

Washington
Paid Family & Medical Leave



Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

Wednesday, December 18, 2024

Agenda

Introductions and approval of September & October minutes

Director update

UW job protection report

JLARC report

Legislative update

Open comment

Meeting structure

Only committee members and presenters will be unmuted during the meeting.

We ask members of the public to hold comments until Open Comment.

Comments and questions in chat will not be reviewed during Open Comment.

Introductions

Advisory committee members will introduce themselves in-person or online.



Approve September & October minutes



Director updates

Beth Marchand, Interim Division Director

Budget freeze

Governor directive for all state agencies under his control to freeze hiring, service contracts, equipment purchases, and travel.

Agency approach

Staffing

Next steps

Job protection report

Dr. Heather Hill, University of Washington

WA PAID LEAVE & JOB PROTECTION

Final Report

Heather D. Hill, Professor
hdhill@uw.edu



EVANS SCHOOL OF PUBLIC POLICY & GOVERNANCE

UNIVERSITY *of* WASHINGTON

THE STUDY

- ESSB 5187, Section 225(22) allocated funds to study WA Paid Leave and job protection
- Conducted by UW team under contract with ESD
- Consulted with the PFML Advisory Committee three times
- Data shared between ESD and UW at the UW Data Collaborative under data sharing agreement
- All research activities approved by UW IRB



JOB PROTECTED LEAVE

Time off from work to care for self or family member in which the worker is legally guaranteed the right to return to the same or an equivalent job after leave

JOB PROTECTION WITH WA PAID LEAVE

WA Paid Leave offers job protection if the leave user:

- works for an employer with 50+ employees in Washington
- for at least 1 year and 1,250 hours.

Only source of protected paid leave for longer periods and for caring for a new child.

Among the 13 states with paid leave programs, WA restricts job protection the most, especially for family leave.



RESEARCH QUESTIONS

1. What percentage of workers covered by WA Paid Leave are estimated to have job protection?
2. Does job protection relate to take-up of WA Paid Leave, employment after leave, or Unemployment Insurance receipt after leave?
3. What do workers know and think about protected leave?

RESEARCH ACTIVITIES

Program data analysis

WA Paid Leave quarterly wage reports from employers

WA Paid Leave claims data

Unemployment insurance claims data

Original data collection from workers

Interviewed 31 WA Paid Leave users

Conducted 2 focus groups with workers who had not used the program in Yakima & Pierce Counties



KEY FINDINGS

WE ESTIMATE THAT 53% OF WORKERS WITH AN ELIGIBLE EMPLOYMENT HISTORY FOR WA PAID LEAVE HAVE JOB PROTECTION

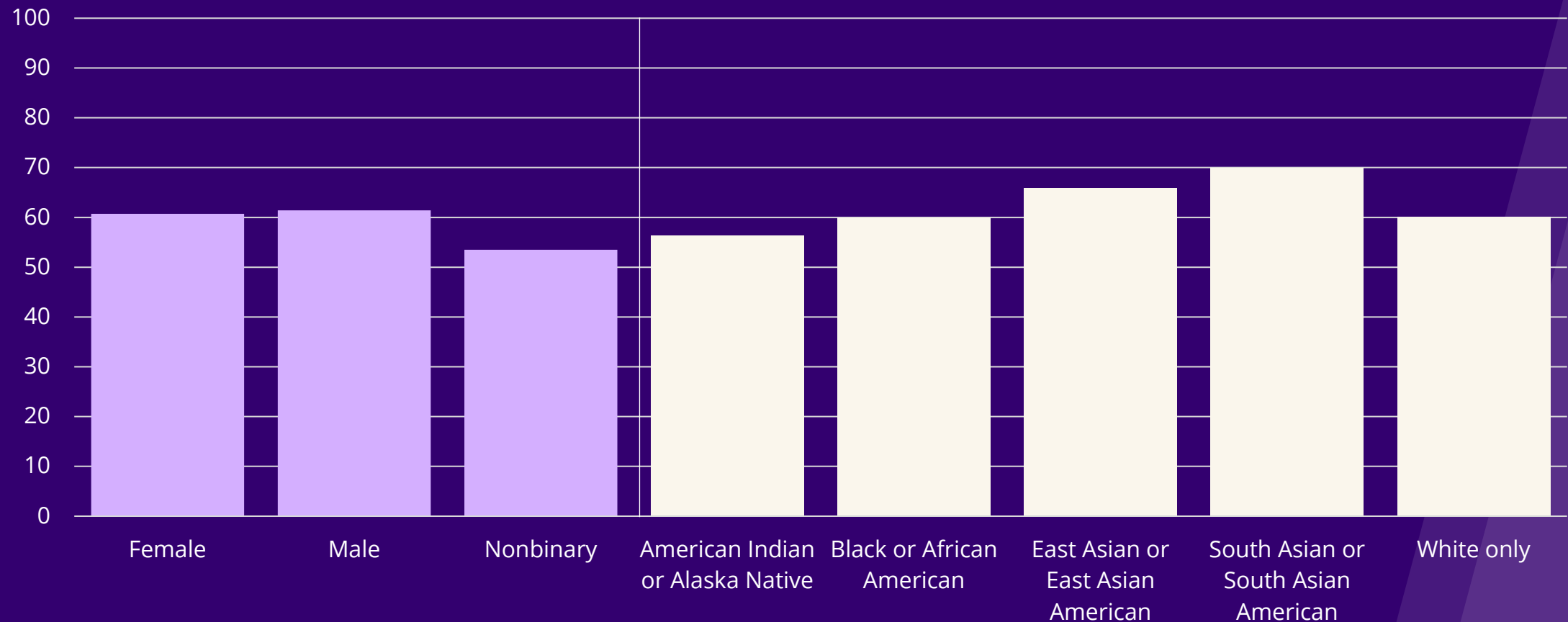
Job protection rates vary by worker earnings

16% for lowest earnings workers
vs.
70% for highest earning workers

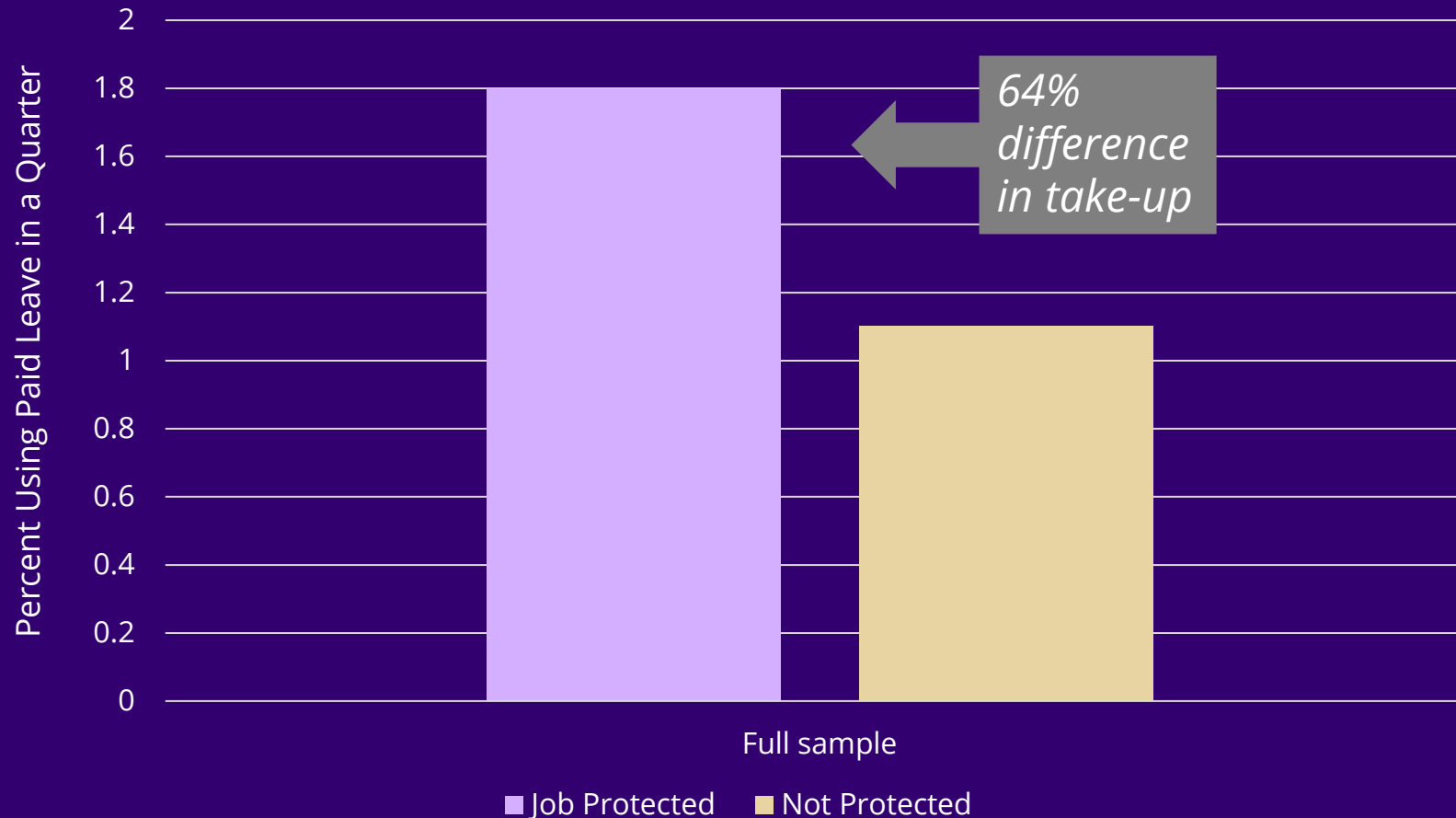
Some industries have job protection rates of 30% or less

Accommodation & food service
Other services
Mining, oil & gas extraction
Construction
Arts, entertainment, & recreation

