

# Paid Family and Medical Leave Is Good for Business

MAY 2025

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. State paid leave programs could also help grow their talent pool: nearly three-quarters of adults would prefer to live in a state where paid family and medical leave is available.<sup>1</sup>

○ **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>2</sup> Paid leave reduces turnover.<sup>3</sup>

- 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>4</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>5</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>6</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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- **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>7</sup>
  - Productivity increased by about five percent on average at firms in states with paid family leave programs after paid leave was implemented.<sup>8</sup>
  - 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>9</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>10</sup>

## State Programs Prove Paid Leave Benefits Small Employers

Nearly eight in 10 small business owners support enacting a national paid family and medical leave program funded by employer and employee contributions.<sup>11</sup> 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 and entrepreneurs compete for talent. Small employers benefit in particular because the cost of leave is shared. Plus, more than 40 percent of small business owners have needed to take leave themselves – and a paid leave program would help them do so.<sup>12</sup>

### ○ Employers adapt well to state paid leave programs and their support increases over time.

- 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>13</sup>
- The California Society for Human Resource Management, which initially opposed California's paid family leave law, declared that the law was less onerous than expected, and few businesses in their research reported challenges resulting from workers taking leave.<sup>14</sup> A survey conducted for the New Jersey Business and Industry Association found that, regardless of size, New Jersey businesses said

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**Nearly eight in 10 small business owners (79 percent) support a national paid family and medical leave program.**

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they had little trouble adjusting to the state's law.<sup>15</sup> And 93 percent of New York employers were in compliance with the paid family leave law by one year after implementation.<sup>16</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>17</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>18</sup>
- Small- and medium-sized businesses reported more positive outcomes of the California paid leave program than large businesses.<sup>19</sup>

○ **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>20</sup> (Only about six percent of worksites hire temporary staff to cover work during leave.)<sup>21</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>22</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, almost three-quarters of civilian workers do not have paid family leave at their job.<sup>23</sup> But business owners nationwide know it makes good business sense to take care of their employees.

Fourteen states, including the District of Columbia, have now enacted paid family and medical leave programs<sup>24</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 benefiting employers significantly. It's time for public policies to reflect this reality.

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