Family is part of our bottom line. At some point, most of us will need time off from work to care for a new baby, an ailing family member or ourselves. Small business owners want paid family and medical leave for themselves and their employees, but the private market doesn’t offer good, affordable leave policies. It’s time for policymakers to adopt a program that takes advantage of strength in numbers and makes paid leave a reality for everyone in the country.

Only 19 percent of the U.S. workforce has paid family leave through their employers and only 40 percent have personal medical leave through an employer-provided temporary disability program. Unequal access to paid leave reflects structural inequality; lower-paid employees and employees of color are less likely to have access.

For small businesses the numbers are starker: only 14 percent of workers in firms with 100 or fewer employees have access to paid family leave, compared to 28 percent of workers in firms with 500 or more employees. Small business owners overwhelmingly support paid family and medical leave and identify a social insurance model as what would most help them offer paid leave to their employees.

Many small businesses are losing talented employees to large corporations, which often wield the market power to give good benefits to top managers but are squeezing everyone else with low-wage, uncertain jobs. An inclusive, federal paid family and medical leave program would level the playing field for small businesses across the country.

States and municipalities across the country are showing how paid family and medical leave social insurance programs help create a more equitable economy. California, New Jersey, Rhode Island, New York, Washington state, Massachusetts, Washington, DC, Connecticut and Oregon have adopted policies that make it possible for small business to be employers of choice in their communities, giving them a critical public infrastructure through which to support their employees in times of need.

It’s time for Congress to make paid family and medical leave a reality for everyone.

The private temporary disability plans out there for small businesses fall short in many important ways. They are expensive. They are peppered with harmful carve-outs and fail to cover the situations we’ve already encountered. They contain waiting periods, minimum hospital stays, exclusions for cancer, and variance in plan offerings and pricing depending on which agent you talk to.

Sarah Piepenburg
Vinaigrette
Minneapolis, MN
The small business case for paid family and medical leave

From coast to coast, **30 million small businesses employ 58 million people.** Existing Paid Family and Medical Leave state laws make paid leave affordable and accessible to small businesses, leveling the playing field between small businesses and large corporations and increasing economic security for small business owners, their employees and Main Street.8

**Paid leave contributes to reduced turnover and higher employee morale and loyalty, leading to productivity increases and significant cost savings for small businesses.**

- Replacing employees is expensive: Turnover costs are estimated to average one-fifth of an employee's annual salary.9 Paid leave increases employee retention by encouraging employees to stay in the labor force and with the same employer, leading to significant employer cost savings through reduced turnover expenses.10,11
- In California, where a family leave insurance program has been in place for 15 years, the overwhelming majority of employers report positive or neutral effects of the program on productivity (89 percent), profitability/performance (91 percent), turnover (96 percent), and employee morale (99 percent); with small businesses reporting more positive outcomes as a result of strong public paid family leave programs than large businesses (those with more than 100 employees).12
- A recent Ernst & Young survey found that more than 80 percent of businesses that offer paid family leave report it has a positive impact on employee morale and more than 70 percent report an increase in employee productivity.13
- According to Harvard Business Review, a majority of the most successful companies report that exemplary benefit programs strengthen employee loyalty and morale, increasing worker productivity.14 These factors correlate with a better bottom line.
- A new study by researchers at American University shows that paid family leave policies increase the labor force participation of mothers by six percentage points in the year of a birth, effectively reducing birth-year maternal labor market detachment by 20 percent. It also shows a 50 percent reduction in maternal labor market detachment five years after a birth.15

**Paid leave goes right back into the local economy, boosting consumer demand at small businesses, as working people spend their increased earnings to cover the basics.**

- Paid leave contributes to stability in spending and consumption patterns. People lose $22.5 billion annually in wages because of a lack of paid leave.16
- When individuals do not have access to paid leave it impacts their spending and consumption patterns.
- Unpaid leave means families are forced to give up income they need to pay bills, buy groceries and support their families.
- Business owners cite weak sales as the biggest problem for their business and the economy, and ensuring that employees have their consistent wages means that consumer demand won’t go lax with each illness or family event or emergency.17
- Women currently outnumber men in the U.S. workforce,18 and women with paid family leave are 93 percent more likely to be working one year after the birth of a child than those who take no leave.19

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“Badger has always been a family-friendly workplace, and our policies around flexibility play a big role in how people feel about working for the company and how long they stay. This has led to virtually zero recruitment costs.”