AMONG LEAVE USERS, NO LARGE DIFFERENCES IN JOB PROTECTION BY GENDER OR RACE/ETHNICITY

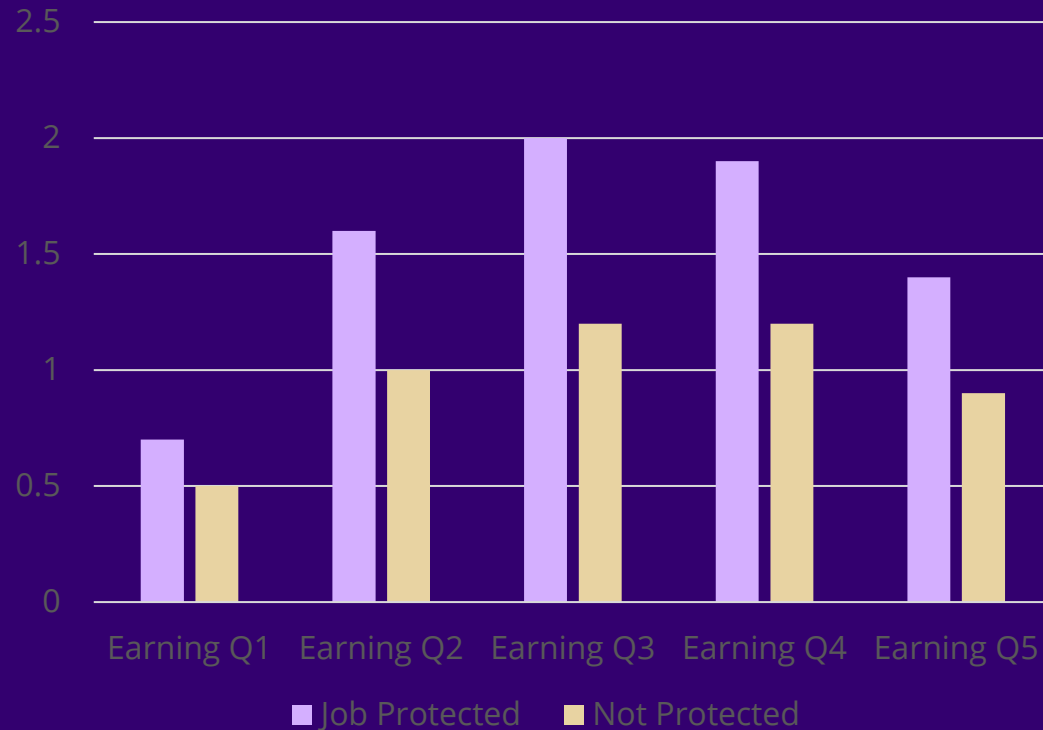


JOB PROTECTION IS ASSOCIATED WITH A 0.7 PERCENTAGE POINT DIFFERENCE IN THE LIKELIHOOD OF USING LEAVE



JOB PROTECTION & PROGRAM TAKE UP BY EARNINGS & INDUSTRY

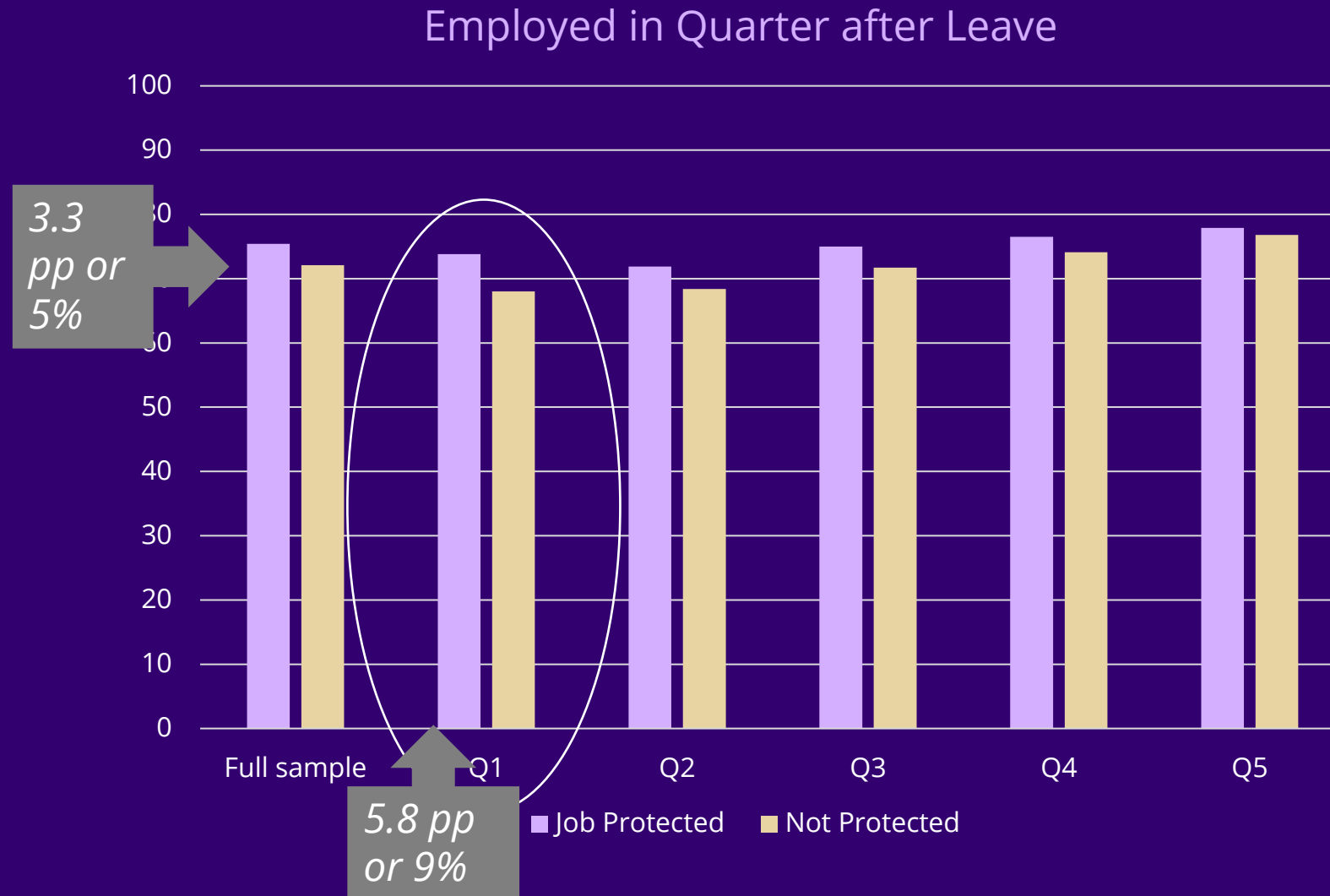
Largest Association for Middle Earning Groups



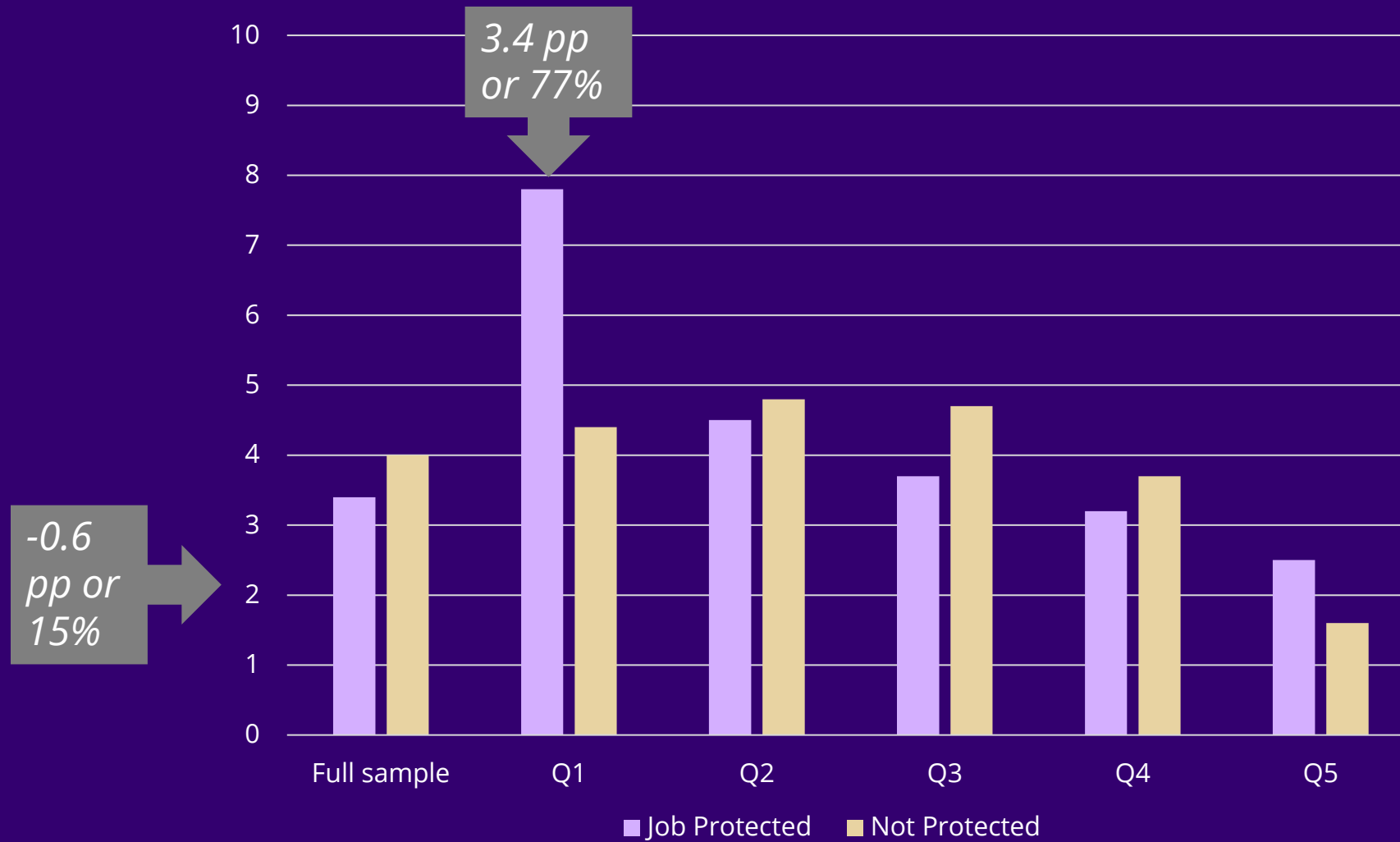
True in Most Industries, with Some Exceptions

- No difference in take-up by job protection: Mining, public administration, educational services
- Lower take-up with job protection: Utilities

JOB PROTECTION IS POSITIVELY ASSOCIATED WITH EMPLOYMENT AFTER LEAVE, ESPECIALLY FOR LOWER EARNING WORKERS



JOB PROTECTION IS NEGATIVELY ASSOCIATED WITH UI RECEIPT



WORKER UNDERSTANDING OF JOB PROTECTION IS OFTEN VAGUE

- Most know about the general idea of job protection
 - Confusion about the source of job protection while on WA Paid Leave
 - Confusion about eligibility for WA Paid Leave benefits versus job protection
- Few had discussed job protection with supervisor, HR staff, or other authority at work
- Several doubted that job protection could be enforced

SENSE OF JOB SECURITY FOR WORKERS IS BROADER THAN LEGAL JOB PROTECTION

- Those who had taken leave did NOT describe job protection as a key factor in the decision
 - Often health situation was too urgent
 - Some felt security from long tenure, knowing their value, trusting their employer
- Those who had not taken leave could not imagine feeling secure enough to do so

RECOMMENDATIONS

1. Expand eligibility for job protection to increase equitable access to the program
2. Provide more direct communication to workers and employers about job protection as a distinct component of WA Paid Leave
3. Consider giving ESD authority and resources to collect data from employers about post-leave employment.



QUESTIONS?

JLARC report

Zack Freeman & Joshua Karas



PFML Advisory Committee

Paid Family and Medical Leave

Zack Freeman, Joshua Karas



December 2024



Legislative Auditor's conclusion

PFML expenses are likely to continue to exceed revenues in future years.

Changes to the rate formula could make the program more stable and promote financial sustainability.

