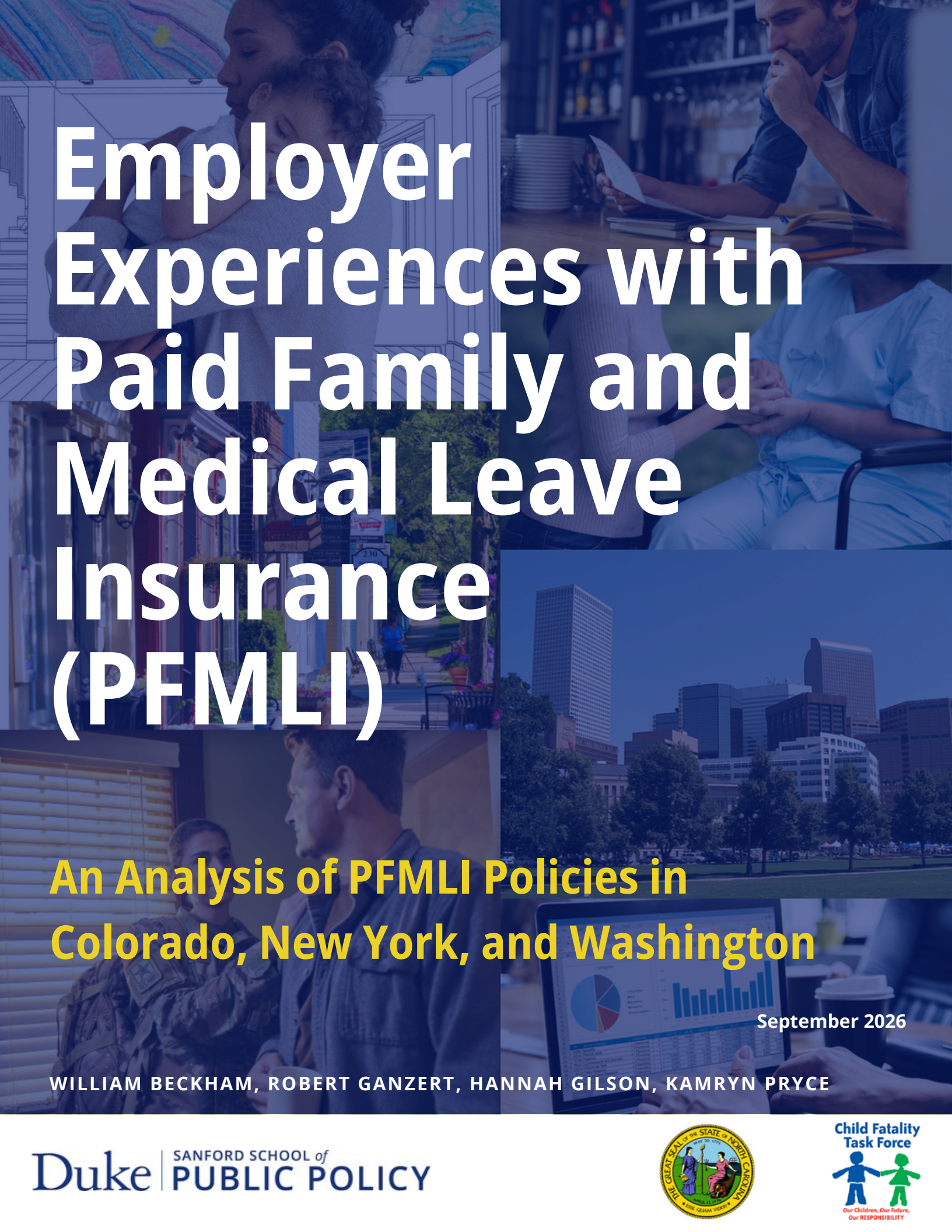




Employer Experiences with Paid Family and Medical Leave Insurance (PFMLI)

An Analysis of PFMLI Policies in Colorado, New York, and Washington

September 2026

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This report was prepared for the North Carolina Child Fatality Task Force to assess the experiences of business owners in states with existing PFMLI policies and how experiences vary between states based on differences in each state's PFMLI legislation and implementation.

Disclaimer: This student paper was prepared in partial completion of the requirements for a course in the Master of Public Policy Program at Duke University's Sanford School of Public Policy. The research, analysis, and recommendations in this paper are solely the work of the student team that authored the document and do not represent the official or unofficial views of the instructors in the course, the Sanford School of Public Policy, Duke University, or any other institution. Names of interviewees have been anonymized to enable broader publishing of our policy findings. Without the specific permission of its authors, this paper may not be used or cited for any purpose other than to inform the partner organization about the subject matter.

AUTHORS' NOTE: This report will not include a specific recommendation about whether PFMLI should be implemented in North Carolina, per the request of the Task Force. Rather, this report will focus on factors that should be considered by North Carolina and other states investigating PFMLI policies based on the experiences of employers in Colorado, New York, and Washington.

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Executive Summary

This report for the North Carolina Child Fatality Task Force (NC CFTF or “the Task Force”) seeks to answer the following policy questions:

What economic and business impacts have been experienced in states who have recently implemented a Paid Family and Medical Leave Insurance Program (PFMLI), how have these impacts varied by business size and sector, and what impacts should North Carolina anticipate were it to enact and implement a PFMLI program? Are there policy features that have been shown to mitigate any potential harmful impacts?

PFMLI’s benefits to workers are well-understood, but research on PFMLI’s impacts to employers is minimal. This report examines employer experiences in New York, Colorado, and Washington - three states that have enacted PFMLI programs in the last decade - to gain insight into how employers have navigated PFMLI implementation in their respective states.

Through interviews with business owners, policy analysts, and industry representatives in these three states, we found that **stakeholders generally held positive views of PFMLI**. Employers of large businesses often offered paid leave benefits before their states passed PFMLI legislation, while small employers were more likely to offer paid leave benefits after a statewide program was implemented. Interview subjects characterized PFMLI as providing clear benefits for employers, reducing employee turnover and improving recruitment of quality candidates, especially for small businesses. However, interviewees in all three states also voiced frustrations with their state’s PFMLI programs, criticizing specific aspects of how their states administered the program even though they supported PFMLI itself.

Should North Carolina consider implementing its own PFMLI plan, it can mitigate negative impacts to businesses by (1) considering impacts on small businesses, (2) evaluating the pros and cons of a state-approved private insurer and a publicly-administered insurance plan, (3) maintaining constant benefit levels and broad eligibility over time, and (4) considering existing taxes, PFMLI payroll tax structure, labor protections, and public health guidelines to keep the program sustainable and efficient.

