

“Grand Bargain”

June 20, 2018

Agenda

- Summary of the “Grand Bargain”
- Process and stakeholders
- Sales tax
- Minimum wage
- Paid family and medical leave

Summary of the “Grand Bargain”

- Sales tax
 - Permanent sales tax holiday weekend in August
 - No sales tax cut
- Minimum wage
 - Minimum wage increases to \$15 over 5 years
 - Tipped minimum increases to \$6.75 over 5 years (45% of regular min wage)
 - No indexing
 - No teen/training/subminimum wage
 - Sunday/holiday premium pay phased out over 5 years
- New paid family and medical leave benefit program for most workers in Massachusetts

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Process To Reach Agreement

- Goal was to negotiate agreement that removes sales tax cut, minimum wage, and PFML questions from the 2018 ballot
- PFML working group was launched last November
 - Discussion facilitated by Chairs of LWD Committee
 - Representatives of Raise Up Massachusetts (RUM)
 - Representatives of business community (AIM, Greater Boston Chamber of Commerce, Mass Business Roundtable, Greater Springfield Chamber of Commerce)
- Starting May 1, the Senate President and Speaker expanded the negotiations to include all 3 ballot questions, and both sides added additional negotiators to represent more stakeholder groups
- Deadline is July 3 – last day to withdraw ballot petitions

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Sales Tax Provisions

- Annual two-day sales tax holiday weekend in August
 - Which weekend will be determined each year by July 1 by joint legislative resolution
 - If legislature does not act then DOR Commissioner will set the date
- No reduction in sales tax rate

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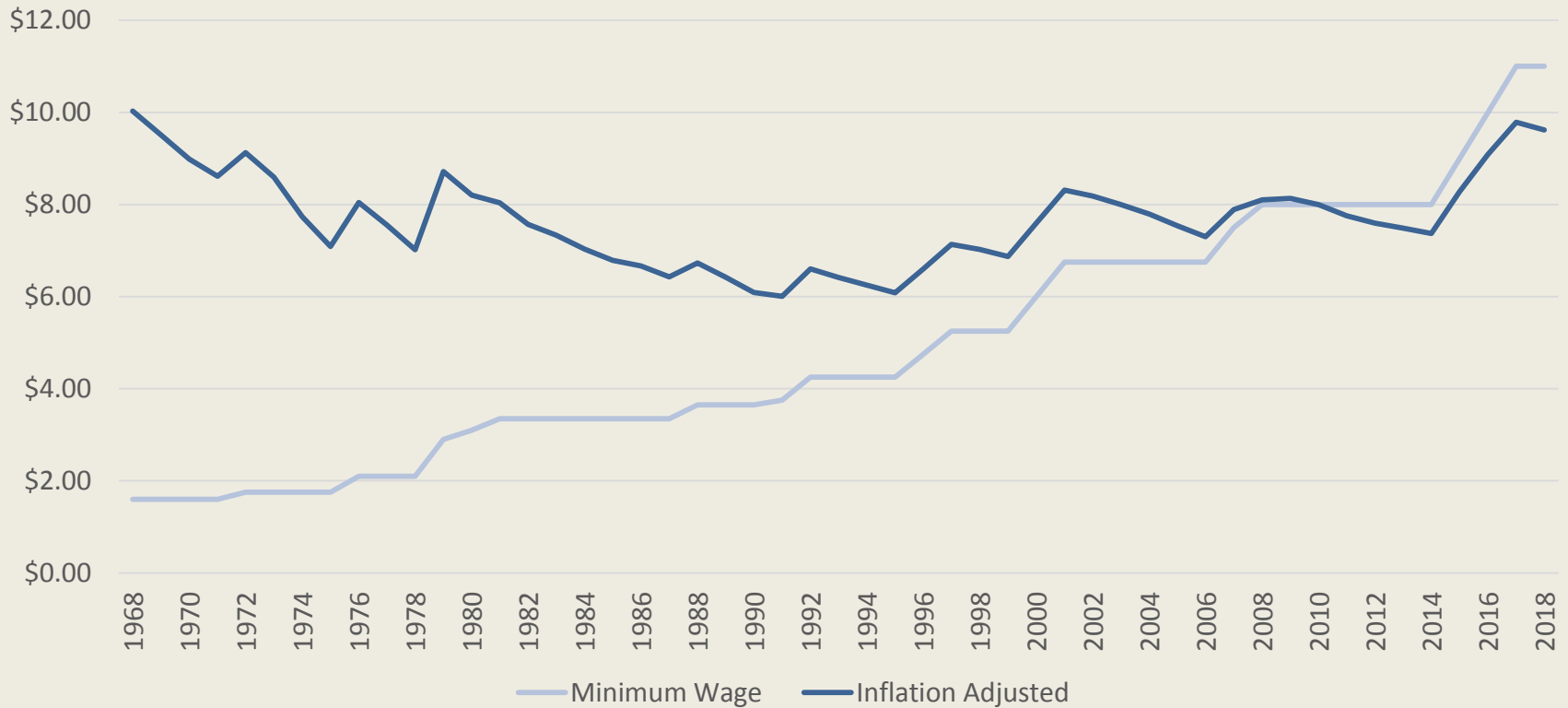
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Current Minimum Wage

