

FACT SHEET:

Paid Family and Medical Leave Policies Help Small Businesses Thrive

In today's competitive labor market, it is important for states to foster an environment where small businesses can thrive. Statewide paid family and medical leave policies ensure that employers can support workers' family and medical needs and retain their workforce, without any substantial burden on the business. In fact, state paid family and medical leave programs have been proven to lead to savings through improved retention, productivity, and worker well-being. The value of these programs is especially significant for small business owners, who often view their employees as family, but may have fewer resources to provide paid leave without additional support. Comprehensive paid family and medical leave policies, which have been successfully enacted in 13 states and D.C., reduce the administrative and cost burden on employers and allow small businesses to provide this crucial benefit to their valued employees.

Comprehensive paid family and medical leave policies reduce costs and administrative burdens for small businesses.

- The data-driven paid family and medical leave approach that has been adopted by 13 states is structured as a social insurance program that shares costs and covers nearly all workers. By contributing a small amount—typically less than the cost of a cup of coffee—each week, employees and/or employers pay into a fund that provides paid leave to care for a new child, personal medical emergency, or family member's serious illness.
- When paid family and medical leave is managed through a state program, much of the administrative burden is removed from small businesses. The state handles the processing of leave applications, benefit payments, and compliance issues. This reduces the need for small businesses to develop and manage their own leave programs, freeing up critical time and resources.
- This successful approach has already been enacted in 13 states plus D.C. and is proven to support small businesses in a cost-effective manner.¹ As detailed below, a majority of these programs allow small businesses below a certain employee threshold to participate and provide paid leave to their employees at no cost to the employer.

Comprehensive paid family and medical leave is proven to boost retention, productivity, and profits.

- A 2019 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.²

- Without supportive state policies, small businesses are at a competitive disadvantage, as larger employers are often better equipped to provide this benefit out-of-pocket.³
- Paid leave improves retention, recruitment, morale, and productivity, all of which contribute to the success of small businesses.⁴
 - Small businesses that cannot afford to offer the same generous leave benefits as larger companies are at a competitive disadvantage for hiring.⁵
 - Small businesses that offer paid leave see it as a necessity to recruit and retain talented employees, and those that don't offer this benefit report that it is more challenging to hire.⁶
- A study in one state found that small businesses saw a 14% decrease in their per-worker labor costs when workers took paid family leave. The smallest businesses saw the greatest percentage-based savings.⁷
- In another state, approximately two-thirds of small businesses reported no increase in overtime pay costs due to the state paid family leave law,⁸ and researchers have found that other employees do not resent absent co-workers.⁹

Comprehensive paid leave policies can be designed to address the unique needs of small businesses.

- Small businesses already navigate their employees' family caregiving and medical leave needs. However, without additional support, many small businesses struggle to provide paid leave on their own,¹⁰ and paid leave policies from private insurers are often not an affordable option.¹¹
- Many states have enacted policies to proactively support the ability of small businesses to provide paid family and medical leave. For example:
 - Small businesses below a certain employee threshold in Washington, Oregon, Massachusetts, Maryland, Maine, and Colorado are able to participate in the statewide paid leave program and provide this benefit to their employees at NO COST to the employer.¹²
 - Rhode Island, Connecticut, and California have enacted paid family and medical leave programs that are entirely funded by employee contributions.¹³
 - In Washington¹⁴ and California,¹⁵ small businesses can apply for paid family leave grants to help cover expenses such as cross-training existing staff, hiring and training new or temporary employees, or ensuring business continuity during employee absences.

In states with comprehensive paid family and medical leave policies, small business owners are overwhelmingly supportive.

- In one survey, 91% of small business owners said that paid leave laws had a “positive effect” or “no noticeable effect” on profitability and performance. A large majority of employers also reported positive or neutral effects on productivity (88.5%) and employee morale (98.6%).¹⁶
 - As Tony Sandkamp, small-business owner of Sandkamp Woodworks in Jersey City, New Jersey, put it, “The low costs associated with the plan are more than outweighed by the benefits. I know my staff members are in a great place to grow with the company, and turnover and training costs have been nearly wiped from my balance sheets.”¹⁷

- According to a 2023 survey, a large majority of California small business owners support the state’s paid family leave policy and even support expanding the law to increase access for workers.¹⁸

¹ A Better Balance, The Business Case for Paid Family and Medical Leave, September 2021, <https://www.abetterbalance.org/resources/the-business-case-for-paid-family-and-medical-leave/>.