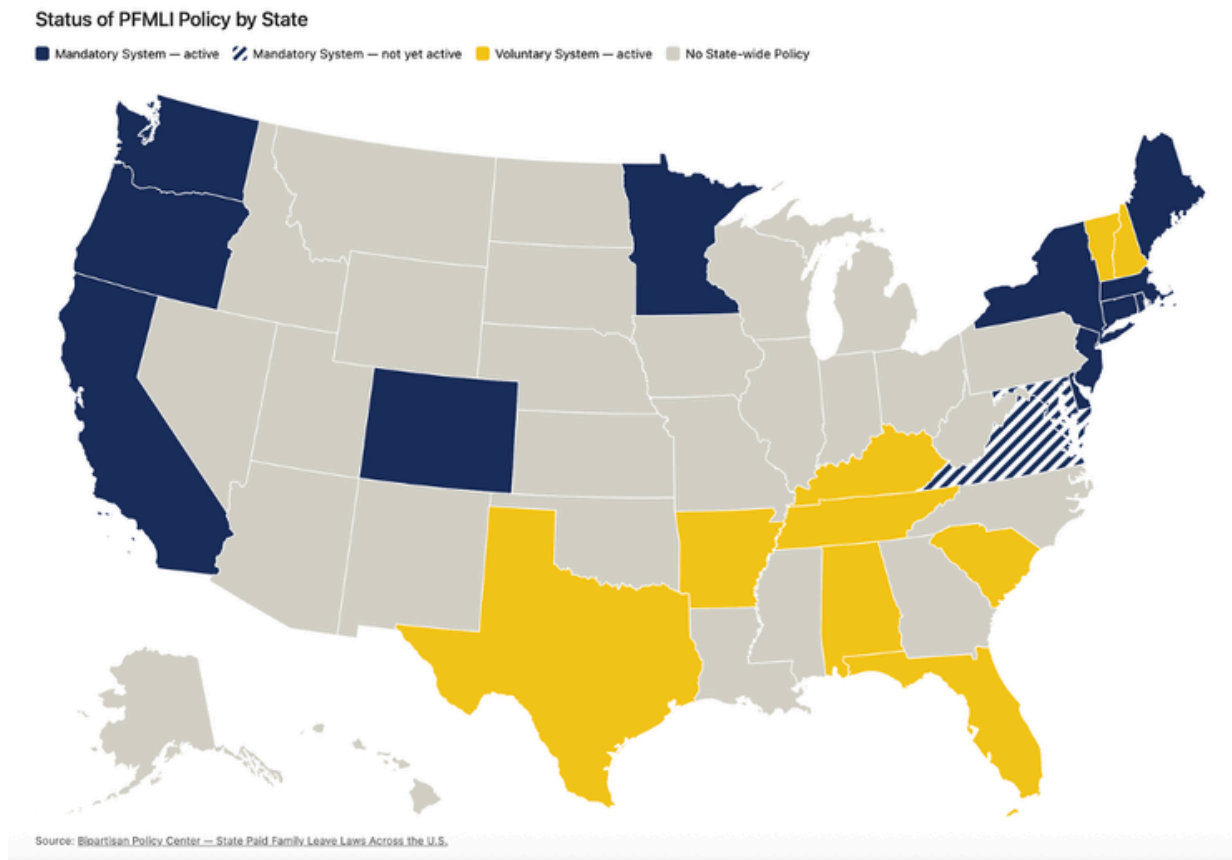
Background

What is Paid Family and Medical Leave Insurance (PFMLI)?

PFMLI is an insurance program that helps an employee take paid leave from work for a significant family event. Qualifying events can include the birth or adoption of a child, serious illness of a loved one or self, military exigency leave, and/or needs related to domestic violence.ⁱ The insurance program thus relieves employers from paying wages while a beneficiary is away.

Fourteen states have established mandatory PFMLI, with Virginia becoming the first southern state to pass PFMLI legislation in March 2026.ⁱⁱ

PFMLI programs are financed through payroll taxes paid by the employee and/or employer, including in our three case study states: New York, Washington, and Colorado.ⁱⁱⁱ



Source: Bipartisan Policy Center - State Paid Family Leave Laws Across the U.S.^{iv}

PFMLI versus FMLA

Currently, the federal government does not guarantee paid family leave for all eligible citizens. However, it guarantees *unpaid* leave for some workers. The Family and Medical Leave Act of 1993 (FMLA) allows up to 12 weeks of unpaid leave eligibility for family caregiving.^v However, FMLA protections only apply to private sector businesses with 50 employees or more.^{vi} That being said, Congress passed 12 weeks of paid leave for government employees in 2019, and in 2023, the U.S. Department of Defense began granting 12 weeks of paid leave for military service members following the birth, adoption, or long-term foster placement for a child.^{vii}

Unlike FMLA, PFMLI programs provide eligible employees with wage replacement. PFMLI is a separate policy from FMLA, but beneficiaries can take them concurrently. For instance, the U.S. Congress passed 12 weeks of paid family leave through the Federal Employee Paid Leave Act (2019). Federal employees are provided paid time off during the 12 weeks of FMLA leave.^{viii}

As of April 2026, North Carolina has no statewide PFMLI policy for residents. However, Governor Roy Cooper signed Executive Order No. 95 in 2019, establishing 8 weeks of fully paid parental leave for eligible state employees; this policy was expanded in 2023 under N.C.G.S. 126-8.6 to include State agency employees and employees of the K-12 and community college systems.^{ix}

PFMLI as a Task Force Priority

The Task Force is interested in PFMLI because of the established positive correlation between paid leave access and improved children's health outcomes. An analysis of PFMLI implementation in North Carolina conducted by the Center for Child and Family Policy at Duke University found that 26 infant lives in North Carolina would be saved annually under a 12-week paid leave model with 80% wage replacement.^x

Without a statewide leave program, only 12% of North Carolina workers have access to paid family and medical leave.^{xi} **Per the North Carolina Early Education Coalition, 10 weeks of paid leave is associated with a reduction in infant mortality of 10%. Addressing infant mortality concerns the Task Force as North Carolina has the 10th highest infant mortality rate in the U.S. (6.9 deaths per 1,000 births).**^{xii}

As the benefits to children's well-being are established, the Task Force hopes to weigh the other impacts a PFMLI program may have on the state, including economic and business effects. The Task Force is interested in learning more about these impacts as it continues its study of PFMLI and considers any future recommendations related to PFMLI. The Task Force approved PFMLI as an Administrative (non-legislative) item for additional research in their 2024 and 2025 Action Agendas.^{xiii, xiv} PFMLI is a recognized form of supporting employees' children's well-being, but implementation effects to employers are uncertain.

State Profiles

The chart below lists baseline macroeconomic, population, and PFMLI policy history from North Carolina and the designated case study states: New York, Washington, and Colorado. The information provides an overview of each state's economic landscape, key industries, minimum wage rate, and PFMLI access.

North Carolina



- **Population:** 11.1 million (2025)^{xxvii}
- **Median Household Income:** \$73,958 (2024)^{xxviii}
- **Minimum Wage:** \$7.25/hour (2026)^{xxix}
- **Capital:** Raleigh
- **Major Industries:** Finance, Tourism, Agriculture & Retail
- **PFMLI Adoption Year:** N/A*
- **Benefits Available:** N/A

**Note: Executive Order No. 95 (2019) established up to 8 weeks of fully paid parental leave (4 weeks for non-birthing parents) for State Agency employees.^{xxx}*

New York



- **Population:** 20 million (2025)^{xv}
- **Median Household Income:** \$85,820 (2024)^{xvi}
- **Minimum Wage:** \$17.00/hour (2026)^{xvii}
- **Capital:** Albany
- **Major Industries:** Finance & Technology
- **PFMLI Adoption Year:** 2016
- **Benefits Available:** 2018^{xviii}

Washington



- **Population:** 8 million (2025)^{xix}
- **Median Household Income:** \$99,389 (2024)^{xx}
- **Minimum Wage:** \$17.13/hour (2026)^{xxi}
- **Capital:** Olympia
- **Major Industries:** Healthcare & Retail
- **PFMLI Adoption Year:** 2017
- **Benefits Available:** 2020^{xxii}

Colorado



- **Population:** 6 million (2025)^{xxiii}
- **Median Household Income:** \$97,113 (2024)^{xxiv}
- **Minimum Wage:** \$15.16/hour (2026)^{xxv}
- **Capital:** Denver
- **Major Industries:** Tourism & Agriculture
- **PFMLI Adoption Year:** 2020
- **Benefits Available:** 2024^{xxvi}

Labor Force Impacts of PFMLI

Research on Employee Retention

Currently, the most robust long-term data on the labor force impacts of PFMLI comes from California, which first enacted PFMLI in 2004. A retrospective study in the state found that before California implemented PFMLI, approximately 25% of employed women left the labor force after giving birth. While most women returned within 17 years, over 20% of the working women who left never reentered the workforce.^{xxxii} **After implementing PFMLI, the rate at which California women left the labor force reduced by over 5 percentage points in the year of the child's birth,** allowing the state to retain a greater number of women in the labor force.^{xxxiii}

The frequency of downshifting – where an employee reduces their work hours from full-time to part-time – also decreased with PFMLI implementation. **Since employee turnover typically costs employers an average of 50-200% of an employee's annual salary, the employers who implemented PFMLI could potentially have seen cost savings.**^{xxxiii}

The correlative effects between PFMLI and labor force retention indicate that PFMLI may give employers across sectors a better opportunity to maintain skilled talent while reducing turnover or rehiring costs.