Deirdre Fitzgerald
Badger Balm
Gilsum, NH
Evaluations of existing state paid family medical leave programs demonstrate that it does not increase costs for small businesses, and is feasible to implement.

- 87 percent of California employers confirmed that the state program did not increase costs, and 60 percent reported coordinating other benefits with the state’s paid family leave insurance system – likely resulting in ongoing cost savings.\(^\text{20}\)
- The New Jersey Business and Industry Association found that businesses large and small have adjusted easily to the state’s paid leave law.\(^\text{21}\)
- Nearly two thirds of New Jersey small businesses (65 percent) reported no increases in overtime pay costs because of the law.\(^\text{2}\)
- 5 years after the New Jersey law went into effect, 66 percent of small businesses say they support or strongly support paid leave.\(^\text{22}\)

Paid leave laws help level the playing field between small businesses and large corporations, allowing small businesses to compete on a more equal footing.

- With modest bottom lines small businesses often have trouble matching more generous paid leave benefits offered by some larger employers (including 84 percent of small businesses surveyed by Main Street Alliance) – resulting in a hiring disadvantage.\(^\text{23}\) In the current labor market, small businesses lose talented employees to larger employers, which wield the market power to provide paid leave.
- A study by Panorama and the American Sustainable Business Council found that large, publicly traded U.S. companies that started offering or expanded a paid leave policy between 2013 and 2018 averaged increases of 4.6 percent in revenue and 6.8 percent in profit on a full-time equivalent (FTE) basis.\(^\text{24}\) Small businesses deserve a shot at the same healthy growth in revenue and profit.
- Large companies report that they are “living their values” by providing paid family and medical leave.\(^\text{25}\) Small businesses share these values but are excluded from the market. A federal paid family and medical leave program would empower all employers to live their values.

Paid family and medical leave provides critical financial security for small business owners themselves.

- Small business owners themselves need paid family and medical leave. They, too, fall ill, have new babies and ailing partners or parents, and often cannot afford to take unpaid leave. Their cushion may be razor thin, and a single accident or a medical emergency could jeopardize the health of a small business and throw a business owner into financial ruin. Under a social insurance program, small business owners would have a guaranteed income source while out on leave allowing them to take care of themselves and their family without risking their business.
- Making leave available to small business owners themselves is critical to the success of the program overall. One of the most powerful ways to establish norms for time away from work is to have those in leadership model these behaviors, especially when it comes to paternity and caregiving leave.\(^\text{26}\)
Small businesses support paid family and medical leave

Private insurance options for paid family and medical leave are unavailable or out of reach for most small businesses. Small business owners overwhelmingly support a national paid leave insurance option to fill this need.

Small business supports a national paid leave solution.

Small business owners want to be part of the solution, both to support their employees and level the playing field with large corporations. In a Small Business Majority survey, 70 percent of small business owners said they believe it’s important to establish a national paid family and medical leave program.27

A Main Street Alliance survey of more than 1,700 small businesses showed widespread support for paid family and medical leave, with 64 percent – including 78 percent of women and people of color – supporting paid family and medical leave laws.28

Small business owners want shared responsibility.

The vast majority of small business owners surveyed, 79 percent, said a social insurance program model would help them the most to offer paid leave to their employees.29 This type of program uses strength in numbers to establish a public benefit that is feasible for both small businesses and workers.

Seventy-six percent of small businesses support shared responsibility for paid leave, with funding provided to operate the public program through joint employer and employee contributions.30 Paid leave programs offer substantial benefits to working families without unduly burdening employers, and well-designed programs offer significant benefits to small employers.

Small business for paid family and medical leave partners

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Leaving businesses like mine to put these policies together on our own, piecemeal, is costly and unproductive. We need a collective solution, one that accounts for small businesses and our employees.

