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# The Massachusetts Paid Leave Program: What Workers Can Expect to Pay and Receive

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# THE MASSACHUSETTS PAID LEAVE PROGRAM

*What Workers Can Expect to Pay and Receive*

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On June 28, 2018, Massachusetts became only the sixth state in the country to provide partial wage replacement to workers that need to leave work for a serious health condition, the birth of a child, to bond with a new child, or to care for a seriously ill family member.[1] The new law is slated to be implemented in 2019 with payments while on leave to begin in 2021.

## Paid Leave: An Historic Victory

The statewide family and medical leave program will distribute the costs of wage replacement among all workers and expand access to those who currently do not have paid leave through their employer. Combined with the provision of job protection for workers on leave, Massachusetts' paid leave program will reduce the economic instability many workers now face when they leave without pay. The adoption of the program represents an historic victory for workers, especially for women because they disproportionately take more leaves than men to have children, to bond with them, and to care for relatives. In addition, the law is particularly beneficial to low-wage workers because they have considerably less access to paid leave from their employers.

The provisions of the program differ from those that were contained in bills under consideration by the Massachusetts legislature in 2018 and from those outlined in the Initiative Petition, sponsored by the Raise Up Massachusetts (RUM) coalition of labor, community and faith-based organizations that was slated for the ballot in November. The features of the statewide program signed into law by Governor Baker were the result of several months of discussions among key legislators, business leaders, and representatives from RUM.

Massachusetts' paid family and medical leave program also helps levels the employment playing field as all workers taking a leave will be able to use such a program, regardless of the size of the firm or employer's willingness to provide paid time off. A provision in the legislation exempts employers with fewer than 25 employees from contributing to the program, thus alleviating the minor, but additional cost to them. This brief outlines the key elements of the new Massachusetts paid leave program and discusses the amounts workers at various wage levels will contribute and the level of benefits they will receive if they use the program.

## The New Program: Key Features

Table 1 depicts the main provisions of the paid leave program.

**Table 1. Key Provisions of the Massachusetts Paid Family and Medical Leave Insurance Program**

| | |
|---|---|
| **Eligibility** | Same as for Unemployment Insurance* |
| **Maximum Leave Length** | Up to 12 weeks for family leave; up to 20 weeks of medical leave; up to 26 weeks for family leave to care for condition caused by active military duty; total leave weeks capped at 26 weeks in a year |
| **Maximum Weekly Wage Replaced** | $850; adjusted annually to 64% of the average weekly wage** |
| **Wage Replacement Rate** | 80% of weekly wages to one half of the average weekly wage; then 50% of weekly wages up to the maximum wage replacement amount |
| **Job Protection** | Up to 26 weeks |
| **Waiting Period** | 1 week |
| **Wages Subject to Contribution** | Wages up to the maximum amount subject to Social Security contributions*** |

*These provisions are approximately 15 weeks worked and $4,600 earned over the previous year.
**The average weekly wage (AWW) is determined annually every October for Workers Compensation benefits. The AWW in October 2017 was $1,338.05.
***This amount is $128,400 in 2018.

Medical leaves are for a serious medical condition and pregnancy. Family leaves are taken to bond with a new child or to care for a family member with a serious health condition. The legislation provides for an expansive definition of family member, including a spouse, domestic partner, child, parent, parent of a spouse or domestic partner of the employee; a person who was like a parent to the employee when the employee was a minor; a grandchild, grandparent, or sibling of the employee.

Self-employed workers can also avail themselves of the program. They must meet the monetary requirements of the Unemployment Insurance program, with four consecutive quarters of earnings reported, and must join the program and contribute into the program for at least three years. Federal government workers are exempt as are municipal workers (cities and towns can vote to join the program and cover employees).

### Payroll Contributions and Benefits Received

The program will be funded using employer and employee payroll contributions; however, employers with fewer than 25 employees are exempt. The family leave portion is funded entirely through employee contributions, while medical leaves are funded by both employers and employees, with employees contributing up to 40% of the payroll assessment and employers contributing no less than 60%. Based on the *Albelda Clayton-Matthews/Institute for Women's Policy Research Paid Family Leave Simulator*, a model used to estimate the usage, costs, and coverage of paid leave programs[2], we find that medical leave costs are 85.5% of total leave costs. Therefore, for the entire program, the cost of the program is almost evenly split between employees and non-exempt employers (49% falls to employees and 51% to employers). Using our model with the parameters outlined in Table 1, we estimate that the program will cost just under $750 million, not including administrative costs, with 146,000 leaves taken.