Presentation overview

- Customer service
- Finances
- Administration
- Program use

ESD staff process applications and answer phones



Applications

- Initial benefit applications
- Weekly claims



Phones

- PFML call center

PFML staff member assignments

- Applications: 4 days/week
- Phones: 1 day/week

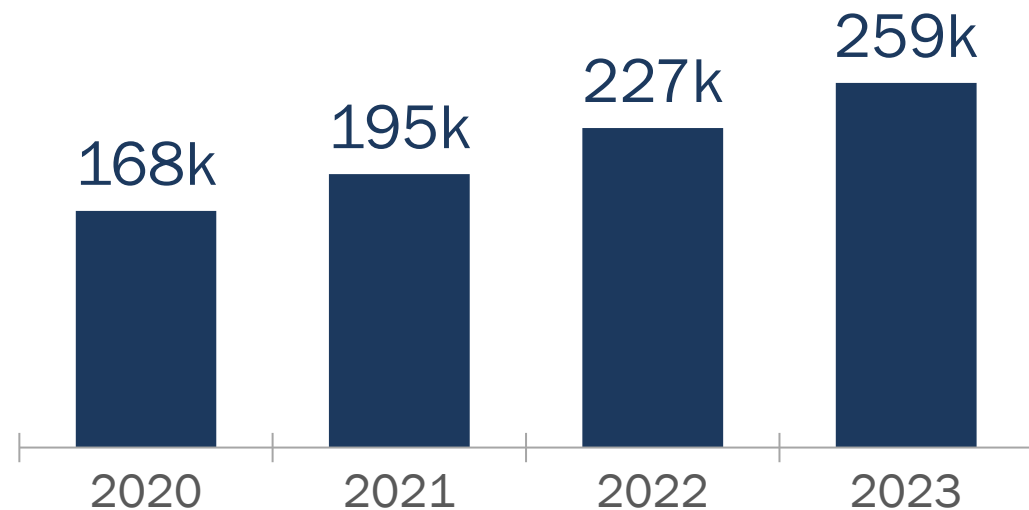


2024
Legislature
provided
funding for an
additional 49
FTEs

Number of applications and the percent approved increased each year

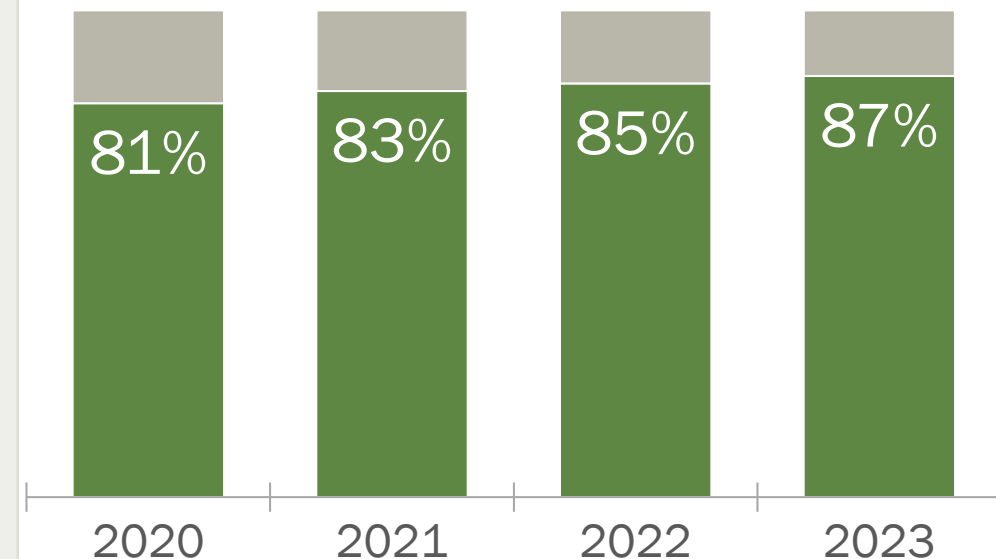
Applications

Increased by an average of 15% each year

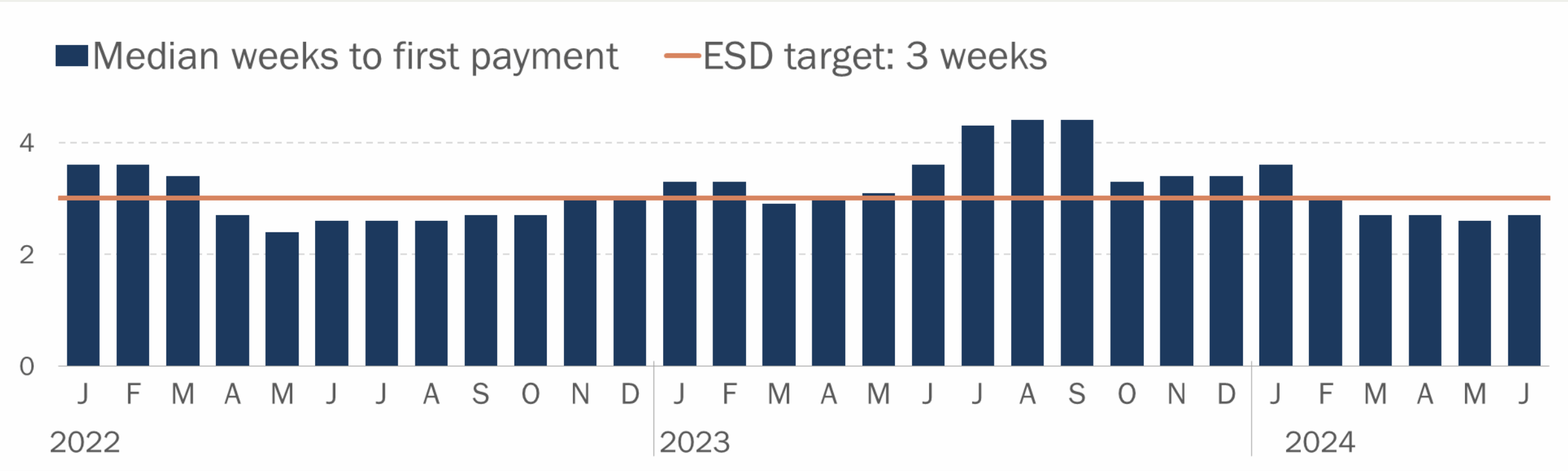


Approved applications

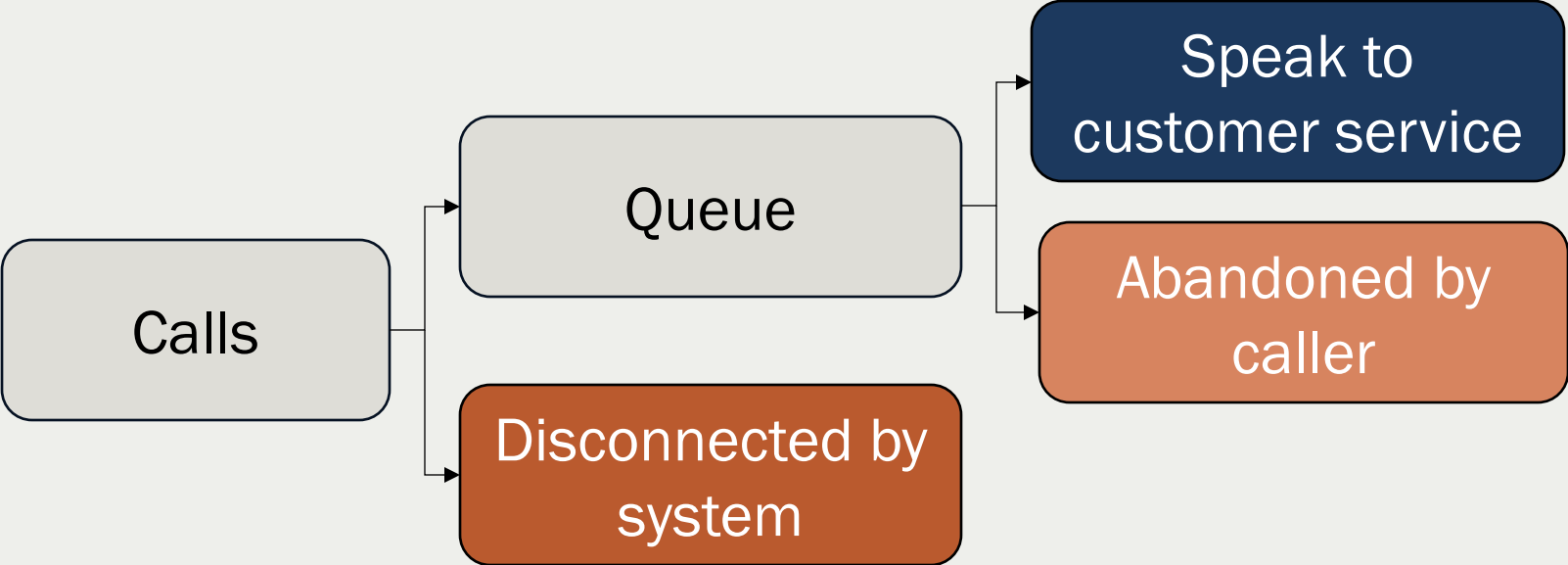
Increased from 81% to 87%



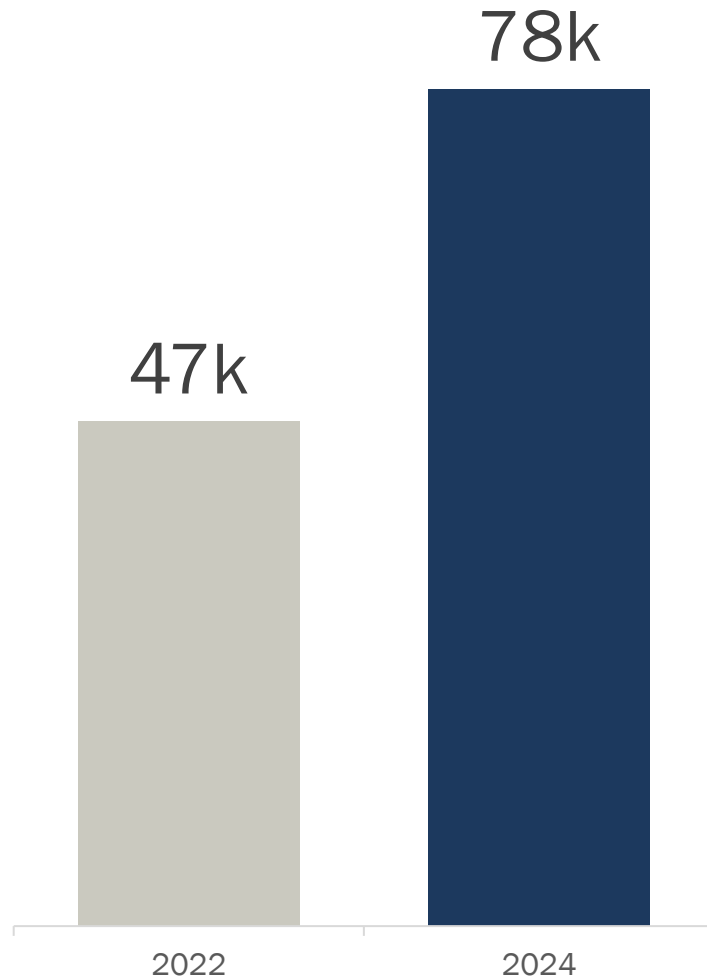
Employees wait two to four weeks for their first benefit payment



