

Benefit-Cost Analysis of a Paid Family and Medical Leave Program in Vermont

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Introduction

Paid family and medical leave policies are proven to strengthen families' economic security, support the health and wellbeing of children and parents, improve mothers' labor force participation, and reduce instances of infant mortality, all while remaining budget neutral to the state.

Vermont does not currently have a universal paid family and medical leave policy. The Prenatal-to-3 Policy Impact Center at Vanderbilt University partnered with the Vermont Paid Leave Coalition to assess a proposed paid family and medical leave policy.¹

The proposed policy would provide all eligible parents with up to 12 weeks of paid leave. Qualifying reasons for leave would include: bonding (parental) leave, personal medical leave, family caregiving leave, safe leave, military exigency leave, and bereavement leave. Although some research explores outcomes related to these other leave types, paid bonding leave has by far the largest and most rigorous body of causal evidence on child, parental, and family outcomes. Accordingly, this benefit-cost analysis focuses on bonding leave and derives its quantitative benefit estimates from that robust literature.

Eligible parents would receive 90% of their wages. The maximum weekly benefit would be capped at the state average weekly wage, which is \$1,224 as of October 2025. The proposed policy would be self-sustaining, funded through payroll contributions from employers and employees. To support start-up costs, the program would receive a one-time appropriation from the General Fund.

¹ This benefit-cost analysis is based on the most rigorous research to date on the impacts of paid family and medical leave on child and family outcomes. To see our comprehensive evidence review for paid family and medical leave, visit <https://pn3policy.org/policy-clearinghouse/paid-family-leave/>

Key Findings



1. After establishment, the PFML program would be self-sustaining, ongoing funding from the state is not necessary.



2. Each year, bonding leave would result in a net benefit of \$11.2 million to families, employers, and the state government, outweighing costs by 6.8 to 1.



3. Employees receive a triple – or more – return on their investment by contributing to the PFML program.

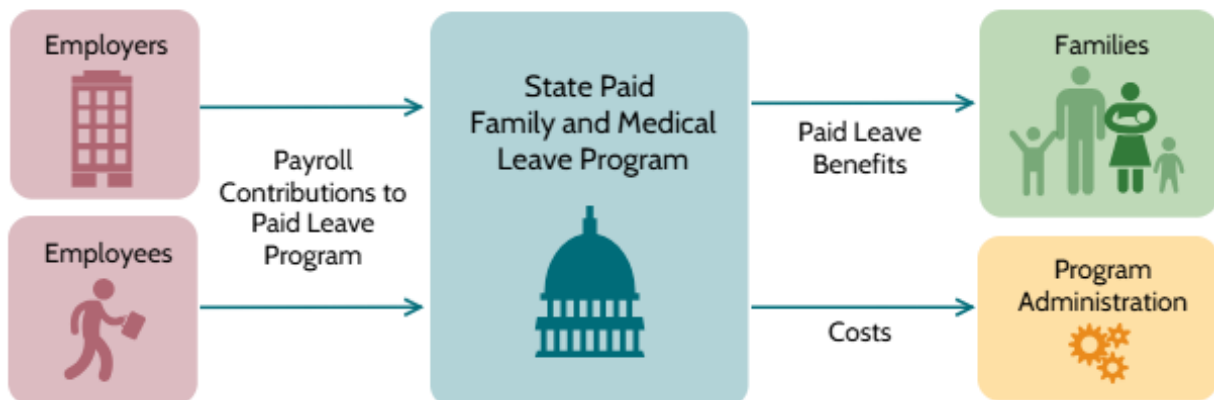


4. PFML provides crucial resources to families, increasing available resources to working families in Vermont by \$3,263 in the year the child is born.

1. After establishment, the PFML program would be self-sustaining; ongoing funding from the state is not necessary.

Although the program would receive a one-time appropriation to support start-up costs, **no ongoing funding for the proposed paid family and medical leave program would come from the General Revenue Fund.** The proposed program, similar to other states' paid family and medical leave programs, would be funded through small payroll contributions, also called premiums, collected in equal proportion from employers and employees.

Statewide paid family and medical leave programs are funded entirely by payroll contributions, at no ongoing cost to state governments.



With a 0.55% payroll contribution, the state would realize a net benefit of \$4.4 million after accounting for all program costs. Based on analyses using the Department of Labor’s Microsimulation Model on Worker Leave, the contributions collected from employers and employees for bonding leave (totaling \$32 million) would more than adequately cover bonding leave benefits, as well as associated administrative expenses.²

2. Each year, bonding leave would result in a net benefit of \$11 million to families, employers, and the state government, outweighing costs by 6.8 to 1.