Insufficient Research on Employer Experience

Other research has not yielded as clear results of the impact of PFMLI on employers. There has been research on PFMLI impact on employers, but results have not indicated clear outcomes on employee turnover, retention, company profitability, or employee morale. In surveys of California firms that implemented PFMLI six years after implementation, 91% of employers surveyed reported no negative impacts to profitability, and 92.8% reported no negative effects on turnover.^{xxxiv}

In New Jersey, surveys of eighteen businesses across the financial services, health care, and technology sectors found minimal positive associations between family leave insurance (a component of PFMLI), improved morale, and increased paperwork load.^{xxxv} Most employers did not conclusively indicate associations between turnover and productivity.^{xxxvi}

Our case study states (Washington, New York, and Colorado) have not conducted similar studies because they enacted their PFMLI policies more recently. However, early data from New York and other states indicates that PFMLI helps retain more women in the work force.^{xxxvii}

Regardless of what future policy stance the Task Force takes on PFMLI, **North Carolina has an interest in retaining as many workers in the labor force as possible, including women:** North Carolina's labor force participation rate is approximately 59.2%, and is declining.^{xxxviii} **As of 2024, 57.7% of women 16 and older are part of the NC labor force.**^{xxxix}

State PFMLI Comparison

	New York	Washington	Colorado
State-Administered Public Fund or State-Approved Private Insurer?	State-approved private insurers Only xl	State-administered public fund xli	State-administered public fund with option to purchase private insurance xlii
Length of Benefits?	12 weeks xlili	12 weeks xliv	12 weeks xlv
Wage Replacement Rate?	Capped at \$1,228.53 Weekly xlvi	Capped at \$1,647 Weekly xlvii	Capped at \$1,448.53 Weekly xlviii
Tax and Contribution Rate (2026)	0.432% of Wage; Max contribution at \$411.91 Annually (\$7.92/week avg.) for Employee xlix	1.13% of Wage; Max Contribution at \$595.64 Annually (\$11.45/week avg.) for Employer, \$1,489.21 Annually (\$28.64/week avg.) for Employee l	0.44% of Wage; Max Contribution at \$811.72 Annually (\$15.61/week avg.) for Employer and Employee Each li
Premium Splits?	100% by employees lii	71.43% by employees; 28.57% by employers liii	Employer provide at least 50%, Employees up to 50% liv
Other Available Workers' Programs?	Employer-Funded Unemployment Insurance, Paid Sick Leave, Disability Insurance (Includes Pregnancy & Maternity Leave) lv, lvi, lvii	Employer-Funded Unemployment Insurance, Paid Sick Leave, Long-Term Care Benefits lviii, lix	Employer-Funded Unemployment Insurance, Paid Sick Leave lx, lxi

PFMLI in New York

The New York Paid Family Leave Benefits Law

In 2016, New York passed a comprehensive law guaranteeing paid family leave in New York for most private sector employees. PFMLI was implemented with benefits available to eligible employees beginning in 2018.^{lxii} The program was phased into effect across four years, beginning at 8 weeks of paid leave at 50% of an employee's average salary. The benefit eventually reached the final phase in 2021, under which eligible workers may take up to 12 weeks of paid leave per year with 67% weekly wage replacement.^{lxiii} Weekly wage replacement is capped at \$1,228.53 in 2026, equivalent to 67% of the New York state average weekly wage of \$1,833.63.^{lxiv} Employee payroll taxes finance the entire program, reducing direct financial costs for employers. In 2026, the contribution rate for employees is 0.432% of gross wages per pay period, with a maximum annual contribution of \$411.91 per year.^{lxv}

Despite not bearing the tax burden to fund PFMLI premiums through payroll taxes, some New York employers previously expressed concern with the impacts of extended absences on their businesses. To address this concern, studies by Bartel et. al. compared employer ratings of employee performance and ease of managing extended employee leave in New York and Pennsylvania (a state without mandatory PFMLI).^{lxvi} Results indicated that the implementation of state-mandated PFMLI had no large effects on absence rates for large employers as most employees abided by established leave policies. Slight evidence was observed that New York employers experienced improved employee commitment and easier management of leave during the first year of PFMLI's implementation. The study also noted that most New York employers supported PFMLI, but some opposition remained amongst small employers who previously did not offer job-protected paid leave and faced new challenges managing extended employee absences.^{lxvii} Overall, however, the study found that PFMLI imposed minimal costs on employers at large and had no statistically significant adverse impacts.^{lxviii}

New York



PFMLI in Washington

Senate Bill 5975 - Addressing paid family and medical leave

Enacted in 2017 with benefits available in 2020, Washington's Paid Family and Medical Leave program provides state-administered, paid, job-protected leave insurance to eligible workers for qualifying family and medical events, such as pregnancy, childbirth, and adopting or fostering a child. Eligible employees can take up to 12 weeks of medical or family leave, and in certain circumstances (usually pregnancy-related incapacity), up to 18 weeks. Washington's program offers partial wage replacement, with eligible employees able to receive up to 90% of weekly wages capped at \$1,647 weekly.^{lxxix} Washington funds its program through employer and employee payroll tax contributions.

Washington



In 2026, employees pay up to 71.43% of PFMLI premiums, leaving 28.57% to the employer.^{lxx} Small businesses with 150 or fewer employees are offered grants up to \$3,000 to cover PFMLI-pertinent employer costs and can apply for up to 10 grants per year. Businesses with fewer than 50 employees are neither required to pay the employer portion nor maintain job-protection status of employees on leave, mitigating both upfront and potential cost impacts for small businesses. However, recent state legislation beginning 2026 will require employers with 25 or more employees to maintain the title, pay, and benefits of the employee upon return from leave.^{lxxi} Should legislation continue to reduce small business carve-outs, employers may view PFMLI more negatively. Added provisions of PFMLI that dismiss small businesses protections may emphasize costs and administrative burden to businesses that would have not utilized the PFMLI program initially.

Upon implementation, employer opinions on PFMLI were mostly positive. However, opinions soon worsened due to short staffing (potentially from COVID-19-related labor shortages), long wait times for benefits, and reduced attention towards small businesses in need of PFMLI-pertinent grants.^{lxxii} Nonetheless, the PFMLI program has maintained net-positive approval among employers.

Similarities between Washington and North Carolina's workforces make Washington useful for studying how PFMLI could impact North Carolina. Washington's top two sectors impacted by PFMLI are healthcare and retail, which make up 12% and 10% of PFMLI beneficiaries, respectively (comparably, 12% of North Carolina's workforce works in healthcare).^{lxxiii, lxxiv} In addition, 24% of jobs in Washington are directly or indirectly impacted by retail industries, comparable to 27% of jobs in North Carolina.^{lxxv, lxxvi}

PFMLI in Colorado

Proposition 118, the Paid Family and Medical Leave Initiative

Colorado passed PFMLI in 2020 through Proposition 118, calling the program the Family and Medical Leave Insurance Program (FAMLI). Benefits began in 2024. The program established state-administered paid leave insurance, funded through a 0.88% payroll tax on employee wages, split between employers and employees. Employers paying at least half the burden (greater than or equal to 0.44% of employee wages) and employees pay the rest.^{lxxvii} Wage replacement operates on a progressive sliding scale up to a weekly cap, with low-income workers eligible for up to 90% of their wage.^{lxxviii} To protect small businesses while still providing PFMLI benefits to employees, FAMLI exempts firms with under ten employees from paying employer-side payroll taxes.^{lxxix}

Colorado

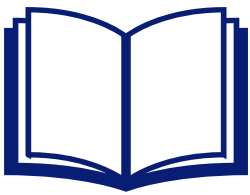


Prior to implementation, a poll from the Small Business Majority found that 7 in 10 small employers supported PFMLI.^{lxxx} Like North Carolina, Colorado has a sizable rural small business population. To address PFMLI's impact on rural communities with predominantly small-scale employers, the state drafted a customized guide for small businesses, as benefits apply to businesses even with 1 employee.^{lxxxi} Businesses under 10 employees are exempt from employer-side payroll taxes, while employees can still pay and receive benefits. This carve-out alleviates costs that would otherwise affect small, rural employers. With the program's recent implementation, the state implementing agency's top concern is information sharing about eligibility to improve low-income and self-employed workers' awareness of benefits.^{lxxxii} Employer feedback has been mixed since PFMLI benefits began in 2024. Larger employers find the program administratively manageable while small businesses do not, absent a third-party payroll administrator. Small business owners may lack awareness of program requirements or managing program requirements unfeasible. Maintaining operations in the face of extended employee absences has been an expressed concern, as employers may need to hire temporary employees or increase the workload of remaining employees while one employee is out on leave.^{lxxxiii}

Methodology

Our team employed a qualitative methodology that evaluated stakeholder interviews, legislative and civil society policy documents, and academic research studies related to PFMLI. We aimed to capture qualitative and quantitative data surrounding administrative burden, operational challenges, and perceived economic impacts of PFMLI in the case study states identified by the Task Force: New York, Washington, and Colorado. Our methods included the following:

Text Analysis of Legislative Committee Hearings & Research Studies



Our team conducted text analyses of legislative hearings and related materials from the case study states, identifying common themes of PFMLI implementation. Sources for this analysis included committee hearing transcripts and testimonies, as well as submissions from stakeholders from employer groups, labor organizations, and advocacy groups which are included in legislative transcripts. The goal was to identify the core policy features of each state's PFMLI program and to document PFMLI impacts from the perspective of business community representatives and policy analysts. A key question was how attitudes toward PFMLI may have shifted since initial PFMLI implementation in case study states.