Phone tree divides calls by program and purpose



PFML call volume has increased



47k

Avg number of calls per month in 2022

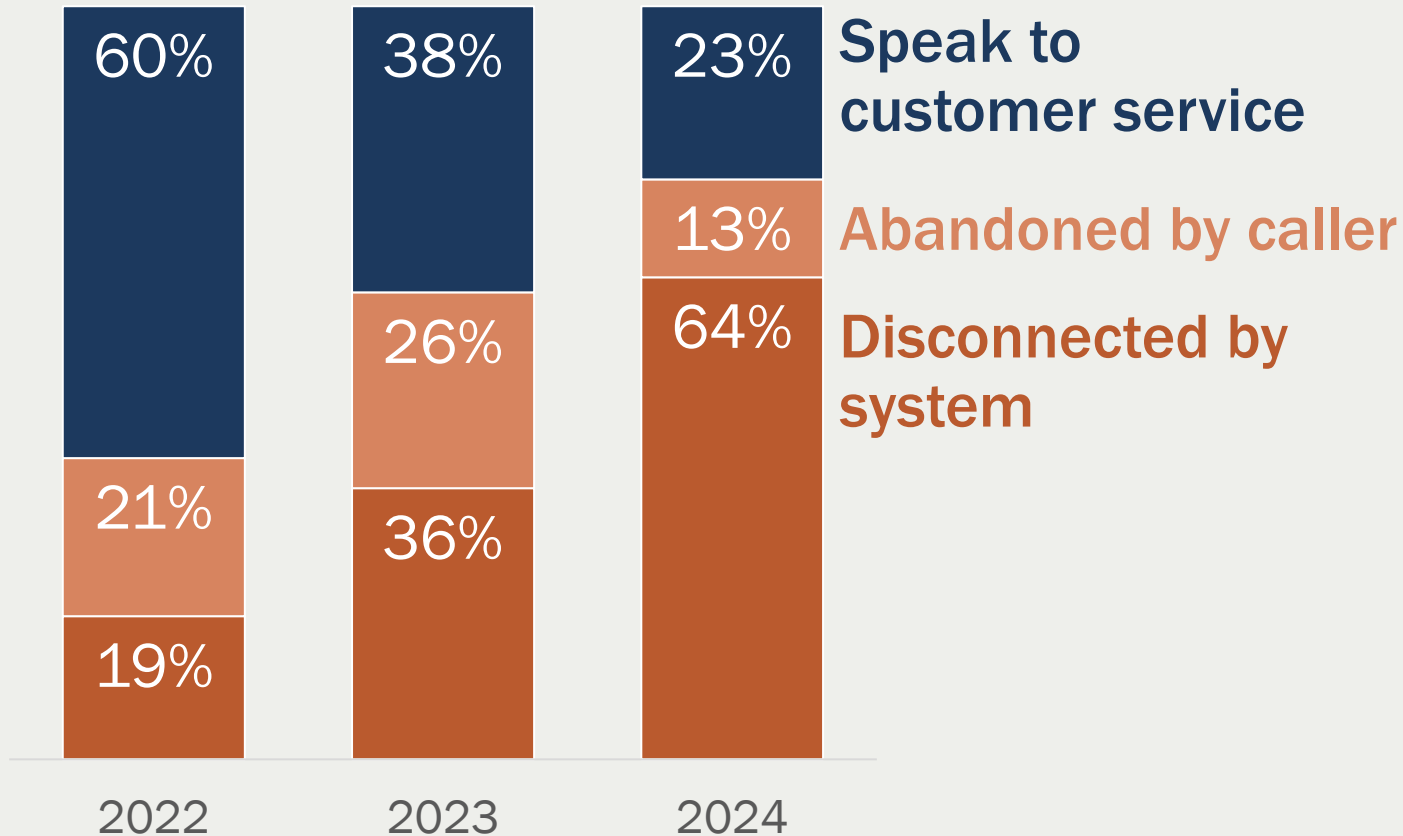
78k

Avg number of calls per month in 2024

Performance has declined

ESD answered 23% of total calls between January and June 2024

More than six in ten calls were disconnected





ESD lacks formal performance measures

- Difficult to assess operational strategy and performance
- Other state paid leave programs have adopted performance measures



Legislative Auditor's recommendation

ESD should adopt quantifiable customer-oriented performance measures for claims processing and call center management

- Best practice is to establish specific and actionable performance measures
- In developing these measures, ESD should conduct outreach to its customers and stakeholders

Presentation overview

→ Customer service

→ **Finances**

→ Administration

→ Program use

Premium rates set by statutory formula

Rates set under three different approaches

Fixed in statute 2019-20


Set by Legislature

Statutory formula 2021-23

Based on account balance ratio

New statutory formula 2024-

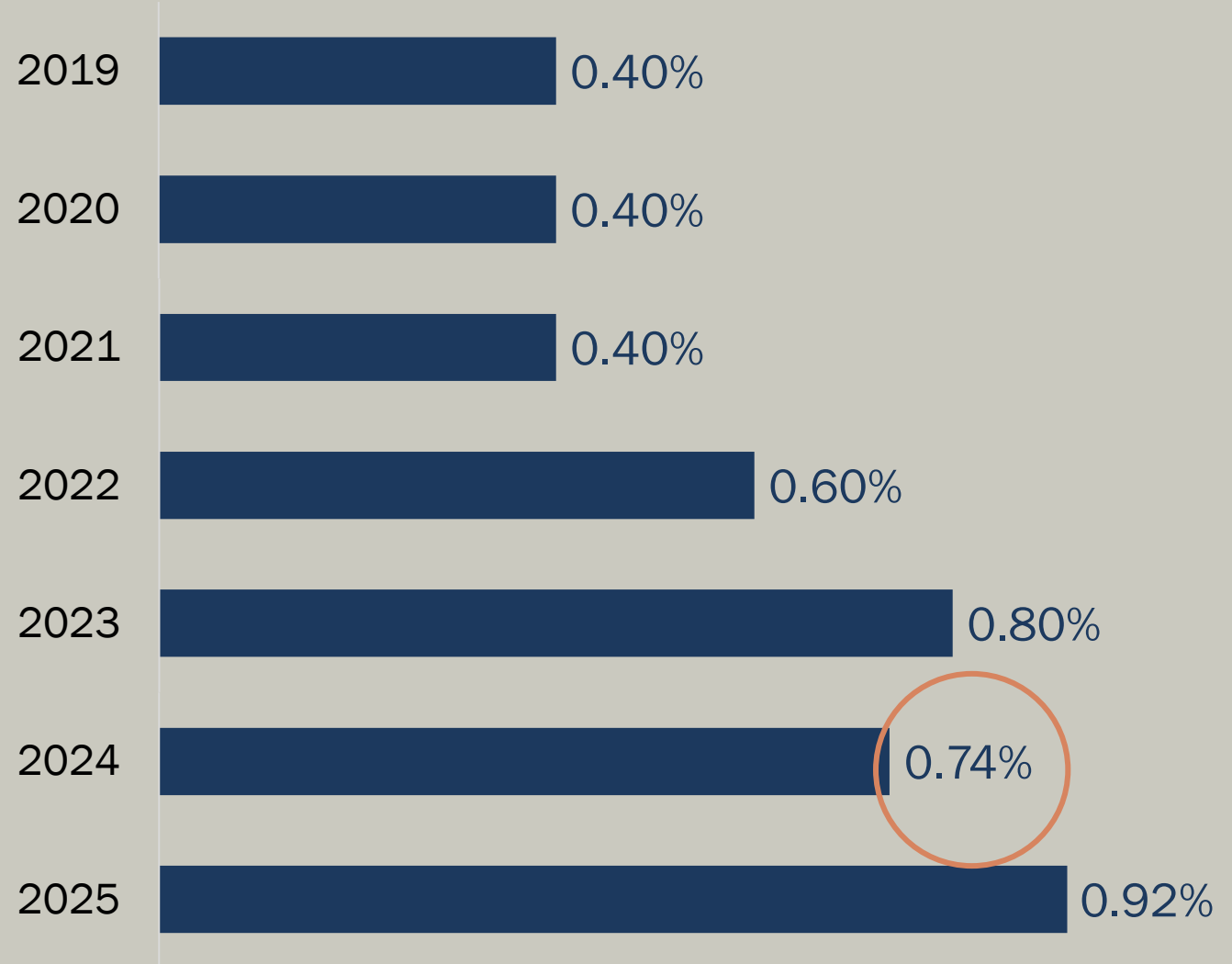
Based on expenses from prior year


$$\frac{140\% * \textit{Program Expenses} - \textit{Acct Balance}}{\textit{Covered Wages}}$$

