Harry Franzheim—an HR/OD Practitioner for over 30 years—has published this newsletter to bring you careful insight into reducing costs and unlocking employee potential.

newera HR

Keeping Costs Down and Productivity Up

SPRING 2018

AT ISSUE

First it was Initiative 1433 that went into effect in January. Now it's Paid Family and Medical Leave, which starts with premium assessments in 2019, and benefits in 2020. Get prepared!

"The Other Shoe"

HR Fact:

The Family and Medical Leave Act of 1993

1984 The earliest version, Family Employment Security Act (FESA), dies in Congress.

1990 The House and Senate pass the first FMLA, but the bill is vetoed by President George H.W. Bush saying it should be voluntary for businesses.

1992 The House and Senate once again pass the FMLA bill, but again, in an election year, President Bush vetoes the bill saying it would hurt the economy.

1993 President Bill Clinton, in his first major piece of legislation after his election, signs the Family and Medical Leave Act into law.

Did you hear that? That was the sound of the other shoe dropping! The first shoe was Paid Sick & Safe Time (PSST) voted in with Initiative 1433, which went into effect in January 2018. It requires that ALL employees accrue 1 hour of paid time off for every 40 hours worked. Under PSST, employees are entitled to use their accrual, after a 90-day waiting period, for care for themselves or their family members or when safety or health issues arise. This leave is "protected," which means an employer cannot take any adverse employment action against an employee exercising his/her right to the leave.

Starting in 2020, Washington will be the fifth state in the nation to offer Paid Family and Medical Leave benefits to workers. The program will be funded by premiums paid by both employees and many employers, and will be administered by the Employment Security Department. This insurance program will allow workers to take up to 12 weeks, as needed, when they welcome a new child into their family, are struck by a serious illness or injury, or need to take care of an ailing relative. If workers experience multiple events in a given year, they may be eligible to receive up to 16 weeks, or up to 18 weeks if the employee experiences a serious health condition with a pregnancy that results in incapacity. As directed by the Legislature, premium assessments begin on Jan. 1, 2019, and benefits can be taken starting Jan. 1, 2020. Bam! That's the sound!

Paid Family and Medical Leave allows workers up to 12 weeks time off as needed for:

Employees

Here is what this means to an employee: Most employees will see deductions in their paychecks starting the first pay period in January 2019 for benefits that they cannot use until 2020. A total premium of 0.4% up to the social security cap will be assessed to each employee. Generally

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speaking, the employee will pay 63% of that premium. So if you make $50,000 annually, the total annual assessment will be $200, of which $126.67 will be deducted from your paycheck per year, or about $2.60 per week or 6.5 cents per hour.

Employees become eligible for Paid Family and Medical Leave benefits after they have worked 820 hours (about 20.5 weeks) for covered employers starting Jan. 1, 2020. With this benefit, employees are entitled to wage replacement with a weekly minimum of $100 and a weekly maximum of $1,000, adjusted annually. The exact benefit amount is determined by your earned wages, the state median income, and other factors. Eligible employees are also entitled to 12 weeks of paid family leave or medical leave, or a combination of the two up to 16 weeks annually. In extreme circumstances, an additional two weeks of leave is permitted.

Employers

Here is what this means to an employer: If you have more than 50 employees on payroll you are "all in." If you have fewer than 50 you are not subject to the job protection requirements pertaining to leave taken under Paid Family & Medical Leave. You will still be required to withhold from the employee's paycheck their portion of the premium and to remit and report to the state, but the employer is exempted from your share of the premium.

"All in" employers (50 or more employees) must contribute to the premium cost per employee. In the example above, where the employee paid 63% of the premium, employers must contribute 37%. In the same example of $50,000 annual earnings, the annual premium would be $200 of which the employee contributes $126.67 and the employer would contribute $73.33 per year or 3.5 cents per hour.

Job Protection

Unless your business has fewer than 50 employees, all eligible leaves of absence under Paid Family and Medical Leave are protected, which means the employer cannot take any adverse employment action against an employee exercising his/her right to this leave. This is similar to the federal Family & Medical Leave Act (FMLA) so it should not be that hard to manage.

However, if you use a staffing agency to supplement your workforce, you may very well be assigned a worker that has satisfied the 820-hour waiting period and has protected leave rights!

Do the Math

While $126.67/year doesn't sound too terrible for an employee to have to pay for a guaranteed paid family and medical leave insurance policy, it may be prohibitive for a sizable employer. Take the example given and multiply 73.33 by 500 employees and you get over $36,000 in extra cost of doing business, which would likely be passed through to consumers. And don't forget that under this law, employees can legitimately be away from their jobs. So, not only do employers have to pay to play, they also have to endure the loss of productivity of missing employees and the added cost to administer such a program.

Fraud and Misuse

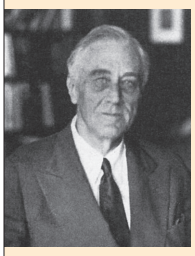
Like any other entitlement, this Paid Family & Medical Leave requirement will be ripe for abuse and misuse. Ask any human resources manager what keeps them up at night and they will say the federal Family & Medical Leave Act, more specifically the use of it intermittently! FMLA is a bear to track, and savvy, misguided employees know exactly how to play the game.

Shoeless in Seattle!

We are not arguing the merits of Paid Family & Medical Leave. But when we look at the increased costs of doing business given legislation like the Affordable Care Act, statewide minimum wage increases, Paid Sick and Safe Time, and this new requirement—Paid Family & Medical Leave—we wonder how it is all sustainable. The shoes just keep on coming off!

For more information on Paid Family & Medical Leave click here: https://esd.wa.gov/paid-family-medical-leave ne

Two Presidents and Two Attempts at National Health Insurance



In 1935, with the Great Depression raging on, many thought President Franklin D. Roosevelt with the New Deal would try to include compulsory health insurance with the Social Security legislation. But with millions out of work, and stiff opposition from the AMA, FDR feared that the entire Social Security legislation would not pass if health insurance were included.

FDR tried once again for national health insurance with the Wagner National Health Act of 1939. However, with the 1938 election bringing in more conservatives, the New Deal losing steam, and World War II coming on, the bill never received a vote.

President Harry Truman firmly believed in a single universal comprehensive health insurance plan. Submitting his bill in 1945, he was met with stiff opposition from Republicans ("We consider it socialism!"), the AMA ("It will make doctors slaves!"), the American Hospital Association, and the American Bar Association. After being elected in 1948, Truman tried again at health legislation but was denied. ■

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