Stakeholder Interviews



Our team conducted semi-structured interviews with stakeholders across the selected case study states: New York, Washington, and Colorado. These interviews aimed to capture qualitative data surrounding the administrative burden, staffing challenges, firm culture, and perceived economic impacts experienced in states which have implemented PFMLI. We were particularly interested in how representatives from the business sector feel about PFMLI, if their perception of PFMLI has shifted since it has been implemented, and if any features of their state's PFMLI policies have helped mitigate negative business impacts. Participants included business associations and industry groups, employers from varying business sizes and sectors, policy analysts, and state agency staff with knowledge of PFMLI legislative development and implementation.

Methodology

Interview questions centered on the interview subject's involvement in the PFMLI legislative process, perception of PFMLI, and experiences with implementation (see Appendix A). Interviews were conducted via Zoom and recorded with consent of subjects for the purpose of making a transcription. Meetings included a consent form confirming participation, recording approval, and option for interview subjects to request anonymity.

Following the completion of interviews, transcripts were coded by hand to identify statements regarding the following themes:



1. Involvement in PFMLI legislative process
2. Discussion of state implementation & contact with state
3. Administrative or financial burden for employers
4. Benefits for employers

Statements regarding these themes were subsequently compared between case study states.

Limited availability of interviewees was the main limitation of our research. Although we sought to interview subjects with diverse roles, sectors, and geographic areas, we did not receive enough responses to achieve this goal as desired. However, the interviews across three states were still broad enough to capture business impacts and potential policy mitigations for North Carolina or another state evaluating whether to enact PFMLI.

Findings

1

PFMLI programs require special considerations for small businesses

2

States with PFMLI report improved worker recruitment, reduced turnover, especially for small businesses

3

Public-administered funds and state - approved private insurers each have pros and cons

4

Businesses prefer consistency - continuous expansions threaten program stability and sustainability

5

Effective PFMLI can be inexpensive for both employers and employees, but states need to consider existing taxes and social programs to minimize indirect costs

PFMLI programs must consider small businesses

Smaller firms without existing paid leave programs face higher administrative burdens

Across all three states, New York, Colorado, and Washington, administrative burden consistently emerged as an employer concern, though its severity depends on business size and program design.^{lxxxiv} Core challenges surrounded compliance: tracking employee eligibility, coordinating with agencies or private providers, and managing leave documentation, all of which require time and expertise that most small business do not have. As the co-founder and CEO of a New York-based climbing gym explained, the benefit of PFMLI comes with a compliance-related workload:

“It [compliance] has to be led by HR, by your CFO, and most small businesses don’t have HR or CFOs...it’s a lot of paperwork but really beneficial in terms of your culture, your turnover, and all that kind of thing.”

- Co-Founder and CEO of a New York-based climbing gym

Small employers interviewed in Washington routinely expressed difficulty with navigating the system, with one interviewee sharing that they know at least one small business that had to hire an attorney just to manage compliance. Small business representatives in Washington also attributed administrative burden to rapidly expanding PFMLI in the years immediately after the original legislation passed with unclear communication with business owners. Mid-to-large employers, by contrast, have the staff to manage this complexity without significant disruption.

“I think a lot of different employers think that if they were to call and ask the state [for assistance], the state’s going to automatically think they’re doing something wrong... I have not necessarily had that experience whenever I’ve called the state, but I can see where people do have that mindset and feeling.”

*- Representative of a Rural County Small Business Association
& Pharmaceutical Industry*

These issues did not make employers oppose PFMLI altogether. Employers drove their frustrations with how their states designed and administered their programs, showing that states’ ability to make compliance easy is key.

PFMLI programs must consider small businesses

Smaller firms face greater risk of operations disruption from PFMLI and employee absences than larger firms

Business owners interviewed for this report largely accepted the disruption that comes from employees taking leave, but small businesses felt those effects more acutely than large businesses. Simply put, small businesses feel the marginal impact of one employee taking leave more than large businesses do. The owner of a mid-sized business in New York acknowledged this asymmetry directly: an extended absence is **“a real hardship for an 8-person company versus an 800-person company.”**

Employers across all three states acknowledge that PFMLI has increased leave taking. Large and mid-sized employers across sectors consistently described absences as manageable. A human resources director at a restaurant group in Washington noted that leave requests have increased roughly tenfold since Washington’s program launched, yet she describes the experience as a “win-win” because employees return in a “better place.” A New York-based business owner summarized the impact of increased leave-taking on his business simply: **“we’ve been living with it for almost 9 years now and it’s not been a hardship.”**

Interviewees from industries dominated by small and mid-sized businesses (construction, retail, and independent grocers and convenience stores), all described similar operational challenges. A representative from Washington’s retail sector explained:

“It’s going to be challenging for small employers because if you work as a team with three people on the team, one is gone. It’s hard to find a temporary, especially when it’s a skill that’s specialized. So the two of you have to do three people’s jobs. How does that work for you? What kind of stress level does it create for the remaining team?”

- Representative from the Washington retail industry

PFMLI programs must consider small businesses

Smaller firms face greater risk of operational disruption from employee absences and PFMLI than larger firms

Regarding the monetary cost associated with an employee absence, a representative of the Washington food industry described a Washington-based distributor who reported spending about a million dollars annually on additional hires to offset PFMLI absences: **“They're hiring at least 20 more employees a year just to offset the ones who are gone.”** She explained that small grocers, who already have extremely low profit margins of about 1%, incur significant financial consequences with even modest disruptions in staffing. Though Washington offers small business grants of up to \$3,000 to offset PFMLI costs and has increased the eligibility threshold from employers with fewer than 50 employees to include employers with fewer than 150 employees, these were described across interviews as a benefit that was underutilized and insufficient relative to real employer costs.

The owner of a New York health-tech firm with 12 employees offered a pragmatic perspective: planned absences, like a known maternity leave, are manageable with early notice and cross-training, but unexpected medical leave is more “tricky.” Her broader framing captures a key tradeoff: a temporary absence, however disruptive, may be easier to absorb than permanently losing an employee who left because they had no financial support during a family or medical event.

“I think it’s much easier to navigate a temporary change than it is to navigate somebody having to leave – that’s more permanent... The reality is that a 3-month maternity leave is not that long and so we’ve been able to navigate those pretty seamlessly, with minimal interruption.”

- President and CEO of a New York-based health tech firm

PFMLI programs must consider small businesses

PFMLI increases small businesses' competitiveness to recruit quality employees

Despite the operational and administrative challenges, state-mandated PFMLI assists small businesses by providing a mechanism for them to more easily offer paid leave benefits like those offered by larger competitors. Since large employers typically already provide leave benefits that meet or exceed state requirements, PFMLI does not ultimately shift their competitive position. Competitive position improves for small businesses. A representative of Small Business Majority drew a comparison to health coverage: **“bigger businesses can still offer more robust paid leave benefits, so [PFMLI] is at least getting folks to the bare minimum platform, where we can level the playing field [between small and large businesses].”**

Prior to state-mandated PFMLI, small businesses had little ability to match what large employers offered in terms of paid leave benefits. A state program establishes a baseline that small businesses now meet automatically.

A New York business owner, whose small health-tech firm competes against larger companies for talent, notes that PFMLI allows her to attract high-quality employees:

“I'm a small business, my salary is almost never going to be the most competitive and so being able to have these resources and tools... it just makes everything more sustainable as a small business.”

- President and CEO of a New York-based health tech firm

In another interview, the co-founder and CEO of a climbing gym in New York noted that offering PFMLI benefits, particularly at a level exceeding the New York state requirement, has also increased her company's competitiveness with employers in other states, including North Carolina: **“we don't pay that much but...my head setter just moved out of Asheville, NC to Binghamton NY. He left partially because of our family leave policy.”**

These responses mirror existing research on employee preferences: 77% of Americans state that a PFMLI program is helpful to families and the offer of paid parental leave benefits affects their decision to accept a job.^{lxxxv}

PFMLI programs must consider small businesses

Small businesses appreciate carve-outs

In Washington and Colorado, small business carve-outs, which exempt small firms from employer-side premium contributions, emerged as a mechanism for mitigating PFMLI's financial impact on small businesses. An exemption policy was not applicable in New York, since employers do not contribute payroll taxes to PFMLI.

Colorado: Businesses with 10 or fewer employees do not pay employer premiums

PFMLI proponents in Colorado contended that the program's carve-out for companies with 10 or fewer employees helped win over the small business community to support PFMLI. A representative from Small Business Majority who advocated for Colorado's PFMLI policy described this effect clearly:

"The appetite from the business community once we got the carve-out was very positive...we created a carve-out of 10 employees or less, it has made [the program] way more appealing."