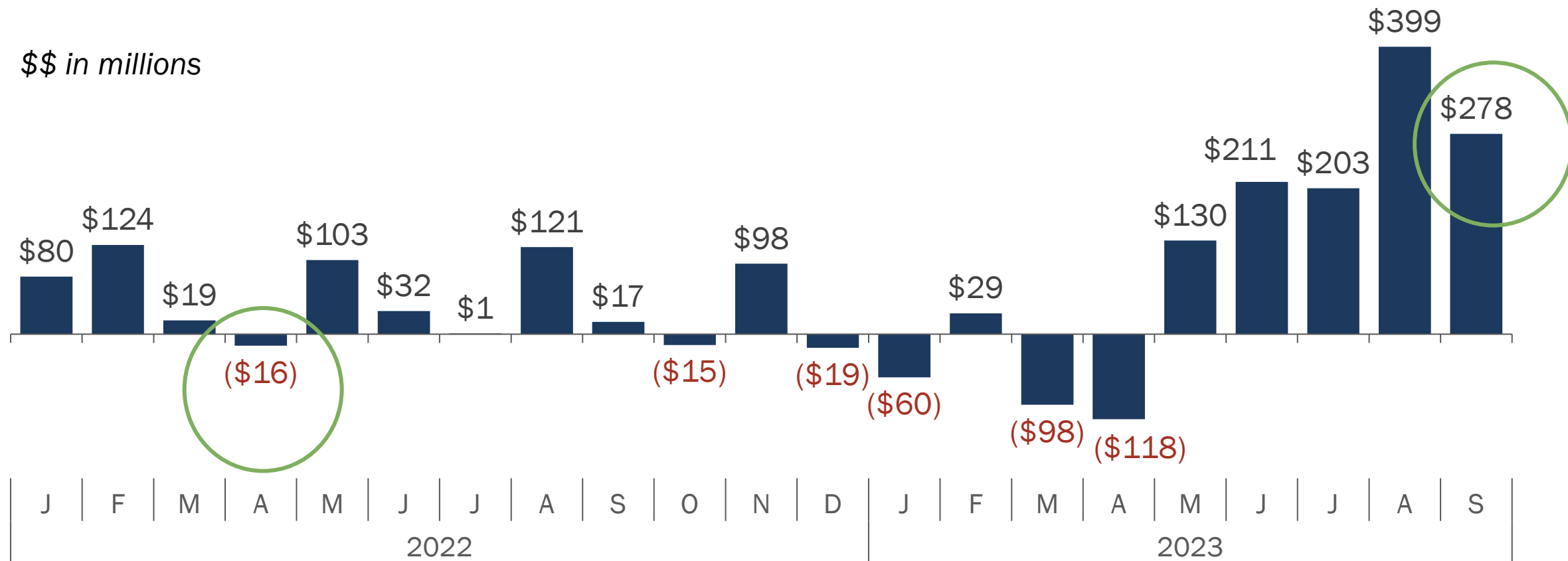
Two conditions

1. Rate cap: 1.20%
2. Reserve cap: Three months of expenses

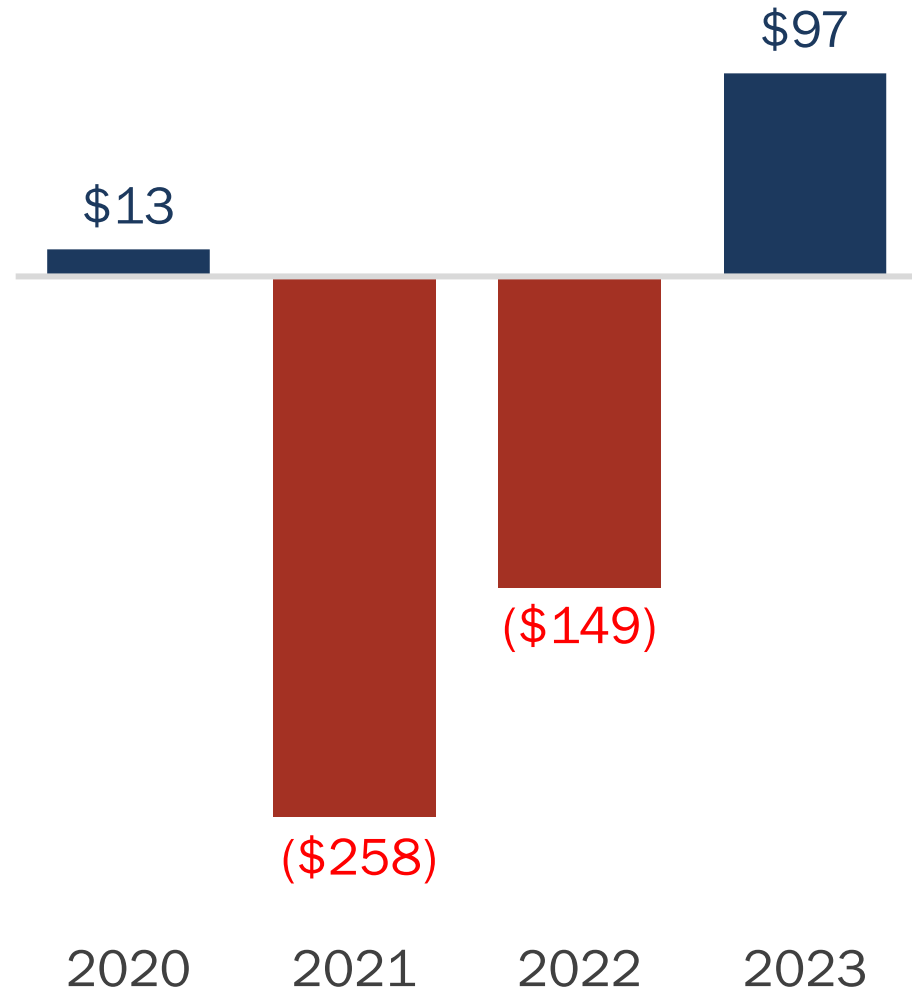
Rates have increased since 2019



PFML account has fluctuated between positive and negative balances



\$\$ in millions



Rate formulas have not produced enough revenue

Negative net income in 2021 and 2022

Consulting actuary:

Expenses likely to exceed revenue in 3 of next 5 years



Rate formula contributes to insolvency

Backward-looking formula reduces flexibility

Reserve cap can only reduce rate

ESD: Negative balances likely over next two years



Consulting actuary recommends:

- 1** Using a forward-looking rate-setting approach
- 2** Maintaining a sufficient financial reserve to cover shortfalls



Legislative Auditor makes one recommendation to the Legislature

The Legislature should implement a forward-looking rate-setting approach that maintains a sufficient financial reserve

Best practices recommend incorporating the following into the process:

- Trends in claim experience
- Potential future economic shifts
- Demographic changes

Presentation overview

- Customer service
- Finances
- Administration
- Program use

ESD yet to implement key program elements

Paid leave
balance of work

Examples

Automate match between PFML and
unemployment insurance claims
crossmatch

Address benefit overpayments

Assess penalties & interest

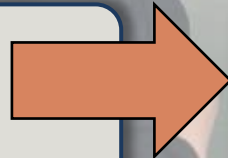
Make conditional benefit payments

ESD has a formal process for prioritizing projects

Projects include those on the balance of work

Three priority buckets

Now, next, later



Assessments

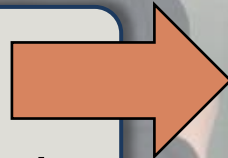
“Next” projects scored across 15 factors for impact and effort



Certain areas do not align with best practices

Buckets

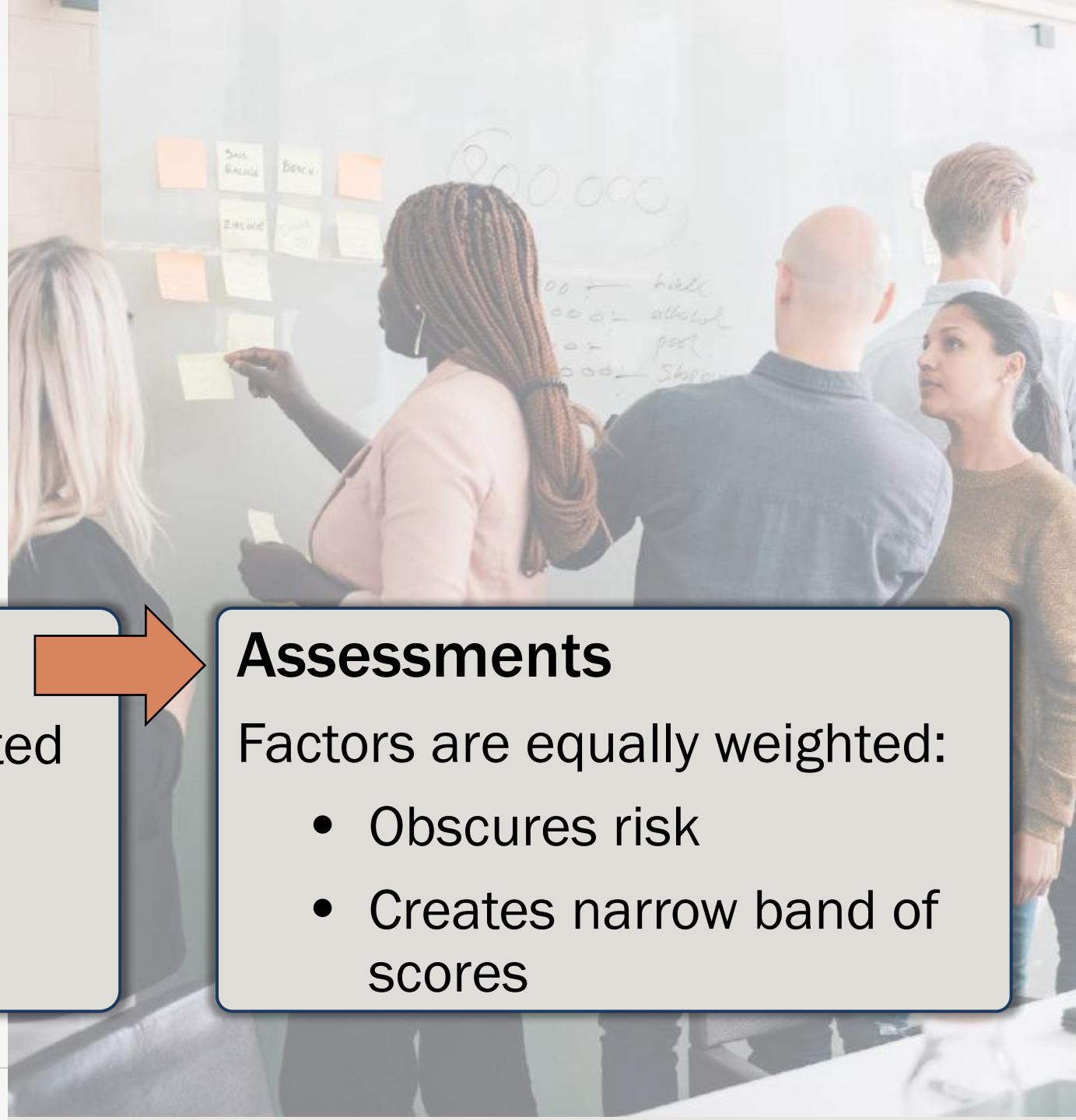
ESD lacks documented procedures and transparent criteria



Assessments

Factors are equally weighted:

- Obscures risk
- Creates narrow band of scores





Legislative Auditor's recommendation

ESD should develop a documented and transparent process for prioritizing projects

- Project assessments should be updated to accurately reflect the relative risk of each project

PFML compliance framework



Fraud

Detects and investigates imposter & benefit fraud



Unlawful acts

Investigates claims of unlawful acts by employers



Employer audits

Checks for proper withholding and reporting

ESD identified errors in 96% of audits in 2023

ESD completed 169 audits in 2023

Reporting errors

\$283,000
overpayments

\$48,000
underpayments

Audit rate: 0.08%

169 of 200,000
employers audited

Educational audits

ESD's systems are
unable to levy fines

Functionality on
balance of work

Employer audit procedures not aligned with best practices

Audit assignment criteria

- Example: employer size

Percentage of employers audited

- Example: U.S. DOL requires 1% for unemployment insurance





Legislative Auditor's recommendation

ESD should adopt criteria for its employer audit program

Best practices include:

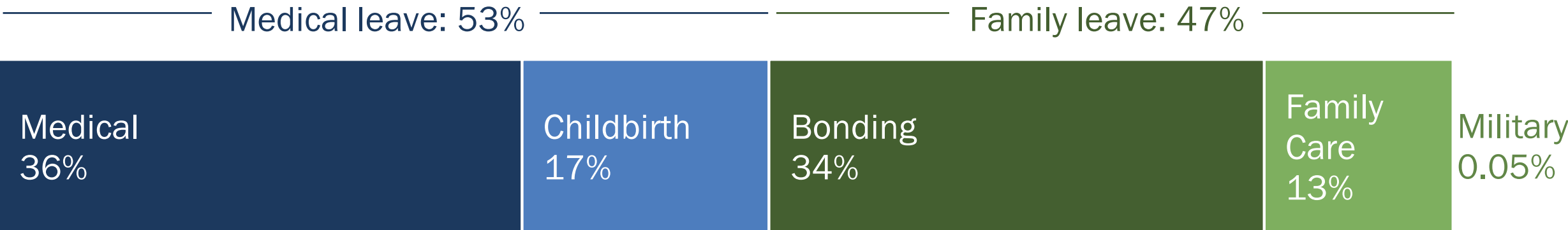
- Assigning audits based on specific criteria (e.g., employer size)
- Determining the percentage of employers that will be audited each year

Presentation overview

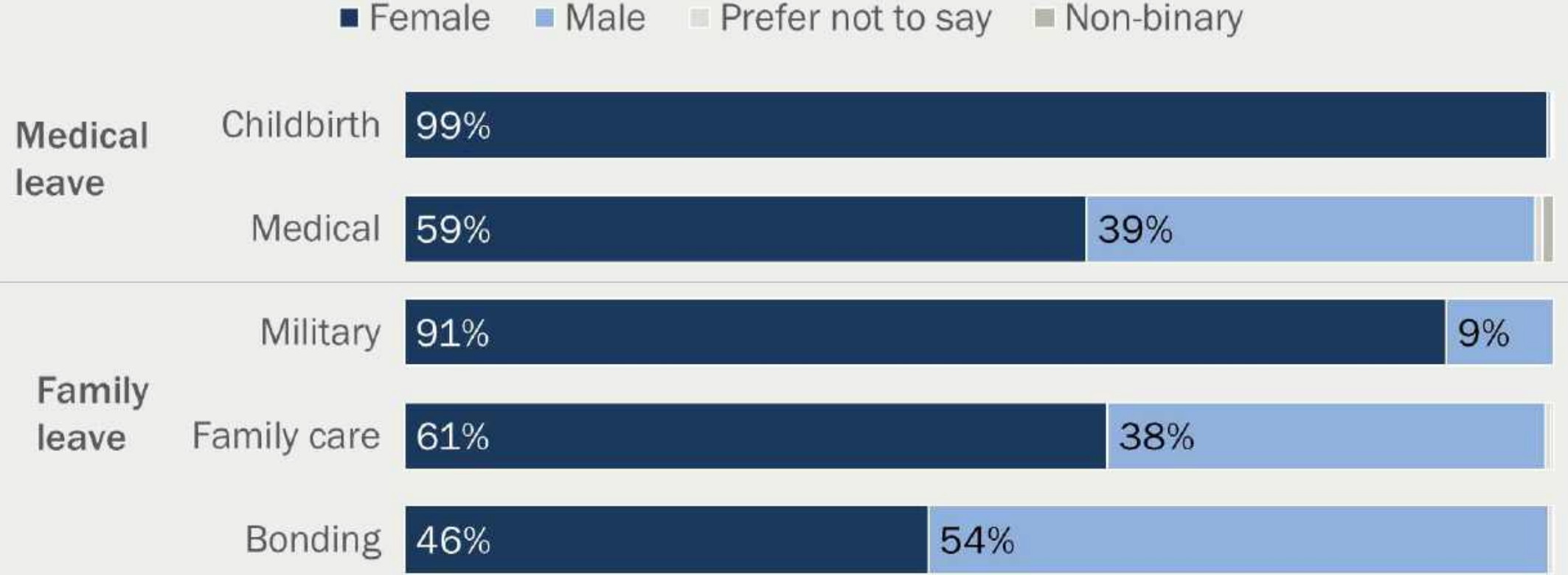
- PFML program
- Customer service
- Finances
- Administration
- Program use



