

Designing a State-Level Paid Family and Medical Leave Program

Key policy options for states designing a Paid Family and Medical Leave program

I Universal contributory social insurance program, exclusive state fund: One fund into which all workers contribute and out of which all benefits are paid



Benefits and Challenges:

- Simplifies administrative complexity
- Spreads risk most broadly
- Reduces discrimination

Program Funding Options:

- Payroll tax on employees only
- Payroll tax split between employees and employers
- Payroll tax on employers only

II Contributory social insurance program with regulated private options

TWO VARIANTS:



State fund with limited opt-outs: Vast majority of employers participate in state fund, but may opt out if they meet strict regulatory requirements and provide equal or greater benefits.

Hybrid social insurance program with regulated private options: Employers can purchase private insurance coverage, participate in the state social insurance fund, or self-insure, as long as they offer the statutorily prescribed level and type of coverage and comply with anti-discrimination and other consumer protections.



Benefits and Challenges:

- Increases employer choice
- Much higher administrative complexity than exclusive state fund*
- Requires robust regulatory mechanisms*

Program Funding Options:

- Payroll tax on employees only
- Payroll tax split between employees and employers
- Payroll tax on employers only
- Employee premiums for private plan coverage
- Fully employer-sponsored coverage

III Employer mandate: State requires that employers provide paid leave benefits directly to their workers



*paid medical leave only

Benefits and Challenges:

- High cost burden on employers*
- Challenging to regulate*
- Increases risk of employment discrimination against people perceived as likely to need leave (e.g., women of child-bearing age, people with disabilities, older workers)*

Program Funding Options:

- Employee premiums for private plan coverage
- Fully employer-sponsored coverage