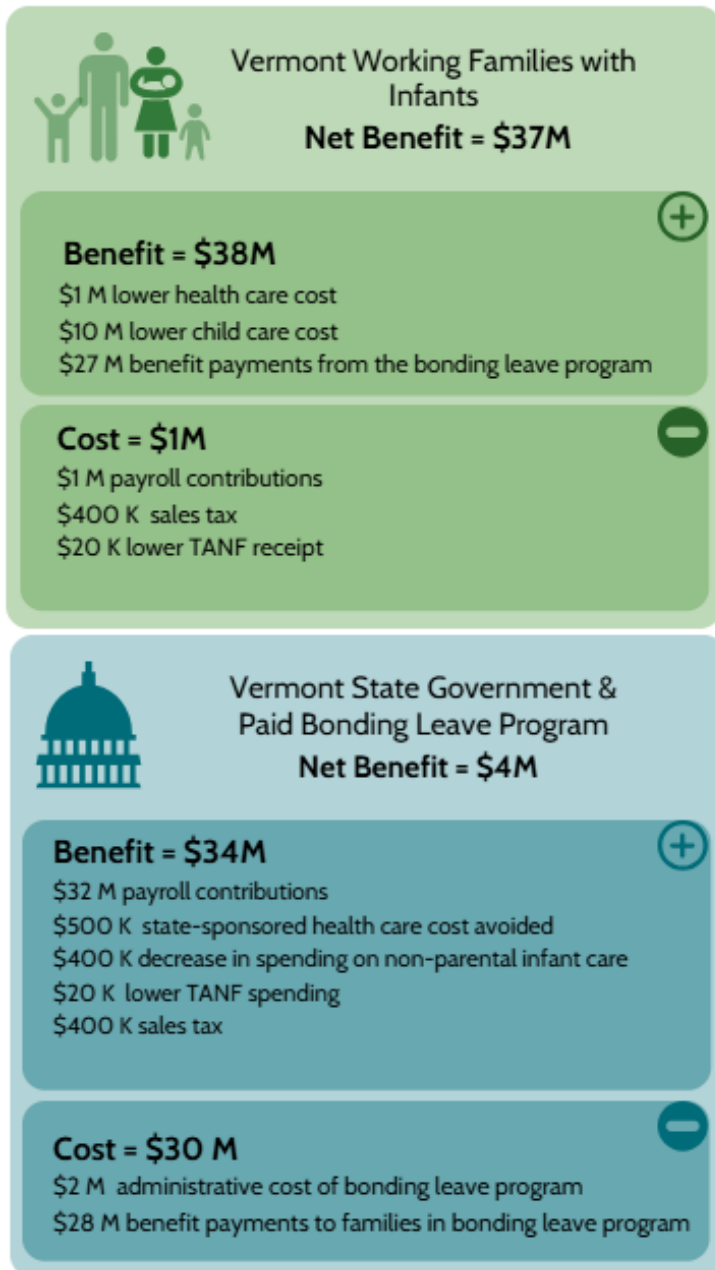
Societal Net Benefits of Bonding Leave for Each Year of Births

\$11 M in year 1
\$49 M lifetime

The proposed program is estimated to incur an annual administrative cost of \$2 million, whereas annual benefits to families, employers, and the state government amount to \$13 million. Taken together, this represents a net benefit of \$11 million and a benefit-to-cost ratio of 6.8 to 1 that persists year after year. These estimates consider costs and benefits for all stakeholder

groups, including working families with infants, non-beneficiary employees, employers, and the state government. Lifetime benefits to society are even greater. For each year of births, estimates suggest \$49 million in benefits over their lifetime from access to paid bonding leave, after accounting for costs of the program. Lifetime net benefits include breastfeeding impacts, increases in household income, costs avoided because of reductions in child poverty, fewer maternal and infant deaths, and lower spending on health care, education, and criminal justice. The societal benefits can be broken down to examine how working families with infants and the state benefit separately, considering each of their respective investments into the program (i.e., costs).

² IMPAQ International. (2021). *Worker Paid Leave Usage Simulation (Worker PLUS) Model*



Benefits for Working Families

Working families with infants would receive an annual net benefit of \$37 million, after accounting for \$1 million in payroll contributions, increased sales taxes paid, and lower TANF receipt. Quantifiable economic benefits to families in the first year include lower health care and child care costs, and direct benefit payments from the bonding leave program. In the second year, families would experience benefits from increased employment and household income. Children and their families would also experience increases in childhood immunizations, breastfeeding, postpartum doctors' visits, as well as decreases in poverty, maternal postpartum psychological distress, abusive head trauma, infant hospitalizations, food insecurity, and child and maternal deaths.