² Panorama and American Sustainable Business Council, October 2019, The Business Impacts of Paid Leave, https://assets-global.website-files.com/62448c65f2a3dc7ae94193bd/62448c65f2a3dc0f7a4195a2_Business-impacts-of-paid-leave-A-Panorama-report.pdf.

³ Small Business for Paid Family and Medical Leave, Small Biz Already Carved Out of Paid Leave by Status Quo, https://static1.squarespace.com/static/5cf16d6c89b0940001feec8f/t/6112e8d72aea584297c95bc1/1628629210057/SB4PL+Budget+Resolutio+n+R+esource+_FINAL+8.10.2021.pdf.

⁴ A Better Balance, The Business Case for Paid Family and Medical Leave, September 2021, <https://www.abetterbalance.org/resources/the-business-case-for-paid-family-and-medical-leave/>.

⁵ Eileen Appelbaum & Ruth Milkman, *Achieving a Workable Balance*, CENTER FOR WOMEN AND WORK (2006), p. 23, <https://smr.rutgers.edu/sites/default/files/Documents/Centers/CWW/Publications/achieving%20a%20workable%20balance%202006%20Appe+lbaum.pdf>.

⁶ SMALL BUSINESS FOR AMERICA’S FUTURE, PAID LEAVE POLICIES ON MAIN STREET (2021), <https://www.smallbusinessforamericasfuture.org/small-business-for-america-s-future-releases-paid-leave-survey-results>.

⁷ GREER COWAN ET AL., THE CALIFORNIA EXPERIENCE: LESSONS FROM 20 YEARS OF CALIFORNIA’S PAID FAMILY LEAVE PROGRAM 13 (Sept. 2021), http://www.bayareaeconomy.org/files/pdf/BACEI_PFL_Sept2021.pdf.

⁸ The Impact of Paid Family Leave on New Jersey Businesses, New Jersey Business and Industry Association, 2012, <https://bloustein.rutgers.edu/wp-content/uploads/2012/03/Ramirez.pdf>

⁹ Sharon Lerner & Eileen Appelbaum, *Business as Usual: New Jersey Employers’ Experiences with Family Leave Insurance*, CTR. FOR ECON. & POL’Y RSCH. (2014), <http://www.cepr.net/documents/nj-fli-2014-06.pdf>.

¹⁰ Id.

¹¹ A Better Balance, Fact Sheet: Voluntary Private Insurance Paid Family Leave Bills, March 2024, <https://www.abetterbalance.org/resources/fact-sheet-voluntary-private-insurance-paid-family-leave-bills/>

¹² A Better Balance, Interactive Overview of Paid Family and Medical Leave Laws in the United States <https://www.abetterbalance.org/family-leave-laws/>

¹³ Id.

¹⁴ Washington Paid Family & Medical Leave, Small Businesses: Your role and how you benefit, 2024, <https://paidleave.wa.gov/small-businesses/#::~:~:text=Small%20business%20assistance%20grants%20provide,Paid%20Family%20and%20Medical%20Leave>.

¹⁵ Business Wire, California Small Businesses Can Apply Now for Up to \$2,000 Per Employee for Paid Family Leave Grants, June 2024, <https://finance.yahoo.com/news/california-small-businesses-apply-now-154700672.html>.

¹⁶ Center for American Progress, Paid Leave is Good for Small Business, October 2016, [https://www.americanprogress.org/article/paid-leave-is-good-for-small-business/#::~:~:text=Small%20businesses%2C%20those%20with%20100,effect"%20on%20profitability%20and%20performance](https://www.americanprogress.org/article/paid-leave-is-good-for-small-business/#::~:~:text=Small%20businesses%2C%20those%20with%20100,effect).

¹⁷ Center for American Progress, Paid Leave is Good for Small Business, October 2016, [https://www.americanprogress.org/article/paid-leave-is-good-for-small-business/#::~:~:text=Small%20businesses%2C%20those%20with%20100,effect"%20on%20profitability%20and%20performance](https://www.americanprogress.org/article/paid-leave-is-good-for-small-business/#::~:~:text=Small%20businesses%2C%20those%20with%20100,effect).

¹⁸ Small Business Majority, *California Small Businesses Support Expanding State Paid Sick Days and Family Leave Policies*, (2023), <https://smallbusinessmajority.org/press-release/california-small-businesses-support-expanding-state-paid-sick-days-and-family-leave-policies>.