The legislation calls for an initial contribution rate of 0.63% on earnings up to the Social Security maximum contribution, which includes administrative costs. Table 2 (on next page) uses information from the five-year (2012-2016) American Community Survey (ACS) sample of employment and earnings of people employed in Massachusetts combined with the parameters of the new program to provide a sense of how much workers and their employers will be assessed for the program as well as the benefits paid while on leave. Including self-employed workers, there were 3,578,459 covered workers in Massachusetts in 2016.

Based on the contribution formula, contribution rate, and earnings information from the ACS, we estimate that the average annual cost per worker will be $258, which is split between employees and non-exempt employees.[3] Therefore, on average, workers will pay $129 annually or $2.28 a week, matched by non-exempt employers. In order to get a better sense of how much low-wage, typical, and high-wage workers will pay and receive from the program, Table 2 provides the weekly amount individual workers at three different wage levels would contribute and would receive. The wages we use for such calculations include: the minimum wage of $13.50 in 2021 (when the program will be operating); the 2016 median weekly wage of $786 a week; and the earnings of a worker in the 90$^{th}$ percentile of all earners, which in 2016 was $2,325.

The median earner (the worker at the midpoint of all earners with half making more and half making less) in Massachusetts makes $786 a week (or $40,872 if working all 52 weeks a year) and would be assessed a weekly contribution of $2.48. Based on this weekly wage, the median earner would receive just under $587 a week[4] when out on an approved paid family or medical leave (after a one-week waiting period). In 2021, a $13.50 an hour minimum wage employee working full-time would earn $540 a week ($28,080 annually) and be assessed $1.70 a week ($88 annually) and would receive $432 a week when on leave. The worker at the 90$^{th}$ earning percentile (i.e. earning more than 89% of all workers in Massachusetts) made $2,325 a week (at 52 weeks, with annual earnings of $120,910) in 2016. Using 2016 wages and the $118,500 Social Security payroll contribution cap, this worker would pay the maximum weekly amount of $7.18 and would receive the maximum amount of $850 when on leave.

As Table 2 on the next page demonstrates, the higher the wage the higher the monetary value of the benefit. However, the program is built to provide lower-wage workers with a higher percentage of wage replacement than higher-wage workers. The minimum wage worker's pay is replaced at 80%, while the median worker receives 75%, and the worker near the top of the wage ladder (90$^{th}$ percentile) receives 37% of weekly earnings. This feature works to reduce the current inequities in employment benefits, with low-wage workers being the least likely to get paid time off from employers when on a family or medical leave and often the least likely to be able to afford to lose any pay when not at work. Employers competing for the highest-wage workers will still be able to offer attractive benefits by providing additional or more generous benefits than the Massachusetts program.

| Table 2. Weekly Wage, Contribution, and Benefit of Minimum Wage, Median, and 90th Percentile Worker under New Paid Leave Program | | | |
|---|---|---|---|
| | **Weekly Pre-tax Wage** | **Weekly Employee Contribution** | **Weekly Benefit** |
| **Minimum wage (2021)*** | $540 | $1.70 | $432.00 |
| **Median earnings (2016)** | $786 | $2.48 | $586.76 |
| **90th percentile earnings (2016)** | $2,325 | $7.18 | $850.00 |

*Hourly wage is $13.50; assumes employee works full-time at 40 hours a week.
Note: To calculate contributions and benefits we use the 2016 average weekly wage ($1,291.74) and the 2016 Social Security payroll cap on contributions ($118,500) to better match with the ACS data years.

## Addressing Needs and Reducing Inequities

In conclusion, Massachusetts' adoption of a paid family and medical leave program acknowledges the current realities of its labor force by allowing workers partial wage replacement for pregnancy leave, own health conditions, and to care for family members. It further shows how possible it is to craft a program that addresses the needs of employers and employees and reduces current workplace inequities.

[1] The other five states are California, New Jersey, New York, Rhode Island, and Washington. Washington DC has also passed a paid leave program.
[2] Please see the report *Paid Family and Medical Leave: Cost and Coverage Estimates of Three Choices in Massachusetts* for more detail on the model.
[3] This is calculated by summing up all capped earnings of eligible employees (minus half of the earnings of workers in firms with fewer than 25 workers) multiplying by .0063 (the contribution rate) and then dividing by the total number of eligible employees.
[4] That is determined as 80% of the wages up to half of the average weekly wage of $646 in 2016, plus 50% of the additional wage of $140.