Benefits for the State of Vermont

The state would realize a substantial annual net benefit of \$4 million, after accounting for an outlay of \$30 million in benefits to families and administrative costs, and income and cost avoidance to the state. Benefits to the state include payroll contributions collected from employers and employees (\$32 M), more sales tax revenue collected (\$400 K, which comes as a cost to families with infants), and state-sponsored health care costs avoided (\$500 K), among other benefits.

sales tax revenue collected (\$400 K, which comes as a cost to families with infants), and state-sponsored health care costs avoided (\$500 K), among other benefits.

3. Employees would receive a triple – or more – return on their investment by contributing to the paid family and medical leave program.

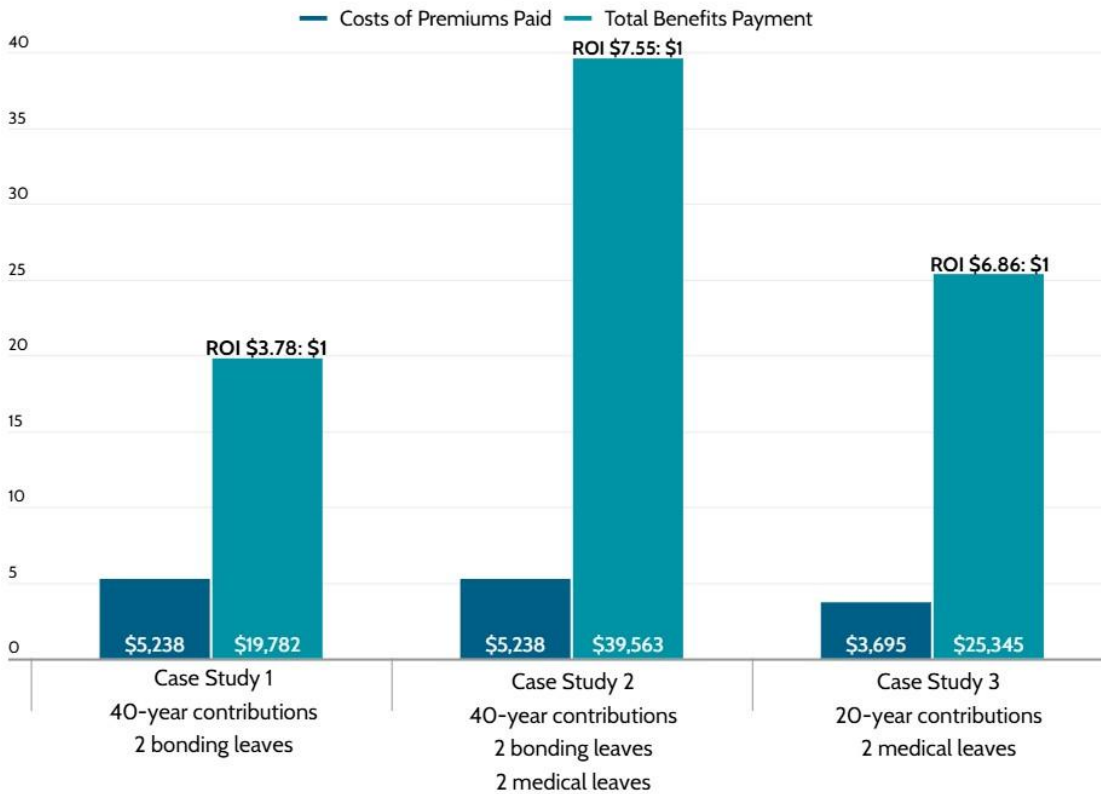
The findings reveal significant financial returns to employees participating in the proposed paid family and medical leave program, with employees receiving benefits approximately three to seven times larger than premiums paid.

To better understand the potential benefit of the proposed program, we conducted three case studies that calculate the benefit to employees with varying needs for leave:

- Case Study 1: An average worker working 40 years and taking two bonding leaves. This worker would receive benefits over three times the amount they pay in premiums (\$3.78 in benefits received for every \$1 paid in premiums).
- Case Study 2: An average worker working 40 years and taking two bonding and two medical leaves. This worker would receive benefits over seven times the amount they pay in premiums (\$7.55 in benefits to every \$1 in premiums).
- Case Study 3: An average worker working 20 years after their childbearing years are over, taking two medical leaves. This worker would receive benefits approaching seven times the amount they pay in premiums (\$6.86 in benefits to every \$1 in premiums).

