careers. As an example of how di cult it is for young adults to save, 43 percent of Millennials ages 18 to 34 report that they would probably or certainly be unable to come up with even $2,000 to cover an unexpected cost on the short term."

Tax credits will not produce leave for low-wage workers, who are disproportionately women and people of color and least likely to have savings to fall back on. At the same time, these workers will likely foot the bill for these tax credits that benefit wealthier individuals and businesses. Ultimately, without offsetting revenue, we are concerned that programs could be put at risk. The average worker will either lose more income to taxes to offset the credit, or find basic government services at risk. In either case, working people are the ones who pay the price for such tax credits without benefiting from them.

A better approach to ensuring that all workers have access to paid family and medical leave would be a social insurance program as proposed in HB 3087. This will pool small contributions from employers and employees to provide wage replacement while workers are out on leave. It will also include protections for employees taking paid leave so they cannot be fired or retaliated against for taking needed leave.