- \$11 an hour
- Not indexed
- Tipped wage is \$3.75 an hour (34% of regular min wage)
- No teen/training/subminimum wage
- Sunday/holiday premium pay of 150% required for certain retail workers
- Last updated by legislature in 2014

Historical Minimum Wage

Massachusetts Minimum Wage
In Nominal and Real Dollars, 1968-present



States/Cities with Higher Min Wage

State	Minimum Wage	Year of Final Implementation
Massachusetts	\$11.00	2017
Arizona, Colorado, Maine	\$12.00	2020
New York	\$12.50	2020
Oregon, Washington	\$13.50	2020
Portland	\$14.75	2020
Washington DC, New York City	\$15.00	2020
California	\$15.00	2022

Tipped Wage Compared to Other States

On average, Massachusetts allows a lower tipped minimum wage than our peers



45 states have a tipped wage lower than the regular minimum wage (5 states have no tipped minimum wage)

Subminimum Wage in Other States

- 39 states have a teen or training subminimum wage
 - Many based on the federal model (90 days at \$4.25/hr for u18)
 - Others based solely on age (i.e. all under age 18 earn \$x)
 - Some based on hours worked in a new industry
- Evidence is unclear if, or to what extent, teen subminimum wages result in greater teen employment or have any significant impact on business hiring

Sunday/Holiday Premium Pay

- Massachusetts blue laws derive from 1782 statute that governed activities on the “Lord’s Day”
 - Prohibitions and fines were placed on commercial activities on Sunday
 - Over time, sports games, certain retail sales, and other activities were allowed on Sunday
 - Red Sox played their first Sunday game in 1929
 - Retail shops first opened (legally) on Sundays and some holidays in 1983, but not until noon
 - In the mid-1990s, retail shops were allowed to open in the mornings, and workers were offered increased pay by statute to work on Sundays (premium pay)
 - Since the blue laws have been amended, Sunday work has been voluntary – retail employers may not force an employee to work on Sundays
- Today, only Massachusetts and Rhode Island require the payment of Sunday/holiday premium pay
 - Some employers do pay extra for Sundays, for example, the federal government provides 125% pay for certain employees
- Retailers argue that premium pay is cost prohibitive

Impact of a Minimum Wage Increase

- Raises wages for approximately 950,000 workers (29% of Mass workforce)
 - 91% are age 20 or older
 - 56% are women
 - 57% work full-time

Proposed Minimum Wage Increase

- 5 year phase-in to \$15.00
 - 1/1/2019 – increases \$1.00 to \$12.00
 - 1/1/2020 – increases \$0.75 to \$12.75
 - 1/1/2021 – increases \$0.75 to \$13.50
 - 1/1/2022 – increases \$0.75 to \$14.25
 - 1/1/2023 – increases \$0.75 to \$15.00