- Representative from Small Business Majority Colorado

Washington: Businesses with 50 or fewer employees do not pay employer premiums

Washington's small business exemption goes further, exempting firms with up to fifty employees instead of ten. Employers in Washington also appreciated small business carve-outs from PFMLI job protection because of their added challenge in finding temporary replacements. Washington's original legislation exempted employers with fewer than 50 employees from providing job protection, in line with FMLA requirements. Employees in Washington retain PFMLI job protections if they have been employed for longer than 180 days (Colorado has the same policy), but recent legislation under HB 1213 (2025) will reduce the exemption threshold to 25 employees in 2026, 15 employees in 2027, and ultimately to 8 employees by 2028. Interviewees from Washington's retail and construction sectors flagged this trajectory as a significant and growing concern. Taken together, Colorado and Washington's experiences suggest that carve-outs are most effective when implemented at the program's outset and that employers prefer for carve-outs not to be subsequently reduced.

1

PFMLI programs must consider small businesses

Summary Table: Employer Premium Carve-out Eligibility

Colorado

Firms with **10 employees* or fewer** are eligible

**Employees that worked 20+ calendar weeks in previous year*

Source: Family and Medical Leave Insurance (FAMLI) 2026

Washington

Firms with **50 employees* or fewer** are eligible

**Average number of employees from previous quarterly wage reports*

Source: Washington State's Paid Family and Medical Leave 2026

PFMLI states improved worker recruitment and turnover

Employers in New York and Colorado report that PFMLI policies have improved staff turnover rates and contributed to company loyalty. Their sentiments mirror national studies that have suggested that paid leave is associated with improved worker retention (particularly for women), improved employee morale, and lower turnover costs. lxxxvi lxxxvii lxxxviii lxxxix

In New York, one interviewee noted that paid family and medical leave benefits have allowed her to hire and retain employees who are over-qualified for positions. In one instance, she noted that she hired a highly educated geologist to work at her climbing gym despite relatively low pay because generous leave benefits were attractive to him. As she put it,

“Our employees will never leave us because they know that they continue to have quality of life while also being able to do the job they really want to do... it’s not only killed turnover but also given us the highest quality of employees.”

- CEO & Co-Founder of a New York climbing gym

Other New York employers and business representatives across sectors and in both urban and rural areas echoed that sentiment.

“[Our company] takes pride in supporting women coming back into the workforce. Being able to foster that has absolutely created massive retention for us. Our average employee [has worked for us for] more than seven years, probably. Our staff retention is very, very good, and that is the best recruiting tool...the value of [PFMLI] is far worth whatever amount of effort we need to put in, because it really allows me to offer so much more to those employees who are in states that have these options.”

- President and CEO of a New York-based health tech firm

PFMLI states improved worker recruitment and turnover

Notably, some employers cite PFMLI benefits as being key for large and small businesses navigating changing workforce demographics with the retirement of the Baby Boom generation. As a representative from a pharmaceutical company in New York observed:

“There’s a national labor shortage. We went from a very senior workforce to... a whole new junior workforce. With that comes starting families, and adoptions.”

- Representative of Pharmaceutical Industry & Rural County Small Business Association

PFMLI proponents in Colorado identified similar benefits to small businesses in terms of improved recruitment, reduced turnover costs, and alignment with pro-family company values:

“The salient point for them [small employers] was that **this makes us more competitive with those big businesses who offer this benefit that we can’t.”**

- Representative from the Bell Policy Center in Colorado

“Turnover, especially for small businesses, is expensive. The majority of small business owners – 64% - wanted this. Businesses in Colorado wanted to do right by their employees.”

- Representative from Small Business Majority Colorado

In Washington, attitudes were more mixed: employers were concerned about the costs of hiring short-term replacements even as PFMLI beneficiaries were likely to return to work. However, PFMLI is still associated with improving small business recruitment by reducing the benefits gap between large and small companies. As a senior representative from the Washington food industry put it,

“There are some challenging components to it. But overall, **employers still really appreciate the opportunity that they can be competitive with the big guys because they are able to have this leave available to them.”**

- Senior Representative from the Washington food industry

Public-administered and private insurance have pros and cons



New York: pros and cons of a private insurance mechanism

New York administers PFMLI through private insurance providers from whom employers purchase plans.^{xc} The state oversees and regulates the private insurance market for PFMLI.^{xc} New York employers and business leaders interviewed for this report gave mixed reviews for New York's private PFMLI mechanism.

A representative from Small Business Majority New York noted that **“it’s really hard for [New York] small business owners to comply” due to “no centralized, state-run program” and “not enough private insurance providers in the system.”**

Employers in New York can consult a published list of state-approved insurance providers but must navigate the process of selecting which provider best meets their needs; this creates an administrative cost for businesses, particularly those without in-house HR resources.^{xcii} In contrast, having a generic state option that employers could automatically enroll in, in addition to the private options (one of which is the New York Insurance Fund), would provide small businesses “a little relief when it comes to the administration.”

Several employers expressed positive experiences with private insurance providers of PFMLI, particularly in instances where they develop an ongoing relationship with their provider. For a small health tech CEO in New York did not face difficulties picking a private insurance provider because the company’s PEO coordinated the provision of PFMLI and associated paperwork. However, companies without a dedicated HR specialist/department typically reported administrative challenges when navigating the private insurance market. One potential solution for this, proposed by a small business association representative, was that New York could establish state or county-level offices to handle PFMLI concerns and reduce the burden on employers, in addition to the state’s ongoing email outreach:

“You have at the county-level your Office for the Aging, your social services programs...maybe that [PFMLI assistance] could become a division in the county and actually create more jobs... and employers would feel that they are getting a little more support and bang-for-their buck.”

- Representative of Pharmaceutical Industry & Rural County Small Business Association

Public-administered and private insurance have pros and cons

Washington: employer experience hinges on public state agency performance

Among Washington employers, satisfaction with the publicly managed program depended on their experience with the program's implementing agency, the Employment Security Department. Some employers had positive experiences with the agency, but many found it under resourced and inefficient.



The HR Director for a restaurant group in Washington offered the most positive assessment: before PFMLI, the company ran an internal short term disability program that covered only roughly 20 to 25% of employees enrolled in the company's benefit plan. The state-run program replaced that entirely, extending coverage to all employees while shifting claims processing to Employment Security Department (ESD), the state agency tasked with running the program. She praised ESD's pre-implementation outreach as more organized and thorough than rollouts in other states, **citing helpful webinars through their hospitality member association and consistent direct communications ahead of the program's launch.**

However, smaller employers and other industry representatives presented starkly negative pictures of their interactions with ESD, describing ESD's administration of the program as consistently inadequate, with **long wait times and minimal administrative support.** ESD's problems created a real burden for employers trying to manage their obligations and workers attempting to access their benefits. A representative of the Washington food industry noted that helping workers navigate the system and receive timely benefits has become a significant part of her own work, far outside her intended role.

Additionally, **employers reported a high level of difficulty obtaining basic information about their employees' leave status.** An interviewee from Washington's retail sector described situations in which employers have no way of knowing when a worker begins or ends a leave period or whether a leave claim is legitimate because ESD does not routinely share that information. These findings reflect a broader concern raised across interviews that ESD was not adequately prepared when the program launched, and that ongoing legislative changes have made it difficult for the agency to catch up. Interview subjects suggested that these challenges could be addressed through better communication with employers and adequate technical assistance for employers.

Public-administered and private insurance have pros and cons

Colorado: having both public and private options improves program efficiency and employer satisfaction

Colorado's PFMLI program benefits from providing a public insurance option while allowing companies to shop for plans on the private market. Companies that purchase private plans are also exempt from payroll taxes, but must provide benefits equal to or exceeding what the state provides.

The public insurance option allows smaller firms to reliably provide compliant benefits to their employees. Payroll taxes are automatically deducted for employees and employers, and unlike in New York, employers do not need to "shop" for an insurance plan. At the same time, employers can purchase insurance from private companies if they wish.

Colorado's PFMLI program provides workers a meaningful benefits "floor" through its public option while still allowing the private insurance market to compete for business.



Public-administered and private insurance have pros and cons

Summary Table: Comparison of Public vs Private Insurance Mechanisms for Providing PFMLI

Public Insurance (via state agency)

Benefits:

- State agency provides centralized resource to handle compliance questions
- Reduced administrative costs for businesses if businesses do not need to search for a private insurer provider.

Concerns:

- If state agency is understaffed, long wait times for administrative support may occur
- State agency may be overburdened administratively if providing insurance for all/majority of businesses*

*Well-publicized private insurance alternatives that meet PFMLI coverage standards can mitigate this concern, as seen in Colorado.

