

Paid Family and Medical Leave: Good for Business

MARCH 2015

Leading business owners and managers recognize that workers inevitably need time away from work to attend to health or family issues. Yet too many other employers do not provide workers paid time off for serious family and medical needs. **Paid family and medical leave (“paid leave”) public policy standards would help businesses reduce costs and level the playing field for employers while allowing workers to meet their health needs and caregiving responsibilities.**

Paid Leave Policies Benefit Businesses’ Bottom Lines

- ▶ **Paid leave improves worker retention, which saves employers money through reduced turnover costs.** Replacing workers is expensive: Turnover costs are estimated to average one-fifth of an employee’s annual salary.¹ And when workers don’t have access to paid leave, they are more likely to need to leave their jobs. Paid leave reduces these turnover costs and encourages valued workers to stay in the labor force and with the same employer.
 - ▶ New mothers who take paid leave are more likely than mothers who do not take any leave to be working again nine to 12 months after childbirth,² and first-time mothers who take paid leave are more likely than those who take unpaid leave or no leave to return to the same employer.³
 - ▶ In California, which has had a state paid leave program for more than a decade, 83 percent of workers in “lower-quality” jobs who used the program returned to their previous employer – a 10-point improvement compared to workers who did not use the program.⁴
 - ▶ A majority of businesses in California (87 percent) had no increased costs as a result of the program and nine percent indicated that the program had generated cost *savings* for their businesses by reducing employee turnover and/or reducing their own benefit costs.⁵

“After California established the law, we began to notice that our employees who took time off when a new baby arrived or when a serious illness struck were less stressed than [other employees]. Less stressed workers mean more productive workers. We want to see all of our employees thriving in the same way as their Californian counterparts.”

— Annette Bonilla, Vice President and Director of Human Resources, Environmental Science Associates (California)

- ▶ **Paid leave increases worker productivity.** Employers know that providing supportive programs like paid leave promotes the retention and recruitment of employees and increases worker productivity.⁶ Nearly 90 percent of businesses surveyed about the effects of the California paid leave program said that the program had either a positive effect on productivity or no noticeable effect.⁷ These factors correlate with a better bottom line.
- ▶ **Paid leave improves employee loyalty and morale.** According to *Harvard Business Review*, a majority of the most successful companies report that exemplary benefit programs strengthen employee loyalty and morale.⁸ In California, virtually all employers (99 percent) reported that the state’s program had positive or neutral effects on employee morale.⁹ Likewise, several New Jersey employers noted that the state’s paid leave program helped reduce stress among employees and improve morale among employees who took leave and their co-workers.¹⁰
- ▶ **Paid leave allows smaller businesses to compete better with larger businesses.** Small businesses often have trouble matching the more generous leave benefits offered by larger employers – potentially resulting in a hiring disadvantage. When all employers must abide by the same rules, the playing field is more level. When paid leave is administered through a paid leave insurance program, small businesses benefit in particular because the cost of leave is shared. In California, although all employers reported positive outcomes overall, small- and medium-sized businesses (those with fewer than 50 employees and those with 50 to 99 employees) reported more positive outcomes than large businesses (100+ employees).¹¹
- ▶ **Paid leave heightens American businesses’ competitiveness in the global economy.** Out of 185 countries and territories in the world surveyed by the International Labor Organization, the United States is one of only two countries to offer no paid maternity leave.¹² Among all developed economies, the United States is the only country that does not guarantee paid maternity leave.¹³ Other countries have recognized that providing leave is a matter of economic competitiveness and, in fact, the most competitive countries in the world offer paid leave to workers. It’s past time for the United States to catch up.

Proven Results for Businesses and Workers

Paid family leave insurance programs are already working well in California (passed in 2002, effective in 2004), New Jersey (passed in 2008, effective in 2009) and Rhode Island (passed in 2013, effective in 2014). These state programs insure workers for a share of their wages while they care for a family member with a serious health condition or bond with a new child. The result has been positive for both employers and workers:

- ▶ **California** workers have filed about 1.7 million leave claims since the program’s implementation in 2004, 1.5 million of them from parents seeking to take time to care for new children.¹⁴ A survey of California employers revealed that 60 percent reported coordinating their own benefits with the state’s paid family leave insurance system, which likely resulted in cost savings for those that previously permitted employees to use vacation, sick leave, family leave or personal time during maternity or parental leave, and thus shouldered the entire cost of providing that time off.¹⁵

- ▶ In **New Jersey**, more than 162,000 claims have been filed since the state implemented its paid family leave program in 2009; 133,000 claims have been filed for bonding with a child.¹⁶ In New Jersey, program costs are lower than expected, leading to a payroll tax cut for workers.¹⁷ The majority of New Jersey workers view the program favorably across gender, race/ethnicity, age, marital status, union affiliation, employment status and income.¹⁸ And small and large businesses have adjusted easily.¹⁹
- ▶ In **Rhode Island**, business supporters were critically important to passing the nation's third and – in some ways – strongest paid family leave insurance law in 2013.²⁰ So far, nearly 4,000 workers have filed paid leave claims, nearly three-quarters of them for bonding with a child.²¹ And early indications suggest that the law is working well.²²
- ▶ **Evidence from states with paid family and medical insurance programs should dispel employer concerns.** Very few employers suspect abuse and even fewer have confirmed abuse;²³ program administration is not challenging; employees don't resent absent co-workers²⁴; and programs often result in cost-savings for employers rather than a financial drain.²⁵
 - ▶ The California Society for Human Resource Management, a group of human resources professionals, declared that California's law is less onerous than expected.²⁶ Few businesses have reported challenges resulting from workers taking leave.²⁷
 - ▶ A consultant for the New Jersey Business and Industry Association found that, regardless of business size, New Jersey businesses have had little trouble adjusting to the requirements of the state's paid leave law.²⁸ A majority of medium and large businesses reported no increased administrative costs as a result of the program (64 percent and 59 percent, respectively). And nearly two-thirds of small businesses (65 percent) – which might have been concerned about stretching other employees too thin or relying too heavily on employees to work more hours – reported no increased overtime pay costs because of the law.²⁹

Business Owners Support Paid Leave Expansions

Business owners nationwide know it makes good business sense to take care of their employees. According to a 2013 Small Business Majority survey of business owners with fewer than 100 workers, a plurality (45 percent) said they strongly or somewhat supported an insurance program funded through employer and employee payroll contributions.³⁰ And a growing list of business owners in smaller and larger businesses and from states ranging from Texas to Massachusetts have offered testimonials in support of paid leave and urging the adoption of a national paid family and medical leave insurance program.³¹

Evidence shows that paid family and medical leave can help meet the needs of both employers and employees. **Public paid family and medical leave programs would provide income to workers who need to take a limited amount of time away from work while also benefitting employers significantly.** It's time for public policies to reflect this reality. Learn more at www.NationalPartnership.org.

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The National Partnership for Women & Families is a nonprofit, nonpartisan advocacy group dedicated to promoting fairness in the workplace, access to quality health care and policies that help women and men meet the dual demands of work and family. More information is available at www.NationalPartnership.org.

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