Proposed Tipped Wage Increase

- 5 year phase-in to \$6.75
 - 1/1/2019 – increases \$0.60 to \$4.35
 - 1/1/2020 – increases \$0.60 to \$4.95
 - 1/1/2021 – increases \$0.60 to \$5.55
 - 1/1/2022 – increases \$0.60 to \$6.15
 - 1/1/2023 – increases \$0.60 to \$6.75
- Once fully phased in will be 45% of regular minimum wage
- Workers must make at least minimum wage for each shift worked (rather than pay period as required under current law)

Proposed Premium Pay Phase-Out

- 5 year phase-out
 - 1/1/2019 – decreases to 140% of base pay
 - 1/1/2020 – decreases to 130% of base pay
 - 1/1/2021 – decreases to 120% of base pay
 - 1/1/2022 – decreases to 110% of base pay
 - 1/1/2023 – decreases to 100% of base pay

Other Minimum Wage Provisions

- No indexing
- No teen/training/subminimum wage

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Paid Family and Medical Leave

- Paid Family Leave (PFL) is paid leave for a worker to:
 - Bond with a child after a birth, adoption, or foster placement
 - Care for a family member with a serious medical condition
- Paid Medical Leave (PML) is paid leave for a worker's own serious medical condition

Family and Medical Leave Act (FMLA)

- Up to 12 weeks
- Unpaid
- Job protected
- Doesn't apply to employers with <50 employees
- Worker is eligible after one year of work and must have worked at least 1,250 hours during the past 12 months
- Only about 60% of the workforce is eligible for FMLA

What MA Law Currently Requires

- MA Parental Leave Act
 - Requires employers with 6 or more employees to provide 8 weeks of unpaid, job-protected leave for birth or placement of a child for adoption to mothers and fathers
- MA Earned Sick Time Law
 - Most workers can earn and use up to 40 hours of job-protected sick time per year to care for themselves or a family member; leave is unpaid if employer has fewer than 11 employees.

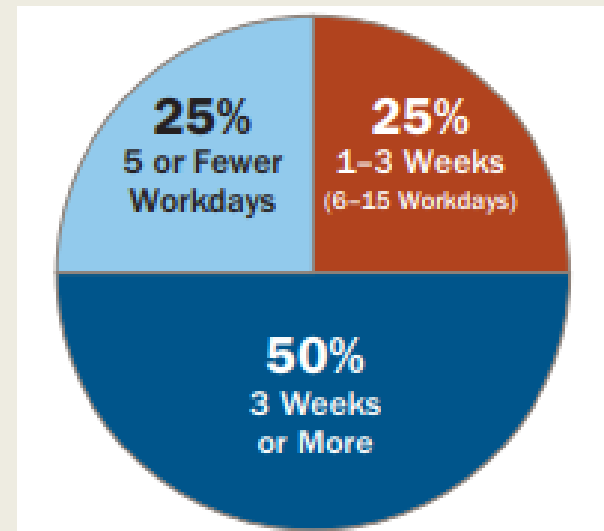
Current Access to Paid Leave

- 13% of New England employers provide PFL
- 39% of New England workers have short-term disability policies (PML)
- High earners are 4 times more likely to have access to paid leave than low-wage workers

Current Snapshot of Leaves in MA



- New Child Bonding (8%)
- Pregnancy (7%)
- Own Health (61%)
- Family Member's Health (24%)



Benefits of PFML

- For Employees:
 - Expands access to leave
 - Reduces inequality for workers of color, low-wage earners, and women
 - Helps prevent bankruptcies
- For Employers:
 - Shared cost of providing leave, particularly for small businesses
 - Reduced employee turnover
- For Society:
 - Promotes infant and maternal health
 - Keeps women in the workforce
 - Reduces reliance on public assistance

Business Concerns about PFML

- Cost of premiums
- Hiring replacement workers
- Punishing employers who already provide it
- Employee abuse and fraud
- Compliance/interaction with new state agency
- Additional burden/mandate on business