Medical leave, including childbirth, made up just over half of applications



Applications differ by employee gender





Employees using PFML have comparable incomes to eligible population

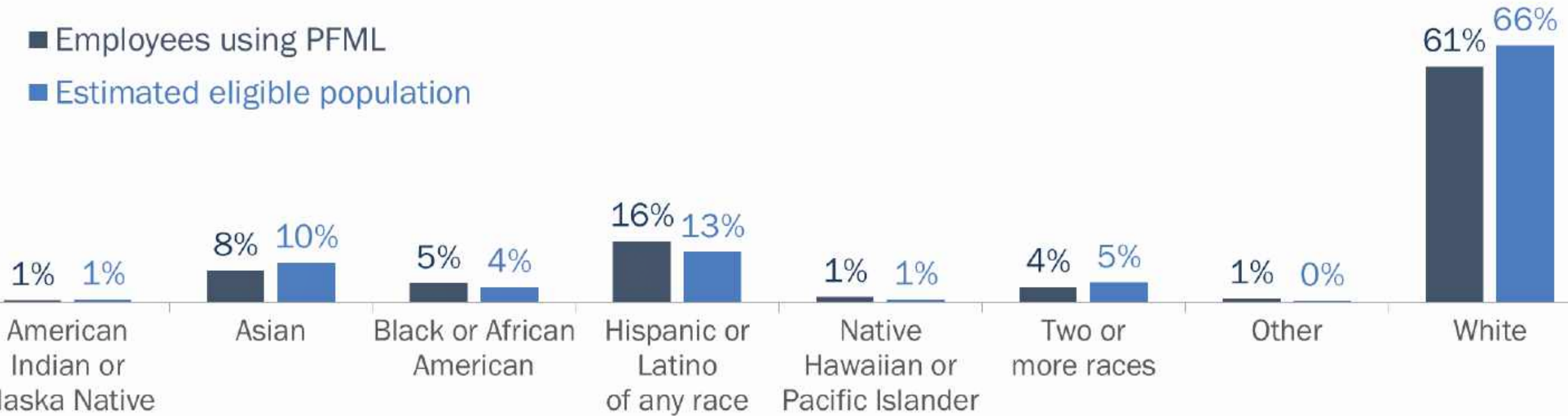
Median income of
employees using PFML: \$66,000

Median income of
eligible employees: \$64,000

Race and ethnicity of employees using paid leave is like that of the eligible population



■ Employees using PFML
■ Estimated eligible population



A photograph of the Washington State Capitol building, featuring a large dome and classical architectural elements, set against a clear blue sky. The building is surrounded by lush green trees and a well-maintained lawn with colorful flower beds in the foreground.

Next steps

Proposed final report
January 2025

View full report
<https://leg.wa.gov/jlarc>

A photograph of the Washington State Capitol building, featuring a large dome and classical architectural elements, set against a clear blue sky. The building is surrounded by lush green trees and a well-maintained lawn with colorful flower beds in the foreground.

Contact us

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Legislative update

Josh Dye, Interim Director Government Relations

Legislative update

Reports published

- Nov. 1: Actuarial Report
- Dec. 1: Annual Report

Preparing for session

- No agency request legislation
- Pre-filed bills
- Governor's proposed budget

Next meeting

2 to 3 p.m. on Wednesday, Jan. 22, 2025

Proposed topics

- Program performance targets
- Paid Leave Annual Report presentation

Open comment

Reminders Please frame your questions as a comment.

If online, “raise your hand” virtually.

In person, let us know and we will give you the floor.

The meeting host will unmute online participants to allow for the open comment.

In-person we will call on you.

Continue the conversation

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Leave & Care Division
Employment Security Department
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www.paidleave.wa.gov



Join our listserv at
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Appendix

Current program priorities

Current projects

Project	Target end date	Status
<i>TNC Pilot (SHB 1570)</i>	Q1 2025	<i>On target</i>
Claim year redetermination improvements	Q2 2025	On target
<i>Cloud migration phase 3 (portal, etc.)</i>	Q3 2025	<i>At risk</i>
Decision package hiring	Q4 2024	At risk
Developing a community engagement model for Paid Leave benefits	Q4 2024	Close out
Withholding child support from Paid Leave benefits	Q3 2025	On target
<i>2025 annual changes (premium rate, weekly benefit amount, SS cap)</i>	Q1 2025	<i>On target</i>
<i>Migration to SharePoint online</i>	Q1 2025	<i>On target</i>
<i>ITIN & dialect updates to benefit application</i>	Q4 2024	<i>On target</i>
<i>2024 1099s</i>	Q1 2025	<i>On target</i>
Expanded Paid Leave/WorkSource collaboration	Q1 2025	On target
<i>2025 legislative session</i>	Q2 2025	<i>Initiating</i>
<i>Racial equity data collection proviso</i>	Q3 2025	<i>Initiating</i>

Bolded projects are (or enable progress toward) the Paid Leave balance of work.
Italicized projects are required (legislatively, technically, or otherwise).

Future work

Next

- **Benefit overpayments**
- Quality assurance revamp
- Stable data infrastructure
- Benefit application improvements
- Implement community engagement program
- **Penalties and interest (employer)**
- **Penalties and interest (employee)**

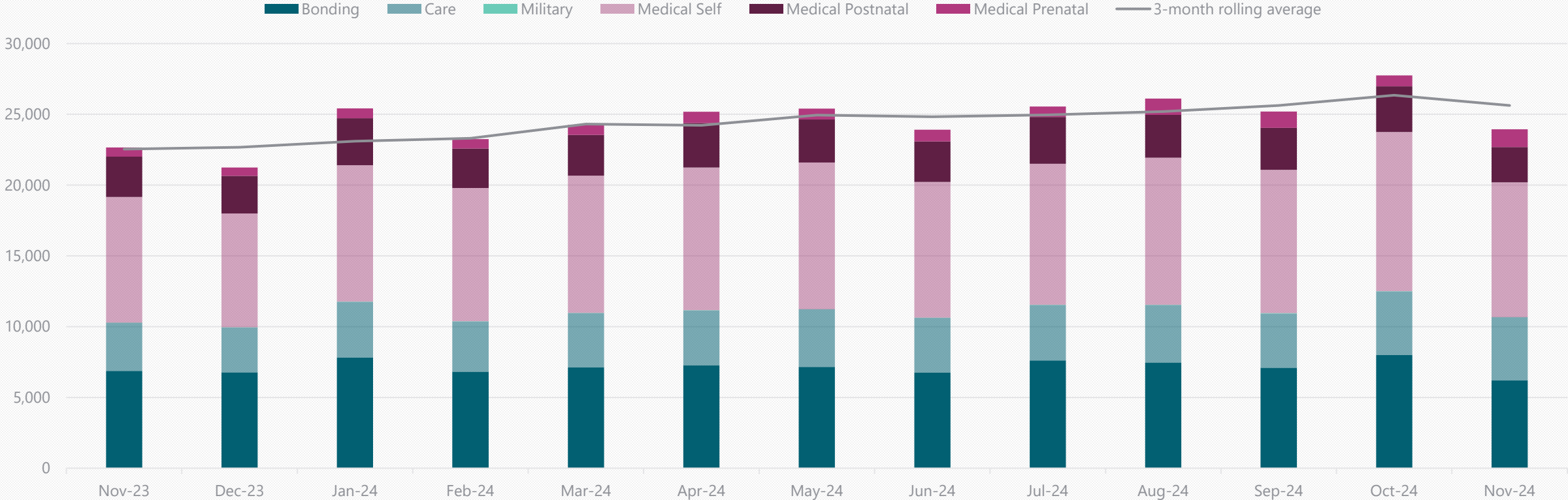
Later

- Benefit duplication prevention and automation
- **Adding county & legislative district to database**
- **Elective coverage for tribes**
- **Crossmatch L&I with Paid Leave benefits**
- **Collections (employer & employee)**
- **Conditional benefit payments**
- Pre-application for benefits
- Implement comprehensive authorized representative process

***Bolded** items are, or enable, Paid Leave balance of work.*

Financial & program updates

Claim applications submitted by type

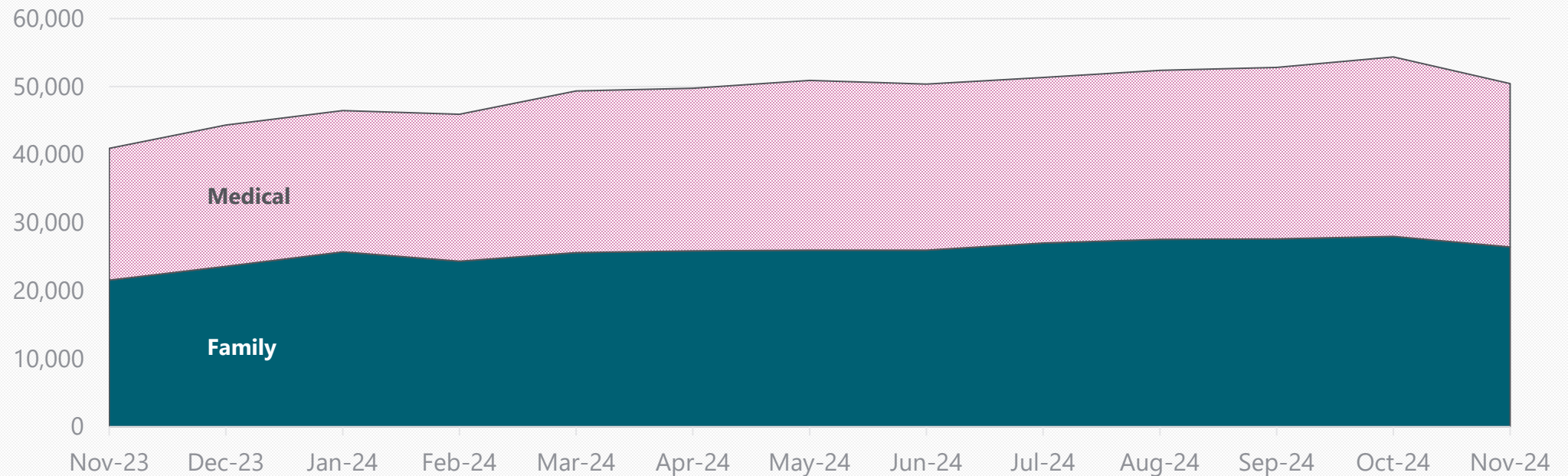


- November 2024, we received 23,951 applications
 - 14% less than the previous month
 - 6% more than November of last year
- 45% family, 55% medical
- Three-month rolling average ~ 26K claim applications

