

# Paid Family and Medical Leave Is Good for Business

OCTOBER 2023

From the Fortune 500 to Main Street, leading employers recognize that workers inevitably need time away from work to attend to health or family issues. Yet many large employers still do not provide workers paid leave for serious family and medical needs, eroding the health of our communities and economy. And many small employers want to provide paid leave benefits, but struggle to do so on their own. Now, states are showing the way forward with an innovative solution for common-sense paid family and medical leave programs that provide broad and equitable coverage for workers while helping business bottom lines and working well for small employers.

## Paid Leave Policies Add to Businesses' Bottom Lines

With paid leave, businesses stand to benefit from a more stable, productive workforce.

- **Lower turnover costs through greater retention.** Replacing workers typically costs 24 percent of annual wages, and as much as 150 percent in some industries.<sup>1</sup> Paid leave reduces turnover.
  - First-time mothers who take paid leave are more likely than those who take unpaid or no leave to return to the same employer.<sup>2</sup>
  - In California, 83 percent of workers in “lower quality” jobs who used the state’s paid leave program returned to their previous employer – a 9-point improvement over workers who did not use the program.<sup>3</sup>
  - Firm-level analysis of employers in California before and after paid family leave was implemented confirmed that for the average firm, wage costs had not increased, and turnover rates had decreased.<sup>4</sup>
- **Higher productivity and morale.** Employers know that supportive programs like paid leave promote the retention and recruitment of employees and increases worker productivity, among the most common reasons for offering these benefits.<sup>5</sup>

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**IMPLEMENTING PAID LEAVE  
LED MANUFACTURING  
FIRMS TO SEE A \$2.57  
RETURN FOR EVERY \$1.00  
INVESTED.**

— **Panorama and ASBC,**  
**“Understanding the Business  
Impacts of Paid Leave”**

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- An analysis of firms' outcomes after implementing paid leave found that on average, they experienced 4.6 percent greater revenue and 6.8 percent greater profit per full-time-equivalent employee, and a significant human capital ROI: manufacturing companies saw a \$2.57 return for every \$1.00 invested in their workforce, on average, and tech companies a \$2.64 return per \$1.00 invested.<sup>6</sup>
- 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.<sup>7</sup>

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**“PAID LEAVE POLICIES MAKE BUSINESSES STRONGER. They help employers demonstrate that we have our employees’ backs when it’s most important, which can encourage retention, support productivity and foster an equitable culture where people can do their best work. For us, it’s been a relatively small investment with a very meaningful return.”**

**— Tracy Layney, Executive Vice President & Chief Human Resources Officer, Levi Strauss & Co.**

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## State Programs Prove Paid Leave Benefits Small Employers

- **More than 8 in 10 California small business owners support expanding the state’s paid leave program.**
- **More than 7 in 10 believe offering benefits through public policy contributes to retention, results in a more steady workforce and helps them stay competitive.**

**—Small Business Majority, July 2023 Polling**

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Small businesses often have trouble matching the more generous leave benefits offered by larger employers – potentially resulting in a hiring disadvantage. When paid leave is administered through a public paid leave insurance program, it levels the playing field and helps small businesses compete for talent. Small employers benefit in particular because the cost of leave is shared.

### ○ **Employers have adapted well to state paid leave programs.**

- After nearly 20 years of experience with California’s paid leave policy, more than 70 percent of small business owners said state benefit programs such as paid leave contributed to retention and helped them stay competitive with larger business, and more than 80 percent

supported proposals to expand the program.<sup>8</sup> The California Society for Human Resource Management, which initially opposed California’s paid family leave law,

declared that the law is less onerous than expected, and few businesses in their research reported challenges resulting from workers taking leave.<sup>9</sup>

- In New Jersey, a survey conducted for the New Jersey Business and Industry Association found that, regardless of size, New Jersey businesses say they have had little trouble adjusting to the state's law.<sup>10</sup>
- By one year after implementation of New York's paid family leave program, 93 percent of employers were in compliance with the new law.<sup>11</sup>

### ○ **Paid leave programs work for small businesses.**

- In New York, a study of firms with fewer than 100 employees found the majority were supportive of the paid family leave program, and that it led to an increase in employers' ease of handling long employee absences, especially at firms with 50-99 employees.<sup>12</sup>
- Nearly 90 percent of businesses surveyed about the effects of the California paid leave program said that the program had either a positive or neutral effect on productivity and 99 percent that it had a positive or neutral effect on morale.<sup>13</sup>
- Small- and medium-sized businesses reported more positive outcomes of the California paid leave program than large businesses.<sup>14</sup>

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**“BEFORE NEW JERSEY ADOPTED PAID LEAVE, I had an employee who left my company because of a family member’s illness. If New Jersey had family leave insurance available during this time, we could have avoided the pain and damage that occurred to both my employee and my business. The costs in time and money to replace him were astronomical.”**

**— Tony Sandkamp, New Jersey small business owner**

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### ○ **State program innovations are identifying best practices to support small employers to implement paid leave.**

- Washington was the first state to offer small business grants to help offset small costs some employers incur, such as temporary additional wages.<sup>15</sup> (Only about six percent of worksites hire temporary staff to cover work during leave.)<sup>16</sup>
- Newer state programs have also focused on dedicated engagement with the business community throughout program implementation, focusing especially on outreach and technical support for small employers.<sup>17</sup>
- Several state programs also feature advisory committees made up of both worker and employer representatives to provide ongoing input into regulations, public communications, and more.

## National and State Paid Leave Standards Help Lift the Bar

Nationally, nearly three in four civilian workers does not have paid family leave at their job.<sup>18</sup> But business owners nationwide know it makes good business sense to take care of their employees. According to a Small Business Majority survey of business owners with fewer than 100 workers, seven in 10 said they support creating a family and medical leave insurance program funded through employer and employee contributions.<sup>19</sup>

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**“OUR COMPANY’S TOTAL PREMIUM COSTS FOR THE STATE PROGRAM ARE LESS than what it costs for a single 12-week leave for one of my management employees when I was covering the entire cost on my own. Everyone in the country should be able to be covered by a similar social insurance family leave program.”**

**— Molly Moon-Neitzel, Washington state small business owner**

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Fourteen states, including the District of Columbia, have now enacted paid family and medical leave programs<sup>20</sup> that help businesses manage their employees’ leave needs and level the playing field for employers of all sizes, while allowing workers to meet their health needs and caregiving responsibilities. 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.

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