



**ISSUE BRIEF**  
**Paid Family Leave**  
*Benefits families & employers*

Paid family leave has the potential to positively impact not only the lives of individuals and their families, but their employers and communities as well. States where paid family leave has been universally implemented have already shown the ease and benefits of implementation, indicating that providing paid family leave is a step in the right direction for Missouri employers.

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### **Background**

Workers need time off to care for themselves and their loved ones. But many workers find that taking unpaid time off to meet their family duties places a severe economic burden on their families that is unmanageable. This results in families being forced into making a difficult choice – forgo care of their loved ones in times of need, or leave their jobs and risk economic uncertainty. The latter is bad for employers, communities, and our economy.

#### **Paid family leave has been shown to:**

- **Be of little to no cost to employers**
- **Increase employee retention, which saves replacement costs**
- **Increase workplace morale and productivity**
- **Enhance business reputations within their communities**
- **Decrease the use of publicly-funded government assistance**
- **Increase employment rates**

In St. Louis City and St. Louis County, women comprise 60% of the workforce. Because women take on a disproportionate responsibility for unpaid caregiving and are the vast majority of single parents, programs like Paid Family Leave that help support families are especially important in retaining women in the workforce.

### **What is Paid Family Leave?**

Paid Family Leave is time given off from work with payment in full to provide care for another member of the family, including time to:

- Bond with a newborn baby, or adopted or foster child (also called “parental leave” or “maternal leave”)
- Care for a seriously ill child or other family member, such as a parent, grandparent, sibling, parents-in-law, spouse, or domestic partner

## **Family Leave in the United States**

Within the United States, the Family and Medical Leave Act (FMLA) provides the sole federal guidelines that grant *unpaid* family leave to American workers<sup>2,4</sup>. FMLA grants up to 12 weeks of family leave each year<sup>2,4</sup>. In order to qualify for family leave under FMLA, an employee must work at a public business for at least one year for at least 1,250 hours, and must give at least 30 days' advance notice before taking family leave<sup>2,4</sup>.

Those who work for small private businesses with 50 or fewer employees are not covered by FMLA, which leaves the decision for family leave policies to be made by small employers<sup>2,4</sup>. Under these FMLA guidelines, only 77% of the working population in the United States is eligible for unpaid family leave<sup>2,4</sup>.

## **Impact for Employers**

Four states currently offer paid family leave: California (implemented in 2004), New Jersey (2009), Rhode Island (2014), and New York (2016)<sup>4,5,6</sup>. Small and large employers in these states have experienced multiple benefits from paid family leave programs, indicating that employers in Missouri could find advantages in offering paid family leave as well.

**(No) Program Cost:** Because family leave programs can be 100% employee-funded through payroll deductions, it has been found that the majority of employers (at least 87%) do not take on any additional costs<sup>4,5,6</sup>.

**Employee Retention:** Paid family leave programs have shown to increase employee retention at a majority of businesses<sup>4</sup>. Mothers who utilize paid family leave are 93% more likely to return to their jobs within a year of childbirth, as opposed to leaving their positions permanently<sup>2,4,6,7</sup>.

**The Cost of Replacing Employees:** Hiring and training a replacement employee is estimated to cost at least 20% of that employee's annual salary<sup>1,2,4,6</sup>. By offering employee-funded, paid family leave, employers can avoid replacement costs and better rely on experienced staff.

**Workplace Morale and Productivity:** With the availability of paid family leave, the majority of employers (90%) have found an overall increase in workplace morale and productivity<sup>4,6</sup>. When employees feel supported by employers, they are more incentivized to contribute their best work and remain at their workplace for a longer duration<sup>6</sup>. With increased workplace loyalty and dedication of skills among well-supported staff, employers can experience improved financial outcomes.

**Reputation in the Community:** A reputation as a supportive workplace can draw in more prospective employees, investors, and consumers, which in turn yield financial growth for an employer. Smaller, locally-owned businesses in particular can also establish themselves as competitors with larger companies that already offer paid leave<sup>6</sup>.

## **Sustainable Economic Impact**

Paid family leave also benefits communities, and is associated with:

**Lower necessity and use of public financial assistance:** Compared to those without the option of paid leave, employees who utilize paid family leave programs use approximately \$413 less in the first year after childbirth, and are 39% less likely to utilize public assistance at all<sup>2,4,7</sup>.

**Higher employment rates:** An increase in labor contribution and decrease in assistance use both lead to economic growth and thriving communities through taxes and spending, which in turn continues to benefit employers<sup>2,4,7</sup>.

## **Recommendation for Policymakers**

**Pass a paid family leave law:** Following the precedent set by California, New Jersey, Rhode Island, and New York, a statewide paid family law providing at least six weeks of paid leave would allow employees to bond with a minor child within the first year of birth or placement in connection with foster care or adoption or to care for a family member with a serious health condition. The U.S. is one of only two countries in the United Nations without universal paid family leave following the birth of a child – the other is Guam.

## **Recommendation for Private Employers**

**Implement a paid leave policy in increments:** Many employers who introduce paid family leave do so by starting small. This can be done by offering partial pay for family leave, and gradually moving towards full pay. The duration of available paid family leave can also be increased over time, starting with a shorter duration of leave and gradually moving toward a duration that works best for the employer and employees.

**Learn from your employees and other private employers:** One of the simplest steps in developing a policy that will have the best impact for your employees is to ask what they need. Incorporating employees' input in the creation of a paid family leave policy not only strengthens the applicability of the policy, but also shows employees that their insight and needs are valued, which increases morale. Additionally, the amount of private employers in St. Louis that are providing paid family leave is steadily growing. Those who have already implemented paid family leave policies have likely already learned what works best in developing such a policy, and their insight can further strengthen the creation of your own paid family leave policy.

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