Approval rate and monthly claims with payment(s)

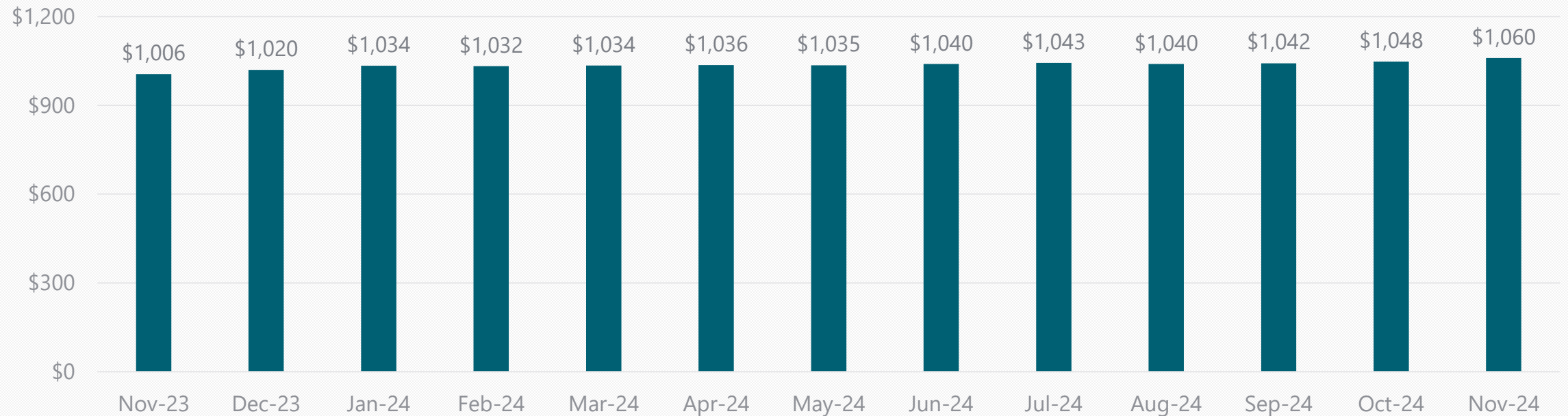
- 84% of claims were approved in November 2024
 - Down from 87% the previous month
- November 2024 total unique claims that received payment: 50,434
 - 23% more than November of last year

Claims with at least one payment in month



Weekly benefit levels

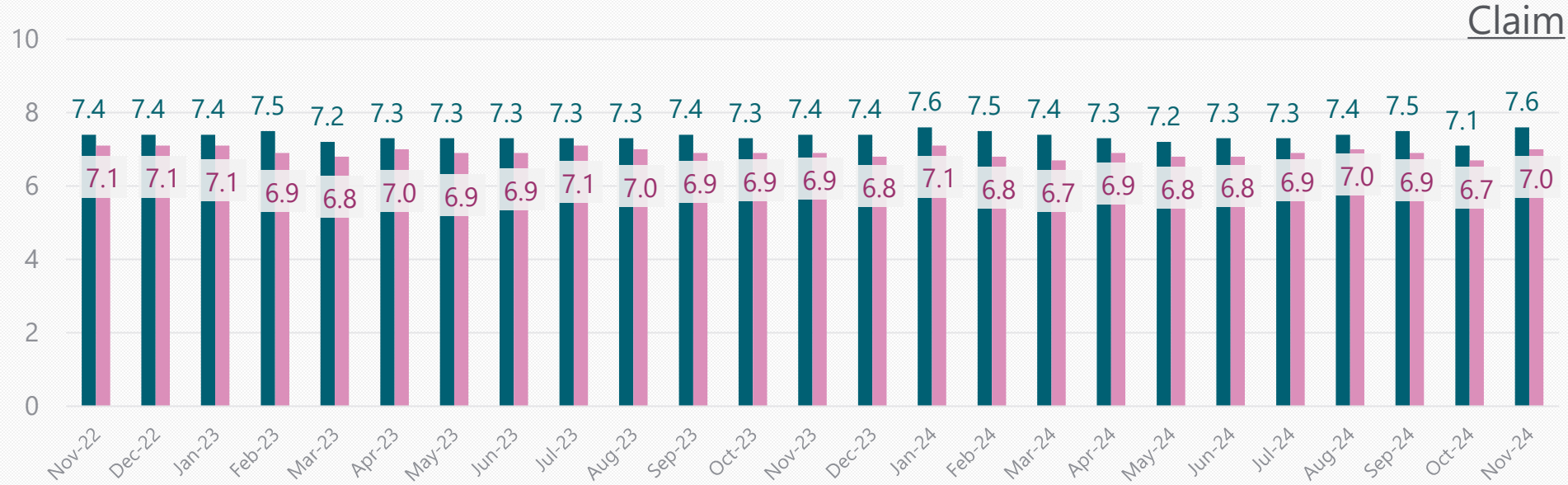
- November 2024 average weekly benefit for new claim years starting: \$1,060
 - 2024 running average to date is 3% higher than calendar year 2023



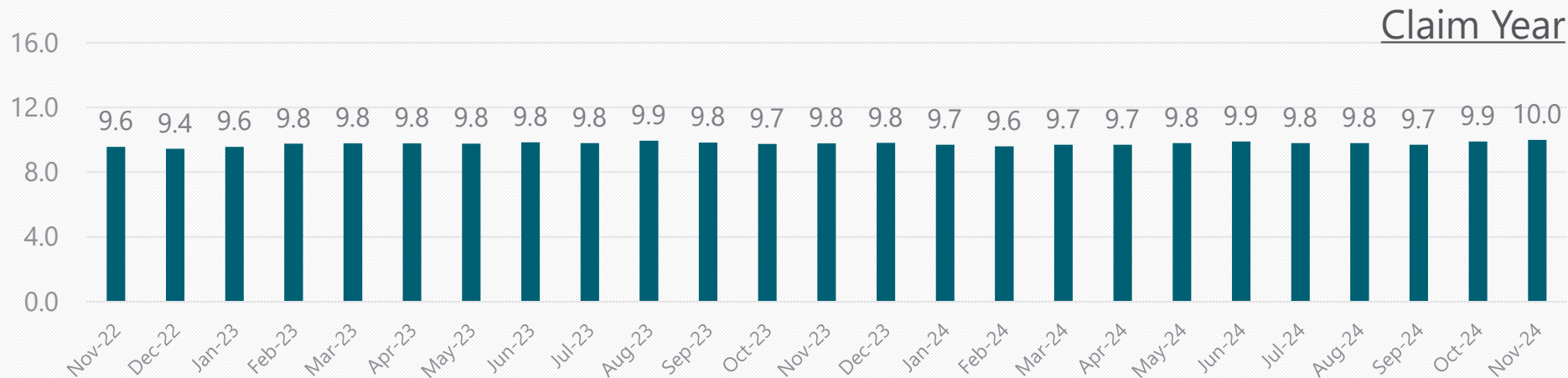
Technical note: Average weekly benefit amount for approved claims grouped by claim year start month, most recent months typically drop slightly as data matures.

Lengths of leave (average)

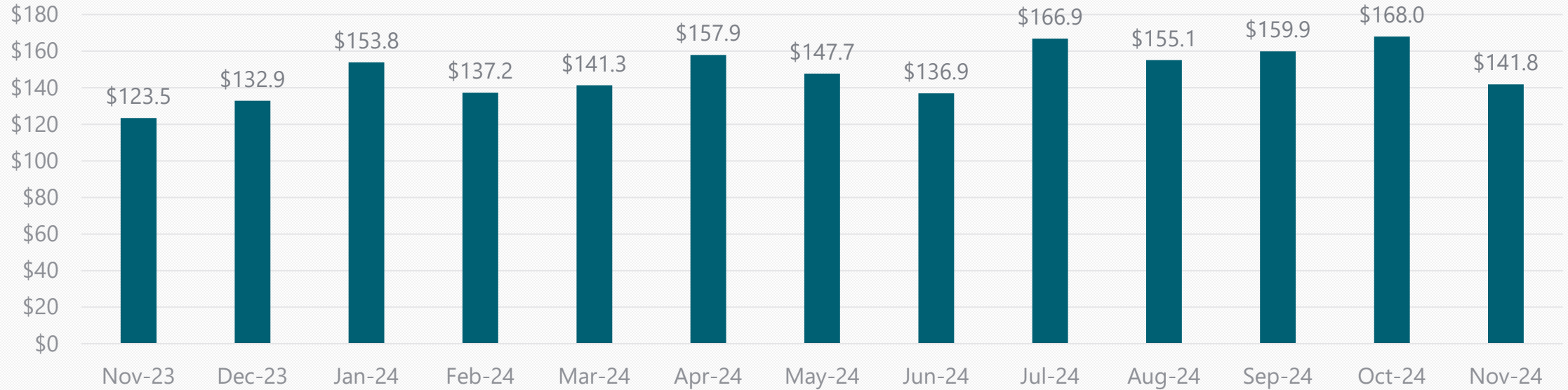
- November 2024
 - Family: 7.6 weeks
 - Medical: 7.0 weeks



- November 2024
 - 10 weeks



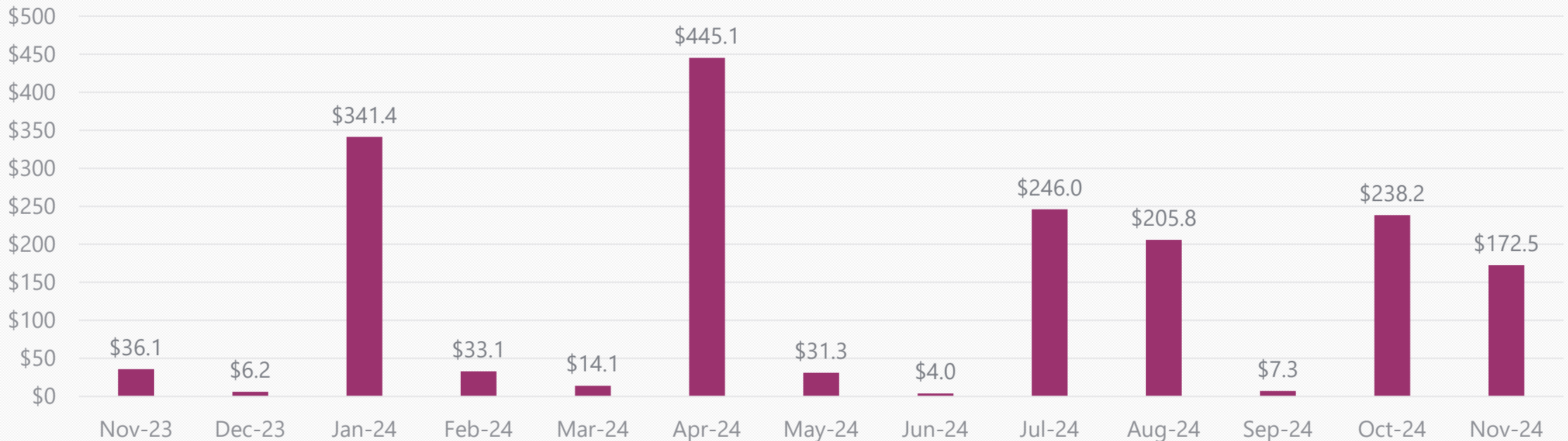
Monthly benefits paid (millions)