Christie Bateman
Devin Bateman DDS LLC
Cleveland, OH
A small business solution for paid leave

Policy details matter to small business. That’s why the Small Business for Paid Leave coalition members worked with small businesses across the country to develop strong principles on paid family and medical leave. Healthy families and people are part of small businesses’ bottom line. A strong paid leave plan is one that works for families and small business.

Coverage

Coverage must be inclusive of all businesses, families and individuals and provide comprehensive benefits to meet the needs of today’s families.

- All business sizes and configurations should be included, no carve-outs based on business size or industry.
- All business owners, self-employed people, and employees (part-time, full-time, and seasonal) should be included, with no carve-outs or opt-outs.
- Parental, family, military deployment-related and serious personal medical needs should be covered, without gender distinction.
- A comprehensive paid leave program should provide a minimum of 12 weeks of leave.
- The definition of family should be inclusive.

Costs

Costs should be responsibly shared to make the program affordable for businesses of all sizes, sustainable to fund and affordable for workers of all incomes to use.

- Both employers and employees should contribute.
- Wage replacement should be progressive in order to protect lowest-wage workers.
- A social insurance model should be implemented to spread costs across all business types and income levels.
- A dedicated, new funding stream should be established that does not harm or borrow from other essential programs.

Administration and implementation

Administration should be an efficient public program with robust outreach, support and protection to provide stability to businesses and employees.

- The program should be publicly administered to maximize simplicity and ensure funding is applied to benefits, not third-party profit.
- Extensive outreach and technical assistance should be made available to businesses through program launch and to address issues such as extended employee absence, stability, and predictability.
- There should be a focus on ease of implementation for small business.
- A federal program should set a benefit floor, not ceiling, allowing states and businesses to enhance benefits set by federal standards.

I’d love to offer paid leave, but as a small business owner, I simply don’t have the resources. This puts me at a disadvantage when hiring new employees because I can’t compete with larger companies that offer a better benefits package.

Lynn Petrazzuolo
Avanti Corporation
Alexandria, VA
The FAMILY Act: A responsible solution for small business

The FAMILY Act is a responsible solution for small business. The Family And Medical Insurance Leave (FAMILY) Act (H. 1185/S. 463), introduced by Rep. Rosa DeLauro and Sen. Kirsten Gillibrand, would create an affordable, self-sustaining national family and medical leave insurance program. The FAMILY Act is the only proposal to date that meets the principles laid out by the Small Business for Paid Family and Medical Leave coalition, a part of the Paid Leave for All Campaign. We are working with legislative champions to update the FAMILY Act to reflect lessons learned in the states, including adding progressive wage replacement so the lowest-paid workers receive a higher percent of their pay, providing job protection for all leave-takers and using an inclusive family definition.

What the FAMILY Act covers

• Most working people would earn up to 66 percent of their monthly wages, capped at $4,000 per month, while on leave.
• The program would provide up to 12 weeks of leave in a year.
• A worker’s own serious health condition, including pregnancy complications or childbirth or deployment related needs would be covered by the program.
• Workers would be able to access the benefit to tend to care giving needs in the event of a serious medical condition of a parent, spouse, domestic partner or child.
• The program would give parents time to bond with a new child.

FAMILY Act administration and funding

• The benefit would be funded by small employee and employer payroll contributions of two tenths of 1 percent each (two cents per $10 in wages).
• The contributions would go into an insurance fund, and a new Office of Paid Family and Medical Leave within the Social Security Administration (SSA) would administer the program.
• Contributions would cover both benefits and administrative costs. Similar to Social Security, small business owners would contribute and receive benefits for themselves based on their self-employment income.
• The benefit would cost less than a cup of coffee ($1.50) each week for the typical worker.

How the FAMILY Act would benefit small business

• When an employee or small business owner needs to take time away from work, they can draw income from the fund to get by until they’re back on their feet.
• Employers can use the salary of on-leave employees as they see fit: increase hours of current employees, hire a temporary replacement, invest it in their business or save it for another use.