Massachusetts Announces 2025 Updates to Paid Family and Medical Leave and Other Benefit Programs: 4 Steps for Employers

Insights
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The Massachusetts Executive Office of Labor and Workforce Development has announced important updates to state employment benefits for 2025. The State Average Weekly Wage (SAWW) has increased modestly to $1,829.13 from $1,796.72, reflecting a cooling labor market compared to the significant jumps seen during the COVID-19 era. This slight $32 increase breaks from previous trends where annual SAWW increases reached as high as 13%. Employers should take note of these changes as they directly impact Paid Family and Medical Leave (PFML) benefits, Unemployment Insurance (UI), and Workers' Compensation programs. What are the four steps you should take in response?

Executive Summary

The 2025 updates to Massachusetts' Paid Family and Medical Leave (PFML), Unemployment Insurance (UI), and Workers' Compensation programs bring moderate adjustments that reflect a stabilizing labor market. Employers will see no change in the PFML contribution rate, which remains at 0.88%, with a slight increase in the maximum weekly benefit. The Unemployment Insurance program will bring higher bills due to the continuation of the COVID-19 Assessment and a shift to Rate Schedule D. Workers' Compensation benefits will also adjust with the rise in the State Average Weekly Wage. Employers should take the proactive steps listed below to ensure compliance with these updates while keeping employees informed about their benefits.

1. Paid Family and Medical Leave (PFML) Adjustments

New PFML Contribution Rate: 0.88%

On October 1, the Department of Family and Medical Leave (DFML) announced a change in the weekly benefits amount for Paid Family and Medical leave while maintaining the 2024 contribution rate.

Maximum Weekly Benefit Increase

The maximum weekly PFML benefit employees can receive will increase to **$1,170.64** per week from $1,149.90 in 2024.

Contribution Breakdown

In 2024, DFML increased the required contribution rate to 0.88% of eligible wages and will maintain that rate through 2025. These rates apply to both employers with a private plan and employers utilizing the State plan. The breakdown of the contributions is as follows:

- **Employers with 25 or More Covered Individuals:**
    - **Total Contribution:** 0.88% of eligible wages
    - **Family Leave Contribution:** .18% of eligible wages
        - Up to 100% can be withheld from employees' wages
  - **Medical Leave Contribution:** .70% of eligible wages
    - Up to 40% can be withheld from employees' wages
    - Employers are responsible for at least 60% of the medical leave contribution
- **Employers with Fewer than 25 Covered Individuals:**
  - **Total Contribution:** 0.46% of eligible wages
  - **Family Leave Contribution:** .18% of eligible wages
    - Up to 100% can be withheld from employees' wages
  - **Medical Leave Contribution:** .28% of eligible wages
    - Up to 100% can be withheld from employees' wages
    - Small employers are not required to pay the employer share of the medical leave contribution, reducing their total contribution amount

A Welcome Plateau

This constant contribution rate may come as a surprise to many employers. Initial forecasts anticipated year-over-year rate increases as high as 20% during the program's early years. The modest adjustment suggests that the PFML program is stabilizing, a positive development for employers.

Clarity from the SJC

In a significant decision, the Massachusetts Supreme Judicial Court recently ruled that employers are **not required to allow employees to accrue benefits while on PFML**. This ruling clarifies that while employees are entitled to job protection and continuation of health insurance benefits during PFML, they do not have the right to accrue other employment benefits, such as vacation or sick leave, during their leave period.

2. Unemployment Insurance (UI) Rate Changes

Projected Maximum Benefit

While the exact maximum unemployment insurance benefit for 2025 will be announced later this month, it is expected to be approximately **$1,040** per week.

Anticipated Increase in UI Bills

Employers should prepare for higher UI bills in 2025 due to two primary factors:

a. Continuation of the COVID-19 Assessment

The COVID-19 UI Assessment will persist into 2025 before expiring in 2026. Employers are collectively assessed to repay federal loans taken to cover unprecedented unemployment claims during the pandemic.

- **Assessment Schedule:**
  - 2023: $915 million
  - 2024: $365 million
  - **2025: $349 million**
  - 2026: $335 million

b. Shift to Rate Schedule "D"

The UI system rate schedule is projected to move from **Schedule C to Schedule D** in 2025. This shift indicates an increase in the overall rates employers will pay.

Understanding Your UI Rate

Once the annual schedule is established, each employer is assigned a specific rate based on their individual unemployment experience. It's crucial to review your rate notice and understand how it impacts your UI contributions.

3. Workers' Compensation Rate Updates

With the new SAWW, Workers' Compensation rates are adjusted as follows:

- **Maximum Weekly Compensation Rate: $1,829.13** (100% of SAWW)
- **Minimum Weekly Compensation Rate: $365.83** (20% of SAWW)

Employers should update their records and ensure compliance with these new rates when processing workers' compensation claims.

4 Steps for Employers

1. **Update Payroll Systems:** Ensure proper PFML contribution withholdings and Workers' Compensation rates effective January 1, 2025.
2. **Plan for Increased UI Costs:** Budget for higher UI contributions due to the continued COVID-19 Assessment and rate schedule shift.
3. **Review Leave Policies:** Ensure compliance with the recent court ruling on benefit accrual during PFML.
4. **Employee Communication:** Proactively inform employees about how these changes may affect their paychecks and benefits.

Conclusion

We will continue to monitor further developments and provide updates on this and other labor and employment issues affecting Massachusetts employers, so make sure you are subscribed to Fisher Phillips' Insights to gather the most up-to-date information. If you have questions, please contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our Boston office.

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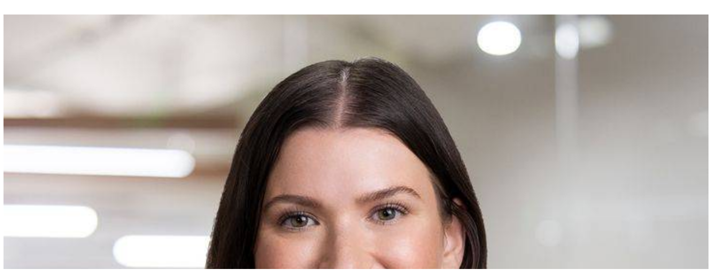

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