

The Business Case for Paid Family and Medical Leave

Comprehensive paid family and medical leave presents a game-changing opportunity to support businesses and families. Paid family and medical leave will provide businesses with an unprecedented opportunity to recruit and retain valuable employees and increase productivity without creating significant administrative burdens.

State paid family and medical leave programs have a proven track record of success for workers, businesses, and families alike.

- Thirteen states (RI, CA, NJ, NY, WA, MA, CT, OR, CO, MD, DE, MN, and ME) and Washington, D.C. have enacted paid family and medical leave laws,¹ which provide (or will provide) benefits to workers when they are unable to work due to a serious off-the-job illness or injury, to bond with a new child (including children newly placed for foster care or adoption) or to care for a family member with a serious health condition.
 - Ten states also provide (or will provide) paid family leave benefits to workers dealing with certain needs in connection with a family member's military deployment.
 - Six states also provide (or will provide) benefits known as "safe time," which covers certain needs arising from domestic or sexual violence.
- According to research from Human Capital Management Institute (HCMI), American Sustainable Business Council, and Panorama regarding manufacturing and technology firms that implemented paid family and medical leave: 1) After implementing paid leave, firms on average experienced 4.6 percent greater revenue and 6.8 percent greater profit per full-time equivalent employee; and 2) Following implementation of paid leave, technology companies experienced an average \$2.64 return for every \$1.00 invested in their workforce. Among manufacturing companies, they saw a \$2.57 return. The study details that there was an improvement in productivity of 6.5% and 3.6% for each industry, respectively, from before to after they implemented paid leave.²
- The state paid family and medical leave programs offer proven examples from which to build a national, paid family and medical leave program that is equitable and sustainable. They also prove that these policies can work for businesses as well as workers.
 - Recent polling shows that 79% of small business owners would support the creation of a national paid family and medical leave program providing 12 weeks of job-protected leave with employee wage replacement that would be funded by contributions from both employers and employees.³
 - In repeated studies of California businesses, the most recent being in 2023, the vast majority supported the state's paid family leave program.⁴ In fact, 87% of businesses in the 2023 survey reported strong support for the program and support for expanding the program.⁵
 - In one survey, the majority of California businesses reported that paid family leave had a positive or neutral effect on their business; a vast majority also reported that the program resulted in no cost increases, with some even indicating that the program resulted in cost savings for their business by reducing benefit costs. Moreover, most businesses were able to adjust to the program easily; nearly

two-thirds of businesses reported that temporarily reassigning work to other employees was their primary method for addressing the temporary absence of employees on paid family leave.⁶

- In New Jersey, businesses of all sizes have easily adjusted to the state law. Most businesses reported no negative effects on business profitability and most reported that complying with the law is not difficult.⁷
- In a survey of Rhode Island employers conducted a year after the state's paid family leave law went into effect, a majority of employers were strongly or somewhat in favor of the law. This was true among both large and small employers surveyed.⁸
- In the first year after New York's paid family leave program went into effect, employers experienced a significantly easier time coordinating employee absences, especially longer absences. Additionally, after the program went into effect, the vast majority of employers were supportive of the program.⁹
- An economic analysis by the University of Massachusetts Amherst found that universal paid family and medical leave would increase the national household income by \$28.5 billion. When workers have wage replacement from paid family and medical leave, not only do workers using leave themselves have greater household income and a financial safety net, but it also translates into increased employment and economic growth due to those workers' consumer spending (with benefits from paid family and medical leave wage replacement). In fact, the analysis found that \$9.4 billion of the increase in household income would be income for other workers throughout the economy.¹⁰ These larger economic benefits are also reflected in reports from the U.S. Department of Labor Women's Bureau.¹¹
- Research shows that paid family and medical leave leads to savings for taxpayer-funded programs.
 - Increased access to family caregiving reduces the use of long-term institutional care, like nursing homes, and could save Medicare and Medicaid \$34.4 billion over the course of a decade.¹²
 - For workers with household incomes below 400% of the Federal Poverty Guidelines, the use of Medicaid or CHIP is 10.7% lower, SNAP is 6.9% lower, and rental assistance is 2.4% lower among those with access to paid family and medical leave.¹³
 - For working women returning from paid maternal leave, the reliance on public assistance decreases by 39% and reliance on SNAP in particular decreases by 40%, as compared to new mothers without leave.¹⁴

Paid family and medical leave programs can help small businesses thrive and compete with larger, more-resourced businesses.