Private Insurance

Benefits:

- Employer may be able to contract with a private provider with whom they have an existing relationship
- Private provider may be more accessible/responsive than state agency

Concerns:

- Unlike a state agency, private providers are not a centralized resource to handle compliance questions
- Higher overhead costs associated with process of selecting a private insurance provider
- Risk of insufficient state-approved insurance providers of PFMLI

4

Businesses prefer consistency

Employers and analysts in all three states expressed that they preferred PFMLI policies and benefits that remain largely constant from year to year because they keep administrative costs consistent, ease compliance, and strengthen perceptions of state program administration. Simply put, businesses want PFMLI programs that their states run well.

Employers in Washington highlighted this need: they were particularly frustrated that the state legislature has expanded benefits and altered the program in nearly every legislative session since it first passed PFMLI, without providing the staff and backend support to make the program work. However, by multiple accounts, **benefits are expanding so fast that Washington's program is expected to be insolvent by 2030, only one decade after implementation.**^{xciii} They support increased benefits for workers, not how the program has run. In sum, Washington's near-continuous program expansion, changing compliance rules, and failure to hire sufficient staff have hurt trust in the program and threatened to bankrupt the fund altogether.

A senior representative from the Washington food industry, who also helped negotiate the legislation and was initially proud of the program, described the program as increasingly unsustainable. In their words,

"Every year since we agreed to a fair paid family leave program, the legislature has come back and changed that program almost every year, added more benefits, changed the structure of that, and it looks a lot different than it did when we first started and because of that, we now have a system that's almost bankrupt."

- Senior representative of the Washington food industry

A representative from the Washington housing industry flagged similar concerns, noting that while the program is continually expanded, fraud protections written into the original legislation remain unimplemented years later.

4

Businesses prefer consistency

By contrast, Colorado mitigated the need to expand its PFMLI program by covering nearly all workers at the outset with a broad range of qualifying events. The program also effectively functioned as short-term disability insurance (which Colorado did not have previously, unlike New York and Washington), removing the need to create a separate program. Colorado did expand PFMLI coverage by an additional 12 weeks starting in January 2026 for parents with children in the NICU; however, that was after several years of budget surpluses made the expansion possible.^{xciv}

Some analysts, such as from Colorado's Common Sense Institute, expressed concern that the Colorado legislature's control over expanding PFMLI may eventually expand the program in ways that are politically popular but fiscally unsustainable. However, they acknowledge that that has so far not happened. Although our interviews in Colorado suggested that the state's business communities are increasingly at odds with the state legislature's inclination to impose new taxes and regulations, few if any express opposition to PFMLI specifically.

In sum, businesses in states with mandatory PFMLI programs appreciate program stability over time. Employers prefer a policy that controls costs, has consistent eligibility, and makes compliance easy. Most significantly, a policy that fails to do so can undermine employers' trust in the program and even threaten to bankrupt the program altogether.

PFMLI can be inexpensive, but must consider existing policies

PFMLI does not need to be expensive for employees and employers

Interviewees in all three states, but especially in New York and Colorado, considered PFMLI relatively inexpensive because premiums have remained **low. In New York, employees only pay 0.432% of gross wages to fund PFMLI, and PFMLI caps are limited to \$411.91 annually, or about \$7.92 per week – roughly the cost of two cups of coffee.**^{xvii} In fact, economists who helped design and advocate for Colorado's policy, such one interviewee from the Colorado Fiscal Institute, used the "two cups of coffee a week" as a cost benchmark to evaluate how generous PFMLI benefits could be while keeping premiums low. Per a New York business owner who helped advocate for PFMLI with other business leaders:

"A number of workers, both in our warehouse and customer service... live on the edge financially, and so every dollar matters to them. At the same time, the way human psychology works, if it's automatically taken out of your paycheck and it's a relatively small dollar amount, I don't think it psychologically it has that big an impact [on employee's day-to-day finances] and it [PFMLI] is a huge advantage if it's something you take advantage of as an employee."

- Owner of a New York business who advocated for PFMLI to the New York Legislature

5

PFMLI can be inexpensive, but must consider existing policies

In terms of direct costs to employees and employers, PFMLI premiums are less expensive than other types of insurance.

	New York	Washington	Colorado
Average Weekly Premiums (2026)	\$7.92 / week for employees \$0 / week for employers	\$28.64 / week for employees \$11.45 / week for employers	\$15.61 / week for employees \$15.61 / week for employers
Maximum Annual Contributions (2026)	\$411.91 / year for employees \$0 / year for employers	\$1489.21 / year for employees \$595.64 / year for employers	\$811.72 / year for employees \$811.72 / year for employers

Sources: New York Paid Family Leave Updates for 2026, Washington Paid Family Leave & Medical Leave Premiums Estimator, Colorado FAMLI Premiums & Benefits Calculator,

Comparison: Average Annual Premiums for Employer-Sponsored **Health Coverage** in 2025 = **\$9,325** for single coverage; PFMLI is a much lower cost to employers and employees^{xvii}

Weekly PFMLI premiums can cost **less than two cups of coffee** for employers & employees



PFMLI can be inexpensive, but must consider existing policies

Lower than expected take-up rate and leave length also reduces costs

In Colorado, PFMLI has been less expensive to implement than initial estimates predicted because take-up rates and leave length have been lower than projected. Both take-up rates and leave lengths in Colorado, for example, have either equaled or been lower than the lowest estimates made by Colorado's Common Sense Institute, a non-partisan free market think tank (see Figures 1 and 2 below). Their "low" projection was that 5% of eligible Coloradans would take PFMLI annually for an average of nine weeks (out of a maximum 12). In reality, 5.007% of eligible Coloradans took paid leave in 2024, taking leave for fewer than 7.5 weeks on average (51.7 days).^{xcviii}

2024 PFMLI Take-Up Rate in Colorado: Projected vs. Actual

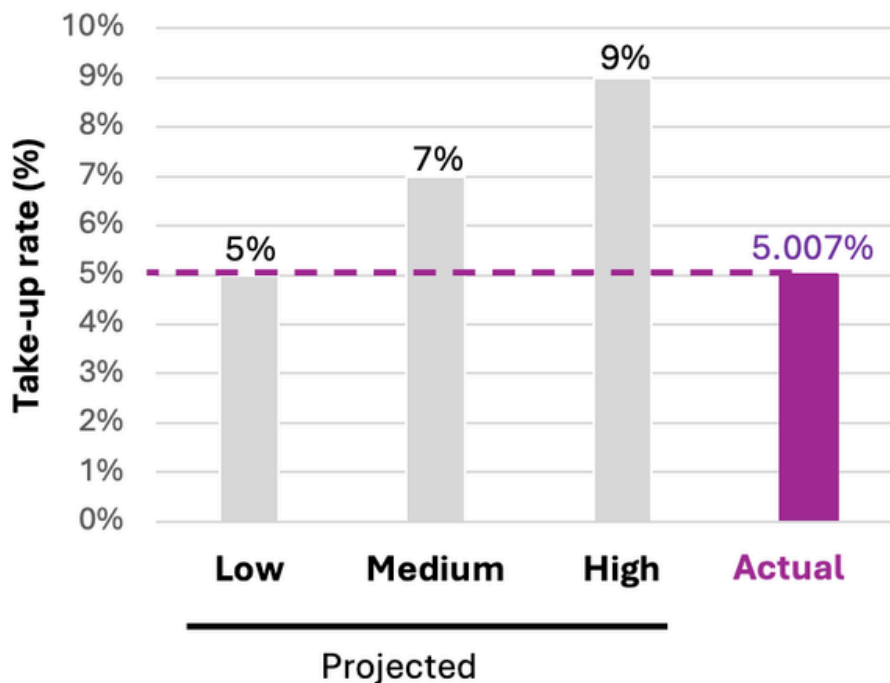


Figure 1: 2024 PFMLI Take-Up Rate in Colorado, Projected vs. Actual (source: Common Sense Institute for Projections, Colorado Fiscal Institute and University of Denver for actual)

PFMLI can be inexpensive, but must consider existing policies

Colorado's compromise to lower wage replacement rate has kept costs low while guaranteeing 12 weeks of paid leave

Our interviewees offered multiple explanations for why these statistics ended up lower than expected. However, the most compelling came from a representative of the Colorado Fiscal Institute, who suggested that low wage replacement rates have discouraged workers from taking longer leave than they needed. As he explained, pro-equity advocates who negotiated Colorado's PFMLI benefits compromised on a lower wage replacement rate (which progressively slides from 50-90% of a beneficiary's income, capped at \$1,448.53 weekly) because they were adamant about guaranteeing 12 weeks of leave. In their view, "if a single woman of color with a new baby" could not take 12 weeks of leave as medical guidelines recommend, the policy could not achieve desired outcomes.^{xix} As a result, Colorado's policy discourages workers from taking leave longer than they need to.