States with PFML Programs

- Rhode Island
- New Jersey
- New York
- California
- Washington
- Hawaii (PML only)

Key Policy Considerations

- Eligibility
- Length of leave
- Wage replacement rate
 - Flat rate vs. tiered structure
 - Weekly benefit cap
- Job protection
- Premium cost split
- Treatment of small employers
- Family members covered by PFL
- Treatment of self-employed individuals
- Employer opt-out
- Program administration, oversight and enforcement
- Implementation schedule
- Total cost

Employee Eligibility

- An employee who meets the financial eligibility requirements for unemployment insurance (UI) or former employee who met the financial eligibility requirements of UI and has been separated from employment for 26 weeks or less
 - Must have earned at least \$4,700 during the last 4 completed calendar quarters and 30 times the weekly benefit amount the employee would be eligible to collect

Length of Leave

- Family Leave: 12 weeks
- Medical Leave: 20 weeks
- Military Exigency Leave: 26 weeks
- Annual Cap: 26 weeks

Wage Replacement Rate

- 80% of an individual's average weekly wage up to 50% of the state average weekly wage (SAWW)
- Then 50% of an individual's average weekly wage up to the weekly cap of 64% of SAWW (currently \$850)

Job Protection

- An employee who has taken PFML shall be restored to the employee's previous position, or to an equivalent position, with the same status, pay, and employment benefits
- An employer may not retaliate against an employee for using PFML

Premium Cost Split

- Employers with fewer than 25 employees
 - Employer not required to pay any premiums
 - Employee pays 40% of medical leave and 100% of family leave
- Employers with 25 or more employees
 - Employer pays 60% of medical leave
 - Employee pays 40% of medical leave and 100% of family leave
- Overall split is roughly 50/50

Family Members Covered by PFL

- Family member is defined as:
 - A spouse, domestic partner, child, sibling, parent, parent of spouse or domestic partner, person who was like a parent to the employee when the employee was a minor, grandparent, or grandchild
- Child is defined as:
 - A biological, adopted, or foster child, stepchild or legal ward, a child to whom the covered individual stands in loco parentis, or a person to whom the covered individual stood in loco parentis when the person was a minor child

Self-Employed Individuals (SEIs)

- An SEI may opt-in to the state program for an initial period of not less than 3 years and shall not be eligible for benefits until contributions for 2 of the last 4 calendar quarters have been made
- An employer with more than 50% SEIs and a workforce size greater than 25 (employees plus SEIs) must pay the employer share of premiums for contracted SEIs who opt-in

Employer Opt-out

- Employers may meet their PFML obligations through a private plan if the plan provides equal or greater benefits at no greater cost to the employee
- An employer may provide one type of leave privately and another type through the state plan

Program Administration

- New Department of Paid Family and Medical Leave created within the Executive Office of Labor and Workforce Development (EOLWD)
- EOLWD responsible for enforcement of the new law
- Premium contributions paid into a newly established Family and Employment Security Trust Fund (established in the Office of the Treasurer)

Implementation Schedule

- Contributions begin 7/1/2019 for both PML and PFL
- PML and PFL to bond with a new child
 - Benefit payments begin 1/1/2021
- PFL to care for an ill family member
 - Benefit payments begin 7/1/2021

Total Cost

- Final cost projection is being calculated but estimated at \$750-800 million
- Payroll rate
 - Set at 0.63% in the bill but will very likely be adjusted lower by the Commissioner
 - Average weekly cost per worker estimated at \$4.00-4.50 (which would be split 50/50)

Summary Schedule

	Minimum Wage	Tipped Minimum Wage	Premium Pay	Paid Family and Medical Leave
2018	\$11	\$3.75	150%	
2019	\$12.00	\$4.35	140%	7/1: premium contributions begin
2020	\$12.75	\$4.95	130%	
2021	\$13.50	\$5.55	120%	1/1: PML and PFL bonding leave payments begin 7/1: PFL to care for ill family member payments begin
2022	\$14.25	\$6.15	110%	
2023	\$15.00	\$6.75	100%	