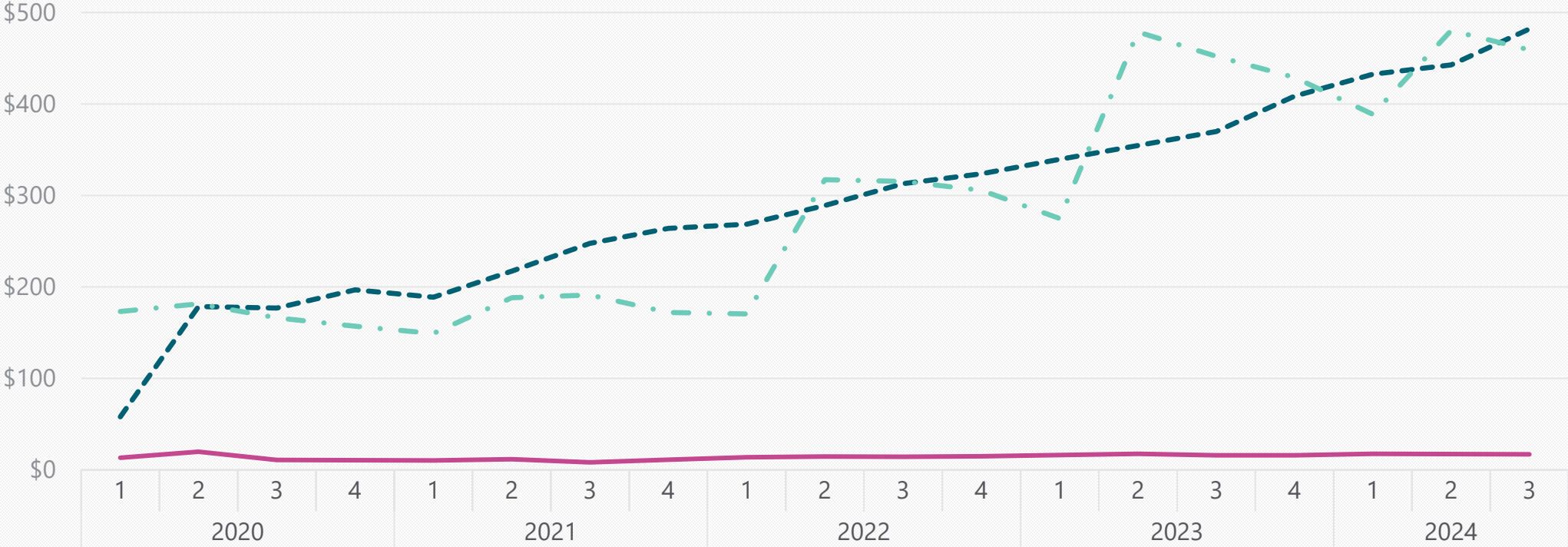
- November 2024 had \$141.8 million in benefits paid
 - 16% less than the previous month
 - 15% more than November 2023
- \$1.80 billion in benefits paid over last twelve months

Monthly premiums remitted (millions)

- Cyclical pattern of highest monthly premium transactions occurring at end of quarterly reporting months
- Premiums assessed for each quarter are remitted in the following quarter
- \$172.5 million in premiums remitted in November 2024
- Premium remittance over last twelve months: \$1.74 billion



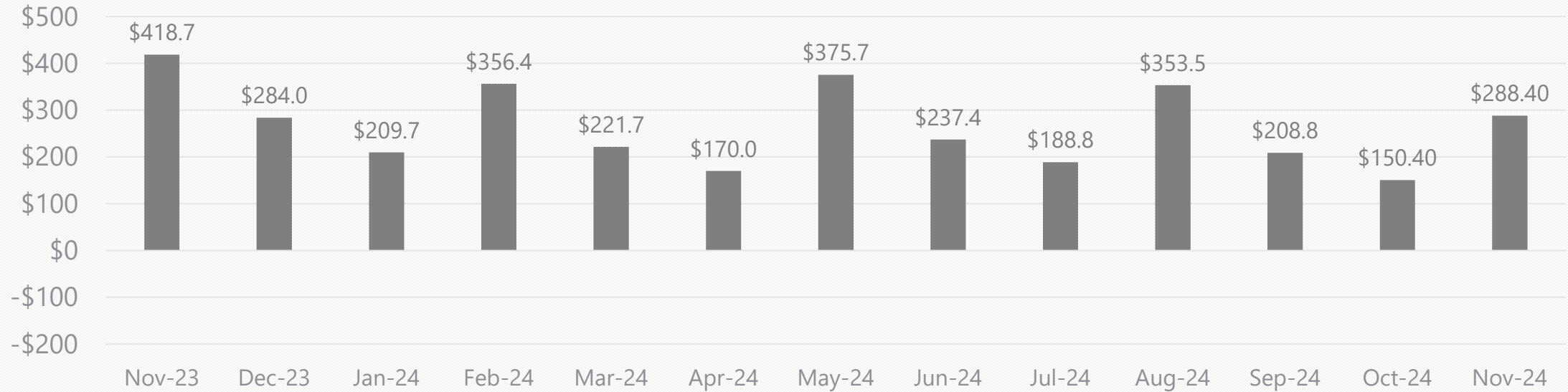
Premiums, benefits, operating expenses, and account balance by quarter (millions)



	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
	2020				2021				2022				2023				2024		
Benefits	\$58	\$179	\$177	\$197	\$189	\$217	\$248	\$264	\$269	\$289	\$313	\$324	\$339	\$355	\$370	\$409	\$432	\$443	\$482
Premiums	\$173	\$181	\$166	\$157	\$149	\$188	\$191	\$172	\$170	\$317	\$315	\$306	\$275	\$479	\$452	\$429	\$389	\$480	\$459
Operating	\$13	\$20	\$11	\$11	\$10	\$12	\$8	\$11	\$14	\$15	\$14	\$15	\$16	\$18	\$16	\$16	\$18	\$17	\$17
Account Balance	\$467	\$454	\$427	\$376	\$327	\$287	\$222	\$123	\$19	\$32	\$17	-\$19	-\$98	\$211	\$278	\$284	\$222	\$237	\$209

Technical note: Operating expenses in recent quarter are preliminary. Account balance, premiums, and expenses data are from different data systems so numbers will not exactly total within a quarter.

Monthly ending account balance (millions)



- November 2024 ending balance was \$288.4 million
 - Month end balance increased by \$138.0 million compared to previous month end
- Fund balance decreased by \$130.3 million over previous twelve months

Time from application submission to first payment

Month	Average weeks	Median weeks
Nov. 2023	4.7	3.3
Nov. 2024	4.5	3

Month	Average weeks	Median weeks
Dec 2023	4.5	3.4
Jan 2024	4.9	3.6
Feb 2024	4.2	3
Mar 2024	3.9	2.7
Apr 2024	3.9	2.7
May 2024	3.7	2.6
June 2024	4	2.7
July 2024	4.2	3
August 2024	4.1	2.9
September 2024	4.4	3.1
October 2024	4.1	2.7
November 2024	4.5	3

Phones

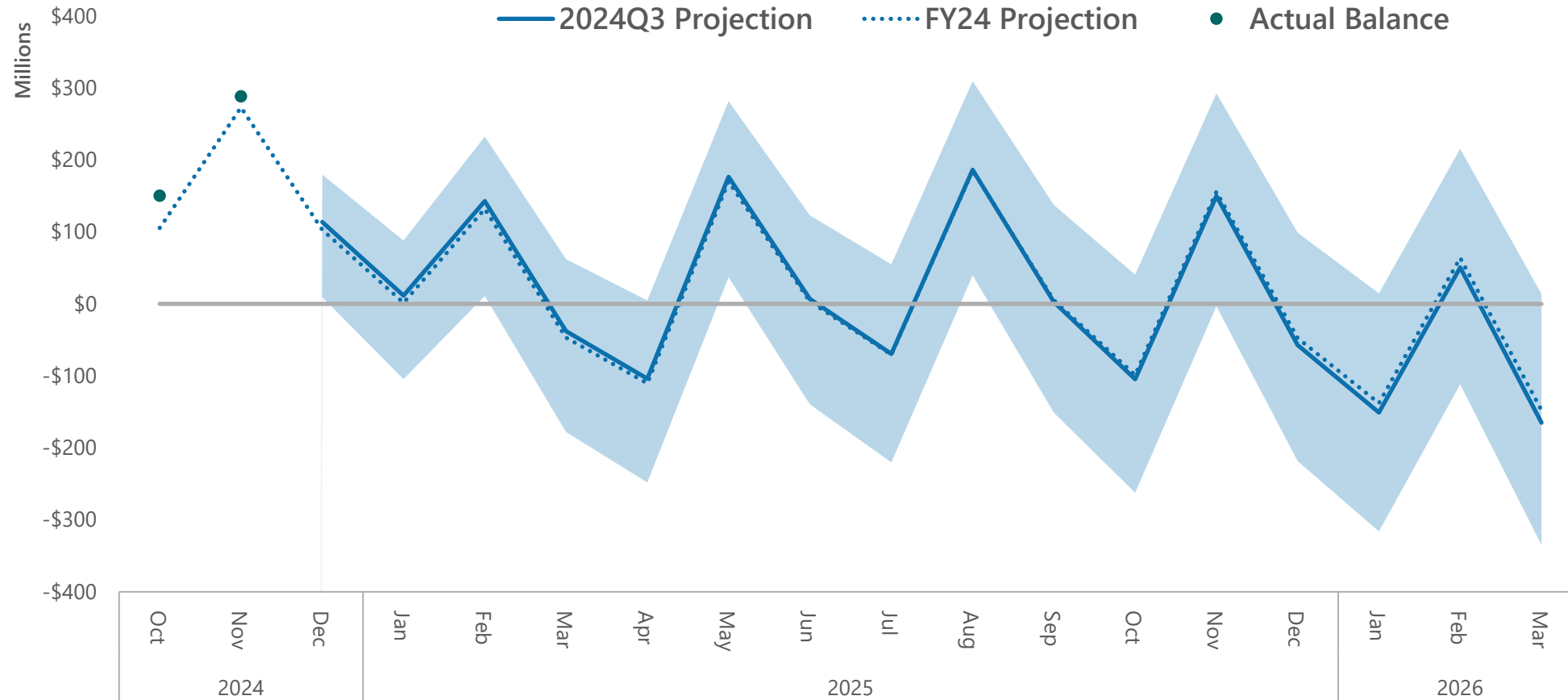
Month	Number of calls received for Paid Leave	Percentage of calls into queue*	Percentage of calls answered from Paid Leave queue	Queue time for Paid Leave
November 2023	73,937	37%	57%	28:19
December 2023	64,453	42%	57%	28:54
January 2024	88,449	35%	65%	25:38
February 2024	77,697	35%	63%	26:41
March 2024	72,791	38%	69%	18:56
April 2024	83,440	37%	64%	24:04
May 2024	73,629	38%	65%	23:46
June 2024	81,217	37%	62%	26:58
July 2024	81,611	42%	58%	27:27
August 2024	66,391	53%	58%	27:19
September 2024	60,042	53%	60%	25:38
October 2024	69,056	53%	59%	26:50
November 2024	66,767	42%	58%	30:05

- 11-point drop in percentage of calls into queue from October - November
- Paid Leave Queue time increased to 30:05 in November

Account balance

Account Balance 2024+

2024Q3 projection is not materially different from FY24 projection. Intermittent deficits are still projected starting in 2025Q1.



FY24 Projection is based on 2024 PFML Annual Actuarial Report, including the final 2025 premium rate.
 2024Q3 Projection is updated based on data through 2024Q3
 High and low ranges may be adjusted as more data is received.