Simulation Model Estimates for Hawaii HB 2757 (2024)

Paid Family and Medical Leave Act

Policy parameters based on HB 2757 as introduced:

- Private employees are covered; self-employed individuals may opt-in.
- Covered workers are eligible for leave benefits if they have worked for an employer for at least 180 days.
- Medical leave benefits (including maternity-related disability) may be claimed for up to 26 weeks per benefit year and family leave benefits may be claimed for up to 12 weeks per year for bonding with a new child or caring for family members.
- Benefits are calculated as a percentage of the covered worker's average weekly wage as follows:
    - 85% of average weekly wages for those earning 30% or less of the state average weekly wage;
    - 70% of average weekly wages for those earning 31%-64% of the state average weekly wage;
    - 50% of average weekly wage for those earning at or above the state average weekly wage.[i]
- Maximum weekly benefits are equal to the state average weekly wage.

Simulation Results

- Based on the Worker PLUS simulation model results, about 23,600 workers would claim program benefits for 25,700 family and medical leave reasons each year under the proposed policy.
- Approximately 4.9% of all covered and eligible workers would experience a covered family or medical need, take leave from work, and have an approved application for paid family and medical leave benefits in a one-year period.

Paid Family and Medical Leave Claims Approved	Number	Percent of Covered and Eligible Workers*
Medical Leave	10,322	2.1%
Maternity-related Disability	2,225	0.5%
New Child Bonding	10,321	2.1%
Family Caregiving	2,787	0.6%
Total Claims	25,655	--
Total Workers Claiming Benefits	23,621	4.9%

*Eligibility based on at least 26 weeks of employment in previous 12 months.

Source: Estimates based on Worker PLUS simulation model using 2018 FMLA Employee survey and 2016-2020 American Community Survey. Includes private, state government, and local government employees.

- Paid family and medical leave benefits would cost $138.0 million (2020 dollars).

- Adjusting these estimates for growth in Hawaii's wages, in 2027 paid family and medical leave claims would be made for benefit payments of $169.1 million.
- Estimating costs for on-going benefit administration as 6% of benefits paid based on reports from other state paid family and medical leave would add $10.1 million (estimated 2027 dollars) for total paid family and medical leave costs of $179.3 million.

Optional Scenarios

Additional simulations for policy options were made to see the effects of slightly higher benefit rates, higher wage bracket definitions, more weeks for family leaves formulas (16 or 26 weeks rather than 12), coverage for state and local government employees, and alternative eligibility criteria compared to HB 2757.

- The two scenarios providing up to 26 weeks for family caregiving produced cost estimates similar to HB2757 at just under $160 million (2020 dollars). The benefit formulas were similar to HB 2757.
- The two scenarios providing up to 16 weeks for family caregiving and 12 weeks for maternity-related disability or bonding with a new child would cost slightly less than the first options – around $155 million (2020 dollars).

Notes on Estimates from the Worker PLUS Simulation Model

- Benefits costs are estimated only for the family and medical reasons. Costs for uses of the policy for domestic or sexual violence and military exigencies are not included.
- Additional costs for children born, adopted, or placed in calendar year 2026 whose parents claim benefits after January 1, 2027, but within the first 12 months are likely. If 25% additional bonding leaves were claimed in the first year of benefits, Hawaii would expect 2,600 additional claims paid at a cost of $11.5 million ($9.3 million estimated in 2020) in 2027 after adjusting for growth in wages as a one-time expense at start-up.
- Any required repayment of general revenues appropriated for start-up costs are not included.

Simulation Model Estimation

- Worker Paid Leave Usage Simulation (Worker PLUS) is an open-source simulation tool that can be used by researchers and federal, state, and local policy makers to estimate the effects of various worker leave scenarios and policy options on worker leave-taking behavior, and to estimate the benefits paid as well as costs of administering any given program.
- Worker PLUS employs public microdata from the Department of Labor's Family and Medical Leave Act (FMLA) Employee Survey to train models for individual-level leave needs and leave-taking behaviors and simulates leave-taking behavior and outcomes for Hawaii using demographic data from the five-year American Community Survey (ACS) Public Use Microdata Sample (PUMS) for state's workforce.
- Current version is based on the 2016-2020 ACS for estimating Hawaii's workforce. Employment, earnings, and benefits are estimated in 2020 dollars unless otherwise specified.
- Benefit claiming rates were specified by the analyst and selected based on previous analyses of simulating recent state paid family and medical leave programs (Washington, Massachusetts, and Connecticut) to determine rates that best reproduce administrative reports on claims and benefits paid in those states for a new program.

Self-employed individuals are included in the estimates for benefits without any modeling for adverse selection into program participation. Participation and benefit claiming are treated the same as wage and salary employees.

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[i] The bill language does not provide a benefit calculation for those with average weekly wages between 65% and 100% of the state average weekly wage. For the estimates presented, benefits were calculated as 60% of earnings for those with earnings in this range and 50% for those earning more than the state average weekly wage. The Worker PLUS model treats benefits based on these wage brackets like tax brackets so that there are no benefit cliffs where a worker near the bottom of a higher bracket receives a lower dollar benefit than a worker near the top of the next lower bracket.