Providing paid leave through a government program levels the playing field for small businesses. Small businesses that cannot afford to offer the same generous leave benefits as larger companies are at a competitive disadvantage in hiring.¹⁵

- As explained by the organization Small Business for Paid Family and Medical Leave, small businesses are “already carved out of paid leave by [the] status quo,” because only

large businesses can afford to provide this benefit without state assistance.¹⁶ Most small businesses lack the capital and scale to provide paid leave on their own, and private insurers do not provide affordable policies to small businesses.¹⁷

- The vast majority of small business owners that want paid leave want a solution involving the federal government.¹⁸

Small businesses have adapted well to state paid family and medical leave programs and report positive experiences with such laws.

- A study of California businesses found that *any* negative effects from the state's paid family leave program were exceedingly rare, but among those few employers who did report negative effects, small businesses were *less* likely than large businesses to report any negative effects resulting from the program. Additionally, nearly all of the businesses surveyed, including very small businesses, were able to craft solutions for addressing employee absences with little difficulty—often by relying on protocols already in place for other types of absences that routinely occurred prior to the implementation of the state's paid family leave program.¹⁹
- In a 2023 survey, the majority of California small businesses also supported expanding the state's paid family leave law to increase access for workers.²⁰
- Another study of California's program found that small businesses saw a 14% *decrease* in their per worker labor costs when workers take paid family leave. The smallest businesses had the greatest percentage-based savings.²¹
- In New Jersey, approximately two-thirds of small businesses reported no increase in overtime pay costs due to the state paid family leave law,²² and researchers have found that other employees do not resent absent co-workers.²³ This suggests that businesses were able to manage the temporary reallocation of absent employees' workload without significant increased costs.
- During the COVID-19 pandemic, small employer support for paid family leave only increased. Support for paid family leave among small employers in New York and New Jersey that were interviewed in both the fall of 2019 and the fall of 2020 rose over 9% through the peak of the pandemic.²⁴

Paid family and medical leave programs can help businesses recruit talented workers.

- Paid family and medical leave can help employers recruit talented employees and also helps employers retain employees. Human resources professionals consider family-friendly policies to be the most important factor in recruiting and retaining employees.²⁵ In fact, one study found that, following healthcare coverage, four of the top five benefits most sought out by job seekers involved increased flexibility and work-life balance, such as flexible hours and greater paid time off.²⁶
- Similarly, small businesses that offer paid leave see it as necessary to recruit and retain talented employees—and those that don't offer it report that it makes it challenging to hire.²⁷
- Employers in states with paid family and medical leave also have a recruitment advantage. A recent survey found that 75% of employed adults say companies should provide paid family and medical leave, and 61% of those likely to relocate in the next

two years stated they would be more likely to move to a state with mandated paid family and medical leave.²⁸

Paid family and medical leave programs can also help businesses retain workers, and save on high turnover costs.