2024 Average Number of Weeks Paid Leave Taken in Colorado: Projected vs. Actual

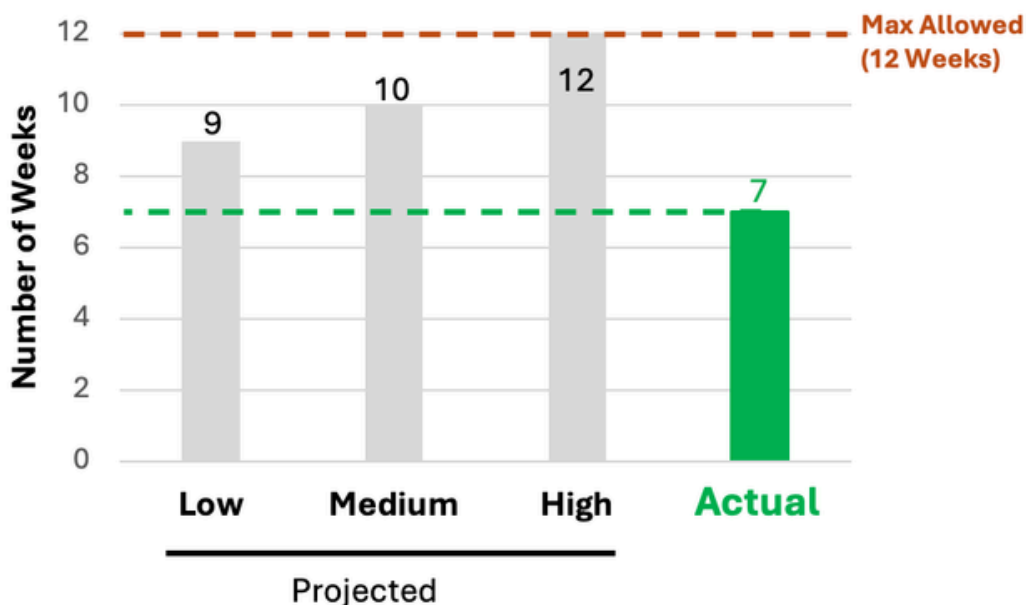


Figure 2: 2024 PFMLI Average Weeks of Paid Leave in Colorado, Projected vs. Actual (source: Common Sense Institute for Projections, Colorado Fiscal Institute and University of Denver for actual)

PFMLI can be inexpensive, but must consider existing policies

Several employers in New York and Washington echoed the idea that employees do not always take the full length of leave available to them. Per one New York small business owner,

“When employees come back, they’re so hungry to get back into it, to a point where **when people go on family leave, they don’t take as much time as they can... it’s created an environment where you [employees] have the ability to do it [take leave] when you need it, but you don’t do it because you’re forced to.”**

– CEO & Co-Founder of a small business in New York

Other explanations included that other states’ PFMLI projections double-counted PFMLI and FMLA claims, inflated estimated take-up rates, and that PFMLI’s broad range of eligible events means that not everyone needs to take the full 12 weeks of leave they are allotted (e.g.: a spouse’s broken leg might require less time off than the birth of a child).

Regardless, the explanations suggest a baseline, broad-based state PFMLI policy can be inexpensive for both employers and employees.

State PFMLI policies must account for existing social services and taxes to be efficient

Across all three states, states’ PFMLI programs’ efficiency depended on their considering the state’s existing social services, workers’ protections, and taxes because doing so prevents undue employer burdens, fiscal insolvency, and abuse by beneficiaries. As mentioned earlier, Colorado’s PFMLI policy created a broad list of qualifying events which reduced the need for future program expansion. It was also designed to cover the same benefits as short-term disability insurance, removing the need to create another, potentially burdensome program and new taxes (unlike New York and Washington, but like North Carolina, Colorado did not already provide mandatory short-term disability insurance before passing PFMLI).^c As a result, business communities in Colorado are not concerned about PFMLI, even as they continue to worry about the state legislature imposing new taxes and regulations that could hurt their companies.

PFMLI can be inexpensive, but must consider existing policies

In addition, New York has instituted clear rules for workers to take PFMLI at the same time as FMLA, as well as to not work while receiving PFMLI benefits, preventing workers from taking excessive leave and receiving both salaries and PFMLI benefits while on leave.

By contrast, Washington's program has failed to adequately account for existing taxes and business landscape in the state, frustrating even employers who celebrate PFMLI. Washington already has one of the highest business and occupation taxes ("B&O tax," or corporate tax on gross income rather than profit) and sales taxes in the country, as well as one of the highest costs of living - yet the legislature keeps expanding the program. As one interviewee from Washington explained, "increased B&O taxes, business and occupational taxes, all of these other components are just hitting businesses so hard that paid family leave is just one more tax on top of all these others that really weigh on how much is too much." On top of that, Washington ESD routinely fails to adequately coordinate with and inform employers regarding employee claims when workers are on leave. The gap allows some beneficiaries to collect PFMLI while still working, and even while collecting unemployment benefits, even though both are illegal under Washington law. Washington did enact anti-"double-dipping" rules - mirroring those in New York - which went into effect on January 1, 2026.^{ci} But by that point, trust in the program had waned: as a senior representative from the Washington food industry (and PFMLI advocate) critiqued, even when the state identifies overpayments, there is no legal mechanism to recover the money. Accordingly, while PFMLI in Washington has benefits for workers and businesses, the program does not adequately account for Washington's high existing taxes and social protections.

Taken together, how a PFMLI program fits into a state's existing landscape of taxes, social programs, and regulations highly impact how the program performs. Although Washington's experience shows what happens when states fail to consider these existing factors, New York and Colorado have built programs that mitigate businesses' concerns about new taxes, guarantee 12 weeks of paid leave for a broad list of eligible events, ensure fiscal sustainability, and prevent beneficiaries from abusing the program.

Takeaways for States Considering PFMLI



Takeaways

- 1** PFMLI has minimal operational impacts on large businesses; carve-outs and grants can mitigate impacts on small businesses
- 2** Highest program satisfaction happens when both state-approved private insurers and public-administered PFMLI are available
- 3** PFMLI programs are most administratively efficient with constant benefits, broad eligibility
- 4** States benefit from keeping PFMLI premiums low and programs sustainable
- 5** Considering medical guidelines and existing policies can improve PFMLI programs' effectiveness and efficiency

Takeaways

1

Provide carve-outs and grants to small businesses

Larger businesses have exhibited lower associations with significant cost and administrative burden from PFMLI. Disruptive impacts tend to increase in smaller businesses with fewer employees, notably 10 or fewer. One notable assumption that supports this claim acknowledges the resources available to larger businesses. Large businesses have more resources to hire more CPAs and HR staff to aid compliance with programs compared to smaller businesses.

Advocates across our interviews repeatedly emphasized that PFMLI minimally impacts large businesses with year-round employees because these companies often already provide paid leave to retain employees. The paid leave provided by large employers across sectors often is more generous than what PFMLI legislation requires, so PFMLI does not affect their business strategy. This mirrors how large employers often offer more generous healthcare plans than smaller companies.

PFMLI programs promote labor market competitiveness for small businesses who would otherwise could not provide paid leave benefits to employees. To bolster competition and mitigate financial burden, small businesses in Colorado and Washington strongly supported carve-outs from the PFMLI program because they protect small businesses with narrow profit margins or that have difficulty replacing employees. Specifically, small business leaders asked to exempt businesses with ten or fewer employees from paying PFMLI insurance premiums. Under that rule, employees would still pay their payroll tax portion to fund PFMLI, but employers would not. In Colorado's case, the carve-out dramatically increased small businesses' appetite to enact FAMLI, helping the program to pass with broad support. As a representative from Small Business Majority in Colorado noted, "if I could say anything to this Task Force...**we created a carve-out of 10 employees or less...it has made [the program] way more appealing, and the appetite once we got the carve-out was very positive.**"

Takeaways

In Colorado's case, negotiating the small business carve-out into the program is one of the compromises that allowed the program to pass with broad support. Colorado's carve-outs for businesses of 10 employees or fewer were popular amongst the business community, especially among small business owners. Employer portions for PFMLI are also not required for small businesses. While benefits may greatly reduce employee turnover, our interviews indicated the importance of employers exercising agency for business benefits that match individual contexts.

Grants are welcome by the small business community to mitigate impacts should they offer PFMLI, but disbursements do not operate efficiently. The grants are not a priority, but a nice offering to mobilize for businesses that intend to implement PFMLI. Providing grants upon a state-mandated program may bolster uptake. Some interviewees noted that small businesses did not efficiently take up grants available because the amount is miniscule compared to the actual cost of being down an employee.

