Paid Family and Medical Leave

What it is: Paid Family and Medical Leave (PFML) would force employees and employers to pay one of New Mexico's most significant employment taxes. It would allow up to 12 weeks of paid time off -- in addition to the 8 days from the Healthy Workplace Act of 2021. The fund would be managed by Workforce Solutions, the agency that "lost" millions of dollars during Covid. While the fund would cover employee wages while out, the employer still needs to cover replacement help.

What many don't understand: All business owners with 5 or more employees and all employees, regardless of company size, will pay into the program for an entire year before benefits start. Employees will pay 0.5% of their wages, and participating employers will pay 0.4% of every payroll dollar.

The Fiscal Impact Report (FIR) warns that the program could quickly become insolvent, allowing the Secretary of Workforce Solutions to raise rates. There is a cap to increases of 0.1%/year, but no ceiling on the number of increases. In addition, the FIR estimates that because New Mexico's workforce demographics are the majority of minimum wage earners, the program will be used more than in other states, depleting funds even faster and leading to increased taxes.

While employers do not have to pay the employee's wages while on leave, they will have to pay for replacement labor if they can find someone to hire soon enough to assist while the employee is out. In addition, the employer must guarantee the same or equivalent job is available when the employee returns, leaving the employer to determine what to do with the new or temporary hire.

This is the largest employment tax, over $400 million dollars, ever considered in New Mexico.

The Unintended Costs of Mandated PFML: As we enter the 2025 legislative session, the growing advocacy for PFML is often portrayed as a win-win for employees and families. However, beneath its compassionate exterior lies the problems. With businesses and families already facing economic pressure, additional government taxes and mandates on employee-employer relationships could worsen financial instability and hinder long-term growth, profoundly affecting businesses, employees, and the broader economy.

The Inflationary Impact of PFML: Introducing PFML during high inflation exacerbates businesses' challenges. The financial burden of complying with such mandates—through increased taxes or operational costs—would drive up prices, tighten budgets, and reduce overall economic activity. Small and medium-sized businesses struggling to navigate rising costs and a lack of labor could be forced to pass these expenses onto consumers or reduce their workforce, compounding the economic strain on communities.

A Disproportionate Toll on Small Businesses: Small businesses, the lifeblood of local economies, would bear the brunt of PFML's impact. Many are already grappling with inflation-driven wage increases, rent, and materials. Adding the administrative and financial obligations of PFML could push these businesses to a breaking point, curbing innovation, limiting hiring, and threatening their survival.

Flexible Alternatives for Challenging Times: Rather than imposing broad mandates, we should empower businesses to adapt to their employees' needs in ways that align with economic realities. Flexible work arrangements, voluntary leave programs, and employee assistance initiatives offer more practical and sustainable options. These approaches allow businesses to provide support while maintaining agility in weathering inflationary and low staffing pressures.

Freedom and Resilience Over Mandates: PFML represents another layer of government control in the complex relationship between employers and employees. When businesses need flexibility to respond to volatile economic conditions, such mandates could stifle creativity and competitiveness. Preserving the freedom of businesses to manage benefits on their terms fosters resilience and ensures a more dynamic economy.

A Smarter Path Forward: In these inflationary times, adding government mandates like PFML risks exacerbating economic hardship rather than alleviating it. Instead, we must prioritize solutions that promote collaboration, flexibility, and innovation. By empowering businesses to meet the needs of their employees in ways that work for them, we can strengthen our economy and build a more sustainable future—without the unintended consequences of heavy-handed mandates.