- Paid family and medical leave increases employee morale and employee loyalty. New Jersey employers have reported increased employee morale as a result of New Jersey's paid family leave program, with one employer calling the effect "tremendous."²⁹
- By helping businesses retain valuable employees, paid family and medical leave can significantly cut down on turnover costs. Turnover costs businesses a median cost of 23.5% of a worker's annual wage, and can cost up to 150% of that worker's wage.³⁰ This is caused by lost productivity from vacant positions and the costs of an extended candidate search process.³¹
 - Paid family and medical leave can save employers money by enabling valuable employees to stay in their jobs instead of quitting when they have a child or a medical emergency. One study found that businesses in states with paid family leave laws were significantly less likely to experience high employee turnover compared to similar businesses without paid family leave benefits.³²
 - For example, in California, 92.8% of employers reported that paid family leave had a positive or neutral effect on employee turnover,³³ saving employers the costly step of replacing an existing employee.³⁴
- This is especially crucial at a time when many businesses are desperately seeking qualified employees.
 - More than one third of unemployed adults would be more willing to return to work sooner if their employer offered paid family leave, including nearly half of unemployed caregivers.³⁵ This suggests that continuing recruiting challenges are driven, in part, by workers' ongoing caregiving responsibilities and their concerns that those responsibilities may be incompatible with employment in the absence of paid leave. Ensuring that workers can care for themselves and their families while working is key to robust economic recovery.
 - A recent study found that workers with access to paid family and medical leave are 22% more likely than workers without such access to recommend their job to a friend.³⁶
 - Furthermore, women are more likely to report being satisfied with their job if that job offers paid maternity leave,³⁷ and men report being more energized at work, more appreciative of their employers, and more willing to stay at their job longer when offered paternity leave.³⁸

Paid family and medical leave can increase profitability and employee productivity.

Businesses that provide paid family leave benefits have seen marked improvements in employee productivity.

- One study found that businesses in states with paid family leave laws significantly increased firm-wide productivity as compared to similar businesses without paid family leave benefits.³⁹

- A cross-industry analysis found that more than half of the 41 companies studied saw an improvement in productivity after the adoption of a paid leave program.⁴⁰
- An overwhelming majority of California employers also reported positive or neutral effects on productivity (88.5%) and employee morale (98.6%).⁴¹
- Evidence suggests that increased productivity resulting from paid family and medical leave can increase employer profitability.
 - One study found an average of 4.6% improvement in revenue and 6.8% improvement in profit after companies adopted paid leave policies.⁴²
 - An overwhelming majority (91.0%) of California employers reported that paid family leave had a positive or neutral effect on profitability/performance.⁴³
 - A recent study of California's paid leave program found that businesses with employees who used paid family leave had *higher* per worker earnings across all workers (not just the workers who took paid family leave) than did businesses where no workers took paid family leave.⁴⁴
- Paid leave also helps keep workers safe and healthy on the job, which increases productivity and decreases employer costs. Workers with paid leave are significantly less likely to suffer dangerous injuries on the job⁴⁵ or deaths on the job.⁴⁶
 - Paid leave allows workers to recover and return to full productivity more quickly than they would by continuing to work. When workers must return to work before a chronic condition is stabilized or before they have healed from an injury, they are more likely to relapse or re-injure themselves while working.⁴⁷ Fewer workplace injuries can mean healthier, happier workers and lower workers' compensation costs.
- Paid family and medical leave also can also increase a firm's value. Researchers have found that Fortune 500 companies that announced the adoption of new family-friendly policies saw same-day increases in their share prices, indicating that investors anticipate that the benefits of such a program will outweigh any costs associated with providing it.⁴⁸

Paid family and medical leave is important for businesses trying to recruit the next generation of workers.

- Recent polling shows that paid leave is one of the top three policies people prioritize when considering a state for relocation, with members of Gen Z identifying paid family and medical leave as the number one top policy.⁴⁹
- Without paid leave, many young workers with medical or caregiving needs are unable to find secure employment. Nearly 2 in 5 workers (35%) between the ages of 18 and 29 have left a job or been fired because they did not have paid family and medical leave.⁵⁰ The same study found that 17% of all voters have had to leave a job or have been fired due to a lack of paid family and medical leave, meaning that the rate is double for young workers.⁵¹
- Young adults are a large portion of caregivers: there are over 3 million Gen Z caregivers, or caregivers born between 1997 and 2012.⁵²
- Young workers at the beginning of their careers are especially in need of paid family and medical leave, because without lifelong savings, they often do not have the economic resources they need to support themselves and their families.