All leaves are assumed to be the maximum duration of 12 weeks. For each of the case studies, direct benefits include weekly payments from the program during their leaves, and costs include premiums contributed over the work period.

Return on Investment for Median Wage Workers, Vermont Paid Family Leave



Notes: We assume a 0.55% payroll tax, split equally between employee and employer, or 0.275% each. Contribution estimates are based on 2022 median annual wages adjusted to 2025 dollars. Benefits are based on the maximum leave duration of 12 weeks.

4. Adopting a paid family and medical leave program would increase the minimum resources available to working families by \$3,263 in the year their child is born.

State policy choices significantly impact a family's total resources. Currently, Vermont's policy choices place it 9th among 50 states and the District of Columbia in terms of the resources available to working families with low incomes, according to the Prenatal-to-3 Policy Impact Calculator (PIC).³ Vermont trails its neighboring states—New York (3rd), Massachusetts (7th), and Connecticut (8th)—all of which have universal paid family and medical leave programs.

The PIC illustrates how state policies interact to impact the minimum level of resources available to a family of three, consisting of a single parent working full time in a minimum wage job with an infant and a toddler. Using the PIC, we simulate the level of resources available to a

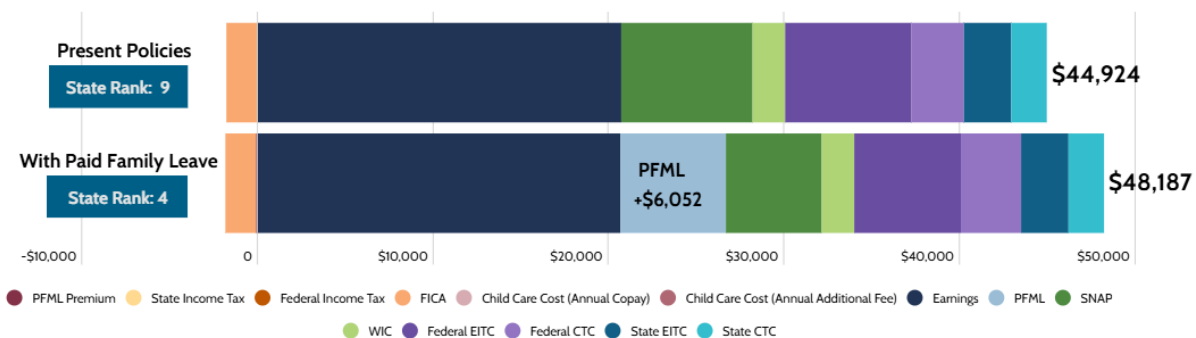
³ For more information on the Policy Impact Calculator, visit <https://pn3policy.org/policy-impact-calculator/>

family of three in Vermont, considering two scenarios: the existing state policies, and the potential impact of adopting the proposed paid family and medical leave program.

Under the proposed paid family and medical leave program, the family would receive \$6,052 in paid bonding leave benefits. After factoring in the annual program premium, a reduction in SNAP benefits due to higher income, and increases in the Federal Earned Income Tax Credit and Child Tax Credit, **the adoption of a paid family leave program would increase the family's resources by \$3,263 in the year their child is born.**

The Impact of State Policy Choices on Family Resources in Vermont

(1) Annual Minimum Wage Earnings + PFL, (2) Minus Out-of-Pocket Child Care Expenses, (3) Plus Net Federal Benefits, (4) Plus Net State Benefits



To the extent possible, data reflect state policies as of October 1, 2025 and tax year 2025. All earnings, benefits (both federal and state), and child care costs are based on a family of three comprised of a single parent working a full-time, minimum wage job for 9 months with 12 weeks of leave following the birth of the infant. The tax credits pictured are all refundable. The family includes two children (an infant and a toddler) in full-time, center-based child care. For detailed source notes and additional information see our [Policy Impact Calculator](#) and [Methods and Sources](#). For detailed source notes and additional information see our [Policy Impact Calculator](#) and [Methods and Sources](#).

Conclusion

Our analysis, which builds on a substantial body of rigorous causal research, suggests that the adoption of a paid family and medical leave program could have far-reaching positive implications for families with young children at no ongoing cost to Vermont's General Revenue Fund. Bonding leave will lead to economic benefits for employers, workers, and the state of Vermont for maternal and infant lives saved, and improved health and development across the lifespan of families.