2

Consider both public and state approved private options

A centralized state insurance plan encourages program accessibility for small businesses that strive for a benefits advantage for talent. Most interviewed employers expressed turnover reductions in the presence of benefits, both private and public. Small businesses expressed that despite low salaries, their business was attractive due to benefits available required by the state.

Private insurers that are approved by the state and provide the state-level leave pay and duration minimum, are beneficial alternatives for businesses that hope to expand on their benefits.

Washington interviews expressed concern over the public-administered PFMLI state agency's communications with employers and delayed payments upon PFMLI enactment. On the flipside, New York interviews expressed preference for an auto-enrollment public-administered fund, versus the efforts of working with limited options of private insurers. **Programs receive higher employer satisfaction when options are present; a public fund provides a floor rate, and private insurance can be a meaningful increase in benefits for employees.**

Takeaways

3

Keep benefits constant and preferably broad

State governments can make PFMLI more business-friendly by keeping benefits and eligibility constant over time, and preferably broad. Broad, consistent eligibility helps keep program costs predictable, improves program sustainability, and makes compliance easier. Both Washington and Colorado's programs are broadly popular and cover most workers, but Washington's continuous expansion has made compliance hard for businesses and threatens to bankrupt the program altogether. By contrast, Colorado first enacted its program with broad eligibility and has kept the program largely constant since. As a result, businesses in Colorado have been able to adapt to the program with minimal disruption, providing workers a real benefit while running a budget surplus big enough to justify expanding the program.

If changes in benefits or eligibility become necessary, outreach from state agencies can help ease the administrative burden for employers. Smaller businesses without the appropriate accounting or legal resources struggle most with regulatory paperwork. Expanding connective networks through state agency listening sessions or broader communication between the state agency and employers would improve self-sufficiency with necessary compliance.

Employers interviewed for this report stated that frequent email and physical mail communications from their state, recorded FAQ videos/tutorials, and streamlined state PFMLI websites would assist them in ensuring compliance. A small business owner in New York suggested compliance materials sent by mail would get the most visibility from small businesses:

"Front-loading [compliance resources] as requirements or sending them out as legal requirements is really...the only way to get in front of employers, because [small businesses are] not going to go seek it on their own... it's because they're focused on their business and their lives, and there's...so much legislation."

Takeaways

4

Keep premiums and direct costs low

Paid leave does not have to be an expensive policy, and states can take measures to keep their program sustainable. Even in a state with as high cost of living as New York, the state provides effective PFMLI for less than \$8 a week per worker. All three states fund their programs through marginal payroll taxes that even many low-income workers barely notice. States can also find ways to reduce costs while guaranteeing paid leave to most workers: Colorado's PFMLI program made a meaningful compromise by reducing the wage replacement rate in exchange for ensuring 12 weeks of paid leave and a broad list of eligible events. That tradeoff allows the government to guarantee paid leave for as many people as possible while keeping premiums and payments low enough to make the program sustainable. States should not view PFMLI as inherently a fiscal milestone; instead, they can take meaningful steps to keep the program's costs in check.

5

Consider medical guidelines and existing policies to improve effectiveness and efficiency

PFMLI programs that consider medical guidelines and a state's existing policies improve public health benefits while preventing undue administrative burdens and opportunities to abuse the system. Colorado, New York, and Washington allow up to 12 weeks of paid leave, which improves health outcomes because of the medical benefits associated with that duration of paid leave after having a child.^{cii} By mitigating anxieties about new taxes, reducing the need for additional government programs, and providing clear rules, Colorado and New York's approaches improve PFMLI's popularity, efficiency, and sustainability. In contrast, Washington continually expanding the program without improving administrative support frustrates even pro-PFMLI employers. PFMLI accounting for a state's context to remain efficient is thus crucial.

By making all paid and unpaid leave benefits run concurrently, state governments can prevent workers from taking excess leave while guaranteeing sufficient paid time off. Federal policy, through FMLA, provides 12 weeks of unpaid leave and job protection. Employers, mostly from New York and Washington, expressed concern that workers would stack unpaid FMLA leave on top of paid leave guaranteed by PFMLI, often doubling their absence from work. While FMLA and PFMLI often run concurrently, requiring utilization of PFMLI and FMLA to run concurrently may alleviate extended employee leave concerns.

Areas for Subsequent Research

Further research is needed to investigate the optimal contribution amounts and employee/employer payroll tax rates to sustainably fund a PFMLI program. Research may entail the study of behavioral responses by employers in response to increased contribution rates, employee responses to increased paystub deductions, and if these contributions generally go unnoticed – the theory espoused by employers interviewed for this report.

Research on carve-out considerations should be expanded. Employers from Colorado and Washington state voiced the importance of a small business carve-out. However, concerns from Washington state came from mid-sized employers that were not eligible for carve-outs yet operated on tight margins. Further research should focus on the mid-sized employer perspective to determine an optimal carve-out plan based on number of employees, or mitigation tactics that may alleviate burdens on mid-sized businesses.

Additional research may need to investigate the validation of fraud and abuse concerns, specifically in the Washington state model. Per our employer interviews, there is an expressed concern over employees taking advantage of multiple different leaves without employer knowledge and validation. The knowledge gap is concerning for small businesses that do not have knowledge of the leave period or form of leave being taken. Research may need to investigate if fraud concerns are reasonable, or if employees are utilizing the leave according to policy. Further study may be done to determine if there are correlations between fraud and program insolvency – particularly since data was not available to substantiate fraud concerns.

Conclusion

Our research suggests that **employers across New York, Colorado, and Washington generally support PFMLI policies** and recognize that PFMLI has benefits for their employees' physical, mental, and financial health and well-being.

“What better value is there than to care for a newborn or sick relative? And as a society, it’s something that our government ought to support.”

- Founder & CEO of a mid-sized company in New York

Employers in all three case study states – New York, Washington, and Colorado – largely support PFMLI. If they have frustrations with the policy, they are frustrated with the way their state administers the program, not with paid leave itself. PFMLI can be inexpensive (sometimes just \$8 a week) and can improve both worker retention and small business competitiveness. However, states considering implementing a PFMLI program must consider existing taxes, regulations, and other social programs.

Our research builds upon previous research that indicated that PFMLI has a neutral-to-positive impact on firms.^{ciii} In the interviews conducted for this report, employers and business representatives generally perceived PFMLI through a positive lens - employers support providing paid leave to employees during times of family and medical crisis. When employers criticize their state's PFMLI program, their **criticism centers on how the program is administered**. Criticism of PFMLI due to administrative concerns was particularly strong in Washington.

The main benefits of statewide PFMLI for employers include reduced turnover, improved retention of workers who would otherwise take unpaid leave or leave the workforce, and improved competitiveness in employee recruitment for small businesses who can offer more comparable benefits to larger firms.

Despite these benefits, administrative burden concerns persist for employers and may lead to financial costs. Legislators considering adopting a PFMLI policy should consider the small business perspective, employer/employee contribution splits, and administrative capacity to ensure the policy is beneficial to employers and employees alike. Areas of concern for small business owners include navigating temporary hiring costs, managing paperwork, and ensuring compliance, particularly for businesses without HR staff. Employers did not typically cite payroll taxes as a financial concern, including in states where the payroll tax is split between employees and employers. Employee payroll taxes were characterized as a small financial cost relative to the benefit provided.

Taken together, this report finds that employers recognize the benefits of PFMLI and want to see PFMLI programs work well in their states, especially if states can maintain low premium costs and make compliance easy.

Appendix



Appendix A

Interview Questions

1. Were you involved at all with the legislative process for PFMLI in your state?
 2. How did you view PFMLI prior to its implementation? [as a business owner / as someone involved in the legislative process]
 3. How do your initial views compare to your current views? Have your views on PFMLI changed since it has been implemented?
 4. Did your employees have access to paid leave prior to your state's policy being enacted?
 5. Have you seen benefits from employees having access to PFMLI in your business/sector?
 6. Have you observed any impact on staff turnover or recruitment since implementing or updating your leave policy based on state regulations?
 7. What administrative costs or concerns have you experienced as an employer that you attribute to PFMLI?
 8. Are there any other challenges you've observed related to PFMLI?
 9. Are there aspects of your state's policy that you think help mitigate these concerns?
 10. How would you characterize the state's outreach efforts to employers prior to PFMLI being enacted?
 11. What, if any, additional support or resources would help you manage paid leave more effectively?
 12. How do you see state-mandated PFML programs changing your business strategy in the next 1-3 years?
 13. What recommendations would you give to states considering PFMLI? What should those states be considering?
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